



# The Lion's Roar

Fall 2001

❖ Quarterly Bulletin for the Clients and Friends of Networth Asset Management Inc. Canada ❖

## So what's in store next?

by Victor A. Didkowsky, CFP

September 11th, 2001 will go down in history as the day that North America was brutally indoctrinated into the horror of terrorism that the rest of the world has experienced for some time already. If you have been reading my previous emails entitled "My View", posted on our website, you know how I feel about this senseless and tragic loss. Taking of life for any reason is inexcusable.

Being who I am, I will try to put a positive spin on what has happened. Over the last eighteen months we have suffered financially as the world markets have continued to erode in value. A type of a slow drip torture. As a result of the recent events, what we have seen, and may probably yet continue to experience in the short term, is serious corporate blood-letting. Maybe that's good. Let's get it over quickly, get rid of the extra capacity, over supply of products and human capital, wipe the table clean and get ready to grow again. This slow death was proving to be very long and painful.

In dealing with what has been going on, I would like us all to step back and consider historical facts and sound investment theory versus our own emotions.

As my article of September 17th, 2001 pointed out, that after almost every major crisis – The assassination of JFK, Cuban Missile Crisis, Bombing of Cambodia, Gulf War Ultimatum, Asian Stock Market Crash, The Russian Economic Collapse and even the day that France fell to Germany, the market reacted violently but in all cases, four months later they were above their pre-crisis level.

In continuing that train of thought, lets look at how staying out of the Dow or just sitting on cash would have affected your long-term

wealth. If you had only missed the five best trading days in the year following the tragic event, this would have been the impact.

	<u>Held On</u>	<u>Ran for Cover</u>
- Dessert Storm	+24.5%	+9.7%
- Cuban Missile Crisis	+23.1%	- 6.8%
- Kuwait Invasion	+ 7.0%	- 8.4%
- Pearl Harbor	+ 2.2%	- 8.2%

So what are the odds of missing those five best days in one year? First of all, they don't happen back-to-back and secondly, markets make big moves upward because of hot news releases. This only benefits those already invested, not those who are trying to jump on after the news is out. Why? Because equities will experience order imbalances and jump up before you can jump back in; it's that simple! Peter Lynch, Vice Chairman of Fidelity and the former Portfolio Manager of the historically successful Magellan Fund has this to say about what's next for the stock market, and I quote,

"Although I have been in this field for more than 30 years and have seen many difficult times – the market crash of 1987 (a 23% decline for the Dow in one day) and 5 recessions – I still don't know the answer. I never have. No one can predict with any certainty which way the next 1,000 points will be. Market fluctuations, while by no means comfortable, are normal. But it's important for us not to lose focus on why we invest in the stock market.

Since World War II, despite nine recessions and many other economic setbacks, corporate earnings are up 63 fold and the stock market is up 71 fold. Corporate profits per share have grown over 9% annually despite the down years. Nine percent may not sound like a lot, but consider that it means that profits mathematically double every eight years, quadruple every 16, are up 16 fold every 32 years and are up 64 fold every 48 years. Even if earnings rates slow to 6-7%, the compound gains will still be impressive over 10-20 years.

*Continued on page 2...*



## Tax Freedom Day

Great news! We all had to work five days less this year than last year.

The bad news is that the government still takes almost half of our income in various forms of tax.

Taxes paid by the average Canadian family in 2001.

<b>Earned Income</b>	<b>\$67,150</b>
- Income Tax	\$11,048
- Sales Tax	\$5,388
- SIN Taxes	\$1,931
- Fuel Taxes	\$899
- Social Taxes	\$6,609
- Property Taxes	\$2,392
- Profits Tax	\$2,987
- Resources Levies	\$551
- Other Taxes	\$1,038
<b>= Total Tax Bill</b>	<b>\$32,844</b>
<b>Take Home</b>	<b>\$34,306</b>

Source: The Fraser Institute, 2001



Continued from page 1

What do I know about the stock market is that it looks forward. That's right, forward. Right now we are looking at some difficult situations. But every economic recovery since World War II has been preceded by a stock market rally. And these rallies often start when conditions are grim.

As I said earlier, which way the next 1,000 or 2,000 points in the market will go is anybody's guess, but I believe strongly that the next 10,000, 20,000 and 40,000 points will be up. We have had incredible innovations in health care, manufacturing and technology. We have seen the demise of communism and the rise of free-market economies. We now have anti-locking brakes, supermarket scanners, profound improvements in heart surgery, artificial hips and knees, prescription drugs that treat high blood pressure, cholesterol and other serious health problems. These cures, inventions and innovations create jobs, make business more efficient and add to worldwide prosperity.

If you believe in the strength of the American resolve, hard work and innovation, then take a long-term view and believe in our economic system.

I certainly believe."

I believe in what Mr. Lynch has to say, but why is he so convicted to his reasons? It may be for the same reasons that Dr. Eric Kirzner, Professor of Finance at The Rotman School of Business at The University of Toronto feels that market recovery hinges on five factors:

1. The terrorist responsible for the act must be identified so there is context and more certainty surrounding this tragedy.
2. The restoration of consumer confidence.
3. Co-ordinated interest rate cuts from the central banks in North America.
4. Stability of exchange rates.
5. Confidence that the integrity of North American banking and settlement systems is maintained.

Unfortunately this will not be a quick fix, but I am confident that it will be fixed and that we will some day look back and remember where we were that fateful day and how it changed our life.



## Beating the market by 2 to 3 times

I would usually think that if I could beat the relative benchmark, for instance the TSE300 by 200 – 300%, I would be the brightest star in the Universe. Unfortunately, what that means in today's market is that your portfolio has still lost money over the last few years. The reality is that there is no safe place to hide even cash is losing ground when you factor in inflation.



When entering a running race you must first decide; are you a sprinter or a marathon runner. In the last couple of years if you had first hand knowledge and contacts within an industry – say oil and gas, you probably did very well being a sprinter. If your money was professionally managed you didn't do so well. Why, because professional wealth managers don't run the 100 yard dash. They also don't sit down at the roulette wheel to place their bets, because they know that in the long run the house has to win and they have to lose. Certainly in the short term they may hit a home run, but like most people they will out stay their welcome and give back not only their winnings but what they sat down with as well.

Now in saying all of that, it still doesn't offer much comfort to see your hard earned dollars become less, even if it is only on paper! I have always said, invest into real companies with real assets, real sales and real earnings. Those are the ones that will survive, rise to the top time and time again and reward their patient shareholders with real wealth.

When you go shopping and see something you like, depending on how much you want it, you might buy it then and there. If you came back a week later and it was on sale for 25% off, you might be even more inclined to buy. Then by chance the following week you come wandering by and it was 50% off. That would probably then represent a real buying opportunity! **Well guess what? The market is on a 55% - 90% off sale and you should be buying,** that is unless you honestly think that the economy of the world is coming to an end, in which case the media barons want to get your endorsement on the affects of promoting an effective propaganda campaign.

The long and the short of it is that the market has experienced this type of environment many times before. Individuals who saw past the short term picture and looked at the long term, in all cases took a leap of faith, but were very well rewarded for that. Those who didn't, well they shared in their own results.

**Buy now, don't wait for the sale to end! ....Call me today, not in January or February when the market has quite possibly taken a large run up. If you need a loan, I can assist you in arranging that at very competitive rates.**

## Dinner Draw Winners

*Don't forget, every time that you introduce us to someone who becomes a client, your name is entered for a dinner draw. We have the pleasure of awarding this symbol of our appreciation every quarter.*

**Congratulations!**

This period's dinner draw winners were **Victoria and Don Coward**, who introduced us to **Tracy Damour and Dan Denette**. We welcome Tracy and Dan to our practice and thank Victoria and Don for their continued support.

**Bon Appetite!**



## Why do I choose to deal with Victor?

First let me start out by reflecting on the global tragedy which occurred on September 11, 2001. Imagine if you can, the death and destruction of the



World Trade Centre in New York as well as the Pentagon in Washington and the affect it has had on our lives now and will have in the future. My deepest sympathy to all the family and friends

whose loved ones perished in this mindless terrorist act and all those who were touched in some way by it.

Victor and I met five years ago while on a course. Our friendship began and soon after that I became his client. Over the years, Victor has provided me with excellent financial advice and I am also pleased to say that I am very satisfied with the percentage of return my portfolio has achieved to date, even in these trying times.

Victor has extensive knowledge in the matters of the financial world and is most helpful in minimizing taxes, achieving my dreams and his desire to assist his clients, provides him with the qualities required of a superior financial advisor and trusted friend.

Let us be reminded that financial security is not obtained in a few short months or years, it takes time and patience.

At the end of August this year, my daughter, Tanya and son-in-law, Joe completed "THE IRONMAN" competition in Penticton, B.C. which is a 4 km swim, 180 km bike ride and a 42 km marathon run. To complete this feat, countless hours of training, determination and dedication were required.

So it is with financial success, it does not happen in a heartbeat, time is required. The ups, downs, peaks and valleys all come into play. "Here's to knowing that you will all become financial Ironmen by training with Victor".

*Gord Turberfield*

*Contractor for the Networth Asset Management  
Corporate Home in Crescent Heights,  
Calgary, Alberta.*

## An Investment Alternative:

Within our somewhat backwards regulatory environment a layperson on the street can promote and be compensated

for the opportunity I am about to share with you. Being well educated, accredited and your qualified trusted advisor, I am not allowed to recommend or promote the following. I can, however make you aware of the opportunity and if you wish to pursue it directly you are free to do so without encouragement or guidance from me.

These are the facts:

Company Name:

Base Mortgage & Investments Ltd.

724 – 55 th Avenue S.W.

Calgary, Alberta T2V 0G3

Tel: (403) 255-3100

Contact Person: Lyle Hogaboam, B. Comm.



History:

In business since 1971

- Prior to that, a banker
- Partner in the firm

What they do:

1st mortgage lending on a pooled basis

- Secured by primarily residence
- Maximum 70% loan to value ratio
- Six-month renewable term
- Minimum investment - \$25,000

Claim to Fame:

- In 30 years, has never had one single client lose principal invested

Returns:

- 12% to 14% per year

Real estate is cyclical and there have been periods of time that the market has corrected.

Investors with other firms have lost money in the past and like any other investment, it is not guaranteed.

Just thought I would pass this along.

## News & Views

### Words to Balance Life By

1. You shall not worry, for worry is the most unproductive of all human activities.
2. You shall not be fearful, for most of the things you fear will never come to pass.
3. You shall not carry grudges, for they are the heaviest of all life's burdens.
4. You shall face each problem as it comes. You can only handle one at a time anyway.
5. You shall not take problems to bed with you, for they make very poor bedfellows.
6. You shall not borrow other people's problems. They can better care for them than you.
7. You shall not try to relive yesterday for good or ill, it is forever gone. Concentrate on what is happening in your life and be happy now!
8. You shall be a good listener, for only when you listen do you hear ideas different from your own.
9. You shall not become "bogged down" by frustration, for 90% of it is rooted in self-pity and will only interfere with positive action.
10. You shall count your blessings, never over-looking the small ones, for a lot of small blessings add up to a big one.

*(Author Unknown)*



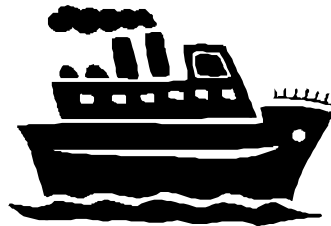
## CRUISING AND RESORT VACATIONS "TIPS TO OBTAIN THE BEST DEALS"

**H**ere are a few tips to remember when planning your vacation:

**Avoid times of peak demand** - Peak demand for most commodities means higher prices and the travel industry is no different. Both cruise and resort peak demand (or high season) generally coincides with the best weather during the year for a particular destination or area of sailing. In addition, major holiday times such as Christmas, Easter and School Break also result in high demand and higher prices. Low demand is called low season or value season and moderate demand is called the shoulder season. Some examples of the travel season for various destinations include:

- \* Alaska ————— May to September
- \* Mediterranean — March to November
- \* Caribbean ————— All year round
- \* Panama Canal — September to May
- \* Hawaii ————— All year round
- \* South Pacific — November to April

During the high season in some areas, the demand can also drop such as directly after the Christmas/New Year holiday in the Caribbean. Remember that cruise lines and resorts will make every effort to ensure that the ships and hotels are full throughout the entire season.



**Flexibility with dates and itineraries** – you may be able to go to a destination when the weather is still good but the demand is moderate or low. Consider repositioning cruises when the ships move from one area of sailing to another such as from the Caribbean to Alaska. The cruise lines often have 50% off or free air deals.

**Travel as part of a group** – most cruise lines offer reduced rates to groups occupying eight or more cabins (some only require five). Some high volume travel agencies may be able to offer special deals.

**Back to back cruises** – some cruise lines may offer additional discounts if you take two consecutive cruises on the same ship but with different itineraries.

**Before and after cruise hotel packages** – if you were planning on spending some days on land in conjunction with a cruise, consider land tour or hotel packages offered by the cruise lines.

**Past passenger promotions** – some cruise lines will offer special rewards such as special mailings or discount prices for repeat passengers.

**Senior citizen discounts** – don't be afraid to tell your travel agent that awful secret! If you are 55+, some cruise lines and resorts will offer discounts.

**Go with a friend** – most cruise lines and resorts price their accommodation based on double occupancy therefore a single person can be charged a significant penalty.

*Pat Lambert  
Cruise and Travel Consultant –  
Crowfoot CruiseShipCenters  
Phone: 208-3743  
e-mail: patlambert@home.com*

*I require your assistance. . .*

What is it that I do so well that has earned your trust?

Of your most valued relationships, who else would also value that?



*Just a reminder.*

We have a library of some of the very best books and tapes on Personal Finance and Self Development, available to you on loan, at no cost, just give us a call.

*Welcome and Thank you!*

Welcome, to all of our new clients who have joined us since our last news bulletin. Thank you, to those of you that have mentioned our name to people that you know would benefit from our services, just as you have.

**Your introductions, and trust in our abilities, mean a great deal to us.**

*Pass it on. . .*

If you enjoy this publication and find it of value, possibly someone else you know may also appreciate receiving it. If that is the case, please give us a call and we would be happy to add them to our list or simply click "Send To A Friend" on our website.

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