Stepping off the *roller coaster*

Investment advisors foresee less market volatility and rosier prospects in 2010

By Rayanne Brennan

Atlantic Business Magazine invited a cross-section of Atlantic Canadian investment advisors to gaze into their crystal balls and tell us where our fortunes might be made in 2010. Several consistent pictures emerged. The advisors saw continued volatility in the year ahead, but with less pointed highs and lows. In other words, they think the wild ride is over and that the economy will continue to rally, though slowly, with milder market fluctuations.

They were also unanimous in forecasting that this post-recession period was a wise time to invest. Anytime is a good time to invest, they agreed, but especially when the economy is in recovery mode. So where will the smart money reside in 2010? It's on this question that differences of opinion begin to emerge. Most anticipate financials, materials and energy (sectors that have historically dominated the Canadian market) regaining strength as the economy rebounds. However, their forecasts vary on other sectors, with some advisors recommending consumer goods and information technology, and others underweighting those industries.

Though opinions were split on top investment picks, there was consensus on the need for a well-balanced portfolio. The advisors cited diversification as key to investment success.

Choosing an investment advisor to predict what the market's overachievers and underperformers will be in 2010 comes down to trust, the advisors agreed. Select an advisor whose investment philosophy matches your own. And make sure the advisor and the advisor firm's are licensed - advice many North American investors wished they heeded in 2009. Finally, understand that any and all advice (including this article) should be used as a launch pad for your own due diligence research: neither *Atlantic Business Magazine* nor the following individuals can be held responsible for personal decisions made as a result of this article.

GROUP OF SEVEN

Atlantic Business Magazine asks seven investment advisors about market trends and growth sectors.

Question 1: Is this a good time to invest?
Question 2: How do you think the market will perform in 2010?
Question 3: What will be the strongest/weakest sectors?
Question 4: What should I ask before choosing an investment advisor?
Question 5: Where and how are you personally investing?

Note: The responses noted here are interview excerpts. For the full version, visit ABMonline.ca

JANE SMITH

PRESIDENT & CEO, BEACON SECURITIES LIMITED (NS)

1. If you need access to your money in the short term… stay with low risk investments and accept a modest interest rate. If your time horizon is longer, moving the risk to good quality dividend bearing stocks with a portion of your portfolio makes sense….

2. I think it is entirely possible that we will have a relatively sideways market that could experience continued volatility both up and down. With a sideways market, not all stocks will perform well.

3. In Canada, I would overweight energy, materials, financials and technology, where earnings recovery should be substantial. I would underweight… consumer staples, telecoms and utilities.

4. "By whom are you regulated and who is the custodian of my securities and money?" …After these, ask what the advisor's approach is to investing, what products they have access to and make sure you share the same philosophy.

5. My investment account is primarily in dividend bearing stocks because I like to get paid dividends while I wait for the markets to move higher. To that, I add managed money to get the diversification and potential for performance.

JEFF BURT

VICE PRESIDENT, BMO NESBITT BURNS (NL)

1. Our answer is yes. North American stock markets are consolidating at the present time. We believe once the consolidation is complete, stocks will continue to move higher.

2. In broad terms, we expect that 2010 will look much like 2009 - equities performing well, and government bonds performing poorly.

3. We expect cyclical sectors, such as materials, industrials, consumer discretionary and technology to continue to do well. We also expect energy and financial sectors to perform well. …Consumer staples, health care, telecom and utilities are expected to underperform.

4. The most important question you should ask yourself is "can I work with this person?" The nature of the client-advisor relationship necessitates that you actually enjoy working with your advisor.

5. Given that my firm is part of a large financial institution, I have a larger than normal position in financial services. The balance is split between the materials sector and a sector neutral portfolio.

KENNETH POPOWICH

INVESTMENT ADVISOR
HSBC SECURITIES (CANADA) INC.

1. There are always investment opportunities regardless of the economic situation. … It's a question of matching the right investment opportunity to your time horizon, risk tolerance and requirements for income.

2. Several economists have suggested that most of the world economies are out of recession. However, there will likely continue to be volatility. Global economic recovery should be reflected in the equity markets.

3. Several commodities appear attractive…. Other areas such as technology may benefit from pent-up demand. Some emerging markets provide a compelling argument as well as the small cap sector, which is often the first to benefit from economic recovery.

4. Are they regulated by any federal or provincial body which monitors their activity? Also, ask about their industry accreditation experience. Most importantly, make sure your philosophies match.

5. My portfolio is well diversified, with exposure to blue-chip dividend paying stocks, as well as resources and small cap. Diversification is important, and having diversification among sectors, market cap, and geography is also critical.

BRAD BISSETT

SENIOR FINANCIAL PLANNER
TD WATERHOUSE FINANCIAL PLANNING

1. If you have a mid-long term investment horizon and are comfortable with market fluctuations, investing in equities as the global economy recovers could be rewarding.

2. In 2010 I expect there will be a lot of volatility, but overall I think as economic conditions improve, investors will gain the confidence to move back into equities.

3. The Canadian financial services, energy and utilities sectors should strengthen….

STEVEN BELCHETZ
PRESIDENT & CHIEF
INVESTMENT OFFICER
T.E.WEALTH

1. There is really no bad time to invest for the long term and attempting to time the market tends to backfire more often than not.

2. I doubt that the market will continue to rally at the pace it did in 2009. More than likely, there will be a more gradual increase, accompanied by continued volatility and short-term corrections.

3. I encourage a diversified equity portfolio, which has exposure to various sectors, in order to prevent being caught with too much in a weak sector. This necessitates having more than just Canadian equities in portfolios….

4. At the end of the day, you want some assurance that they (advisor) will act in your best interests rather than in their own best interests (from a compensation perspective).

5. (My long-term strategy) outlines my allocation between fixed income and equities, as well as my allocation between Canada and the rest of the world. The only trades I make are to rebalance the portfolio when it deviates too much from these targets.

Investors will need to closely monitor the portion of their accounts invested in the U.S., due to a sluggish economic recovery, high debt levels and the …rising Canadian dollar.

4. "How will you determine the level of investment risk that is suitable to my situation and how will you pick the investment products to use?"

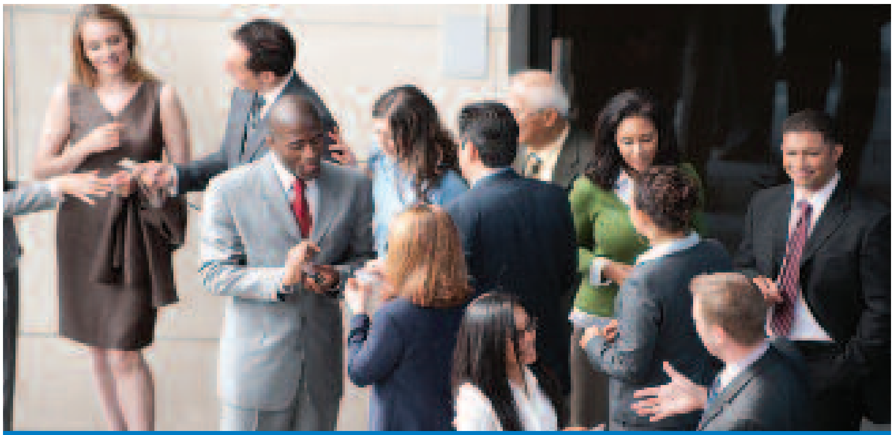
5. Canadian Equities – financials, energy, utilities, basically companies that strive to pay dividends.

Addiction in the workplace.
What is it costing your company?

We can help.

LEDGEHILL

For a free consultation on how to deal with addictions in the workplace, call Ledgehill Treatment and Recovery Centre **1-800-676-3393** or visit **www.ledgehill.com**.



Are you concerned about today's financial markets?

Find out how we can help.

While no one can predict where the market is headed, we can make sure your portfolio is aligned with your personal situation and long-term goals.

To review your concerns and to get a fresh opinion, we have Investment Advisors in the following locations:

New Brunswick
- Fredericton
- Moncton
- Saint John

Newfoundland
- Corner Brook
- St. John's

Nova Scotia
- Antigonish
- Bridgewater
- Halifax
- Sydney
- Wolfville

Prince Edward Island
- Charlottetown

Please visit www.bmonesbittburns.com to view local Investment Advisors' websites.

BMO Nesbitt Burns®
Making money make sense™

MEMBER CIPF

If you are already a client of BMO Nesbitt Burns, please contact your Investment Advisor for more information. ®"BMO (M-bar roundel symbol)" is a registered trade-mark of Bank of Montreal, used under licence. ®"Nesbitt Burns" is a registered trade-mark of BMO Nesbitt Burns Corporation Limited, used under licence. BMO Nesbitt Burns Inc. and BMO Nesbitt Burns Ltée are indirect subsidiaries of Bank of Montreal.
™/® Trade-marks/registered trade-marks of Bank of Montreal, used under licence.

ROGER POWER
BRANCH MANAGER
INDUSTRIAL ALLIANCE SECURITIES INC. (NL)

1. For investors with a long-term horizon, any time is a good time to invest in stock markets as they have outperformed other asset classes.

2. It will be difficult to outpace 2009, but under positive economic conditions, the market will go up in 2010, probably by double digits.

3. I expect financials and commodities (oil/gas, metals/minerals) will be strong in 2010. Manufacturing will continue to be weak due to the strong Canadian dollar.

4. It is crucial to have open communications with your advisor. You need to know his investment philosophy and it needs to be similar to your own philosophy.

5. Most of my investments are managed by a third party "money manager". This enables me to remove the "emotional element" which is inherent when one manages their own investments. Also, I do this to be properly diversified.

KEIR CLARK
SENIOR WEALTH ADVISOR
SCOTIAMCLEOD (NB)

1. This is… a time when investors will want to be extra-diligent to select only the highest quality investments. It is also a time when having a disciplined… asset allocation and overall investment process in place is critical.

2. Keep in mind… that equity markets are for investors who can commit multiple years to holding what they buy. Whatever portion of your money you need during 2010 should not be invested in equity/stock markets.

3. (It) appears as though global growth will continue to create some demand for commodities. That said, investing sectorally with one's serious money is not a strategy we suggest.

4. (People) need far more than advice on their investments. They need an advisor who will help them formulate plans based on their life goals, then design and implement financial strategies to help them meet those goals.

5. My …money is in diversified portfolios of very high quality investments, oriented to meet our life goals. I reserve less than five per cent to "play" sector and other speculative investments.