



**CIBC**  
**Wood Gundy**

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The summer months are often choppy with below average returns (on a historical basis) and so far that's what we are experiencing. Most clients will see declines in the area of two to three percent on June statements after near breakeven returns in May and very positive twelve-month trailing returns. Stock markets are off about seven percent over the past two months so given the market decline, accounts held up reasonably well. Corrections of this magnitude are common, and we had been expecting a pull back at some point.

With respect to our fixed income strategy, we continue to increase fixed income quality in portfolios by focusing on investment grade Canadian corporate bonds and quality mortgages (through ACM Commercial Mortgage Fund) in exchange for corporate debentures being called for early redemption by issuers or for corporate debentures we are taking profits on.

Outside of registered accounts, we continue to focus on income paying Canadian real estate investment trusts (REITs), and dividend paying preferred shares.

Clients in our Index and Stock Strategy can expect to see some rotation into more defensive stocks over the summer months provided we see a bit of a rebound from current levels. We do not foresee significant downside risk in the market at these valuation levels (the Standard and Poor's 500 is trading at only 13 times forward earnings and competing risk-free fixed income pays almost 'zilch'); however an increased focus on more defensive names will make you (and us) sleep a lot better in case of future shocks to the system.

One stock we plan on increasing exposure to is Wal-Mart Stores, Inc. (Walmart), the world's most dominant low-cost retailer. It trades at under 12 times forward earnings and in the event of a major economic downturn, Walmart's earnings traditionally stay the same or increase (as shoppers become more cost conscious). Walmart is not being given much credit (valuation wise) for both its future growth potential (internationally) combined with its defensive attributes.

Areas we don't like right now are certain new issue corporate debentures from low quality names with yields in the 5% to 6% area (no thanks, we feel we know how this game works and we won't be enticed into lower quality bonds for such a small risk premium), resource stocks, and emerging markets... let's wait for the next material downturn and try and pick them up then.

We want to thank all clients who took the time to fill in up to two separate surveys that were sent out to a number of you. Along with our government's census survey, you must be getting 'surveyed out'. One of the two surveys sent out (on The Pope Team) was our firm's survey which is sent every two years. It is a very long survey so your time is much appreciated. We will soon get the aggregate results (on a confidential names basis, of course) and we always find the results useful in our practice.

The other survey was done by a company called 'Five Star'. That firm hired an independent survey company to send a survey to half of the high net worth households in the lower mainland. They recently announced which advisors achieved the top five percent in overall client satisfaction in the June issue of *Vancouver Magazine*. We were very pleased that we were on that list of advisors. We really appreciate the time people took to fill in these surveys.

Have a great summer!

Sincerely,  
CIBC Wood Gundy

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