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Enclosed is our firm's Monthly World Market Report. We share our firm's view that the latest catchphrase to describe market risk, "fiscal cliff", is one of the many short-term risks that will come — and then go. In the short-term, the market will worry about it. In the longer term, it will have no effect whatsoever on security prices. In fact, a negotiated settlement that includes a combination of some tax increases and spending cuts would be a good start towards addressing the United States' significant structural deficit – a problem that is better dealt with sooner than later.

The section on high yield bonds and investment grade bonds makes very good reading (at least from our standpoint, as we love reading about things like that!) We have added a lot of investment grade bonds to client portfolios over the past couple of years and most accounts also have high yield bond exposure through a low-management-fee fund. We use a fund to diversify away most of the default risk of individual bonds. The "easy" money has already been made on high yield bonds, but this asset class still looks ok in today's low interest rate environment.

Most accounts were down slightly in November, but held up quite well given the approximate two and half percent drop in equity markets over the same time frame. We like our fixed income in down equity months!

For those clients in our "Index and Stock Strategy", we have just completed a series of trades where we added a combination of inexpensively-valued Canadian resource stocks and U.S. financial stocks; and we also did our annual update of our "Dogs of the Dow" strategy (where we maintain an investment in the ten highest dividend payers from the Dow Jones Industrial Average).

We have received notice of an early redemption notice on one of our Superior Plus bond holdings (original maturity October 2015). Funds will be deposited into your account on Jan 3<sup>rd</sup>. Also, some clients own Primaris REIT units and/or convertible debentures. A hostile takeover bid was just announced. Primaris' share price increased nicely on the news. At the moment, we are holding as there is a possibility of a higher offer.

We have requested an allotment of a real estate investment trust IPO (initial public offering) that will pay out a cash distribution between 6.5 and 7 percent. Along with owning good quality Canadian commercial real estate, it is also taking advantage of our high dollar (and weak U.S. commercial property market) by buying commercial properties primarily in the state of Texas. We have also taken an allocation of a

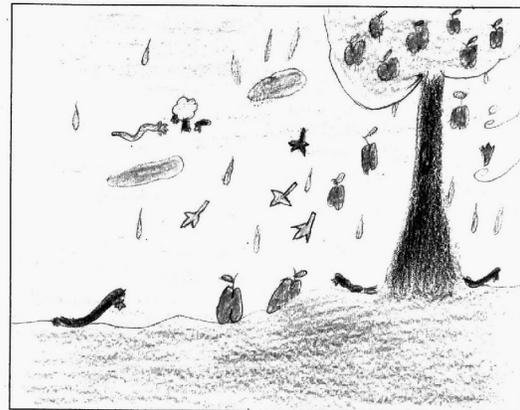
secondary offering of a Canadian-listed energy trust that owns oil and gas properties. As the properties are all U.S. based, the energy trust can utilize the tax advantaged “income trust structure” to avoid paying income tax. As a result, it can pay out a high cash distribution of 11.25%. Both of these investments can fit registered or non-registered accounts. We will place these investments over the next week or two, so if you have some spare cash looking for a longer term home, please give us a call.

With respect to estate planning, we have been asking retired clients if powers of attorney have been set up. Many retired clients have done so, but not all. It is very important to set this up before it is needed; by the time it is required, it is complex to grant one. For information on this or any area of estate planning, please don't hesitate to ask.

Our federal government just announced an increase in the 2013 contribution limit for Tax-Free Savings Accounts (TFSA) to \$5,500 from \$5,000. Many clients have asked us to fund their TFSA limit in January by moving over an investment from their non-registered accounts. For those who wish to fund their TFSAs by cheque, government rules require contributed funds come from the TFSA holder themselves. For example, if two spouses are writing one (combined) cheque from their joint bank account, both have to sign the cheque. Alternatively, each can write and sign their own (separate) cheque. Typically, we have used a high yield bond fund for TFSAs but as these accounts get larger, we can begin diversifying into different types of investments.

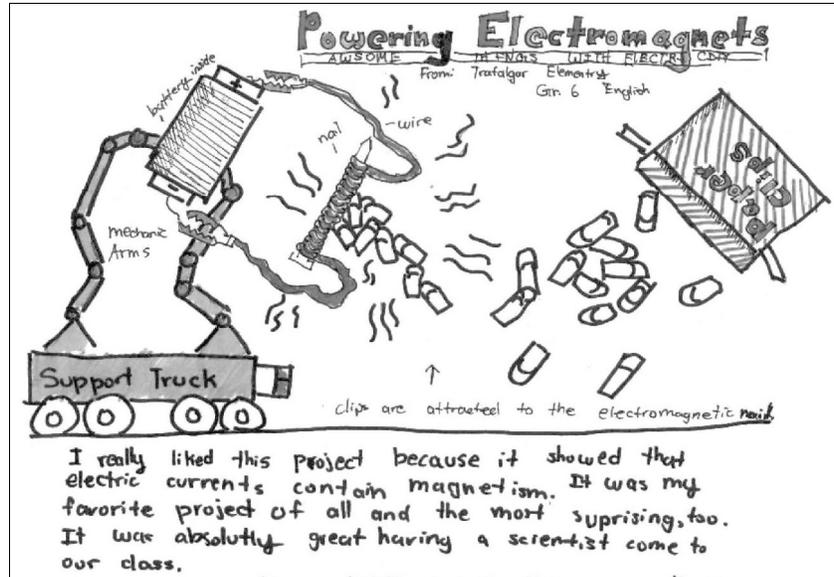
For clients with mortgages, please note that taking out a mortgage (or renewing one) at the best rate possible is akin to negotiating a car purchase (except the mortgage person typically does not walk into their manager's office five times or so during the process). A little rate research can save you many thousands of dollars over the course of your mortgage.

At this time of year, we participate in CIBC's “Miracle Day” campaign to fund children's charities. This year, CIBC has raised a record four million dollars through advisors donating commissions. For many years, our team contributed to a hot breakfast program at 5 inner city schools (expanding to 7 schools this year). These days, this program receives ample support from other Wood Gundy Investment Advisors, so we at the Pope Team decided instead to fund the “Scientist in Residence” program at Hastings Elementary School.



The most surprising thing was the worms. I never knew that worms are great composters. They eat leaves, wood, fruits and veggies and soil then poop out good soil.

The program brings in a scientist from UBC to the classroom to help develop and teach the science curriculum, alongside the teachers. The scientist then continues to provide expertise and guidance throughout the school year. As it is your commissions that we put toward this program, we thank you for the support.



We wish you and your families the very best over Christmas and the holiday season!

All the best,  
CIBC Wood Gundy

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