



UNION SECURITIES LTD.

INFORMED INVESTOR

THIRD QUARTER 2009 REVIEW

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Despite the summer holiday season and the oft-used "sell in May and go away" thinking as investors approach the summer months, equity markets continued to charge ahead in the third quarter, adding to their gains from the previous quarter. Investors appeared to warm up to the repayment of TARP loans by some of the big US banks and the decline in reported monthly job losses as signs that the recession was nearing an

end. Indeed, many market watchers are calling for an end to the recession by year end although most are also predicting an anemic recovery with a risk of a return to recession, the so-called double dip.

The appearance of green shoots of economic recovery are cited by some economists as

evidence of a recovery but, more often than not, these green shoots are fleeting and haven't yet put down strong roots. The failure of small banks in the US continues to grow in number while job losses mount and housing prices are still stagnant. Talk of China leading the return to prosperity for the world's economies with its stimulus program is now becoming more muted as that country grapples with its soaring

environmental costs and the overbuilding of manufacturing capacity in the face of weak demand for its exports. Most central bankers around the globe are now stating that they intend to keep interest rates low well into 2010 until their economies show signs of stronger stability. Their chief concern has now shifted from averting financial disaster to preventing a relapse into economic weakness.

Against the backdrop of all these concerns, the equity markets have advanced to levels that market statisticians are claiming price in GDP growth and corporate earnings growth that do not appear attainable in the short to medium term. In essence, the market has gotten ahead of itself. Nonetheless, there is still a huge cache of cash that is sitting on the sidelines unsure

of what to do. The fourth quarter could hold some surprises as to its direction and range.

In summary, the third quarter saw the major US market indices post almost identical returns as the Dow Jones Industrial and the S&P 500 indices both gained 15.0% while the NASDAQ Composite rose 15.7%. The returns were more varied for the year-to-date as the Dow Jones moved up 10.7% in the nine months ended

2009 Q3 PERFORMANCE	
Dow Jones	+15.0%
S&P 500	+15.0%
NASDAQ Comp.	+15.7%
S&P/TSX Comp.	+9.8%
TSX Venture	+17.0%

2009 YTD PERFORMANCE	
Dow Jones	+17.0%
S&P 500	+10.7%
NASDAQ Comp.	+34.6%
S&P/TSX Comp.	+26.8%
TSX Venture	+60.2%

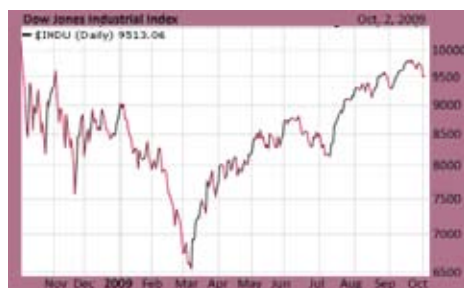
Tax-Free Savings Accounts

If you haven't already done so, don't forget to ask your investment advisor about Tax Free Savings Accounts, an excellent vehicle for tax free investing.

September 30 while the S&P 500 climbed 17.0% and the NASDAQ Composite jumped 34.6%.

In Canada, stronger commodity prices, especially for oil which boosted the Canadian dollar, lifted indices to higher levels. The fear now is that the strong Canadian dollar will hurt Canada's economic recovery as exporters grapple with being priced out of markets for their products. In fact, the governor of the Bank of Canada, Mark Carney, called for Canadian corporations to

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Charts courtesy of StockCharts.com

called for Canadian corporations to do their part in the recovery effort by stepping up their expenditures as the government stimulus program winds down. As for Canadian equity markets in the third quarter, the S&P/TSX Composite index rose 9.8%

while the TSX Venture index advanced 17.0%. For the year-to-date, the S&P/TSX Composite rose 26.8% as the TSX Venture leapt 60.2%. Although the last number may appear to be impressive at first glance, the index

had fallen from a high of over 3300 in July 2007 and is now still only at 1277. The risk appetite for junior resource equities is slowly returning but is still far from the peak of a couple of years ago.

Registered Retirement Income Funds (RRIFs)

For all those investors who hold self-directed Registered Retirement Savings Plans (RRSP's), they must eventually roll them over into a Registered Retirement Income Fund (RRIF). An RRIF is an investment plan that takes the funds from an RRSP and pays them out to the investor over time. There are rules with respect to how much one must withdraw each year and what tax liabilities exist upon withdrawal. In simple terms, it is the reverse of an RRSP whereby one made contributions every year while working; with an RRIF, one makes withdrawals every year to enjoy the benefits of retirement.

In some respects, RRIF's and RRSP's are similar in that they can hold the same investments: stocks, bonds, mutual funds and

GIC's. There are also no limits on foreign content in both plans. In addition, all income and gains accrued within an RRIF are not taxable until paid out of the plan at the time of withdrawal.

RRSP's must be rolled over into an RRIF in the year that the plan holder turns 71 although they can be rolled over starting at age 55. Starting the first year after the establishment of the RRIF, annual withdrawals must commence. Minimum withdrawal amounts are required and are based on a set formula according to age. For new plans where the plan holder is 71 or older, the minimum payments are a percentage of the plan's value on December 31 times the plan holder's age on January 1. (See table).

For withdrawals greater than the minimum amount, a withholding tax is applied. The tax is progressively higher as the amount of the excess withdrawal increases. For amounts up to \$5,000, the withholding tax is 10%; for amounts from \$5,001 to 15,000, the withholding tax is 20% and for amounts above \$15,000, the withholding tax is 30%. The withholding tax applies on one time payments that exceed the taxable thresholds or on the cumulative amount of monthly payments once a threshold has been reached during the course of the year.

For further information on a Union Securities self-directed RRIF, please contact your investment advisor.

RRIF Withdrawal Rates - Percentage of Plan's Value on December 31					
Age	Percent	Age	Percent	Age	Percent
71	7.38	77	8.15	83	9.58
72	7.48	78	8.33	84	9.93
73	7.59	79	8.53	85	10.33
74	7.71	80	8.75	86	10.79
75	7.85	81	8.99	87	11.33
76	7.99	82	9.27	88	11.96

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