



UNION SECURITIES LTD.

INFORMED INVESTOR

FOURTH QUARTER 2011 REVIEW

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As the European debt crisis continued to dominate the headlines while unrest simmered in the Middle East and also began to rise in Russia, North American equity markets staged a rebound. With retail sales showing some strength over the holiday shopping season and signs of job growth in the US, stock markets posted their best quarterly returns for the year.

In the fourth quarter, the Dow Jones Industrial Average jumped 12.0%, the S&P 500 gained 11.2% while the NASDAQ Composite climbed 7.9%. In Canada, returns were more muted as commodity prices slid, especially gold, with many predicting that the seven year bull market for the precious metal was coming to an end. During the quarter, the S&P/TSX Composite rose 2.8% and the TSX Venture Composite added 1.2%

Looking back over the year, equity markets were more or less flat in the U.S. as the S&P 500 showed no change, the Dow Jones was up 5.5% and the NASDAQ Composite was down 1.8%. After

two strong recovery years following the 2008 financial crisis, stock markets trended sideways as economists downgraded their growth outlook for the US economy and concerns of contagion arising from the European debt crisis kept investors in check. Further, slowing growth in Asia signaled a global economy that was losing momentum.

In an environment with slowing global growth, commodity prices weakened as gold sold off from its high in 2011 of over \$1,900, copper dropped on lower demand and uranium slid following the Japanese nuclear crisis resulting from the March earthquake and tsunami. Only crude oil seemed to hold its ground in the face of supply concerns from turmoil in the Middle East. Being a resource dependent

economy, Canadian stock markets faced selling pressure from investors fleeing both materials stocks and higher risk junior resource companies. For the year, the S&P/TSX Composite sank 11.1% while the TSX Venture Composite dived 35.1%. Underlying this sell-

RRSP Season is Here!

Don't forget to make a contribution to your RRSP by Wednesday, February 29, 2012 for the 2011 tax year. Talk to your investment advisor about how to invest in the current market environment.

off was also the search for yield by risk averse investors who sought out equities with attractive dividend yields versus resource stocks with traditional low yields and bonds paying low rates of interest.

Given the many problems facing the global economy, what can investors look forward to in

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Table with 2 columns: Index Name, Performance. Rows include Dow Jones (+12.0%), S&P 500 (+11.2%), NASDAQ Comp. (+7.9%), S&P/TSX Comp (+2.8%), and TSX Venture (+1.2%).

Table with 2 columns: Index Name, Performance. Rows include Dow Jones (+5.5%), S&P 500 (0.0%), NASDAQ Comp. (-1.8%), S&P/TSX Comp (-11.1%), and TSX Venture (-35.1%).



Charts courtesy of StockCharts.com

2012? Many market watchers expect the US to be consumed by political posturing heading into an election year at a time when the Republicans and the Democrats already have little common ground to enact policies to boost the economy. The European debt

crisis should see a resolution in 2012, which will provide some clarity even if the Euro undergoes some fundamental changes to its membership. Additional wild cards in the nuclear standoff with Iran and a change of leadership in North Korea may set off ripples

that could also affect global economic growth. These are indeed interesting times which contain both challenges and opportunities that will keep investors focused on seeking positive returns in the markets.

**Tax Free Savings Accounts - A Refresher**

The New Year usually heralds the beginning of RRSP season but also includes the eligibility to make a new contribution to your TFSA. Now in its fourth year of existence, a TFSA's total contribution limit is

currently \$20,000 comprising \$5,000 for each of the years 2009 to 2012. Available to Canadian residents 18 years of age and older, TFSAs are an innovative vehicle to hold investments that

can grow with no tax implications. Below is a summary of the features of self-directed TFSAs available at Union Securities.

Eligibility*	Canadian residents 18 years of age and older
Annual Contribution Limit	\$5,000
Aggregate Contribution Limit**	\$20,000 from \$5,000 for each of the years 2009 to 2012
Eligible Investments	Stocks, bonds, GIC's, mutual funds, ETF's and equities
Contributions	Not deductible for income tax purposes
Withdrawals	Never included in income for tax purposes
Re-contribution of withdrawals	Amounts withdrawn cannot be re-contributed until the following calendar year assuming there is no unused contribution room
Unused contributions	Amounts remaining from less than the maximum \$5,000 annual contribution can be carried over and added to prior years with unused contribution room so long as maximum contribution is \$20,000
Multiple TFSAs	Individuals can own more than one TFSA at different financial institutions as long as the aggregate contribution is \$20,000 for all combined TFSAs

\*In certain jurisdictions, the age of majority is 19 which will require a parent's co-signature when opening a TFSA.

\*\*Investors who are not 18 or older in any of the years from 2009 to 2012 do not accumulate the \$5,000 contribution limit for those years.

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