

PRIVATE INVESTMENT MANAGEMENT GROUP QUARTERLY REPORT

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THE 'TOOLS' FOR INVESTMENT SUCCESS

In the past, when I've been conflicted about how best to invest given the current market environment, I've found that by going 'back to the basics' and sticking to the fundamentals, a sound solution can be found. This has led me to what I believe are some of the key "tools" necessary in order to achieve lasting investment success.

A contrarian point of view

The fundamental human emotions of greed and fear cause most investors to 'buy high' and 'sell low', when we all know that doing the opposite is obviously the better approach.

While the wisdom of 'buying low' and 'selling high' seems obvious and simplistic – its application falls into the category of being "simple – but not easy." Why? Greed leads us NOT to 'sell high' but rather to buy even more. Fear leads us NOT to buy low, but rather to capitulate altogether on our 'long-term' investment plan – when we should be enthusiastically expediting it.

A study of dollar flows into the various investment asset classes confirms this, with the money repeatedly chasing last year's best performers, and rapidly redeeming those that have temporarily under-performed. This may be described as driving while looking through the rearview mirror – an approach as hazardous to driving as it is to investing. This is akin to making our investment decisions based on what has already worked well – in the past (i.e. before we owned it).

By simply approaching investment decisions with a contrarian point of view (and looking forward – not backward), we can stand to significantly enhance our long-term investment results.

The Tools For Investment Success continued next page...

Patience

Someone once surmised that if the average homeowner looked at the value of their house every month, they probably would have sold it five times by now.

Perhaps influenced by today's 24/7 financial "news" media and worse yet - the daily 'countdown to the close' - many investors simply lack the patience necessary to succeed in investing. Rather than measuring our investment success on a short-term basis, we have to understand a fundamental basic principle when investing – when you buy a stock you're buying a share in a business. The success of any viable business is not measured on a day-to-day or month-to-month basis, but rather is measured over years or perhaps even decades!

Further, measuring the success of what should always be a long-term investment plan on a short-term basis is akin to measuring the distance from Calgary to Banff with a twelve inch ruler! Logically no one would do this - and the same principle should apply to your investments.

A Plan...

One of the great things about our discretionary managed portfolios is that it gives us a plan. Not just any plan – but one that is specifically designed to achieve your long-term investment objectives based on your own unique time horizon, risk tolerance, etc. As a result, you have an actual investment strategy complete with specific securities that compliment this strategy, and that are appropriate for you and your investment goals.

With a sound plan, patience and a contrarian point of view, I'm confident that we have the tools necessary to achieve long-term investment success.

For specifics regarding your account(s), your current holdings, recent transactions and performance results, please see your quarterly statement also attached. For anything further, please feel free to call me at your convenience.

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