

The Investment EDGE

Winter 2008



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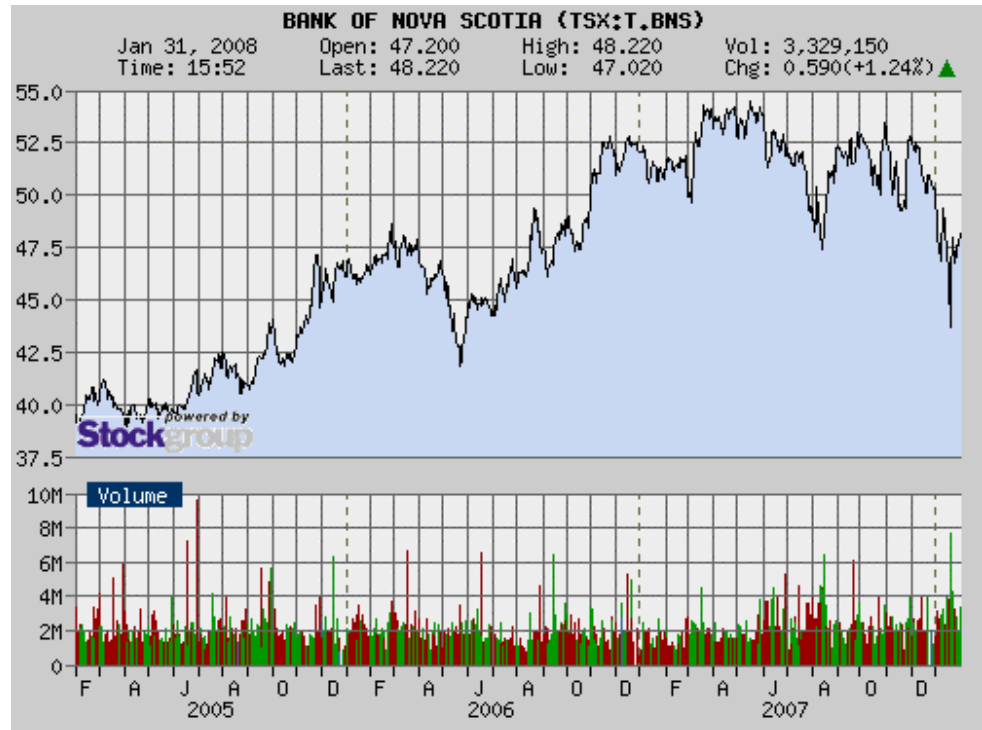
"Be fearful when others are greedy
and greedy when others are fearful."

Warren Buffett



Tough Year for Financials

Bank of Nova Scotia – 3 Years



BNS is currently trading at 4% dividend yield. In our opinion it will be hard to believe that looking 2 years out the Bank of Nova Scotia stock price will not be higher, plus as you wait you are rewarded with a yield comparable to a 3 yr GIC. (Actually better when the dividend tax credit is taken into account.)

Market Observations

As we are preparing this newsletter the equity markets are having an excellent day. The TSX is up 120 points and the DOW Jones is up 150 points. The US Federal Reserve did an emergency 75 basis point interest rate cut a week ago and at their regular schedule meeting this week cut a further 50 basis points. This proactive action has put a strong bid back into stock markets but still has not erased the fact that continuing the trend from the latter half of 2007, the stock markets are having a tough month. Most economic data coming out of the US is very weak. More and more there is consensus that the US is moving into a small recession or is already in one. Remembering that a recession by definition is two quarters of negative growth and from our view has mostly been priced into the stock market.

The Canadian economy on the other hand is showing much resilience. We have avoided the real estate bubble our southern neighbours created by falling over each other to lend money to anyone with a heartbeat willing to buy a home. Although we believe it would be very naïve to believe that a US slowdown will not have negative effects on Canadian corporations going forward.

We continue to believe that most corporate bonds and preferred shares are undervalued in this market environment and shall offer above average returns going forward. The pricing on these investments is being driven by fear and as normalcy returns to the market we should see prices strengthen.

Discipline is the most important principle to have in this environment. The Mellow, Schooley & Richardson Group believe that having an investment strategy, proper asset allocation, and sticking to it always leads to investment success.

2007 Budget Changes to RIF/LIF/LRIF Minimum Payments

Pursuant to legislative changes announced in the 2007 Federal Budget, the mandatory age at which a client must convert their Retirement Savings Plan (RSP) into a Retirement Income Fund (RIF) has changed from age 69 to age 71.

To accommodate this change for clients who are turning Age 70 or 71 in 2007, and have already received payments from their Income Plan Arrangement (RIF, Life Income Fund (LIF), or Locked-In Retirement Income Fund (LRIF)), clients may, if they wish, refund to their account any annual minimum payment already received.

This refunding of the account for any previously taken 2007 minimum payment must be done on or before February 29, 2008. Please call us if you have any questions whatsoever.

REMINDER: The deadline for RSP contributions is March 3rd, 2008. The max. contribution for 2007 is \$19000.00.



No Points from the Bench

Of the 7.2% the TSX Composite Index gained in 2007, 89.2% of the gain came from 5 stocks. Research in Motion, Potash, Alcan, Encana and Suncor. "The starters had a great year but the rest of the team was flat."

Port Elgin Wine Event

The Port Elgin Wine Event was a huge success! Thanks to everyone who attended. It was so much fun – maybe we should do it again? Our thanks go out to Grosvenors for excellent food, and Angel Gates for the wonderful wine (except that one).

In case you didn't know...

We offer Insurance

Asset allocation is often credited as a more important decision than the particular choice of investment product. When developing strategies to balance your investments across high and low risk options that are in line with your long-term objectives, why not consider insurance solutions as a way to round out your conservative investments? Insurance, as an integral component of a balanced financial plan can be utilized in many ways to protect investors from market volatility, diversify their holdings, and create additional tax efficiencies within their portfolios.

Feel free to call for information/quote on such topics as:

- Insured Annuities
- Critical Illness Insurance
- Life Insurance
- Gain Tax-Free Income Through Universal Life
- Wealth Protection Strategies

Ethanol is not the answer

Ethanol is corrosive and it is hygroscopic. Because it is corrosive to metal surfaces and readily absorbs water, it cannot be moved through the existing pipeline system that is used for petroleum and natural gas. This necessitates that ethanol be shipped by railcar tanker or tanker truck to a point close to the final retail outlet which in turn uses more fossil fuels, in some cases wasting the environmental benefit of using ethanol.

We question why the US government and public are so pro corn-based ethanol as an energy solution when it creates a new problem – poaching the breadbasket of North America.

Keep Thinking Green

Can we send this newsletter to you electronically? In order to reduce paper we would be happy to add you to our email list.

If you have any ideas or suggestions for our newsletter, we'd love to hear from you! Just send an email to carol_cadeau@scotiamcleod.com

One Final thought:

Two men look out through the same bars; one sees the mud and the other one the stars. –

Frederick Langbridge