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RULES for Investment Success

John Templeton
1912-2008

One of modern finance's greatest pioneers, in 1954 Sir John Templeton launched what was one of the first globally oriented mutual funds, Templeton Growth Fund. At that time, almost nobody invested *outside* the United States. Templeton argued that by restricting choices to domestic securities, investors were denying themselves of the chance to markedly increase portfolio diversification, lower volatility while increasing overall returns.

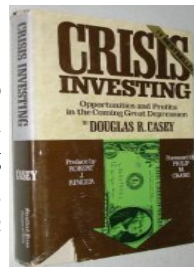
The ideas and theories he devised and put into practice decades ago led to such stunning performance between 1954 - 1995 (14.5%) that in 1999 Money Magazine called Sir John "arguably the greatest global stock picker of the century." In 1992, a month before his 80th birthday, Templeton sold his mutual fund empire for a reported \$440 million to Franklin Resources Inc. of San Mateo, California.

Templeton Growth Fund 1954-1995 14.50%
More information on page 5.

Results for Indexfolio™ 100*
from November 1, 1954 to December 31, 1995:
Annualized Return: **14.74%**

Crisis of the 1980s

The autumn of 1982 was supposed to have witnessed the economic downfall of America. The nation's best selling book that year was Doug Casey's; "*Crisis Investing: Opportunities & Profits in The Great Coming Depression.*"

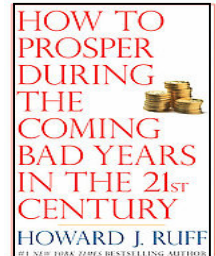


Casey wrote: "*It is now virtually certain that the United States will enter a depression far greater in scope and dimension than that of the 1930s,...the true price of gold should be at least \$3,000 an ounce...the Dow Jones Industrial Average will fall to at least 300 in the not too distant future.*"

A prominent politician endorsed the book by writing a forward in which he stated: "*a hundred years from now, should mankind survive that long, Doug Casey will be remembered as one of the great prophets of our time.*"

Howard Ruff, author of the best selling book "*How To Prosper During the Coming Bad Years*" wrote:

"...a probable downturn that may become a full-scale inflationary depression...a falling Dow Jones...interest rates will exceed 40%...social security pension benefits will exceed \$100,000 a year and it still will not be enough to live on ...high inflation will cause a Constitutional crises before 1987."



John Templeton was on the Louis Rukeyser TV show on June 18, 1982 - when the Dow Jones stood at 790. - Mr. Templeton startled Wall Street gurus by his prediction that the Dow would hit 3000.

Louis Rukeyser "Is there something wrong with the American spirit?"

Templeton: "Yes, Louis - that is the right way to put it. America is still the land of entrepreneurship but we are negative minded. You can find plenty of things to worry about if you are determined. But if you look for the good things, they are far more numerous. The wealth of a nation does not depend on natural resources. It depends on what goes on in the hearts and minds of its people."

"My message to you is to be courageous. I have lived a long time. I have seen history repeat itself again and again. I have seen many depressions in business. Be as brave as your fathers before you."

"It is very interesting that the spread of communications has increased the misery of people... we are flooded with bad news. And this bad news is making people depressed at a time when prosperity is at its greatest ever. Something in human nature makes us buy a newspaper that has the most horrible headlines. Because of this, newspapers (or any media type), to be successful must keep feeding the public catastrophes or the negative viewpoint. The general public becomes brainwashed. (Studies show 85% of economic news from the popular media during the past decade has been negative)."

"The new century, not unlike all other centuries, will provide plenty of reason for pessimism if you start to look for them. But ultimately pessimism is a snare and a delusion."
Sir John Templeton

Michael Medved

Michael Medved is a media critic and radio host, best-selling author, and veteran film critic. His daily three-hour broadcast reached more than 3.5 million listeners on more than 200 stations across the country, drawing an audience that consistently ranked his show as one of the top ten political shows in the United States. In 1995 Mr. Medved spoke at Hillsdale College and here is a part of his speech:



“...America has been torn by fears that immigrants may be bad for America. A major study by the University of Chicago however, suggests that the reverse could be true: America just might be bad for immigrants. Researchers surveyed more than 25,000 eight-graders and found that in every ethnic group, children with immigrant parents performed better in school than those whose parents were born here, and the defining difference was the hopeful attitude of the immigrant parents. Ironically, the longer the immigrants lived in the US, the more likely it is that they will lose their optimism - and their chances for success.”

Not only did Mr. Templeton leave one of the best investment records ever, Sir John also left those of us still learning how to invest with one final gift:

“RULES FOR INVESTMENT SUCCESS”

INVEST - DON'T SPECULATE

The stock market is not a casino, but if you move in and out of stocks every time they move a point or two, the market will be your casino. And, like most gamblers, you may lose eventually - or frequently. You may find your profits consumed by fees. You may find a market you expected to turn down turning up - in defiance of all your careful calculations.

Keep in mind the wise words of Lucien Hooper, a respected securities analyst who was known as the Dean of Wall Street - a market-letter writer for almost 63 years, and a founder and former president of the Security Analysts Federation. He wrote: *“What always impresses me is how much better the relaxed, long-term owners of stock do with their portfolios than the traders do with their switching of inventory.”*

The relaxed investor is:

- usually better informed;
- more understanding of essential values;
- he is more patient and less emotional;
- he pays smaller capital gains taxes; and
- he does not incur unnecessary brokerage fees.

TRADING MADNESS

In 1995, the Nasdaq, on average traded over 330 million shares each day. The global currency markets now trade over \$1.1 trillion a day. Each week brokers shift wealth equal to the gross domestic product of the United States. Against such financial tsunamis, it is increasingly difficult to argue sensibly that any government, American or other, can elaborate and deploy an independent national economic policy.

Mutual Fund financial writer Mark Hulbert summarized it best when he wrote: *“It is tough for an active trader to beat the market after fees, spreads and taxes are considered. Most active traders are losers; if you are going to trade be honest with yourself and call it a sport, but do not call it investing.”*

Warren Buffett vs John Templeton

Mr. Buffett's long term average was much higher than Mr. Templeton's but with an important distinction: Buffett invested heavily in U.S. stocks and the U.S. stocks did not always cooperate. Mr. Buffett's style of investing produced greater risk (standard deviation).

For example, a Wall Street excerpt stated that Mr. Buffett's portfolio declined by “almost half” between 1969 - 1974. On the other hand, the Templeton Growth Fund increased from \$50,000 in 1969 to \$77,000 by 1974 - a gain of approximately 45%.

To Mr. Buffett the large declines never bothered him, but very few investors would have that kind of intestinal fortitude to stay the course after such huge losses. The vast majority would have sold their stocks after losing so much of their money.

\$50,000 investment 1969 - 1974

Templeton Growth Fund	\$77,000
Warren Buffett	\$26,000

REMAIN FLEXIBLE AND OPEN-MINDED

The fact is that there is no one kind of investment that is always the best. If a particular industry or type of security becomes popular with investors, that popularity will always prove temporary and, when lost, may not return for many years.

DIVERSIFY

No matter how careful you are, you can neither predict nor control the future. A hurricane or earthquake, a strike at a supplier, an unexpected technological advance by a competitor, or a government-ordered product recall - any one of these can cost a company millions of dollars.

Then, too, what looked like such a well-managed company may turn out to have serious internal problems that weren't apparent when you bought the stock. You should diversify by industry, by risk, and by country. If you search worldwide, you will find more bargains - and possibly better bargains - than within any single nation.

(Note: Above statement made in '95, before 2008 banking crisis).

BUY LOW

Of *course*, you say, that's obvious. Well, it may be, but that isn't the way the market works. When prices are high, a lot of investors are buying a lot of stocks. Prices are low when demand is low. When investors run, people are discouraged and pessimistic. When almost everyone is pessimistic at the same time, the entire market collapses. Whatever the reason, investors are on the sidelines. Yes, they tell you: "Buy low, sell high." But all too many of them bought high and sold low. Then you ask: "*When will you buy the stock?*" The usual answer: "Why, after analysts agree on a favorable outlook." This is foolish, but it is human nature. It is extremely difficult to go against the crowd - to buy when everyone else is selling or has sold, to buy when things look darkest, to buy when so many experts are telling you that stocks in general are risky right now. Chances are if you buy what everyone is buying you will do so only after it is already overpriced. Bernard Baruch, advisor to presidents, was even more succinct: "Never follow the crowd." So simple a concept yet so difficult in execution.

LEARN FROM YOUR MISTAKES

The only way to avoid mistakes is not to invest - which is the biggest mistake of all. So forgive yourself for your errors. Don't become discouraged, and certainly don't try to recoup your losses by taking bigger risks. Instead, turn each mistake into a learning experience. Determine exactly what went wrong and how you can avoid the same mistake in the future.

THIS TIME IS DIFFERENT

The investor who says, "*This time is different*," when in fact it's virtually a repeat of an earlier situation, has uttered among the four most costly words in the annals of investing. The big difference between those who are successful and those who are not is that successful people learn from their mistakes and the mistakes of others.

THERE'S NO FREE LUNCH

Never invest on sentiment. The company that gave you your first job, or built the first car you ever owned, or sponsored a favorite television show of long ago may be a fine company (eg. Nortel). But that doesn't mean its stock is a fine investment. Even if the corporation is truly excellent, prices of its shares may be too high. **Now the last principle...**

DO NOT BE TOO FEARFUL OR TOO NEGATIVE

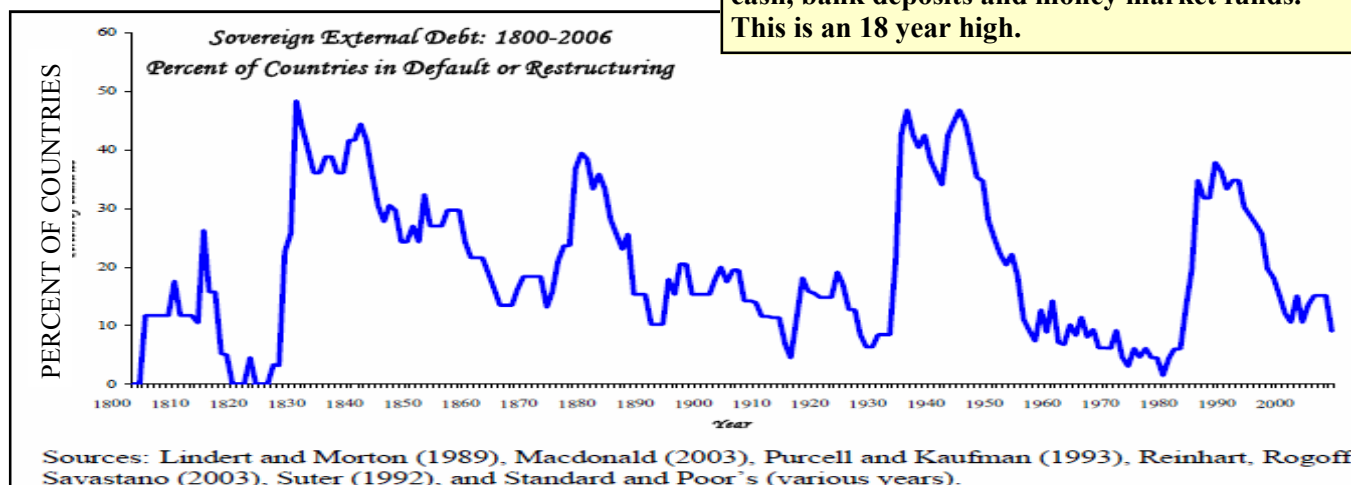
"Do not be fearful or negative too often. For 100 years optimists have carried the day. Even in the dark '70s, many professional money managers - and many individual investors too - made money in stocks, especially those of smaller companies. There will, of course, be corrections, perhaps even crashes. Despite all the current gloom about the economy, and about the future, more people will have more money than ever before in history. And much of it will be invested in stocks and throughout this, the basic rules of building wealth by investing in stocks will hold true. In this century or the next century, it's still to "buy low, sell high."

Sir John Templeton 1995

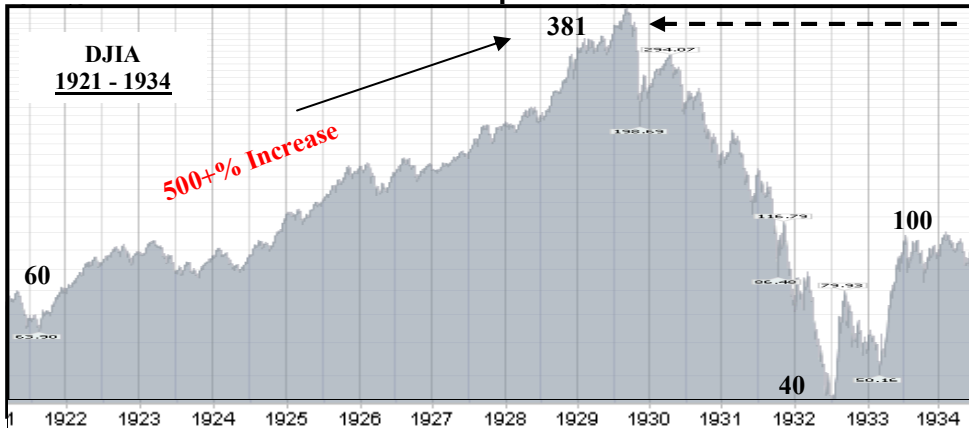
Note: Feb 2009 Market Comments

To say 2008 was a difficult year is definitely an understatement. The market downturn hit quicker and harder than most anticipated. This sudden shock dramatically reduced the confidence of investors. People began to hold cash and waited. Bloomberg News and Leuthold Group crunched the numbers and at the end of 2008 they tallied that over **\$8.85 trillion** now sits in cash, bank deposits and money market funds.

This is an 18 year high.

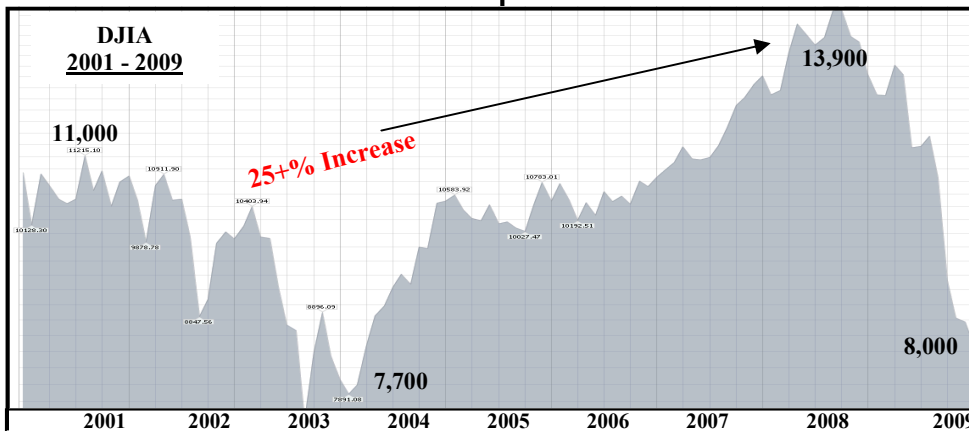


The "Roaring Twenties" was fueled by increased industrialization and new technologies, such as the radio and the automobile. Air flight was also becoming widespread.



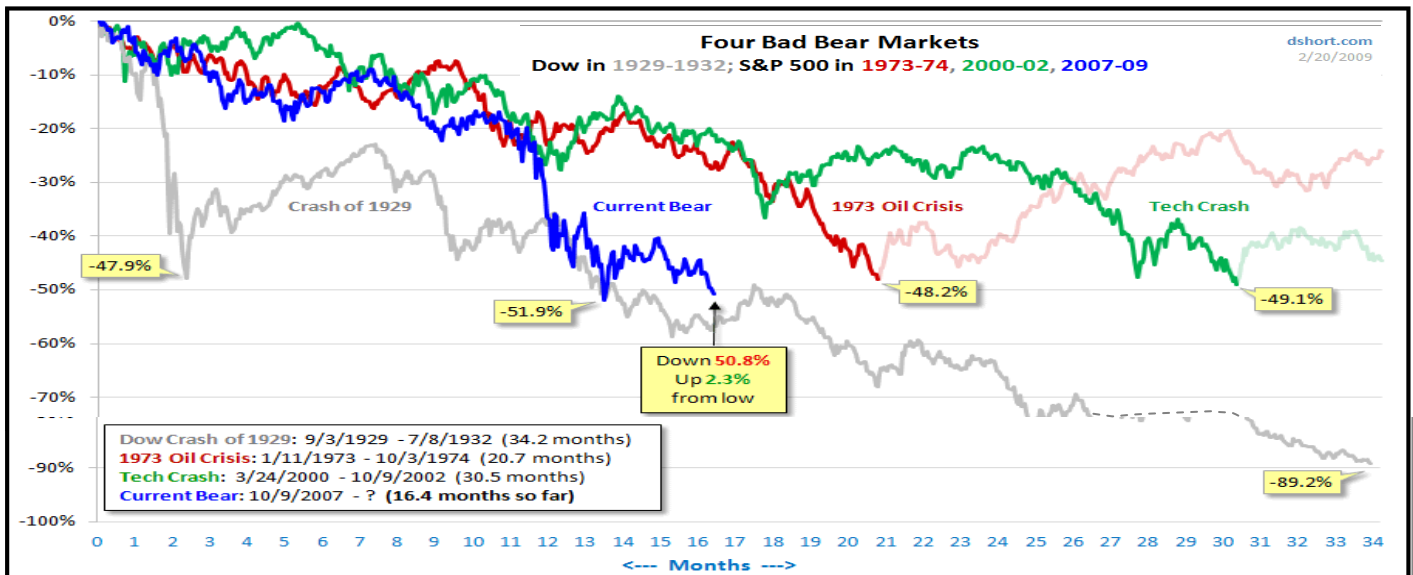
- As the Dow Jones Industrial Average soared, many investors snapped up shares. From 1921 to 1929, the Dow Jones rocketed from 60 to 381 (a 500% gain).

Stocks were seen as extremely safe due to the powerful economic boom. Investors soon purchased stock on margin. Margin is the borrowing of stock for the purpose of leverage. In 1929, for every \$1 invested, a margin user could borrow \$9 worth of stock. Today margin limit is much lower - if you have one dollar to invest the most you can margin is one dollar.



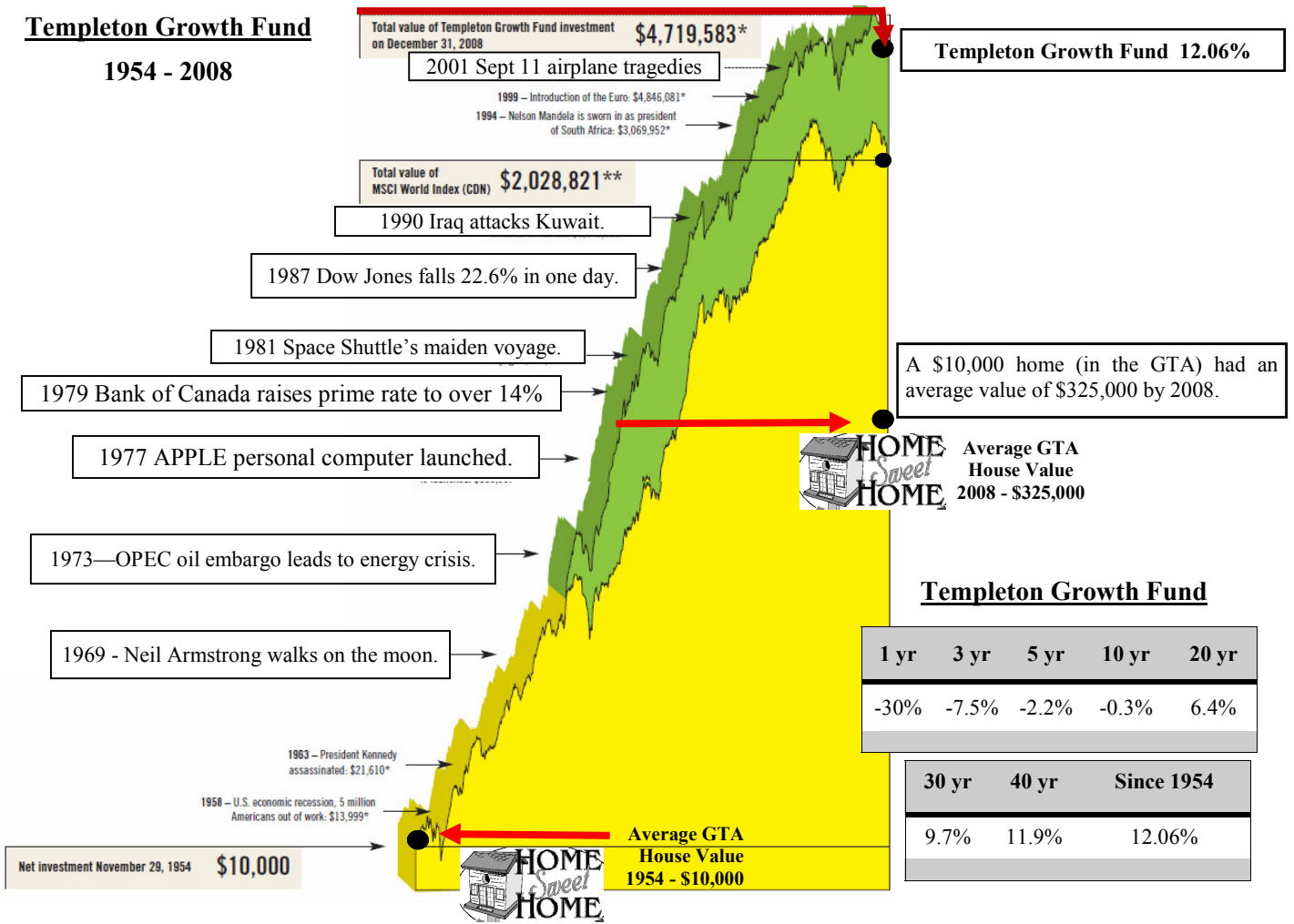
The period between 1998 - 2008 was Not like the "roaring 20s." The Dow Jones did not go up 500%. To go up 500%, the Dow Jones would have had to reach a value of over 60,000 in 2008.

- The Dow peaked at a value of approximately 14,000. This was a gain of only 25% in ten years.

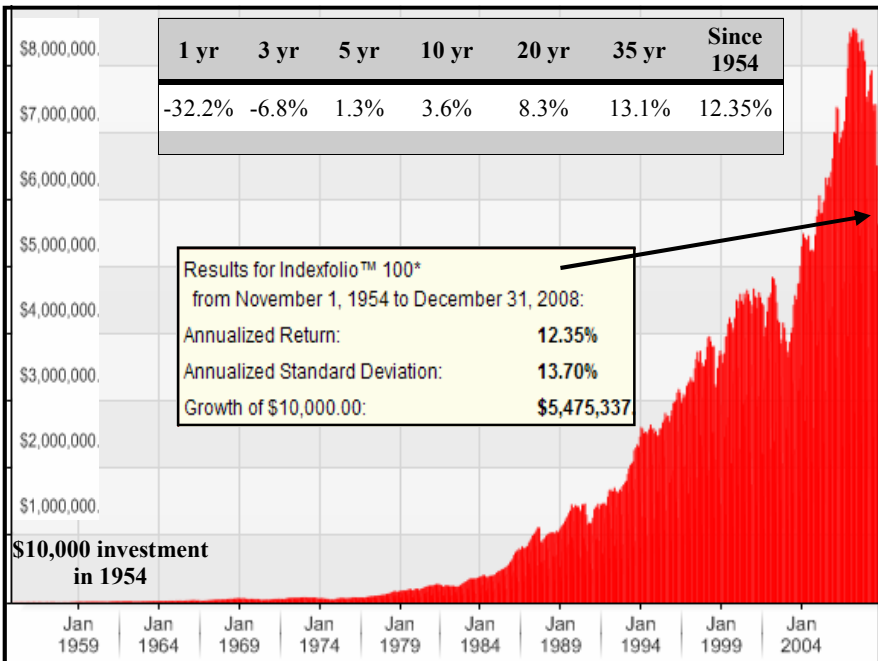


Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values, change frequently and past performance may not be repeated. Mutual fund units are not guaranteed by any bank or other Canadian financial institution, are not insured by Canada Deposit Insurance Corporation or any government deposit insurer, and investment in mutual fund units involves risk, including the possible loss of principal.

Templeton Growth Fund
1954 - 2008

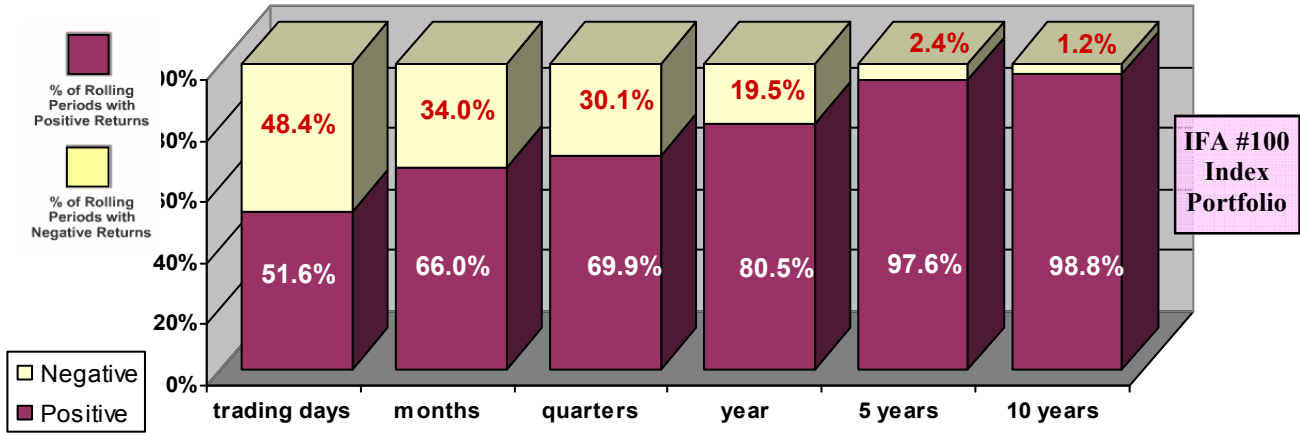


The globally diversified index portfolio #100 since 1954.



Index Portfolio 100

Index Allocations	Allocation %
IFA Canadian Core Index	10
IFA U.S. Value Index	10
IFA U.S. Small Index	19
IFA U.S. Core Index	5.5
IFA Real Estate Index	5.5
IFA International Core Index	10
IFA International Value Index	10
IFA International Small Index	11
IFA Emerging Markets	19
IFA 1-Year Fixed	0
IFA 5-Year Fixed	0
*As of February 29, 2008	
	100



EXPLANATION OF THE ABOVE BAR CHART
 The above IFA Index Portfolio #100 chart on “rolling returns” covers the period from 1958 - 2008. The above bar chart shows the losses and / or gains based on each trading day, each trading month, each trading quarter, each trading year, each trading 5 year and each trading 10 year period.

<p>TRADING DAYS On any given trading day, the portfolio had 48.4% of the time showing a loss and 51.6% of the trading in any given day showing a gain.</p>	<p>TRADING 12 MONTH PERIOD In any given 12 month, the portfolio had 19.5% of the time showing a loss and 80.5% of the trading in any given 12 month period showing a gain.</p>
<p>TRADING MONTHS In any given month, the portfolio had 34% of the time showing a loss and 66% of the trading in any given month showing a gain.</p>	<p>TRADING 60 MONTHS (5 years) In any given 60 month period, the portfolio had 2.4% of the time showing a loss and 97.6% of the trading in any given 60 months showing a gain.</p>
<p>TRADING QUARTERS In any given quarter (three months of trading), the portfolio had 30.1% of the time showing a loss and 69.9% of the trading in any given quarter showing a gain.</p>	<p>TRADING 120 MONTHS (10 years) In any given 120 month period, the portfolio had 1.2% of the time showing a loss and 98.8% of the trading in any given 120 months showing a gain.</p>

