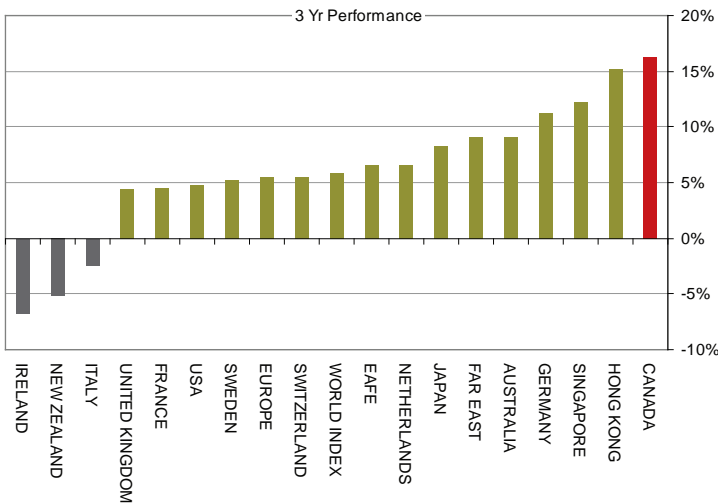




Infectious Optimism

Authored by: Brad Simpson, President

Perhaps the most difficult aspect of managing money for people is the infectious optimism that often takes hold when prices are rising. After a prolonged period of near economic perfection in Canada this "infectious optimism" is a malady that infects many Canadian investors.



Since 2003 the Canadian market has been on an incredible run, returning 16.78%, good enough for second place over the past five years and 16.29% over the past three years which beats all comers over that period. Talk about a great run, you can almost feel the contagion of joy across Canada.

The job of a portfolio management firm like Barlow is to avoid getting caught up in the spirit of the moment, but instead remain focused on the reality that the economic landscape has changed and most Canadian investors are unaware and ill prepared.

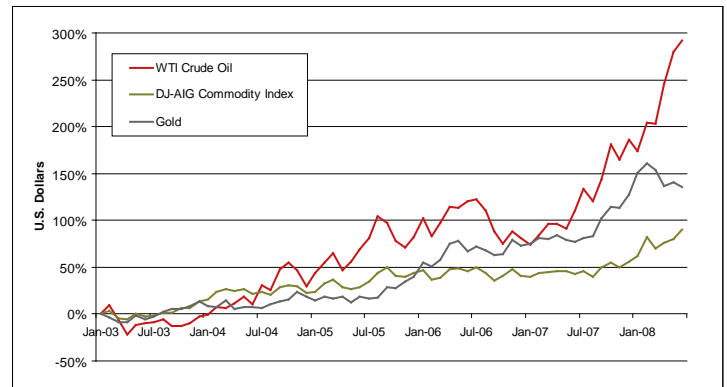
HOW DID WE GET HERE?

From our perspective, there have been three major drivers behind the incredible growth in Canadian markets: commodities, the Canadian dollar and housing.

Commodities

For much of Canada's economic history we have been considered to be hewers of wood and drawers of water. For most of this decade this has been a very profitable thing to be. Consider the following chart. Upward price momentum for oil, gold, and other commodities, including base metals and agriculture-based products has been growing since 2003, contributing significantly

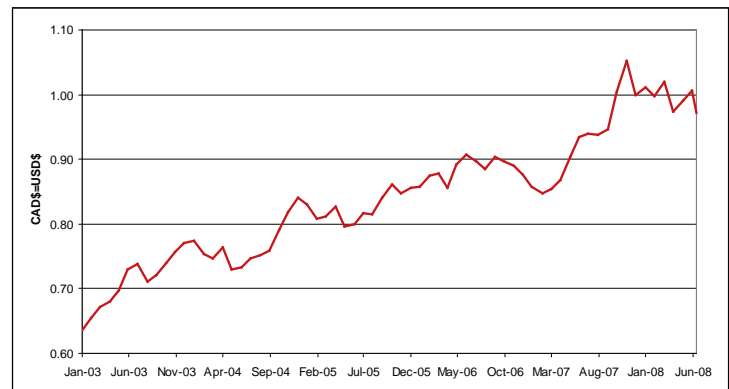
to the wealth in our Canadian economy and in turn, to Canadian investment portfolios.



Source: U.S. Energy Information Administration and Dow Jones & Company, Inc.

Canadian Dollar

Canada's commodity riches have created an unprecedented rise in the value of the Loonie vis-a-vis the US dollar. Coming off its lowest point in history in 2002, the Canadian dollar has soared over 50% in value to the US dollar in just 5 years, sending enthusiastic Canadian shoppers south of the border to spend their mighty buck.



Source: Thomson-Reuters



TrueBalance™

