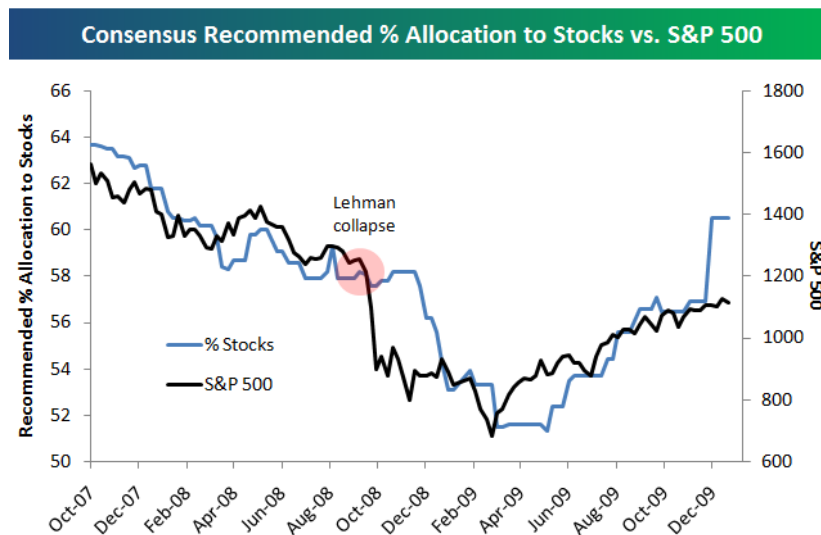




December 31, 2009

## Asset Allocation

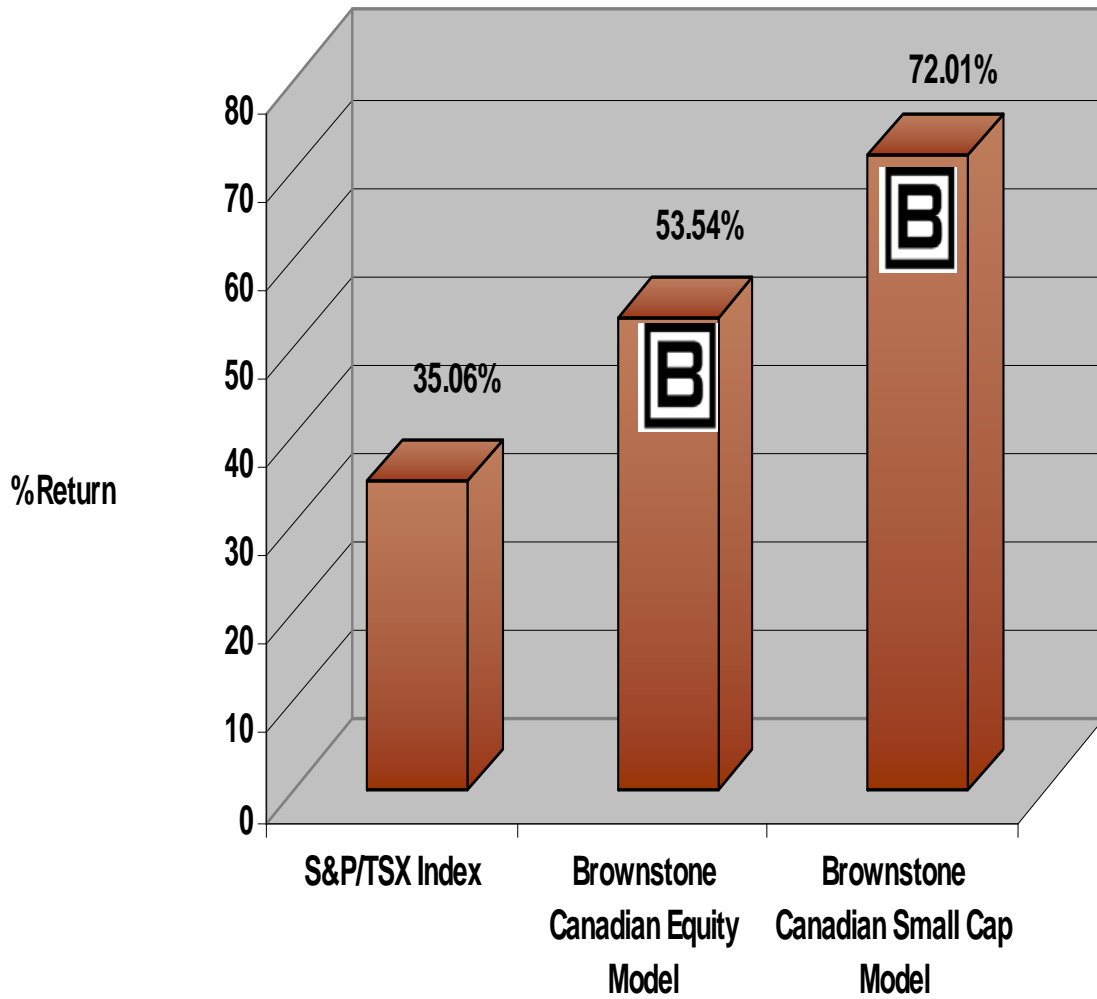
A long held truism in the world of investing is that the market “has a short memory”. Investors endured a prolonged and painful decline in the markets through the financial crisis, and in many cases vowed to invest with less risk going forth. As markets bottomed-out in March of 2009 and began a steady climb upwards, investors sought to be back in the game. The graph below is evidence of this continued desire to participate in the equity markets. This graph indicates a consensus towards more equities and less bonds / cash. It has a tight correlation with the index in general, however of late we have seen a strong move to equities which indeed has participated the fuel of equity prices. The current consensus recommendation is at 60% equities.



Of interest regarding this consensus asset mix is that it generally reflects a long held asset mix most prevalent (in fact a majority) of retirement vehicles across North America. An analysis of “Balanced” mutual funds and RRSP vehicles will disclose a tendency towards an asset mix of 60% equities / 40% bonds. This mix has proven to weather financial storms on one hand, and grow wealth over time. The expectation is growth with moderate volatility.

At Brownstone we manage a range of asset mixes depending specifically on the client’s level of risk tolerance. The determination of risk tolerance is not easy for any individual. It is an intuitive internal reflection on much one can “stomach” regarding the ups and downs of market volatility. The recent crisis was the mother-test of anyone’s risk appetite. As we have now experienced a strong recovery in portfolio valuations, we have been adjusting assets mixes for our clients with a view to settle on a portfolio that will meet their needs, whether that is, income, growth, capital preservation, or a mix of all three. We conduct his analysis all with an eye to settle on a comfortable asset mix that is right for the individual.

Year Ended December 31, 2009



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