

Hello,

In today's Market Update, we discuss one topic that everyone can relate to: income. Needless to say, without personal income, most people tend to ignore all other financial market indicators out there.

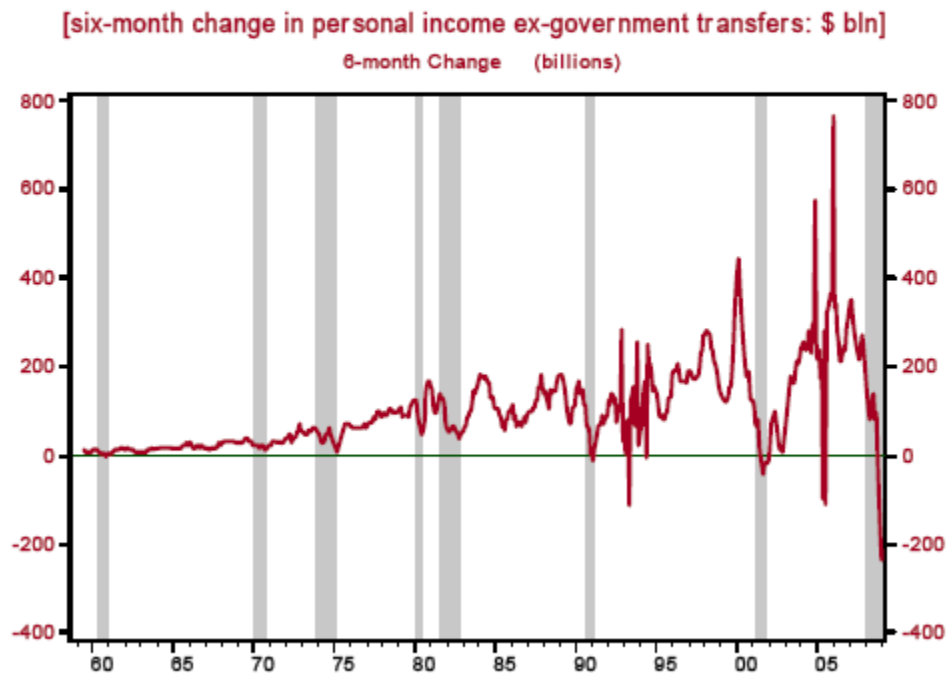
Income: The Final Frontier

Our discourse on income below provides the backdrop for why we continue to focus on income-generating securities, such as dividend-paying stocks and convertible debentures. With capital returns uncertain, it is nice to have securities in your portfolio that pay you to wait.

We believe the demand for income-generating securities will only improve. You have probably read much about how as the Baby Boomers enter retirement, they will need more income. Consider the following (all figures apply to the U.S.):

- Total personal income excluding government benefits (such as unemployment insurance, old age security, disability, etc.) has declined by \$234 billion (an unprecedented annualized drop of 4.5%) since peaking six months ago (see chart below).

Record six-month decline in organic personal income



Source: Haver Analytics

- Over the past six months, the following have deflated (all figures annualized):
 - Wages: -2.7%
 - Interest income: -12.9%
 - Dividend income: -15.6%
- The wage figure above is after a 14% annualized increase in government benefits (and 16.5% of personal income is now attributed to government handouts, a record high since 1959).
- Baby Boomers have lost \$20 trillion in net worth since the market's peak.
- Baby Boomers are doing everything they can to hold on to their jobs for longer: despite payrolls plunging by more than 4 million since the market's peak, employment for those aged 55 and older has actually risen by 1.8%.
- By not retiring as early as they normally do, the Boomers are contributing to youth unemployment: in the past year employment for those aged 16-24 has dropped by 5% and for those aged 25-34 by 4%.
- The youth and young adult unemployment rate is now 22%.
- Employment in the armed forces is up 3%, which could be a result of a lack of private-sector opportunities.
- 5% of those aged 55 or more have taken on a second job.
- (All of the above figures are from Bank of America/Merrill Lynch economic research)

Canada's Dividend Index: Your One-Stop Dividend Payer Containing 30 Companies

Our Balanced Portfolio holds a 5% weighting in this index. It is trading at 53% of its peak value set in mid-2007, and is now yielding nearly 6%. This index holds Canada's top 30 dividend-paying companies (such as the major banks, Enbridge, TransCanada Corp., Fortis and Telus, to name a few), all of which have a long-term track record of dividend payments and more importantly, dividend growth.

All the best!

Andrew Johns