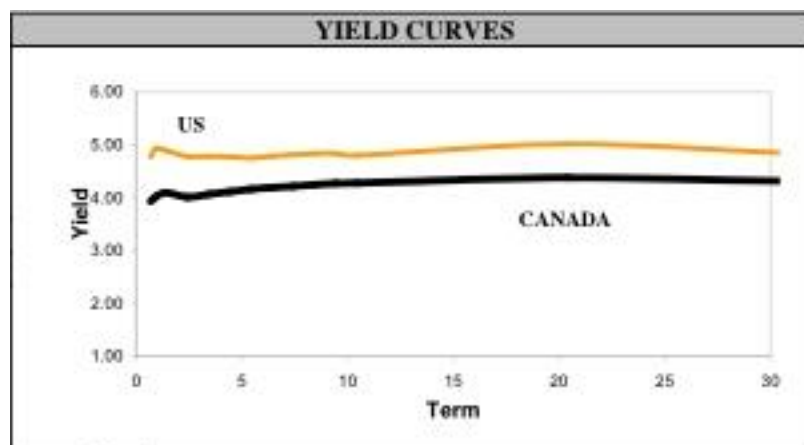


March 2006



Cash is King



Source: Bloomberg

In my last report, I wrote about the dangers to the economy and to the stock market of an inverted yield curve (short-term interest rates rising above long-term rates). As of now, the US yield curve is flat at 4.75%. In other words, investors receive roughly the same yield whether they invest for 6 months, 10 years, or even 30 years. The danger is that all indications are that short-term rates will continue to rise pushing the yield curve to inversion.

Yield curve inversions are extremely rare. In fact, since 1900 we have had only 20 yield curve inversions. In the same time span there have been 16 North American recessions, each of which was preceded by an inverted yield curve¹. In other words, based on history there is an 80% chance of recession in the next 6 to 9 months and 20% chance of no recession. As for stocks, the average return from peak to recession bottom was -43%². With stocks near their highs there is much more risk now.

A further reason for caution comes from the US presidential cycle. The best time to be invested in stocks has been the 3rd and 4th year of a presidential term (usually associated with new spending and tax cuts). The worst period to be invested has been the 2nd year as we are now. Even more specifically, the period from **April through September has seasonally been the worst time of year to be invested in stocks**³. Stock markets, therefore, could see a

sharp decline within the next 6 months. Investors need to remember that stocks peak on good economic news and bottom on bad news.

Question: Where should one invest?

LePoidevin: I believe the greatest portion of one's portfolio should be in higher interest cash accounts. The following are my recommended cash investments for deposits (I do expect the following interest rates to rise but please remember that the rates are subject to change without notice):

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| \$10,000 to \$100,000 | |
| <ul style="list-style-type: none">• Altamira Cash Performer | 3.25% |
| <ul style="list-style-type: none">• Rate from 1st dollar invested• Accessible on 24 hours notice• No charges in or out• CDIC-insured up to \$100,000 | |
| \$100,000 to \$300,000 | |
| <ul style="list-style-type: none">• National Bank Financial Cash Account | 3.50% |
| <ul style="list-style-type: none">• Rate from 1st dollar• No charges or costs• CIPF(Canadian Investor Protection Fund)-insured up to \$1,000,000 | |
| \$300,000 to \$1,000,000 | |
| <ul style="list-style-type: none">• National Bank Financial Cash Account | 3.625% |
| <ul style="list-style-type: none">• (negotiated rate)• Rate from 1st dollar• No charges or costs• CIPF(Canadian Investor Protection Fund)-insured up to \$1,000,000 | |

I am actually quite optimistic about the investment opportunities over the next several years. However, most Canadian investors know too well that buy and hold strategies have not worked well over the past 6 years and I believe that a high portion of cash now will reward investors well over the coming cycle.

Sincerely,



David LePoidevin, CIM
Senior Vice President
Portfolio Manager

Telephone: 604.643.7073 or Toll Free: 855.643.7073
www.lepoidevingroup.com

This newsletter is solely the work of the author for the private information of clients. Although the author is a registered Investment Advisor at Canaccord Genuity Corp., this is not an official publication of Canaccord Genuity Corp. and the author is not a Canaccord Genuity Corp. analyst. The views (including any recommendation) expressed in this newsletter are those of the author alone, and are not necessarily those of Canaccord Genuity Corp. The information contained in this newsletter is drawn from sources believed to be reliable, but the accuracy and completeness of the information is not guaranteed, nor in providing it do the author or Canaccord Genuity Corp. assume any liability. This information is given as of the date appearing on this newsletter, and neither the author nor Canaccord Genuity Corp. assume any obligation to update the information or advise on further developments relating to information provided herein. This newsletter is intended for distribution in those jurisdictions where both the author and Canaccord Genuity Corp. are registered to do business in securities. Any distribution or dissemination of this newsletter in any other jurisdiction is prohibited. The holdings of the author, Canaccord Genuity Corp., its affiliated companies and holdings of their respective directors, officers and employees and companies with which they are associated may, from time to time, include the securities mentioned in this newsletter. The preceding information is for general information only and does not constitute tax advice. All investors should consult with a qualified tax accountant.

Tax & Estate advice offered through Canaccord Genuity Wealth & Estate Planning Services. Canaccord Genuity Wealth Management is a division of Canaccord Genuity Corp., Member - Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada.