

July 8, 2008

I hope you are enjoying the summer and taking the time to relax and meet with family and friends. I am writing to provide you with a brief update on the financial markets, which have provided mixed results in the first six months of the year.

The year started with a double-digit drop in world stock markets in the third week of January, triggered by concerns about a recession in the U.S. and continued fallout from the crisis in the credit markets. The credit crisis, which began last year, was sparked by increasing defaults in the U.S. sub-prime mortgages and the collapse in value of securities linked to those mortgages. This March, the crisis took down Bear Stearns, a major American investment bank that was forced to sell itself to rival JPMorgan.

In April and May, financial markets stabilized following interest rate cuts and other emergency moves by the U.S. Federal Reserve. However, starting in June, the capital markets were roiled again – this time by the unrelenting rise in prices for food, oil and other commodities. Market participants began to realize that rising prices would have a significant impact on the global economy, hurt corporate profits and lead to higher interest rates, as central banks turned to fighting inflation.

The increase in food and commodity prices also created two distinct categories of stocks – those benefiting from higher prices and those facing pressure. Stocks in energy and materials (which includes industries such as metals, mining, fertilizer, chemicals, and construction materials) performed very well. However, the combination of falling consumer demand and higher commodity prices has been a major hurdle for consumer-related companies, while financials continue to suffer the effects of the credit crisis.

The Canadian market, which is home to a number of energy and other commodity stocks, has fared relatively well compared to the rest of the world. In the U.S., the U.K. and other world markets, the threat of rising inflation, falling home prices and lack of consumer confidence have pushed stocks down to multi-year lows.

For many investors, staying true to a long-term financial plan in the midst of such volatility can be challenging. However, a well-diversified portfolio geared toward your financial goals and risk tolerance is still the best defence against market volatility. Historically, stock market downturns have been followed by even greater recoveries, and those who stayed invested have been rewarded.

We at Clutch are daily monitoring your accounts and meeting weekly to ensure the direction of the portfolios. We have a team of advisors that meet quarterly to mastermind market trends, our portfolio positions and global weighting.

If you have concerns about your portfolio, we are here to answer your questions. Feel free to contact your Clutch Financial Advisor or myself directly at 905-361-1590.

**we manage money.**

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As an addition to the update in the markets I thought quarterly we would also take a look at what makes up the main index Canada follows to take a glimpse into the minds of economists when they speak about sectors. This may be an introduction, for some, or an update, for others, to the Index groups that make up the S&P/TSX Composite Index.

| S&P/TSX INDUSTRY GROUP      | DAILY % CHANGE | YTD     |
|-----------------------------|----------------|---------|
| ENERGY                      | 0.52%          | 0.37%   |
| MATERIALS                   | -1.67%         | 7.21%   |
| INDUSTRIALS                 | 0.20%          | -2.32%  |
| CONSUMER DISCRETIONARY      | 2.31%          | -14.95% |
| CONSUMER STAPLES            | 0.55%          | -6.49%  |
| HEALTH CARE                 | 1.42%          | -3.58%  |
| FINANCIALS                  | 3.22%          | -9.44%  |
| INFORMATION TECHNOLOGY      | -0.59%         | -1.60%  |
| TELECOMMUNICATIONS SERVICES | 0.65%          | -12.92% |
| UTILITIES                   | 2.00%          | -6.33%  |

The above chart is based on the market end March 31<sup>st</sup> 2008.

Next quarter we will look at an individual sector and dive in...

Until next month...

Chris Fulton  
 Account Analyst  
 Clutch Financial Solutions  
[chris@clutchfinancial.com](mailto:chris@clutchfinancial.com)

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