

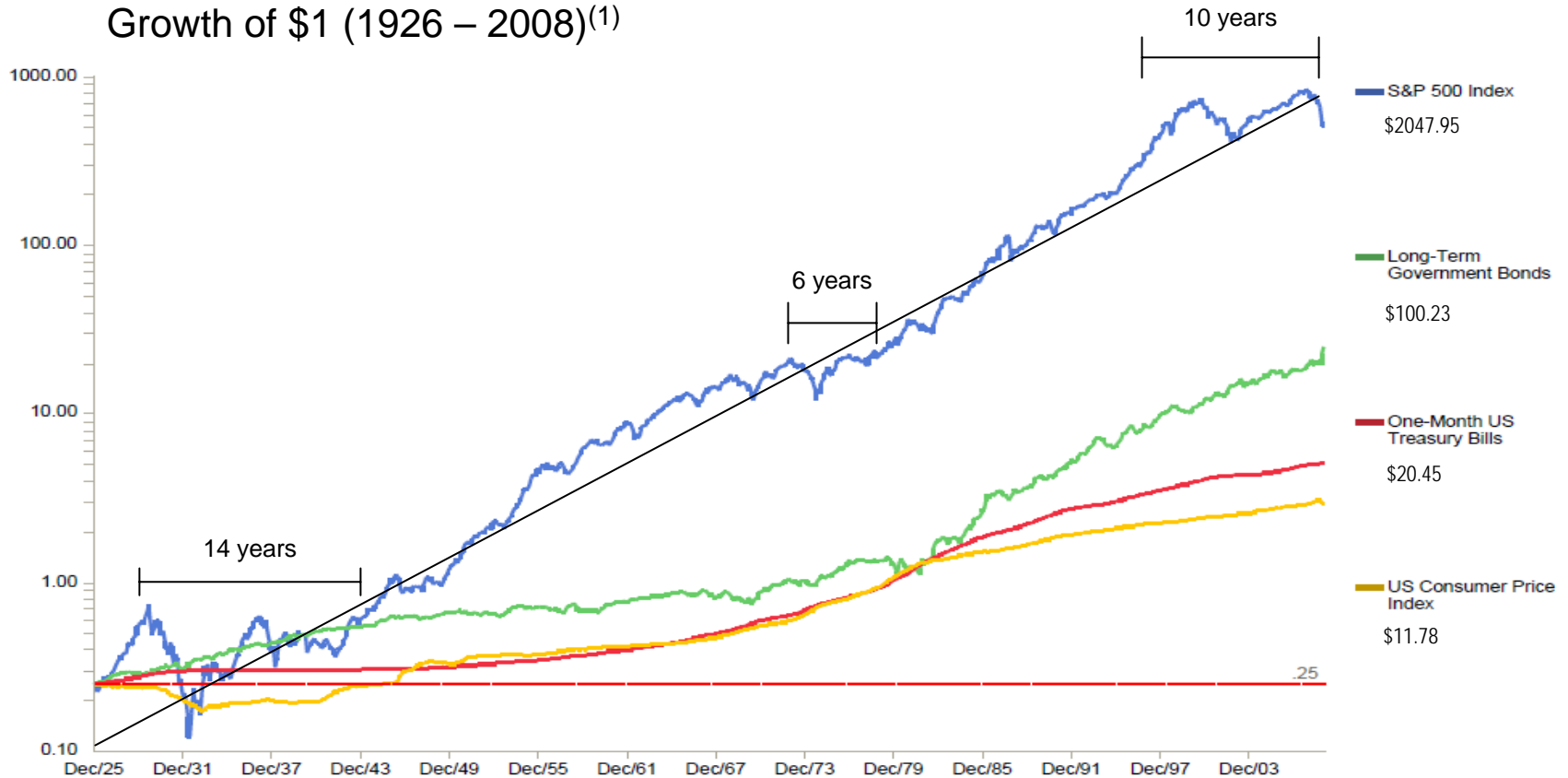


Milestone Investment Counsel Inc.

Seven questions on investors' minds today...

1. Are stocks broken?

Growth of \$1 (1926 – 2008)⁽¹⁾



- Historically, there have been extended periods when stock markets have provided poor returns.
- Each period of retrenchment was followed by an extended period of growth.
- High returns are provided only to those who stay the course.

2. Are we in a Depression?

Key Factors (US Data)	Great Depression ⁽²⁾	Current 2009 ⁽²⁾
Gross domestic product growth	-27.0%	-6.2%
Industrial production	-52%	-10%
Unemployment rate high/now	+25.0%	+8.1%
Federal deficit as percentage of GDP	+1.4%	+12.3%
Exports	-66%	+12%
Consumer Price Index	-27%	0%

- Recent economic activity has been weak and will probably get worse. However, there is no comparison between now and the Great Depression.

3. Are stocks a gamble?

Percentage of Periods when Stocks Outperform Bonds and T-Bills (1802 – 2008)⁽³⁾

Holding Period	Stocks outperform Bonds	Stocks outperform T-bills
One year	60.4%	61.8%
Two years	65.0%	65.5%
Five years	69.0%	72.4%
Ten years	79.3%	80.3%
Twenty years	91.5%	94.7%
Thirty years	99.4%	97.0%

- Stocks have not been a gamble for long-term investors.

4. Are emotions a good guide?

S&P/TSX Composite Index (December 31, 1992 – February 28, 2009⁽⁴⁾)



- Investors are always too optimistic at the top and too pessimistic at the bottom.

5. Can professional managers beat the market?

Percentage of mutual fund managers outperforming the market index over the last three and five years⁽⁵⁾

Category	Three years	Five years
Canadian Equity	21%	11%
US Equity	14%	9%
International Equity	18%	10%

- Stock market returns have been poor ... but professional stock picking has been worse.
- Put another way, over the last five years, an indexing strategy has outperformed roughly 90% of professional managers.

6. Can an individual pick the “right manager”?

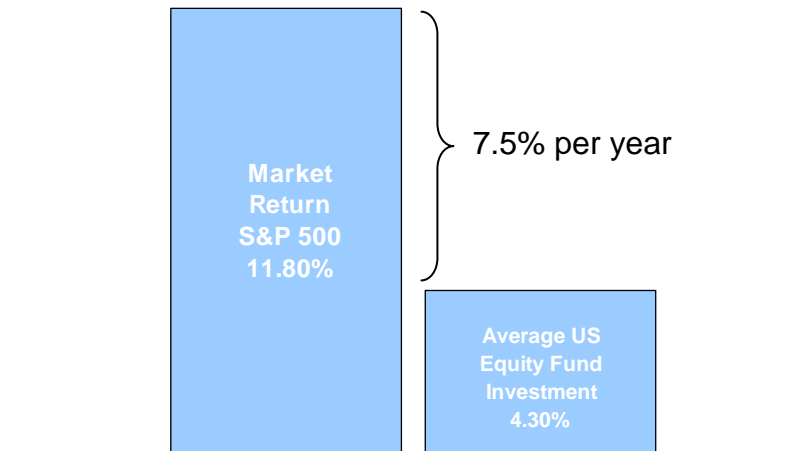
For 15 years in a row (1991-2006), Bill Miller’s Legg Mason Value Trust Fund outperformed the S&P 500 Index, a record unmatched by any other mutual fund manager. This streak ended in 2007, when the fund lost 6.7%. In 2008, this fund declined by over 55%.⁽⁶⁾ Its total return from 1991-2008 now lags behind the S&P 500.

- As disappointing as returns have been, the grass is not greener when trying to pick “star” managers or “hot” strategies.

Many hedge funds claim that they focus on absolute positive returns, whether the stock market is up or down. Last year, the Market Neutral hedge fund category lost 40.3%.⁽⁷⁾

- It appears Market Neutral was not so market neutral.

7. How can I achieve success?



- Avoid market timing.
- Avoid investment decisions based on economic forecasts or emotions.
- Avoid trying to pick the right stocks.
- Avoid trying to pick the right manager.

- Over the past 20 years, mistakes have cost individual investors over 7% per year!⁽⁸⁾
- Long-term investment success is driven by having a disciplined, long-term approach and sticking to it in good times and bad.

Endnotes

- (1) US long-term bonds, bills, inflation, and fixed income factor data © “Stocks, Bonds, Bills and Inflation Yearbook”, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). The S&P data are provided by Standard & Poor’s Index Services Group.
- (2) Federal Reserve, Historical Statistics of the United States, Bureau of Labor Statistics, Bureau of Economic Analysis, National Bureau of Economic Research, US Census Bureau
- (3) Stocks for the Long Run, copyright Jeremy Siegel
- (4) Datastream (index)
IFC (mutual fund net sales)
- (5) Standard & Poor’s SPIVA Canada Scorecard, February 3, 2009. Performance period January 1, 2004 – December 31, 2008. Results adjusted for survivorship bias.
- (6) Legg Mason
- (7) Credit Suisse / Tremont
- (8) Dalbar Inc. 2007, period 1987-2006