Financial Insight by Insight Financial Corporation: Market Outlooks Dec. 31 1996 to March 7, 1998
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IFC Market Outlook

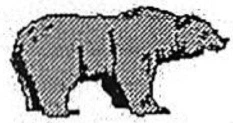
Dec. 30, 1996.

Get ready, because in 1997 almost anything can happen. At December 27, the TSE closed at 5903. Up 25 percent from the years opening of 4714, and the average Price Earnings ratio was about 24, which

suggests that the market is overvalued. In the United States, growth has been even greater and it appears to be even more overvalued. On the plus side, earnings are still growing, inflation and interest rates seem to be remaining low, and international markets are creating many expansion opportunities.

We believe that while the current markets appear overvalued, long term economic expansion will provide superb growth opportunities for many years to come. In this light, we continue to over emphasize quality. You should own companies that are well priced, do not have too much debt and can benefit from global expansion. In the inevitable market set backs, these companies should be the least affected, and they will be positioned to grow when markets improve. More importantly, they are the kind of companies that you should want to own, for both security and income growth, which is what will ultimately set the company's value.

Bear Proof Your Investments



Outside of Not Investing, the best way to do that is to stick with quality.

Further, we do not recommend that you despair over the setbacks when they happen. These are a normal healthy occurrence, which may present you with opportunities to pick up more high quality investments at a bargain.

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IFC Investment Principles

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4. Invest regularly and gradually.

 Feb. 1997 Issue

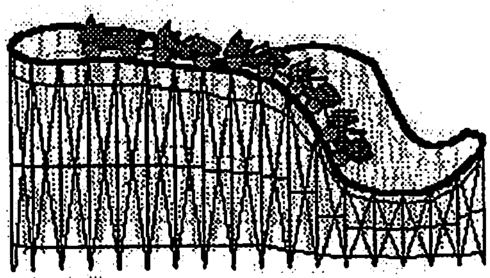
IFC Market Outlook

Feb. 2, 1997.

Many positive factors combined with some negatives and some mixed will make for a very interesting 1997. The TSE closed January at 6110, up approximately 3 percent for the month. Earnings are growing, economic outlooks are improving, interest rates are low and inflation seems under control. All these factors seem to suggest that 1997 should be another great year. On the negative side, due to a couple of great years, in relation to current earnings, North American stocks appear to be a little overvalued. So the question remains, will prices adjust or will earnings catch up? To answer this, we will say that in the long run, we are confident that earnings will catch up, and eventually today's prices will seem low. In the short run, there will be a correction, and you should expect one of at least ten percent in the not to distance future. The question is, how much will the market go up first?

Another factor is that recently, the general public is getting very interested in equities, especially equity mutual funds. This is mainly a result of low interest rates, excellent returns on equities for the last two years, enormous attention from the press and very aggressive advertising campaigns. In the very short term, this could mean more money to push markets to unrealistic values. Then again, history has shown that when something is all the rage, there is usually a very major correction coming soon. So the more things heat up, the more nervous we get.

Sooner Or Later Markets Correct



But ultimately they go up, even if it is like a roller coaster ride.

Now that we have set the stage, we should talk about what an investor should do next. In the long run, (several years) the market will grow, probably in spurts, many of which will be over before we realize that they are happening. So getting out of the market, hoping to get in after a correction may sound good, but may well cause you to miss the best growth opportunities. In fact, our experience is that those who do that at times like this, usually stay out until just before the correction. If you think that is not you, remember Dave's Rule of this month, and ask yourself if you are really being honest with yourself. Remember, the most successful investors like Warren Buffet, Peter Lynch and John Templeton, all seem convinced that they cannot predict these short term trends. So in light of that, it is most likely naive to believe that you know better.

On the other hand a major correction could easily happen. If this happens, you could be severely hit if you have just jumped into the market. In light of this, we think that our four IFC Investment Principles are more important than ever.

1. Make sure that you have your balance right, so that you take advantage of growth without being over exposed.

2. Stay well diversified so that you are not overexposed in any one area or company.

3. Invest in quality. This is more important then ever, as in the case of a major correction, it is usually the poorest quality investments that suffer the most. Actually, sometimes the highest quality investments benefit from corrections, as people start scrambling for better quality.

4. Invest regularly and gradually. If you are about to start investing, make sure to average into the market over time, this way if there is a correction, it will work to your benefit.

So which way are the markets going this year. We should not expect the TSE to grow thirty percent to 7700, twenty percent to a little over 7000 is entirely possible, but we expect that a ten percent gain for the year to about 6500 is much more likely. Still, ten percent is not bad when you consider current inflation rates. Then again, a market correction, even a significant one could easily happen, but that too will pass and eventually, possibly within a year of it happening we will start seeing new highs again. So yes in the long run we are very bullish, and in the short run we are also bullish, but very CAUTIOUSLY bullish.

March 1997 Issue

IFC Market Outlook

March 2, 1997.

A correction is coming!

When? Soon!

What do we mean by soon? We do not know, maybe it has already started, maybe in a few months, maybe next year, maybe later. If we had to bet we would say later this year. Probably right after the last of the most bearish people we know finally cannot stand it any longer and jump into equities.

How much will the markets go up first? That is a critical question, maybe not at all, possibly another 50 percent, probably between 0 and 20 percent.

How much will the markets correct? Somewhere between 10 and 50 percent, probably in the neighborhood of 20 percent.

How long will it last? Somewhere between a couple of months and a couple of years, if the economy is still growing probably less than a year. One thing is for sure, just long enough to scare many (especially new) investors out of the market, selling low and promising themselves that they will never invest in equities again. Chances are, the later they got in, the sooner they will get out. These people will stay out for a long time, probably until right before the next major correction, when they cannot stand it any longer and jump in again.

What should your investment strategy be? That we are sure of. If you are invested in equities, stay invested, but seek out quality investments. If you are holding mutual funds, make sure you have managers who concentrate on quality and value, reduce your holdings in the more speculative investments. If you are not invested in equities, DO NOT JUMP IN ALL AT ONCE. Determine how much you want to invest in equities, then prepare a two or three year plan to move that amount of money into the market. Preferably move about 4% of it every month, if this makes the amounts too small, move 12% every quarter or 20% every six months. This way, if the market goes up before the next correction, you are starting to become invested, and when the correction happens, you will take advantage of it by continuing to invest.

Once you have a plan, ignore the markets and follow it. As we often say to our clients, "You have a plan, It is a good plan, Stick with the plan!"

IFC Market Outlook

March 30, 1997.

Are you holding quality? We sure hope so, because the market is starting to turn into one big roller coaster ride. On Thursday, March 25th, the TSE dropped 191 points, or about 3 percent. That is a large one day move by any measure. We can hardly wait to see what April brings. The slide could continue into a major correction, or the market could turn on a dime and the bull could continue. If you are holding quality investments, relax, and enjoy the ride, as sooner or later losses should be recovered. If you are holding a lot of low quality speculative investments, then we are not sure what to suggest. Maybe a little prayer, and if things rebound you can make a quick switch to higher quality investments. Or maybe you should start switching now. The problem is that if this is a glitch, then you might jump too soon. On the other hand, maybe it is already too late. These are the questions that you may be faced with.

The above demonstrates why we have been stressing quality investments so much in recent months. If you have a high quality portfolio, you can weather these uncertain times, knowing that your underlying investments are sound. This gives you the confidence that losses will be regained, and makes sleeping at night much easier.

We expect that sometime this year or next, we will see a correction in the order of 10 to 20 percent. We may be experiencing the beginning of it now, or this may be a glitch along the way. Our gut feeling is that this is a glitch, and that the correction will happen later. Then again, we are talking about the future, and in the short run, that tends to be somewhat unpredictable. We have to wonder if we will still feel that this is a glitch at the end of April. The nice thing that we learn from history, is that in the long run, quality equity investments keep going up, and even major corrections become temporary glitches over time.

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May 1997 Issue

IFC Market Outlook

May 2, 1997.

Was that a blip, a correction, the beginnings of a bear market or what? March and April proved to be a couple of very interesting months. The market retreated about ten percent, but as of the end of April it seems to be recovering nicely, and would appear to be turning back into a full fledged Bull market. So, that leaves some questions about what is to come and your investment strategy.

We said last month that we believed that what we were experiencing was a glitch, and not the correction that we expect to experience sometime in the next year or so. We still believe that a more significant correction is due, but doubt that we will see it for a while. That being said, we believe that this glitch did reinforce our call for high quality investments. When we looked at our own portfolio, we noticed that while the market dropped about ten percent, our stocks had an average drop of about four percent, and some are already hitting new highs. What a difference quality makes. The high quality stocks may not rise as fast in a bull market, but they hold their value better in the corrections, and sometimes they recover faster, as nervous investors start looking for quality. The other thing these adjustments do is provide opportunities.

On the whole we believe that the market is overvalued. This means buying high quality companies for a low price is difficult, and careful selection of new companies becomes more difficult. When we hit a glitch like what we just saw, some of your favorite companies may retreat to more reasonable prices, giving you the opportunity to buy. Now, what should your strategy be from here?

Well, the last couple of months have shown that the market could correct on a dime or forge ahead another thousand points then correct by as much, more, or less. This means that it is important to stay invested, but you had better hold quality. Our recommendation is that if you have not already done so, you take advantage of this next little ride up, and get rid of your low quality investments. We also suggest that you just stay away from them in the future. Then as opportunities arise, you can buy your favorite high quality companies for a good price. Hopefully, the majority of your portfolio is already invested in good companies, so that this will not leave you uninvested. If it does, it might be wise to replace some of the low quality investments with some high quality mutual funds, as this will keep you invested, for the time being.

In this issue we have some discussion on selecting mutual funds, in future issues we will be discussing stock selection techniques.

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June 1997 Issue

IFC Market Outlook

June 2, 1997.

Well, let's see now. Overall since 1993 we seem to have been enjoying a great bull market. The first few years of the decade were fairly boring. Then in 1993, the bull market that we had been expecting, started. A few years late, but nonetheless it was here. In 1993 the TSE total return was about 33%. Suddenly everyone noticed and people seemed to be eager to invest in 1994. Of course the obvious happened and the market decline during the year, then rose enough that it was basically a break-even year for the TSE total returns. This caused many people to start shunning the markets, leaving the way clear for a 15% year. Of course people were still skeptical, and in 1996, the TSE total return was about 25%. And now it is 1997.

The year started out positive, but many of us have been calling for a correction. Not a change to a bear market, just a correction of 10 to 20%, for a few months during the bull. Not necessarily right away, but sooner or later, probably in the fall or early next year. So in March and April it looked as if it was happening. In Canada the market dropped about 10%, just enough to be classed as a correction. Then before we new it, we were hitting new highs again. Guess that was not the correction we have been calling for. So what now.

Our advice stays the same. Stay invested, but hold nothing but the best quality investments. We think that the bull will continue for some time, maybe for several years, with minor corrections along the way to provide buying opportunities. But these corrections, and other circumstances can be very hard on the poorer quality investments. So buy quality, and use a value approach, this way you will not need to worry about the markets.

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Dave's Rule of the Month

July/Aug 1997 Issue

IFC Market Outlook

July 5, 1997.

Here are some interesting numbers.

As of May 31, 1997:

- **The TSE total return index showed a 1 year return of 24.1%, and a ten year average compounded return of 8.8%.**
- **The Standard & Poors 500 showed a 1 year return of 27.7% and a ten year average compounded return of 11.7%.**
- **The Dow Jones Industrial average showed a 1 year return of 30.8% and a ten year average compounded return of 12.7%.**
- **The Canadian Consumer Price Index showed a 1 year gain of 1.5% and a ten year average compounded gain of 2.8%.**
- **So far this year, as of July 4, 1997, the TSE 300 index is up 11.1%, the Standard & Poors 500 is up 19.5% and the Dow Jones Industrial is up 19.0%.**

Our studies have shown that historically, since 1925, equities have shown average annual returns of about 10%, inflation has averaged about 3% and returns on fixed income securities like Treasury Bills and Bonds have averaged around 4%. This would indicate that while in the last few years' equities have been showing above average returns, over the last 10 years, inflation is about normal, and the U.S. equity markets have slightly over performed while the Canadian equity Markets have slightly under performed. Of course, all of this proves nothing, and it does not tell you what to expect in the future.

It does make for interesting reading, and it demonstrates that while many are starting to call for a crash, due to over heated markets, the markets are not nearly as overheated as some (probably those who have stayed out of the markets over the last few years) would have you believe. Then there are those who point to Black Monday in October 1987, which happened ten years ago with very similar markets. Well similar in the that the preceding years ending with a 3, 5 & 6 had significant gains, but here are some other facts.

At the end of June 1987, the TSE 300 total returns 10 year average annual compounded return was about 18%, while the Standard & Poors 500's was about 20%. Significantly higher than the last ten years. Also, the so call crash of 1987, was not a crash at all, the market dropped about 20%, making it a fairly normal correction, not to mention that the year (1987) still closed up about 5%. Consider if you had $1,000 for 10 years and averaged 18%. Your investment would have been worth just over $5,000. In that case, would a 20% drop of about $1,000 have been so bad. Not as bad as if you had stayed out of the market for 10 years to avoid the crash. Even now, after ten years at 8.8%, an investment of $1,000 for ten years would be worth about $2,300. A drop of twenty percent would cost you about $465. We are glad that we have not been staying out of the market these last few years. After all that is when most of the gains have occurred, which is making up for the dismal years right after 1987.

So what does this mean, should you invest? We still expect a correction sometime this year or next, and we expect it to be in the order of about 20%, and to last between 6 months and a year. However, we also believe that this will not be the end of the bull market, which we expect will continue for several more years, as the economy continues to improve. You can also see from the above, that while recent markets are hot, they are not nearly as hot as they were 10 years ago. So our position remains, stay invested, as not being invested will likely be more costly than being invested, but stick to high quality investments, then when the correction does come, it will not hurt nearly as much.

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Sept 1997 Issue

IFC Market Outlook

Sept 1, 1997.

They are having a sale, or at least we think they are. In mid August, the markets suddenly took a small turn for the worst. Since then they have been jumping up and down, but it appears to be mostly down. It remains to be seen if this is the beginning of the minor correction we have been calling for, or just mid-bull jitters. Regardless, times like this can provide good buying opportunities.

We are confident that sometime in the next year or so there will be a correction of at least ten percent. This might sound like a signal to sell or stay out of the market, but it is not. We have continually stressed that you should stay invested but hold quality, and we are glad we did. This is because while we know that sooner or later a correction will hit, we also know that markets could rise thirty or forty percent or even more before correcting ten or twenty percent. We also know that eventually, all market losses are recouped and turned into profits for those with enough patience. Lately, this seems to be the case.

So our continuing advice is to stay invested, but not over invested, hold quality and use times like this when prices fall back as buying opportunities.

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Oct 1997 Issue.

IFC Market Outlook

Oct. 10, 1997.

It seems hard to believe today, when the TSE is over 7100, that at the beginning of last year (1996) we made what seemed like an overly bullish statement. "A twenty percent rise in 1996 would not be surprising. A twenty percent rise in 1996 would have the TSE closing around 5600." In 1996, the TSE closed at 5927. Now at over 7100, prices seem that much higher, but a twenty percent rise this year would take the market to 7112. Right where we are now. We have consistently stressed a buy and hold approach, and when we review the above, we are glad we did.

In this light we will continue to emphasize a buy and hold philosophy. Sure sooner or later we will see a correction of about twenty percent. We can also predict, with almost certainty that sooner or later we will see a correction of about forty percent, similar to the one we went through in the early eighties. However, as we learned then, and we learn with each correction, once you have been in the market a long time, corrections do not hurt very much, because you are not giving up any of your original investment, just some of the profits that you made in the past. Profits you would not have made, if you had not been invested. So buy quality, then hold on to it. Twenty years from now you will be glad you did.

Consider this. It is not a matter of if the TSE (or DOW for that matter) will hit 10,000 or even 100,000. It is just a mater of when.

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Nov 1997 Issue

IFC Market Outlook

Nov. 2, 1997.

October strikes again. After Monday, October 20, many investors breathed a sigh of relief. It was the tenth anniversary of Black Monday, (Black Monday was Monday, October 19, 1987) and nothing significant happened. So investors thought it was over and got back to their business. Then a week later, on Monday, October 27 it happened. Markets started dropping all over the world. Everyone was selling and no one was buying. The Dow Jones experienced its biggest one day point drop ever, although in percentage terms (the measure that means something) it was the third biggest one day drop. Many of us assumed that this was the correction we were expecting, and started looking for bargains. Then almost immediately the market bounced back and recouped a lot of the losses. By the end of the week, approximately half of the losses had been recouped. What a dramatic week.

If you had just started investing, then you may be concerned about losses. If you had been invested for a long time, and you held quality, then you should have taken this week in stride. After all, what really happened was that you gave up a small portion of your profits. However, it will be very interesting to see how the next few months unfold. Are we in for a very volatile ride, is this the beginning of a correction, is the bull dead or will the bull get mad and continue to roar?

Of course, we do not know what the future holds, but here is our thinking. We think that this could be the beginning of the correction that we have been expecting. We continue to believe that a correction of between ten and twenty percent (at current levels that means between 700 and 1600 points for the Dow and the TSE) is inevitable. Further, we expect that correction to last between three and six months. We also believe that this bull market is far from over. The combination of low inflation, low interest rates, increasing profits, decreasing demands to borrow and increasing investment capital creates the right fundamentals for a very long and strong bull market. This situation is being fueled by the North American Baby Boomers who are starting to pay off their debt, accumulate investments and to inherit large sums of money.

Now one might ask why we say that such a correction is inevitable, after considering the above fundamentals. We say this because it is never an easy ride. Things go wrong, there are always setbacks and markets tend to get ahead of themselves. The situation in Asia is probably one of those setbacks and we believe that as a whole the market is ahead of itself, although there are still lots of undervalued companies to be had. This means that a correction is inevitable. Which by the way, is very characteristic of a bull market.

You might also ask if this is the correction, why did it rebound at all, let alone so quickly. The rebound was largely a result of profit taking. We have to wonder if the speed of this rebound is not an indication of how strong this bull market really is. For some time now we have been seeing what looked like the beginning of a major correction, only to watch the market rebound and hit new highs. Maybe, this is because the bull is so strong that it is difficult for the correction to take hold, so what we are experiencing may be a correction that just cannot take hold. So instead of seeing the correction, we will just experience a long period of increased volatility. Then again, maybe it does not really matter.

We say that because our advice has been and continues to be to stay invested and hold quality. If you try to second guess the market, you will likely be worse off then if you buy quality and hold it for a long period of time. If you follow our advice, and you quietly add to your holdings, we are sure that in the long run (ten to twenty years) you will be happy with your results. If we look at our own experience, we did not get hurt in the 1981/82 correction of approximately 40 percent, nor did any other adjustment really hurt us. However, if we had of gotten out of the market as a result of any one of these, we would have a much smaller portfolio today. Of course, we would have less to lose, but then that is because we would have less. Right?

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Dec 1997 Issue

IFC Market Outlook

Nov. 30, 1997.

Do not be surprised if sometime in the future the Dow falls as low as seven thousand and the TSE Falls as low as six thousand. These drops would constitute a drop of about 15%. Approximately half way between the 10 to 20 percent drop that we have been predicting. As we have said all along, this correction is bound to happen sooner or later. If it happens before we see new market highs, then a Dow as low as seven thousand could easily happen. Further, this correction could easily last between three and six months. This would leave us lots of time to take advantage of the bargains.

We suspect, that this is the correction that we have been predicting. However, we do not recommend that you start selling your stocks, or stock mutual funds. First of all, even if we are right, your investments might not drop any farther. Also, we could easily be wrong, and the market could go up another 50 percent before we see the real correction. Just think how you would feel if you had stayed out of the market for the last three years, waiting for a 20 percent correction.

So, our advice remains the same. Hold quality, stay invested, be diversified, properly balanced, and continue to invest, especially during market dips like this one.

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IFC Market Outlook

Jan 1998 Issue

Dec. 24, 1997.

At the beginning of 1997 we made the statement "Get ready because in 1997 almost anything can happen." During the year we have regularly warned that sooner or later there will be a correction. We always said that it could happen anytime, or might not happen for a long time. If we had to guess it would be in the fall of 1997, would last between 3 and 6 months, and the drop would be between 10 and 20 percent. During the year the Dow peaked at just over 8200 and the TSE peaked at just over 7200, up 27% and 21% respectively. Then in the fall, triggered mainly by events in Asia, the market began to adjust. On December 23, the Dow closed at 7691, and the TSE at 6553, down 6% and 9% from their respective peaks.

It is not clear if this is the correction that we have been calling for, but we suspect that it is. If it is, we expect that there will be a few more months before we see any new highs. We also would not be surprised to see the Dow drop closer to seven thousand and the TSE closer to six thousand, before the bull market gets going again. Regardless if this is the correction or not, we believe that we are in the middle of a buying opportunity. We also believe that the bull market is a long way from over. In our opinion, in Canada, the United States and some other countries, the fundamentals are too good for the bull to stop.

This also explains why the correction seems to be having so much trouble taking hold. It seems as if the correction starts to happen, and the market starts dropping significantly. Then before you know it, it is back up again, often due to investors taking advantage of buying opportunities, then it is correcting again.

So where do we go from here. Do we wait for the market to drop further and risk missing this opportunity, or do we take advantage of the opportunity while it lasts. It seems that our basic recommendations never change. Ever since we started publishing this letter in 1994, we have stressed four basic investment principles. We refer to these as the IFC Investment Principles. Nothing has changed, we continue to stress these principles, which are listed below in the next section.

It is as important as ever before to balance your investments according to your personal circumstances, not the market's, not your financial planner's, nor according to some formula. The balance needs to be right for you. If it is, you will comfortably weather any corrections or bear markets, and you will take proper advantage of the bull markets.

It has always been important to diversify your investments enough so that you have properly spread your risk. Maybe not so much as to water down the benefit of your winners, but enough so that one or two investments, or sectors, cannot seriously hurt you.

It is as important as ever to invest in quality. When markets get jittery, it is the poor quality investments that are hurt the most. Often the highest quality investments lose little or no ground during corrections.

As we said earlier, this seem like a buying opportunity. So continue to invest regularly and gradually. This way, if the market is bottoming out, you will be taking advantage of it. If the market drops farther you will take advantage of that too.

As you can see, our four principles continue to be the corner stone of sound investing, and our recommendations stand.

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January 1998 Issue

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We believe that while the current markets appear overvalued, long term economic expansion will provide superb growth opportunities for many years to come. In this light, we continue to over emphasize quality. You should own companies that are well priced, do not have too much debt and can benefit from global expansion. In the inevitable market set backs, these companies should be the least affected, and they will be positioned to grow when markets improve. More importantly, they are the kind of companies that you should want to own, for both security and income growth, which is what will ultimately set the company's value.

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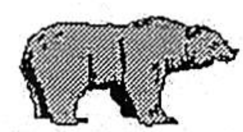

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Further, we do not recommend that you despair over the setbacks when they happen. These are a normal healthy occurrence, which may present you with opportunities to pick up more high quality investments at a bargain.

IFC Market Outlook

Feb 1998 Issue

February 1, 1998.

In our last issue [posted December 24], we warned that we could easily be in the correction that we have been expecting. We also warned again that we would not be surprised to see the TSE drop to as low as six thousand, and the DOW to as low as seven thousand. Of course, right after Christmas the market started to look stronger. The year 1997, closed with the Dow at 7908 and the TSE at 6699, up 23% and 13% for their respective years. Then early in January, the market started to correct again and we saw the TSE drop to below 6100. Now the market seems to be strengthening again, and both markets closed the month within a few points of their opening.

Now, after the last few years and especially after the fall, you may be thinking that 1997 was not such a great year. However, we believe that 1997 was another exceptional year. First, historically, on average equities return about 10 percent per year. Second, the return on Treasury bills in Canada, was about 3%, pretty close to their historical average. Third, the Canadian consumer price index went up about 1%. As you can see, after considering the historical norm, plus what you would have earned on fixed income investments, it seems that 1997 was an exceptional year. Maybe not as exceptional as the prior two, but nonetheless, exceptional. While this is very interesting, as always we must ask ourselves where do we go from here.

We believe that 1998 will be another very interesting year, creating plenty of buying opportunities. We expect that this up and down movement will continue for some time, as the markets start to get going, then retreat, then start going again, etc. However, we expect that when all is said and done, at the end of the year the markets will be up about 10 percent and the bull will be starting to roar again. A 10% gain would have the DOW closing around 8700, up about 500 points from its previous record. A 10% gain would put the TSE at a little under 7400, almost 200 points over its previous record. Going out on the limb, we expect that the DOW will break ten thousand in the year 1999. This would call for growth of about 10 percent in 1998 and 15% in 1999. We expect that the TSE will break ten thousand in the year 2000 [the last year of the Century]. This would call for a return of about 10 percent in 1998, 20 percent in 1999, and 15 percent in the year 2000.

While a 10 percent return for 1998 may not sound that great, it is the norm and is considerably better than what you would expect to earn on fixed income securities. All of this leads us to our advice, which funny enough is not much different from our normal on going advice. If you are investing in mutual funds, continue to invest on a regular and continuing basis. If you are buying stocks, continue to make purchases as you see opportunities to buy your favorite companies at reasonable prices. In either case, continue to emphasize quality. If you follow this advice, you should do very well if we are right about where the markets are going. If we are wrong and there is a serious bear market, by holding quality, you will have protected yourself, plus you will continue to pick up new bargains as the bear continues. If the bull takes hold sooner than we expect, you should do okay also.

IFC Market Outlook

March 1998
Issue

March 7, 1998.

As the Dow is hitting new highs, and the TSE appears poised to break its old record, we think it is safe to say that the correction is over. For some time, we had been calling for a 3 to 6 month correction, probably in the fall of 1997. We would say that we were pretty accurate. We did expect the U.S. markets to be hit a little harder, and the market did come back a little sooner than we expected. However, it did provide some buying opportunities, and it proved that adhering to our four basic principles (see IFC Investment Principles below) was and is as important as ever.

So where to from here. We expect that the market will continue to rise for the next while, but the road will be very bumpy. There will be many buying opportunities along the way, especially for stock pickers, and there will be regular flights to quality when we hit unexpected bumps. So continue to follow our four basic principles, and when we hit the inevitable bumps, do not panic, use them to take advantage of the opportunities that have arisen.

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IFC Investment Principles

The following are four basic principles that we believe to be the foundation of sound investing practice. By regularly referring to these principles we hope to avoid any major mistakes and ensure a satisfactory return on our long-term results. The four principles are:

1. Balance your investments according to your personal circumstances.
2. Always diversify your investments.
3. Invest in quality.
4. Invest regularly and gradually