

Report on Business

S&P/TSX 9,065.16
-535.02

Dow 8,451.19
-128.00

Nasdaq 1,649.51
+4.39

Dollar 84.69
-2.59

Gold 859.00
-27.50

Oil 77.99
-8.63

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ASSET MANAGEMENT 13.2% | 12.8% | 13.6% | 12.6%
HIGHER PERSPECTIVES LONG/SHORT LONG-ONLY RSP INCOME

Composite returns net of fees and commissions. Composites include actual accounts of Trapeze Asset Management Inc. and its affiliate, Trapeze Capital Corp. Past performance is no guarantee of future returns.

PORTFOLIO STRATEGY

Rob Carrick's ideas for managing your investments

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Experts' guidelines to surviving the freefall

Another week, another bite of your wealth gulped down by the stock markets.

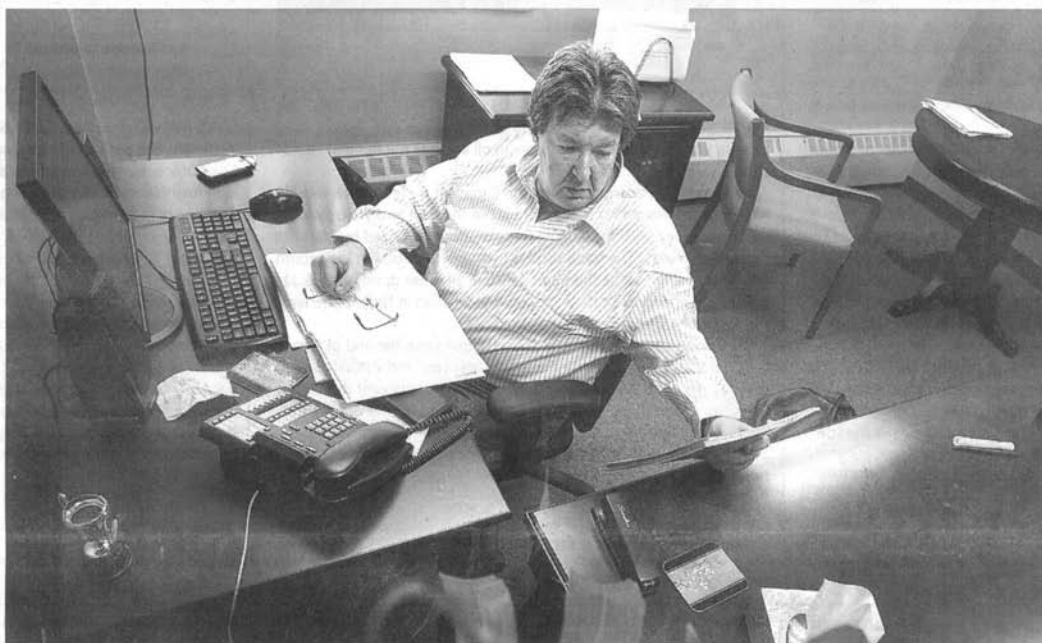
Had enough? You wouldn't be alone. Baskin Financial Services in Toronto is a money management firm with 250 high-net-worth families as clients. Four of the families have liquidated their investments in the stock market and three have partly sold their holdings. "I can tell you a lot of our clients are spooked, they're absolutely petrified," said David Baskin, the firm's president.

Mr. Baskin was one of several experts we asked yesterday for guidance on how investors should handle the stock market decline, preferably using examples from what they themselves are doing. Vito Maida of Patient Capital Management said he's started to do a modest bit of buying in the U.S. and Canadian markets. Tony Layton of PWL Capital said he's building a shopping list of stocks to buy when things stabilize.

Mr. Baskin is telling people to hang in there. "Our advice all along during this [down-turn], which you could say is wrong based on the evidence, is that we don't sell into panic," he said. "If you've got a good portfolio of blue-chip stocks, you shouldn't sell them at silly prices."

His thinking is that good companies may be way down in price, but the reasons for owning them are intact. "None of the companies we own have cut their dividend and none of them, as far as we can tell, are in financial stress. If that's the case, why would you want to sell a Bank of Nova Scotia, trading at \$41, down about \$10 from what we think is fair value and paying a huge dividend?"

The clearest reason not to sell right now is that you would lock in huge losses that could ease after the stock markets turn around. But Eric Kirzner, a finance professor at the University of Toronto's Rotman School of Management, said there are financial planning aspects that can



Vito Maida of Patient Capital Management said he's started to do a bit of buying in the U.S. and Canadian markets. "We're dipping our toe in the water, we're not being aggressive." PETER POWER/THE GLOBE AND MAIL

The bargain hunter's shopping list

The portfolio management firm PWL Capital has been putting together a list of exchange-traded funds it would like to buy once the stock markets have settled down. Here are some of the names on the list:

ETF	Ticker	Invests in	YTD price change
iShares CDN LargeCap 60 Index Fund	XIU-T	Cdn. blue chips	-30.9%
iShares CDN Completion Index Fund	XMD-T	Mid-size Cdn. stocks	-39.5%
SPDR S&P 500 ETF	SPY-A	Big U.S. stocks	-39.5%
iShares MSCI EAFE Index Fund	EFA-N	International stocks	-46.0%
SPDR MidCap 400 ETF	MDY-A	Mid-size U.S. stocks	-35.5%
Vanguard Small-Cap ETF	VB-N	Small U.S. stocks	-33.6%

Ticker key: T=TSX; A=American Stock Exchange; N=NYSSE

DOUGLAS COULL/THE GLOBE AND MAIL. SOURCES: PWL CAPITAL AND GLOBEINVESTOR.COM

make it necessary to sell now. "You've got to take a close look at your portfolio and say, suppose we see another 30-per-cent decline in stocks, which would take us pretty close to the Great Depression. Does this mean I'm going to be living in the street and broke in retirement?"

If the answer is yes, Prof. Kirzner said, "it may mean you have to do something very unpleasant and lighten up on equities to move into safe fixed income."

Mr. Layton, president of PWL Capital in Montreal, said his firm has been taking weekly looks at client portfo-

lios to distinguish between strong and weak assets. The rapidly changing financial environment means holdings that looked good at one time can become a liability. An example would be some bonds held by PWL clients that were issued by U.S. financial companies. Last month, these bonds were dumped.

"We sold them at a loss, but since then they've gone down further," Mr. Layton said.

The proceeds of whatever Mr. Layton sells are being held in Government of Canada treasury bills, which he recommends for investors who are worried about the safety of their money. T-bill returns are less than 2 per cent, which Mr. Layton describes as "terrible." But there's nothing safer.

For the past couple of weeks, Mr. Layton and his associates have been putting together a shopping list of stock and bond investments to buy

when the markets stabilize. His definition of a stable market: "A week or two of not necessarily up days, but at least calm trading."

Mr. Layton's firm builds portfolios with exchange-traded funds, or ETFs, which are basically stocks that offer the return of a particular stock or bond index. Among the ETFs on the PWL shopping list are the iShares Cdn LargeCap 60 Index Fund, which gives you the return of the S&P/TSX 60 index of big blue-chip stocks, and the SPDR S&P 500 ETF, which is a U.S.-listed ETF that tracks the S&P 500 index.

Mr. Layton said the only thing he has already started to buy for client accounts are preferred shares recently issued by the big banks. Meanwhile, Mr. Baskin said that for now, he's avoiding what he describes as irrational markets.

"We've had a number of our brave investors call us up and

say, should we be buying? My answer to them is: The thing about irrationality is that you don't know how long it's going to last, or how bad it's going to get."

As an example of this confusing market behaviour, Mr. Baskin mentioned the shocking 400-point plunge in the Dow Jones industrial average that came in the final hour of trading Thursday. "How can you buy into that kind of nuttiness?" he asked.

Ironically, it's the very conservative Mr. Maida who has already begun putting some money into the markets. He has justifiably received a lot of attention for having had the prescience to go to 80-per-cent cash in his portfolios back in August, 2007. He began buying in March and has since spent enough to take his cash holdings down to 60 per cent.

"We're dipping our toe in the water, we're not being aggressive," Mr. Maida said. "We're buying high-yielding stocks that we think are very high quality and have strong balance sheets." He declined to offer specific names of stocks he's buying, but he did say he's finding better bargains in the U.S. market than in Canada.

As far as global stock markets have fallen in the past several weeks, Mr. Maida doesn't believe that share prices have hit what he described as "desperation panic" levels. Accordingly, he's being very careful about spending the hoard of cash that has insulated his clients from the market plunge. "In this environment, prudence and caution are probably wise."

Holding themselves back from buying into this market is not a problem for many investors. The spectacle of the markets doing a slow dissolve has them wondering about the unthinkable happening to their stocks.

"I had one lady call up and say, 'I heard the stock market is going to zero,'" Mr. Baskin said. "I said, stock markets don't go to zero. These companies have value."