

## First Quarter Review

Without much surprise, the first quarter of 2013 ended the same way as it began, with continued economic uncertainty in Europe caused by debt crisis and political insecurity. It would also appear that this situation is closer to becoming the new "Normal" of our time, and that the investment community will eventually have to find ways of working around this situation.

Upon reflection on the first quarter, our recommendation to diversify carriers as well as investment composition has proven correct. Our focus upon dividend based funds and real estate income funds provided favourable returns. We can project that this will continue to be the case for at least the next 6 months, however the extraordinary returns enjoyed in the dividend based funds will be curtailed as most companies have now announced their scheduled increases in 2013 dividends.

The Real Estate Funds performance was slightly hindered in February and March, however it is expected to return to its regular pace of .05+% monthly, especially since current economic conditions appear to have postponed any significant increase in loan interest rates until late 2014.

Many U.S. and Canadian companies are continuing to postpone acting upon various government requests and tax incentives for capital expansion and new employment opportunities. As a result, these companies have been recording record profits allowing for significant increases in dividend payouts as a way to retain or attract investors. Until governments can adopt stricter policies that tax large corporate reserves, this will continue to be situation.

There is currently very little incentive for private companies to stimulate the economy by increasing their workforce as production has been slowed to match the decreasing demand for their products. Decreased demand is due to the continued unemployment of the workforce. Thus starts a vicious cycle that needs to be broken before we see renewed growth, all the while without going to war, which has been the historical solution.

Commodities have once again rallied since the third quarter of 2012; however have begun cooling off in late March 2013. It is interesting to note however that the rally was much smaller this time around, as a percentage and with reduced volatility. We believe this is attributable to relative stability in the Middle East and a safer hurricane season in the Gulf. Guaranteed interest rates remain unattractive options as the real return once inflation and taxes are considered mean a decrease in market value

## Fund Performance Values

STANDARD LIFE FUNDS	YTD
Ideal Monthly Income	2.90%
Ideal U.S. Dividend Growth	8.53%
Ideal CDN Dividend Growth	2.67%
Ideal Global Dividend Growth	8.77%
CANADA LIFE FUNDS	YTD
Enhanced Dividend Fund	1.90%
Real Estate Fund	1.32%
Canadian Resource Fund	-4.82%

## Market Performance Values

	TIME PERIOD	RATE
S&P / TSX Composite Index	Year To Date	0.39%
GIC	3 year rate	1.35%
Canadian Consumer Price Index	Feb 2012 to Feb 2013	1.2%

## Office News

We continue to meet with various representatives and investment managers to keep us informed of new developments and products, some of which we will be able to announce in the coming months. We are also seeking to add another member to our team to enhance our ability to serve you better. Our on-line financial reporting of investments is finally fully operational. If you wish assistance in establishing your on access port, kindly call Sanju Shampur at 416-488-3080 ext. 238, or through email at [sanju@deacon-kalata.com](mailto:sanju@deacon-kalata.com). She will be able to assist in instruction or can arrange an appointment for one of us to come to your residence to create an easy access icon.

I do owe some of you an apology as it recently came to our attention that in the transition of roles within Deacon Kalata, that the investment reporting dates for some of you was inadvertently changed from monthly to quarterly. Kindly confirm your desired reporting schedule directly with Sanju.

Thank you for your continued trust and confidence.

  
**Gregory Deacon**  
**Paul Kalata**