

The Francis Forum Newsletter

Create Wealth, Achieve Freedom

Fall Edition 2011



 **Manulife Securities**

MANULIFE SECURITIES INCORPORATED
MANULIFE SECURITIES INSURANCE INC.

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Stock Tips and Emotional Pitfalls

At times during market cycles, it may seem like everyone around you is talking about the hottest stocks, or conversely market timing i.e. sell and move it all into cash for the problem of the day/week. It can be hard to resist friendly recommendations that may or may not be in your best interest. Maybe your colleague doubled his money in some fascinating new resource stock. Perhaps your newspaper is promoting a specific company as "the next big thing" or "economic calamity". Maybe you read about either on a financial website. Wherever your tip came from, impulsive trades can all too easily have a negative result.

Investing in stock "tips" are generally a bad idea for a variety of reasons. Over the past three decades I have seen plenty of "promotions" that caused plenty of grief. I say promotions because often small unknown companies are "promoted" in order to entice investors and push the share price upwards. With no real economic value added, and no solid fundamentals, the "promoters" themselves then sell their holdings when the price hits a predetermined point and the share prices tend to fall since no new demand is sought. Investors usually end up with a lot of losses. The reverse happens when economic news is bad. Some folks get nervous based on water-cooler talk and sell excellent businesses when they are temporarily out of favor. These firms, unlike those mentioned above, tend to have excellent reputations and a proven track record in management, sales, earnings, dividend growth etc. It is at times like that that I would prefer to buy them as opposed to sell them - setting the stage for rewarding long term capital growth.

Nonetheless, financial stability and likability are very different from each other. If a company can't produce a business plan that is sound, then it will likely not be very profitable in the end. Emotions play a huge role with retail investors. We witnessed proof of that in the late 90's when Nortel and JDS Uniphase were darlings; in fact anything with .com after it was coveted - all for the wrong reasons. The vast majority had no earnings and as investors piled on board at higher and higher prices, the party came to an end leaving plenty of people disappointed. Honest and experienced management, sales, earnings and dividend growth do count! A sampling of the most coveted .com era firms had very few of these traits.

During any heated mania - whether it was the Nifty Fifty, past technology, or today's resource sector - it's incredibly easy to get caught up in the action and become overweighed in an asset class that is either overvalued or of little value. This sets the stage for disappointment. Conversely, selling undervalued companies during times of economic downturn (think of Canada's banks in late 2008 and early 2009) was equally foolish. Excellent businesses that possess the positive traits mentioned above and are best in their class do decline in value at times, however the declines are temporary and recoveries more often than not, mean enhanced wealth for patient investors.

In today's environment stocks can be traded at the drop of a hat. With new information constantly being traded amongst investors, websites, twitter etc, it can quickly have an effect on the cost of the stock and one's desire to own it (or sell it); perhaps for the wrong reasons. One very good rule of thumb is that if you've heard of this stock tip from anyone, it is likely that others have heard the exact same tip. Pay attention to fundamental ratios and other financial and research data. Contact us and we can provide the background, economic and financial metrics to ensure an informed decision on whether or not a particular investment idea meets your stated terms.

This means it is important to understand your own objectives and risk tolerances and time horizon. Know what it is you actually own and in the case of a mutual fund - what is inside it. These are important factors to consider whether you have interest in a "tip" or have heard it's time to sell. Avoid having your emotions derail your well thought-out and sound financial and investment plans by seeking advice from a trustworthy and knowledgeable source. As always, I'm always available to discuss the topics in my newsletter, or any other financial inquiries you may have.

Sincerely,

Duane

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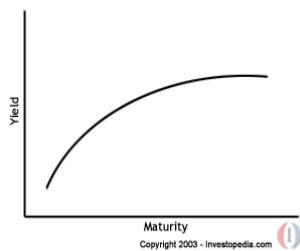
Bonding With Bonds: Yield Curves

The term structure of interest rates, also known as the yield curve, is a very common bond valuation method. Constructed by graphing the yield to maturities and the respective maturity dates of benchmark fixed-income securities, the yield curve is a measure of the market's expectations of future interest rates given the current market conditions. Treasuries issued by the federal government are considered risk-free and, as such, their yields are often used as the benchmarks for fixed-income securities with the same maturities. The term structure of interest rates is graphed as though each coupon payment of a non-callable fixed-income security were a zero-coupon bond that "matures" on the coupon payment date. The exact shape of the curve can be different at any point in time. So if the normal yield curve changes shape, it tells investors that they may need to change their outlook on the economy.

There are three main patterns created by the term structure of interest rates:

1) Normal Yield Curve

As its name indicates, this is the yield curve shape that forms during normal market conditions, wherein investors generally believe that there will be no significant changes in the economy, such as in inflation rates, and that the economy will continue to grow at a normal rate. During such conditions, investors expect higher yields for fixed income instruments with long-term maturities that occur farther into the future. In other words, the market expects long-term fixed income securities to offer higher yields than short-term fixed income securities.

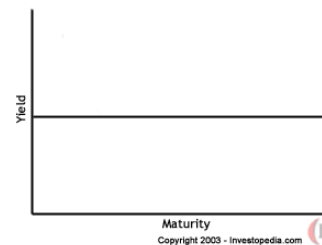


This is a normal expectation of the market because short-term instruments generally hold less risk than long-term instruments; the farther into the future the bond's maturity, the more time and, therefore, uncertainty the bondholder faces before being paid back the principal. To invest in one instrument for a longer period of time, an investor needs to be compensated for undertaking the additional risk.

Remember that as general current interest rates increase, the price of a bond will decrease and its yield will increase.

2) Flat Yield Curve

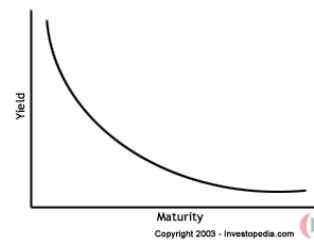
These curves indicate that the market environment is sending mixed signals to investors, who are interpreting interest rate movements in various ways. During such an environment, it is difficult for the market to determine



whether interest rates will move significantly in either direction farther into the future. A flat yield curve usually occurs when the market is making a transition that emits different but simultaneous indications of what interest rates will do. In other words, there may be some signals that short-term interest rates will rise and other signals that long-term interest rates will fall. This condition will create a curve that is flatter than its normal positive slope. When the yield curve is flat, investors can maximize their risk/return tradeoff by choosing fixed-income securities with the least risk, or highest credit quality. In the rare instances where in long-term interest rates decline, a flat curve can sometimes lead to an inverted curve.

3) Inverted Yield Curve

These yield curves are rare, and they form during extraordinary market conditions wherein the expectations of investors are completely the inverse of those demonstrated by the normal yield curve. In such abnormal market environments, bonds with maturity dates further into the future are expected to offer lower yields than



bonds with shorter maturities. The inverted yield curve indicates that the market currently expects interest rates to decline as time moves farther into the future, which in turn means the market expects yields of long-term bonds to decline. Remember, also, that as interest rates decrease, bond prices increase and yields decline.

You may be wondering why investors would choose to purchase long-term fixed-income investments when there is an inverted yield curve, which indicates that investors expect to receive less compensation for taking on more risk. Some investors, however, interpret an inverted curve as an indication that the economy will

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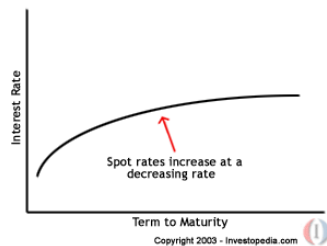
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soon experience a slowdown, which causes future interest rates to give even lower yields. Before a slowdown, it is better to lock money into long-term investments at present prevailing yields, because future yields will be even lower.

The Theoretical Spot Rate Curve

Unfortunately, the basic yield curve does not account for securities that have varying coupon rates. When the yield to maturity was calculated, we assumed that the coupons were reinvested at an interest rate equal to the coupon rate, therefore, the bond was priced at par as though prevailing interest rates were equal to the bond's coupon rate.



The spot-rate curve addresses this assumption and accounts for the fact that many Treasuries offer varying coupons and would therefore not accurately represent similar noncallable fixed-income securities. If for instance you compared a 10-year bond paying a 7% coupon with a 10-year Treasury bond that currently has a coupon of 4%, your comparison wouldn't mean much. Both of the bonds have the same term to maturity, but the 4% coupon of the Treasury bond would not be an appropriate benchmark for the bond paying 7%. The spot-rate curve, however, offers a more accurate measure as it adjusts the yield curve so it reflects any variations in the interest rate of the plotted benchmark. The interest rate taken from the plot is known as the spot rate.

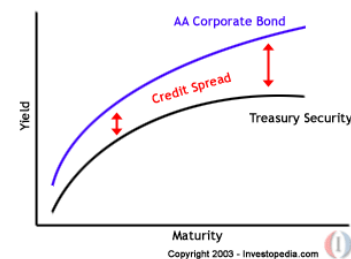
The spot-rate curve is created by plotting the yields of zero-coupon Treasury bills and their corresponding maturities. The spot rate given by each zero-coupon security and the spot-rate curve are used together for determining the value of each zero-coupon component of a non-callable fixed-income security. Remember, in this case, that the term structure of interest rates is graphed as though each coupon payment of a non-callable fixed-income security were a zero-coupon bond.

T-bills are issued by the government, but they do not have maturities greater than one year. As a result, the bootstrapping method is used to fill in interest rates for zero-coupon securities greater than one year. Bootstrapping is a complicated and involved process and will not be detailed in this section (to your relief!); however, it is important to remember that the bootstrapping method equates a T-bill's value to the value of all zero-coupon components that form the security.

The Credit Spread

The credit spread, or quality spread, is the additional yield an investor receives for acquiring a corporate bond instead of a similar federal instrument. As illustrated in the graph below, the spread is demonstrated as the yield curve of the corporate bond and is plotted with the term structure of interest rates.

Remember that the term structure of interest rates is a gauge of the direction of interest rates and the general state of the economy.



Corporate fixed-income securities have more risk of default than federal securities and, as a result, the prices of corporate securities are usually lower, while corporate bonds usually have a higher yield. When inflation rates are increasing (or the economy is contracting) the credit spread between corporate and Treasury securities widens. This is because investors must be offered additional compensation (in the form of a higher coupon rate) for acquiring the higher risk associated with corporate bonds.

When interest rates are declining (or the economy is expanding), the credit spread between Federal and corporate fixed-income securities generally narrows. The lower interest rates give companies an opportunity to borrow money at lower rates, which allows them to expand their operations and also their cash flows. When interest rates are declining, the economy is expanding in the long run, so the risk associated with investing in a long-term corporate bond is also generally lower.

Now you have a general understanding of the concepts and uses of the yield curve. The yield curve is graphed using government securities, which are used as benchmarks for fixed income investments. The yield curve, in conjunction with the credit spread, is used for pricing corporate bonds. Now that you have a better understanding of the relationship between interest rates, bond prices and yields, we are ready to examine the degree to which bond prices change with respect to a change in interest rates.

Source: www.investopedia.com

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Online Banking

Online banking is becoming much more common. You can pay your bills online and access a record of your checking account transactions online. Online banking is a great feature, and most banks do offer it. Online banking makes everything you do with your finances a bit easier. You can access the information anywhere that you have access to the Internet. It makes your financial life much easier to manage.

1. Pay Your Bills Online

You can use online banking to pay your bills. This will eliminate the need for stamps and protect you from the cheque being lost in the mail. Most banks will have a section in which you set up payees. You will need to fill out the information once, and then you can simply choose that profile every time you pay a bill online. If your bank will not pay bills online you may consider paying online.

2. View Your Transactions

Online banking allows you to access your account history and transactions from anywhere. This is the quickest way to check and see if a transaction has cleared your account. This can help you to find out the amount of a transaction after you have lost your receipt. It also allows you to find out about unauthorized transactions more quickly. This can help you to resolve the issues more quickly.

3. Transfer Money Between Accounts

Online banking also allows you to transfer money between accounts much more quickly. It is more convenient than using the automated phone service, and can save you a trip to the bank. When you apply or set up your online banking, be sure that all of the accounts you have at the bank are listed. This will make it easier to transfer money and make loan payments online.

4. Protect Yourself Online

It is important to be careful when banking online. You do not want your safety or privacy to be breached. It is important to log out after each banking session, if you are at a private or public computer. Additionally you need to make sure that your password is long enough to prevent it from easily being hacked. Never give your online account information to someone who is not an authorized signer on your account.

Source: <http://moneyfor20s.about.com>

Health and Wellness

What you eat affects how you sleep. One of the keys to a restful night's sleep is to get your brain calmed rather than revved up. Some foods contribute to restful sleep; other foods keep you awake. We call them *sleepers* and *wakers*. Sleepers are tryptophan-containing foods, because tryptophan is the amino acid that the body uses to make serotonin, the neurotransmitter that slows down nerve traffic so your brain isn't so busy. Wakers are foods that stimulate neurochemicals that perk up the brain.

Tryptophan is a precursor of the sleep-inducing substances serotonin and melatonin. This means tryptophan is the raw material that the brain uses to build these relaxing neurotransmitters. Making more tryptophan available, either by eating foods that contain this substance or by seeing to it that more tryptophan gets to the brain, will help to make you sleepy. On the other hand, nutrients that make tryptophan less available can disturb sleep.

Eating carbohydrates with tryptophan-containing foods makes this calming amino acid more available to the brain. A high carbohydrate meal stimulates the release of insulin, which helps clear from the bloodstream those amino acids that compete with tryptophan, allowing more of this natural sleep-inducing amino acid to enter the brain and manufacture sleep-inducing substances, such as serotonin and melatonin. Eating a high-protein meal without accompanying carbohydrates may keep you awake, since protein-rich foods also contain the amino acid, tyrosine, which perks up the brain.

To understand how tryptophan and carbohydrates work together to relax you, picture the various amino acids from protein foods as passengers on a bus. A busload containing tryptophan and tyrosine arrives at the brain cells. If more tyrosine "passengers" get off the bus and enter the brain cells, neuroactivity will rev up. If more tryptophan amino acids get off the bus, the brain will calm down. Along comes some insulin which has been stalking carbohydrates in the bloodstream. Insulin keeps the tyrosine amino acids on the bus, allowing the brain-calming tryptophan effect to be higher than the effect of the brain-revving tyrosine.

You can take advantage of this biochemical quirk by choosing protein or carbohydrate-rich meals, depending on whether you want to perk up or slow down your brain. For students and working adults, high protein, medium-carbohydrate meals are best eaten for breakfast and lunch. For dinner and bedtime snacks, eat a meal or snack that is high in complex carbohydrates, with a small amount of protein that contains just enough tryptophan to relax the brain. An all-carbohydrate snack, especially one high in junk sugars, is less likely to help you sleep. You'll miss out on the sleep-inducing effects of tryptophan, and you may set off the roller-coaster effect of plummeting blood sugar followed by the release of stress hormones that will keep you awake. The best bedtime snack is one that has both complex carbohydrates and protein, and perhaps some calcium. Calcium helps the brain use the tryptophan to manufacture melatonin. This explains why dairy products, which contain both tryptophan and calcium, are one of the top sleep-inducing foods.

Source: <http://www.askdrsears.com>

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Client Manager Web and Other Technological Improvements

Manulife Securities is pleased to announce the creation of an Electronic Services (eServices) program as part of their ongoing strategic enhancements in Technology. Encompassing a broad suite of online services delivered over time, eServices will provide tools to allow us to conduct our business in a more timely and efficient manner.

Client Manager Web

An essential component for the eServices strategy is Client Manager Web (CMWeb). CMWeb is a secure advisor and client portal that makes it possible to implement many of these progressive services. Client Manager Web is a cornerstone application and gateway for clients and advisors. It currently provides secure electronic delivery of client-facing documents such as portfolio reviews as well as, account holdings, transaction history, and much more.

While Manulife Securities Incorporated continues to develop CMWeb to reach its full potential, they have been intensely focused on making improvements based on feedback and they are confident that it is the preeminent client portal solution best suited to enable eServices. Once we can provide you with CMWeb access, you can log in and begin to take advantage of the various services immediately.

Coming Soon!

eDelivery of Client Statements

This is an innovative and time-saving service. Once implemented, you will be notified via email when the electronic version of your account statement is ready and retrievable through CMWeb. After signing into the CMWeb platform you can view an exact replica of your hard copy statements and save it to your desktop if you wish.

On October 3, the client site associated with Client Manager Web will get an updated professional look. You may want to become familiar with some of the new features and functionality. Here are a few highlights:

Secure messaging

A new secure messaging feature allows you to receive information securely and directly through Client Manager Web. You can also use this feature to securely correspond you're your advisor. Please note that investment instructions or other changes to your accounts and policies may still only be received in person or over the phone.

Investment summary

You can choose to view information by one of the following and an accompanying pie chart will change to match the view you select:

- Provider/Financial Institution
- Tax Type
- Investment Category

Banking summary

Under Assets and Liabilities, product provider, owner and account numbers are listed. Details about a certain bank product are found under that account number.

Insurance summary

View life insurance and living benefits policies. Policy details are found under the policy number.

Documents section

You will be able to review documents sent to you by your advisor.

My Advisor section

This provides my contact information and includes a link to Google Maps.

Web browser

To best view and use Client Manager Web and Client Access, we recommend using Internet Explorer 8.

Questions

If you have any questions regarding the enhancements to the client site, please contact my associate Adam Schacter at (613) 728-0101 at extension 229 or at adam.schacter@manulifesecurities.ca

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Fall Activities

Canadian Breast Cancer Foundation - CIBC Run for the Cure

October 2, 2011

www.runforthecure.com

Ottawa Senators Home Opener

October 11, 2011

www.ottawasenators.com

MADD Dash 2011/Strides for Change

October 16, 2011

www.maddashottawa.com

Ottawa Wine and Food Show

November 5th-7th, 2011

www.ottawawineandfoodshow.com

Ottawa Help Santa Toy Parade

November 19, 2011

www.toyparade.org

Bell Capital Cup Hockey Tournament

December 28th, 2011

www.oihf.net

Thanksgiving

Monday October 10th, 2011

Most businesses are closed. Check with local museums and galleries for reduced rate admission fees.

Saunders Farm

Saunders Farm has the largest collection of hedge and puzzle mazes in North America and is 100 acres of fun in Munster, Ontario located just a short distance southwest of downtown Ottawa. Historic log buildings, stone fireplaces, beautifully landscaped gardens, natural ponds, two hilltop Gazebos and a rustic Pavilion combine to make a truly unique experience. Autumn at Saunders Farm has never been so fun. They're open all season for families, weddings and corporate events.

Calendar of Events

Year-End Tax Planning Seminar

1525 Carling Avenue, Lower Boardroom
Thursday October 27th, 2011

Wills and Estate Planning Seminar

1525 Carling Avenue, Lower Boardroom
Monday November 7th, 2011

Fidelity Economic Outlook – Peter Drake

1525 Carling Avenue, Lower Boardroom
Tuesday November 29th, 2011

Annual Children's Christmas Party

Museum of Science and Technology
Sunday December 11th, 2011

Some seminar & event dates and times are tentative.

Be sure to check our website often for confirmed times and dates;
<http://www.duanesmywealthpartner.com/>

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