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1. Last Week Market Movers
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### Criteria for Assessing the Model Portfolio

Note: Underlined letters represent links to corresponding articles

## Last Week Market Movers

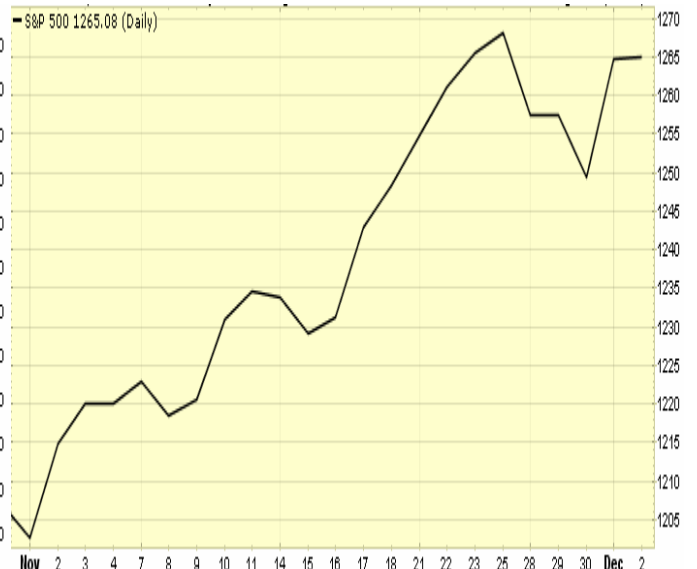
- Strong economic expansion continues (the preliminary GDP of 4.3% annualized in 3Q2005) with subdued inflation (0.2% in October)
- Equities bounced back in the middle of the week (see chart 2). Though, we are expecting some weakness due to short-term divergences between prices and market fundamentals, the long-term outlook remain favorable

## S&P 500 Charts

Chart 1: 5 years



Chart 2: 1 Month



Charts courtesy of Stockcharts.com

## Performance of Our Model Portfolio

**Conclusions** based on the table 1 and charts 3, 4 and 5. Since inception, **VTI** was the most optimal investment on risk-adjusted basis while the volatility of **IYR** was very high. In addition, the fixed income instruments (e.g. **AGG** and **SHY**) have returned close to zero since inception.

Among the balance fund categories, **FBALX** and **VBINX** outperformed our model portfolios on risk-adjusted basis. Our model portfolios re-confirmed that higher return usually comes with a higher risk.

Table 1.

	Return (one week) %	Return (since inception) %	Risk as volatility (since inception) %	Risk-adjusted Return (since inception)
Dow Jones	-0.49	4.19	0.44	9.48
S&P 500	-0.25	4.81	0.52	9.27
EFA – MSCI EAFE	1.40	4.44	0.75	5.92
VTI – US Total Stock	-0.01	5.96	0.48	12.33
AGG – Lehman Aggr. Bond	-1.00	-0.15	0.23	-0.65
IYR – Real Estate	-0.51	6.10	1.00	6.13
SHY – US Treasury	-0.37	0.05	0.12	0.42
FBALX – Fidelity Bal.	0.32	4.84	0.47	10.21
FFALX – Franklin Bal.	0.47	2.57	0.35	7.40
VBINX – Vanguard Bal.	-0.15	3.41	0.34	9.93
Simple 40/60 (equity / bonds)	-0.44	1.58	0.23	6.78
Simple 60/40 (equity / bonds)	-0.13	2.65	0.30	8.69
Simple 80/20 (equity / bonds)	0.21	3.83	0.41	9.40
Simple 100 (equity)	0.57	5.12	0.53	9.65

Note: Inception date October 31, 2005

Chart 3.

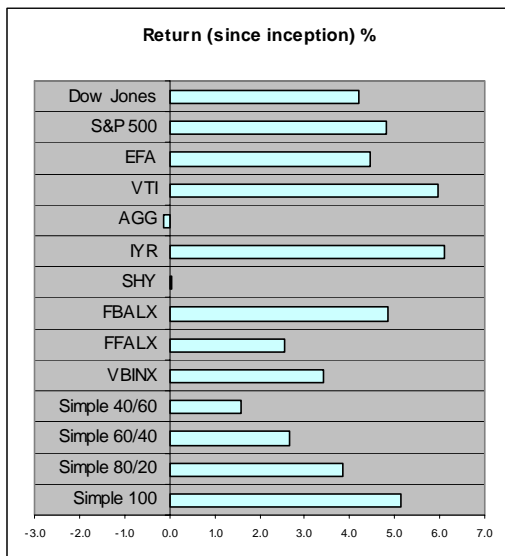


Chart 4.

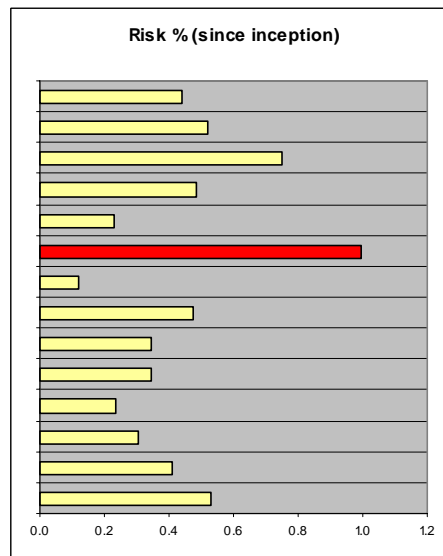
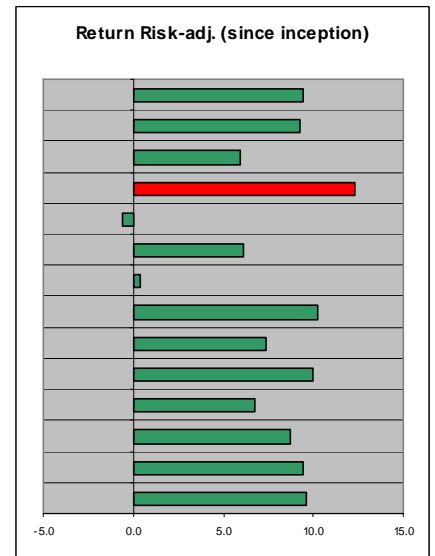


Chart 5.



# Canada

## Last Week Market Movers

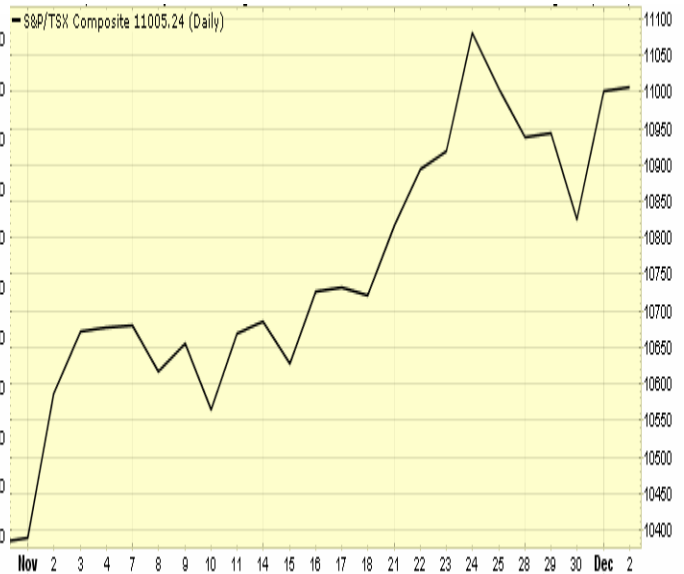
- January 23, 2006 – winter election in Canada
- Despite the election uncertainty, the strength of C\$ and favorable (though regional) employment outlook. Due to strong macroeconomic fundamentals, we expect further strengthening of the Canadian currency

## TSX Charts

Chart 6: 5 years



Chart 7: 1 Month



Charts courtesy of Stockcharts.com

## Performance of Our Model Portfolio

**Conclusions** based on the table 2 and charts 8, 9 and 10. Since inception, **XSP** was the most optimal investment on risk-adjusted basis. On the other hand, **XBE** was clearly the worse performer along with other fixed income instruments.

As expected, our four model portfolios delivered respectable gains combined with lower level of risk.

Table 2.

	Return (one week) %	Return (since inception) %	Risk as volatility (since inception) %	Return (risk adjusted since inception)
TSX – Canada	0.02	5.99	0.79	7.59
XIN – MSCI EAFE	1.30	4.93	0.83	5.93
XSP – S&P 500	-1.31	5.80	0.70	8.28
XBB – Fixed Income	0.20	0.82	0.27	3.06
Simple 40/60 (equity / bonds)	0.29	1.86	0.29	6.45
Simple 60/40 (equity / bonds)	0.34	2.70	0.38	7.09
Simple 80/20 (equity / bonds)	0.40	3.70	0.52	7.08
Simple 100 (equity)	0.47	4.89	0.71	6.92

Note: Inception date October 31, 2005

Chart 8.

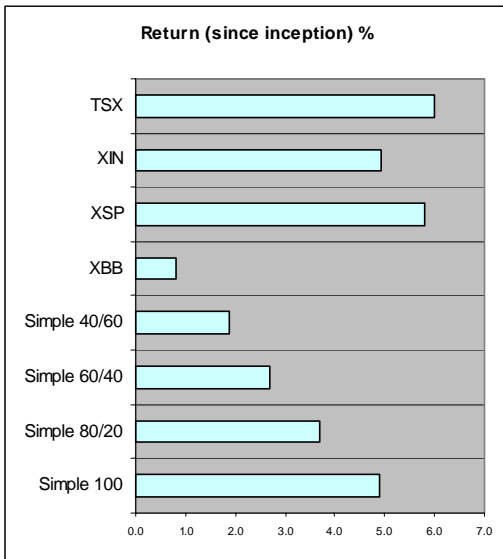


Chart 9.

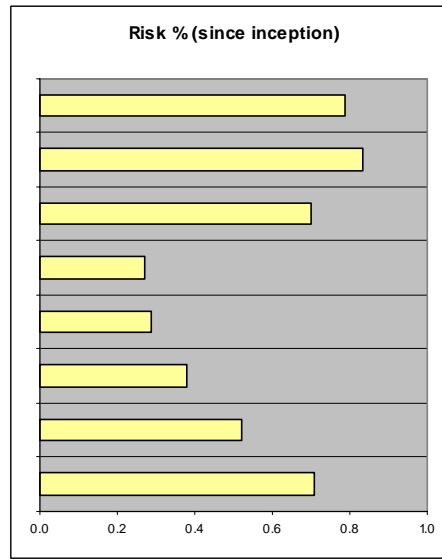
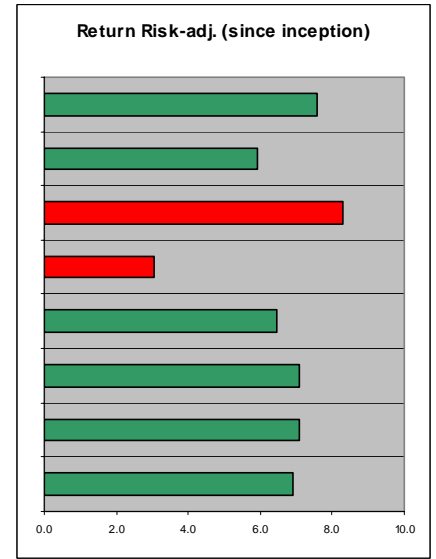


Chart 10.



### Criteria for Assessing Model Portfolio

We compare our model portfolios based on 3 criteria:

1. **Returns** (higher is more desirable)
2. **Risks** as defined by volatility (lower is more desirable), which means that with lower volatility investors sleep better at night
3. **Risk-adjusted returns** (higher is more desirable). This would be the most optimal measure which indicates that an investor is investing well and sleeping well.

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