J.C. HOOD INVESTMENT COUNSEL INC.

Monthly Newsletter - December 2011

Hello Everyone:

On behalf of Christine and I, we want to thank you for your business and your confidence this past year. We wish you and your family a Merry Christmas and a healthy and prosperous New Year.

Markets. In the October and November newsletters, I wrote about 'waiting to exhale' and Euro fatigue. At last, markets have exhaled! While the Euro mess will take years to fix and require an enormous shift in a culture of dependency, the markets are reacting positively. There is a sense that steps are being taken to repair economies and markets. The ECB is providing $500Bil to Euro banks to prevent a credit crunch. Many will argue that nothing substantive is being accomplished, that the 'debt can' is just being kicked down the road, that disparate nationalist governments will never allow any encroachment on their sovereignty through fiscal monitoring by a renewed Frankish alliance of technocrats. This, however, is highly subjective and unpredictable and will provide much fodder for economic forecasting. What matters now is that yields on Italian and Spanish bonds are retreating; meaning that their debt is becoming more serviceable, and that German confidence is increasing. In the US, markets are definitely improving, even housing is showing some improvement as is the job market.

Strategy. Market volatility however is not over, so we will continue to maintain our current strategy of taking advantage of lower prices while trying to boost the income portfolio with several different income based ETFs. I appreciate that it's very difficult for new investors who are very tenuous about these kinds of volatile markets. There is an old traders saying about market greed, that 'you can be a bull or a bear but pigs get slaughtered!' There should be a codicil to this however; if you are a turtle or a mole or an ostrich--choose your critter--you cannot make money in the market by hiding from it. You have to be in the market to make money! So long as you are well diversified with high-quality investments at low cost, you will achieve portfolio growth.

Vanguard. Speaking of low costs, I attended a Vanguard presentation earlier this month for their 6 new ETFs. They will be challenging other ETF providers on price competiveness, so you can expect to see some Vanguard ETFs in your portfolios over the next months.

Perspectives. While at the Vanguard seminar, I was waiting to hear Dr. Charles Ellis PhD, author of many books and articles on economics and investing. I simply dreaded hearing another economist lamenting the state of the global economy, fractious politicians and the impact of the Finance Minister of Slovenia gumming up the works at the ECB. I was about to head for the exits, but fortunately paused, because he was crystallizing the extraordinary changes in market participants over the past 50 years and how that had impacted the structure of the markets. His analysis reflected my own experiences in the past 30+ years in the industry.

He also talked about our fiduciary and personal responsibilities as **Investment Counsellors** to our clients, a discussion all too frequently ignored in the din of mathematical modeling, regulatory excoriation and frenzied media ‘sound bites’. When I started this business, we were dually registered as Investment Counsellors and Portfolio Managers or ‘ICPMs’ but no longer. Two years ago, the OSC dropped the IC registration, which I believe was a mistake because the designation separated the ICPMs from the IIROC portfolio managers, many of whom are both fee and commission based and did not have the credentials of ICPMs. In other words, the OSC decision, while intending to simplify registration actually increased confusion about how advisors are differentiated and compensated.

If you have any questions, I would be glad to hear from you.

Regards
John