

Personal Investment Strategy:

**Slightly Pessimistic, Slightly Cash- and Bond-Oriented;
Western Europe Tops the List as Place to Invest;
U.S. Has Lost Panel's Confidence, China Even More So**

BDO Dunwoody Weekly CEO/Business Leader Poll

By COMPAS in *Canadian Business*

For Publication April 10, 2008



COMPAS Inc.

Public Opinion and Customer Research

April 10, 2008

1.0. Introduction

In a setting where pessimism is strong but appears to have leveled off, the CEOs and business leaders on the COMPAS panel are slightly disinvested in the stock market.

To a young relative with an inheritance windfall, panelists would be slightly less likely to recommend stock and slightly more likely to recommend cash or bonds than when asked in the past.

With respect to where to invest, panelists have changed relatively little in their relative confidence in different parts of the world. Western Europe tops the list as a place to investment while Mexico trails badly. Relative to sentiment in 2006, confidence in the United States has fallen, but appreciably less than it has fallen in the case of China

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine under sponsorship of BDO Dunwoody LLP.

2.0. Economic Sentiment and Personal Investment Strategies

The economic sentiment of the panel is far more pessimistic than in 2006 and before but no more pessimistic, perhaps less so, than two weeks ago, as shown in table 2A. Paradoxically, the setting of negative economic sentiment does not appear to have greatly affected the investment advice that panelists would offer a young relative with an inheritance windfall, as shown in table 2B.



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Table 2A: (Q1) How do you think the Canadian economy will be in six months? Will it get a lot better, somewhat better, remain about the same, get somewhat worse, get a lot worse?

	Apr 1 2008	Mar 20 2008	Jan 2008	July 2006	Feb 2006	Jan 2005	Aug 2003	June 2003
	%	%	%	%	%	%	%	%
A lot worse	4	4	0	1	0	1	0	1
Somewhat worse	49	61	47	24	19	24	11	22
Remain about the same	39	29	47	61	51	54	49	46
Somewhat better	9	4	6	14	27	19	37	29
A lot better	1	3	0	2	3	2	2	1
Don't know or no opinion	0	0	0	0	0	0	1	1

Table 2B: (Q2) Thinking of the present economic climate, if a nephew or niece of yours came into a windfall \$100,000 inheritance and wanted to invest it other than in the family home, what proportion would you recommend placing in each of the following categories?" RANDOMIZE¹

	APR 2008	JULY 2006
Short-term cash investments	24	17
Real estate or rental housing	17	23
Canadian public companies or indexes	16	21
Government bonds	11	N/A
International investment funds	9	12
Commodity investments	7	10

¹ Three per cent of respondents did not respond to the question. Their non-responses are not included when calculating the proportion to invest.



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	APR 2008	JULY 2006
Precious metals	7	9
U.S. public companies or indexes	5	9
Corporate bonds	4	N/A

As for direct words of advice to a young relative with funds to invest, these are samples of counsel from panelists:

Ask tough questions of your investment advisors, monitor the performance of their recommendations quarterly compared to other advisors and benchmarks; fire them if they under-perform for two years.

Be patient and look at various options based on expectations.

Be patient and accept smaller guaranteed returns for the next 6 to 9 months.

Be prepared for the long haul in any investments today.

Buy a home.

Buy gold!

Buy real estate first.

Buy your own home.

Buy low, sell high.

Capital preservation.

Cash.

Diversify and be patient.

Don't invest in the stock market unless you are well advised and follow your stocks. Recognize that the stock market is gambling and may pay off in the long term.

Don't expect miracles in the short term.

Don't invest in anything that has wheels, floats, or eats.



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Don't speculate, think long term.

Exercise prudence for the next 12 to 18 months.

Get a reputable company to manage your money.

Go east young person, go east.

Hold on and don't panic.

Husband your resources for a few months.

If you are in at least the 22% tax bracket, max your RRSPs.

If you have children, max your RESPs to get the 20% from the government. Then you can consider other forms of legal stock market gambling!!

If you are planning to invest in real estate seriously, consider buying in the U.S.

If you can handle the stress of fluctuations in value, you should still invest in growth based mutual funds while having a small percentage, 20% in GICs. Time is on your side.

Invest as much as you can, use an RRSP program for the stock side of investments and buy a house ASAP. Stay away from mutual funds. Do not draw out any money, but keep reinvesting and put away whatever you can afford to do.

Invest early, invest often, and understand the power of compound return. Do your own research, and ignore the "pros"; as Buffett says "analysts exist to make tarot card readers look good." Soak up anything written by. In a bad economy a buyer should be licking his lips.

Invest in land, gold, water or Europe.

Invest in real estate.

Invest in the global market for the long-term

Invest short term GIC and play the index.

Investing is a gamble, don't invest more than you can afford to lose.



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Investments don't always go up and if it seems too good to be true, it usually is.

Keep at least 50% in safe investments, 25% in real estate and 25% in more riskier investments.

Keep your money in cash right now.

Look at the long term not the short.

Look carefully at new technology, and watch for small new innovators. Keep away from the big boys - they depend too much on clout and not enough on new ideas.

Look to the U.S. residential market for investment opportunities over the next 6 - 12 months.

No really one knows where the markets [will go], so you have to diversify...Don't just invest in stock market. Also invest in your personal residence, and other real estate where it looks like there's an upside. E.g. Places where retiring baby boomers will be wanting to buy.

Nothing goes up forever, beware of oil and gold.

Open an RRSP account, deposit the max you can and buy for the long term large cap Canadian stocks

Patience and pick for the longer term.

Real estate [and] gold.

Reduce debt.

Research, know what you invest in.

Spread out your investments and do not take high risk investments.

Start early [and] diversify.

Stay away from corporate bonds and public corporations for the time being and invest more on tangible assets.

Stay conservative for 6-10 months; look for good bargains.



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Stay liquid and forego...an unusually high return by selecting an investment where the capital is preserved although this usually means a lower return (and less risk).

The advice depends entirely on the person's tolerance for risk. The markets will be volatile for a while and they are always a more risky place to invest.

Utilize RRSPs/TFSA's and commit a modest amount on a continuing basis.

Wait until the present situation stabilizes, then go back into the stock market U.S., Europe, and Asia.

What goes up will always go down.

Table 2C: (Q3) Thinking of your own personal investments, what proportion...

	%	DNK
Were in the stock market two years ago		
April 2, 2008	52	12
August 23, 2002	46	8
July 19, 2002	50	4
Are in the stock market today		
April 2, 2008	45	12
August 23, 2002	40	8
July 19, 2002	43	3
Will probably be in the stock market in three months		
April 2, 2008	44	12
August 23, 2002	41	7
July 19, 2002	44	4
Will probably be in the stock market in 12 months		
April 2, 2008	48	12
August 23, 2002	44	7
July 19, 2002	47	5



3.0. Investment Confidence by Region—Qualified Yes to Europe, No to Mexico

Panelists have changed relatively little in their relative confidence in different parts of the world, as shown in table 3. Western Europe tops the list as a place to investment while Mexico trails badly. Relative to sentiment in 2006, confidence in the United States has fallen, but appreciably less than it has fallen in the case of China.

Table 3: (Q4) On a 100 point scale where 100 signifies that it is a safe place to invest with excellent economic prospects over the next 5 years, what score would you give each of the following foreign economies? RANDOMIZE

	APR 2008		JULY 2006	
	MEAN	DNK	MEAN	DNK
Western Europe	59	11	N/A	N/A
The United States	55	11	61	10
India	51	11	57	11
Japan	49	12	56	12
China	46	11	61	11
Mexico	38	12	44	13

3.0. Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted March 31 – April 2, 2008. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.



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Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of 131 are deemed accurate to within approximate 8.6 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D. and Tamara Gottlieb.

