

Finding Calm in the Eye of the Storm

RRSP Tips and Info

Economic Outlook

Fund News

For anyone who is following or is invested in the financial markets, it is evident that the volatility in the market has been and continues to be unprecedented.

As the pace of change continues to accelerate, it should come as no surprise that capital markets would reflect this.

Interestingly, in 1970, Alvin Toffler wrote a book entitled *Future Shock*, which suggested that the harrowing acceleration of technological change in our world today is creating tremendous opportunities and enhancements to peoples lives, it is also leaving even the experts in the investment community scrambling to understand its implications to the financial markets. Bill Sterling, Global Strategist with C.I.

Global advisors has suggested that much of this confusion is related to what he calls the 'evolution of revolution'. This evolution is still in its infancy, involving multiple revolutions, with each revolution dramatically accelerating. Furthermore, the scope of these revolutions is becoming increasingly global. Technological innovation is not merely about computing power, but about its application to the gamut of how people work, play and live. Examples of areas that have been greatly influenced by technological change include telecommunications, genomics and of course entertainment.

The increase in market volatility can, in

part, be traced to the acceleration of change and people's adoption of this change. Sterling cites the example that it took 50 years after commercial introduction before 25% of households adopted new technologies such as electricity and cars, while it has only taken 7 years for 25% of households to adopt the Internet.

Effectively, venture companies that would have historically remained venture for years are now going public before they have longer earnings records. Triax Growth Fund, one of our recommended Labour Sponsored Investment Funds, has a position in Research In Motion (RIM) which when Triax invested in RIM, was not a public company. Many investors invest in such companies without understanding what they really do, taking on undue stock-specific risks, which is why we consistently recommend mutual funds over stocks, to reduce volatility.

So, as an investor who is wondering what this all means to your RRSP, what can you do to partake in the opportunities that this storm of innovation is creating? You could throw yourself into the whirlwind, following and responding to every bit of information and opinion by which investors are persistently bombarded. Or, you could attempt to chart a calmer course through the eye of the storm and stay that course for the longer term.

As change drives the markets in which we invest, the more important it is that we remain focused on investment fundamentals all of which we can help you with.

1. Have a plan

We can't stress this point enough. Most of us typically invest with certain goals in mind, be it retirement, children's education or a new home. Charting a course toward these goals will help you select investments that will meet these goals within your time horizon and risk tolerance.

2. Diversify your investments

Regardless of how you construct a portfolio, be it through investment style, asset allocation or internationally.

Diversification can help you capture much of the market opportunities, while potentially reducing the risks you are taking.

3. Stay invested

Market timing requires that you can successfully time when to get in and out of the market. With large market moves occurring within shorter and shorter time periods, market timing without missing much of the markets upside is more difficult than ever. For example, during the 5 year period between July 1, 1994 and June 30, 1999, if you had missed the best 30 days of the S&P 500 index your returns would have been 8.99% versus the 27.66% you would have had if you had been fully invested through the entire period.

4. Invest for the Long Term

Time invested can significantly reduce risk, particularly for equity investments (any investments based in stocks - such as our equity mutual funds shown in the enclosed Investment Options Newsletter). With the speed of change accelerating at such an unprecedented rate, the volatility in the financial markets will continue to

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1 Year Total Return

1 Talvest Global Health Care	108.4%
2 Altamira Health Sciences	70.1%
3 TD Health Sciences	54.1%
4 Fidelity Small Cap America	46.1%
5 CI Global Energy Sector	38.9%
6 CI Global Biotech Sector	38.6%
7 First Trust Pharmaceutical 99	38.3%
8 Fidelity Focus Health Care	38.0%
9 First Trust Pharmaceutical 98	37.1%
10 CI Global Health Sciences	34.5%

3 Year Total Return

1 Altamira Science & Technology	61.4%
2 Talvest Global Sci & Tech	56.8%
3 AGF Aggressive Growth	48.8%
4 Talvest Global Health Care	48.1%
5 CI Global Telecom Sector	44.2%
6 BPI Global Opportunities	42.9%
7 AIM Global Technology	42.8%
8 Janus American Equity	33.9%
9 Orbit World	30.8%
10 Elliott & Page US Mid-Cap	29.9%

5 Year Total Return

1 BPI Global Opportunities	41.3%
2 Altamira Science & Technology	41.0%
3 AGF Aggressive Growth	32.1%
4 Janus American Equity	28.8%
5 Orbit World	25.5%
6 BPI American Equity	24.8%
7 Royal Life Science & Technology	23.1%
8 MB Pooled American Equity	23.0%
9 Spectrum American Growth	22.6%
10 Spectrum European Growth	22.0%

10 Year Total Return

1 Spectrum American Growth	22.6%
2 CI Signature Amer Small Cos	20.4%
3 MB Pooled American Equity	20.3%
4 BPI American Equity	19.7%
5 GBC North American Growth	19.5%
6 AGF Amer Growth Class	19.1%
7 TD US Index Fund (\$US)	19.1%
8 Fidelity Growth America	18.9%
9 AIC Value	18.5%
10 Trimark Fund	18.3%

1 Year Total Return

1 Altamira e-business	-48.4%
2 Ethical Pacific Rim	-43.0%
3 Dynamic Far East	-38.8%
4 CI Pacific Sector	-38.8%
5 TD Asian Growth	-38.5%
6 CI Global Technology Sector	-38.4%
7 Mackenzie Universal Japan	-38.4%
8 Fidelity Focus Technology	-37.9%
9 CI Pacific	-37.9%
10 Royal Asian Growth	-37.6%

3 Year Total Return

1 AGF Latin America	-12.3%
2 Ethical Pacific Rim	-11.9%
3 CI Latin American	-7.9%
4 Fidelity Latin American Growth	-6.9%
5 Dynamic Real Estate Equity	-5.9%
6 Mackenzie Univ Wld Emerg Grth	-4.4%
7 Templeton Emerging Markets	-3.3%
8 Scotia Latin American Growth	-3.1%
9 TD Emerging Markets	-3.1%
10 TD Latin American Grth	-2.5%

5 Year Total Return

1 Ethical Pacific Rim	-13.0%
2 Royal Asian Growth	-8.1%
3 Mackenzie Universal Far East	-7.8%
4 AGF Asian Growth Class	-7.0%
5 CI Pacific Sector	-4.3%
6 CI Pacific	-3.2%
7 Talvest Asian	-3.1%
8 TD Japanese Growth	-2.7%
9 TD Asian Growth	-2.7%
10 Altamira Asia Pacific	-2.5%

10 Year Total Return

1 Royal Japanese Stock	3.3%
2 AGF Japan Class	3.6%
3 CI Short-Term Sector	3.7%
4 Royal \$US Money Market	4.1%
5 Merrill Lynch US Money Mkt	4.1%
6 CI Pacific Sector	5.2%
7 CI Pacific	6.0%
8 GBC International Growth	6.4%
9 Global Strategy ROTH Wrld Bond	6.5%
10 AGF Global Government Bond	6.9%

COMMENTARY

ScotiaMcLeod would be pleased to provide you with further detailed information on the above mutual funds, however we cannot provide information on the funds marked #. These are historical performance rankings, and are not indicative of future investment performance. When analyzing particular funds, stress longer term performance.

These rankings are not sales advice and ScotiaMcLeod does not recommend simply selling bottom past performance funds and buying top past performance funds. Purchase or redemption fees may be involved. Please call (416) 863-7777 or 1-800-387-9273 for specific recommendations tailored to your individual needs.

1 Year Total Return

1 PH&N Dividend Income	51.6%
2 TD Energy	45.1%
3 Capital Alliance Ventures.	41.6%
4 Royal Energy	40.4%
5 Middlefield Growth.	40.3%
6 CI Signature Select Cdn	34.3%
7 Canadian Sci & Tech Growth	34.1%
8 CI Signature Cdn Resource	32.4%
9 TD Dividend Growth.	31.6%
10 Scotia Cdn Dividend	30.4%

3 Year Total Return

1 Synergy Cdn Momentum.	24.7%
2 Working Opportunity (Balanced).	23.8%
3 AIM Canadian Premier	22.9%
4 VenGrowth Fund	21.5%
5 Dynamic Venture Opportunities.	21.4%
6 AIM Canadian First Class	19.8%
7 Altamira Capital Growth	18.8%
8 Synergy Cdn Growth.	18.2%
9 PH&N Dividend Income	17.6%
10 AIM Canadian Balanced	17.2%

5 Year Total Return

1 PH&N Dividend Income	25.7%
2 AIC Diversified Canada	24.1%
3 AIC Advantage	22.6%
4 MB Pooled Cdn Equity Growth.	19.9%
5 Royal Dividend	19.4%
6 Scotia Cdn Dividend	19.2%
7 AIM Canadian Premier	18.9%
8 Bissett Canadian Equity-F.	18.2%
9 Fidelity Cdn Growth Company	17.9%
10 Tradex Equity Fund Limited	17.8%

10 Year Total Return

1 AIC Advantage	23.1%
2 Dynamic Power Canadian Growth.	18.9%
3 ABC Fundamental Value	18.7% #
4 GBC Canadian Growth	18.2%
5 PH&N Dividend Income	18.2%
6 Altamira Equity.	17.8%
7 PH&N Vintage	16.5%
8 MAXXUM Dividend.	16.4%
9 MB Pooled Cdn Equity Growth.	15.9%
10 Bissett Canadian Equity-F.	15.8%

1 Year Total Return

1 TD Nasdaq RSP Idx.	-38.7%
2 CI Global Technology RSP	-38.6%
3 Mackenzie Univ RSP Wld SciTech	-38.4%
4 TD Nasdaq RSP Idx Fd E	-38.2%
5 Spectrum RRSP Global Telec.	-37.9%
6 AGF RSP Japan	-34.9%
7 Trimark Discovery RSP	-34.0%
8 TD Sc & Tech RSP	-33.6%
9 CI Global Telecom RSP	-32.4%
10 AIM RSP Global Technology.	-29.0%

3 Year Total Return

1 Global Strategy Cdn Small Cap	-14.5%
2 Global Strategy Gold Plus	-14.4%
3 Scotia Precious Metals	-13.7%
4 Spectrum Canadian Resource.	-13.0%
5 Royal Precious Metals	-11.9%
6 Northwest Specialty Equity	-10.1%
7 Mackenzie Industrial Growth	-10.0%
8 Dynamic Precious Metals.	-9.1%
9 AGF Canadian Resources.	-8.8%
10 Merrill Lynch Cdn Sml Cap.	-7.1%

5 Year Total Return

1 Dynamic Precious Metals.	-12.7%
2 Global Strategy Gold Plus	-12.5%
3 Scotia Precious Metals	-10.7%
4 Royal Precious Metals	-8.8%
5 Mackenzie Industrial Eq Fund	-6.3%
6 Altamira Resource	-6.2%
7 Mackenzie Univ Precious Metals	-4.9%
8 TD Precious Metals	-3.2%
9 Mackenzie Industrial Growth	-2.9%
10 MAXXUM Natural Resource.	-2.5%

10 Year Total Return

1 Dynamic Precious Metals	0.6%
2 Mackenzie Industrial Growth	2.6%
3 Mackenzie Industrial Eq Fund.	3.0%
4 Royal Precious Metals.	3.4%
5 TD US Money Mkt (\$US).	4.1%
6 Dynamic Global Bond.	4.3%
7 Merrill Lynch Canadian T-Bill.	4.4%
8 AGF Canadian Money Market.	4.6%
9 PH&N \$US Money Market	4.7%
10 Ethical Money Market.	4.7%

NOTES TO THE PERFORMANCE TABLES

- ScotiaMcLeod is unable to provide information on funds marked #
- Figures are average rates of return for the periods ending Dec. 31, 2000
- Source data from Bell Charts, including over 3400 funds
- Funds with total assets under \$25 million are not included
- Only "totally public" funds are ranked
- RRSP eligible funds are at least 75% Canadian content and can also be held outside RRSPs
- Performance figures include reinvested dividends and management fees have been subtracted
- Non RRSP eligible funds can be held inside a ScotiaMcLeod RRSP to a maximum of 25% of book value

be a factor with which all investors need to be concerned. However, we are convinced that the markets will favour those investors who focus less on the whirlwind around them and more on the long-term fundamentals.

RRSP Carryforwards

When you think about RRSP carryforwards two things should come to mind: Unused contribution room and undeducted contributions. Even though both are referred to as RRSP carryforwards, they are significantly different.

RRSP Unused Contribution Room

Unused contribution room is the accumulation of the amount you are entitled to contribute to an RRSP in a particular year less the amount you actually contributed to you or your spouses RRSP. This unused amount is carried forward until you reach the age at which you can no longer contribute to an RRSP.

Commencing with 1991, this carry forward of contributions can be carried forward indefinitely.

An Example: In 1999, Jim had eligible contribution room of \$13,500 but he was only able to contribute \$10,000 due to cash constraints. The unused RRSP contributions of \$3,500 can be used in future years. If in 2000, he is able to contribute \$13,500 to his RRSP based on his 1999 earnings, his total contribution room including carryovers from prior years will be \$17,000 (\$13,500 current RRSP room + \$3,500 unused carryforward room).

RRSP Undeducted Contributions

A less understood fact about RRSP contributions is that you do not have to deduct them in the year they are made. RRSP undeducted contributions are contributions that you have made to you or

your spouses RRSP for which you have not taken the tax deduction. Keeping in mind that the contributions still need to be within your RRSP limit.

By making a contribution, you are able to take advantage of the tax deferred compounding within the RRSP. If you expect to be in a higher marginal tax rate in future years it may be beneficial to hold off on taking the tax deduction in the current year and carryforward this undeducted contribution to a future year. You will not be getting the benefit of this tax deduction until the future and therefore your current tax liability will be higher than if you take the tax deduction now.

An example: This year, Susan has made a \$5,000 contribution to her RRSP. The tax deduction for this contribution could be made in this year or in a future year. If Susan takes the tax deduction this year, she will save approximately \$1,300 in taxes. However, she has recently been given a significant salary raise. As a result of this raise, she will be in a higher marginal tax rate in the future and this same \$5,000 RRSP contribution will result in a approximately \$2,000 tax savings.

Therefore, by holding off on taking the tax deduction till the next year she will save an additional \$700. If Susan delays taking the deduction till next year she will have to pay the \$1,300 of tax this year and will realize the \$2,000 savings next year.

Keeping Track of Unused Contribution Room

Luckily, CCRA (Canada Customs and Revenue Agency) keeps track of all unused RRSP contribution room and reports it to you each year on your Notice of Assessment. Therefore your 2000 Notice of Assessment which you will

receive in 2001 should report any accumulated contribution room as of the end of 2000.

If you are unable to locate your latest Notice of Assessment or you are unsure that the amount reported is the latest amount - you can always call CCRA - TIPS (Tax Information Phone Service). at 1-800-959-8281 or visit their website at www.ccra-adrc.gc.ca/eservices/tipsonline/ In order to use T.I.P.S. you will need your Social Insurance Number and the amount reported by you on line 150 of your 1999 tax return.

Overcontributions to your RRSP

Every individual is able to overcontribute up to \$2,000 without penalty. These overcontributions are not tax deductible.

Overcontributions above \$2,000 are subject to a penalty tax of 1% per month.

Note: The above article is for information purposes only and should not be construed as offering tax advice. Individuals should contact their personal tax advisors before taking any action based upon information in this article.

Fund News

Mackenzie Group of Funds has added their name to the beginning of their funds for easier identification. For example: Ivy Canadian Fund will now be called Mackenzie Ivy Canadian Fund.

C.I. Funds have merged a few of their funds.

C.I. Canadian Equity Value has merged with C.I. Signature Canadian. C.I. Global Small Cap has merged with C.I. Signature Global Small Companies.

Switchability is now available for all **StrategicNova Funds**. The four fund families include Navigator, Nova, O'Donnell and Strategic Value.

Economic Update

In a recent meeting with our economic analysts, they summarized their outlook for the coming year and projections for economic growth.

The firm foresees an economic slowdown in the first half of 2001 until summer or early fall, but do not believe it will be recessionary, the slowdown will be mitigated by significantly lower interest rates; with economic growth accelerating into 2002.