



# THE STRATEGIST

DIRECTION. CONFIDENCE. INDEPENDENCE.

SPECIAL YEAR AHEAD ISSUE:



Last year's transitional phase has led markets to a point of disbelief, hesitation and possibly even optimism. While liquidity is supportive of equities, the financial pumps may be due for adjustment. Our 2011 OUTLOOK is shaped by:

- **Cyclical tailwinds, Secular headwinds**  
The ride will be messy; Selection and Protection will see us through.
- **The forward curve will be right...someday**  
Managing through a bond bear market
- **It's not the economy, stupid**  
Ignore the noise, what you pay is everything
- **Exponential growth in some key technology areas**  
Data explosion is a global phenomenon



**SANDSTONE** Asset Management’s investment team has over 65 years of industry experience, with strong research and analytical skills complemented by the ability to respond effectively to changing conditions in the marketplace. In addition to the experience garnered as licensed Portfolio Managers, we have start-up and ownership experience and entrepreneurial skills.

We believe in the importance of both formal and informal education, recognizing that powerful life experiences contribute to an informed world view, and complement our training and expertise in the financial world. We strive to be highly engaged in understanding our local, national, and international circumstances, continuously re-examining the financial, psychological, and fiscal matters that shape our world of today.

We have a deep commitment to providing service in the community. The Partners have completed in-depth governance education, and serve extensively on boards in the not-for-profit sector. We have provided leadership in the Chair or on governance/finance and audit committees for a long list of agencies in the areas of arts, immigrant services, children’s programs, health, education, as well as industry boards. This engagement has brought us great knowledge of our diverse constituencies in Calgary, and enabled us to build powerful partnerships for advancing the interests of our community

**Bottom Line:** We understand your challenges and have the tools, aptitudes, experience and desire to create possibilities for your financial future.



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- 2 Outlook 2011  
It's What You Pay** This year we want to emphasize that the key to stable risk-adjusted returns lies in the price you pay for assets. While GDP growth is important to wealth creation, the markets continually assess direction well in advance. For bonds, the coming years will mean investing along the interest rate curve as the shape changes. For equities, we are strong believers in companies over countries and will focus on paying the right price for Global Stars.
- 3 2010  
Transition** Last year the markets gyrated through a year of transition, ending strongly. We outperformed the benchmark and minimized volatility throughout.
- 4 Cyclical tailwinds,  
Secular headwinds** We revisit the 17-year cycle chart and point out that while cyclical tailwinds have produced an outstanding recovery, secular headwinds remain key risks. The 2011 ride will be messy.
- 7 Managing through a  
bond bear market** Bond yields began a move up at the end of 2010, suggesting the final stages of a 30 year bond bull market. We provide a strategy to manage through the transition.
- 11 It's not the economy,  
stupid** While this expression may be counter intuitive, investing without regard for country-specific GDP growth is smart investment policy. Ignore the noise, what you pay is everything.
- 12 Data Explosion !** Last year we highlighted technology as an overweight choice. We remain overweight with a preference for companies positioned to take advantage of an accelerating data explosion. Companies involved in the control, management and protection of data stand to fare best.
- 14 Hard Assets** This is another secular theme we like. As economies and appetites get more sophisticated, so does the demand for energy and food.
- 15 2011 Tactics  
It's What you Pay** 2011 will be volatile, providing opportunities to pay the right price. Thematically, exposure to Data Explosion and Hard Assets will be priorities, as will our focus on Global Stars at the core of the portfolio. Virtual bonds could see competition but we see opportunities abroad, particularly Singapore. In fixed income, we will remain focused on credit quality and securing yield that compensates for the full breadth of risks.



**SANDSTONE** Asset Management Inc. is an independent wealth management firm that caters to successful entrepreneurs, inheritors and foundations. Our minimum account size ensures our service remains focused, providing **DIRECTION, CONFIDENCE** and **INDEPENDENCE** to every relationship we build.

**VISION:**

To create possibilities for our clients, employees & community as a whole.

**MISSION:**

To provide intelligent and independent investment expertise that is both progressive and responsive, resulting in top-ranked returns that preserve and grow client assets.



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