



DUPUIS LANGEN
FINANCIAL MANAGEMENT

2008 Is Making Its Mark Early!

The stock markets of 2008 have certainly made an impression but unfortunately it's not a good one! Markets got off to one of the worst starts in recent memory and some investors are concerned. We, at Dupuis Langen, would like to offer our thoughts about the recent events and what we think will happen over the coming year.

But first a little background. Financial experts have predicted a recession in the U.S. for months as energy prices soared, the housing market continued to weaken, and financial institutions experienced huge write-offs as a result of the U.S. housing crisis. In fact, some economists believe that the U.S. is already in the midst of a recession and this pessimism has added to the market instability and plummeting share prices.

The U.S. housing crisis was one of the main contributors to the current economic situation, and it was created when mortgage lenders financed unqualified buyers at discounted rates (sub-prime) to get them into the market. People purchased real estate because initially they could afford the payments but when the rates were reset two or three years later, many were forced to sell or abandon their homes. The result was a glut of houses for sale, falling prices, and foreclosures.

This has led to low consumer confidence and reduced spending, which in turn, led to fears of a recession. In fact, a mild U.S. recession is likely to be the story for the balance of 2008. The good news is that Canada's economy is not in the same situation and while our growth may slow to about 1.5% instead of the projected 2.0 – 2.5% average, a recession is not expected on the horizon. Also, gains in emerging markets such as China and India, are fueling the global economic growth, which we believe will continue, although at a slower pace than before.

We are confident that in due course, the U.S. housing market will stabilize, the nightmare of sub-prime mortgages will fade, and oil prices may level out. World economies have been through crises before and will go through them again but we'll live to tell the tale as long as cool heads and patience prevail.

If your investment time horizon is more than 3 – 5 years, this is a great time to invest because share prices are low and you can buy in at discounted prices. We believe that if you ride out the volatility of the stock market with a balanced investment portfolio of diversified equities and fixed-income funds, you will see positive returns in the year ahead.

Keep in mind also that most of you have asset allocation portfolios as your core holdings, and that being the case, your portfolios are being rebalanced automatically as markets fluctuate.

Even with the advantage of the asset allocation portfolio, we recognize that not everyone has a long-term investment horizon and that some of you will have concerns when you see investment values decline. We encourage you to call us if you have questions about your investments or if you would like to review your portfolio.

THE INVESTMENT TEAM AT DUPUIS LANGEN

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18 January 2008

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