

**WHEN THE FUND BEARS  
YOUR NAME YOU HAVE TO PERFORM!  
THERE'S NO PLACE TO HIDE!**  
*Larry Sarbit*

**Probity. Discipline. Independence. sarbit**

## NEW INVESTMENT OPPORTUNITIES FOR RRSPs

### Government Lifts Restrictions on Foreign Investments

In a still little known provision in the Liberal Government's last federal budget, all limits on foreign investments in registered retirement savings plans were removed. Previous to the passing of last June's budget, Canadians were prevented from placing more than 30% of their RRSPs in stocks and bonds outside Canada. That meant that huge amounts of capital were being funneled into the relatively small Canadian stock markets.

Until the recent changes, Canada was the only industrialized country in the world with foreign content restrictions on registered pension investments - although historically there's been a trend towards relaxing those rules. Back in 1971 RRSP provisions allowed for only a very limited 10% foreign content.

In the 1990s that was increased to 20% and in 2001 the limits were broadened further to 30%. But now all constraints are off. An individual investor could currently, if they chose, place 100% of their registered retirement investment holdings in American or other global stock markets.

Part of the reason for the liberalizing of the rules was that many sophisticated investors were using loopholes to get around the restrictions. Investment firms were setting up RRSP "clone funds" which used Canadian derivative products to precisely mirror their U.S. fund holdings.

With the new rules, Canadians now have open access beyond our investment borders. The Canadian stock markets amount to only about 2% of the world's market capitalization. By sharp contrast,

the American stock markets account for more than 50% of the world's public stock companies. And so RRSP holders must now rethink their investment holdings.

#### Sarbit Investment Fund Now Available

With open access to the American market, investors can now consider an exciting new investment prospect.

The *SARBIT U.S. Equity Trust Fund* was recently created. It provides a sound and cautious entrance into the U.S. stock markets.

ABOUT THE PORTFOLIO MANAGER, LARRY SARBIT - CEO and President, Sarbit Asset Management Inc.

Larry Sarbit is one of Canada's best known and most highly respected asset managers. With over 26 years of experience working in the financial services sector, he is an industry leader with a proven track record and a strong reputation for achieving superior results. Undeterred by industry fads and trends, Sarbit has consistently returned above-average gains throughout his asset management career by following his successful investment philosophy of buying a great business at a bargain price, while managing with discipline and patience.

#### KEY REASONS TO OWN THIS FUND

- Larry Sarbit has a long history of protecting capital and achieving above average growth for investors.
- The philosophy of buying great businesses at cheap prices has long proven to be an effective investment strategy used by some of the most legendary investors of our time.
- The U.S. is the dominant economy in the world and when approached with a disciplined investment philosophy, can result in outstanding returns for any conservative portfolio.

#### SARBIT INVESTMENT PHILOSOPHY

Investing is much simpler than most people have been led to believe. Unfortunately for the public, the investment community has succeeded in making the subject far more complicated and confusing than necessary. Shrouded in mystery, investing is populated by complicated mathematical formulae overlaid with complex economic theory, statistics and graphs that only

succeed in confusing investors. At Sarbit Asset Management, we believe the basics of investing are simple to understand, although difficult to practice. The successful ideas that make investing work are built on common sense and rational thought, both of which are not commonly applied.

#### WHAT WE DO

Created by one of Canada's most respected asset managers, Sarbit is an asset management company based on Larry Sarbit's successful discipline of buying only great businesses at discount prices. This puts the client in the advantageous position of protecting his/her capital while at the same time being poised to achieve outstanding returns.

#### THE IDEAL COMBINATION: LOW RISK, HIGH RETURN

At Sarbit, we eagerly await conditions where many other investors are divesting their stock in an excellent business due to short-term negative events. The desired opportunity: the stock plunges to levels where we buy the business at a price far below its intrinsic value. By buying shares in a great business at a cheap price, investors are likely to derive extraordinary rates of return. Just as important, they achieve a margin of safety and protection from the risk of losses.

Warren Buffett, the renowned investor from Omaha, calls this the "double dip" return which results in the ideal combination - LOW risk combined with HIGH rates of return. That's something that financial experts say isn't possible but Sarbit has proven quite achievable.

#### UNIQUE RESEARCH APPROACH

To further reduce the risks of investments, Sarbit employs an experienced investigative journalist / lawyer to dig into hidden problems with any prospective company being considered for investment. That thorough knowledge of a company further reduces the risk and protects an investor's capital. It's a distinctive approach to research, giving Sarbit investors a unique advantage.

#### FOR MORE INFORMATION -

Contact your financial advisor and visit the web site at [www.sarbit.com](http://www.sarbit.com)

## Lessons from the past

(Cont. from page 5.)

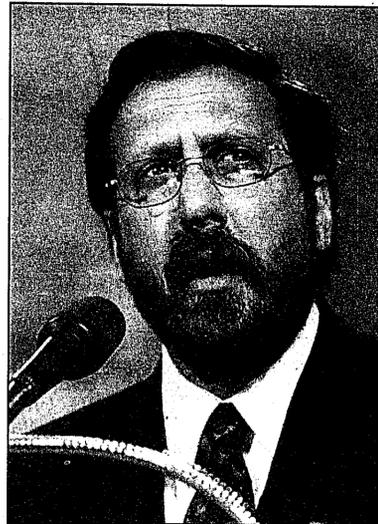
ignored today by contemporary politicians:

### The Churchill Forest Industries debacle - how a few crafty and devious foreigners hoodwinked gullible Manitobans

Manitoba has always been a "have-not" province. At one time or another, various governments have devised different schemes for luring investment into this province. In the 1960's the buzzword was "megaprojects".

One of the most serious studies of the "megaproject" phenomenon was undertaken by a writer for the Financial Post by the name of Phil Mathias, whose book "Forced Growth", published in 1974, is as thorough an analysis there is just how poorly provincial governments consistently fared in fostering these sorts of projects.

From a scheme to develop heavy water in Glace Bay, Nova Scotia, to manufacturing a brand new automobile (the Bricklin) in New Brunswick, governments of the 1960's



**SHERMAN KREINER**  
Former Chief Executive Officer of Crocus Fund

Believed in "multiple bottom lines"

were obsessed with bringing employment to areas of their provinces that suffered from especially high unemployment.

The manner in which some of these governments set about doing this is particularly illuminating. Many provincial governments established special agencies whose purpose was to attract industry. In Manitoba's case it was known as the Manitoba Development Fund.

According to Mathias, "the MDF was made responsible to a board of directors which, though appointed by the Government, was not directly

responsible to the Government for the affairs of the corporation."

(Compare this with the Crocus Fund, where the provincial government actually appointed a representative to the board of directors, but who did not report back to the government, according to Gary Doer. Instead, the appointment of the majority of directors was delegated by government legislation to the unions, via the Manitoba Federation of Labour. As it turns out, these directors proved to be ill-equipped to handle the complexities of an investment vehicle such as the

Crocus Fund. One might reasonably ask, therefore, just what does the term "sponsor" mean within the context of a labour sponsored investment fund?)

As events transpired, the MDF became largely the personal fiefdom of a former civil servant by the name of Rex Grose, "who would

travel around the world to personally persuade business tycoons to come to Manitoba", wrote Mathias.

The MDF behaved in a very secretive fashion. It "was enjoined by law not to make public the details of loans made to companies set-

ting in the province." Later, when the NDP took power for the first time, in 1969, one of its first acts was to change the name of the MDF to the Manitoba Development Corporation and to force it to make public the details of any

(Cont. on page 8. See "Lessons from the past".)

**THOMPSON** CanWest Global Place  
2200-201 Portage Ave.  
Winnipeg, Manitoba  
Canada  
R3B 3L3  
Telephone (204) 957-1930  
Fax (204) 934-0570  
Website [www.tdslaw.com](http://www.tdslaw.com)

Alan Sweatman, Q.C.  
Bruce S. Thompson  
Donald G. Baizley, Q.C.  
E. William Olson, Q.C.  
Donald G. Douglas  
William J. Burnett, Q.C.  
Janice Y. Lederman  
Robin M. Kersey  
James G. Edmond  
Arthur J. Stacey  
M. Lynne Harrison  
John D. Stefaniuk  
Pamela G. Reimer  
Peter J. Glowacki  
Jeffrey A. Kowall  
Silvia V. de Sousa  
Karen Jarema Cornejo  
Leilani J. Kagan  
Adrian B. Frost  
Karen R. Willman  
Monina A.P. Glowacki  
Andrew L. Thompson  
Robert W. Olson  
Elisabeth A. Olson

Walter L. Ritchie, Q.C.  
P. Michael Sinclair, Q.C.  
Chrys Pappas, Q.C.  
Richard H.G. Adams  
Sergio Pustogorodsky  
Gregory J. Tallon  
Gordon A. McKinnon  
Kenneth S. Maclean  
B. Douglas Tait  
Antoine F. Haccault  
Jeffrey B. Hirsch  
Glen W. Agar  
Jamie A. Kagan  
Maria L. Grande  
Lindy J.R. Choy  
Shane I. Perlmutter  
Sarantos Mattheos  
Karen L. Clearwater  
Elmer J. Gomes  
Michael A. Choiselet  
Ross A. McFadyen  
Jonathan M. Woolley  
Karine M. Pelletier

R.A.L. Nugent, Q.C.  
G.V. Brickman, Q.C.  
William G. Percy  
Robert J.M. Adkins  
Paul J. Brett  
A. Blair Graham, Q.C.  
Dunlop H. Kells  
James A. Ripley  
Kathleen C. Murphy  
Vivian E. Rachlis  
Barry N. MacTavish  
Albina P. Moran  
Douglas J. Forbes  
D. Sean Kells  
Keith D. LaBossiere  
Sheryl A. Rosenberg  
Kara L. Crawford  
Lisa J. Silver  
Cheryl A. Walker  
Dinah N. Bo-Maguire  
Jacqueline D. Hawkins  
Sacha R. Paul  
Lynda K. Trout

Exclusive Member Firm For Manitoba Of Lex Mundi,  
The World's Leading Association Of Independent Law Firms.

Serving Manitobans since 1887

## great rates, way more savings.

Looking for guaranteed returns and a hassle-free investment? Cambrian consistently offers some of the most competitive rates in the market on RRSP terms.

Give us a call or visit us online for our current rates.

**Cambrian CREDIT UNION**  
[www.cambrian.mb.ca](http://www.cambrian.mb.ca)

11 branches in Winnipeg and Selkirk (204) 925-2800