

Per\$pective

People who care, Plans that perform



ARCA
FINANCIAL GROUP

To Hedge or not to Hedge Currency

Canadian companies only represent about 3%-4% of the world capital markets. Given our very small representation in the global economy Canadians are being encouraged to geographically expand their investments to countries like the US, Europe and Asia. Adding non-Canadian companies to a portfolio, up to about 70% global content, can reduce the overall risk of the portfolio and has the potential to increase returns. However, as non-Canadian companies are added to a portfolio, a new risk is also incurred – currency risk. Assuming you buy a US stock in US\$, the return from this investment depends not only on the change in the stock price but also on the change in the value of the US\$ versus the CDN\$.

There are two general philosophies for dealing with currency risks – hedge the currency risk out of the portfolio, or accept the currency risk. We have provided examples below to illustrate the two positions:

1) Mackenzie's Cundill Value fund is almost fully hedged against currency risk. The Cundill Value fund owns stock in the US, Europe and Asia. By hedging all currencies against the CDN\$, this means that the performance of the fund is not being negatively impacted if the CDN\$ rises against the US\$, the Euro or other currencies in the portfolio. The flip side is also true. The performance of the fund will not be positively impacted if the CDN\$ falls against the other currencies in the world. The manager of this fund buys stocks hoping to make at least 20% on the stocks over time; the manager feels that it is difficult to estimate the direction of currencies and chooses to remove the currency risk from the equation.

2) The Trimark fund does not hedge against currency risk. By not hedging the currency, the performance of the fund each year can be impacted positively or negatively by currency movements. Trimark managers have articulated that studies have shown that over long periods of time, the impact of currency risk is negligible; since there is a cost to implement a currency hedging strategy, they feel that long-term performance of the fund is enhanced by not hedging currency. Trimark recently released several funds on a hedged or non-hedged basis, leaving the decision to hedge or not up to the client and the client's advisor.

In the last few years, as the CDN\$ increased from roughly \$0.66 of the US\$ to almost par with the US\$, a hedged currency strategy has been great. Although the hedge itself has not really added to returns,

the hedge has allowed fund returns not to be negatively impacted by currency. With strong markets, fund returns for these funds have been strong, i.e. Cundill Value.

For funds that have not hedged currency, like the Trimark fund, the rising CDN\$ has been a strong head wind detracting from returns in the last few years. However, in the early days of this fund as the CDN\$ dropped relative to the US\$, currency changes provided significant extra returns to the fund each year. The Trimark fund has returned impressive returns of late even though currency has not been hedged out of the fund.

So what is our position at Arca? Since we only have a limited number of funds that we use with our clients, we know whether a fund is hedged or not. In some situations, a fund manager may choose to turn the hedge on or off, depending on their opinion of future currency movements. Currency movements, like interest rate movements, are very difficult to predict though. In many situations, we will build portfolios that are partly hedged vs. not hedged. In other words, we hedge the hedge!

*Contributor: Bill Vollmer,
CA, FLMI, CFP
Principal and Financial
Advisor*



Commissions, training commissions, management fees and expenses all may be associated with mutual fund investments. Please read the funds simplified prospectus before investing. Mutual fund securities are not guaranteed, their values change frequently and past performance may not be repeated.

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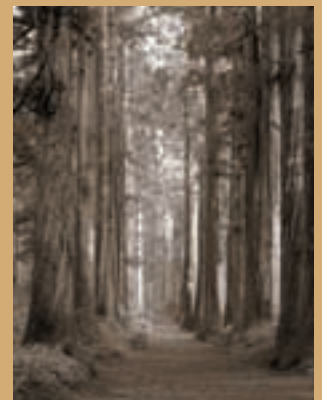
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MARKET COMMENTARY

Financial Markets Review

Market Index Report

Fund Name	YTD % as at September 6, 2007	December 31, 2006 %
Dow Jones Industrial Average	7.22	16.29
Dow Jones Industrial Average (\$ Cdn) (7/31)	-3.05	16.23
MSCI World (\$ Cdn) (7/31)	-2.07	20.58
NASDAQ Composite	8.24	9.52
NASDAQ Composite (\$ Cdn) (8/31)	-3.59	9.46
S&P 500 Composite	4.25	13.62
S&P 500 Composite (\$ Cdn) (7/31)	-6.16	13.56
S&P/TSX 60 Index	7.80	17.02
S&P/TSX Composite Index	6.87	14.51
SC Universe Bond Total Return Index	0.72	4.06

"All that we are is the result of what we have thought."

Buddha



Newsletter Editor:
Lori Struk

Article sourced by Lori Struk
Index chart found at globeadvisor.com

This historical information represents past performance and should not be considered indicative of future results. Principal value and investment return will fluctuate, so that an investor's shares/units when redeemed may be worth more or less than the original amount.

The information included in this report is based upon data obtained from public sources believed to be reliable; however, Globe Interactive does not guarantee the completeness or accuracy thereof.

Regular Business Hours

With the summer behind us, we are now back to regular office hours (Monday to Friday, 8:30am to 5:00 pm). Please note we will be closed for Thanksgiving on Monday, October 8th.

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TAX AND ESTATE PLANNING CORNER

More on the New Pension Splitting Rules

Canada Revenue Agency (CRA) has recently provided more information about the new rules for splitting your pension income with your spouse (or common law partner). Beginning with 2007, you can allocate up to 50% of your income that qualifies for the pension income tax credit to your spouse. This includes annuity payments from a pension plan regardless of the recipient's age, as well as annuity and RRIF payments and RRSP annuity payments if the recipient is age 65 or older or has received the payments because of the death of a spouse.

To make the election, you and your spouse file the new Form T1032, *Joint Election to Split Pension Income*, with your 2007 income tax returns. The 2007 tax return will also include new lines for the pension recipient to deduct the amount of split pension income and for the spouse to add the allocated pension income. The income tax withheld at source from the eligible pension income must be pro-rated between you and your spouse on the same basis as the pension income.

For the spouse that has been allocated pension income, the pension income credit of \$2,000 will only be available if the income is qualifying pension income to the spouse as described above.

Since the new rules do not change the total net income of you and your spouse, benefits and tax credits that are based on total income, such as the GST credit and the Ontario Property and Sales Tax credits, will not change. However, pension splitting will affect any tax credits and benefits that are based on one income only, such as the age and spouse amounts and the OAS clawback. This means that you may have to do some analysis to determine the optimal amount of pension income to split with your spouse in order to maximize the overall tax savings.

Contact your advisor if you have any questions on these new rules.

*Contributor: Christine Black
B.Math, CA, CFP, TEP
Arca's Tax and Estate
Planning Consultant*



COMMUNITY BUSINESS PROFILE



John Wright opened Wright Lawn Spray Service in 1967 after working for 6 years in the pest and vegetation control industry in Toronto. He started his business with one truck in a small shop in Waterloo and with the help of his wife Ruth doing the books in the evening, his company began to flourish.

Over the years the company expanded, first into grounds maintenance and then, in the 80's, into landscape construction. In 2002 David Wright joined Wright Landscape Services after spending 7 years working as a Landscape Architect consultant in Kitchener-Waterloo, Houston and Vancouver. Dave and his team have worked very hard to improve the professional business approach of the company. They have successfully tripled the revenue of the organization, as the types of services that they now offer have dramatically increased their customer base. In the fall of 2006 Dave took the helm of Wright Lawn Care and has spent much of the last 10 months retooling the company. They have worked at meeting the requirements of the new municipal pesticide bylaw and at ensuring that his company is taking a proactive approach to changes in the

business environment as the industry quickly shifts toward Integrated Pest Management.

Today the Wright companies, Wright Lawn Care and Wright Landscape Services, offer a wide range of services. They provide Landscape Design/Build services, Landscape Construction, Grounds Maintenance, Snow and Ice Management, Tree Care and Residential Lawn Care Programs. Their services are available to both commercial and residential clients who are typically looking for exceptional service and a quality product.

Their goal is to have continued prosperity in an ever changing business environment with plans to double revenues in the next 3 years.

To receive more information about their company or to book your fall lawn care program, visit their web site at www.wright.on.ca or give Dave a call at (519) 742-8433.

Contributor: Connie Barnett

GROUP BENEFITS FUNDAMENTALS

Wellness in the Workplace

Here is a rather new pro-active concept that will contribute a great deal to keeping your group health claims in check. It's called a "Wellness Program".

Encouraging employees to make lifestyle changes, that foster good health, pays off. Wellness programs can be broken down into three critical components:

- (1) Selling the concept to senior management;
- (2) Designing and initiating the program; and
- (3) Measuring the outcomes.

Senior Management support is a given, however widespread support throughout the organization is a must. The best way to do this is to put together a solid business case containing: Group Health Benefits; Direct and Indirect Health Costs; Existing Initiatives and Corporate Cultural information.

To contain costs, the organization needs to improve its' employee's health. Each company needs to focus on their own special needs, like a disproportionate number of smokers, stress levels, absenteeism and prescription drug costs, to name a few. Whatever the reason, it is necessary to identify and address these issues in the business case so that they do not become a reason for not implementing a program.

If you would like to know more about "Wellness Programs", please give us a call at Arca. We would welcome the opportunity to assist you with this or any other benefit question you may have.



*Contributor: Paul Struck, CLU
Arca's Group Benefits
Consultant*



Spotlight

Christmas Office Hours

December 24	8:30am - 12:30pm
December 25	Closed
December 26	Closed
December 27	8:30am - 5:00pm
December 28	8:30am - 5:00pm
December 31	8:30am - 12:30pm
January 1	Closed
January 2	8:30am - 5:00pm

Long Term Care Insurance Information Session – October 15, 2007 at 7:00pm

Greg Pearson, Certified Senior Advisor and financial educator, will be our guest speaker for the evening. He believes that "the greatest threat to depleting your wealth is your health" and focuses his efforts on helping seniors find health care solutions that protect their wealth for those that matter most, themselves and their families. For more details on this event and to reserve your seat please visit our website at www.arcafinancial.com or give us a call at (519) 745-8500.

Visit Us Online

Looking for information about Arca Financial or any of the products and services we offer? Need directions to our office? Need to contact us? Visit us online anytime at www.arcafinancial.com.

We wish you and your family a lovely autumn, filled with Thanksgiving and a spooky Halloween!

INSIDE ARCA

Arca's Staff Summer Fun Event – The Arcatel Cup!

On July 25th we held our third annual staff Summer Fun Event. This year we did something a little different than previous years and went go-karting at Erbsville



Kartway. It was a fun afternoon of team building. We split into teams for two races and then ran an individual race. Team

Johnson (Megan, Mirka, John Sue L.) Team Gordon (Rose, Bill, Kelly S., Krystal) and Team Earnhardt (Steph S., Mark H. Christine, Sue B.) put everything they had into it, but in the end team Earnhardt won the team races. In the individual race there was some fierce competition with Rose Frim taking home the honour of first place.



Contributor: Sue Block

LIFESTYLE TIPS

Should we take vitamins?

According to the opinions of most doctors and nutritionists, the short answer is "yes". The longer answer is that there is ongoing controversy among health practitioners in this field, but the focus is mainly on what level of vitamin intake is safe.

Health/medical practitioners feel unanimous that eating properly is the best way for your body to absorb all the vitamins and minerals it needs to be at optimum health. But, reality dictates that we humans are either too busy, and/or otherwise distracted to spend the time and effort required to shop for fresh foods and prepare and cook them on a daily basis. Prepackaged convenience foods and fast-food meals have become increasingly the norm. Eaten occasionally, these probably won't have any long lasting negative effects, but consumed as a daily diet, they can truly change your overall physical health – for the worse! The results vary from person to person depending on a multitude of factors, but statistics today prove that obesity can lead to serious illness.

Public interest in taking vitamins, in particular antioxidants, escalated in the 1990's with increased knowledge of 'free radicals'. Free radicals are formed when weakened atoms in our cells interact with certain molecules impairing other healthy cells - even killing them. These radicals start a chain reaction and increase over the years. They are believed to be the cause of disease and aging. Scientists have been aware for a long time that people with diets high in antioxidant rich fruits and vegetables experience a lower incidence of heart disease, diabetes, stroke, certain cancers and other diseases due to fewer free radicals in their systems. Creating antioxidants in the test tube to combat free radicals seemed to

support this theory. Scientists were convinced they'd found a true preventative in the form of ACE's (Vitamin A-retinol, Vitamin C-ascorbic acid, Vitamin E-d-alpha tocopherol) and selenium. Unfortunately, results of the most recent studies haven't been very encouraging - even revealing possible harm when high doses were used. It appears that our bodies simply do not digest vitamins or antioxidants in pill form nearly as well as through food. Scientists are not able to manufacture nature identically.

Many educational websites, including Harvard Public Health concluded that taking a multivitamin (RDA) and possibly a good quality fish oil supplement could be a helpful and healthy choice. High or mega doses of any vitamin, including Vitamin C, were discouraged. Repeatedly, the most emphasized statement from any source to fight disease and enjoy good health was to eat a varied diet, specifically including 5 – 8 servings of fruit and vegetables daily. Eat well!

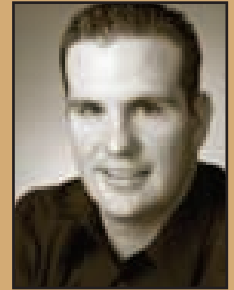
Contributor: Rose Frim



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Arca Family Announcements



Congratulations to Dave Archer! This summer Dave successfully completed all of the requirements to attain the esteemed designation of Certified Financial Planner (CFP). The timing could not have been better for Dave. He and his lovely wife Tessa welcomed the arrival of their first child, Casey Ruth Archer, born July 19, 2007. Best wishes Dave, for you and your family!



Baby congratulations also go out to John and Martha-Anne Lunn for the birth of their fourth baby! The happy parents brought Mitchell James Lunn into the world on Wednesday, July 4th 2007. All the best to all the members of the Lunn family!