The Guardian Insight

Timely Perspectives from the GCA Investment Committee

June 18th, 2009

"Downside in our minds is greater than the upside..."

Current Sentiment:
Call it experienced instinct, a reading of historical seasonal trends or just plain conservatism, but the GCA Investment Committee has again agreed to remain underweight equity, overweight cash, and near fully invested in fixed income in our asset mix at this month's meeting.

That being said, on net the rise in the markets over the recent period has acted as a natural lift to our equity weight (which we have consciously decided not to sell into) but the overall weight still remains under target.

Current Observations:
Many factors have driven the committee to our current stance. Among them are a lack of volume in the market (a sign that the institutional players are not so convinced that the party will continue in the near term), a surge in insider selling (who knows better than an insider that things in the market may have gotten ahead of the true fundamentals of a company?) and central bankers around the world cautioning that uncertain times still lie ahead of us.

Certainly the increase in consumer confidence and slowing of the deterioration in the housing markets around the world are reasons to continue with our collective sigh of relief about the diminished prospects of a depression. But beneath the veneer of these positive signs there remain many question marks.

For instance, consumer confidence is being propped up mainly by the gains in the stock market. If those gains are illusory (for now) then does the whole house of cards crumble?

On the housing side, there are reportedly over a million foreclosures that were artificially delayed thanks to the new administration that are set to take effect in the US. With levels and length of time unemployed at record highs, it is hard to build a credible argument that the housing market will improve for some time.

And finally, nobody has access to more timely data on the state of the economy than the central bank. So if they feel that it is early to be planning the harvest and sale of a green-shoot, then perhaps we should listen (of course the counter to this counter is that it was the Fed in '08 that said the housing crisis would be 'well contained' – not!).

Conclusion:
The degree of positive yet seemingly offsetting negatives to the data is at remarkable levels. Some might argue that this calls for a 'neutral' stance on equity weight and asset mix, but given what we believe are asymmetric outcomes to each (in other words, the downside is a lot bigger than the upside), we'll maintain our patience a little longer.

As the old axiom goes, "the market climbs a wall of worry". This is another way of saying that there is always something to worry about, but that capitalism and self-interest find their way to overcome the obstacles. We believe that this wall will indeed be ascended, but we'll save a possible trip to the hospital and wait a little longer for the incline to lessen before we begin our final trudge to full weight in equity.

Guardian Capital Advisors Investment Committee

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GUARDIAN CAPITAL ADVISORS LP
PRIVATE WEALTH MANAGEMENT GROUP

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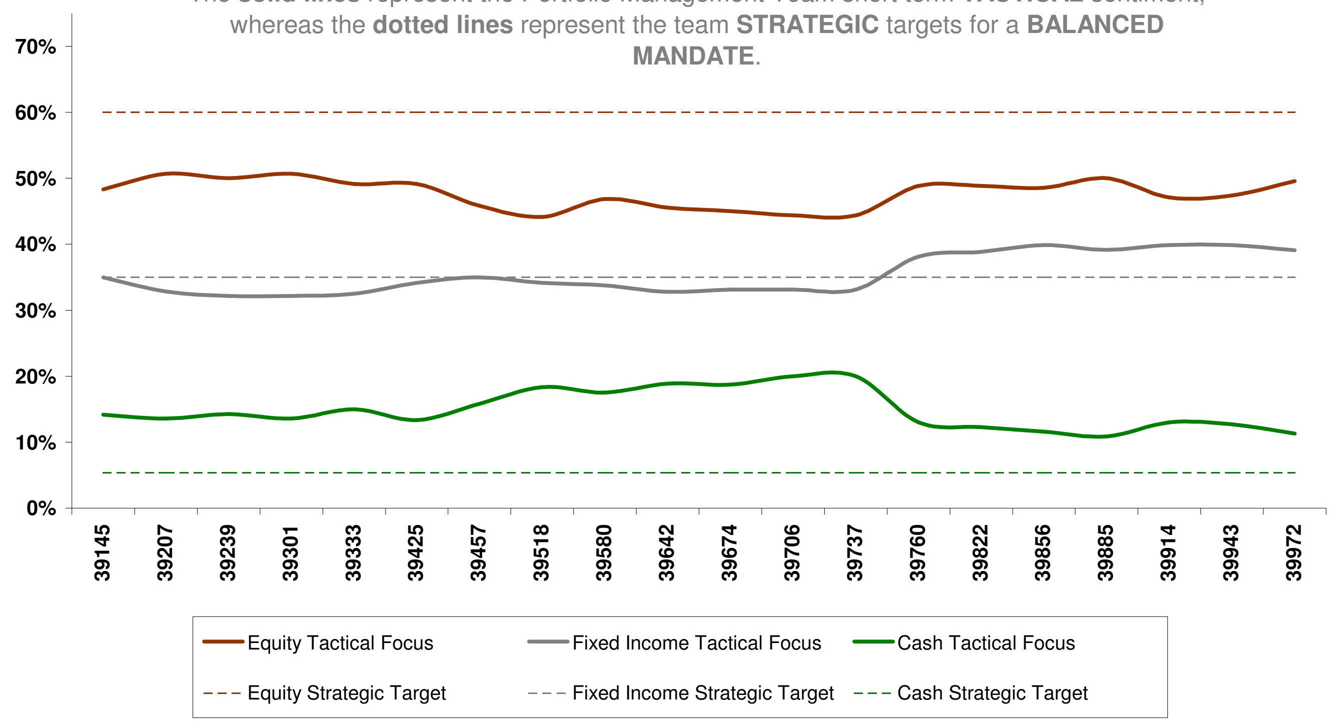
Guardian Capital Advisors - Portfolio Manager Investment Sentiment

The **solid lines** represent the Portfolio Management Team short term **TACTICAL** sentiment, whereas the **dotted lines** represent the team **STRATEGIC** targets for a **BALANCED MANDATE**.



Currently the Investment Team still believes that the need to overweight cash is prudent as cautionary market indicators exist. However, there has been a 6 month increase into equities since October 2008.

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