FIRST CAPITAL FINANCIAL

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Sponsoring Mutual Fund Dealer

Back in the '80s there was a movie called The Colour of Money, about a pool hustler played by Tom Cruise. Paul Newman won an Academy Award for best actor, giving the film credibility, despite the fact that the film was about shooting stick -hardly the Thin Red Line. But I bring that up only because the title of the movie -were it to be written about investing, would be *The Cost of Money*. Let's face it, money has never been cheaper, because investors and Central Banks are desperate to find a home for surplus savings. The lower the cost of money, the higher asset prices go, including equities and housing -collectibles too, though that is a part of the economy that fewer people participate in. The CBC article from today summarizes this point and can be read <here>.

"I'd like to hear some talk of a looming government shut up."

How long money will remain this inexpensive is anyone's guess, but a good guess is that it will be for some time yet to come. This augers well for those with disposable income able to park money in anything other than bonds, which stand to benefit from cheap money. Inflation in assets is many, many times that of the core rate of inflation as measured by the typical basket of stuff that we all use everyday. But higher prices paid in acquiring assets today will likely continue to be rewarded by higher re-sale prices in the future. As long as the cost of money remains what it is.

All of this is not to suggest that investors bet on interest rates as a formula for funding their retirement, but merely to explain what is happening currently. Our view is that A well-diversified, well-managed portfolio can deliver returns to clients over the long term regardless of any single factor, interest rates included. So let's move forward with this conviction and know that at some point the cost of money must increase. But when it does, your portfolio can continue to do so as well, providing you're in the right stuff. The Right Stuff -well that's Ed Harris not Tom Cruise, but it's a pretty decent film too. Enjoy!

Be safe, be well!

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