BERKSHIRE SECURITIES INC.

CHRIS FORMAN CEBS
FINANCIAL ADVISOR

VOLUME XVI NUMBER 3

THE BOTTOM LINE

SEPTEMBER 2007

If profanity had any influence on the flight of the ball, the game of golf would be played far better than it is. -Horace G. Hutchinson

As a rather soggy summer turns into a soggier fall we see the sunny climes of the southern US beckoning us to jump on plane and spend our remarkably strong Canadian dollars! I believe it was in these very pages some 2 or 3 years ago when I said we won't see the dollar at par for a long time. Just goes to show the folly of forecasts! So how did this happen and what are the implications of a strong dollar going forward?

The first thing to look at is how this happened. There were two or three forces at work that combined to fuel the dollar to par. The first is the rising price of oil. A couple of years ago, the people that make these decisions agreed that non-conventional oil supplies, such as the Alberta Tar Sands, should be included in the world's known reserves calculation. The addition of 174 gigabarrels (that's a very big number!) of oil to Canada's known reserve total vaulted Canada into second on the list of countries with the most oil, just behind Saudi Arabia. "…Well the next thing you know ol' Jed's a millionaire….." as the famous ditty goes and the "Canuck buck" becomes a so called petro-currency, moving in tandem with the price of oil. As the price of oil goes up, the C$ follows, virtually lock step.

The second factor involved is the financial health of the country. Large trade surpluses, coupled with several years of significant federal budget surpluses, rising interest rates and strong economic growth, all combined to make Canada an attractive place for foreigners to invest. Foreign cash flows into Canada create a demand for the Canadian dollar and recalling Economics 101, increased demand results in a higher price.

The third factor influencing the C$ dollar is related to what is going on in the US. The decline of the US dollar is as much a factor in the move to parity as any fundamental strength in Canadian dollar. It's a bit of an antithesis to the second factor noted above. Several years of US federal budgetary deficits, an enormous (and still growing) trade deficit, a struggling domestic auto sector and the recent, well documented, credit crunch (which was effectively created by the housing bubble) have all conspired to make the US a less desirable place to invest, at least on the short term. Reduced demand for the US dollar means the price drops. The recent .5% interest rate cut instituted by US Fed Governor Bernanke in response to the growing liquidity crisis further exacerbated the situation and ultimately proved to be the impetus the market needed to push the C$ over par.

What does it all mean?

Well the first thing one notices is that the Canadian based NHL teams are positively giddy, having decreased their salary expenses by about 30% in 5 years, which, theoretically, drops straight to the bottom line. So they're happy. The rest of us, however, will notice that any investments held outside of Canada have not seen the same benefits, regardless of the quality of the investment. This means despite fairly strong US and global stock markets, foreign investments have been a bit of a drag on portfolios.

The second thing you will notice is that the Canadian manufacturing sector is suffering, in particular the auto industry in Ontario where the high dollar has had a significant negative impact on exports to the US. The forestry sector has also been devastated, what with sluggish US housing starts, the pine beetle infestation and the high dollar, it's a tough business to make any money in these days. These are two very high profile industries that have been adversely affected but all Canadian manufacturers are impacted. Newspapers offer virtually daily accounts of plant closures and the corresponding number of jobs lost. This "hollowing out" of manufacturing, while arguably not permanent, is long term at the very least and people out of work don't buy houses, new cars and big screen TVs. It is, therefore, just a matter of time before the Canadian economy starts to show signs of weakening which ultimately should show up in the currency valuation. How long this takes is anybody's guess, but it could very well be several months even a year or more.

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Whatever you tax, you get less of. –Alan Greenspan

What does it all mean? (continued)

In the meantime, we feel one should look at this as an opportunity to buy foreign assets whether its technology to increase productivity/ production or real estate or business competitors or stocks of companies. When in our lifetimes has there been a better time to buy than right now? Also bear in mind that, in the near term, you may see a reduction on your statements for a while as we go through this period of uncertainty. There is no reason to panic if this happens. The quality of the investments in your account is not in question here, even though there may be a temporary loss of capital value.

Our service team

We are pleased to announce the addition of Mike Fraser to our little operation. Following closely on the heels of our announcement introducing Peter Graham, Mark and I would like to welcome Mike Fraser to the fold. Mike has a Bachelor of Arts degree in Economics from the University of Victoria and has a few years of experience as an advisor for another financial institution. He is licensed with the Investment Dealers Association (IDA) and fully qualified to assist all of our clients with their mutual fund holdings. The addition of Peter and Mike very nicely rounds out our team. In general, Mark and Mike will service and support our individual clientele while Peter and I will assist with our Group RRSP and Pension clients.

We also must announce the departure of June Woodward. June was with us for a few years and has decided to pursue opportunities elsewhere. We want to thank June for all of her work while she was with us and wish her the best in the future.

Berkshire/ Manulife

On a related issue, many of our long term clients will know that we have gone through a number changes in ownership over the past many years. These successive changes all had the effect of strengthening and enlarging our firm to the point at which the organization became large enough to become an attractive purchase for major financial institution. To that end we are pleased to advise you that as of August 31 Manulife Financial has received regulatory approval and has finalized its agreement to purchase Berkshire-TWC Financial Group Inc.

Berkshire-TWC Group, based in Burlington, Ontario, is now a wholly owned subsidiary of Manulife Securities International Ltd. When combined with Manulife Securities International Ltd., the two firms have a sales force of 1,500 advisors nationally, with almost $19 billion in assets under administration.

BOX SCORES

GIC Interest Rates**2007 (%)

	July	Aug	Sept
1YR	3.28	3.08	3.13
3YR	3.48	3.28	3.28
5YR	3.73	3.48	3.48

Annualized Rates of Return to September 30, 2007 ***(%)

All Cdn $	1YR	3YR	5YR
TSX	22.8	20.2	20.4
S&P 500	3.7	4.4	5.1
SCMU Bond	1.6	4.8	5.5
*EAFE	11.2	13.7	12.5

*Europe, Australia & Far East Index

**Bank of Canada web site

***AIM Trimark

As you are likely aware, Manulife is a leader in the financial services industry in Canada. The company's strong focus on corporate governance also makes it one of the most respected companies in the industry and is generally recognized as one of the top brands in Canada. To take advantage of this, a plan is under way to change the name Berkshire currently operates under to reflect the new ownership and strong brand value. A new ownership statement – A Manulife Financial company –will be added to the current Berkshire logo on websites, public, legal and other materials.

We are very pleased with this most recent (and likely last) transaction as it allows to us to maintain our independence but gives us the stability of one of Canada's largest, if not the largest, financial companies. As with past mergers that we have gone through over the years our operation remains the same and will continue as normal. Our relationship with you will not change and we continue to manage our own practice. We are pleased to have you as a client and we look forward to working with you in the future as we always have done regardless of the name on our business card.

Member CIPF Published By: **Chris Forman of Berkshire Securities Inc.** **Member IDA**

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