

Fire-sale prices mean 'buy' for long-term investor

JANE BAKER

AGE: 52

OCCUPATION: Financial planner.

PORTFOLIO: iShares: Short Term Bond ETF, S&P/TSX 60 ETF, S&P 500 \$Cdn. ETF, MSCI EAFE \$Cdn. ETF. Dimensional Fund Advisors Funds: U.S. Value, U.S. Small Cap, Inter.Value, Inter.Small Cap.

THE INVESTOR

A fee-for-service investment adviser, Jane Baker works for Toronto-based PWL Capital, which also runs discretionary accounts using low-cost pooled products such as ETFs. The firm also uses funds from Santa Monica, Calif.-based Dimensional Fund Advisors, ETF-like products using the firm's own methodology. "They slice and dice data differently, so their funds give you a different subset than the ETFs that follow a particular benchmark."

Some 70 per cent of her portfolio is in equities, and 30 per cent in fixed income. This, she admits, is somewhat more aggressive than her own risk profile – which she assessed herself – suggests. "I intellectually override it because the fact is I don't need this money for a long time."

HER TAKE ON THE MARKETS

Last January, when she was down 3.5 per cent over the preceding 12 months, she thought it was "a great time to invest." Then in September she moved some money out of cash, increasing her weighting in equities further, with the thought that "how could it possibly go lower?"

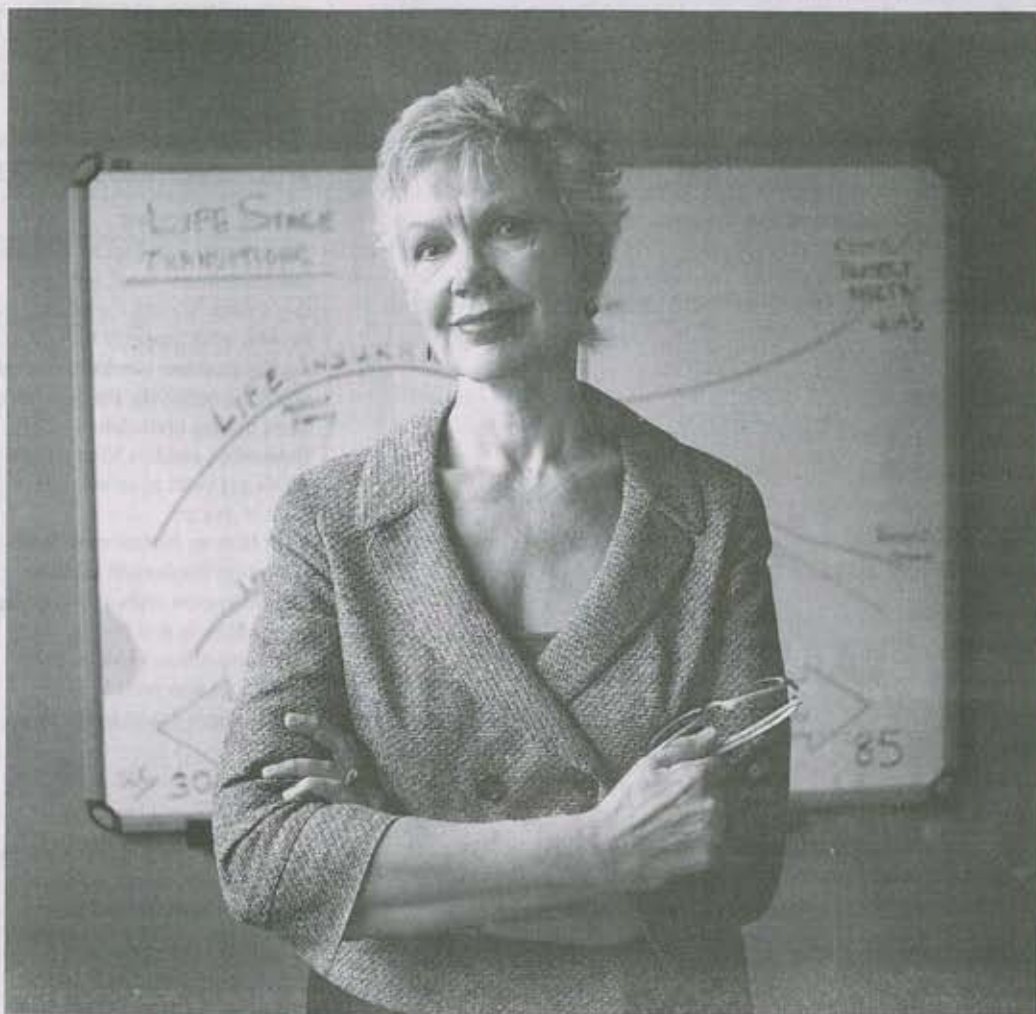
But although she's been twice bitten, she's certainly not third time shy.

In fact, Ms. Baker moved up her annual RRSP contribution to yet again take advantage of lower stock prices. (By the end of October, she was only down 3 per cent over the previous three years.) "I do believe the time to buy is when everything is on sale."

HER ALLOCATION

Ms. Baker has 20 per cent of her portfolio in Canadian stocks, 20 per cent in U.S. stocks, and 20 per cent in international stocks. In each region, she further diversifies into large growth, large value, and a mix of small caps.

She also has 10 per cent in investment trusts, and the remainder is in fixed income. "It's all in top-quality bonds with a minimum of an 'A' rating."



With a long-term horizon, investment adviser Jane Baker isn't afraid of snapping up stocks in battered markets. 'I do believe the time to buy is when everything is on sale.' KEVIN VAN PAASEN/THE GLOBE AND MAIL

CURRENCY TACTICS

Forty per cent of Ms. Baker's holdings are hedged. Trying to profit from currency differentials is a crapshoot, she says, "so the idea is to be currency-neutral rather than look to currencies for additional returns."

BEST MOVE

Ms. Baker says her best move – made in conjunction with her firm's policy – has been to adhere to "Keep it simple, stupid!" rule. "If a product was too complex to explain to clients, I didn't add it to their portfolios or to mine," she says. "This kept us out of hedge funds and derivatives like asset-backed commercial paper."

WORST MOVE

"The worst was when I unwittingly (and based on a sob story) lent money to a person who was eventually prosecuted for fraud. The lesson cost me \$20,000 and really, really impressed upon me the rule that 'If it sounds too good to be true, it is.'"

ADVICE

"Don't get emotionally caught up in the market."

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tony.martin@sympatico.ca