HISTORY TENDS TO REPEAT ITSELF.

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"It is a gloomy moment in the history of our country...The domestic economic situation is in chaos. Our dollar is weak throughout the world... It is a solemn moment. Of our troubles, no man can see the end."

1857, HARPER'S WEEKLY

Sound familiar? Not unlike some of the pronouncements we've heard lately about the stock market and mutual fund investing. The fact is history shows the market always comes back eventually. What to do in the meantime? During periods of market volatility, Warren Buffett, Chairman and CEO of Berkshire Hathaway Inc. and the world's greatest investor, says: *"When others are greedy, be afraid. But when others are afraid, be greedy."* Make sure you are positioned for recovery.

The goal is to create long-term wealth by practicing an investment approach that is not dependent on market performance; rather, your focus should be on the ownership of excellent companies.

1929

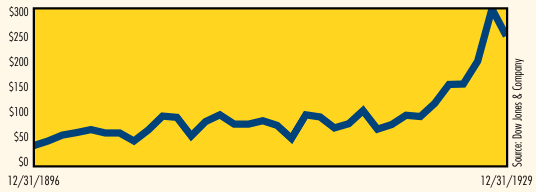
ON MAY 6TH, 1932, AFTER STOCKS HAD PLUMMETED 85% FROM THEIR 1929 HIGH, DEAN WITTER ISSUED THE FOLLOWING MEMO TO CLIENTS:

“...The present is not the first depression; it may be the worst, but just as surely as conditions have righted themselves in the past and have gradually readjusted to normal, so this will again occur. The only uncertainty is when it will occur...I wish to say emphatically that in a few years present prices will appear as ridiculously low as 1929 values appear fantastically high.”

History shows there is irrefutable wisdom in staying the course – sticking with excellent businesses. So why is this so difficult to practice? The discipline required to weather uncertainty almost always pays off over the long term. But you still find some mutual funds hold as many as 150 companies for an average of just 18 months. Changing investments so often betrays discipline. Even with today’s sophisticated research software, how can a fund manager possibly know more than a handful of these companies well enough to recommend them? There’s no discipline in that.

Market Rise Over 33 yrs, Between 1896 and 1929

+507%



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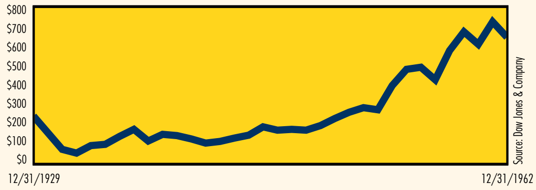
"...They were companies with untried management, small earnings and dubious prospects, with nothing but a prayer and a catchy space-aged name which would bid up as much as 400% within a few months...Even some of the most astute money managers were finally persuaded that they could pay outrageous prices for stocks on the assumption that the prices would still go higher."

LIFE MAGAZINE, MAY 28, 1962, AFTER THE DOW JONES INDUSTRIAL AVERAGE FELL FROM 700 POINTS TO 550 POINTS

Would you invest in a company that has poor financial fundamentals, no growth story, weak management, and no demand for its products or services? In the rational light of day, of course not. Yet isn't there something eerily familiar about the description from 1962? Couldn't it be dot-coms we're talking about here? So what defines an "excellent company" in investment terms? It begins with meticulous research and a rigid adherence to an intellectual framework. You have to think like a good business person to be a good investor and buy for the future, 15 to 20 years hence.

Market Rise Over 33 yrs, Between 1929 and 1962

+162%



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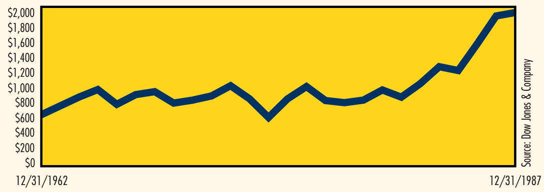
"Fear crazed, frenzied and panic-stricken, floor traders at the Toronto Stock Exchange all but drowned in a flood of sell orders that hammered the market lower yesterday..."

THE TORONTO STAR, TUESDAY, OCTOBER 20, 1987

Some days, that's what it feels like. Knowing when to sell can be as difficult as knowing when to buy. When do we know that a company no longer meets the criteria for excellence? What should those criteria be? How well you know a company will tell you when to hold and when to sell regardless of what the market is doing. That's why the fewer companies a fund holds, the easier it is to know what makes those companies worth keeping. A disciplined approach, a solid, time-tested intellectual framework, will see you through. Remember, it's all about preserving capital, growing investment, and minimizing tax burdens.

Market Rise Over 25 yrs, Between 1962 and 1987

+197%



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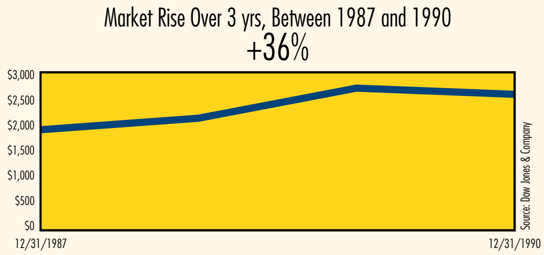
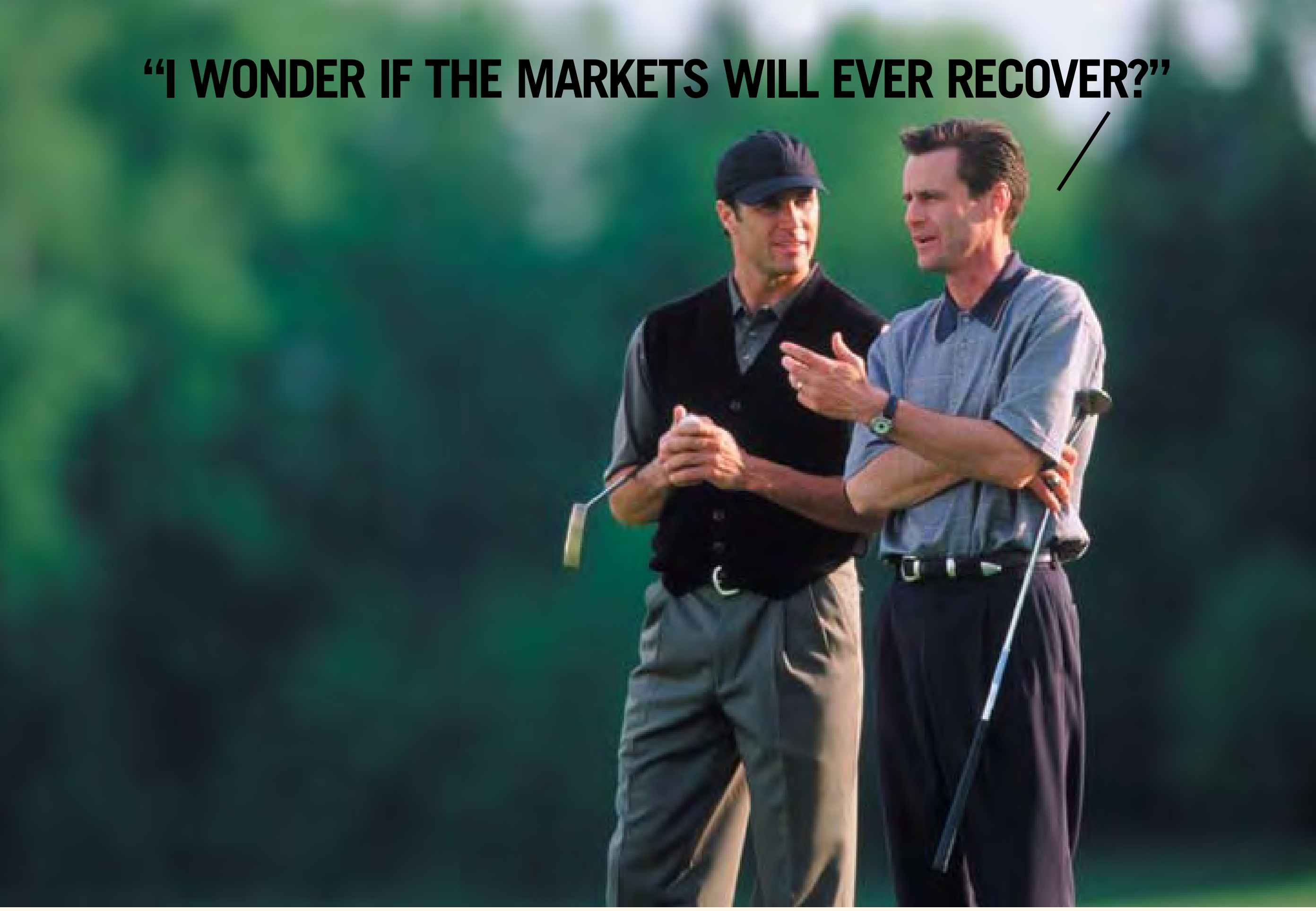
“The New York stock market took its worst hit yesterday since the ‘mini-crash’ last October amid panicky selling sparked by fears that consequences of the Persian Gulf crisis could topple the U.S. economy into recession.”

THE TORONTO STAR, TUESDAY, AUGUST 7, 1990

Time and again investors let the desire for instant wealth creation dictate their investment decisions, with catastrophic results. You’d think we’d learn. If you want feats of magic, expect to be tricked. It’s all about reaching goals that are reasonable and modest. It’s all about long-term behaviour, not short-term performance. Ask yourself, over the long term, would you like to be a disciplined, astute investor? Or an anxious speculator, reacting to market volatility? Wealth creation takes time. Not three quarters or even three years, but 15 to 20 years.





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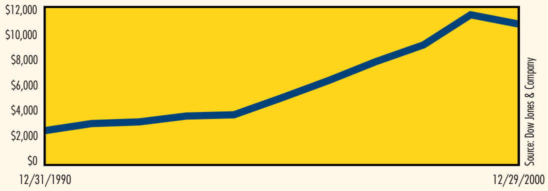
"We knew it would get ugly. We didn't know how ugly. The Nasdaq was a mess from April on: dot-coms dropping like flies, Microsoft beat up for allegedly running a software racket, and Boss Greenspan putting the squeeze on us all."

FORTUNE, DECEMBER 18, 2000

Where were you when the bubble burst? When the dot-com chickens came home to roost? When the telecoms and their fibre-optic promises went into a meltdown and took the market with them? Some investors ran from one "safe haven" to the next, seeking ever greater performance from ever diminishing sectors. Following investment trends and flashy opportunities will get you nowhere. But make the right investment, based on sound intellectual reasoning, and solid research, and there is no need to jump from investment to investment. History shows a "buy-and-hold" strategy pays off over the long haul.

Market Rise Over 10 yrs, Between 1990 and 2000

+310%



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"To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insight, or inside information. What's needed is a sound intellectual framework for decisions and the ability to keep emotions from corroding that framework."

WARREN BUFFETT, CHAIRMAN AND CEO OF BERKSHIRE HATHAWAY INC., AND THE WORLD'S MOST SUCCESSFUL INVESTOR.

At AIC, we believe the markets may drop from time to time but they always recover. Historical research shows this. That's why we remain confident through market corrections.

For more than 20 years, AIC has consistently practised an investment strategy backed by a solid, time-proven intellectual framework best summed up by our slogan, "Buy. Hold. And Prosper.®" We invest in a selection of excellent companies in which we hold large positions. For the long term. We research, buy and sell from this intellectual framework and have the discipline to stick with it through thick and thin, even in volatile market conditions. It takes time to create long-term wealth. Disciplined, astute investors don't panic when the market dips. History shows the market always comes back.

Find out more. Call your financial advisor, call AIC at 1-800-263-2144 or visit www.aic.com.

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