



Investment in global markets also comes with many risks including geo-political, and economic risks.

The legal, regulatory and financial reporting environment may not be as transparent or developed as in North American markets.

Investors should consult with their financial advisor on opportunities and risks of global diversification.

this issue:

Going Global
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Market Indicators

Going Global Could Be Beneficial For Your Portfolio

When deciding where to invest their hard earned money, investors naturally prefer the comforting proximity and familiarity of domestic markets. Canadians are no exception. Most of us have the majority of our investment portfolios invested in Canadian equities. In part, this practice is a result of past regulations that stipulated that at least 70% of Registered Saving Plan investments (RSPs) must be in Canadian listed securities. Although that stipulation is long gone, many investors retain portfolios that are heavily skewed in favour of Canadian investments. If your portfolio is one of them, you may wish to consider the benefits and risks of going global to further diversify your portfolio by consulting with your financial advisor.

Along with proper asset allocation, investment experts agree that sector and geographical diversification provide additional benefits to diversified portfolios. When, for instance, you put most of your investment dollars in a market like Canada, which accounts for less than two percent of global equity markets, you miss out on the growth opportunities available beyond our borders.

It's a basic principle of investment that stocks tend to follow underlying economic growth. As population levels in the developed world, including Canada, remain steady or even decline during the 21st Century, the real growth opportunities will come from the fast growing emerging economies. Many of these countries – especially the second most populous country in the world, India – have a very young population, which will only accelerate the tremendous economic growth they have enjoyed over the last decade.

Globally diversifying your portfolio could help balance overall risk and also potentially pay off in the form of good returns. Today's global market turmoil has battered stock markets in emerging economies such as India and China, which are going through a severe correction. Investors looking to emerging and or global markets as a way to diversify their portfolios could, for example focus on the largest and fastest growing sub-group, BRIC, made up of equities from Brazil, Russia, India and China.

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Example For Going Global: Investing In The BRIC Countries

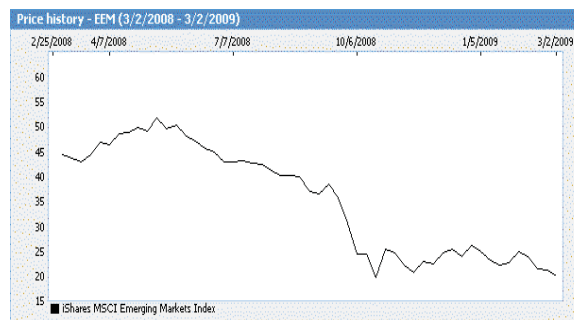
The phenomenal growth enjoyed by the BRIC economies is reflected in the soaring equity markets in these countries. The equity market sub-group BRIC was the top asset class performer from 2005 to 2007. The rapidly growing importance of these economies even prompted some experts to argue that when the next market crisis hits, these developing economies and their stock markets would thrive while economies in the developed countries, led by the USA, spin out of control – the so-called “decoupling” phenomenon. Sadly, it didn’t happen. The markets in these countries were crushed yet again. In fact their fall has been even steeper. BRIC equities fell by over 50% during 2008 as money flowed away from these markets and into safer assets such as U.S. treasuries. This correction may eventually provide opportunity for investors who believe in both global diversification and the long-term potential of these countries. As per the widely publicized research paper, originally published by Goldman Sachs in 2003, combined GDP of BRIC countries could overtake the combined GDP of G7 countries by 2035. Once this global correction is over and growth resumes and confidence returns, an investment in these growing economies could yield potentially strong returns in the future.

How to achieve global diversification?

Interested investors may want to consider allocating more dollars to global markets gradually over the next 12 to 18 months, and avoid rushing too quickly into this asset class. There are various ways to achieve global diversification. One is to invest in stocks of major blue-chip companies from foreign countries, which are listed as American Depository Receipts (ADRs) at some major stock exchanges such as the New York Stock Exchange and Nasdaq. Another approach is to invest in mutual funds focused on international markets or an exchange traded fund (ETF) that tracks one country’s entire stock market.

Investors looking for further risk diversification may wish to consider investing in a fund that reflects the entire emerging market universe. One example is the iShares MSCI Emerging Markets Index (NYSE:EEM), an exchange traded fund (ETF) that trades like a stock. With assets under management of approximately US\$18 billion and an average daily volume of 90 million shares, this ETF is sufficiently diversified and liquid for investors who want a globally diversified portfolio.

Consult your financial advisor who is knowledgeable about your financial objectives and risk tolerance for specific recommendation to invest in global markets.



Source: MSN Money: March 2, 2009

Along with proper asset allocation, investment experts agree that sector and geographic diversification is beneficial for a diversified portfolio. When you put most of your investment dollars in a market like Canada, which accounts for less than two percent of global equity markets, you miss out on the growth opportunities available beyond our borders.

Global diversification

comes with many risks

including currency risk

that can have major

impact on returns in

Canadian dollars. If the

US dollar or other foreign

currencies weaken against

the Canadian dollar, the

eventual returns could be

lower when expressed

in Canadian dollars.

Some mutual funds and

exchange-traded funds

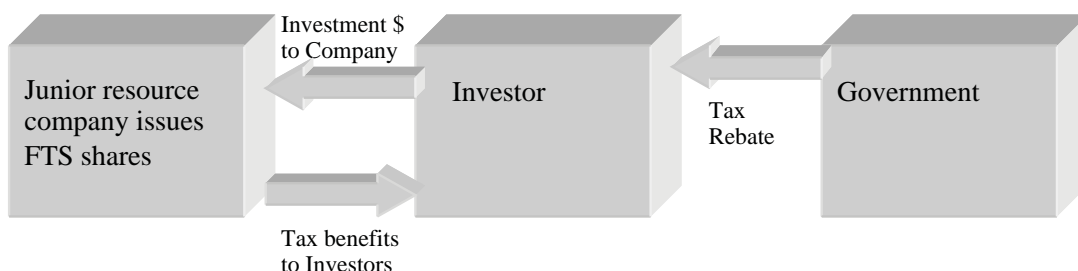
employ currency hedging,

which can provide extra

safety in such situations.

Flow-Through Shares And Partnerships – Attractive Tax Breaks And Opportunity For Capital Appreciation

If you are looking for an attractive tax advantaged avenue for investing that also offers potential for capital appreciation, consider flow-through shares. Flow-through shares (FTS) are common shares with special tax advantages issued by resource companies. The name flow-through indicates that the issuing company agrees to transfer certain tax deductions generated from their capital expenditure program to the investor. FTS gives investors attractive tax-breaks and the opportunity for capital appreciation based on new findings or rising commodity prices.



Here's how they work. Under federal tax law, eligible resource companies are allowed to pass deductions (hence the name flow-through) from exploration and development activity to individuals holding these shares who may then apply these deductions against their personal income for tax purposes. Most issuers are junior or intermediate resource companies who typically do not have enough profit to claim exploration expenses but who still need capital to conduct exploration programs. For these companies, common shares often do not attract investors. Hence they issue FTS, which offer investors additional tax benefits. Resource companies can also issue FTS at a premium to their common share price. Once the flow-through share offering is closed the investor is left with common shares that can be traded after a typical holding period of 18-24 months. FTS tax benefits are only available to the original purchaser and any subsequent purchaser will be buying ordinary common shares. The entire investment in FTS can be deducted from the investor's income in the year in which the investment is made. Since the entire cost of purchase is deducted from the investor's income, the adjusted cost base for FTS is set to zero. This means that when the investor subsequently sells the common shares, the entire proceeds will be subject to capital gains tax. As in purchases of common shares, FTS offers the potential for capital appreciation in the underlying common shares.

FTS investing carries all the same risks as investing in common shares of junior resource companies including commodity and exploration risk. Since FTS offer a tax advantage, investors may have to pay a premium over the market price of the underlying common shares. FTS also may have some liquidity constraints due to the holding period, during which investors cannot sell them.

Flow-Through Partnerships: Lower Risk With Same Benefits

Flow-through limited partnerships are funds that invest in flow-through shares of Canadian resource corporations, and offer tax advantages similar to those offered by flow-through shares. Flow-through limited partnerships purchase FTS and investors in the limited partnerships receive a 100 per cent tax deduction for the amount invested. Flow-through partnerships offer the benefit of diversification and professional management. Flow-through limited partnerships also have access to more investment opportunities, as many FTS issues take place through private placement and require large dollar investments, making it difficult for individual investors to participate directly.

Investment in flow-through shares or partnerships is ideal for high-income investors with a greater risk tolerance who are looking for tax-advantaged investment strategies.

Investing in flow-through limited partnerships carries all the risks associated with investing in FTS. In addition, flow-through limited partnerships have less liquidity as they are not marketable securities and cannot be traded typically for a year or more.

Consult your financial advisor who is knowledgeable about your financial objectives and risk tolerance for specific recommendations to invest in flow-through shares or flow-through partnerships.

In this example (for illustration purpose only), an Ontario resident paying the highest marginal income tax of 46.41% who invests \$1000 in FTS:

| | |
|--|-------------------|
| Number of flow-through shares purchased | 100 |
| Price per flow-through share | \$10 |
| Price per common share | \$9.50 |
| Money "outflow" | |
| Flow-through share purchase | \$1,000 |
| (assumption of \$9.50 per share as sale price) | \$220.45 |
| Total money outflow | \$1,220.45 |
| Money "inflow" | |
| after the holding period at \$9.50 per share) | \$950.00 |
| Income tax savings | \$464.10 |
| Total money inflow | \$1,414.10 |
| Gross profit | \$414.10 |
| Net after tax profit | \$193.65 |

Source: Ubika Research

An Ontario resident investor can potentially earn a gross return of 41.4% and a net after tax return of 19.3% when the shares are sold after holding period at the same price as the issuance price. Any additional increase in share price beyond \$9.50 (the issuance price) will further increase the total return.

Here are some of the major fund managers who offer flow-through limited partnerships:

- Goodman & Company
- Front Street Capital
- Marvix Fund Management
- Mackenzie Funds
- Middlefield Capital
- Pathway Asset Management
- Qwest Investment Management
- Sentre Select Capital

Flow-through share issuance raised over a billion dollars in 2008, a difficult year for capital markets.



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| Market Indicators | | | | | |
|-----------------------------------|-----------|-----------|-----------|--------------------------------|-------------------------------|
| | 27-Feb-09 | 30-Jan-09 | 29-Feb-08 | Chg. from Previous Month | Chg. from Previous Year |
| S&P/TSX Composite | 8123.0 | 8694.9 | 13582.7 | -6.58% | -40.20% |
| DOW Jones Industrial Average | 7062.9 | 8000.9 | 12266.4 | -11.72% | -42.42% |
| NASDAQ (Composite) | 1377.8 | 1476.4 | 2271.5 | -6.68% | -39.34% |
| S&P 500 | 735.1 | 825.9 | 1330.6 | -10.99% | -44.76% |
| International Stock Indices | | | | | |
| Hang Seng | 12811.6 | 13278.2 | 24331.7 | -3.51% | -47.35% |
| Nikkei 225 | 7568.4 | 7994.1 | 13603.0 | -5.32% | -44.36% |
| FTSE 100 | 3830.1 | 4149.6 | 5884.3 | -7.70% | -34.91% |
| DAX | 3843.7 | 4338.4 | 6748.1 | -11.40% | -43.04% |
| MSCI - Emerging Markets | 499.3 | 529.5 | 1167.7 | -5.71% | -57.24% |
| Commodities Closing prices (Spot) | | | | | |
| Oil West Texas US\$/bbl | 44.4 | 41.7 | 101.9 | 6.53% | -56.43% |
| Natural Gas Henry Hub US\$ mmbtu | 4.1 | 4.8 | 9.2 | -14.23% | -55.43% |
| Gold US\$/troy ounce | 940.1 | 927.9 | 974.5 | 1.32% | -3.53% |
| Silver US\$/troy ounce | 13.1 | 12.7 | 19.8 | 3.39% | -33.84% |
| Copper US\$/lb | 1.5 | 1.4 | 3.8 | 6.03% | -60.53% |
| Lead US\$/lb | 0.5 | 0.5 | 1.5 | -1.18% | -66.67% |
| Zinc US\$/lb | 0.5 | 0.5 | 1.2 | 2.54% | -58.33% |
| Nickel US\$/lb | 4.5 | 5.1 | 13.7 | -11.00% | -67.15% |
| Reut./Jefferies CRB Comm. Index | 211.57 | 220.4 | 412.7 | -3.99% | -48.74% |
| Exchange Rate (Closing) | | | | | |
| C\$/US\$ | 78.6 | 81.3 | 101.5 | -3.35% | -22.56% |
| C\$/Euro\$ | 62 | 63.2 | 67.2 | -1.82% | -7.74% |
| US\$/Euro\$ | 79 | 77.7 | 65.8 | 1.74% | 20.06% |

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