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With the arrival of a new year, I would like to take this opportunity to provide you with an overview of events in the financial markets in 2011 and some insights into the current investment climate.

Global equity markets were volatile for much of the year. After beginning 2011 on an optimistic note, prices slid lower through the summer and fall and many stock indexes finished the year with double-digit declines. Notably, the U.S. was the world's best-performing major stock market in 2011. Despite the relative strength of the Canadian economy, our equity market was down, thanks in part to the weakness in natural resources stocks. In contrast, high-quality bonds posted good results as investors sought the safety of government securities.

The year's challenges came from several sources. Early in the year, political uprisings in North Africa and the Middle East and Japan's devastating natural disaster rattled investor confidence. Later, rising inflation in emerging markets, especially China, led central bankers to take steps to cool their heated economies, raising additional concerns about the pace of global growth. The summer's protracted political wrangling over the U.S. debt ceiling and the decision by Standard & Poor's to remove the triple-A rating on U.S. government debt also weighed on investor sentiment.

By far, however, the biggest issue fuelling investor fear throughout 2011 was the ongoing sovereign debt crisis in Europe. What began as anxiety about the debts of smaller countries such as Greece expanded to encompass major nations like Italy and France and raised significant doubts about the viability of the euro currency and many of the region's banks.

The impact of these concerns on market psychology was clear, as wary investors eschewed riskier assets, including stocks, in favour of perceived safe havens. The price of gold, for example, reached an all-time peak of nearly US$1,900 per ounce in mid-August, although it corrected significantly later in the year. The U.S. dollar strengthened against many other world currencies, including Canada's. Investors flocked to U.S. and Canadian government bonds, driving up prices and reducing their yields even further.

As we look ahead, it is fair to say that the situation in Europe remains uncertain and could take years to resolve. However, it is encouraging that European Union leaders are now taking steps to address the region's challenges. Other positive factors include low interest rates and continuing economic growth in North America, Asia and emerging markets.

Investors can also take comfort in the strong performance of well-run corporations around the world, with many reporting healthy earnings, increasing dividends and buying back shares. The divergence between companies' good results and their reduced share prices has led many experienced investors to conclude that today's markets present attractive buying opportunities. Warren Buffett, for example, expressed his confidence in the future by buying significant positions in several businesses, including an $11 billion stake in IBM.

In my view, these developments underscore the importance of sticking with a well-diversified portfolio of high-quality investments, in a mix that's tailored to your individual needs. Meanwhile, the new year is a good time to review your investing plans and your objectives. I look forward to having this discussion with you over the next few months.

In closing, I would like to thank you for your business. It has been a pleasure to work with you over the past year and I look forward to continuing our partnership in the weeks and months ahead.

All the best to you and your family in 2012.

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