

Insights

FALL 2011

STRATEGIES FOR YOUR FINANCIAL SUCCESS

Pent-up corporate spending means IT investing opportunities

The recession following the 2008 credit crisis led corporate America to cut spending at an unprecedented rate. With the global economy on the mend, and margins and cash near record highs, corporations are beginning to loosen their purse strings — good news for many U.S. technology companies and investors.

Renewed capital spending

Balance sheets of many large U.S. corporations are now in excellent shape. S&P 500 companies in aggregate held a record US\$960 billion in cash at the end of the first quarter of 2011. Free cash flow for S&P 500 companies set a record in 2010 at US\$495 billion, up from US\$302 billion the previous year, and will likely set a new record in 2011. While some of that cash is likely to go toward share buybacks, dividends, and acquisitions, years of underinvestment will lead companies to increase capital spending.

Potential for growth

The question for investors is: who stands to benefit the most from a renewed capital spending cycle? Three compelling factors put the U.S. technology sector in the spotlight:

- U.S. corporations have been underinvesting, creating pent-up demand for capital equipment;
- Information technology is an integral component of corporate strategy,



enhancing productivity and offering a quick payback and;

- U.S. companies have until year-end to take advantage of a bonus depreciation rule allowing 100% recovery — up from 50% — of capital expenditure costs.

The information technology sector offers investors an attractive growth-to-value proposition.

If you are interested in learning more about how technology stocks can play a part in your portfolio, please contact us. ■



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INTEGRITY
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Whether markets are rocky or in recovery, it's important to keep a careful eye on the mix of assets in your portfolio.

We should meet periodically to assess whether your portfolio needs rebalancing. We could also review any new plans or goals and review all aspects of your financial plan. Give us a call today.

Keir Clark



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