

Canada Life Canadian Equity Value Fund (S347)

Q2 2010

Investor profile: Suited to investors seeking long-term growth opportunities.

Objective: The fund's objective is to provide long-term capital growth by investing in Canadian equities.

Investment strategy: Using a value-biased management style, Laketon seeks out companies that are trading at attractive valuations, while at the same time appearing positioned to begin generating improving financial results.

Investment performance

	Annualized rates of return (%)						
	Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception
Canada Life Canadian Equity Value	-7.9	9.8	-5.3	-5.8	-1.5	2.0	5.6

*All returns are net of fees.

Portfolio management team

	Years of experience	Years with Laketon
Andrew Simurda, CFA	16	8
Brad Cann, CFA	21	3

Portfolio information

Assets:	\$22.6 million
Benchmark:	S&P/TSX Composite Index
Total holdings:	42
Yield:	2.3% (portfolio) 2.9% (benchmark)
Average market cap:	\$15.4 bn (portfolio) \$26.3 bn (benchmark)
Cash weight:	0.9%

Top 10 stock weights

	Portfolio (%)
Canadian Natural Resources Ltd	6.0
Goldcorp Inc	5.3
Yamana Gold Inc	5.0
CIBC	4.9
Suncor Energy Inc	4.8
Research In Motion Ltd	4.3
TransCanada Corp	4.2
Manulife Financial Corp	4.1
EnCana Corp	4.0
IAMGOLD Corp	3.8
Total	46.4

Sector diversification

	Portfolio (%)	Benchmark (%)
Financials	16.6	30.1
Energy	33.9	26.7
Utilities	1.6	1.7
Information Tech	4.8	2.8
Health Care	0.0	0.5
Consumer Staples	1.0	2.6
Consumer Disc	5.2	4.7
Telecom Services	4.6	4.6
Industrials	5.4	5.7
Materials	26.9	20.6
Total	100.0	100.0

Fund performance attribution

Positive performance factors in the second quarter

By Sector:

- The portfolio's overweight exposure to Golds, Telecommunications and Consumer Discretionary stocks helped performance on the quarter.

By Stock:

- Individual stock contributors were: Silver Wheaton (up 33.7%), Yamana Gold (up 8.7%), and Gildan (up 14.4%).

Negative performance factors in the second quarter

By Sector:

- Our overweight exposure to Information Technology stocks and our overweight exposure to Insurance stocks and Fertilizer stocks hindered relative performance.

By Stock:

- Individual stock contributors were: Agrium (down 27.6%), RIM (down 30.5%), and Manulife (down 22.2%).

Outlook & strategy

- We remain optimistic towards equities in the mid to long term and continue to find good value on an individual stock basis within numerous sectors of the Canadian equity market. With the recent correction in the stock markets, we are more optimistic on the near-term prospects for equities as we move through the summer months. However, the gains should be more muted this year relative to 2009, as earnings growth should be the main driver of higher stock markets in 2010 while multiple expansion is expected to be minimal.
- We continue to employ our 6-step screening process to add and remove stocks from the value fund. Recent additions to the portfolio that have made it through our screening process are Finning, Teck Resources, IAMGOLD, Yellow Pages and CIBC. Recent deletions from the portfolio due to full valuation in our opinion are Laurentian Bank, Guyana Goldfields and Maple Leaf Foods. We sold Nexen and Gammon Gold due to weaken fundamentals and reduced our significant exposure to Gildan and Rogers.
- We remain overweight Energy and Material stocks as well as Technology, Consumer Discretionary and Insurance stocks.
- We remain underweight Staples and Banks.

Top 10 stock weights

Canadian Natural Resources Ltd.

Acquires, explores for, develops and produces natural gas, crude oil and related products. Operates in the Canadian provinces and also operates in areas which have access for exploration activities and where pipeline systems already exist.

Goldcorp Inc.

A North American gold producer. Has gold mining operations in the U.S., Canada, Mexico, Brazil, Argentina and Australia.

Yamana Gold Inc.

An intermediate gold producer with production, development stage and exploration properties throughout Brazil. Yamana also holds gold exploration properties in Argentina.

CIBC

Provides banking and financial services to consumers, individuals and corporate clients in Canada and around the world.

Suncor Energy Inc.

An integrated energy company focused on developing the Athabasca oil sands basin. Extracts and upgrades oil sands into refinery feedstock and diesel fuel, explores for, develops and produces natural gas, refines crude oil and markets a range of petroleum and petrochemical products, and operates crude oil pipelines and retail petroleum stations.

Research In Motion Ltd.

Designs, manufactures and markets wireless solutions for the worldwide mobile communications market. Provides platforms and solutions for access to email, phone, SMS messaging, Internet and Intranet-based applications.

TransCanada Corp.

The parent company of TransCanada Pipelines Limited. Focused on natural gas transmission and power services. Network of pipeline transports the majority of Western Canada's natural gas production to markets in Canada and the U.S.

Manulife Financial Corp.

Provides financial protection products and investment management services to individuals, families, businesses and groups. Conducts operations in Canada, U.S. and Japan, as well as reinsurance operations on a global basis.

EnCana Corp.

Explores for, develops, produces and markets natural gas, crude oil and natural gas liquids. Operates in North and South America.

IAMGOLD Corp.

A mid-tier gold mining company, focused in West Africa, the Guiana Shield of South America and in Quebec where it has a pipeline of development and exploration projects.

Opinions expressed herein are the sole views of Laketon Investment Management and are subject to change without notice. Securities mentioned herein are not to be construed as recommendations to buy, hold or sell.

The indicated rates of return for one, two, three, five and 10 years columns, as well as the From Inception column, are annual compounded returns for the period ending June 30, 2010 including changes in the unit values but does not take into account redemption fees or other applicable charges payable by the policyholder. The stated returns are net of the segregated fund management fees and operating expenses but do not reflect redemption fees or other charges. Therefore actual returns will be less than illustrated. Please note that unit values and investment returns will fluctuate and past performance is not necessarily indicative of future performance. The *Generations I* segregated funds became available in June 2006. The returns shown above that pertain to periods prior to June 2006 are for *Generations* funds. In general, the segregated fund management fee for *Generations I* funds is equal to or less than the segregated fund management fee for the *Generations* funds and in this case the actual returns for *Generations I* funds would have been equal to or greater than the returns shown above except for the Enhanced Dividend Fund (Laketon). A description of the key features of Canada Life's individual variable insurance contract is contained in the information folder, available from your financial advisor. Any amount that is allocated to a segregated fund is invested at the risk of the policy holder and may increase or decrease in value.