

Canada Life Enhanced Dividend Fund (S39)

Q2 2010

Investor profile: Suited to the investor whose objectives are income and capital preservation over the medium to long term.

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

Investment strategy: Laketon's active investment style adds value through ongoing management of the portfolio's equity exposure. The manager is willing to hold cash when no alternative investment opportunities look attractive. This investment approach is intended to create the appropriate balance between positive return generation in up markets and capital preservation in down markets.

Investment performance

Annualized rates of return (%)

	Quarter	1 Year	2 Years	3 Years	4 Years	5 Years	From Inception
Canada Life Enhanced Dividend Fund	-3.4	10.7	-2.0	-4.0	0.4	2.4	8.0

*All returns are net of fees.

Portfolio management team

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

Portfolio information

Assets:	\$594.8 million
Benchmark:	S&P/TSX 60 Index
Total holdings:	56
Yield:	4.3% (portfolio) 2.8% (benchmark)
Cash Weight:	2.1%

Top 10 stock weights

	Portfolio (%)
Royal Bank of Canada	6.2
Bank of Montreal	5.4
Bank of Nova Scotia	5.2
BCE Inc.	5.1
Thomson Reuters	4.9
TD Bank	4.2
Magna International	3.9
Bell Aliant	3.7
Suncor Energy	3.6
National Bank of Canada	3.5
Total	45.7

Sector diversification

	Portfolio (%)	Benchmark (%)
Financials	41.2	32.3
Energy	16.1	26.7
Utilities	7.0	0.9
Information Tech	0.0	2.6
Health Care	0.0	0.3
Consumer Staples	3.8	2.4
Consumer Disc	14.0	4.7
Telecom Services	16.0	5.5
Industrials	1.9	5.3
Materials	0.0	19.3
Total	100.0	100.0

Fund performance attribution

Positive performance factors in the second quarter

By Sector:

- The portfolio's overweight position in Telecom Services and its underweight in Information Technology were positive contributors in the quarter.

By Stock:

- The primary individual stock contributors were: BCE Inc., Telus Corp., and Magna International.

Negative performance factors in the second quarter

By Sector:

- The performance detractors by sector were the portfolio's underweighting in Materials (Golds) and the overweighting of Financials.

By Stock:

- The primary individual stock detractors were: National Bank, and AGF Management.

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, in general, is expected to be minimal.
- Our strategy continues to be one of selectively adding to positions as valuations of individual stocks decline to attractive levels.
- We continue to pare back on, or eliminate, individual positions where we feel the upside is limited compared to the risks to the downside.
- We have only slightly altered the sector weightings as we feel the current environment warrants the continuation of our defensive stance.

Top 10 stock weights

Royal Bank of Canada

Provides personal and commercial banking, wealth management and corporate and investment banking services.

Bank of Montreal

A Canadian chartered bank which operates throughout the world.

Bank of Nova Scotia

Provides retail, commercial, international, corporate, investment and private banking services and products.

BCE Inc.

Provides a full range of communication services to residential and business customers in Canada.

Thomson Reuters Corp.

An electronic information and solutions company that serves the global business and professional marketplace. Provides proprietary online systems and CD-Rom products in information sectors such as legal and regulatory, financial, scientific reference and healthcare, and corporate training.

Toronto Dominion Bank

Conducts a general banking business through banking branches and offices located throughout Canada and overseas.

Magna International

Designs, develops and manufactures automotive systems, assemblies and components, and engineers and assembles complete vehicles. Sells its products primarily to original equipment manufacturers.

Bell Aliant

Combines the wireline operations of Aliant within the company's different territories.

Suncor Energy

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.

National Bank of Canada

Provides Canadian and international customers with a full range of personal, commercial, and corporate banking services.

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.