

# Investment Update

## Q4 2009

For further information, please contact:  
**John Slattery**, CFA | President  
416.552.3999 | [john.slattery@laketon.com](mailto:john.slattery@laketon.com)

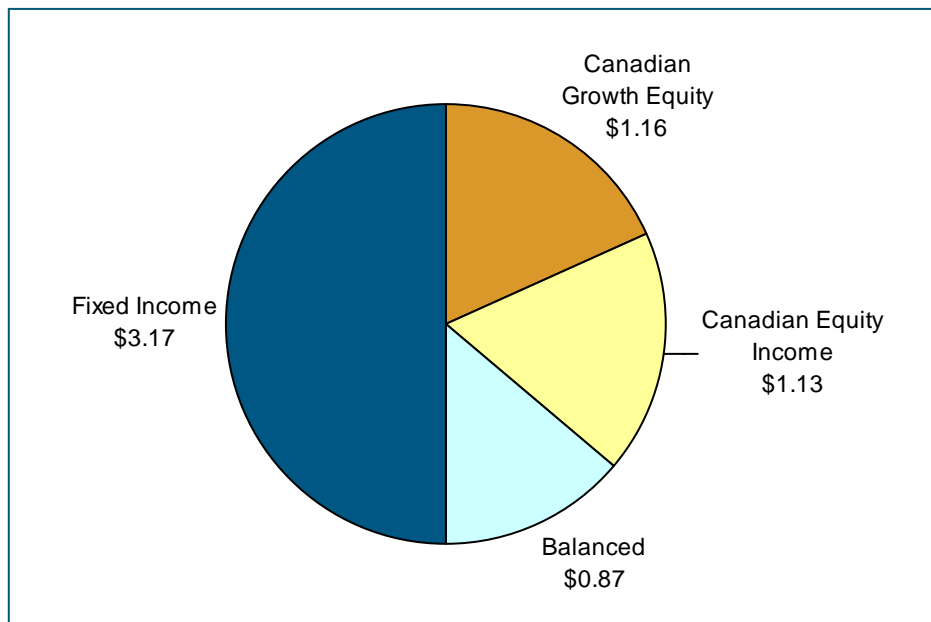
# Contents

- **Organizational Update**
- **Investment Performance Update**
- **Investment Product Update**
  - **Canadian Equity**
  - **Canadian Fixed Income**
  - **Global Equity – Setanta Asset Management**

# Organization Update

- \$6.3 billion in assets under management
- Focused on Canadian growth equity, Canadian equity income, fixed income and balanced fund management
- Strategic relationship with Setanta Asset Management on global equity management
- Multi-channel distribution strategy

## Assets by Investment Product (\$ Billions)



# Investment Performance Update

## All Products

December 31, 2009	3 months	1 Year	2 Years	3 Years	4 Years	5 Years
<b>Premium Growth Canadian Equity</b>	<b>2.4</b>	<b>28.1</b>	<b>-4.7</b>	<b>1.7</b>	<b>5.7</b>	<b>10.4</b>
<i>Value added</i>	-1.5	-6.9	0.2	1.9	1.8	2.8
<b>Defensive Growth Canadian Equity</b>	<b>2.2</b>	<b>26.5</b>	<b>-3.3</b>	<b>-0.5</b>	<b>2.7</b>	
<i>Value Added</i>	-1.7	-8.6	1.5	-0.3	-1.2	
<b>Core Canadian Equity</b>	<b>2.3</b>	<b>27.4</b>	<b>-4.0</b>	<b>0.6</b>	<b>4.2</b>	
<i>Value Added</i>	-1.6	-7.7	0.9	0.8	0.3	
S&P/TSX Composite Index	3.9	35.1	-4.9	-0.2	3.9	7.7
<b>Canadian Enhanced Dividend Equity*</b>	<b>3.7</b>	<b>31.4</b>	<b>-2.2</b>	<b>-0.1</b>	<b>3.2</b>	<b>5.9</b>
<i>Value Added</i>	1.1	-0.5	2.5	-0.4	-1.5	-2.8
S&P/TSX 60 Index	2.6	31.9	-4.7	0.3	4.7	8.7
<b>Canadian Fixed Income (Core)</b>	<b>-0.3</b>	<b>6.5</b>	<b>5.9</b>	<b>5.2</b>	<b>5.1</b>	<b>5.4</b>
<i>Value Added</i>	-0.1	1.1	-0.1	0.0	0.2	0.2
DEX Universe Bond Index	-0.2	5.4	5.9	5.2	4.9	5.2
<b>Balanced</b>	<b>1.7</b>	<b>16.4</b>	<b>-0.2</b>	<b>0.7</b>	<b>3.6</b>	<b>5.6</b>
<i>Value Added</i>	0.0	-0.3	1.3	0.8	0.7	0.8
Benchmark*	1.7	16.7	-1.5	0.0	3.0	4.8
<b>Global Equity - Setanta</b>	<b>3.8</b>	<b>15.8</b>	<b>-6.4</b>	<b>-6.6</b>	<b>0.6</b>	<b>2.0</b>
<i>Value Added</i>	2.3	4.7	3.2	2.3	3.1	2.8
MSCI World Index	1.6	11.1	-9.6	-8.9	-2.5	-0.7

Performance is gross of fees. Past performance is no guarantee of future results

\*The performance record of the Canada Life Enhanced Dividend Fund

\*\*Benchmark: Inception to November 30, 2002: 45% DEX Universe + 25% TSE 300 + 25% MSCI World + 5% 91 Day T-Bill

December 1, 2002 to June 30, 2004: 40% DEX Universe + 30% S&P/TSX Composite Capped + 25% MSCI World + 5% 91 Day T-Bill

July 1, 2004 to October 31, 2005: 35% DEX Universe + 35% S&P/TSX Composite Capped + 35% MSCI World + 5% 91 Day T-Bill

Nov. 1, 2005 to date: 35% DEX Universe + 35% S&P/TSX Composite Capped + 12.5% MSCI EAFE + 12.5% S&P 500 + 5% 91 Day T-Bill

# Canadian Equity

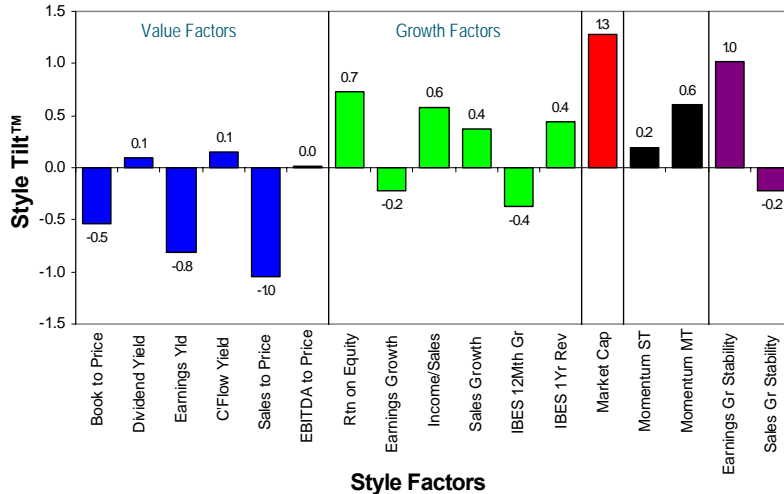
## Product Bios

	Premium Growth	Defensive Growth	Core
<i>Product Inception</i>	July 2000	August 2000	August 2002
<i>Assets</i>	\$863 million	\$353 million	\$705 million
<i>Portfolio Description</i>	A diversified portfolio of investments in growth-oriented Canadian companies, managed within the context of a specified benchmark		A "blend" of the Premium Growth and Defensive Growth portfolios
<i>Number of Securities</i>	25 – 40		30 – 60
<i>Benchmark</i>	S&P/TSX Composite Index		
<i>Return Objective</i>	2.0% annualized excess return over a market cycle	1.5% annualized excess return over a market cycle	1.75% annualized excess return over a market cycle
<i>Tracking Error</i>	Expected range: 3 – 5%		Expected range: 2 – 4%
<i>Portfolio Constraints</i>	<ul style="list-style-type: none"> <li>• sector weights restricted to S&amp;P/TSX weights +/-8%</li> <li>• diversification across a minimum of 7 of the 10 S&amp;P/TSX sectors</li> <li>• individual stocks weights restricted to a maximum of 10%</li> </ul>		

# Canadian Equity

## Portfolio Characteristics – Premium Growth

### Portfolio Style Skyline



- This analysis compares the portfolio's individual holdings to the benchmark's (S&P/TSX) holdings based on 17 different fundamental factors. These factors cover five major areas including: Value (blue bars), Growth (green), Size (red), Short and Medium-Term Momentum (black), and Quality (purple). The Skylines show graphically how the portfolio differs from the benchmark with respect to each style characteristic.
- Style tilts need to be looked at in aggregate to accurately assess the portfolio's true overall style bias. Looked at individually, style tilts start to become significant when greater than +/-0.75 and very significant when greater than +/-1.5. A tilt within +/-0.25 is observable but suggests that the portfolio exposure is not significantly different from the benchmark.

- Portfolio exhibits positive tilts on most growth factors
- Portfolio is negative on most value factors
- Positive market cap tilt is evident i.e. bias to large cap stocks

### Risk Attribution

Number of stocks: 34 Coverage Level: 55%  
 Tracking error: 3.6% Beta: 1.03

#### Components of tracking variance:

➤ Market Risk (Pure)	0.6%	➤ Style Risk (Pure)	9.1%
➤ Sector X-Terms	-1.7%	➤ Equity X-Terms	2.2%
➤ Sector Risk (Pure)	2.7%	➤ Equity Risk (Pure)	83.2%
➤ Style X-Terms	3.9%		

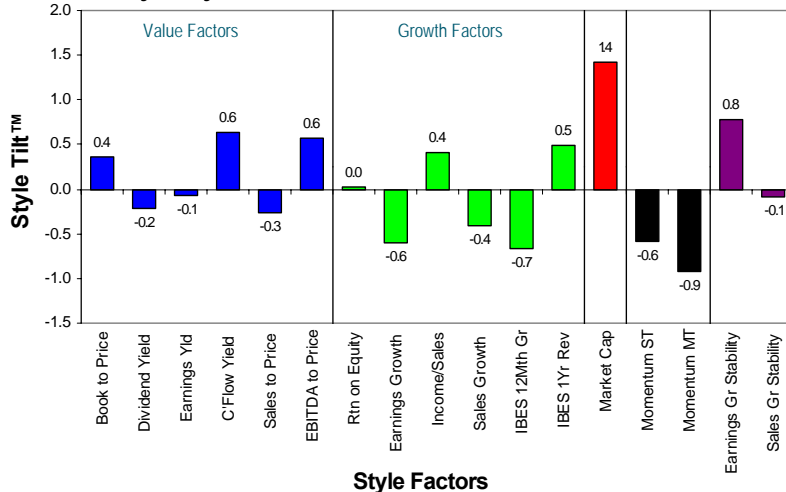
Top 10 Risk Contributors	Risk (%)	Port (%)	Bench (%)	Active Weight (%)
1. Teck Resources Limited	26.1	4.3	1.4	2.9
2. Petrobank Energy And Res Ltd.	10.6	2.7	0.4	2.3
3. Research In Motion Limited	7.8	4.7	2.8	1.9
4. Eastern Platinum Ltd	7.6	1.9	0.0	1.9
5. Red Back Mining Inc.	4.4	2.3	0.3	2.0
6. Suncor Energy Incorporated	3.8	6.8	4.5	2.3
7. Barrick Gold Corporation	3.5	6.2	3.2	3.1
8. Goldcorp Inc.	3.5	0.0	2.4	-2.4
9. Canadian National Railway	3.3	4.4	2.1	2.3
10. SNC-Lavalin Group Inc	3.1	2.3	0.6	1.6

- The tracking error shown is forward-looking, persistence-adjusted and annualized. This accounts for the extent to which a forecast tracking error may differ due to time-varying weights and trending in returns.
- The coverage level shows the level of stock overlap between the portfolio and benchmark. It is defined as the lower of the % weight in the portfolio and the % weight in the benchmark.
- A portfolio's active risk (i.e. tracking error) can be decomposed into its main sources e.g. market, sector, style or stock specific. These sources of risk may also be positively or negatively correlated with each other, and so the risk decomposition also reveals "cross-terms" (X-Terms) between risk sources. X-Terms indicate risk concentration when positive, and risk-diversification when negative.
- The Top 10 Risk Contributors are those equity positions contributing the largest proportions of Tracking Variance relative to the benchmark.

# Canadian Equity

## Portfolio Characteristics – Defensive Growth

### Portfolio Style Skyline



- This analysis compares the portfolio's individual holdings to the benchmark's (S&P/TSX) holdings based on 17 different fundamental factors. These factors cover five major areas including: Value (blue bars), Growth (green), Size (red), Short and Medium-Term Momentum (black), and Quality (purple). The Skylines show graphically how the portfolio differs from the benchmark with respect to each style characteristic.
- Style tilts need to be looked at in aggregate to accurately assess the portfolio's true overall style bias. Looked at individually, style tilts start to become significant when greater than +/-0.75 and very significant when greater than +/-1.5. A tilt within +/-0.25 is observable but suggests that the portfolio exposure is not significantly different from the benchmark.

- Growth and value tilts are largely undefined
- Positive market cap tilt is evident
- Positive tilt on quality measures

### Risk Attribution

Number of stocks: 35 Coverage Level: 60%  
 Tracking error: 2.8% Beta: 0.974

#### Components of tracking variance:

➤ Market Risk (Pure)	2.4%	➤ Style Risk (Pure)	20.5%
➤ Sector X-Terms	-0.6%	➤ Equity X-Terms	-4.3%
➤ Sector Risk (Pure)	6.4%	➤ Equity Risk (Pure)	81.4%
➤ Style X-Terms	-5.8%		

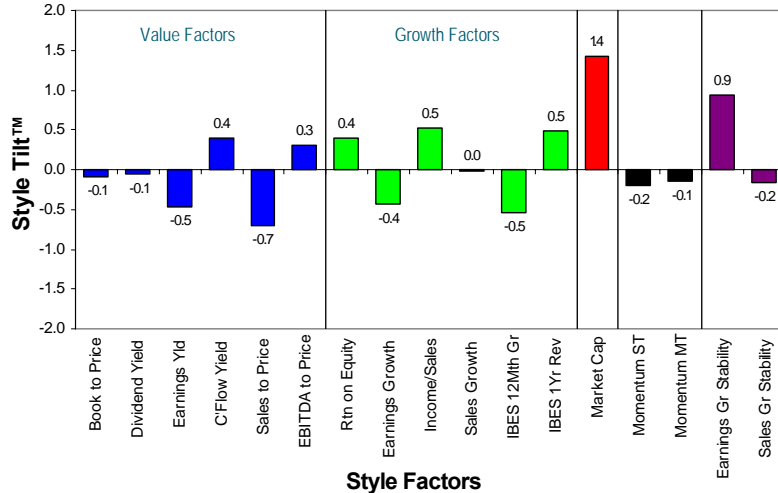
Top 10 Risk Contributors	Risk (%)	Port (%)	Bench (%)	Active Weight (%)
1. Teck Resources Limited	31.5	4.1	1.4	2.7
2. Potash Corp. Of Sask. Inc.	9.7	0.9	2.6	-1.7
3. Research In Motion Limited	2.8	2.1	2.8	-0.6
4. Cameco Corporation	2.7	0.0	1.0	-1.0
5. Canadian Oil Sands Trust	2.5	0.0	1.1	-1.1
6. Rogers Communications Inc	2.4	0.0	1.3	-1.3
7. Eldorado Gold Corporation	2.3	0.0	0.6	-0.6
8. Agnico-eagle Mines Ltd	2.3	0.0	0.7	-0.7
9. First Quantum Minerals Ltd.	2.3	0.0	0.5	-0.5
10. Yamana Gold Incorporated	1.9	0.0	0.7	-0.7

- The tracking error shown is forward-looking, persistence-adjusted and annualized. This accounts for the extent to which a forecast tracking error may differ due to time-varying weights and trending in returns.
- The coverage level shows the level of stock overlap between the portfolio and benchmark. It is defined as the lower of the % weight in the portfolio and the % weight in the benchmark.
- A portfolio's active risk (i.e. tracking error) can be decomposed into its main sources e.g. market, sector, style or stock specific. These sources of risk may also be positively or negatively correlated with each other, and so the risk decomposition also reveals "cross-terms" (X-Terms) between risk sources. X-Terms indicate risk concentration when positive, and risk-diversification when negative.
- The Top 10 Risk Contributors are those equity positions contributing the largest proportions of Tracking Variance relative to the benchmark.

# Canadian Equity

## Portfolio Characteristics – Core

### Portfolio Style Skyline



- This analysis compares the portfolio's individual holdings to the benchmark's (S&P/TSX) holdings based on 17 different fundamental factors. These factors cover five major areas including: Value (blue bars), Growth (green), Size (red), Short and Medium-Term Momentum (black), and Quality (purple). The Skylines show graphically how the portfolio differs from the benchmark with respect to each style characteristic.
- Style tilts need to be looked at in aggregate to accurately assess the portfolio's true overall style bias. Looked at individually, style tilts start to become significant when greater than +/-0.75 and very significant when greater than +/-1.5. A tilt within +/-0.25 is observable but suggests that the portfolio exposure is not significantly different from the benchmark.

- Portfolio exhibits mostly neutral tilts on both growth and value factors
- Significant positive market cap tilt is evident on a bias to large cap stocks
- Positive tilts on quality measures

### Risk Attribution

Number of stocks:	47	Coverage Level:	63%
Tracking error:	2.7%	Beta:	1.00

#### Components of tracking variance:

> Market Risk (Pure)	1.8%	> Style Risk (Pure)	14.9%
> Sector X-Terms	-2.2%	> Equity X-Terms	-2.0%
> Sector Risk (Pure)	1.8%	> Equity Risk (Pure)	87.7%
> Style X-Terms	-2.0%		

Top 10 Risk Contributors	Risk (%)	Port (%)	Bench (%)	Active Weight (%)
1. Teck Resources Limited	41.4	4.2	1.4	2.8
2. Petrobank Energy And Res Ltd.	2.8	1.3	0.4	1.0
3. Canadian Natural Resources Ltd	2.7	5.3	3.2	2.1
4. Enbridge Inc	2.5	0.0	1.4	-1.4
5. Royal Bank Of Canada (The)	2.4	8.1	6.2	1.9
6. Barrick Gold Corporation	2.2	5.5	3.2	2.4
7. Agnico-eagle Mines Ltd	2.2	0.0	0.7	-0.7
8. Eastern Platinum Ltd	2.2	0.9	0.0	0.9
9. First Quantum Minerals Ltd.	1.8	0.0	0.5	-0.5
10. Eldorado Gold Corporation	1.6	0.0	0.6	-0.6

- The tracking error shown is forward-looking, persistence-adjusted and annualized. This accounts for the extent to which a forecast tracking error may differ due to time-varying weights and trending in returns.
- The coverage level shows the level of stock overlap between the portfolio and benchmark. It is defined as the lower of the % weight in the portfolio and the % weight in the benchmark.
- A portfolio's active risk (i.e. tracking error) can be decomposed into its main sources e.g. market, sector, style or stock specific. These sources of risk may also be positively or negatively correlated with each other, and so the risk decomposition also reveals "cross-terms" (X-Terms) between risk sources. X-Terms indicate risk concentration when positive, and risk-diversification when negative.
- The Top 10 Risk Contributors are those equity positions contributing the largest proportions of Tracking Variance relative to the benchmark.

# Canadian Equity

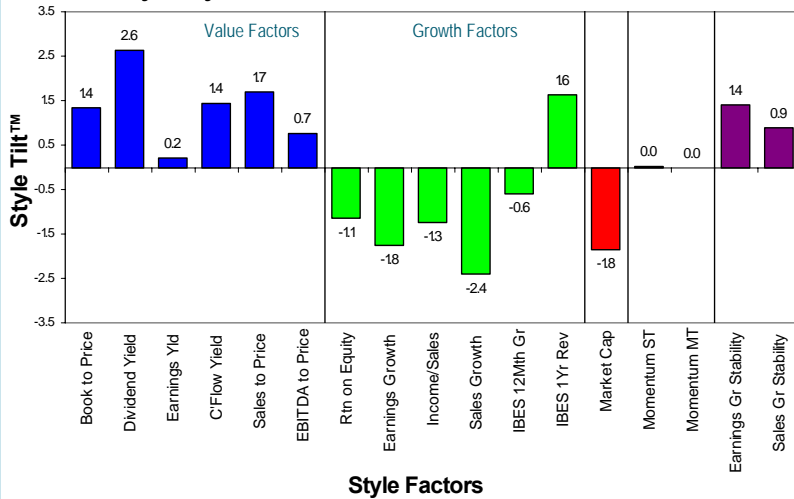
## Product Bios

	<b>Canadian Enhanced Dividend Equity</b>
<i>Product Inception</i>	October 1997
<i>Assets</i>	\$1.1 billion
<i>Portfolio Description</i>	A diversified portfolio of investments in Canadian dividend paying common stock, preferred equities and short-term cash investments
<i>Number of Securities</i>	25 – 50
<i>Benchmark</i>	S&P/TSX 60 Index
<i>Return Objective</i>	Exceed the benchmark over rolling 4-year time periods
<i>Portfolio Constraints</i>	<ul style="list-style-type: none"><li>• The asset mix of the portfolio will be within the following ranges:<ul style="list-style-type: none"><li>➢ Canadian common equities 50 – 100%</li><li>➢ Canadian preferred equities 0 – 30%</li><li>➢ Cash 0 - 20%</li></ul></li></ul>

# Canadian Equity

## Portfolio Characteristics – Canadian Enhanced Dividend

### Portfolio Style Skyline



- This analysis compares the portfolio's individual holdings to the benchmark's (S&P/TSX 60) holdings based on 17 different fundamental factors. These factors cover five major areas including: Value (blue bars), Growth (green), Size (red), Short and Medium-Term Momentum (black), and Quality (purple). The Skylines show graphically how the portfolio differs from the benchmark with respect to each style characteristic.
- Style tilts need to be looked at in aggregate to accurately assess the portfolio's true overall style bias. Looked at individually, style tilts start to become significant when greater than +/-0.75 and very significant when greater than +/-1.5. A tilt within +/-0.25 is observable but suggests that the portfolio exposure is not significantly different from the benchmark.

- Portfolio exhibits significant positive tilts on all value factors, particularly dividend yield
- Portfolio exhibits significant negative tilts on most growth factors
- Significant positive tilts on both quality measures - earnings & sales growth stability

### Risk Attribution

Number of stocks: 31 Coverage Level: 42%  
 Tracking error: 8.9% Beta: 0.65

#### Components of tracking variance:

➤ Market Risk (Pure)	1.9%	➤ Style Risk (Pure)	4.6%
➤ Sector X-Terms	13.1%	➤ Equity X-Terms	0.1%
➤ Sector Risk (Pure)	60.0%	➤ Equity Risk (Pure)	14.0%
➤ Style X-Terms	6.4%		

Top 10 Risk Contributors	Risk (%)	Port (%)	Bench (%)	Active Weight (%)
1. Barrick Gold Corporation	12.0	0.0	4.0	-4.0
2. Canadian Natural Resources Ltd	10.5	0.0	4.1	-4.1
3. Potash Corp. Of Sask. Inc.	10.5	0.0	3.4	-3.4
4. Suncor Energy Inc.	10.0	1.8	5.8	-4.0
5. Goldcorp Inc.	9.0	0.0	3.0	-3.0
6. Teck Resources Limited	5.6	0.0	1.8	-1.8
7. Research In Motion Limited	4.9	0.0	3.5	-3.5
8. Kinross Gold Corporation	3.7	0.0	1.3	-1.3
9. Enbridge Inc	3.7	0.0	1.8	-1.8
10. Talisman Energy Inc	3.6	0.0	2.0	-2.0

- The tracking error shown is forward-looking, persistence-adjusted and annualized. This accounts for the extent to which a forecast tracking error may differ due to time-varying weights and trending in returns.
- The coverage level shows the level of stock overlap between the portfolio and benchmark. It is defined as the lower of the % weight in the portfolio and the % weight in the benchmark.
- A portfolio's active risk (i.e. tracking error) can be decomposed into its main sources e.g. market, sector, style or stock specific. These sources of risk may also be positively or negatively correlated with each other, and so the risk decomposition also reveals "cross-terms" (X-Terms) between risk sources. X-Terms indicate risk concentration when positive, and risk-diversification when negative.
- The Top 10 Risk Contributors are those equity positions contributing the largest proportions of Tracking Variance relative to the benchmark.

# Canadian Fixed Income

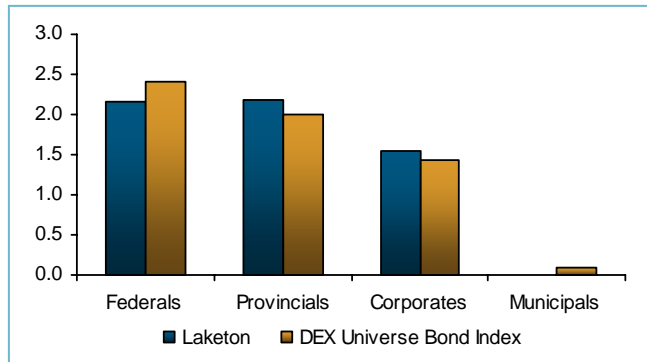
## Product Bios

	<b>Core</b>
<i>Product Inception</i>	1979
<i>Assets</i>	\$1.7 billion
<i>Portfolio Description</i>	A diversified portfolio of investments in government and high quality corporate bonds
<i>Number of Securities</i>	40 – 50
<i>Benchmark</i>	DEX Universe Bond Index
<i>Return Objective</i>	0.30% annualised excess return over a market cycle
<i>Tracking Error</i>	Expected range: 0.4 - 0.6%
<i>Portfolio Constraints</i>	<ul style="list-style-type: none"> <li>• Sector constraints               <ul style="list-style-type: none"> <li>- Canada 0-100%</li> <li>- Provincial Bonds 0-60%</li> <li>- Corporate Bonds 0-60%</li> </ul> </li> <li>• Duration constraints               <ul style="list-style-type: none"> <li>±1.5 years duration to the Index</li> </ul> </li> </ul>

# Canadian Fixed Income

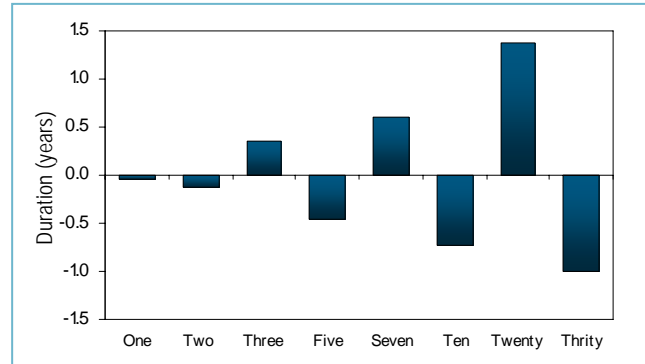
## Portfolio Composition – Core

### Modified Duration\*

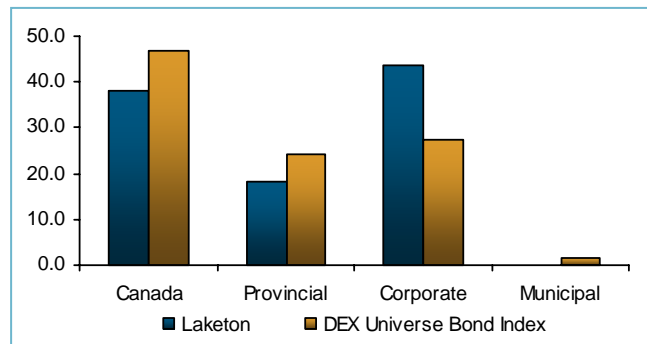


\*duration contribution indicates the level of spread exposure

### Duration Distribution vs. DEX Universe Bond Index



### Sector Weights\*\*



\*\*weight indicates the level of credit exposure

### Portfolio Characteristics

	Laketon	DEX Universe Bond Index
• <b>Modified duration</b>	5.91 years	5.91 years
• <b>Yield to maturity</b>	3.62%	3.32%
• <b>Quality distribution</b>		
AAA	42.49%	51.85%
AA	26.16%	23.32%
A	24.60%	18.68%
BBB	6.76%	6.15%

# Global Equity - Setanta

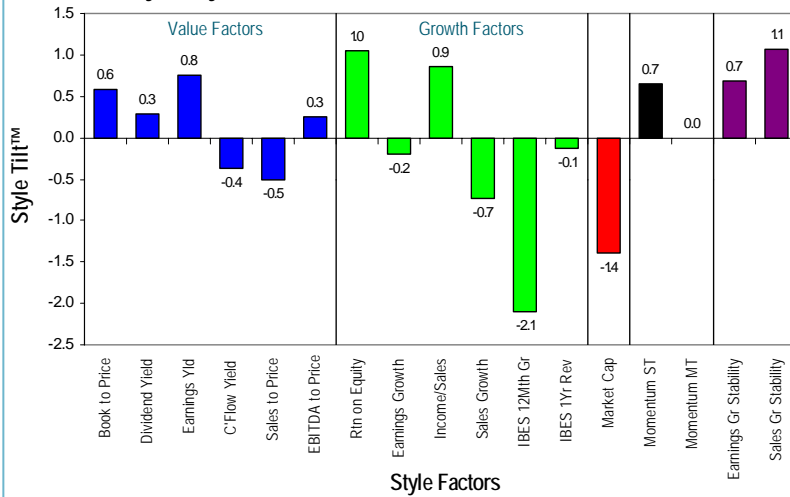
## Product Bio

	<b>Global Equity</b>
<i>Product Inception</i>	June 2000
<i>Assets</i>	\$3.9 billion
<i>Portfolio Description</i>	A diversified portfolio of global equities managed within a global sector framework
<i>Number of Securities</i>	100 - 140
<i>Benchmark</i>	MSCI World Index
<i>Return Objective</i>	2% annualised excess return over a market cycle
<i>Portfolio Constraints</i>	<ul style="list-style-type: none"><li>• Individual stock weights restricted to a maximum of 5%</li><li>• Relative sector weightings: Maximum deviation is +/-5%</li><li>• Maximum liquidity of 5%</li></ul>

# Global Equity - Setanta

## Portfolio Characteristics – Global Equity

### Portfolio Style Skyline



- This analysis compares the portfolio's individual holdings to the benchmark's (MSCI World Index) holdings based on 17 different fundamental factors. These factors cover five major areas including: Value (blue bars), Growth (green), Size (red), Short and Medium-Term Momentum (black), and Quality (purple). The Skylines show graphically how the portfolio differs from the benchmark with respect to each style characteristic.
- Style tilts need to be looked at in aggregate to accurately assess the portfolio's true overall style bias. Looked at individually, style tilts start to become significant when greater than +/-0.75 and very significant when greater than +/-1.5. A tilt within +/-0.25 is observable but suggests that the portfolio exposure is not significantly different from the benchmark.

- Growth and value tilts are largely undefined
- Negative tilt on market cap indicate a bias away from large cap stocks

### Risk Attribution

Number of stocks: 113 Coverage Level: 19%  
 Tracking error: 2.4% Beta: 1.04

#### Components of tracking variance:

➢ Currency Risk (Pure)	11.1%	➢ Style X-Terms	-0.2%
➢ Market Risk (Pure)	22.4%	➢ Style Risk (Pure)	9.9%
➢ Sector X-Terms	-7.0%	➢ Equity X-Terms	0.0%
➢ Sector Risk (Pure)	15.9%	➢ Equity Risk (Pure)	53.7%

Top 10 Risk Contributors	Risk (%)	Port (%)	Bench (%)	Active Weight (%)
1. Xstrata Plc	6.6	1.3	0.2	1.1
2. DCC Plc	6.2	1.6	0.0	1.6
3. DNB Nor Asa	5.3	1.2	0.0	1.1
4. Kerry Group Plc	5.2	1.1	0.0	1.1
5. Bank Leumi Le-Israel B.M.	5.2	1.6	0.0	1.6
6. Dresser-rand Group Inc.	4.4	0.9	0.0	0.9
7. Antofagasta Plc	4.4	0.8	0.0	0.8
8. Svenska Cellulosa Aktiebolaget	4.2	1.5	0.0	1.4
9. Bangkok Bank Public Company	4.2	1.4	0.0	1.4
10. CRH Plc	4.0	1.4	0.1	1.3

- The tracking error shown is forward-looking, persistence-adjusted and annualized. This accounts for the extent to which a forecast tracking error may differ due to time-varying weights and trending in returns.
- The coverage level shows the level of stock overlap between the portfolio and benchmark. It is defined as the lower of the % weight in the portfolio and the % weight in the benchmark.
- A portfolio's active risk (i.e. tracking error) can be decomposed into its main sources e.g. market, sector, style or stock specific. These sources of risk may also be positively or negatively correlated with each other, and so the risk decomposition also reveals "cross-terms" (X-Terms) between risk sources. X-Terms indicate risk concentration when positive, and risk-diversification when negative.
- The Top 10 Risk Contributors are those equity positions contributing the largest proportions of Tracking Variance relative to the benchmark.