

Milos: Hello and welcome to the first in a series of informal audio sessions featuring Laketon's portfolio managers and offering listeners some insight into financial markets, as well as updates on various Laketon investment products. My name is Milos Kostich and I'm VP Sales, Strategic Alliance, here at Laketon. It is my pleasure to have with me Brad Cann, portfolio Manager for the Laketon Enhanced Dividend Fund and Andrew Simurda, Portfolio Manager for the Laketon Canadian Equity Value Fund.

Welcome Gentlemen.

Brad: Hello

Andrew: Hello

Milos: Well, let's get right into it. Andrew what's your take on the markets going forward?

Andrew: Thank-you for the question Milos. Over the last two to three years, we had a very bi-polar market. With economically sensitive commodities leading the market namely, oil, golds, metals and fertilizer stocks. During this time, other areas of the TSX, such as the financials, consumer discretionary, staples and technology stocks, lagged severely. This has all been predicated on strong global economic growth. We're starting to see signs of rotation and believe that this rotation could continue due to a slowdown that we are starting to witness in the global economic economy. We're in the view that there is good value right now in financials, technology, discretionary and staples and believe that the sector rotation we've seen over the last couple of weeks will continue in the near future.

Milos: Andrew you mention the financial sector representing good value at this time and I was wondering Brad, what's your view on this?

Brad: Thanks Milos, we believe that there's been a big distinction that hasn't been made in the stock market but there is in the real world between and U.S. financial and Canadian financials. In the United States, to keep the real estate prices going up, the lenders in that market got very lax in their lending practices, and this was referred to in some circle of the sub-prime market or alternative mortgage market, but their mortgage structure is quite different than the Canadian one and that led to people getting into housing in the states that probably couldn't afford the real mortgage or real interest rate on the mortgage and what's happened there is obviously, real estate prices have cooled and then foreclosures have increased significantly due to these people that couldn't afford their houses such that the financials there, their balance sheets have been weakened significantly and we've seen a number of the major financials have to cut their dividends as a result.

In Canada, the real estate market didn't get as overheated. The lending practices in Canada are significantly tighter and such as the case that the major banks that comprised a lot of the mortgage market have not seen foreclosures getting anywhere near the level of the United States. Leaving their balance sheets quite strong and of course as a result, we have not seen any dividend cuts from the Canadian banks. So we see two distinct markets here in North America one in the U.S. and in Canada and yet the stock market has treated both financial groups severely and that's the opportunity that we see going forward that our banks in Canada have strong balance sheets, no dividend cuts in sight in our opinion and therefore a great value here after the market decline.

Milos: Gentlemen, given your views on the global economic slowdown and how this might impact the leadership of the commodity sectors, I'm wondering how you positioned your funds to take advantage of these conditions. Andrew why don't you go first.

Andrew: Thank-you Milos. Given our views that the global economy is slowing. We do expect in the near to medium term that select commodity such as oils, gas, metals and golds, could experience some weakness and as a result we think that many stocks related to these commodities will see some weaknesses as well. What we believe will happen, is that money will flow out of these sectors or rotate into other sectors in the Canadian economy that have not participated to the upside in this bull market and we think represent good value.

We've recently over weighted the financials by adding to our bank position as well as our insurance position. We have over weighted the staples by making an initial investment in both Loblaw's and Alimentation Couche-Tard. We've added to our technology stocks and we have recently also added to both our discretionary and our industrials. We believe these sectors should show upward bias in their share prices given a pullback in the commodity markets. We also currently hold about 8% in cash and will deploy that cash when we see fit.

Milos: Brad, can you give us some of your comments as to how your portfolio is positioned?

Brad: Sure Milos. I'd like to just emphasize the case with this dividend fund's strategy that we're always positioning our fund in leading value oriented securities in the Canadian market place that do pay dividends. With that caveat, I'd also like to point out that with our market view, this fund is very well positioned in the next few months to take advantage of this leadership change that we see happening and in fact has been happening during the months of July where we're seeing the financials come to leadership along with some of the discretionary and overlooked technology and industrial sectors and leaving behind some negative returns from the materials and energy commodity resource oriented securities.

So, we see that as a start of a trend as opposed to just an aberration, and this fund is very well positioned in the group starting with the major position, as I mentioned strong balance sheets, dividend paying financials. We also have good positions in utilities and the discretionary area. We've been adding to our Rogers position and some of the other utilities in the area. We've added to Maple Leaf Foods, a lagging stock of recent times and we've sold some positions in some of the resource oriented companies such as American Barrick or Franco Nevada. So we believe that this fund now is going to start taking advantage of the environment in the securities markets that we see going forward.

Milos: Well, thank-you Brad and thank-you Andrew once again for joining me today and please do look forward to our next session available in September on our website at [www.laketon.com](http://www.laketon.com). We will endeavor to have Brad and Andrew back at a future date to comment further on markets and their respective products.