

## Second Quarter Earnings Season

We are in the midst of the Canadian earnings season. Below you will find a snapshot of results from some of our largest holdings that have reported this week:

### Altgas Income Trust (5.6% portfolio weight)

Altgas reported earnings per share that declined by approximately 4.0% year over year. The Company has been operating reasonably well in the midst of very difficult Alberta power and natural gas markets. The company also provided an update on their corporate conversion expected to occur in the second half of next year. As a corporation, Altgas will pay an estimated \$1.10 to \$1.40 per share in dividends annually, implying a dividend yield of 6.6% to 8.4%. This is relatively attractive compared to the overall S&P/TSX dividend yield of approximately 3.2%. Altgas also has some exciting growth initiatives including a BC wind farm which is expected to be fully operational in November.

### Crombie REIT (4.4% portfolio weight)

Crombie REIT is Atlantic Canada's largest landlord. Their principal tenant is Sobey's grocery chain, representing approximately 33% of Crombie's total occupancy. Crombie's grocery store anchored strategy provides operating stability as people still need to eat, regardless of the economic environment. Revenue increased 7.2% during the quarter and EPS increased 5.2%. The leasing of properties has remained healthy with overall occupancy at 94.1% compared to 93.3% a year ago. We continue to like Crombie for their high quality "meat and potato" assets combined with a 9.5% distribution yield. This past quarter also marked the last quarter of CEO Stuart Blair at the helm. Mr. Blair is retiring but has left the company in good hands. The new CEO Donald Clow has significant experience and is very capable.

### CCL Industries (3.8% portfolio weight)

CCL is a global packaging firm. They provide labeling solutions for the consumer products and health care space. CCL's European operations have been hurt by the global recession. During the quarter most of their European operations saw revenue declines of near

double digit proportions. Their North American business was fairly stable. The company has seen some sequential improvements in orders since May, but it is too early to tell if this increase in demand will be sustained. Given the weakness in results, you might be asking why we own CCL. There are a number of reasons. First of all, we think it offers compelling value. The stock trades at less than book value compared to a seventeen year average multiple of around 1.2x. The valuation should provide some downside support if end markets don't improve. In addition, over the years CCL has increased their exposure to higher margin health care and pressure-sensitive label markets. As a result, CCL's profitability is much higher today than it has been for most of the past seventeen years. This increased profitability better positions CCL to navigate through today's tough environment. So what's the upside? We believe a move back to their historical book value multiple is a very rational outcome over time. This implies approximately 30% upside from the current share price.

### Uni-Select (3.6% portfolio weight)

Uni-Select is a leading North American aftermarket auto parts distributor. They are benefitting from a large acquisition that occurred last year as well as from several operational enhancements that have helped increase overall profitability. As a result, in the most recent quarter revenue was up 20.9% and earnings per share increased by 21.8%. 2009 is shaping up to be a very good year for the company.

## Corporate Actions

Earlier this week, fund holding Tristar Oil & Gas traded up over 20.0% after announcing that it had entered into an agreement with Petrobank to combine assets and create a new publicly traded company called PetroBakken. As a result of this transaction, Tristar shareholders will receive cash and stock in the new company representing a 29% premium to the 10 day weighted average trading price of Tristar before this announcement. The closing of the transaction is expected to occur on October 1, 2009.