

Measuring Up to the Task

— BILL K. DICKIE, CFA, PRESIDENT AND PORTFOLIO MANAGER

— JERRY A. OLYNUK, LLB, CFA, VICE PRESIDENT AND PORTFOLIO MANAGER

After the dramatic V-shaped recovery in global stock markets, investors are assessing the relative performance of their portfolios. Though the magnitude of the market correction and accompanying volatility has challenged many traditional investment guideposts, a balanced portfolio, including all major asset classes, remains a good proxy for the markets. The MFi Balanced Fund is a sound gauge for how our investment processes and your portfolios have fared. Measured from a number of angles, our results demonstrate that we've kept our clients' portfolios whole in very challenging conditions, and have provided the foundation for future returns by staying engaged in the markets.

Performance relative to a relevant market index is one of the primary tests used by investors. Looking at the core portfolios underpinning the MFi Balanced Fund—the Matco Bond portfolio and the Matco Canadian Equity Income portfolio—these are the results. As of April 2010, the Matco Bond portfolio's return of 7.0% outperformed the DEX Universe Bond Index return of 4.8% as measured since September 2007. Since its inception in February 2008, the Matco Canadian Equity Income portfolio's performance of 2.9% has beaten the overall S&P/TSX Composite Index return of -1.7%. Given the combined performance, MFi Balanced Fund investors have achieved above-average returns for below-average risk throughout the financial crisis. It's worth noting that, as the Fund looks to its third anniversary, the portfolio has recovered to positive territory while the average Canadian equity fund remains well below the break-even point

Comparisons against our peer group via Globefund also help put our investment returns in perspective. The average Canadian Balanced portfolio returned 17.5% over the past year and -0.34% for the past two years ending April 2010. The average Canadian Balanced portfolio with a growth focus provided a one-year return of 21.3% and -1.1% over the same period. On the opposite end, the average Canadian Balanced income portfolio returned 11.0% and 1.4%. The MFi Balanced Fund falls squarely within these return parameters besting all three averages over the past year at 21.8% and falling behind only the Canadian Balanced income portfolio at 0.2% over two years.

Active decision making on a regional and sector level, and effective security selection, have also been key performance drivers. Over the past year, the MFi Balanced Fund benefited from an overweight exposure to quality corporate bonds such as GE Capital. The Matco Canadian Equity Income portfolio found extreme value and strong dividends in Canadian financial institutions, which proved to be the strongest performers in the global financial industry. An income focus will continue to backstop investor returns and provide sound insurance against short-term volatility. As the economy switches from recovery to growth, the Fund should continue to outperform due to its prudent exposure to BRIC markets and a clear overweight in Canadian stocks.

Taking Action

The balanced investor has been reasonably rewarded in investment markets over the past decade while assuming less risk. As of the end of April 2010, Canadian stocks had returned 4.9%, U.S. and International stocks remained negative; yet Canadian bonds were up 6.5% over the same period. Based on these returns, the average balanced investor would have earned more than the stock investor over the period. Though equity returns versus bonds will normalize over time, we expect ongoing market volatility and significant macro-economic challenges to remain a fact of life in the months ahead. Our investment process has proven itself through times of significant crisis. We expect the same to hold true for the future. ■



OUR CURRENT INVESTMENT STRATEGY

ASSET CLASS	STRATEGY (LONG-TERM)	TACTIC (SHORT-TERM)	ACTIVE BALANCED PORTFOLIO
Cash	Neutral	Unchanged	0.00%
Fixed Income	Neutral	Increasing	45.00%
Canadian Equity	Neutral	Unchanged	40.00%
U.S. Equity	Neutral	Increasing	7.50%
International Equity	Neutral	Decreasing	7.50%