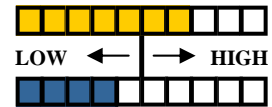


Portfolio Update 3Q 2010



June 2010

Current Portfolio Strategy



HAHN Investment Committee:
Wilfred Hahn-Chair, Mark Arthur-President, Jovian
Capital Corp., and Tyler Mordy-Director of Research

This quarter we have made some modest changes in our investment strategies. Overall, however, we continue the major themes and strategies that were initiated earlier in the year. Our anticipated scenarios have not yet fully played out. As briefly reviewed in the Global Insight article on page 1, the base-case scenario we are cautiously anticipating is a rising “L” ... the slow, slow “L” (SSL). As such, we are emphasizing the following strategies in our diversified, balanced portfolios:

Income, Income, Income — A Focus on Real Yields. Impaired household wealth, soft real estate values, stagnant employment income growth and low interest rates are triggering a demand for secure investment income amongst retirees and pension funds. We continue to scour the globe for higher-income opportunities with moderate risk and emphasize “high quality” equities with high dividend yields.

Conservative Asset Mix. For the time being, cash weightings remain above average as market risks remain elevated. Our line of portfolios, to the extent allowed in each of their mandate statements, are tilted to fixed-income investments. Equities remain underweighted, allocations here

emphasizing defensive industry sectors.

Companies With No Country. We favour large, globally-diversified multinational firms that retain pricing power and deliver solid dividend yields. Their high cash positions encourage them to consider share buy-back programs. In some ways, these securities may be of better quality than some government bonds. In addition, these companies are better able to navigate volatile international conditions. We are also moving into quality corporate bonds as yields spreads have improved, this an extension of our “income, income, income” theme.

Global “Economic Polarity”. We favour the “non-advanced” nations over the longer-term, but await to re-engage this longer-term view until opportunities in this region become better-priced and cyclical risk lowered.

Gold and Inflation-hedges. Gold prices and industrial commodities over the near-term continue to be buoyed by currency debasement and inflation worries. While we do not expect high inflation in the near future and are emphasizing income vehicles (gold bullion yields no income) we nevertheless continue to hold a sizable exposure to gold in the form of equities at this time in order to balance out overall strategic risks.

Special Themes and Niche Emphasis. We continue to build investments in themes and niches that offer the prospect of untethering from a global “slow growth” outlook. We have identified a number of strategies that we anticipate fully implementing over the balance of 2010 as opportunities avail.

Sectors. Utilities and telecom sectors remain favoured in most regions around the globe, offering higher yields and lower risk.

Opportunity Investments. Investments in this special category of our portfolios are selected to boost growth and offer “shock absorber” qualities, enabling our portfolios to better weather unstable times. It has been difficult to find non-correlating investments, given the liquidity-driven rush of the Great Recovery. Therefore, in this category, we are emphasizing gold equities, agriculture and high-yield government guaranteed mortgages. This quarter we have added a diversified position in emerging market bonds.

Currencies. All foreign currency exposures remain unhedged at this time against the Canadian dollar. There are no significant overvaluations.

QUARTER 3, 2010 INVESTMENT STANCE

	Versus Benchmark			Change from previous quarter
	Under	Neutral	Over	
Net Asset Mix				
Cash			●	↓ Decreased
Total Equity	●			↓ Decreased
Total Fixed Income			●	↓ Decreased
Opportunity			●	↑ Increased
Canadian Investments				
Bonds			●	= Unchanged
Stocks	●			↑ Increased
US Investments				
Bonds			●	↑ Increased
Stocks	●			↓ Decreased
International Investments				
Bonds	●			↓ Decreased
Stocks			●	↑ Increased

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