

Oil, Gas, and Dilly Bars

Well we finally did it. After a number of years talking about attending the Berkshire AGM we finally packed our bags and joined the other 30,000 or so people making their way to Omaha. Much has been written about the AGM in the papers so we won't rehash the details other than to say that this was an experience which reinforces the virtue of successful long term investing.

Mr. Buffett and Mr. Munger have publicly extolled their investing principles for years and even when they were considered to be out of touch with reality and the markets back in 1999/2000 they stuck to what they believed in. The danger in listening to these two men speak for five hours is much like a professional golfer sinking a 20 foot putt, they too make it look so easy!

Back to reality, as we find ourselves at home in Calgary in the midst of a lovely spring snowstorm! Why are house prices more here than in sunny Omaha? Oh, right \$125 oil, how could we forget. We digress, but I guess this is a good opening to discussing the energy situation which has stolen the stock market show as of late. The Fund maintains a 17% weight in the energy sector with extremely high quality names. Actually, of the 10 sectors in the market we might say that the businesses which comprise our energy holdings are some of our best. This is by design. We have always felt that in the cyclical commodity sectors it is most important to focus on the long term high quality companies rather than those with the greatest potential for short term appreciation. This strategy allows us to make money in upturns and protects it in the downturns.

This week, two of our largest holdings in this sector and the Fund overall reported their quarterly results:

Altogas Income Trust - gathers, processes, and transmits natural gas and natural gas liquids in Canada. In addition, it provides power to the Alberta market and is developing a wind farm project in British Columbia. We have owned shares in Altogas for over eight years now and have over time witnessed a very competent management team focused on delivering shareholder returns. For the quarter just ended, results were encouraging and we would expect that

with both higher natural gas and power prices the business will continue to consistently grow.

Pason Systems - designs and manufactures instrumentation used on drilling rigs. We spent much of 2007 building up a sizeable position in this name as the stock market gave us the opportunity. The shares of Pason from the 2006 peak fell by nearly 50% as investors' feared gas prices would be depressed and drilling activity would remain stagnant. Presto, a few months ago the market changed its mind and the sector has been the best performer in the market year-to-date. Pason reported a record first quarter, driven by continued product introduction and a lower tax rate. The dividend was increased by nearly 18% alongside a commitment to increased re-investment.

We highlight our energy exposure and our two large names to remind our unit holders that even though we have had a challenging time finding gold or fertilizer companies that meet our standards, we have not only held but added to a number of the energy businesses we have confidence in when they were out of favour.

This week the continued rally in commodity prices drove Canadian stocks to near-record levels as investors focused on the perceived long term opportunity in commodities versus credit and economic issues. It's funny how sentiment shifts over time in the stock market. In 2005 and 2006 the market leadership could be found in the financial sector but now is in the commodity related stocks. Three of the five largest companies in the Canadian Index are resource based: EnCana Corp. Potash Corp., and Suncor Energy. The Energy sector alone makes up 31.3% of the index, nearly 5% more than the financials.

Coming back to Warren and Charlie for a minute. They did give a fairly positive commentary on the outlook for the price of oil. That being said, they recently sold their major investment in PetroChina and have invested in chewing gum when the rest of the markets are focused on commodities and broken financials. Maybe they're wrong, maybe not. Regardless, successful investing means sticking to your discipline and for value investors its looking where others are not.

The best part about the trip to Omaha

\$1 Dairy Queen Dilly Bars, who can resist.