

On Monday April 28, 2008, **QV Investors** hosted a client reception and presentation. A summary of our remarks follows.

**Wendy Booker–Urban – Firm Update** – Wendy reviewed activities at QV through 2007. She stated our assets under management now exceeded \$1.7 billion. She reminded all of the simplification of our name to QV Investors, [Quality & Value] from the somewhat confusing QVGD Investors Inc. She noted the introduction of our Canadian Equity and Global Equity Pooled Funds at the beginning of the year and the addition of institutional mandates in both Canadian Large Cap and Balanced Funds, taking our investing beyond our small cap focus.

She indicated our web site should be up and running in the following week. Wendy took a moment to introduce our employees – Maria Shaw, (private client administration) Darren Dansereau (Canadian & global large company research), Ian Cooke (Canadian & American small/mid company research), Vanessa Rohl (communications), and Ashley Pullen (trading administration). She introduced our new employees Kim Yardley (financial administration), Radaliya (Rada) Glaz (trading administration), and Michelle Chang (reception & administration). She also mentioned that seven of the employees are now shareholders in QV.

**Joe Jugovic – Investing 2007** – Joe remarked that over the past five years, we had earned over 22% a year in the Canadian Small Cap Fund and in the Balanced Pooled Fund we earned just under 10% a year. However, he allowed 2007 was a greater challenge when we earned 12% and 3% respectively in those funds.

He noted that 2007 saw the apex of a five–year boom, a utopian market for Canadian investors with equities, our currency, and commodities all performing well, until late in the year. He pointed out the year ended in unease with volatility created by a crack in the American credit cycle. He suggested the banking collapse of 2007 and the resulting market volatility is one for the history books. He pointed out that after runs of 89% and 45% in China and Brazil, the respective markets collapsed 45% and 25%. Canada with a run of nearly 10% was a strong performer in the world context, however, the gain was reminiscent of the concentrated markets of last bull market blow off when only a few stocks advance and carried the index higher. Volatility

## QV's Pooled Fund – Month End Unit Values

| Unit Values        | Feb-08 | Mar-08* | Apr-08 |
|--------------------|--------|---------|--------|
| Cdn Balanced       | 13.70  | 13.75   | 13.88  |
| Cdn Small Cap      | 22.25  | 21.93   | 21.82  |
| Cdn Equity Fund    | 9.99   | 10.14   | 10.38  |
| Global Equity Fund | 8.48   | 8.92    | 9.00   |
| Cdn Income Fund    | 10.47  | 10.44   | 10.42  |

\* Post distribution

## Total Return – Capital Gains plus Income (%)

| To April 30, 2008       | 1 Mo | 3 Mo | 1Yr  | 3 Yr              | 5 Yr              | 10 Yr             |
|-------------------------|------|------|------|-------------------|-------------------|-------------------|
| <b>QV Pooled Funds:</b> | %    | %    | %    | %                 | %                 | %                 |
| Canadian Balanced Fund  | 1.3  | 4.0  | 3.6  | 8.2               | 10.0              | 8.5               |
| Canadian Small Cap      | -0.4 | 1.2  | -1.3 | 14.1              | 21.2              | 14.9              |
| Canadian Equity Fund    | 2.5  | 6.1  | 1.8  | 15.0 <sup>+</sup> | 19.0 <sup>+</sup> | 19.8 <sup>+</sup> |
| Global Equity Fund      | 1.0  | 1.2  | -4.1 | -                 | -                 | -                 |
| Canadian Income Fund    | 0.0  | 1.7  | 5.7  | 5.3               | 5.4               | -                 |

<sup>+</sup>Historic equity returns from the Cdn. Bal. Fund ^8yr

## Benchmarks:

|                             |      |     |       |      |      |     |
|-----------------------------|------|-----|-------|------|------|-----|
| Balanced Fund Index         | 1.9  | 3.9 | 5.3   | 11.1 | 12.5 | 7.3 |
| BMO Small Cap Index (unwtd) | 1.0  | 2.9 | -12.5 | 8.4  | 16.1 | 5.2 |
| DEX Bond Universe           | -0.5 | 1.8 | 5.2   | 4.8  | 5.9  | 6.2 |
| S&P/TSX Comp. Index         | 4.6  | 6.7 | 6.6   | 16.8 | 18.7 | 8.1 |
| MS World Index (\$CA)       | 3.1  | 3.7 | -12.8 | 2.6  | 5.5  | 0.1 |
| S&P 500 Index (\$CA)        | 3.0  | 1.8 | -13.1 | 0.6  | 3.1  | 0.3 |

- Pooled fund returns are gross of management and custodial of fees. Returns over one year are annualized.

- The Balanced Fund Index reflects the total rates of return earned by the DEX 91-Day T-Bill Index (5%), the DEX Bond Universe (45%), the S&P/TSX Composite Index (40%), and the MSCI World Index (CS) (10%)

and risk re–surfaced as a challenge in the world markets, but QV had for some time put into place policies to counter the

Joe outlined the principles upon which we invest in companies: good management, sound historical financial returns, competitive business franchises, valuation sensible relative to earnings power or assets, and a culture of dividend payments.

**Leigh Pullen – Outlook** – Leigh re–iterated our focus on companies able to sustain their franchise and their dividends regardless of the big picture. However, in the worst of circumstances, good companies will not necessarily produce positive returns.

We recognize in the overall marketplace two forces are at work. Firstly, credit failure in the banking system has contracted lending and dropped economic growth to the lowest level since the last recession of 2001. Secondly, the

easing of money by the central banks in Canada and elsewhere has boosted equity markets and expectations.

QV believes that we are in a bear market rally. At the moment, the US equity markets are trading at higher valuations than at their peak in October, 2007. QV is of the view while the response to liquefy the banks has been aggressive and the contraction acknowledged, we believe the continued reluctance of banks to lend and the continued failure of financial institutions will slow growth. We expect lower demand, profits, and equity valuations. By way of example, he pointed out that UPS, a holding of QV has, had reported a drop in domestic volumes in the first quarter, only one of eight times that had occurred in 101 years.

Leigh also addressed the current commodity rotation and suggested that the exponential rise in agriculture prices, notably wheat and rice, would soon end. He pointed out that the global commodity boom is more a function of the US credit expansion, giving rise to a synchronized world expansion and aggressive market players, than the emergent demands of Brazil, China, India, or Russia, all of whose economies are small relative to the North America's.

He suggested all measures of positive change in markets, in equities, in commodities, in real estate, bonds, leading economic indicators, and in industrial production, all saw increases after the tragedy of September 2001. Assets and economies rose in parallel and are now peaking in their expansions.

Leigh concluded with an appreciation to the attending clients for their support and to the members of QV for their constant attention to our clients' well-being.