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## Is the worst over?

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A year after the bankruptcy of U.S investment bank Lehman Brothers and the near collapse of many other financial giants, investors are wondering if the worst is behind us.

The unemployment rate in developed countries is pushing 10%, meaning that one out of 10 people who want a job are not finding one. Some companies are still living on government lifelines. On the other hand, 90% of the workforce is still employed and there are many firms that have back orders and are generating strong earnings and cash flows. The consensus of our portfolio managers is that while the recovery from the global recession is in fact underway, the process will likely be slower than has been typical in past market cycles.

Most of the world's major equity indexes have rallied significantly from their lows in March. Looking ahead, our portfolio managers believe the gap between the best and worst-performing stocks will become unusually large as the market begins to focus more closely on the investment merits of individual stocks. As active investors, our portfolio managers expect to take full advantage of this new environment because they carefully choose stocks that they believe offer the best opportunities to outperform the indexes.

### Returns for selected stock indexes

Total returns	S&P/TSX Composite Index	S&P 500 Index (C\$)	MSCI World Index (C\$)
Month of September	5.1%	1.5%	1.8%
Year-to-date (Jan.-Sept.)	30.0%	4.9%	10.5%

Source: Bloomberg

### Asset Allocations

Driven by our discipline in portfolio rebalancing, we continue to trim our clients' portfolio exposure to stocks, which have outperformed bonds.

### Currency management

The Canadian dollar hit a new high for 2009 against the U.S. dollar in September and then moved lower to end the month at 93.40 U.S. cents. Our currency management strategy is dampening the volatility of our portfolios' returns. We continue to hedge approximately 30% of our U.S. dollar exposure in the United and Private Client portfolios.

### Meetings

We recently met with Luke Sullivan, Cohen & Steers Capital Management's portfolio manager for Asian real estate securities. The performance of the Real Estate Investment mandate has been strong this year, driven by holdings in Australia and Hong Kong. Both countries' economies have recovered faster than expected and this triggered a strong rally in their stock markets. This mandate is overweight in both countries, compared to the benchmark. While Mr. Sullivan believes there is still more upside as fundamentals remain strong in both countries, his team is trimming this exposure there and investing in Japanese securities, which they believe are undervalued.

In October, our investment consulting team has scheduled meetings with financial advisors in Edmonton, Winnipeg and Vancouver to discuss our portfolio positioning. We believe it is important to have a transparent process and to keep our clients informed. We also have meetings booked with our investment managers in Winnipeg and New York.

## Portfolio manager tactics

*Combined top 15 equity holdings as of September 30, 2009 across all United Portfolios:*

1. Microsoft Corporation	6. Power Corp. of Canada	11. Sun Hung Kai Properties Ltd.
2. Suncor Energy Inc.	7. Toronto-Dominion Bank	12. Mullen Group Ltd.
3. Visa Inc.	8. Simon Property Group Inc.	13. DaVita Inc.
4. Barrick Gold Corporation	9. Westfield Group	14. Royal Bank of Canada
5. EnCana Corporation	10. ExxonMobil Corporation	15. Goldcorp Inc.

To see the top 15 holdings of the individual United Pools or of the equity Alpha Pools, please visit the [unitedfinancial.ca](http://www.unitedfinancial.ca) website by right clicking on this link and selecting “open web link in browser”:  
<http://www.unitedfinancial.ca/solutions/optima/financials.jsp#united15>. The top 15 for the Institutional Managed Portfolios’ Pools are available by right clicking on this link and selecting “open web link in browser”:  
<http://www.unitedfinancial.ca/solutions/institutional/financials.jsp#imp>.

## Investment mandates

### Enhanced Income

This mandate, which includes equity-related securities, has been a significant performance driver this year for the income portion of our portfolios. The portfolio manager is Signature Global Advisors. As interest rates have fallen, it has been challenging to earn decent returns from investing in government bonds. With the option of investing in corporate bonds, income trusts, preferred and common shares, this mandate has outperformed government bonds this year. The current allocations of the mandate are approximately 45% corporate bonds, 5% preferred shares, 30% common shares and 20% income trusts.

### International Equity Value

New additions to this mandate include Japanese industrial companies such as Mitsui & Co. Ltd. Our manager for this portfolio, Altrinsic Global Advisors, believes Mitsui and firms like it will benefit from increased global infrastructure spending. Performance of the portfolio has benefited from its holding in United Kingdom-based Cadbury, which rallied significantly after Kraft Foods announced its takeover bid for the chocolate company. Altrinsic believes there is more upside as Cadbury’s stock is still trading at a significant discount relative to its potential. At September 30, Cadbury represented 1.8% of the mandate.

2 of 2

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