

United Financial Portfolio Manager Conference Call Summary When quality counts – selecting winners in a slow recovery

May 6, 2010

In this document, two of our most seasoned portfolio managers discuss challenges facing the global economy and why, in volatile markets, selecting quality stocks is especially critical for investment success. They explain how they are positioning their Canadian and U.S. equity mandates in 2010 to seize investment opportunities on your behalf. United Financial is committed to keeping you informed of market developments and of the strategy and discipline we employ in constructing and managing your portfolio.

Who	Manages
Joe Jugovic Vice-President Investments and Portfolio Manager QV Investors Inc. Calgary	Canadian Equity Small Cap Pool, Canadian Equity Small Cap Corporate Class, Canadian Equity Alpha Corporate Class, and the small-cap and alpha-style portions of Institutional Managed Canadian Equity Pool
Janet K. Navon Managing Director and Portfolio Manager Epoch Investment Partners, Inc. New York	US Equity Value Pool, US Equity Value Corporate Class, US Equity Value Currency Hedged Corporate Class, US Equity Small Cap Pool, US Equity Small Cap Corporate Class, value and small-cap portions of Institutional Managed US Equity Pool and part of the value-style mandate of Institutional Managed International Equity Pool

The key overall message of our investment managers:

After the dramatic recovery in equity markets in 2009 – led by low-quality non-dividend-paying companies – many quality dividend-paying stocks are poised to do well and continue to be available at attractive valuations. It is these well-managed businesses that the managers are focused on.

THE ECONOMIC AND MARKET ENVIRONMENT

Joe Jugovic: Performance of the Canadian equity market in 2009 was divided into two tiers: cyclical, growth-oriented companies that are dependent on global economic growth did very well as investor confidence rebounded, while the more stable businesses, such as utilities or telecommunications, lagged. Today, in a period of economic uncertainty, investors should remember that stocks that pay dividends – and increase them – have historically generated the greatest long-term performance.

- There are some challenges to global economic growth, which could cause commodity prices to decline, and the Canadian dollar to weaken relative to other currencies.
- If more sovereign debt issues appear, like those in Greece, the U.S. dollar could again become a safe haven, causing its value to rise.
- Over the long term, if the structural debt issues in the U.S. are not addressed, that could push the U.S. dollar lower.
- Canada has benefited from demand for its resources from higher-growth emerging countries such as China, India and Brazil, but a slow-down in those markets would negatively impact Canadian stocks.
- We have underweight positions in the energy and materials sectors.

Janet Navon: By driving interest rates down to essentially zero since 2007, the U.S. Federal Reserve has dramatically increased the value of equities. But keeping interest rates near zero is unsustainable for long periods. As the Fed begins to raise rates, and as U.S. government stimulus spending is wound up this year, there will be some downward pressure on stock prices – and we are therefore concentrating on quality businesses whose products and services are in demand.



- We believe the U.S. economic recovery has arrived and will become truly sustainable as more jobs are gradually created, which will push personal income levels higher.
- Although Greece represents a small percentage of overall European GDP, we are concerned about European banks' exposure to Greek government bonds, and about the financials sector in Europe. There is potential for the credit crisis to spread.
- The massive oil leak in the Gulf of Mexico will likely lead to tougher safety standards and higher costs to produce seabed oil, but America will continue to produce and drill for oil in the Gulf because of the critical strategic and economic importance of that resource.

QV INVESTORS IS FOCUSED ON QUALITY DIVIDEND-PAYING STOCKS

- We are finding opportunities in quality, dividend-paying stocks that have attractive valuations.
- Our portfolios have dividend yields of between 3% and 3.5%.
- Canadian Utilities, Alberta's leader in the power market, is an example of a quality company in our equity alpha portfolio. Its book value per share has grown every year for more than 12 years. Its return on equity has consistently been in the 14% or 15% range over time, and it has increased its dividend over the years.
- Smaller and mid-sized corporations in Canada are appealing because their valuations are better than those of the very largest companies.
- We favour businesses that can operate successfully in a low-growth environment.
- We'll buy telecommunications businesses, for example, since people will continue to use their cell phones. We invest in food companies because these types of businesses are very consistent performers and don't depend on economic growth.

EPOCH EXPECTS OUTPERFORMANCE THIS YEAR FROM COMPANIES THAT HAVE EARNINGS – A REVERSAL OF WHAT HAPPENED IN 2009

- Last year, companies that had no earnings actually outperformed those firms that made money. But we expect that to reverse dramatically.
- We are finding opportunities in high-quality companies, which had been neglected in 2009 as investors rushed to lower-quality stocks in the market rebound.
- With much of the world's economic demand coming from Asia and Latin America, we are emphasizing U.S. companies whose status as global leaders gives them exposure to these markets.

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