UNITED FINANCIAL

Portfolio Construction

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Market value does not necessarily reflect enterprise value

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Market and portfolio performance review

Market sentiment has once again changed dramatically from one extreme to another; this time from positive to negative due to renewed concerns about Europe's debt problems. We remain confident in our assessment that the global economic recovery will be slow and steady – and will likely take a number of years. However, this does not mean returns from equities will be unattractive since performance is influenced heavily by the price you pay for an investment. Stock prices, by many measures, are cheap relative to historical averages.

The heightened market volatility, combined with generally attractive valuations, provides our portfolio managers with enhanced opportunities to buy quality stocks at attractive prices. Also, in this environment of wide price moves, when the price of certain assets swings high, our managers can sell to lock in gains. For example, we expect the price of oil and the Canadian dollar to often get over-hyped on rumors, respectively, of global government stimulus and interest rate hike talk by Canada's central bank. At such points, profits could be locked in by reducing our exposure to energy stocks and the Canadian dollar.

We continue to maintain a core portfolio of investments that we feel are of high quality and undervalued because we believe this approach is key to adding value over the long term. As professionals who follow the markets daily, it has been frustrating for us, and of course for our clients, to see the market value of many of these investments get significantly re-priced every day based largely on market sentiment – rather than on their valuations and earnings power. In many cases, the prices do not reflect the enterprise value (how much you would have to pay if you wanted a majority stake) but instead what the next buyer is willing to pay in today's environment where investors are focused on short and medium-term issues. It is a characteristic of investment markets that sometimes buyers pay too much, and sometimes too little. Lately, in our opinion, it has been a case of the latter.

Despite market challenges in April and May, the majority of our portfolios have bucked the trend by posting positive year-to-date returns. Our portfolio positioning, which includes an overweight allocation to U.S. equities, underweight position in Canadian equities and the resource sector, and larger-than-normal exposure to foreign currencies, has led to stronger performance than that of the benchmark.

Combined top 15 equity holdings as of May 31, 2012 of a representative balanced United Financial portfolio with alpha-style equity exposure:*

1. Atco	6. CCL Industries	11. Pason Systems
2. AltaGas	7. E-L Financial	12. Monsanto
3. Empire Company	8. Jean Coutu	13. Telus
4. Canadian Utilities	9. Microsoft	14. Laurentian Bank of Canada
5. Astral Media	10. Power Financial	15. Canadian Western Bank

Combined top 15 equity holdings as of May 31, 2012 of a representative balanced United Financial portfolio with value-style equity exposure:*

1. Toronto-Dominion Bank	6. Boeing	11. Abbott Labs
2. Microsoft	7. Schlumberger	12. Mullen Group
3. Royal Bank of Canada	8. Barrick Gold	13. CCL Industries
4. Potash Corp. of Sask.	9. Roche	14. Teck Resources
5. Suncor Energy	10. GlaxoSmithKline	15. Ventas

*Approximately 37% fixed-income, 7% enhanced income, 49% equities and 7% global real estate.

To see the top 15 holdings of the individual United Pools or of the United equity Alpha mandates, please visit the United Financial web page by right clicking on this link and selecting “open web link in browser”: http://www.assante.com/wp/optima/financials.jsp#united15.