



*Volatility Expected as Markets were “Priced for Perfection”*

As we noted in our last quarterly client communication, Lincluden has been cautious about market levels for some time. In our view, security valuations were “priced for perfection”; hence they were not leaving any room for potential negative company or market events. As a result, our portfolios have reflected caution and a focus on quality securities remains our theme.

Lincluden Bond Portfolios have no exposure to the asset-backed commercial paper market that has dominated news headlines. Our caution in regard to market prices led Lincluden Bond Portfolios to have very high credit worthiness over the last year. This positioning has stood our portfolios in good stead in today’s markets.

In keeping with our long term stock selection approach our portfolios have been and remain cautiously positioned as valuation levels have been stretched. Accordingly we have focused on high quality companies and limited our exposure to sectors that had overly exuberant valuations. While the correction in equity markets has been broad based, we are confident that our portfolio is well positioned to weather the correction and produce strong returns as we move toward more normal market conditions.

As always, turbulent markets provide opportunities in both equity and bond markets. Lincluden will be selectively adding securities as improved valuations present themselves.