

August 15th 2008

Dear clients and colleagues

This week was again marked by mostly negative news for the economy. The real estate situation in the US does not show any sign of improvement with foreclosures rising 55% yoy and prices declining close to 8% with some regions down more than 30%. It is worth mentioning that more than 700 000 homes are currently in the hands of Banks. JP Morgan announced earlier this week that it is increasing its provisions for subprime mortgages and there were rumors that Merrill Lynch will cut its dividend for the first time in its history. News from Europe and Asia were even worse.

Despite the bad news, the US and European markets have managed to consolidate their gains of the last two weeks. There appears to be a rotation out of the commodity sector, bad news for the Canadian market. There also appears to be some optimism that the US, having entered its downturn first will also be first to exit. Based on that. The USD has been a strong performer for the last few weeks, also bad for commodities.

This week, I attended the Canaccord Adams, 28th annual growth conference in Boston. The conference featured over 280 presenting companies in the fields of technology, life science and alternative energy. The conference was attended by over 1000 investors including famous ones like Peter Lynch.

During the 3 days of the conference, I met with around 25 companies. There was no exuberance with investors rushing out the room or sending buy orders on their Blackberry during presentations, however we could feel that investors think that a lot of those companies have really progressed over the last few years and that valuations are now attractive.

I was particularly interested in meeting solar and fuel cell companies to measure their progress and have a feel for the future growth of these industries. I came away very impressed. The technologies are on the cusp of widespread adoption because they have now become very competitive from a cost standpoint even without subsidies. I am convinced that those technologies are less than 10 years away from widespread adoption and that we will see oil at less than \$30 dollar a barrel before 2020.

One of the companies I met at the conference is in the portfolio. You have probably never heard of Martek although I am convinced that most of you have used their products in the last year.

Headquartered in Maryland with facilities in Colorado, Kentucky and South Carolina. Martek Biosciences Corporation is a leading innovator in the development of nutritional products that promote health and wellness through every stage of life. Martek has become the World's leader in the production of Omega 3, DHA and ARA, from vegetarian's (microalgae) sources as opposed to fish oils, an important competitive advantage. Both DHA and ARA are important nutrients for optimal infant development, while DHA has health benefits that extend throughout life.

The company is present in almost every infant formula offered by all major food multinationals, Nestle, P&G, Abbott, etc. That market grows at between 10 and 15% per year as a record number of babies were born the last few years. In fact, the 4.3 million babies born in the US in 2007 was a record that even exceeded the largest of the baby boom years. The strategy of Martek is to develop nutraceuticals for all sort of other food products from juices to yogurt, etc. Outside the infant market, DHA daily intake at present is between 30-80mg per day with a 200mg recommended dose. Next time you see Omega3 inside or the brand name and logo Life's DHA, you will know that it is a Martek product.

Some numbers: Market cap: USD\$1.2 B, P/E: 36x, ev/ebitda: 14.0x, sales growth last year: 18%, operating income growth, 65% performance 1year: 48%.

This is not a cheap stock. However, we believe that a solid growth outlook will drive strong profit growth for years to come. So we believe that the stock return will approximate earnings growth which will be exceeding 20% per year for many years to come. The company meets our DCF valuation discount of 50%. The company is also a take-over candidate for larger life science or food companies.

Have a good week.

Robert Beauregard