



December 11, 2012

Dear clients and colleagues,

We attended a few conferences in New York City last week. Apart from a feeling of investor fatigue, mainly due to a market dominated by macro news, we made one important observation: Most companies are talking about rewarding their investors. From increasing dividends to paying special dividends and buying back shares, there is a clear message to increase shareholder value. In our opinion, a very positive factor for equity markets.

It is quite interesting that the yield on many companies' shares is higher than the yield they offer on their 10-year bond or even longer-dated bonds, yet, investors prefer the deemed safety of bonds.

We are optimistic on equities!

Part of our investment process is to try to find companies that will be positively affected by long-term secular growth drivers for the economy. One of these drivers or themes that we have often discussed in our past weeklies is demographics.

People often think about the aging population, but we have talked in the past of the Echo Generation, people born between 1979 and 1991, a cohort 80 million strong in the US compared to the 76 million baby boomers. The Echo Generation is now hitting their maximum earnings years and will fill the gap as the baby boomers head into retirement.

During the recent US election that gave Barack Obama a second term as President, political observers noticed the growing importance of the Latino vote. At 52 million people in the US, the Latino population is now the second largest ethnic group in the country and is growing at 6 times the rate of the overall US population. By 2030, their numbers will reach 78 million. This will provide an important growth opportunity for companies that have a specific strategy to reach this segment of the population. Similarly, the fast growing Asian population in the US and Canada represents great opportunities.

Another secular theme in the portfolio is the rise of the consumer in emerging markets. According to McKinsey, from 2010 to 2025, the GDP of the City600 (the 600 largest cities in the world) will rise by \$30 trillion dollars, and the 440 cities that are located in emerging economies will contribute over 65% of that or \$23 trillion. To put this into perspective, Canada's GDP is \$1.75 trillion.

Other themes that we favour include R&D and innovation, the environment and outsourcing.

Have a good week.

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