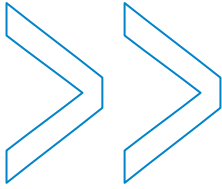


STRATEGIC OUTLOOK

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I remember my first major trip. My friend Pierre and I had decided to bike to the Gaspé from Montréal. We were not yet twenty, and obviously, cycling wasn't as popular as it is today. We wanted to experience the Great

Adventure! Although worried, my parents gave me permission to go ahead with my plan. I still thank them to this day. What a great life lesson! Nine days of brutal sunshine in July, days of unbearable heat, restaurant food that would sometimes make you nauseous, a headwind most of the time. But, nothing to complain about except that in the Gaspé, *there are hills, my friends, and yet more hills!* Thirst, hunger, physical exhaustion, the discovery of gorgeous scenery, the people's hospitality and warm welcome and our arrival, after nine days, at the Gîte du Mont-Albert knowing that we had achieved our goal.

We owned very simple bicycles: a steel frame, 12 speeds, a single derailleur, racing tires. We soon discovered that shifting gears was a must to avoid straining too much while going uphill and to make sure that we gained speed while going downhill.

Today, we find ourselves in an environment where local, regional, national and supranational markets continually interact and are influenced, not only by major historical trends, but also by speculative forces that exacerbate the volatility (risk) of these markets. We are living in a world going at a variety of speeds. *Hills, my friends, yet more hills!*

Here are a few observations in support of our comments:

We live in a world that is increasingly uncertain. A common basis for analysis no longer exists. On the contrary, there is a polarization of issues. The economic difficulties of one country, for example Greece, have a huge influence on markets around the world. Uncertainty spreads like wildfire. Economic and social issues take on greater and greater proportions on a worldwide scale.

At the same time, we can see that there are obvious disparities everywhere in the world: The rich get richer and the poor get poorer. Many analysts explain the Arab Spring by the simple fact that food costs have soared to the extent that the average citizen took to the street to join the revolution. The average Egyptian must allocate 40% of his revenue to the purchase of food.

A quick and partial analysis of the current economic situation brings the following problems to light:

- An anemic economic recovery in the U.S.
- An extremely high debt level coupled with a dysfunctional political process that continues to plague our neighbors to the South.
- The major social impact of the austerity measures implemented in Greece and in Spain.

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- The over indebtedness of regions that are adjacent to the Eurozone countries.
- The possibility that structural inflation will rear up and lead to an increase in interest rates.
- The uncertain outlook as to the future value of currencies such as the U.S. dollar, the Euro, the British pound.
- Growing instability in the Middle East as a result of unstable oil prices.
- “Emerging markets” will continue to make economic progress. China, India, Brazil, Indonesia, to name but a few, will redefine the global economy, for better and for worse.

Hills, my friends, yet more hills!

In such circumstances, how can we best manage our clients’ portfolios? We think that we must use the “gear shift” and adapt to changing conditions. We believe it is essential to maintain a balance between the long-term strategic orientations of our mandate while, at the same time, structuring our portfolios to reduce volatility (risk).

This is the reason for many of the transactions we have made over the past few months.

Here is a brief summary of our strategic considerations:

- Despite all the media hype, the risk premium (the spread between S&P 500 rates and 10-year government bond rates) for U.S. stocks is very high (nearing 4%), and justifies a full allocation in U.S. and international stocks, including emerging country stocks.
- Canadian real return bonds, as represented by the DEX index of the same name, offers a meager 0.8% return. This index is probably

fully valued reflecting the market’s inflationary expectations. We have sold this position and collected the profits.

- We have increased the liquidity of our portfolios to give us flexibility should one or more opportunity arises.
- We have also reduced the average maturity of our Canadian bonds and have recently added an international component.
- We pay a great deal of attention to revenues generated by our portfolios. During hard times, such revenues absorb a portion of the volatility of stock prices.
- For those of our clients for whom high revenues are a primary objective, the interest rate environment in Canada could be favorable following an increase in key rates. We are keeping a close watch on this situation.
- Is it necessary to reiterate that diversification among asset classes is absolutely essential in order to reduce volatility to the extent possible.

In conclusion

Saying that the world is changing rapidly is a euphemism. In fact, today it is changing more and more rapidly. Unexpected forces appear regularly and influence financial markets, your portfolio as well many aspects of our daily life.

The world faces realignments at all levels, both on a national and international scale. This is a difficult process that can appear chaotic. Nevertheless, these realignments are interesting in that they allow us to be continually on the lookout for opportunities that could be beneficial to our clients.

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Rest assured that we will aggressively pursue our analysis of facts, outlooks and financial forces at play. These factors have a great deal of influence on our investment strategies and on your portfolios' architecture. All the members of our team are committed to offering you an outstanding level of service.

Post-Scriptum

If the current economic environment poses a challenge for our clients, the same applies to their children. In October 2008, we had suggested to our clients that we could hold an "economic and financial" workshop for their "children" in the 25 to 35 age group.

We are now following up on this suggestion. The workshop will be held on Thursday, September 8, 2011. An official invitation is attached. Please convey this invitation to your children!

In the same vein, we are also organizing a conference for our clients and their friends, on Wednesday, September 21, 2011. We are pleased to announce that Mr. Miville Tremblay, Senior Representative and Director of the Montreal Regional Office (Financial Markets), Bank of Canada, will speak on the functioning and mechanisms of setting interest rates at the Bank of Canada. An official invitation to this event is also attached.

Mr. Laurent Wermeulinger is registered as portfolio manager with the self-regulation organizations. In accordance with IIROC Regulation 1300, he is authorized to make investment decisions and to give advice for managed accounts. Aside from Mr. Laurent Wermeulinger, no member of Groupe conseil Wermeulinger can exercise discretionary authority on the account of a customer, approve discretionary orders for a managed account or take part in the formulation of investment decisions made in the name of a managed account.

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