

Snapshot of the Harbour Growth and Income Fund

Anne Leeson, Investment Planning Counsel

October 2009 – The Senior Portfolio Manager for the Harbour Growth and Income fund is Gerry Coleman. The following are highlights of his comments from September 15, 2009 on the last 6 months.

We're in the midst of a global economic recovery. This recovery is going to be fairly sustainable and durable but probably not as robust as past recoveries, particularly in the U.S., but other economies are recovering. The outlook for profits is favourable and the market has recognized that with a huge move.

We are in the early stages of an economic recovery and that is very good for stocks. We also have low inflation which is also typically good for the stock market. Interest rates have remained low and are unlikely to rise much in the near term, however in the coming years we will probably see significantly higher inflation which will push interest rates up. In the near term we will probably see a market that's quiet and characterized by very little change. It will just keep plodding along in a quiet way and that's the kind of market that lends itself to our style.

Specifically in the Harbour Growth and Income fund we have a significant weighting in financials – mainly banks, with prominent holdings in CIBC, TD and Bank of Nova Scotia. There are also significant holdings in Manulife, Discover Financial, and Dundee Wealth and Dundee Corp (these last two are relatively new holdings). We like the oil and gas sector and have been adding to our Canadian Oil Sands and EnCana holdings. Materials are also a good part of the portfolio with holdings in BHP Billiton, Cameco, Potash Corporation and Rio Tinto. We have recently added to Potash Corporation and Cameco and like the outlook for all of those companies over the next three to five years.

The fund also holds Goldcorp and Barrick Gold and we have recently added to those positions. We also added a small holding in Franco-Nevada. We believe that Gold is in a secular uptrend that will be volatile but it makes sense to have some in our portfolio. We expect gold stocks to provide good returns in the coming years as the price of gold moves substantially higher.

The fund is light in the consumer area but has holdings in Tim Hortons, Diageo and Nestle as these companies do well regardless of what's going on in the economy. We bought more Tim Hortons in the past few months. In technology we own Microsoft, Taiwan Semiconductor, Intel and Sysco and we've added to all four recently during market weakness.

Caterpillar Tractor and Cummins Engine were sold because they had gone up so much in the March to May period. We also liquidated Royal Bank at the beginning of September because I thought the stock was ahead of itself and might come back down toward \$40. It got down in the \$20s so we started to rebuild our position at \$26.50. It is now trading at \$56 and we sold some recently.

Currently bonds offer a poor risk/reward ratio however if rates move up significantly and the bond market offers better value, we wouldn't be averse to boosting our holdings. Right now we want to keep our bond holdings low and concentrate on high-quality equities.

I hope this gives you a good picture of how Gerry Coleman and his team have been working with your investment in the Harbour Growth and Income fund. Please call me for any questions at 519-680-3043.

Your Financial Coach – Anne Leeson, CFP



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