



MacDougall, MacDougall & MacTier Inc.

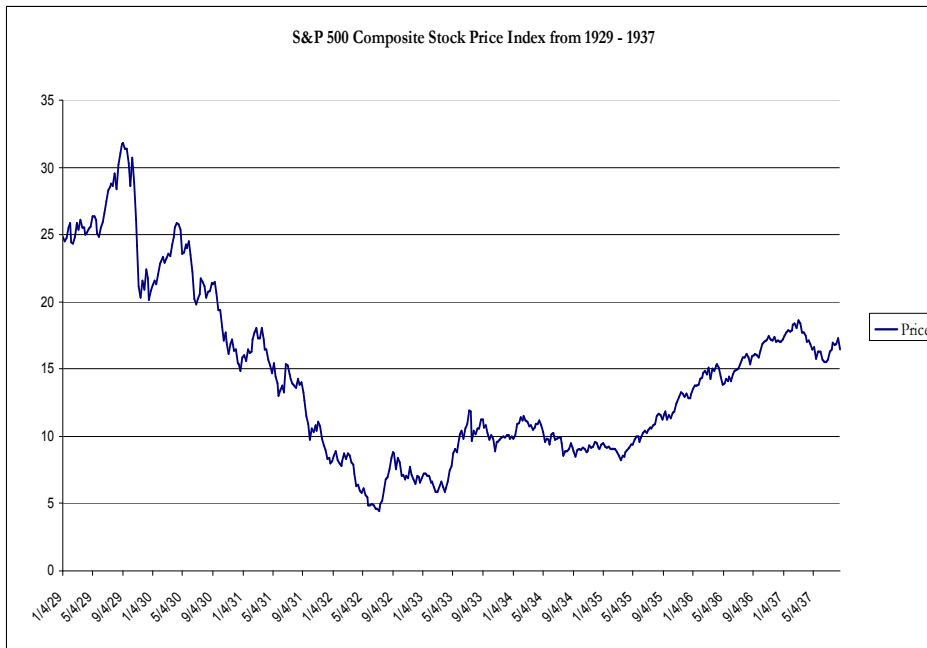
Never let a good crisis go to waste...

Investor Presentation

Darcy Morris
February 2009

150 King St. West, Suite 2510, P.O. Box 13
Toronto, ON M5H 1J9
416.597.7900
dmorris@3macs.com

The Great Crash of 1929



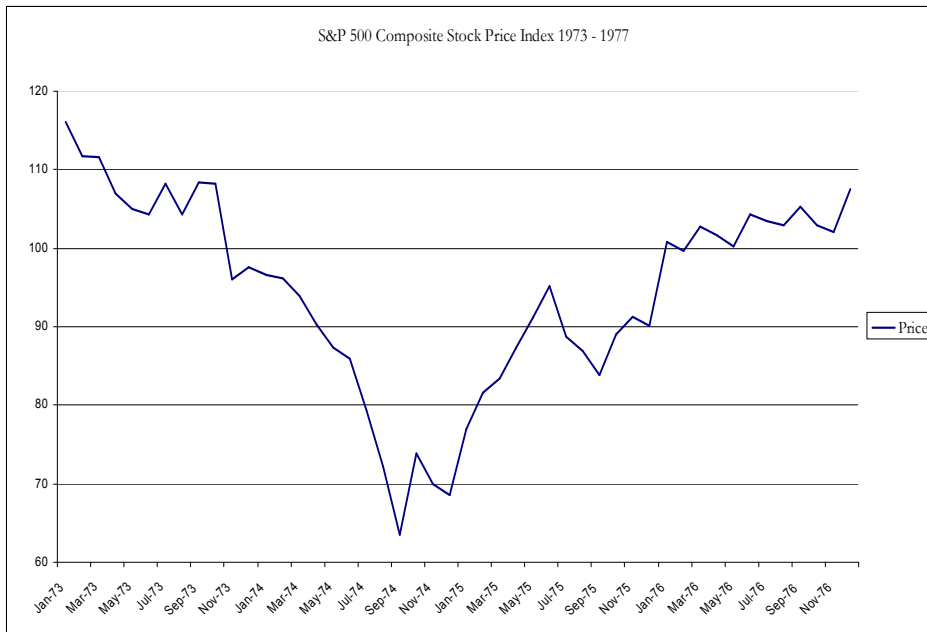
S&P 500 Index Dec. 31 1928 – July 29 1937

- 1931: **-50%**
- 1932: **-8%**
- 1933: **+50% return**

- From its low in June 1932, the S&P Index returned almost 300% in three years

- **Lesson:** Stay the course

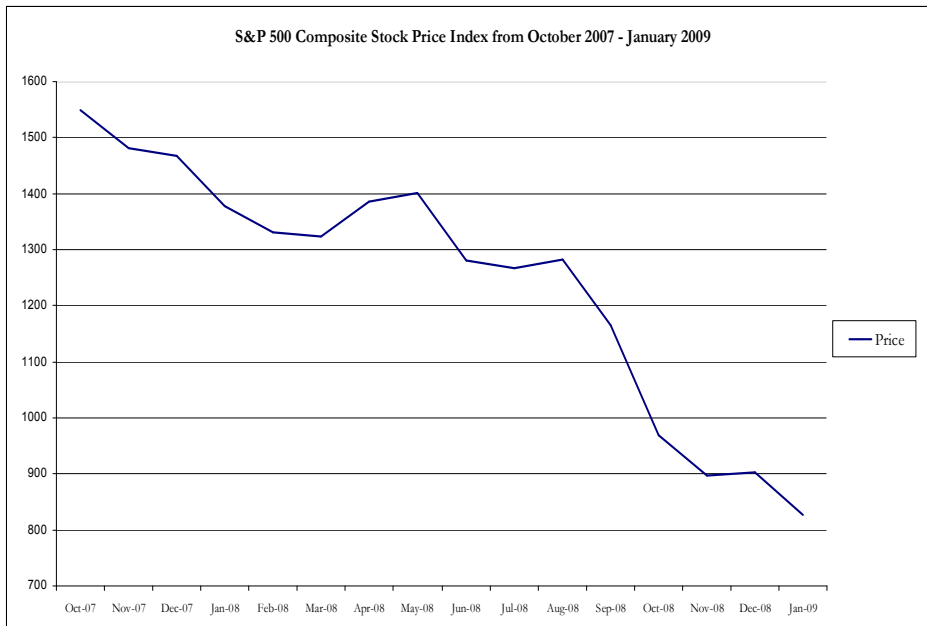
The stock market crash 1973–1974



S&P 500 Index Jan. 2 1973 – Mar. 31 1976

- 1973: **-15%**
- 1974: **-26%**
- 1975: **+37% return**
- Warren Buffett purchases The Washington Post Company
- Warren Buffett purchases the Coca-Cola Company
- **Lesson:** Market downturns create an opportunity for prudent investors!

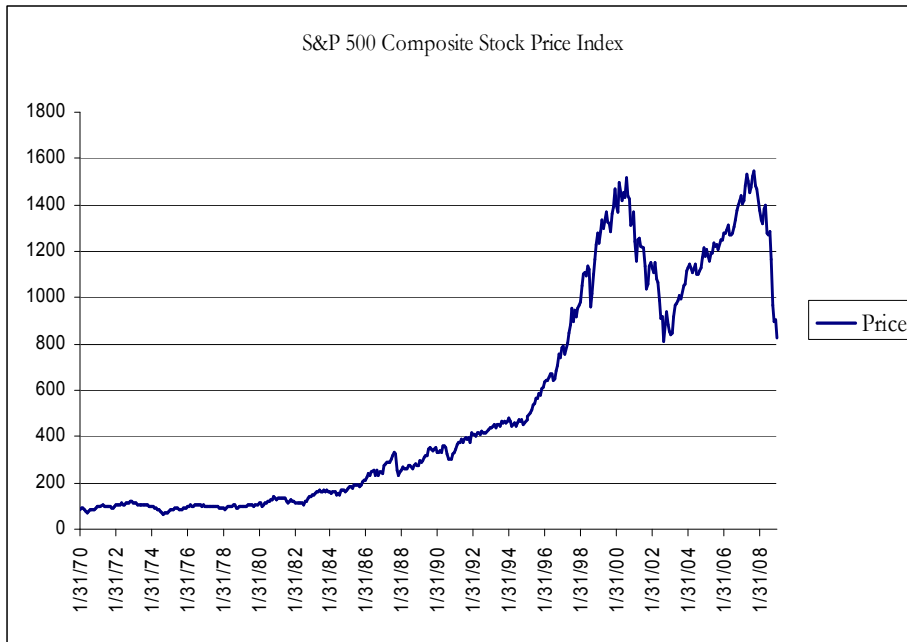
The stock market crash 2007–2008



S&P 500 Index Jan. 2 2008 – Feb. 2 2009

- The S&P 500 has returned **-47%** since its peak in October 2007
- Is it time to be greedy?
- **“Buy American stocks. I am”**
-- Warren Buffet in the NYT on October 16, 2008

Is history repeating?

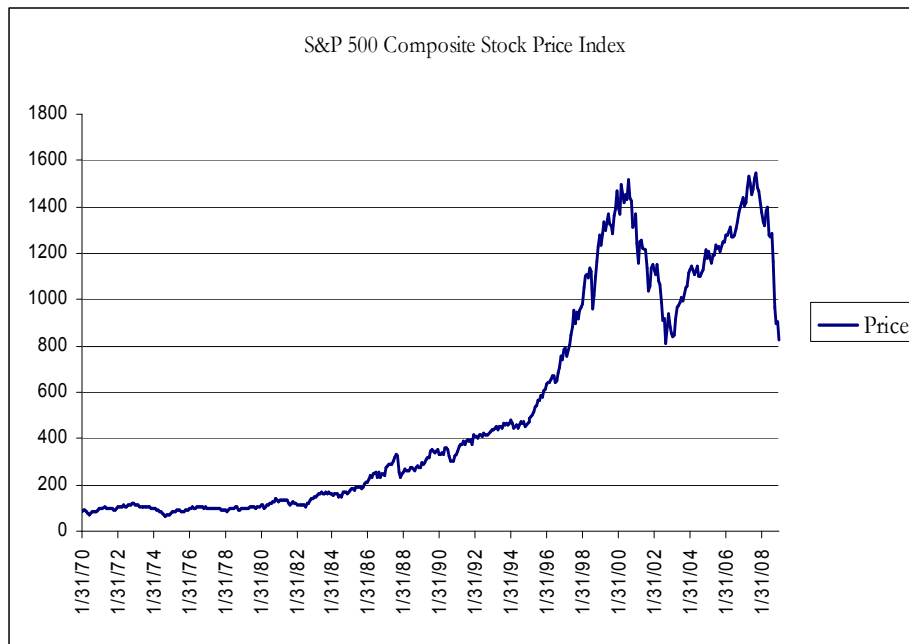


S&P 500 Index Jan. 1 1970 – Jan. 31 2009

- The S&P is trading at levels last seen in 1997
- The S&P 500 now trades below its ten-year historical average on several key metrics.
- **Lesson:** Buy low, sell high!

Never let a good crisis go to waste; it's an opportunity to do important things that you would otherwise avoid.

Why invest in the stock market?



S&P 500 Index Jan. 1 1970 – Jan. 31 2009

- On average, stocks have outperformed bonds by a factor of roughly five over the 20th century.¹
- \$10,000 invested in the S&P 500 in 1970 would now be worth \$109,470 based on a CAGR of 6.5%.
- \$10,000 invested in the S&P 500 in 1970, with a \$1,000 annual contribution, would now be worth \$262,500.

¹Niall Ferguson, *The Ascent of Money* (Penguin Press, 2008), p125

What are dividends?

- Dividends represent a cash payment or a “realized gain” to a shareholder.
- Dividends have been the most consistent component of an investor’s total return through all types of markets.

“Do you know the only thing that gives me pleasure? It's to see my dividends coming in.”

-- John D. Rockefeller

What are high-quality companies?

- There is a direct relationship over the long-term between stock performance and earnings profitability.
- Therefore, we look to identify high-quality companies with real earnings and significant prospects for growth.
- We look for companies that:
 - Sell products for which demand is stable or recurring
 - Enjoy limited competition
 - Compete in industries that have high barriers to entry

What is a good management team?

- Strong management is an important component of a high-quality company.
- We examine how well managers run their business:
 - How do their key operating ratios compare to competitors (operating margins, return on equity, etc)?
 - How well do they allocate capital?
 - Do they have a strong ownership interest in the business?
 - What is their character like (consistent message, follow-through)?

What is a margin of safety?

- We estimate an intrinsic value for an investment based on conservative estimates of revenues, cost and profit.
- We allow for a conservative discount to our intrinsic value of at least 30% before we purchase the stock.
- This allows for a cushion against unforeseen negative events.

Why make concentrated investments?

- We prefer to make investments in a relatively smaller portfolio of companies.
- We believe that risk can be more effectively reduced by thorough understanding of companies and their managements.
- Concentrated portfolios produce above-average, long-term performance, but their short-term results can be more volatile.
- We strive to take advantage of volatility by purchasing investments that are unfairly punished by short-term trading.

Our Philosophy

- Invest in quality companies at significant discounts to intrinsic value
- Invest in a concentrated portfolio of high-quality businesses run by capable, honest management
- Short-term market volatility provides prudent investors opportunities to purchase great companies

3Macs Active Portfolio Management

Private Equity	3Macs Active Portfolio Management	Traditional Mutual Fund
Concentrated portfolio	✓ Concentrated Portfolio	“Mile wide, inch deep”
Limited investment opportunities	✓ Many investment opportunities	Limited investment opportunities
Non-public information	✓ Public information	Public information
Highest due diligence	✓ High due diligence	Limited due diligence
Limited liquidity	✓ High liquidity	Highest liquidity
Control	✓ Limited influence	Limited influence
Auction price/”winner’s curse”	✓ Stock market price	Stock market price
Long only	✓ Long and short	Long only

Investment Examples

Small Cap Investment

- Computer Modelling Group (TSX: CMG) as of January 31, 2009

Fundamentals

- Computer Modelling Group develops and sells advanced Windows™ software that provides oil/gas reservoir modelling and simulation.
- Their program identifies hydrocarbon assets, engineering and advanced oil recovery (EOR/IOR) processes to maximize recovery of reserves.
- Services 250+ clients in 45 countries

Financials

- | | |
|---------------------------------------|-------|
| • Operating Margin | 40.7% |
| • Growth in earnings (5-year average) | 37.7% |
| • Dividend yield | 9.5% |
| • Return on equity (5-year average) | 32.2% |
| • EV/EBIT (current) | 6.2x |

Valuation

- | | |
|--|--------|
| • Current Price | \$7.15 |
| • Intrinsic Value | \$9.85 |
| • Margin of Safety (discount to intrinsic) | 37% |

Mid Cap Investment

- Phillips Van Heusen (NYSE: PVH) as of January 31, 2009

Fundamentals

- PVH designs, sources, manufactures, and markets clothing through five segments: Wholesale, Wholesale sports wear, Retail Apparel, Retail Footwear and Calvin Klein Products.
- The Calvin Klein division includes the licensing and advertising of the Calvin Klein Collection, ck Calvin Klein and Calvin Klein brands for a broad array of products and retail services.
- The Company earns 40% of its profits from licensing royalties on the Calvin Klein brand.

Financials

- | | |
|---------------------------------------|-------|
| • Operating Margin | 12.7% |
| • Growth in earnings (5-year average) | 24.8% |
| • Dividend yield | 0.8% |
| • Return on equity (5-year average) | 13.7% |
| • EV/EBIT (current) | 3.6x |

Valuation

- | | |
|--|---------|
| • Current Price | \$19.17 |
| • Intrinsic Value | \$30.40 |
| • Margin of Safety (discount to intrinsic) | 58% |

Large Cap Investment

- Microsoft Corp. (NSDQ: MSFT) as of January 31, 2009

Fundamentals

- Microsoft is the world's largest producer of software including operating systems for servers, personal computers, and intelligent devices; server applications for distributed computing environments; information worker productivity applications; business solution applications; high-performance computing applications, and software development tools.
- The company is considered one of the architects of the client-server computing architecture and is widely recognized for its Windows operating system and Office productivity suite.

Financials

- | | |
|---------------------------------------|-------|
| • Operating Margin | 37.2% |
| • Growth in earnings (5-year average) | 18.6% |
| • Dividend yield | 2.8% |
| • Return on equity (5-year average) | 30.4% |
| • EV/EBIT (current) | 6.0x |

Valuation

- | | |
|--|---------|
| • Current Price | \$18.63 |
| • Intrinsic Value | \$25 |
| • Margin of Safety (discount to intrinsic) | 34% |

"The information contained in this article is for general information purposes only. It does not account for specific investment objectives or the financial situation of any person reading it. Opinions expressed are those of the author and do not necessarily represent the opinions of MacDougall, MacDougall & MacTier Inc. Investors should seek professional advice regarding the appropriateness of investing in any securities discussed or recommended here and should recognize that statements regarding future prospects may not be realized."