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Overview

- The Great De-Leveraging - Revisited
- The Age Old Battle
- Lessons from the Crash & Where We Go From Here
- BUY China, Very Selectively
 - One Long-term Small-Cap BUY
- Cash Flow Remains King
 - Two Stable Cash Generators
- A Special Situation

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Greed - U.S. Debt-to-GDP

A Historic Level of Debt



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A Tale of Two Debtors

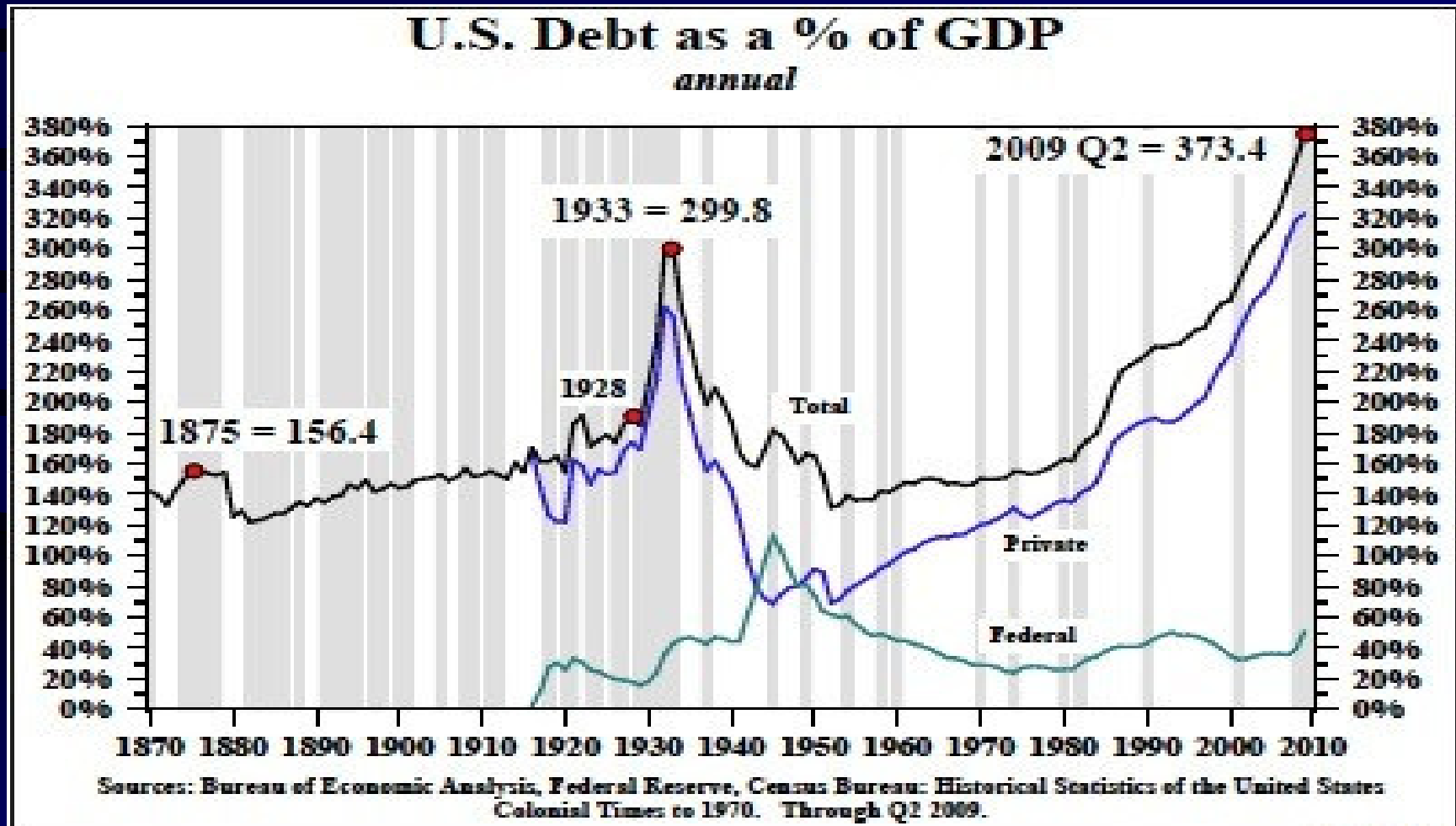


Chart 1

Where are we Today?

The Bulls

- **Liquidity, liquidity, liquidity!**
- **Stimulus**
- **Do not fight the Fed**

The Bears

- **Nouriel Roubini, A.K.A “Dr. Doom”, “equity markets have “gone up too much, too soon, too fast.”**
- **George Soros “several (of the largest remaining) U.S. banks are “basically bankrupt.”**
- **Valuations Rich – Trailing PE on S&P 500: 27.6x**

Lessons from the Crash & Where We Go From Here

Fall 2008 – Q1 2009

- “Be fearful when others are greedy, and be greedy when others are fearful”
- Not every company will fail – the strong will survive and prosper long term.
- Stock pickers market.

Fall 2009

- It is becoming far easier to hit the BUY button.
- We are becoming “fearful as others get greedy”.
- Carefully evaluating our coverage list and opportunely taking profits.
- Where the current BUYs are coming from:
 1. Companies with positive free cash flow
 2. Companies with strong cash positions and limited or no debt.
 3. Industries – Healthcare, staple products, geographic diversification for growth - China

Broad Fall 2009 Strategy

1. Layer into Positions
2. Buy Strong Balance Sheets
3. Enter Positions Gradually
4. Diversify by Sector/Geographically

BUY China, Very Selectively

- Greatest industrial revolution ever.
- Investing in China is not for the faint of heart.
- Canadian or U.S. listed companies that trade on major exchanges with operations based in China.
- Though slowing, China's GDP growth will remain among the fastest in the world.
- Urbanization.
- Healthy balance sheet

The Case for China

- Though China's GDP growth is slowing, it will remain the fastest in the world.
- Attractive valuations.
- Urbanization.
- Healthy balance sheet.
- Far better position to enact both fiscal and monetary policy to stimulate domestic economy.

China-Based Fertilizer Manufacturer

- **Migao Corporation (MGO:TSX)**
- **Price: \$6.40**
- Sector: Agricultural Manufacturer – Fertilizer

- Q1 2009 revenues rose 19% to \$58.9 million, compared to \$49.7 million in Q1 2008.
- Q1 2009 net income rose 53% to \$12.6 million or \$0.21 per share, from \$8.2 million or \$0.16 per share in Q1 2008.
- As at June 30, 2009, Migao reported cash of \$4.4 million and working capital of \$142 million.

- Guidance: Fiscal 2010 EPS estimate: \$0.85, maintain solid margins in the range of 22-24%. Forward PE of approx. 7.5

Migao – Outside the Numbers

- China has a huge population, limited amount of arable land, and a public with a growing taste for variety in their diet.
- Over 60% of the company's sales are to the tobacco industry, which has more of an inelastic demand than many industries in a recession.
- Growth will be funded by cash on hand and internal cash-flow.

Migao Corporation (MGO:TSX)



Cash Flow Remains King

- **Strategy** - cash flow positive stocks, degree of recession resilience that will pay you. cash to hold their shares.
- **Sorting the wheat from the chaff.**
 - Strong free cash flow
 - Latest Quarterly FCF Ratios:
 - K-Bro Linen Income Fund: 71%
 - The Boyd Group Income Fund: 29%

Special Situation

- **Foraco International SA (FAR:TSX)**
- **Price: \$1.80**
- Sector: Industrial Services – Mining & Environmental Drilling
 - Diversified contract driller for the mining, energy, water, environmental and infrastructure sectors. Clients include Xstrata, Rio Tinto, BHP Billiton, De Beers, Cameco, and Teck in its Mining and Energy Drilling segment and the African Development Bank Group, The World Bank, and the European Regional Development Fund, in its Water, Environmental and Infrastructure Drilling segment.
- Q2 2009 revenues increased 2% (euro)\$25.1 million compared to (euro)\$24.6 million in Q2 2008.
- On a valuation basis, Foraco currently trades with attractive trailing metrics that compare favourably to its peers including a PE of 7.50, a price-to-sales of 0.70, and EV/EBITDA in the range of 5.8.
- As at June 30, 2009, cash and cash equivalents totaled (euro)12.7 million (\$19.55 million Canadian or \$0.33 per share)

Thank you ladies and gentlemen