August 26, 2013

Dear clients and friends,

Re: Five Year Results

This summer LCM passed an important milestone with its five year anniversary. Now that we have a five year track record it is worthwhile to briefly discuss our results.

Over the five years ended June 30, 2013, LCM earned 14.7%* per year, or a gain of 98.4% on a cumulative basis. We are pleased to have met our goal to earn in excess of 7% per year despite pretty bleak markets. Although our primary long term goal is to earn an acceptable level of absolute returns, it is our belief that a strategy such as ours has the potential to also earn attractive relative returns, and indeed we have beat the averages by a considerable margin during our first five years of operations. As we have a flexible mandate and can invest on either side of the border, a decent secondary comparison that we have used since inception is a fully invested benchmark that is half invested in the Canadian stock market index, and half invested in the U.S. stock market index. LCM has beaten this benchmark by 11.1% per year.

Performance should not just boil down to one number because how the returns are earned can matter more than the level of the returns themselves. LCM's results are a function of some of the unique elements of our investment process that differentiate us from our competitors. First of all, the main risk LCM is concerned with is losing money. This leads us to different portfolio construction and security selection than the bulk of the industry where risk is viewed as volatility or tracking error relative to an index. LCM does not short securities and does not use leverage. Instead, we employ a focused approach, ensuring that one industry is not over-represented in the portfolio (this subject was discussed at length in our annual letter earlier this year). Furthermore, our portfolio sometimes contains a relatively high cash position – for example we hold 31% in cash currently which is up from 16% in cash twelve months ago. Our stock selection process involves rigorous due diligence and if an investment idea does not meet our high standards, our policy is to hold cash and wait patiently for the next opportunity. While this requires more discipline (and patient clients!), it is also an effective way to limit the risk of loss. Biotech startups or exploration mining companies generally have far too much risk of permanent capital loss to make it into our portfolio. Finally, we pay close attention to the balance sheet when analyzing an investment and that has been a key element of managing risk.

So what does the future hold for LCM? While the future is always uncertain, our experience managing portfolios over the past twenty years makes us confident that the human emotional component (i.e. fear and greed) inextricably linked to markets virtually guarantees opportunities in the future, just as there have been in the past. We expect to continue to direct the bulk of our energy towards the same key aspects of our investment process: rigorous analysis of current and prospective investments, and continually challenging ourselves to study new industries and expand our circle of competence. This work includes interviewing management teams and conducting site visits when appropriate. Despite our best efforts, no process, no matter how diligent, is immune to periodic losses – yet we expect that even with some down years we should be able to accomplish our goals.

We would like to offer a sincere thank you to all clients and friends who have joined us on this journey – it has been extremely gratifying to be able to earn an attractive return for people who have placed their trust in us. We strongly believe that our long-term perspective differentiates LCM and part of the reason we have been able to earn attractive risk adjusted returns is that our clients share a similar mindset and temperament. So, thank you!

The table on the next page reviews these results in some more detail. We have had requests to see our results measured in U.S. dollars and we would be happy to share this information if you are interested. As the Canadian dollar ended the last five year period close to where it began, our overall results are similar (when measured in U.S. dollars since inception LCM earned 13.9%* per year versus the S&P 500 Total Return Index of 7.0% per year) but interestingly the year to year performance was more variable as the Canadian dollar fluctuated through the financial crisis. As always, if you have any questions please call us at 604-558-0070.

Sincerely,

Dan

* All stated returns are gross of fees. We take pride in ensuring that our fees are fair and reasonable for the service LCM provides. If you would like a copy of LCM's Investment Management Agreement that outlines our fees and services in more detail please contact us. Returns for LCM are from a representative account as all client assets are held on a segregated basis. Small differences will occur between accounts due to rounding and the timing of cash flows. The S&P TSX Composite Total Return Index is used to represent the Canadian stock market returns, and has returned negative (0.5%) per year over the five years ended June 30, 2013. The S&P 500 Total Return Index translated into Canadian dollars is used to represent the U.S. stock market returns, and this index has earned 7.7% per year in Canadian dollar terms over this same period. Thus LCM's return of 14.7% per year has beaten the Canadian and U.S. Stock Markets by 15.2% per year and 7.0% per year respectively since inception. "Since inception" refers to the five year period from June 30, 2008 to June 30, 2013.

LCM results*

Performance to June 30, 2013

	2013 YTD	One Year	Five Years (Cumulative)	Five Years (Annualized)
LCM Portfolio	12.4%	23.9%	98.4%	14.7%
50/50 North American Equity Index Portfolio	9.9%	16.4%	21.1%	3.6%
LCM Outperformance	2.5%	7.5%	77.2%	11.1%

- Long term goal is to earn in excess of 7% per year on average. Since inception cumulative return of 98.4% corresponds to 14.7% annualized return.

- Over the past year, twenty-four percent of the portfolio on average was in cash so the *invested* portion of the portfolio earned roughly 31%, to generate a total portfolio return of 23.9%.

* Please see page 2 for full description of performance reporting.