



Qwest  Investment Management

Macro-Economic Outlook and Investment Strategy Review

100-Years of Range Bound Markets

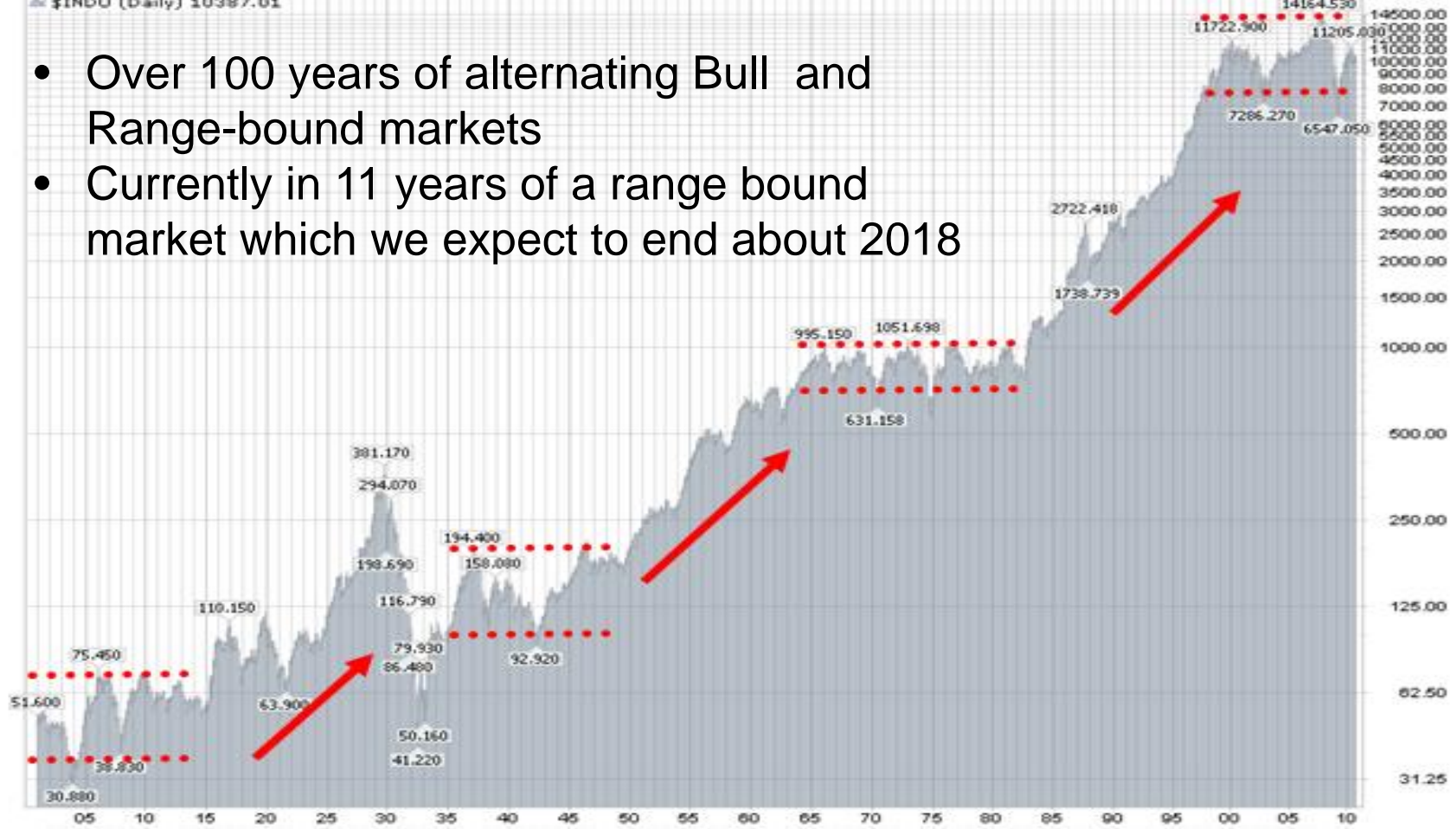
\$INDU (Dow Jones Industrial Average) INDX
8-Sep-2010

Open 10338.49 High 10426.70 Low 10335.69 Close 10387.01 Volume 706.1M Chg +48.32 (+0.45%) ▲

▲ \$INDU (Daily) 10387.01

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- Over 100 years of alternating Bull and Range-bound markets
- Currently in 11 years of a range bound market which we expect to end about 2018



Cycles: Excesses & adjustments



The Right Tool for the Right Time

- **Bull markets:** Use buy and hold to control risk. This approach produces good risk-controlled returns in an environment when the market is rising.
- **Range bound markets:** Use tactical asset allocation to enhance returns and control risk. We use trend-following techniques as the basis for our tactical asset allocations strategy.

Profit Opportunities in Range Bound markets



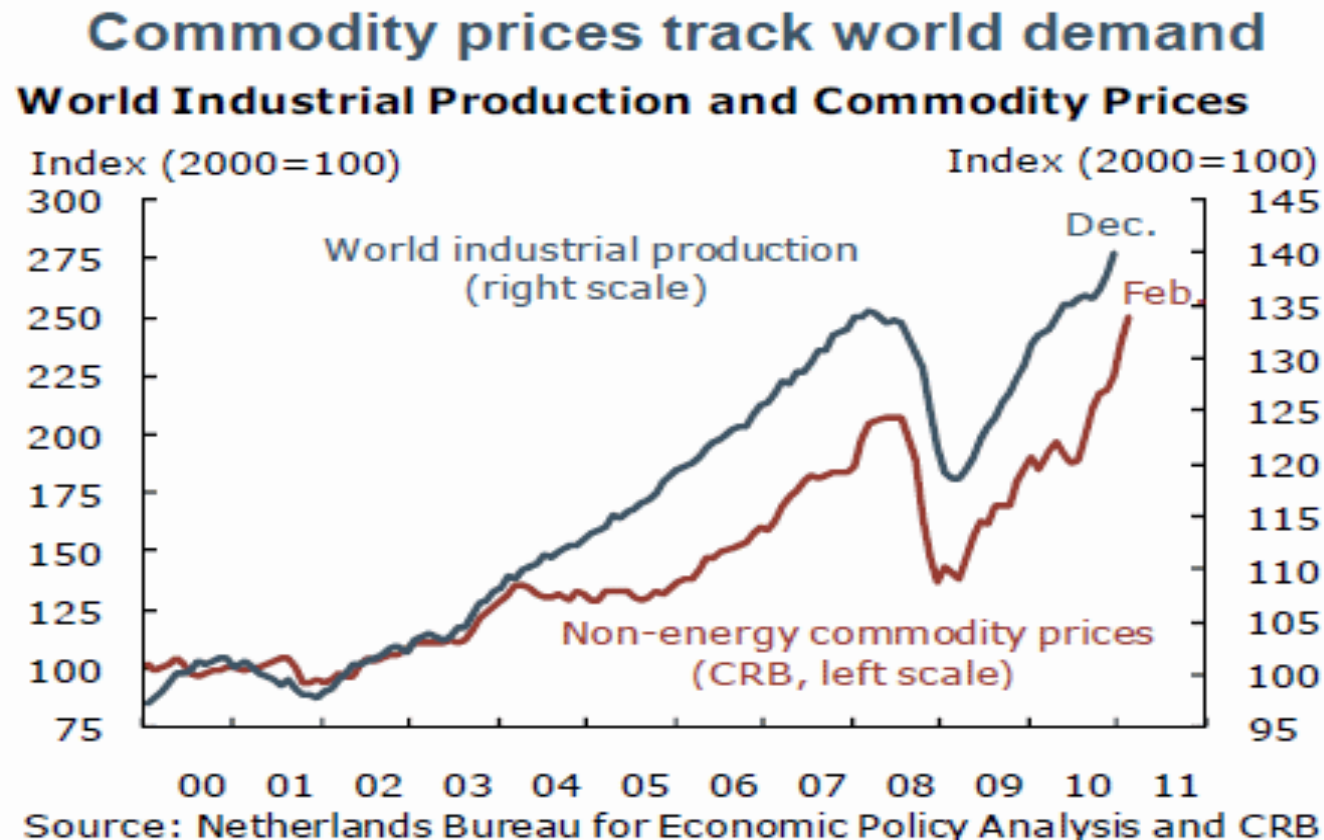
Source: Ritholtz.com, Bloomberg

Trend-Following Models

- Trend-following techniques take advantage of the “bandwagon effect” present in macro-economic trends.
- We apply a trend-following model to commodity prices to spot the bandwagon, which acts as the “trigger” to adjust asset classes held in a portfolio.
- Risk control with trend-following models is easy. We monitor indicators such as moving averages and channel breakouts to limit losses and allow winners to run.

Using Commodities as an Asset Allocation Indicator

Commodity prices are the canaries in the coal mine of global growth and asset inflationary expectations:



Qwest's Asset Inflation-Deflation Timer Model

- Qwest has developed a proprietary trend-following model, the Qwest Asset Inflation-Deflation Timer Model (“Timer Model”), that provides signals for major equity market trend changes (i.e. asset inflation, neutral or asset deflation)
- Our Timer Model applies a trend-following model to various commodity prices to obtain its signals
- When our Timer Model signal is:
 - Asset Inflation** - Positioned in commodities and hedge Canadian dollar
 - Asset Deflation** - Positioned in US long bonds and keep US dollar exposure
 - Asset Neutral** - Positioned in equities, S&P/TSX 60

Benefits of Following Our Timer Model Signals

Our Timer Model signals help to:

- Profit from bull and bear phases of a range bound market
- Provide a tool for disciplined risk management to limit losses and protect profits
- Provide a tool for guidance on portfolio construction decisions
- Provide a relatively stress-free systematic approach to market portfolio decisions

Please visit our website at www.qwestfunds.com and click on “Subscribe to Publications” to subscribe to our **Trend Watch** report for asset inflation, neutral or asset deflation trend signals from our Timer Model

How the Timer Model Can Help



For **Conservative Risk** investors:

Provides an indication when the market trend is up and okay to take on more risk; and when to reduce risk when the market trend is down

For **Moderate Risk** investors:

Can be an effective (non-emotional) tool to manage portfolio decisions to balance risk and return expectations

For **Aggressive Higher Risk** investors:

Provides a tool for better risk control for an all-equity portfolio

Cam Hui, CFA

Biography



Broad range of experience

- Global markets (Canada, US, international, emerging markets)
- Wide product experience (Institutional, mutual funds, global natural resources)
- Bottom up stock selection, top down asset, country, sector selection
- Risk control and portfolio construction
- Trading cost optimization
- Product engineering, client service and marketing

Equity quantitative analyst since 1985

- CIBC World Markets, quantitative and special situations analyst (1985-1990)
- Batterymarch Canada, quantitative Canadian equity PM (1990-1994)
- Batterymarch Financial Management, quantitative global equity PM (1994-2000)
- Graham Capital Management, long/short equity hedge fund PM (2001-2003)
- Merrill Lynch, relative value and technical research analyst (2004-2007)
- Consultant to hedge funds and startups (2007-present)
- Qwest Investment Management Corp., Board of Advisors (2009-2010)
- Qwest Investment Fund Management, Portfolio Manager (2010-present)



Cam's Publications & Blog

Economic Analysis and Trend-Following Publications

- **Inflation-Deflation Trend Watch** (weekly)
- **Qwest for Returns** (monthly)

The above noted publications are available by Subscription only. Please visit our website at www.qwestfunds.com to subscribe.

Please visit Cam's **Humble Student of the Markets** blog at:

<http://humblestudentofthemarkets.blogspot.com>

About Qwest

Qwest is an investment management firm which specializes in identifying emerging trend opportunities, managing merchant banking transactions, structuring investment products and providing portfolio management services in those sectors of the capital markets in which it has experience and expertise.

Qwest's management team brings a wealth of experience in corporate and financial product structuring, merchant banking and investment fund management. Qwest's executive and portfolio management teams possess the skills and experience necessary to evaluate and manage the risk and rewards inherent in those sectors of the global markets in which we participate.

Qwest is the parent company of Qwest Investment Fund Management Ltd., a company which provides portfolio advisor services for its various investment funds; and Heritage Bancorp Ltd., a company which provides administrative services for the Qwest group of companies.

Disclaimer

The information contained herein, while obtained from sources which we believe to be reliable, is not guaranteed as to its accuracy or completeness.

This presentation does not constitute an offer to sell or a solicitation to buy any security. Such an offer can only be made by prospectus.