



MFC Global Investment Management

Frontier Alt Global Dividend Fund Commentary for the quarter ended March 31, 2009

Global equity markets declined during the quarter reaching lows not seen in over ten years as the momentum of job losses built and corporate profitability continued to deteriorate. U.S. employers cut 663,000 jobs in March amounting to a total of 5.1 million jobs lost since the downturn began the worst in the postwar era. The markets rallied from the lows late in the quarter as investors were encouraged by news of actions taken by the Chinese government to stimulate the economy which drove copper and oil prices higher. The market weakness was led by financials as losses from bad loans and investments mounted. The credit quality of loans deteriorated further as home prices continued their decline. The industrial sector was also very weak as orders and demand for capital goods and manufacturing slowed. The information technology and materials sectors were the best performing sectors on improving prospects for many of the larger companies in the sector.

Over the quarter the fund declined and outperformed the MSCI World Index (C\$). Strong stock selection in staples and energy holdings added to the relative performance of the fund. Much of the weakness in the portfolio was due to the poor performance of our holdings of financial stocks. Dividend cuts and concerns over equity dilution from possible capital injections from governments pressured the financial sector. The funds currency hedging mandate detracted slightly from performance mainly by reducing the benefit from the appreciation of the US dollar.

The market was extremely volatile throughout the quarter which provided us with opportunities to purchase high quality companies with large and stable dividends. We established new positions in McGraw-Hill, Microsoft and Verizon Communications funded through sales of Archer-Daniels Midland, Axa and HSBC.

The current economic downturn is forcing consumers and corporations to deleverage after a long period of credit excesses and speculation. Risk premiums have increased sharply and made it difficult and expensive to finance consumer and corporate spending. Governments around the world are responding by injecting liquidity into commercial banks to ease the shortage of credit. Despite difficulties in the job market some important economic data has been turning positive. Mortgage applications were up 32% and for February existing home sales were up 5.1% and durable goods ordered were up 3.4% suggesting the economy may have bottomed. We expect markets to be range bound as uncertainty continues to surround the timing and impact that will result from the measures being taken to address the economic weakness. We continue to expect the high quality banks we hold will benefit as they gain market share from weaker competitors. As a result the portfolio is defensively positioned with its largest exposures in the financials, consumer staples sectors and telecom.