

APRIL 30, 2012

	Monthly				Annualized		Since Inception	
	1	3	6	YTD	1	3	CARR	Total Return
Portfolio	-1.36	-0.37	1.45	2.73	-5.92	10.14	9.16	42.00
S&P/TSX TRIV	-0.60	-0.58	1.79	3.77	-9.37	12.70	-0.20	-0.81

As of April 2012

Top Contributors

SXC Health Solutions
Gibson Energy
Canadian National Railway

Bottom Contributors

Bellatrix Exploration
Poseidon Concepts
Leader Energy

April 2012 Portfolio Discussion

Markets are displeased with the recent election results in Europe. The imposition of austerity, needed to reduce excessive debt loads in many European countries has made the electorate cranky. Citizens are expressing their displeasure by voting for candidates who are promising to balance austerity with growth; and even going so far as supporting politicians who are seeking exit from Eurozone for their embattled country. There is no question that growth in Europe would solve many woes, but how to achieve it, when deficits need to be shrunk rather than expanded? TAX the RICH! is the universal cry. But the countries wanting growth the most need to attract capital and investment, and increasing taxes will achieve the exact opposite! It has always been my PERSONAL opinion that for some countries, exiting Eurozone would allow the government more policy flexibility, which ultimately MIGHT lead to an improvement in their economic situation (here I am making assumptions about the government choosing correct policies for its country, which is definitely NOT a given).

Each successive change of government in Europe increases the uncertainty as to the future course of the union, while introducing social unrest into an already difficult mix. Just when political cohesion would allow for easier negotiations among Eurozone members, more disparity is entering European politics. Uncertainty is what markets fear the most.

So we watch and wait. We continue to reduce our weighting in the volatile resource sectors. Last month we eliminated our unprofitable position in Ivanhoe Mines (we had misplaced faith in Friedland's ability to get a better deal from RIO), offset by the sale of the profitable PetroBakken position. Gasfrac went from a long position to a short position, as the company seems unable to achieve profitability despite growing its top line. Cash position has increased from about 18% last month to 23% as of May 7.

Even though many commodity prices have declined only moderately, resource stocks are getting crushed, so there is value being created. There will definitely be a good trade in some resource stocks. When? The problem as we see it is one of funds flow, which is flowing OUT of Canada. Equity investors (a vanishing breed) prefer companies with predictable earnings at home and exposure to growing sales in BRIC and Asian countries. How many of those companies are listed in Canada? Not many. So the money flows to the U.S. equity market, where there is a multitude of companies able to capture attractive sales growth from overseas. The other trend which favors the U.S. market is current preference for large capitalization. Again, Canada is the land of the mid cap stocks, currently OUT of favor. So if you are confused and frustrated when you see Canadian companies getting pummeled while announcing good earning results or good news, don't be. What you are witnessing is a liquidity event allowing foreign (and probably domestic) investors to EXIT the

Commissions, trailing commissions, management fees, performance fees and expenses may all be associated with mutual fund investments. The indicated rates of return are the historical annual compounded total returns, including changes in share values and reinvestment of all distributions, and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder which would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the prospectus before investing.

BluMont Capital Corporation

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Canadian market. Economic growth prospects need to improve SUBSTANTIALLY, before that flow reverses. Don't hold your breath!

P.S.

If you needed additional proof of foreigners dominating Canadian equity markets, look at this morning headline "TELUS withdraws share conversion proposal". Because of the empty voting tactics of U.S. hedge fund Mason Capital, who was voting \$1.9 billion worth of Telus shares with a mere \$25 million net economic stake, the wishes of shareholders voting 92.4% in favor of the proposal were defeated. Not a proud day for Canadian investors...

Thank you for your continued support



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