ANTARES INVESTMENT MANAGEMENT

VALUE PORTFOLIO

The Antares Value Portfolio focuses on companies that, in our analysis, are underpriced in the stock market relative to their underlying worth as businesses. Our strategy aims first to protect investors' capital by not overpaying for a given company - holding fixed income or cash when bargains cannot be found - and second, to grow that capital through share price appreciation as the company's value gets properly recognized within the equity market.

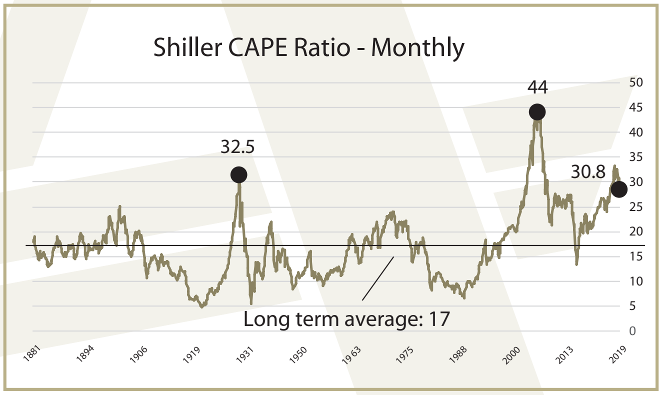
MANAGER COMMENTARY

Accounting changes in the insurance industry created some uncertainty, allowing us to seize the advantage and purchase shares of Markel in many portfolios.

Equity prices remain high relative to underlying earnings. We remain focused on preserving your capital.

Our ongoing desire to use stock market volatility to your advantage has played out again in the first quarter of this year. Sometimes there are company-specific things that affect stock market prices and sometimes it is something totally outside the firm. A recent example of the latter involves accounting rule changes that add significant fluctuations to the profits reported by property and casualty (P&C) insurance companies even though these fluctuations have no impact to the insurers' operating profits. In essence, P&C insurers collect premiums and invest them in bonds and stocks to earn some income before paying out insurance claims. The new rule requires that stock price changes of these investments, even though the stocks are being held for the long term, must show up on the insurer's income statement. These rules mean that reported earnings of these insurers are more volatile and cannot be taken at face value because stock prices changes will have an impact. Markel and Fairfax are P&C companies that have been a part of most portfolios for many years, but the recent price volatility due to this accounting rule provided an opportunity to add to ownership stakes for new and existing portfolios. Both of these companies have 30-year records that resemble that of Berkshire Hathaway (source: Bloomberg), Warren Buffett's company, and will likely be in portfolios for many years to come. We appreciate their focus on good underwriting and their investing discipline.

In general, stock prices remain elevated in relation to underlying earnings and we remain cautious in this environment. As the graph below shows, recent stock market price-to-earnings levels, a measure of value, have only been higher in 1929 (32.5) and 1999 (44). Today, at 30.8, we are below the high-flying days of the technology bubble of 1999/2000 but are very close to the market highs in 1929, just before the crash that ushered in the Great Depression. While the euphoria of rising prices continued to attract more and more people to the party, both time periods ended in tears and ruined finances. That is what we want to avoid for you. High expectations for future profits are already being reduced. Both Morgan Stanley and Goldman Sachs have recently stated that profit expectations are simply too high. A signal by the Federal Reserve Bank in the U.S. to stop interest rate hikes can also be seen as a sign that things are not as rosy as investors want them to appear.



Source: Robert Shiller

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The IPO of Lyft reminds us of the dot com bubble of 1999: high stock price, no profit.

As your portfolio manager, we are focused on your individual investment requirements. Our near-term goal is to protect capital. Our long-term goal is to grow it.

Investor optimism has not been dampened, however. The Initial Public Offering (IPO) of ride sharing company Lyft is reminiscent of the heyday of the technology bubble, and is possibly a poster child for the present environment. While the company lost $1 billion dollars last year on sales of only $2 billion, it is nonetheless valued at $20 billion. Lyft has lost money in each of the previous years and although they are losing less each year, at the current rate it will still be several years before they are at breakeven. How much is the company really worth? There is no real way of calculating the value of a money-losing endeavour. Hope and optimism reign in the markets right now, but if history is any gauge, that will not always be the case.

Our approach remains to be vigilant for opportunities to invest capital at attractive rates. When prices are high and opportunities are limited we prefer the safety of short-term bonds as we wait. Better opportunities will present themselves. We will be ready when they do.

One thing that gets forgotten at times is that you have hired us to manage a portfolio for you. Not a generic portfolio, not a focus on a particular market portfolio, not a particular country portfolio, but a portfolio that provides the cash flows you need both in the short term and the long term. Your portfolio may be slightly different than your neighbour's because your needs are slightly different than your neighbour's. Our focus remains on protecting your portfolio in the midst of the unknowns and at the same time investing when the odds of long-term success outweigh the short-term risks.

Thank you for your continued trust,

Your Portfolio Management Team

VALUE PORTFOLIO

The Antares Value Portfolio is available to investors within a Separately Managed Account ("SMA") that holds securities directly, and through the Antares Value Pool ("Pool") which is held in the accounts of multiple investors. Data presented refer to the Pool. SMAs are customized and therefore their holdings and weights may diverge from those within the Pool. Sources for the data include: Capital IQ, Bloomberg, NDEX, and Antares calculations. Unless otherwise stated, all data are as at quarter end.

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