What helps us sleep at night – Part 4

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European sovereign debt issues, a global economic slowdown, the U.S. debt ceiling, S&P downgrades...In the past, we've attempted to share our views with you about a number of these issues, and the purpose of this quick update is not to review what we've already written. Instead, with all of the negative headlines in the media, we've recently received a few requests to update our *What helps us sleep at night* series. This marks our fourth commentary on this topic and all four have come out at times of duress in the capital markets.

Attached are charts demonstrating the performance of our global and Canadian portfolios since our three previous updates. For first-time readers of this piece, its point is to explain how we could possibly get any sleep these days given the barrage of bad news. As previously explained, we don't get too fussed by macro headlines that the media is focused on at the moment. Instead, we focus the majority of our attention on the performance of the businesses that make up our portfolios. The reality is that nobody knows if the markets will experience a further pullback, how sharp it could be or how long it might last, although the media would like you to believe otherwise. We don't waste our time trying to forecast such things. Rather, we consider the facts surrounding the underlying businesses we own.

Below are some quick thoughts about three businesses that represent over 15% of EdgePoint Global Portfolio. These are the things that we think about as we drift off at the end of the day.

Altera Corp. (ALTR)

Pioneer of programmable logic solutions – a type of semiconductor

- Has an over 40% market share in its business and is growing that share by the quarter
- Moving from a $4.8 billion market to one $47 billion in size
- Has seen revenue grow organically by 11% compounded annually over the last five years
- Has seen revenue growth accelerate more recently with 17% year-over-year growth in the latest quarter
- Has seen margins expand from 21% two years ago to approximately 40% today
- Has been buying back stock
- Will have approximately $10 per share in net cash on its balance sheet by the end of this year

- Share price is around $35 – stripping out net cash, it has a free cash flow yield of 10% and is trading at approximately 10X earnings – this is before the assumption of any further growth for the company

WellPoint, Inc. (WLP)

Leading health-benefits company in the U.S. (think HMO)

- One-in-nine Americans receive medical health-care coverage through WLP
- Health-care expenditures have growth at a compound annual rate of 6% in the U.S. over the last 40 years and are expected to grow even faster going forward
- Is generating too much cash to put back into the business so is using the cash to buy back shares. WLP has bought back over 25% of its shares in the last two years, including $1.5 billion worth of stock in the last six months
- Experiencing increases in enrolment
- Taking market share from competitors in a number of different business lines
- Seeing premium pricing on its risk business increase by over 10% (11.2% in most recent quarter)
- WLP has a free cash flow yield of over 11% and is trading for less than 9X earnings – this is before the assumption of further growth for the company

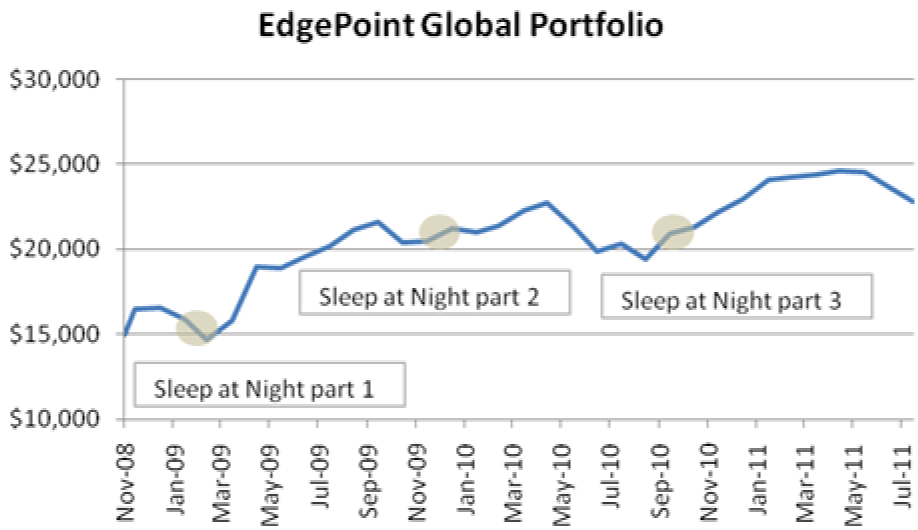
Ryanair Holdings PLC, ADR (RYAAY)

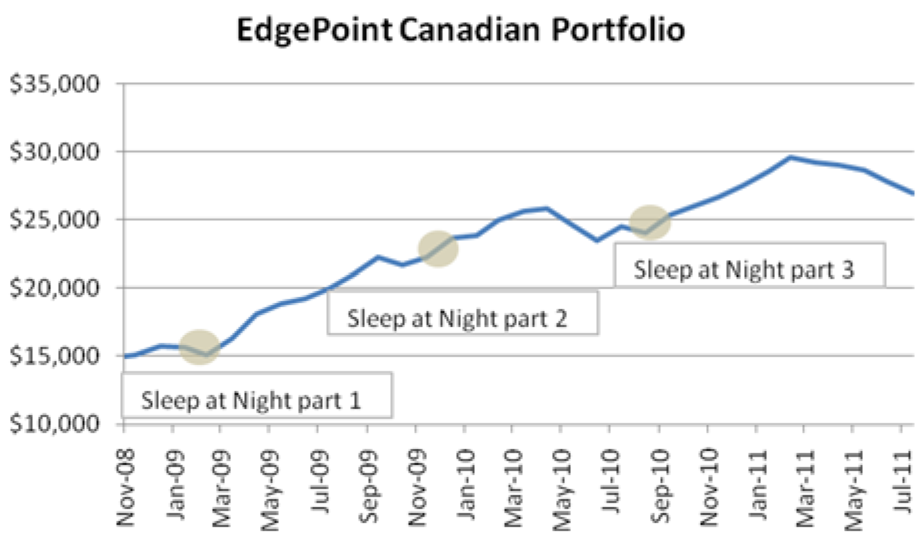
Largest European airline and most-profitable airline in the world

- In 2011, year-over-year passenger growth is expected to be around 9%, after posting 14% growth in 2010
- Five-year compound annual growth rate in passengers is 17%
- Average Ryanair fare is €43 compared to €244 for Lufthansa, €248 for British Airways and €254 for Air France
- Demonstrates excellent cost discipline with recent costs per passenger (ex. fuel) up only 2% versus its fares, which were up 12%
- Ryanair is profitable with €43 fares while competitors like Air France lose money with fares over five times higher
- Among all European carriers, Ryanair has the most on-time flights with the fewest bags lost and fewest cancellations
- Has a pristine balance sheet and generates so much cash it can’t deploy it fast enough so the company gives it back to shareholders. Last year Ryanair issued a special dividend equivalent to 10% of its share price. It plans on delivering a similar-sized dividend next year
- In the last six quarters, has pushed four competitors out of business and another eight airlines merged to survive

- Has a free cash flow yield of over 10% and is trading for less than 10X earnings

The bottom line is that we don't lose sleep over how the media is spinning what's going on. Our sole focus is on the underlying fundamentals of the businesses we own. ALTR, WLP and RYAAY fundamentals are strong (even in this tough economy), and this helps us sleep at night.





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