

Dear Plan Member

As you know, we have experienced two volatile weeks in global stock markets. Fuelling investor's loss of confidence was the high-profile disagreement in the US between Democrats and Republications over the government's debt ceiling; the subsequent credit rating downgrade; and concern in Europe over countries possibly defaulting on their debt. The resulting panic selling, short selling, and investors sitting on the sidelines rather than buying, brought about a drop in stock prices.

In the past couple of days stocks have bounced back somewhat, but it continues to be a roller coaster ride.

I have spoken with our LCC Pension Plan investment portfolio managers to hear their perspective on the situation. They reported that over the last couple of months they have reduced the plan's equity exposure to the lower range of their mandate and increased the cash and fixed-income holdings. They also noted that in this environment there may be opportunities to find high quality companies trading at depressed prices. Buying strong companies, which pay attractive dividends, provides appreciation and income over the long-term, which is the objective of our investment managers. However, they cautioned that we should expect to see interest rates remain low and market returns at a moderate level in the immediate future. These factors will continue to result in pension contribution costs remaining substantially higher than normal.

Our investment portfolios are well-diversified in terms of both investment style and types of investments. This fact, combined with the defensive actions of our investment managers, means our portfolios, while not immune to current market conditions, are somewhat insulated against them.

Our investment managers and certified financial analyst will attend the next meeting of the Board of Managers scheduled for September 21 and 22 in Toronto. They will provide the board with further reports on market conditions and our portfolios. We will continue keeping you updated on any relevant information pertaining to your pension plan.

In His Service,
Dwayne Cleave, Executive Director
LCC Worker Benefit Plans