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Jeff Ray: Let's start by talking about the global market landscape. What are your thoughts on what's going on out there?

Ian Lapey: Well, currently there are a lot of macro concerns such as a debt crisis in Greece, a slowing economy and terrible housing market in the U.S., violence in the Middle East. We think all of these factors have caused very strong companies to get very cheap, and therefore it creates great opportunities for long-term investors like us at Third Avenue.

JR: Do you want to talk about some of the holdings in the Manulife Global Focused Fund?

IL: Yes. At Third Avenue we look for companies that meet our safe and cheap investing philosophy. So we want strong financial positions, good management teams, businesses that we understand, and common stocks that are trading at significant discounts from net asset value, where there's attractive NAV growth potential on a long-term basis.

Currently we're finding the most opportunities that meet our criteria in Asia, and specifically Hong Kong, where we own several blue chip real estate and investment companies such as Henderson Land and Cheung Kong that trade at significant discounts.

JR: Any other themes you wanted to mention?

IL: Yes. In the U.S., although we are in a tough macroeconomic environment, we're finding great value in the high-tech area. We have about 12 per cent of the portfolio in several technology



companies. They all have great balance sheets, large cash positions that exceed their total liabilities, and very discounted valuations. These include companies like Applied Materials, Tellabs, and Sycamore.

JR: How about talking about one of the securities you might have sold recently?

IL: During 2011 one company, CNP, a Belgian holding company, was sold because we received a takeover offer that was at about a 22 per cent premium. So we did obviously sell into that tender offer and that ended up being a very good result. That was a large position; about a 5.5 per cent position. Typically we're long-term investors so there's not a lot of selling activity that goes on.

JR: And what's your outlook for the markets for the remainder of 2011 and into 2012?

IL: Well, we're very much bottom up. We focus on the individual companies and the businesses of the companies whose common stocks we own. So we don't really know what the market's going to do. But we do know that our companies are generating attractive growth in net asset value and therefore the stock prices should—at a minimum, considering the large discounts at which they currently trade—the stock prices really should appreciate along with the growth in net asset value.

Now, the home run scenario would be that we get that combination of growing net asset values and also a narrowing of the discounts, in which case we could generate really fantastic performance for our investors.

JR: Thank you, Ian.

IL: Thank you, Jeff.



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