



LAWRENCE PARTNERS FUND

Nov 30, 2005 Update

Performance Overview

NAV per share	Monthly Performance	Year-to-Date Performance	Since Inception Performance
\$115.32	+3%	+19%	+185%

Shares of Lawrence Partners Fund were up 3% net of all fees and accruals in the month of November. This compares to a gain of 1.8% on the S&P500 and a gain of 5.7% on the TSX Composite Index.

November was a spectacular month in Canadian capital markets. Energy related stocks found bottoms and rallied to finish the month higher. Takeover bids for Dofasco, Royster Clark, and others boosted share prices. Most important was the statement from the Ministry of Finance indicating that the government was not going to tax income trusts, and moreover, intends to cut corporate tax rates and materially improve the treatment of dividends in the hands of taxable shareholders. This statement was a positive surprise in that it provided clarity much earlier than anyone had expected and more important, an outcome better than most expected. I cannot resist noting that the magnitude and nature of the improvement in corporate tax rates, taxation of dividends, and that income trusts were left unharmed precisely matches the recommendations put forth in the Lawrence Report submitted to the government as part of the consultation process.

Almost all of our positions had a winning month and we realized significant gains from our income trust portfolio, which at its peak exceeded 40% of the portfolio. However, we underperformed the Toronto Stock Exchange for the month. This was due to a negative combined contribution from various spread trade positions that we are carrying. These positions had a materially positive contribution in October and helped us achieve outperformance and positive returns in a very difficult month. We are very pleased that we managed to produce a positive return this month despite our relative underperformance as it is consistent with our strategy for long-term capital appreciation, low correlation to equity markets, and a focus on capital preservation rather than month-to-month results.

The fund exited November with no cash and using leverage to hold securities with value in excess of the net asset value of the fund. We are very comfortable with this position and believe it to be consistent with the objectives of the fund and our view of the risk inherent in our portfolio. We acquired positions in three energy services income trusts which we believe to represent excellent value and yield.

Market Update – Remember when Canadian stocks were boring?

Banks, Insurance Companies, Global Commodities giants, and Oil & Gas: these are a few of my favourite things. They are also major constituents in the S&P/TSX 60 Index. As Canada glories in its energy inspired trade surpluses and preposterous budget surpluses, our leadership has seen fit to cut corporate taxes and reduce taxes on dividends received by taxable entities. That has created value particularly for the Canadian banks and insurance companies. It is likely they will all modestly increase their dividend payout ratio. Meanwhile, global giants such as Inco, Cameco, and Teck-Cominco are reveling in cycle high commodity prices and almost scandalous amounts of cash flow while oil and gas producers are producing more cash than even their executives, known best for spending money, can spend. What to do? If you are a bank or insurance company, you increase your dividends and go back to hunting for international acquisitions that now look even cheaper. If you are a commodity company, you try to replace the reserves that you are depleting by spending some of that hard earned cash partnering with or acquiring junior and intermediate producers or near producers.

Lawrence Partners Fund Featured Position – Regalito Copper

One of several positions that we have taken due to our expectation of continued M&A activity in the commodity world is Regalito Copper. Regalito is a junior mining company advancing its sole asset, the world's largest greenfield leachable copper deposit, located in Chile. In September, the company engaged Bear Stearns to conduct a sale process for the project, and subsequently announced that 26 companies signed confidentiality agreements to review project data.

With continued strong copper prices, consolidation in the global mining sector, cashed-up acquirer balance sheets, and high quality large copper deposits in short supply, we believe that Regalito will garner an attractive value and have therefore accumulated a position.

The project is particularly attractive to a potential acquirer for the following reasons:

- Currently the largest undeveloped leachable copper deposit globally
- Very large size at nearly 1 billion tonnes (including dump ore), with substantial exploration upside
- Very low strip ratio
- Excellent leach kinetics and low acid consumption
- Project advanced to a saleable state, including completed drilling program and infrastructure plan, highly successful column tests, and sufficient water rights secured
- Great location due to Chile's low taxation and easy access to infrastructure (acid, power, roads, ports, people)

Regalito anticipates receiving bids by the end of the year, with a transaction closing in Q1 2006. Precedent transactions range from US\$0.02 - US\$0.04 per resource pound, which provides a potential value range of \$7 - \$13 per share. Our work suggests that the company will realize value in the mid-point of that range.

Next Month

A lot of technical and psychological damage was done to our market in October but it has proven constructive. The action shook out weak holders and hot money, particularly in the income trust sector. We are continuing to hold a significant income trust position on a value basis. And of course we continue to hold several trusts on the basis that they are structurally undervalued situations where we believe there is material capital appreciation such as XSCargo Income Trust.

In addition to Regalito, the fund holds positions in several companies that we believe are potential targets in the mass consolidation that has already begun. Real estate, commodities, and energy services are where our minds are focused.

We expect to de-lever the fund during the month to be well positioned for any potential weakness in January.

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