LAWRENCE PARTNERS FUND

June 30, 2006 Quarterly Update

Performance Overview

Series 1 NAV per share	Monthly Performance	Year-to-Date Performance	Since Inception Performance
$168.25	+17.9%	+44.7%	+315.5%

Shares of the Lawrence Partners Fund (the LPF) were up 17.9% net of all fees and accruals in the month of June. This compares to a flat month on the S&P500 and a loss of 1.1% on the S&P/ TSX Index. For the quarter and year-to-date, the LPF has returned 42.4% and 44.7%, respectively. This compares to a loss of 4.1% on the quarter and a gain of 3.0% year-to-date on the S&P / TSX Index.

For the past quarter and in fact for the entire year, the LPF has not utilized any financial leverage. This makes our returns particularly satisfactory on a risk-adjusted basis and when compared to the losses incurred in broader markets. Furthermore, our best month came during the weakest month on the TSX, demonstrating that the strategies employed in the LPF are achieving our objective of generating capital gains irrespective of market conditions.

Our returns this quarter were generated by reducing our outright long positions and retaining a large cash position and through the decline in price of several of our short positions. Two special situations positions, Trizec and Pengrowth, were major contributors this quarter and are discussed in greater detail below.

Market Summary

This was a particularly difficult quarter in Canadian capital markets. Strong oil prices were offset by continued price declines in natural gas and most industrial commodities and a sharp, significant correction in precious metals. Interest rate fears precipitated simultaneous weakness in bank and insurance stocks, leaving nowhere to hide for most investors. Our view is that the primary global driver of this weakness was the liquidity decline initiated in Japan. A $200 billion contraction in real capital caused a destruction in global equity value over ten times that amount – in excess of $2 trillion. This is particularly disturbing as it highlights the sensitivity of global capital markets to a decline in liquidity in a single market, reminding us again that markets are remarkably connected.

Contemporaneous with this global contraction in liquidity, we have been handed many other excuses to sell: a hairy election in Mexico, North Korean missile target practice, and continued bluster from Iran to name just a few. As is usually the case this has caused a sharp spike in bearish sentiment. Emerging markets have suddenly lost their cachet and it seems only obvious to most that rates have nowhere to go but up, bonds and equity markets nowhere to go but down.

As we see it, reality contrasts sharply with this new sentiment. Corporate balance sheets are bulging and M&A activity is accelerating. Insider buying of shares is at an all-time high. Earnings multiples remain very low. These are not conditions consistent with a bubble or bear-market implosion.

In our markets, this volatility has created significant opportunity. Commodity price volatility and the recent rash of calls for the beginning of the end of the commodity cycle has created outstanding buying opportunities on companies that in many cases have little or no exploration risk and are already generating eye-popping cash flows. The Canadian retail investor has for the most part disappeared which has left issuers, particularly income trusts and junior commodity companies, forced to finance on penurious terms – an outstanding opportunity for those with the financial and psychological wherewithal to participate.

In summary, it is our belief that the sell-off in the Canadian market and markets in general is well advanced. Equity values are realistic and corporate financial health is sensational. The conditions for a bear market do not exist and over the balance of the summer we will be opportunistically adding to long positions and capitalizing on opportunities created by companies forced to finance at less than ideal terms.

Special Situations Create Value in Q2

Two "special situations" contributed significantly to our returns in this past quarter – Pengrowth Energy Trust and Trizec Properties.

As discussed in previous updates, the LPF has for some time carried a hedged position in securities of Pengrowth Energy Trust. Specifically, we went long the class B (Canadian) shares and short the class A shares. These securities were economically equivalent but the class A shares have consistently traded at a large premium to the class B shares due to the foreign ownership restrictions placed on the class B shares. This was forced upon Pengrowth due to an arcane tax law that for the most part affected no other company in Canada.

We have been quite pro-active in trying to assist the company to simplify its capital structure for the long-term benefit of all Pengrowth stakeholders and in particular the LPF. Our efforts helped contribute to a change in the interpretation of the rule at the Ministry of Finance level which allowed Pengrowth to remove its dual-class share structure. On June 27th, all foreign ownership restrictions on the Class B shares were removed leaving no reason for a spread between the two classes of share. On July 27th the two classes will be consolidated and the spread eliminated altogether.

Surprisingly, in the month of June the spread did not compress. The reason for this is that the class A shares are primarily owned by US retail investors who are oblivious to the particulars of the company's capital structure. At July 27th the spread will compress to zero and the Fund is expected to realize a further modest profit. In April and May however we realized substantial profits from the narrowing of the spread. We have held this position for 2 years and are very satisfied with its conclusion.

Similar to our Pengrowth position where we were long a 'Canadian' share versus short a 'US' share, we have for the past three years carried a hedged position in securities of Trizec. As per the tax structure in place, we expected this spread to collapse on a piecemeal basis between the time we put the trade on and August, 2007. However, in June, to our delight, Brookfield Properties bid for 100% of Trizec Properties offering a substantial cash premium for both the Canadian and US shares. The bid fully factored in the value differential between the Canadian and US securities and as such, the LPF was able to realize virtually all of the profits we had expected over the coming 12 months in the month of June alone. We no longer carry a substantial position in securities of Trizec.

The Way Forward - Strategy for Q3

Exiting Q2 we maintain a significant cash position. We are not bearish but believe there will be several opportunities to purchase securities at attractive prices over the balance of the summer and we are positioned accordingly. It is an ideal market for us: a strong economic background muddled by weak investor sentiment.

We have no particular sector bias going into the back half of the year as recent volatility has created opportunity across the board. In particular, the confusion of the past quarter has created opportunities in many large cap equities which we previously did not find priced attractively for investment. Consequently we are looking at financials, both bank and otherwise, and telecoms. In the coming quarter we may invest a significant percentage of the LPF in larger and more liquid securities than we have traditionally been invested in.

An area of great debate amongst Canadian investors is the natural gas sector. For some time, investors have attempted to call a bottom on the gas market and gas-related equities. It is our view that short of a Katrina-esque natural disaster, gas prices will tend to have a weaker bias for some time. However, the natural gas market is self-correcting – there is a finite amount of storage and the exploration and production companies are quick to adjust capital programs in light of lower prices. This is setting us up for a sling-shot type price action to the upside at any time in natural gas. While this situation unfolds in the commodity, it is creating enormous opportunity in gas-related equities.

In the trust market, we see gas-weighted trusts continue to be grossly overvalued as they are propped up by distributions that exceed earnings. We have been successful shorting several such trusts and continue to do so opportunistically. Similarly, in the junior market, many companies are forced to cut their capital programs and reduce their cash flow explorations causing significant share price weakness right when they are most in need of equity financing. This presents us with many opportunities both as buyers and as sellers in the trust sector.

While we have had a great start to the year we are cognizant that the year is only half over and there is far more to accomplish. We remain focused and disciplined in our investing activities to continue to create value for LPF shareholders.

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