

INVESTMENT INSIGHT

DIRECTION. CONFIDENCE. INDEPENDENCE.

SPECIAL YEAR AHEAD ISSUE:



OUTLOOK 2006 » CURRENT SEAS

We anticipate an exciting journey this year. Our strong crew has the equipment, knowledge and intuition to plot a course through coming inclement weather. We foresee having to tack more often this year:

- tack! away from the C\$
- tack! toward China
- tack! for the best wind in Japan
- tack! currencies reveal where the new wind is.

read on for our complete Outlook 2006 ...

D.C.I. Research Standards

- ❑ customized portfolio **direction**,
- ❑ **confidently** executed,
- ❑ through **independent** ideas

Sandstone's D.C.I. research standards are guided by three principles: Direction, Confidence, Independence. We adhere to these standards in our daily research efforts.

DIRECTION

We begin with an overall view of the global economy. Within the macro view, Sandstone utilizes asset allocation decisions to manage overall risk levels. Our direction is our own and we strive to avoid running with the herd.

CONFIDENCE

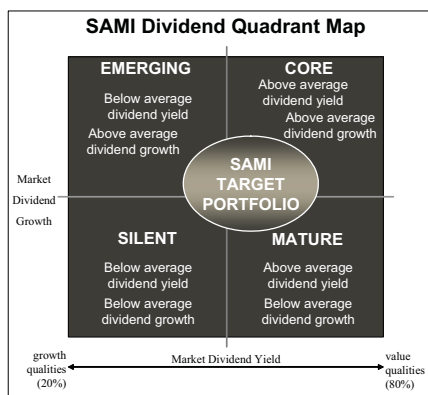
Sandstone's adherence to its research philosophy and process maximizes confidence in investment choices and minimizes downside risk. We take a conservative view of growth in determining underlying value, ensuring a higher level of confidence in potential returns.

INDEPENDENCE

Our over-riding research standard is independence. We strive daily to challenge the consensus view in order to deliver independent ideas to client portfolios. We do not engage in investment banking activities, nor do we operate a trading desk independent of client accounts. Through independence, our interests are aligned with yours.

Our Approach

We manage individual portfolios to meet our clients' risk adjusted return expectations. To accomplish this, we select securities to provide above average returns with below average risk and volatility. This is executed by favouring dividend-growth equities and attractively priced fixed-income securities. Our investment selection process is driven by our proprietary dividend quadrant map:



Investment Committee

Sharon Watkins
President & CEO

Brent Pickerl
Managing Partner, Director

Cameron Webster, CFA
Managing Partner, Research

CONTENTS

Outlook 2006 » current seas	1
We anticipate an exciting journey this year. Our strong crew has the equipment, knowledge and intuition to plot a course through coming inclement weather. We foresee having to tack more often – tack! away from the C\$, tack! toward China, tack! for the best wind in Japan, tack! currencies reveal new wind.	
2005 » spinnaker up	2
2005 was a year with a prevailing tailwind. We are happy to report that our spinnaker caught plenty of wind – our sector and geographic picks worked out well. However, some bouts of billowing occurred at the hands of the odd Canadian dollar cross-wind.	
global rebalancing » tack! toward easterlies	3
The economic winds are shifting from westerlies to easterlies, with China as the source. This is our long-term course and we see more consistent winds traveling in an easterly direction, revealing a stand-alone Asian trading bloc much less reliant on the U.S. We stick to value on our 2006 tack which means new wind from Taiwan.	
cycles » sailing 101 - weather maps	3
Check out the maps, we're due for some stormy weather. The U.S. continues in a secular bear market, secular bulls include emerging markets with commodities at a key inflection point.	
developed markets » tack! for the best wind in Japan	5
As sailing 101 points out, we are firm believers that the U.S. market suggests inclement weather is coming. We view this as an opportunity to move ahead of the competition – that means continued focus in Japan and being opportunistic in the U.S., especially in healthcare.	
emerging markets » tack! new wind in Brazil and Taiwan	7
We believe emerging markets have tipped the scales in their favour. Rising employment, per-capita GDP, foreign currency reserves, and falling foreign debt have pulled risk premiums down – this area of the world is race-ready, having transformed competition with skilled skippers, an enthusiastic crew and strong financial backing.	
canada » tack! away from the C\$	9
Having sailed with our spinnaker up the past three years, we foresee changing wind conditions for Canada. This is especially evident in the currency cross-winds. We are set to tack in these conditions as the maps point to some choppy seas.	
2006 » tack! currencies reveal new wind	11
We believe 2006 will be a year of opportunity following some challenging wind conditions. Our dividend sea anchor will see us through these conditions while asset allocation will position us to take advantage of new wind.	