



INVESTMENT INSIGHT

DIRECTION. CONFIDENCE. INDEPENDENCE.

SPECIAL YEAR AHEAD ISSUE:



We say GET RÉAL, it's a Global Community. Our investment strategies for 2007 and beyond will emphasize:

- Global trends
 - Live long and prosper
 - Environment and infrastructure
 - A currency basket emerges
- Brazil as a microcosm of Global trends
- Canada – going once, going twice

Read on for our complete Outlook 2007



Research Standards

Sandstone's 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.

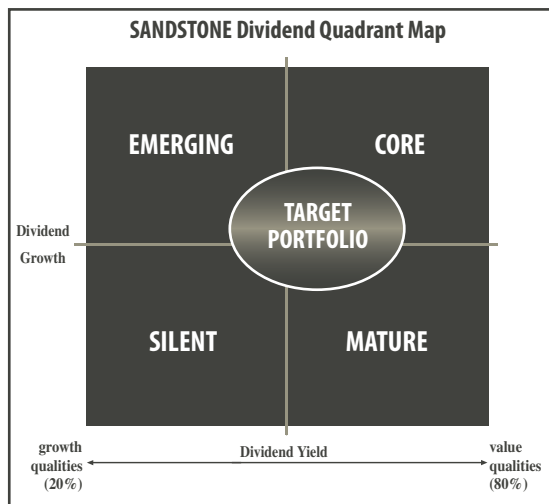
INDEPENDENCE.

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 where our Target Portfolio is weighted toward (but not limited to) the Emerging and Core quadrants.



Investment Committee

Sharon Watkins
President & CEO

Brent Pickerl
Managing Partner, Director

Cameron Webster, CFA
Managing Partner, Research

- 2 Outlook 2007 GET RÉAL** We say GET RÉAL, it's a global Community now. Our investment strategies for 2007 and beyond will emphasize global trends. Our key to investment success within these global trends is the combination of science and human imagination, applied to global solutions.
- 3 2006 Results** Our best calls came in Agriculture, High Yield, and Healthcare. Japan took a pause after a stellar 2005. We increased cash in anticipation of taking advantage of a downturn which came and went faster than anticipated. We viewed the October weakness in Income Trusts as unwarranted and added to positions, ending the year significantly ahead of the benchmark.
- 4 Reserve Currency Basket** A full third has come off the US\$, so we don't see an impending crisis. The recent high oil price environment has shifted capital to countries more inclined to trade in other currencies. We foresee a reserve currency basket emerging.
- 6 Value** How much to pay for growth is a key determining factor for our investment performance. Brazil and Taiwan are cheap, Canada is a bit expensive.
- 7 Canada - going once, going twice** We are puzzled by Canadians' willingness to sell and surprised that big oil has not seen more activity. Canada remains a world energy kingpin and we may move to E&P names. Canadian REITs are expensive thanks to buyouts, so we will move to International REITs for exposure.
- 9 Taiwan - Unraveling 'Red' Tape** Taiwan is a carry-over from 2005 as the red tape between Taiwan and China unravels. Fundamentals in Taiwan currently mean you can finance loans with dividends from stocks, and big money is taking notice.
- 10 Brazil as a Microcosm of Global trends** Brazil's global trading relationships are unique in the world and reflective of the benefits of achieving economic balance. We continue to believe that Brazil is likely the last disinflation play and we're sticking with sovereign bonds. The added kicker this year is falling costs of capital which should benefit interest rate sensitive sectors.
- 14 Global Trends, Global Companies** Live Long and Prosper, and Environment and Infrastructure are themes rooted in science. We have found companies earning significant returns on capital here but you need to stack the odds in your favour – low valuation, strong R&D productivity, focused strategy, unrealized value. GET RÉAL on General Electric!
- 19 Investment Themes** Human imagination applied to science will drive investment returns under our themes of Feed the World, Fuel the World; Live Long and Prosper; and Environment and Infrastructure.
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