



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.

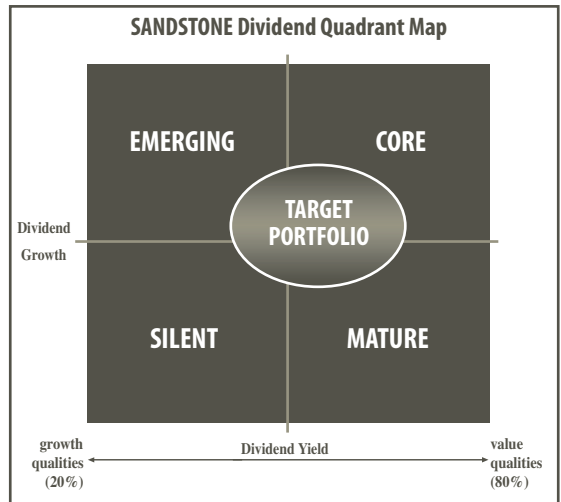
INDEPENDENCE.

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

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JUST THE BEGINNING?** It's time to recall what we said five years ago and ask, is it JUST THE BEGINNING? Our assessment is that there is a groundswell afoot that will result in changed attitudes – toward saving, toward governing, toward economic cooperation, toward the benefits of globalization. This will result in numerous investment opportunities led by an exclusive group of Global Stars.
- 3 2007 –
Year of the Loonie** We beat the average global manager on better stock selection, though currency took a bite. Loonie-watching can now be done with the naked eye instead of with high-powered binoculars.
- 4 In 2003 We Said ...** In 2003, we identified several major trends when they were just beginning - China as global leader of economic growth, global rebalancing, a weaker US dollar, and commodities. What investment themes are at JUST THE BEGINNING?
- 7 JUST THE BEGINNING?
of Changing Attitudes** From Governments, to the economic G's, to individuals, to corporations, we think the road ahead points to a change in attitudes. These attitudinal shifts will be broadly felt in the Global Community; fusing political decisions with business profits, economic development with consumer choice, environmental consciousness with sustainable economic growth.
- 12 JUST THE BEGINNING?
of State Capitalism** This currently has many forms, yet thinking about it provides an excellent framework from which to identify risks and opportunities. Trade surpluses have created enormous pools of capital whose managers are only just beginning to invest it. Will this lead to a more passive or activist shareholder? Will it increase bureaucratic red-tape or stabilize economic relationships? Will it level the playing field or divide economies across nationalized industries? The very fact that so many questions remain unanswered confirms this is JUST THE BEGINNING.
- 14 JUST THE BEGINNING?
of The Emergence of
Global Stars** Those companies best positioned to reap the rewards of what the Global Community has to offer will be the winners. To be considered a Star you must have certain characteristics.
- 19 JUST THE BEGINNING?
of True Globalization** The result of these 'Beginnings' will be true Globalization – a world of sustainable economic growth shared more equally among traditional and emerging economic superpowers. Our investment strategies will therefore emphasize Global Stars best positioned to benefit.
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OUTLOOK 2008 JUST THE BEGINNING?

**There is a groundswell
afoot that will result
in changed
attitudes towards:**

**Saving,
Governing,
Economic cooperation,
The benefits of
globalization**

Welcome to our fourth annual Outlook edition of Portfolio Strategist. Last year in *GET RÉAL* we retired global rebalancing as a theme and moved to a Global Community stance, emphasizing Brazil as a microcosm of it. In 2006, *Current Seas*, we told you of anticipated inclement weather and how we would tack! more often to take advantage of investment opportunities. In 2005, *Loonie Tune, Global Dance* focused on the impact of Canadian Dollar strength on global returns and reiterated our views on global rebalancing.

This year marks five years since we outlined some long-term trends we felt would present attractive investment opportunities. Contrarian and thought-provoking at the time, we found success in setting our sights out five to ten years. It is in the spirit of that process that this year we recall what we said in 2003 and ask, is it JUST THE BEGINNING? Our discovery is that our 2003 themes have evolved into JUST THE BEGINNING of:

- Changing attitudes
- State Capitalism
- The emergence of Global Stars
- True Globalization

Our assessment is that there is a groundswell afoot that will result in changed attitudes – toward saving, toward governing, toward economic cooperation, toward the benefits of globalization. This will result in numerous investment opportunities led by an exclusive group of Global Stars.