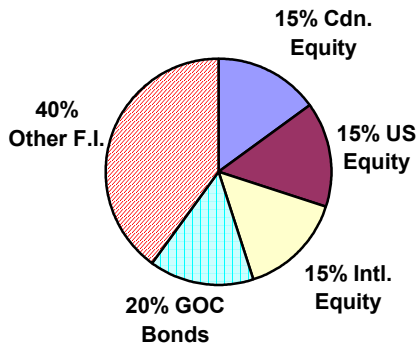


2006: A 50/50 Year

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Summary:



As of Sept. 30th, 2006:

Shaunessy YTD: 6.9%
Shaunessy Y/Y: 11.25%
API Median YTD: 5.3%
API Median Y/Y: 7.7%

In times of market uncertainty and imminent year over year single digit returns, it does not pay to take chances. The returns aren't there to warrant it and if a hunch is wrong, it is nearly impossible make up the loss. This is a time when portfolios should be well diversified and balanced (and re-balanced regularly) to "keep all the bases covered" with defensive positions in each asset class. This is the primary purpose of our global balanced portfolio. We anticipate markets, in particular equity markets, will remain volatile for the rest of this year and well into 2007.

At the same time it is obvious, at least to us, that whatever was the order of the day in the last 5 years, be it China's economic miracle, U.S. consumer ebullience, soaring commodity or housing prices and even Canada itself, these investment opportunities will not be the leading opportunities in the next five years. The great unknown is who tomorrow's leaders will be or just when they will emerge. Again, as an investor, the best position to be in, is to be well diversified and prepared to capture any opportunity that may present itself.

Canadian Equity: 15% Unchanged

While both on a year to date and a year over year basis Canadian large cap equity performance is positive, results are now lagging both U.S. and global large cap. Canadian equity markets have become very volatile of late as indicated by the frequency of single day 100 point variations in the value of the TSX Composite. M&A activity in Canada's mining sector plus declining commodity prices, in our view, signals the end of this commodity rally. With diversity a thing of the past after the loss of so many large cap icons, Canada offers a narrow and risky market to invest in. Indeed, we are comfortable with our 15% allocation to Canadian equity only because of our exclusive focus on Canadian heavyweights and because of the rules-based methodology we use to mitigate sector, issuer *and, importantly* manager risk. (In uncertain markets, managers often make matters much worse).

U.S. Equity: 15% Unchanged

The U.S. economy is being led by the U.S. consumer into what may become, in our view, a period of chronic (rather than acute) malaise. On cue, U.S. economic behemoths, the stalwart defensive stocks that perform well in times of declining fed rates and market uncertainty and also the companies with the greatest international exposure, are rallying and pushing the Dow to heights not seen since January 2000. Shaunessy anticipated this outcome last year and with U.S. 10 year rates significantly higher than comparable rates in Canada (an anomaly) both U.S. large cap and fixed income investments are a welcome source of balance and returns in our core asset portfolio. At this juncture the U.S. housing situation is of concern and becoming a

**International
Equity: 15%
Unchanged**

staple issue of the day in the media. We are looking for more accurate indicators as to its outcome --- will prices drop 2%, 10% or more? --- in order to determine if our U.S. dollar exposure should be adjusted.

Non-North American large cap equity returns for the first nine months of 2006 have been very competitive besting both U.S. and Canadian equivalents. The exposure within our EAFE holdings to Asian and Far East equity markets which depend significantly on U.S. consumer demand, led us to reduce our EAFE holdings by 5% in early Q2. We continue to be concerned that China's banking system is the region's Achilles' Heel (note: three of the largest IPOs ever were issued in the last 12 months and all three were Chinese banks and one more is on the way. These issues according to one analyst only have junk bond status). We have therefore re-allocated a further portion of EAFE holdings to EURO 350 instruments both as a defensive strategy and because we expect European large cap equities to continue to provide relatively more stable returns (everything is *relative* in these markets) due to their greater exposure to mature defensive sectors. Additionally, it is reasonable to expect that returns may be boosted as a result of lower Canadian dollar valuations relative to European currencies.

**Fixed Income &
Bonds: 55%
Unchanged**

Since December 2005 we have anticipated higher than normal volatility in equity markets and we have aggressively moved to protect our core asset portfolio by allocating as much as 55% (normal allocations are in the 30%-40% range) to fixed income instruments. However, rather than take a passive approach, we have sought out and found niche opportunities to realize approximately an 8% year over year rate of return on this side of the ledger. For example, we recently added U.S. preferred shares (yielding approximately 6%) both to provide income and to stabilize riskier investments in gold bullion, high yield bonds and income trusts. Our bond allocation has been reduced but remains tilted toward the short end of the market in line with an inverted yield curve. We are managing U.S. and Canadian dollar currency risk by holding non-North American currency ETFs.



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