

Market Commentary

August 30, 2007

Over the last 40 days, Global markets have experienced volatility and declined in value. The two main causes are the fall-out of the U.S. sub-prime real estate market and the collateralized money market funds. Wise Capital has no direct or significant investments in either area. As a result of the devaluation of assets hedge funds, some large world-wide brokers and banks were forced to sell assets across the board to re-establish their reserves. The result has been pressure on all stocks across the Globe. Our analysis shows that much of the correction has taken place, but there may still be some after-shocks in the coming months.

The fundamental reasons for holding the stocks that we do in our portfolios have not changed; these holdings remain solid, highly profitable companies that we invested in early on. We sell them when they reach fair value. Our batting average is that 85% of our stock picks over many years have outperformed the market, and 98% earn a positive return.

I have worked in the pension fund industry since 1978 and have been responsible for investing other peoples' money in large amounts since 1990. The "retail" approach is to invest in the "hot" idea of the day. Wise Capital Management has a long term, disciplined approach and we do not attempt to time the market. Studies show that investors cannot make money by market timing, and the cost of commissions and the costs of panic selling can be 10%. The market can increase significantly at any time and there will be no advance warning. Fully invested managers, like us, reap the biggest rewards when that inevitably happens.

We rank in the Top 10 of all Canadian portfolio managers in Canadian equity performance over our 7 year history and in Global equity performance over its 6 year history (source: Brockhouse and Cooper Survey, June 2007). Our large pension fund clients have not expressed any recent concerns to us. We have and will continue with our disciplined, value based approach and take advantage of current market conditions by buying under-valued companies at even more favourable prices.