

Investment

Review & Update



July 2007

Real Estate Investment – U.S. Sub-Prime Mortgage Risk Affecting Growth in the U.S.

A sub-prime mortgage is granted to borrowers whose credit history is not sufficient to get a conventional mortgage. Often these borrowers have impaired or even no credit history. These can also include interest only loans.

We believe that the recent press on the financial troubles of a few lenders of sub-prime mortgages like the banks and hedge funds in the U.S. are part of a bigger problem of imprudent lending practices of US lenders in supporting asset prices in recent years.

Although we still believe in strong global growth, the current U.S. housing downturn will affect future growth in the U.S. The bigger problem in the mortgage industry in the U.S. is of sub-primely financed homes in other parts of the U.S. such as Las Vegas, Rockford, Illinois, Miami and Florida. There are millions of overpriced homes and asset-backed collateral in the U.S. now that if there is a meltdown, there is going to be a huge cost to those carrying those debts. According to a recent research by

Bank of America, they estimate that approximately \$500 billion of adjustable rate mortgages (ARMS) are scheduled to reset skyward in 2007 by an average of over 200 basis points. 2008 holds even more surprises with nearly \$700 billion ARMS subject to reset, nearly $\frac{3}{4}$ of which are sub-primes. Given the huge amount of debt repayment, many more home owners are going to be faced with a “double whammy” of declining house prices and higher interest costs leading to more payment defaults and foreclosures.

While Mackenzie Universal World Estate fund has only about 30% of their exposure in the U.S., most of which is in commercial property, the uncertainty surrounding the sub-prime meltdown and global perception of weakness in the U.S. Dollar are having a negative impact on this fund. Added to this, the impact of rising interest rates in Europe and Canada is having a general dampening effect on real estate. We therefore think it is time to reconsider this fund.

We recommend that clients switch from Mackenzie World Real Estate Fund into Mackenzie Cundill Security Class C (see the following page for a fund summary).

Outlook for Fixed Income -Bonds

In view of possible Canadian interest rate rise for the next 3-6 months period, we see a possible weakness in bond prices and hence will recommend some rebalancing of bond funds into a balanced fund or a dividend paying fund such as Acuity High Income or TD Dividend Growth fund.

We will contact each of you individually in the coming week to discuss any changes appropriate to you.

Best regards,



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DISCALIMER: E&OE: Investment Fund values change frequently and past performance is not indicative of future performance. No guarantee is given or implied and there is risk of loss as well as the opportunity for gain when investing in mutual funds.

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Mac Cundill Canadian Security Series C

Benchmark : S&P/TSX Composite
 Category/Universe : CdnAnchEq/Mutual
 Release date : May 31 2007

Morningstar Rating **★★★**

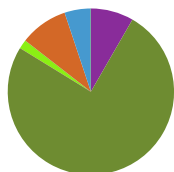
Tax-Adjusted Ranking

Morningstar Style Box

Prepared by Victor Whang

Fund Summary

| World Regions | % Assets |
|----------------|----------|
| US | 8.4 |
| Canada | 75.8 |
| Latin America | 0.0 |
| UK | 0.0 |
| Europe | 1.8 |
| Afr/MidE/Other | 0.0 |
| Japan | 9.4 |
| Australia/Asia | 5.1 |
| Unknown | 0.0 |



Operations

Sponsor Mackenzie Financial Corporation
 Manager(s) Peter Cundill
 Wade Burton
 Telephone 800 387 0614
 Address 150 Bloor Street West, Suite M111
 Toronto, ON, Canada, M5S 3B5
 Website <http://www.mackenziefinancial.com>
 Net Assets \$2,662.58 mil

RRSP Eligibility Yes
 Minimum Initial Purchase \$500
 Minimum RRSP Purchase \$2,500
 Minimum Additional Purchase \$100
 Sales Status Open
 Load Deferred, Front, Low Load
 Expense Ratio 2.41%
 Management Fee 2.00%

Current Asset Weights

| | Fund | Cat.Avg | Index |
|--------------|------|---------|-------|
| Cdn Eq | 45.4 | 62.1 | 90.2 |
| US Eq | 8.3 | 15.6 | 0.4 |
| Intl Eq | 16.3 | 10.9 | -- |
| Cdn Bond | 4.2 | 0.4 | -- |
| Fgn Bond | 0.0 | 0.1 | -- |
| Preferred | -- | 0.7 | -- |
| Warrants | -- | 0.1 | -- |
| Futures | -- | 0.0 | -- |
| Cash | 20.7 | 6.4 | -- |
| Inv Fund | -- | 0.6 | -- |
| Cdn In Trust | 4.2 | 3.6 | 9.4 |
| Fgn In Trust | -- | 0.0 | -- |
| Other | 0.8 | 0.0 | -- |

Top Holdings as of 12-31-2006

| | % Assets |
|--------------------------------------|----------|
| Canada (Govt Of) T-Bill | 21.64 |
| BCE Inc. | 7.59 |
| Fairfax Financial Holdings, Ltd. | 5.80 |
| Korea Electric Power | 5.15 |
| Nikko Cordial | 4.82 |
| Onex Corp Subordinate Voting Share | 4.64 |
| MI Developments Inc. A | 4.42 |
| Torstar Corporation Non Voting Share | 3.81 |
| Canfor Corporation | 3.67 |
| Pfizer Inc. | 3.43 |
| QLT, Inc. | 3.27 |
| E-L Financial Corporation Limited | 2.38 |
| Verizon Communications | 2.38 |
| Canadian Natural Resources, Ltd. | 2.09 |
| Daiichi Sankyo | 2.08 |
| Total | 77.19 |

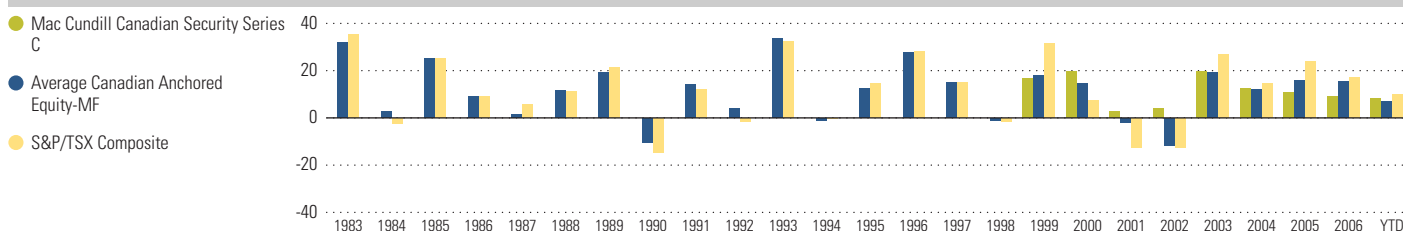
Global Equity Sector Weights as of 12-31-2006

| | % of Stocks | Index |
|------------------------------|-------------|-------------|
| Information Economy | 24.4 | 11.2 |
| Software | -- | 0.4 |
| Hardware | -- | 2.8 |
| Media | 9.5 | 2.4 |
| Telecommunication | 14.9 | 5.6 |
| Service Economy | 51.1 | 40.3 |
| Healthcare Services | 11.8 | 0.7 |
| Consumer Services | 1.2 | 3.6 |
| Business Services | 0.7 | 4.9 |
| Financial Services | 37.3 | 31.1 |
| Manufacturing Economy | 24.5 | 48.5 |
| Consumer Goods | 1.1 | 0.8 |
| Industrial Goods | 13.7 | 18.4 |
| Energy | 2.8 | 27.9 |
| Utilities | 6.9 | 1.5 |

Rolling History Table (Month End Values)

| | May 07 | Apr 07 | Mar 07 | Feb 07 | Jan 07 | Dec 06 | Nov 06 | Oct 06 | Sep 06 | Aug 06 | Jul 06 | Jun 06 |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| NAVPS | 11.092 | 11.002 | 10.666 | 10.274 | 10.291 | 10.230 | 9.968 | 9.770 | 9.607 | 9.491 | 9.237 | 9.264 |
| Capital Gains | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Dividends | -- | -- | -- | -- | -- | 0.045 | -- | -- | -- | -- | -- | -- |
| Return of Capital | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Foreign Dividend | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |

Calendar Year Returns



Calendar Year Performance

| | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | YTD |
|--|------|------|------|------|------|------|------|-------|------|------|------|------|------|------|------|------|------|------|-------|-------|------|------|------|------|-----|
| Mac Cundill Canadian Security Series C | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- | 16.8 | 19.6 | 2.9 | 4.1 | 19.6 | 12.5 | 10.8 | 9.0 | 8.4 |
| Average Canadian Anchored Equity-MF | 31.8 | 3.0 | 25.3 | 9.1 | 1.5 | 11.5 | 19.4 | -10.4 | 14.0 | 3.9 | 33.5 | -1.2 | 12.6 | 27.6 | 15.0 | -0.9 | 17.9 | 14.8 | -1.9 | -11.7 | 19.4 | 12.0 | 16.0 | 15.6 | 6.8 |
| S&P/TSX Composite | 35.5 | -2.4 | 25.1 | 9.0 | 5.9 | 11.1 | 21.4 | -14.8 | 12.0 | -1.4 | 32.5 | -0.2 | 14.5 | 28.3 | 15.0 | -1.6 | 31.7 | 7.4 | -12.6 | -12.4 | 26.7 | 14.5 | 24.1 | 17.3 | 9.9 |

Investment Objective

The investment objective of the fund is to achieve long-term growth. For the Security Fund, the Investment Counsel concentrates on acquiring primarily Canadian securities trading below their intrinsic value which is justified by assets, earnings, dividends, definite prospect and management.