



The word Claret stands for clarity, crystal clear, clean, and reflects the values of its shareholders.



The Chinese symbol in the Claret Asset Management Corporation logo stands for additional prosperity or increasing wealth. It signifies the importance of international diversification as well as the rising importance of the Orient as an economic force.

Our Mission is:

To provide investment expertise traditionally reserved for large institutional clients to private individual investors.

Our Clients are:

High-net worth individuals seeking confidential, professional, investment counsel for fully discretionary, custom tailored, segregated portfolios.

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Introduction

Claret Asset Management Corporation was founded in 1996 to manage the investment portfolios of private investors.

The firm specializes in giving personalized service to individuals, by tailor-making each portfolio to an individual's needs.

Independent

Claret is an independent investment counselor that is free of corporate conflicts. We do not maintain an inventory of securities, nor do we act as principal. This ensures that each transaction we complete on behalf of our client is in their own best interest.

Prosperity and peace of mind

Managing individuals' portfolios is our specialty. Our philosophy is that we will maximize long term performance while ensuring that the client sleeps well every night.

The Claret Portfolio Process

Tailored Portfolios

At Claret Asset Management, we believe that each portfolio should be as unique as the investor it has been created to serve.

Objectives

The first step in creating a portfolio is to fully understand a client's objectives and constraints. Often investment objectives are focussed on:

- Desired return - what is the objective as far as the rate of return required. This, of course, is a function of risk.
- Controlled risk level - all returns are subject to a controlled and tolerable risk level.

Equally important are the constraints of a portfolio which may include:

Constraints

- Liquidity – does the client require any payments from the portfolio? This factor will influence the structure and the assets held.
- Time Horizon - the period of time over which the portfolio is required to provide for the investor. The portfolio may be required to meet the needs of several future generations of family, or it may be intended for a specific number of years.
- Legal - this constraint applies to Directors and Officers of publicly traded companies and their ability to trade in their own shares. It also applies to estates, foundations and to retirement savings plans.
- Unique preferences - we refrain from investing in products or companies that are not consistent with our clients beliefs.
- Taxes - clients may have existing tax credits or liabilities which impact the investment management process. These should be considered to maximize after tax returns.

OBJECTIVES AND CONSTRAINTS



Once the portfolio objectives and constraints have been thoroughly defined the investing process can begin.

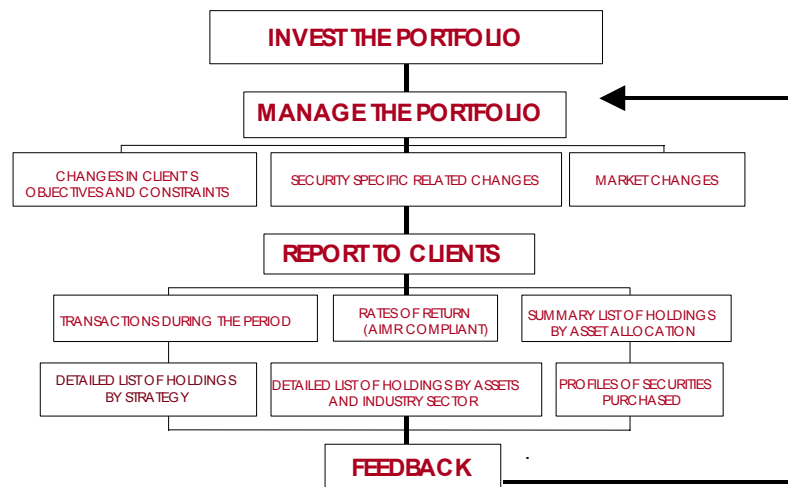
Investments are made subject to market conditions. The investment strategies used will respond to the defined portfolio objectives and constraints.

Once invested, the portfolio of securities must be monitored and managed. Factors which impact the portfolio include changes in the individual's objectives and constraints, security specific related changes, and changing general market conditions.

An important component of Claret's personalized service is our client reporting. Our clients receive regular reports that keep them abreast of developments in their portfolios and in the market place in general. Included are:

- Summary list of holdings by asset allocation
- Detailed list of holdings by asset and industry structure
- List of transactions (capital gains and income reports) during the period
- Profiles of the securities purchased
- Rates of return of the portfolio in comparison with the appropriate benchmarks.

A final important component of the portfolio process is client feedback to the investment manager.



Investment Philosophy

Market monitoring

Claret maintains that financial opportunities present themselves in many different ways and at different times. The proper tools and skill-sets are required in order to recognize and to profit from these opportunities.

Claret streamlines the initial security screening process and the constant security and market monitoring through state-of-the-art computer systems. These systems enable us to conduct the initial security valuation process efficiently.

A good company is not always a good investment

Valuation is of paramount importance. A good company is not always a good investment. If there is no future improvement possible for an already well-managed company, and all of the positive information is reflected in the current stock market price, there may be a limited future upside to the stock. Sometimes valuations get ahead of themselves. On the other hand, a poorly run firm with a concrete restructuring plan and the talent required to implement that plan can become a profitable investment. At Claret, we invest in well-managed companies, subject to their valuations.

Strategies

Value

Traditional

Value investing remains a stalwart of the industry. Applying a modified version of Graham and Dodd's award winning analysis provides the backbone to our value approach. In addition, further qualitative analysis of the corporate management, their vision, remuneration, and track record form an integral part our value management approach. Some firms are trading at a fraction of their book value for a good reason, while others have the potential to create value and have that value be recognized.

Core Holdings

Long Term Holdings

These investments are part of the basic make-up of the portfolio which will be held for several years, subject to market valuations. The firms are solid with strong growth potential and currently trading at low valuations. These investments initially appear on our value screens.

Common Sense

A Treasury Bill or Guaranteed Investment Certificate Alternative

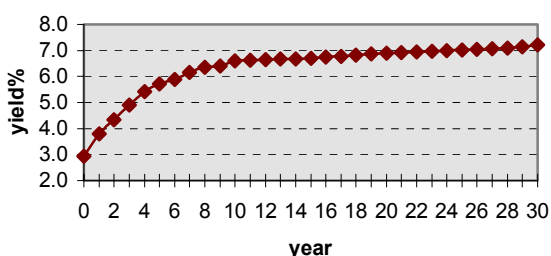
Some individuals feel most comfortable with part of their investment in Treasury Bills or GICs. Banks and Trust companies who sell these products build in a profit margin of one percent or more for themselves.

We are able to offer our clients equally secure Government of Canada T-Bills and bonds with a better credit rating and higher liquidity than bank GICs. Because we are able to purchase them at institutional rates instead of at the bank retail rate, we are able to pass on the one percent bank profit margin to our clients.

Fixed Income

Fixed income holdings fulfill the income requirements of individuals on a regular, predictable basis. The term to maturity of these investments is no longer than seven to ten years and usually about five years. There is currently a lack of reward associated with extending the term of these investments further than ten years.

Canadian Government Yield Curve



Growing Income

This low stock turnover strategy consists of selecting companies that have been regularly increasing their dividends over the past five years and are currently in a solid financial position to continue this dividend growth into the future. The companies must also comply with five other criteria considered essential by Claret research.

Small Capitalization Companies

These firms are valued in an inefficient market place. Due to their lack of exposure and coverage by the investment community, complete information is not always readily available. These firms have the greatest future potential. As they grow, they begin to command more attention and have their value recognized in the marketplace. Proprietary analysis of these firms - doing your homework - is the key to success in this sector.

Currency Overlays

When dealing with international markets there are always two decisions to make. One is the investment, the other is the currency. These are two separate decisions and should be viewed accordingly.

Referendum Protection

From a Canadian perspective, there are regular mini currency crises. Historical currency volatility was highlighted by the Meach Lake and Charlottetown Accords, and ongoing currency volatility will be associated with referendums, federal elections, Quebec provincial elections, and budgets. One way of protecting assets from unproductive volatility is to sell everything, pay all the capital gains and fees associated with these transactions, and then purchase a safe haven investment that is to say U.S. dollars or Swiss francs. Alternatively, to avoid becoming ransomed to the political gyrations of the market, a Canadian Dollar collar can be placed on the value of the portfolio. Clients rest more peacefully knowing that their portfolios remain within predetermined levels which they have chosen together with Claret's guidance.

Covered Calls

Reduced Risk

This strategy begins with the portfolio holding a position in a desirable company and then examines the tradeoffs around the current valuation. What is the future probable return and what does the market believe the volatility of the stock will be going forward? The strategy allows investors to reduce their exposure to a company and lock in a current premium. As the stock increases, the investor participates up to a pre-determined level. Should the stock decrease in value, the investor retains the premium which helps to offset this decrease. This strategy is appropriate for sideways trading markets.

Convertible Securities

Three ways to participate

Convertible debentures present three opportunities to the individual investor. First, as a fixed income investment, they allow investors to participate in a higher yielding investment versus government bonds with a corresponding higher level of risk. The relationship between the risk and reward are not always symmetrical. This presents an opportunity. The second opportunity is to participate in capital gains either through falling interest rates which increase the value of the convertible bonds or through an increase in the value of the underlying stock above the conversion price of the debenture. A third alternative, appropriate only at certain market intervals, is a convertible hedge strategy which involves the two simultaneous transactions of being long the bond and short the stock. This is an example of an institutional strategy applied for individuals.

Trading

This strategy is based on short term overbought and oversold positions which capitalize on market overreactions to news such as earnings, takeovers or other corporate actions.

Risk

Risk is like cholesterol: there is good risk and bad risk. Good risk, such as stock market volatility, rewards you. Bad risk, such as over concentration in similar industries, is unproductive and unnecessary. Some of the traditional risks are outlined below.

Forecast

Companies' earnings drive stock valuations. When companies announce a negative surprise in earnings, the market is usually swift to react. To limit this risk, Claret purchases companies when the earnings are at the bottom of a range and where the probable upside looks compelling. On a larger scale, a macro basis, the government economic figures released on a regular basis provide the earnings equivalent for government bonds.

Company Specific and Industry Specific

Companies are subject to specific risk such as flood, fire and earthquake. Both companies and industries are subject to government regulatory risk such as health issues, and environmental issues. In addition, technology can render an entire industry obsolete before investors have had time to recoup their investment.

Concentration

Concentration is a problem associated with a lack of diversity. If all investments were held in one industry, such as oil and gas, a period of falling oil prices would present a significant problem. Overcoming concentration risk is manageable. By ensuring that correlation coefficients between holdings are low, the effects of swings in the market place are reduced.

Credit / Default

This risk is usually associated with fixed income products such as bonds. If the credit rating of a company, city, province, state or country drop, the higher interest rates charged the issuer result in a drop in the value of their issued securities. Conversely, if their credit rating improves, the value of their

outstanding debt increases. Default occurs when an interest payment is not made on a timely basis.

Currency

This risk can be perceived from two perspectives. From the domestic perspective, one risk is the potential loss of purchasing power versus your neighbouring countries. For example, a major decline in the Canadian dollar adversely affects an individual's ability to purchase imported goods as well as to travel abroad. The more traditionally perceived risk is that of purchasing a foreign asset, and having the underlying currency decline in value. Both situations are manageable without having to dispose of the underlying asset. At Claret, currency overlays are used to manage currency risk. Smoother returns are easier on the nerves.

Interest Rate

Rising interest rates are associated with declining bond values. A one percent increase in the yield of a 20-year bond will have a greater negative impact on the value of the bond than a one percent increase in a 5-year bond.

Inflation or Purchasing Power

This is directly related to the ability to maintain one's lifestyle. This becomes even more important when the time horizon of the portfolio extends over several generations.

Political

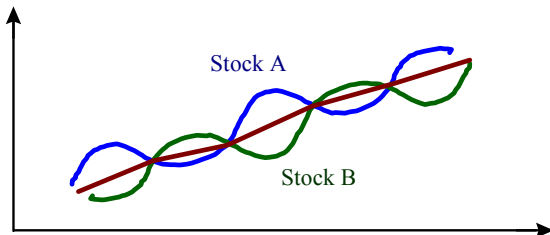
This is the risk of expropriation of assets by a government and the ensuing instability. Capital markets weather surprises and uncertainty poorly.

Diversification - The Global Edge



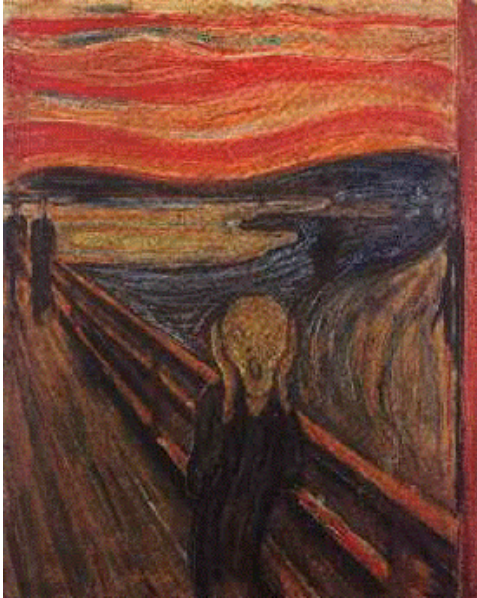
Most individuals have their home, business and cottage all in the same region. Why invest all of your assets in that same region? Canada currently makes up less than 4% of the world equity markets. Many growing industries are simply not available to investors in the Canadian market such as computers, pharmaceuticals, chemicals and health care. These industries have had tremendous growth, accompanied by strong profits and have rewarded investors handsomely. Why invest all of your eggs in one basket? Especially in such a small basket.

Diversification has many facets each of which should be taken into consideration. Portfolios can be diversified by country, currency, industry, and asset category. Asset categories include, cash and equivalents, bonds and fixed income, preferred shares, convertible securities and common stocks.



The primary reason to diversify is to reduce the risk and volatility of a portfolio. The basic diagram on the left presents the price of Stock A in blue and the price of Stock B in green. Each has different characteristics and different valuations which do not move in tandem. From a statistical perspective these stocks are not highly correlated. The red line represents the result of combining the two securities - a return progression which is more stable than either of the holdings alone. This is one of the benefits of diversification.

Taxation

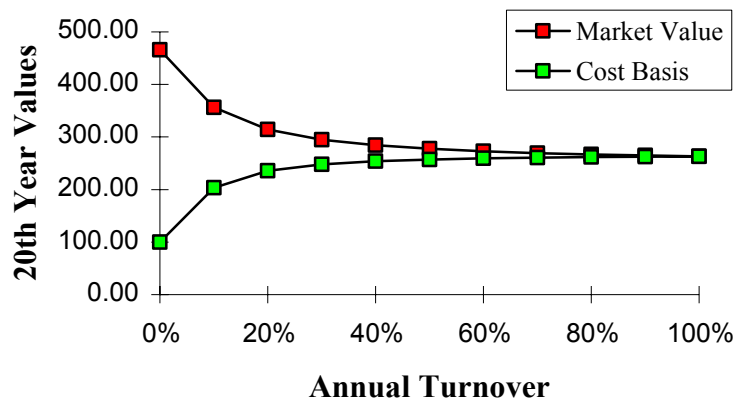


Edward Munch “The Scream”

The first reaction of individuals upon seeing their tax bills after a profitable year is to Scream! This is a justified reaction, though most clients can alleviate the tax burden through proper planning. We all know that paying taxes is one of life's certainties, how much you pay is not.

Tax considerations have continued to be an integral part of the investment management process. While not “the” driving force behind transactions they are certainly important considerations. The graphs below illustrate three important taxation points; the taxation of dividends versus interest, the relationship between taxes and turnover, and the importance of using tax algorithms in the investment process.

Effect of Turnover on After-Tax Growth



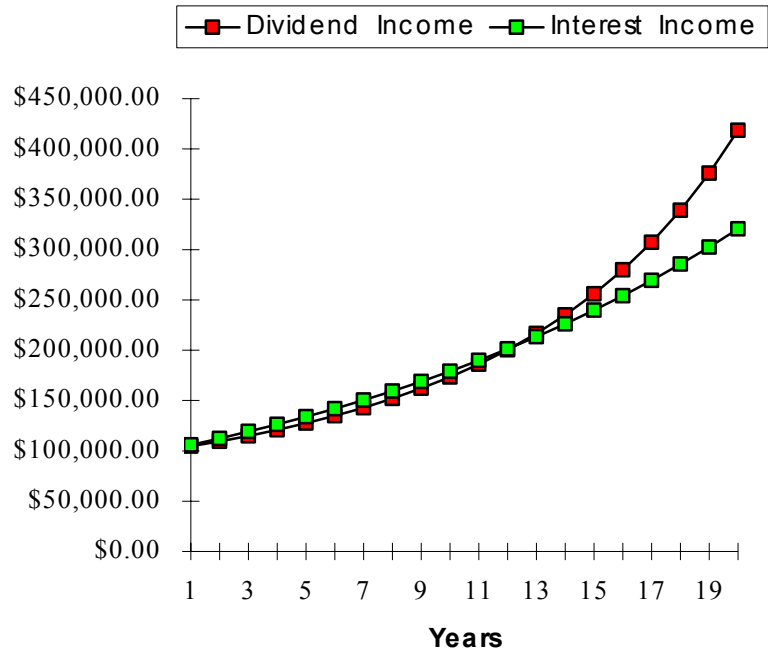
Assumptions: Principal growth rate: 8%/yr; capital gains tax: 38%; time period: 20 years

We all know that paying taxes is one of life's certainties, how much you pay is not.

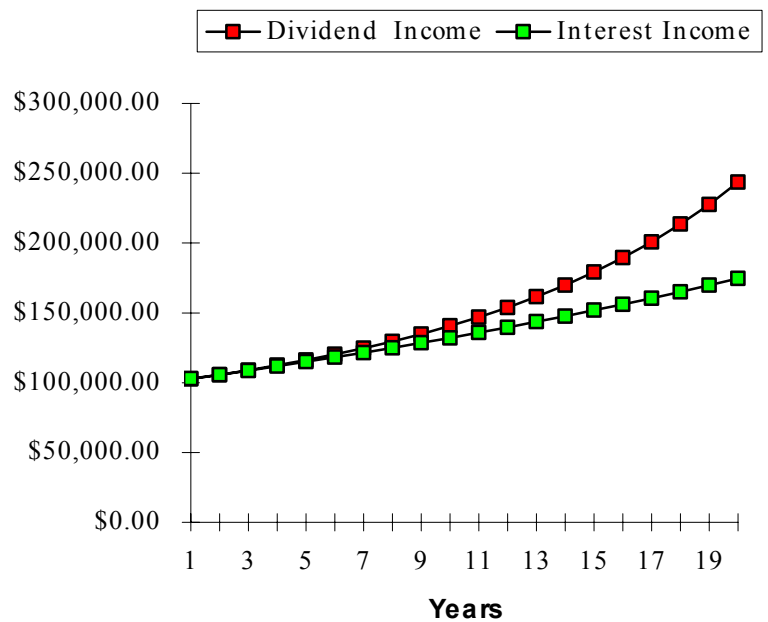
Tax and portfolio turnover go hand in hand. The higher the turnover the higher the tax, or so one may believe. The relationship is actually counter-intuitive over a longer period of time. Most of the impact of turnover on a portfolio occurs with the first 20% of turnover, as demonstrated above.

Dividends on Canadian shares are still favorably taxed relative to interest income. Over time the advantages are demonstrated below.

*Interest Income
Versus
Dividend Income **Before Tax***



*Interest Income
Versus
Dividend Income **After Tax***



Finally the tax algorithm helps set out the rules for realizing gains or holding positions, and must be custom tailored for each individual.

Fees

Claret's fees are charged for investment management services. They do not include any transactions charges, and they include the regular portfolio appraisals and reviews. The schedule for these reviews is determined individually for each client.

The fees are calculated quarterly based on the valuation at the end of the previous quarter.

The fees are 0.5% per annum on the fixed income portion and 1.25% per annum on the equity portion (for portfolios of \$500,000 CDN and more).

These fees are billed to the client's custodian at the end of each quarter, and can be debited from the investment account, at the client's discretion.

Our clients also benefit from our negotiated fee agreements with a variety of custodians.

Our fees are deductible for income tax purposes (except RRSP's).

For more information, please contact us at your convenience at:

How to contact us:

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Toll Free at: 1-888-842-6110

Fax: (514) 842-6123

E-mail: info@claret.ca

Website: www.claret.ca

Complimentary client parking is available in the building, accessible through the Eaton Center's parking lot. The entrance is located on the east side of McGill College Avenue, between St. Catherine Street and de Maisonneuve Blvd.

General Conditions regarding the Relationship between CLIENT and Claret Asset Management Corporation

- The portfolios will be managed on a discretionary basis according to the established parameters.
- Portfolio valuations will be sent quarterly.
- Portfolios will be held by CIBC Wood Gundy, 1 Place Ville-Marie, Suite 4125, Montreal, Qc H3B 3P9.
- Claret Asset Management will act as your true and lawful attorney to act on your behalf with full power and authority in your name for the purpose of executing and delivering all documents and taking all other steps which are necessary or advisable in order to carry out fully the mandate conferred by the Agreement in accordance with its terms. You confirm that we may disclose any information which you have provided to us to any of our subsidiaries or affiliates and any agents retained by us in order to carry out our obligations under the Agreement and for the purpose of opening, establishing and maintaining accounts with such parties. Furthermore, you confirm that we may disclose information concerning your account to your accountant, lawyer, notary, or other.
- Individual clients benefit from a discounted brokerage commission that we have negotiated. These transactions fees become part of the adjusted cost base of the security. When, on behalf of two or more clients, we place concurrent orders for a transaction, each client's allocation is in the proportion his original order bears to the total original order for all clients, and each client's average unit cost is equal.
- We, in carrying out our mandate under this Agreement, agree to exercise the care, diligence and skill that a portfolio manager would exercise in dealing with the property of another person.
- Our investments counsel agreement can be terminated at any time by either party, but we suggest that thirty days' written notice be given to allow for settlement of outstanding transactions, etc.
- This Agreement shall be governed by and construed according to the laws of the Province of Quebec.
- The parties hereto have requested that the present Agreement and all documents related thereto be drafted in the English language. Les parties aux présents ont exigé que le présent contrat ainsi que tout document s'y rapportant soient rédigés en langue anglaise.
- Statement of Policies regarding Conflicts of Interest in Transactions with Related or Connected Parties
 - In the course of providing investment counseling and portfolio management services to you, we may from time to time advise you or exercise discretion on your behalf with respect to the purchase or sale of securities issued by other persons or companies which are related or connected to us¹. A description of these transactions is set out below. We recognize that these transactions may create a conflict between our interests and yours and believe that it is important that you are fully informed regarding the circumstances in which we may enter into them. **In addition, Canadian securities law requires us to provide you with information regarding the nature of the transactions and our relationship with the parties involved and, in certain circumstances, to obtain your prior consent to such transactions.** If there is any significant change contained in this statement, we will provide you with a revised copy.
- Transactions with Related or Connected Parties
 - From time to time, we may advise you or exercise discretionary authority over your portfolio with respect to the purchase or sale of securities from or to, or issued by, persons or companies which are "related" or connected to us or for which we or an affiliate or one of our or an affiliate's directors or officers is a "responsible person" under National Instrument 31-103 – *Registration Requirements & Exemptions* ("**31-103**") and, in particular, the purchase or sale of securities issued by limited partnerships, including 3700666 Canada Investments Limited Partnership, Claret Income Limited Partnership and Claret Growth Limited Partnership, managed, administered or distributed by our wholly-owned subsidiary, 3700666 Canada Inc. The units of the limited partnerships are offered to investors in reliance on exemptions from dealer registration and prospectus requirements for applicable securities legislation. We or an affiliate or one of our or an affiliate's directors or officers is a responsible person of the limited partnerships which are also related to us because we act as the investment manager of the partnerships and because our subsidiary, 3700666 Canada Inc., is the general partner of these limited partnerships. The above transactions will be entered into where they are permitted under applicable securities law and where they are, in our view, in your best interest.
- As you are not currently U.S. residents and you intend to hold U.S. securities personally, we must inform you of the Estate taxes for U.S. assets. This amount increases quickly and can be punitive.
- While carrying out our mandate, employees of Claret, may personally purchase or sell securities of issuers that our clients hold in their portfolios. Should this situation arise we will follow the guidelines put forth by the Autorité des marchés financiers and the Ontario Securities Commission, the Securities and Exchange Commission and the CFA Institute regarding the Priority of Transactions. In signing this form you provide your consent for employees to do personal trades based on the CFA Institute Code of Ethics and Standards of Conduct.
- In order to generate income on the assets, or to take advantage of special opportunities in the market, options could be employed. Please read the attached "Disclosure Statement for Recognized Market Options". By putting your initials at the bottom, you acknowledge receipt of the document.
- All types of financial engineering can be employed in managing the portfolio. This will include but not be limited to the purchase and sale of options. As new financial products are created their use in the management of the portfolio will be considered.

1 A party is "related to us" if, through the ownership or direction or control over voting securities, we exercise a controlling influence over that party, that party exercises a controlling influence over us or we are influenced by the same third party. A party is "connected to us" if, due to indebtedness or certain other relationships, prospective purchasers of securities of the connected party might question our independence from that party. The undersigned consents to Claret Asset Management acting as its advisor and exercising discretion on its behalf in respect of the purchase or sale of securities from or to, or issued by, the related or connected parties or issuers for which we or an affiliate or one of our or an affiliate's directors or officers is a responsible person under 31-103 as described above.

INITIALS _____