CANACCORD Adams

Portfolio Strategy

Nick Majendie, CA
1.604.643.7005
nick.majendie@canaccordadams.com

Michael Rudd, CFA
1.604.643.7421
michael.rudd@canaccordadams.com

Inside

Portfolio Strategy

Independence Monthly: November 2007

Near-term outlook, model portfolio and recent changes

WSN summary: Confidence in world financial markets is still fragile. However, if central banks around the world have indeed embarked on a significant easing program to take place over the next year, the combined liquidity from all these sources could well drive equity markets higher than we could imagine. If current trends continue, petro dollar assets, Asian central banks and alternatives funds could control assets of up to $20.7 trillion in five years' time, or almost three-quarters the size of global pension funds. We remain favourably disposed towards the oil & gas sector (as well as other cyclicals).

Portfolio changes: This month we continued to increase our equity market exposure. Cyclical stocks remain overweight, while we maintain a significant underweight in financials.

Outlook: We still conclude that over the medium term the liquidity injected by the various central banks has decreased the odds of recession. Having invested a large part of the portfolio, we are carefully watching the US economy and also a number of stocks for buying opportunities.

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SUMMARY OF THIS MONTH'S WSN

WSN October 16, 2007: VERY AGGRESSIVE EASING BY THE FED HAS HISTORICALLY LED TO AVERAGE MARKET GAINS OF OVER 20% IN THE FOLLOWING 12 MONTHS

- In this week's Strategy Notes, we look at previous occasions since 1970 when there have been back-to-back discount rate cuts by the Fed, and how markets have responded subsequently.
- We have always suggested that normally the time to take minimum risk is when the Fed is tightening and the yield curve is inverted, while a change to an easing policy by the Fed is the time to assume more risk in the portfolio. The October 31 Fed decision as to whether there will be a further rate cut could influence the timing of our reinvestment of the balance of our cash and proceeds from our Reverse Participation Notes (RPNs).
- We remain favourably disposed towards the oil & gas sector (as well as other cyclicals) in light of the improved odds for the US economy and the reduced likelihood of a slowdown for the global economy, and await Alberta Premier Ed Stelmach's announcement before completing the rest of our trades.

WSN October 24, 2007: ALTHOUGH MARKETS ARE CORRECTING, DON'T RULE OUT THE MELT-UP SCENARIO

- In this week's Strategy Notes, we revisit our comments on the Melt-Up Scenario, and "whether liquidity will override fundamentals." A pullback of modest magnitude would be healthy and could well be preparatory to a powerful move on the upside if the Fed does indeed cut rates at the end of the month.
- According to a recent report by McKinsey Global Institute, aside from significant funds being pumped into the system by the central banks, the additional liquidity has been coming from four key sources: petrodollar investors, Asian central banks, hedge funds and private equity groups. Approximately $8.4 trillion as of the end of 2006 has come from these four key sources alone.
- At the moment, confidence in world financial markets is still fragile. However, if central banks around the world are indeed embarked on a significant easing program over the next year, the combined liquidity from all these sources could well drive equity markets higher than we could imagine.

WSN October 30, 2007: FOUR NEW SOURCES OF LIQUIDITY

- Four new key sources of assets have been identified over the past several years: petrodollar foreign assets ($3.4 trillion), Asian central banks ($3.1 trillion), hedge funds ($1.5 trillion) and private equity ($0.7 trillion).
- If current trends continue, these groups could control assets of up to $20.7 trillion in five years' time, or almost three-quarters of the size of global pension funds.
- These groups have longer-term investment horizons and fewer operating constraints, allowing for higher-risk strategies. They essentially push out the risk-return frontier.

TRADES AND STATISTICS

The following pages present the portfolio changes, current holdings and summary statistics for the three main Independence portfolios.

Figure 1: Changes to Independence Canadian Equity Model Portfolio

Date	Symbol	Name	Price	Trade	Reason
17-Oct-07	TSX : DAY.UN	Daylight Resources Trust	$7.11	Removed	Domestic Alberta gas exposure. Decreased trust exposure
17-Oct-07	TSX : BTE.UN	Baytex Energy Trust	$20.34	Removed	Domestic Alberta gas exposure. Decreased trust exposure
17-Oct-07	TSX : AET.UN	ARC Energy Trust	$20.75	Removed	Domestic Alberta gas exposure. Decreased trust exposure
18-Oct-07	TSX : TLM	Talisman Energy Inc	$20.32	Increased	Maintain oil and gas macro exposure
18-Oct-07	TSX : SU	Suncor Energy Inc	$100.18	Increased	Maintain oil and gas macro exposure
18-Oct-07	TSX : PEY.UN	Peyto Energy Trust	$18.00	Removed	Domestic Alberta gas exposure. Decreased trust exposure
18-Oct-07	TSX : PCA	Petro-Canada	$52.98	Increased	Maintain oil and gas macro exposure
18-Oct-07	TSX : NXY	Nexen Inc	$21.23	Increased	Maintain oil and gas macro exposure
18-Oct-07	TSX : IMO	Imperial Oil Ltd	$48.13	Increased	Maintain oil and gas macro exposure
18-Oct-07	TSX : ECA	EnCana Corp	$64.12	Increased	Maintain oil and gas macro exposure
18-Oct-07	TSX : 13591ZXY1	CIBC S&P/TSX60 RPN 08SEP11 Series 1	$93.36	Reduced	Reduced in line with increase to market exposure
18-Oct-07	TSX : 13591ZXT2	CIBC S&P500 RPN 08SEP11 Series 1	$96.67	Reduced	Reduced in line with increase to market exposure
19-Oct-07	TSX : SLW	Silver Wheaton Corp	$14.44	Initiated	Initiated position, good growth profile, limited downside risk
22-Oct-07	TSX : TRP	TransCanada Corp	$37.55	Initiated	TransAlta / TransCanada switch
22-Oct-07	TSX : TA	TransAlta Corp	$30.17	Removed	TransAlta / TransCanada switch
22-Oct-07	TSX : 13591ZXY1	CIBC S&P/TSX60 RPN 08SEP11 Series 1	$94.84	Reduced	Reduced in line with increase to market exposure
29-Oct-07	TSX : LUN	Lundin Mining Corp	$12.79	Increased	Increased to full position
29-Oct-07	TSX : TCK.B	Teck Cominco LtdB	$48.51	Increased	Potential for future increase on valuation.
29-Oct-07	TSX : ECA	EnCana Corp	$64.03	Increased	Increased to full position
29-Oct-07	TSX : PCA	Petro-Canada	$53.94	Increased	Increased to full position
29-Oct-07	TSX : SLW	Silver Wheaton Corp	$15.35	Increased	Increased to full position
29-Oct-07	TSX : TCK.B	Teck Cominco LtdB	$48.51	Increased	Increased to full position
31-Oct-07	TSX : 13591ZXY1	CIBC S&P/TSX60 RPN 08SEP11 Series 1	$97.40	Reduced	Reduced in line with increase to market exposure
31-Oct-07	TSX : 13591ZXT2	CIBC S&P500 RPN 08SEP11 Series 1	$93.14	Reduced	Reduced in line with increase to market exposure

Source: Canaccord Adams research

Internal chat history with respect to this month's portfolio changes

- LUN – TCK.B – ECA – PCA – INDEPENDENCE TRADES: In the Canadian Equity model portfolio we took the two base metals companies up slightly. Lundin Mining Corporation was increased by 1% to approximately 3%, which represents a full position. Teck Cominco Limited was increased by 0.5%, and there is potential to increase that more in the future on value. EnCana Corporation and Petro-Canada were also taken to full positions: EnCana to 3.0% and Petro-Canada to 3.5%. The positions were paid for by further sale of the RPNs. The weighting of the RPNs now stands at 5% in each of the three main portfolios.
- SLW – TCK.B – INDEPENDENCE TRADES: Increased both Silver Wheaton Corp. and Teck Cominco to full positions in each of the three portfolios as previously discussed. We also sold the full balance of the RPNs on the Fed rate reduction and market reaction. The balance of the cash (5 to15%) in each of the portfolios will remain uninvested for the time being. We are considering increasing our commitment to the banks but have not made a final decision as of yet.

Figure 2: Independence Canadian Equity Model Portfolio: October 31, 2007

				Estimated	Weight (%)			Price to Earnings			Price to Cash Flow		
Symbol	Name	Price	Target	ROR	Ind	TSX	Yld	2006	2007E	2008E	2006	2007E	2008E
Metals & Minerals (non-GICS)		**15,855**	**15,942**	**0.6**	**5.9**	**8.5**	**0.8**	**16.6**	**15.7**	**10.1**	**16.6**	**15.7**	**10.1**
LUN	Lundin Mining Corp	12.80	16.50	28.9	2.9	0.3	0.0	10.7	9.0	8.7	7.2	6.5	6.7
TCK.B	Teck Cominco LtdB	47.31	55.00	18.4	3.0	1.4	2.1	8.3	10.2	9.9	7.4	8.3	7.5
Gold & Precious Minerals (non-GICS)		**8,690**	**9,583**	**10.3**	**17.8**	**7.6**	**0.4**	**38.5**	**38.5**	**19.1**	**38.5**	**38.5**	**19.1**
AEM	Agnico-Eagle Mines Ltd	53.99	70.86	31.5	1.6	0.5	0.2	33.2	46.6	32.5	20.4	29.1	20.8
ABX	Barrick Gold Corp	42.00	51.47	23.2	4.5	2.4	0.7	25.1	32.2	14.7	16.2	19.7	11.0
G	Goldcorp Inc	33.23	43.19	30.5	3.2	1.6	0.5	30.4	50.9	24.2	14.9	25.0	13.7
NMC	Newmont Mining Corp of Canada-Ex	48.10	48.32	0.5	2.9	0.0	0.0	22.1	43.1	25.4	13.1	18.4	14.1
SLW	Silver Wheaton Corp	15.99	21.21	32.6	2.1	0.0	0.0	33.9	46.0	32.3	28.9	37.0	25.9
YRI	Yamana Gold Inc	14.24	22.24	56.5	3.5	0.6	0.3	NM	16.3	11.3	NM	13.1	8.9
Oil & Gas (non-GICS)		**31,721**	**33,960**	**7.1**	**31.6**	**20.9**	**2.0**	**14.8**	**16.1**	**15.7**	**14.8**	**16.1**	**15.7**
COS.UN	Canadian Oil Sands Trust	34.70	33.00	(0.3)	3.6	0.6	4.6	19.4	15.4	15.9	14.6	11.8	10.4
ECA	EnCana Corp	66.10	77.59	18.5	3.0	3.3	1.1	9.2	11.9	12.7	5.2	5.6	5.7
HSE	Husky Energy Inc	44.03	41.75	(2.2)	3.2	0.7	3.0	6.9	13.5	14.4	4.2	6.9	7.6
IMO	Imperial Oil Ltd	51.45	46.75	(8.4)	3.1	1.0	0.7	16.5	16.5	17.6	12.1	13.2	14.5
NXY	Nexen Inc	31.99	38.41	20.4	3.0	1.1	0.3	NM	13.1	11.3	NM	5.1	4.8
PCA	Petro-Canada	54.50	65.00	20.2	3.5	1.8	1.0	17.3	10.0	10.1	8.5	5.6	5.9
SVY	Savanna Energy Services Corp	15.97	21.00	32.1	2.8	0.1	0.6	15.1	18.1	12.5	8.8	8.6	6.8
SU	Suncor Energy Inc	103.45	103.00	0.0	3.0	3.2	0.4	16.0	21.2	18.0	10.7	14.3	10.5
TLM	Talisman Energy Inc	20.58	23.00	12.6	3.4	1.4	0.9	15.5	17.3	16.2	5.7	4.8	4.1
TDG.UN	Trinidad Energy Services Income Trust	11.60	19.00	75.7	3.0	0.0	11.9	7.8	9.0	8.3	5.1	4.9	4.5
Paper & Forest Products (non-GICS)		**3,991**	**3,723**	**(6.7)**	**0.0**	**0.5**	**1.4**	**10.7**	**NM**	**NM**	**10.7**	**NM**	**NM**
Consumer Products (non-GICS)		**16,291**	**16,635**	**2.1**	**0.0**	**1.7**	**2.4**	**32.3**	**21.5**	**17.5**	**32.3**	**21.5**	**17.5**
Industrial Products (non-GICS)		**4,339**	**4,172**	**(3.8)**	**3.6**	**11.1**	**0.5**	**52.9**	**27.5**	**21.6**	**52.9**	**27.5**	**21.6**
MDA	MacDonald Dettwiler & Associates Ltd	45.00	47.00	4.4	3.6	0.1	0.0	22.1	19.3	17.0	16.2	15.6	13.0
Real Estate (non-GICS)		**5,193**	**5,971**	**15.0**	**0.0**	**1.6**	**5.0**	**45.2**	**59.1**	**29.3**	**45.2**	**59.1**	**29.3**
Transportation/Environmental Services (non-GICS)		**13,028**	**14,800**	**13.6**	**3.5**	**3.1**	**1.7**	**13.0**	**15.2**	**13.8**	**13.0**	**15.2**	**13.8**
WJA	WestJet Airlines Ltd	19.97	21.25	6.4	3.5	0.2	0.0	22.6	15.6	14.1	9.5	7.1	6.2
Pipelines (non-GICS)		**11,805**	**12,625**	**6.9**	**4.3**	**2.7**	**3.7**	**19.8**	**20.4**	**18.4**	**19.8**	**20.4**	**18.4**
ENB	Enbridge Inc	40.91	42.00	5.7	1.8	1.0	3.0	22.6	23.4	21.5	11.8	10.5	10.0
TRP	TransCanada Corp	40.18	45.00	15.4	2.6	1.4	3.4	18.7	19.1	16.7	8.6	8.7	8.4
Utilities (non-GICS)		**16,092**	**16,553**	**2.9**	**6.3**	**5.4**	**3.6**	**20.3**	**19.0**	**17.8**	**20.3**	**19.0**	**17.8**
BCE	BCE Inc	41.25	42.75	7.2	5.3	2.2	3.5	19.5	19.7	18.6	7.2	6.0	5.6
T	TELUS Corp	57.45	62.50	11.4	1.0	1.3	2.6	17.6	19.7	16.7	6.4	11.1	15.4
Communications & Media (non-GICS)		**24,266**	**23,684**	**(2.4)**	**2.3**	**4.0**	**2.0**	**28.1**	**24.8**	**19.7**	**28.1**	**24.8**	**19.7**
TOC	Thomson Corp The	44.62	53.95	23.0	2.3	0.6	2.1	27.0	25.4	21.8	16.8	15.3	12.9
Merchandising (non-GICS)		**11,142**	**11,246**	**0.9**	**0.0**	**4.0**	**1.4**	**27.0**	**19.0**	**16.6**	**27.0**	**19.0**	**16.6**
Financial Services (non-GICS)		**20,780**	**19,704**	**(5.2)**	**20.0**	**26.6**	**3.1**	**14.4**	**13.4**	**13.5**	**14.4**	**13.4**	**13.5**
BNS	Bank of Nova Scotia	53.48	48.76	(5.5)	2.0	3.5	3.4	14.9	13.2	14.3	15.7	13.9	15.0
BMO	Bank of Montreal	63.00	63.55	5.3	2.4	2.1	4.4	12.0	12.2	12.7	12.7	12.9	13.5
CM	Canadian Imperial Bank of Commerce	102.00	88.10	(10.2)	1.5	2.3	3.4	13.6	12.4	13.6	11.9	11.0	11.8
MFC	Manulife Financial Corp	44.19	42.76	(1.2)	4.6	4.5	2.0	17.5	15.9	14.1	14.0	12.9	11.7
RY	Royal Bank of Canada	56.04	51.11	(5.2)	2.0	4.8	3.6	15.3	13.2	14.4	14.9	12.9	14.0
SLF	Sun Life Financial Inc	54.89	58.52	9.1	4.6	2.1	2.5	15.2	13.7	12.5	18.0	16.0	14.4
TD	Toronto-Dominion Bank	71.35	79.10	14.1	2.9	3.4	3.2	11.2	12.8	13.3	11.2	12.9	13.4
Conglomerates (non-GICS)		**37,896**	**33,181**	**(12.4)**	**0.0**	**2.4**	**1.5**	**15.8**	**20.6**	**19.9**	**15.8**	**20.6**	**19.9**
Other					**4.6**								
	Cash	1.00			4.6		3.8						
Total					100.0								

Source: Canaccord Adams estimates, Standard and Poor's

Figure 3: Independence Portfolio Statistics: October 31, 2007

Asset Mix	Equity	Balanced	Income Growth	TSX
Equity	88.8	64.1	74.0	93.7
Income Trusts	6.6	4.1	19.5	6.3
Fixed Income	0.0	15.8	0.0	0.0
Structured Products	0.0	0.0	0.0	0.0
Short-term & Cash	4.6	16.0	6.5	0.0

Sector Mix	Equity	Balanced	Income Growth	TSX
Metals & Minerals (non-GICS)	5.9	4.1	4.0	8.5
Gold & Precious Minerals (non-GICS)	17.8	11.9	14.9	7.6
Oil & Gas (non-GICS)	31.6	21.7	32.7	20.9
Paper & Forest Products (non-GICS)	0.0	0.0	0.0	0.5
Consumer Products (non-GICS)	0.0	0.0	0.0	1.7
Industrial Products (non-GICS)	3.6	2.8	0.0	11.1
Real Estate (non-GICS)	0.0	0.0	0.0	1.6
Transportation/Environmental Services (non-GICS)	3.5	2.7	0.0	3.1
Pipelines (non-GICS)	4.3	3.0	8.4	2.7
Utilities (non-GICS)	6.3	6.2	9.5	5.4
Communications & Media (non-GICS)	2.3	1.5	2.9	4.0
Merchandising (non-GICS)	0.0	0.0	0.0	4.0
Financial Services (non-GICS)	20.0	14.3	19.9	26.6
Conglomerates (non-GICS)	0.0	0.0	1.1	2.4
Total Shares & Trusts	95.4	68.2	93.5	100.0
Total Fixed and Other	4.6	31.8	6.5	0.0
Total Portfolio	100.0	100.0	100.0	100.0

Attribute	Equity	Balanced	Income Growth	TSX
Number of Securities	33	35	35	266
Yield	2.1	4.9	3.4	2.1
Price to Earnings (Fwd)	15.4	15.5	13.7	15.9
Price to Cash Flow (Fwd)	10.1	10.0	9.2	10.2
Price to Book Value (Fwd)	2.1	2.2	1.9	2.5

Top 5 Positions (Equity)
1. BCE Inc
2. Manulife Financial Corp
3. Cash
4. Sun Life Financial Inc
5. Barrick Gold Corp

Market Float (%)*	Equity	Balanced	Income Growth	TSX
< $500M	3.2	2.8	5.9	0.7
$500M-1B	2.9	2.5	12.5	3.1
$1B-5B	12.8	13.2	5.6	19.8
$5B-25B	39.9	37.8	38.3	26.2
>$25B	41.2	43.7	37.7	50.3
	100.0	100.0	100.0	100.0

* Float is outstanding shares less control positions. Calculated as a percentage of the total equity portfolio as opposed to percentage of the total portfolio.

Source: Canaccord Adams research

INVESTMENT CASES

Please find below an abridged investment case for each of the holdings in the Independence Canadian Equity portfolio.

Agnico-Eagle Mines Ltd. (Ind: 1.6 vs. TSX: 0.5) Target C$70.86

Gold & Precious Minerals (non-GICS) – Golds

The company has a strong growth profile and a disciplined management team (both operationally and financially). In our view, valuation is a little high but appropriate, given the growth potential. While we did purchase at lower prices, we see strong long-term upside potential. We also like the zinc by-product as a way to get base metal exposure (base metals companies are currently expensive). In addition to company-specific attributes, Agnico is a component of our overall macro inflationary view (environment increasingly inflationary).

Bank of Montreal (Ind: 2.4 vs. TSX: 2.1) Target C$63.55

Financial Services (non-GICS) – Financials

The company offers the best valuation relative to the other banks at this point, but this value is mitigated by potential exposure to credit risk derived from its commercial paper program. We view the position as part of an overall macro under-exposure to the financial sector.

Bank of Nova Scotia (Ind: 2.0 vs. TSX: 3.5) Target C$48.76

Financial Services (non-GICS) – Financials

BNS is an internationally diversified and disciplined bank. The company has significant contributions from multiple international operations and is probably the most differentiated from the other Canadian banks. Valuation is average, and lower capital markets exposure also contributes to a lower risk profile. We view the position as part of an overall macro under-exposure to the financial sector.

Barrick Gold Corp. (Ind: 4.5 vs. TSX: 2.4) Target C$51.47

Gold & Precious Minerals (non-GICS) – Golds

Barrick is a flagship international gold company. Valuation is very good (multi-year low) with significant long-term upside potential from multiple expansion. We also like the base metals by-products as a way to get base metal exposure (base metals companies are currently expensive). In addition to the company-specific attributes, Barrick is a component of our overall macro inflationary view (environment increasingly inflationary).

BCE Inc. (Ind: 5.3 vs. TSX: 2.2) Target C$42.75

Utilities (non-GICS) – Utilities

The stock was held previously as part of the telecom exposure with the view that it was a potential takeover candidate. We now hold the stock as a “near cash” position with positive upside spread to takeout. We remain confident that the transaction will be completed.

Canadian Imperial Bank of Commerce (Ind: 1.5 vs. TSX: 2.3) Target C$88.10

Financial Services (non-GICS) – Financials

Moderate capital markets exposure contributes to an average risk profile. CIBC's valuation is average relative to comparables. We view the position as part of an overall macro under-exposure to the financial sector.

Enbridge Inc. (Ind: 1.8 vs. TSX: 1.0) Target C$42.00

Pipelines (non-GICS) – Pipelines

While we find the valuation to be a little high, we like the company from an operational standpoint and for its long-term growth opportunities. In addition to the company-specific reasons, the stock is a component of our overall macro pipeline and utilities (we view these sectors as a low-risk way gain equity market exposure).

EnCana Corporation (Ind: 3.0 vs. TSX: 3.3) Target C$77.59

Oil & Gas (non-GICS) – Oil & Gas

We like the company for its diversified North American gas position and the fact that it does not derive a significant portion of its revenue from Alberta natural gas. There are many opportunities for the company to be opportunistic in the US gas market. It is a good combination with the other internationally diversified E&P companies in the portfolio. In addition to the company-specific reasons, the stock is a component of our overall macro inflationary view (bullish on oil and natural gas).

Goldcorp Inc. (Ind: 3.2 vs. TSX: 1.6) Target C$43.19

Gold & Precious Minerals (non-GICS) – Golds

The company has a strong growth profile and a disciplined management team, in our view. The recent combination with Glamis has potential, but the market views it as dilutive. We find the valuation to be a little high but appropriate, given the growth potential. We also like the copper by-product as a way to get base metal exposure (base metals companies are currently expensive). In addition to the company-specific reasons, the stock is a component of our overall macro inflationary view (environment increasingly inflationary).

Husky Energy Inc. (Ind: 3.2 vs. TSX: 0.7) Target C$41.75

Oil & Gas (non-GICS) – Oil & Gas

In our view, the company offers value and good upside potential through exploration and production. The company has non-Alberta property exposure and the ability to allocate capital to international markets without materially disrupting operations. Husky is also part of our overall macro commodities view (bullish on oil).

Imperial Oil Ltd. (Ind: 3.1 vs. TSX: 1.0) Target C$46.75

Oil & Gas (non-GICS) – Oil & Gas

IMO is a very well run and operationally disciplined company. The company offers international diversification, however the valuation is a little high, in our opinion. IMO is part of our overall macro commodities view (bullish on oil).

Lundin Mining Corporation (Ind: 2.9 vs. TSX: 0.3) Target C$16.50

Metals & Minerals (non-GICS) – Metals & Minerals

Luindin has become a large base metals mining company in Canada, and we are comfortable with the operations, development and exploration opportunities. The company has good upside potential. While we like base metals commodities long term, we find valuations in the sector a little high, therefore the sector is underweight. Lundin offers a better valuation than alternatives and is part of our overall macro view on base metals and materials (environment increasingly inflationary).

MacDonald, Dettwiler and Associates Ltd. (Ind: 3.6 vs. TSX: 0.1) Target C$47.00

Industrial Products (non-GICS) – Industrial Products

In our opinion, the company has very strong growth prospects (Home Information Packs (HIPs) still alive and, in fact, underway on a broader scale) and a disciplined management team and tends to be ignored by the market. Valuation is also very good given our growth expectations. We view the position as a pure special situations value opportunity, not related to a macro or sector strategy.

Manulife Financial Corporation (Ind: 4.6 vs. TSX: 4.5) Target C$42.76

Financial Services (non-GICS) – Financials

Manulife is a flagship Canadian insurance and financial company. The company has a strong historical operational performance and a very good outlook for future growth derived from multiple international revenue streams. We view the position as part of an overall macro under-exposure to the financial sector, however we like the company and hold market weight.

Newmont Mining Corp of Canada Ltd. – Exchangeable (Ind: 2.9 vs. TSX: 0.0) Target C$48.32

Gold & Precious Minerals (non-GICS) – Golds

The company is a flagship international gold company and is a component of our overall macro inflationary view (long-term inflationary benefit).

Nexen Inc. (Ind: 3.0 vs. TSX: 1.1) Target C$38.41

Oil & Gas (non-GICS) – Oil & Gas

We believe that the company offers strong valuation and great upside potential. Our view on energy growth and oil prices is positive long term, which is positive for oil sands producers. Nexen is a good way to get exposure given its valuation. In addition to company-specific attributes, the company is part of our overall macro commodities view (bullish on oil).

Petro-Canada (Ind: 3.5 vs. TSX: 1.8) Target C$65.00

Oil & Gas (non-GICS) – Oil & Gas

In our view, the company offers value and good upside potential through exploration, oil sands development and potential multiple expansion. Petro-Canada is also part of our overall macro commodities view (bullish on oil).

Royal Bank of Canada (Ind: 2.0 vs. TSX: 4.8) Target C$51.11

Financial Services (non-GICS) – Financials

Royal is a flagship Canadian financial and banking company. It is operationally very strong with a diversified revenue stream. The firm, along with TD, has pulled away from the rest of the Canadian banks in terms of domestic banking. They also have a large diversified capital markets operation which contributes to overall firm risk. We view the position as part of an overall macro under-exposure to the financial sector.

Savanna Energy Services Corp. (Ind: 2.8 vs. TSX: 0.1) Target C$21.00

Oil & Gas (non-GICS) – Oil & Gas

The company is operationally strong and has a new efficient fleet, and we believe it has very good financial management and offers great value. Our long-term view is that well-run service companies will benefit from the industry capital spent developing oil & gas reserves. In addition to company-specific attributes, Savanna is part of our overall macro commodities view (bullish on oil and natural gas).

Silver Wheaton Corp. (Ind: 2.1 vs. TSX: 0.1) Target C$21.21

Gold & Precious Minerals (non-GICS) – Golds

SLW is the only pure-play silver company in Canada. In our opinion, the company has a strong long-term growth profile with limited downside risk. Inflation risk (project construction and development) are absorbed by the producing company. SLW was purchased as part of our macro view on commodities and as a diversifier for our precious metals exposure.

Sun Life Financial Inc. (Ind: 4.6 vs. TSX: 2.1) Target C$58.52

Financial Services (non-GICS) – Financials

Sunlife has good historical operational performance and good outlook for future growth helped by capital markets exposure though investment management operations. We view the position as part of an overall macro under-exposure to the financial sector; however, we like the company and have chosen an overweight position.

Suncor Energy Inc. (Ind: 3.0 vs. TSX: 3.2) Target C$103.00

Oil & Gas (non-GICS) – Oil & Gas

Our view on energy growth and oil prices is positive long term, which is positive for oil sands producers, and Suncor is a good proxy for this area. In addition to company-specific attributes, the company is part of our overall macro commodities view (bullish on oil).

Talisman Energy Inc. (Ind: 3.4 vs. TSX: 1.4) Target C$23.00

Oil & Gas (non-GICS) – Oil & Gas

Talisman offers great exploration and growth potential, in our opinion. It has an internationally diversified asset base and currently offers great valuation. In addition to the company-specific reasons, Talisman is part of our overall macro commodities view (bullish on oil).

Teck Cominco Ltd. Class B (Ind: 3.0 vs. TSX: 1.4) Target C$55.00

Metals & Minerals (non-GICS) – Metals & Minerals

The company is the largest diversified mining company in Canada. Given our long-term outlook for commodities and the company's future development opportunities, we consider it a long-term hold. While we like base metals commodities long term, we find valuations in the sector a little high, therefore the sector is underweight. Valuation is average but the company has good upside potential and is part of our overall macro view on base metals and materials (long-term inflationary benefit).

TELUS Corp. (Ind: 1.0 vs. TSX: 1.3) Target C$62.50

Utilities (non-GICS) – Utilities

With the eventual removal of BCE Inc. from the Canadian market, TELUS remains as the flagship traditional telephone utility company. The firm is operationally and financially disciplined. Growth has been strong and the industry is structured to benefit the participants. We view the position as a pure special situations value opportunity, a long-term hold and not related to a macro or sector strategy.

The Thomson Corp. (Ind: 2.3 vs. TSX: 0.6) Target C$53.95

Communications & Media (non-GICS) – Media

We originally purchased the company for growth potential and valuation prospect. The Reuters combination still unfolding and the current price offer good upside at multi-year valuation lows. We view the position as a pure special situations value opportunity not related to a macro or sector strategy.

Toronto-Dominion Bank (Ind: 2.9 vs. TSX: 3.4) Target C$79.10

Financial Services (non-GICS) – Financials

Flagship Canadian financial and banking company. TD is operationally very strong with a strong domestic franchise, although the US expansion has been a distraction. The firm, along with RBC, has pulled away from the rest of the Canadian banks in terms of domestic banking. They also are probably the lowest-risk Canadian bank that is positive in the current market environment. We view the position as part of an overall macro under-exposure to the financial sector.

TransCanada Corp. (Ind: 2.6 vs. TSX: 1.4) Target C$45.00

Pipelines (non-GICS) – Pipelines

TransCanada is operationally very strong, with a very disciplined financial and capital allocation process. We like the valuation and growth prospects going forward. In addition to company-specific attributes, TransCanada is part of our macro risk mitigation view (less sensitive to downside market risk).

WestJet Airlines Ltd. (Ind: 3.5 vs. TSX: 0.2) Target C$21.25

Transportation/Environmental Services (non-GICS) – Transport/Environ Services

We believe that the company is operationally strong and improving, and has a strong balance sheet and good financial management. Growth prospects and valuations are positive. We view the position as a pure special situations value opportunity not particularly related to a macro or sector strategy.

Yamana Gold Inc. (Ind: 3.5 vs. TSX: 0.6) Target C$22.24

Gold & Precious Minerals (non-GICS) – Golds

Yamana is the smallest gold company in our universe by market value even after the recent Meridian transaction. Although there are some operational risks, we like the gold and base metals mix (copper), and current multiple valuations are very attractive. In addition to the company-specific reasons, the stock is a component of our overall macro inflationary view (we believe the risk of inflation is high).

OUTLOOK

Over the medium term (12 to 24 months) we continue to conclude that the liquidity injected by the various central banks will drive the markets higher. Our conclusion is primarily predicated on the lower probability of a US recession. We think that over the medium term, the US Federal Reserve will do everything in its power to avoid a recession and that, at this point, the Fed is more concerned about a recession than inflation. We think that the recent actions of the Fed and other central banks are inflationary. With lower odds of a US recession, the anticipation for growth in the global economy is also improved. This is critical for a commodity-producing nation such as Canada. The risk to this revised forecast remains the US economy.

Over the short term we will be watching the US economy very closely. Ideally, we look to position the portfolio based on long-term factors; however, we are cognizant that at some point the US economy could stumble.

The portfolio currently has approximately 10% available for reinvestment (5% cash and 5% BCE [near cash]). Over the short term we are watching the rails, base materials and communications stocks for weakness and potential buying opportunities.

APPENDIX I: DISCLOSURES FOR PORTFOLIO STRATEGY RESEARCH

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Distribution of Ratings:
Global Stock Ratings
(as of 1 November 2007)

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Speculative Buy	55	10.5%	69.1%
Hold	149	28.5%	30.9%
Sell	18	3.4%	5.6%
	523	100.0%	

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Risk Qualifier: SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

Canaccord Research Disclosures as of 13 November 2007

Company	Disclosure
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Barrick Gold Corporation	None
EnCana Corporation	None
Enbridge Inc.	1A, 2, 7
Goldcorp Inc.	1A, 2, 7
Husky Energy Inc.	7
Imperial Oil Ltd.	7
Lundin Mining Corporation	None
MacDonald, Dettwiler and Associates	7
Nexen Inc.	None
Petro-Canada	1A, 2, 7
Savanna Energy Services	7
Silver Wheaton Corporation	1A, 2, 7
Suncor Energy Inc.	7, 8
TELUS Corp.	7
Talisman Energy Inc.	7

Teck Cominco Ltd.	1A, 2, 7
TransCanada Corporation	7, 8
WestJet Airlines Ltd.	7
Yamana Gold Inc.	1A, 2, 3, 4, 5, 7

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