

Mutual Fund Recommended List

INTRODUCTION

This year's edition of the ScotiaMcLeod Mutual Fund Recommended list covers 12 asset classes with over 70 individual recommendations. Our recommended list remains a collection of our best ideas, in core asset classes, diversified by style and risk level.

While most of the existing recommendations remain the same this year largely as a result of our philosophy of hiring managers for the long-term, the list and research are seeing some significant changes.

First, the changes to the recommendations. The most significant change is the elimination of the Global Balanced Category. We believe that while there are some options in this category the selection is not broad enough for us to continue coverage at this time. We recommend the combination of a Global Bond Fund with a Global Equity Fund as the better solution for clients. Corporate activity at the various fund companies was no less vigorous this year than we experienced throughout 2004. This continued activity resulted in several manager departures and mandate changes causing many funds to be placed under-review. After close review based on our regular in depth due diligence process we are reinstating seven funds to fully recommended, removing four funds, leaving three under review, suspending another three and finally adding two.

Secondly, we are completely revamping our written research and quantitative reporting. You may have already noticed our new Performance table, this table allows for easy fund comparisons within categories and styles. The benefit is two fold, one statistical summary for all funds for quick reference and PDF version for easy client communication. Our quantitative data has been separated out from the written portion of the reports allowing you choose and or combine the information important to you and your clients. Our qualitative research has also taken on a new look and feel. We have added three new sections. The first will provided you with Key Features giving you a quick understanding of the fund. Next, we added a Suitability section to clearly define the funds place within the context of a portfolio and risk profile. Lastly we have added an Analyst Comments section. This section will provide you with the latest information on the fund and its positioning, based on our most recent due diligence meetings with the managers.

CHANGES

In summary the 2006 recommended list is seeing the addition of two new funds, the removal of four funds (that we feel no longer meet the qualifications and thesis that they were originally placed on the list to meet), reinstatement of seven funds which were recently under review, three funds are being placed under-review, and the elimination of the Global Balanced category which will suspend coverage on another three funds. We will briefly review all the changes here with complete details and updated reports on line.

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2006 ADDITIONS

Bond Funds

AGF Global Government Bond Fund

Global Equity

Mutual Discovery Fund

2006 FULLY RECOMMENDED STATUS FROM FORMERLY UNDER REVIEW:

The "Under Review" category was once again area focus throughout the year. As mentioned earlier several funds experienced changes causing an increase in the number of funds placed under review. Through our due diligence process we are reinstating seven funds to fully recommended status and removing four.

Of the seven that were reinstated we have met with the new manager and are confident the funds will continue to fulfill their original mandates. The funds include:

Canadian Balanced / Asset Allocation Funds

Dynamic Focus & Balance Fund (previously the Commonwealth Canadian Balanced):

Managed by Ned Goodman and Michael McHugh: These two funds were recent merged but remain under the guidance of Ned Goodman. Ned has been the lead manager on both for approximately two years and the funds have been transitioned to mirror each other over that period.

Canadian Income & Growth

Signature Income & Growth: Managed by Eric Bushell: Recent team member changes were evaluated and it was established that they should have only positive effects on the team and the fund going forward.

Canadian Dividend

Signature Dividend / CI Dividend: Managed by Eric Bushell: Recent team member changes were evaluated and it was established that they should have only positive effects on the team and the fund going forward.

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Canadian Equity - Small to Mid Cap

Talvest Small Cap Canadian Equity: Managed by David Graham (note this fund style has changed from Growth to Value): This fund has technically been removed and added back on the bases of its new mandate. For clients who purchased the fund for its growth style and who are not willing to accept a shift to a value mandate we recommend looking to one of the other growth mandates on the list. For those clients who are willing to accept this change of focus we believe they will be rewarded as a result of David's disciplined process.

US Equity - Mid to Large Cap Funds

Mutual Beacon: Managed by Michael Emblar & Charles Lahr; Franklin Mutual Advisors: As a result of the recent departure of David Winters and return of Peter Langerman as CEO and President we conducted an on site due diligence to get a complete understanding of the impact to the firm and team. The conclusion of the trip was that the team and process was becoming more robust and would continue to provide investors with the same investment mandate for which they bought the fund. We also concluded that the additional benefits included a more structured team environment creating a clear succession plan along with new compensation metrix's providing a more motivating environment. We would recommend that clients stick with this fund in light of the changes.

Global Equity Funds

AIM Global Theme Class: Managed by Derek Izuel & Eric Thaller: While Clas Olsen has removed himself as lead manager of the fund Derek and Eric have been co-leads and will continue to manage the fund effectively. We could even see more discipline and resources brought to the fund as a result.

Clarington Global Equity: Managed by Rajeev Bhaman; Oppenheimer Funds Inc. While Bill Wilby has removed himself as lead manager of the fund Rajeev has been co-lead and will continue to manage the fund effectively. Updated reports detailing the new manager and other changes will be made available shortly.

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2006 UNDER REVIEW

Placed under review due to recent manager changes:

We will be conducting a thorough due diligence on these funds in short order.

Fidelity Growth America Fund & Fidelity International Portfolio: Fidelity recently announced that Harry Lang will be replaced on these funds as he moves to lead manager on the Magellan Fund a \$51B (U.S.) portfolio available to U.S. investors. John Power will assume the role of Lead Portfolio Manager for the Fidelity Growth America Fund and Sub-Portfolio Manager for the U.S. equity portion of the Fidelity International Portfolio Fund. John will be supported by a specialized team of five sector portfolio managers, who have been key contributors to the ongoing success of the Fidelity American Disciplined Equity® Fund. The new team will run the sub-portfolio of the Fidelity International Portfolio Fund in an identical manner to the Fidelity Growth America Fund. We are expecting to meet with John in January to conduct our initial review.

Fidelity Overseas Fund: In December it was announced that after 18 years at Fidelity, Rick Mace has decided to take a six month leave of absence. Robert S. Feldmand and Lance McInerney have taken over the management of the fund with Rob as the lead manager. We are in the process of reviewing this change.

2006 DELETIONS

Lastly, four funds were removed as a result of our philosophy and research process that we feel no longer meet the qualifications and thesis that they were originally placed on the list to meet. These include:

Canadian Balanced / Asset Allocation

Clarington Canadian Balanced Fund / Elliott & Page Growth & Income Fund: We have been extremely patient with these funds through an extended period of difficult performance. While we agree that there have been factors to explain a number of the performance issues the fund has encountered, we are concerned over the recent Senior Executive member departures at Seamark and the uncertainty over the future leadership of the firm.

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US Equity

AIC Value: We have been extremely patient with this fund through an extended period of difficult performance. While we agree that there have been factors to explain a number of the performance issues the fund has encountered, we are also concerned over the various additions & deletions to the team with the newest being the addition of a new lead manager. Given these changes we are removing it from the list and are more comfortable taking a birds eye view for the moment it to see if the new team can turn things around. Given these concerns we are removing the fund from the list and recommend that clients wishing to switch out of the fund look to one of the other value mandates on the list at this time.

Fidelity Small Cap America Fund: This fund has seen three manager changes in the very recent past. The newest manager while experienced in the industry has no historical track record for us to evaluate in this particular mandate. As a result we are removing it from the list and again will take a birds eye view to evaluate the new portfolio manager over the next market cycle. Given these concerns we recommend that clients wishing to switch out of this fund look to one of the other growth mandates on the list or more to one of the larger cap US funds.

2006 SUSPENSIONS (due to elimination of the Global Balanced category):

AIC American Balanced Fund
CI International Balanced Fund
Fidelity Global Asset Allocation Fund

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BOND FUNDS

Recommended Funds

<u>FUND</u>	<u>INVESTMENT FOCUS</u>	<u>LEAD MANAGER(S)</u>
AGF Canadian Bond Fund	Interest rate anticipation	Scott Colbourne
AGF Global Government Bond Fund	Interest rate anticipation	Scott Colbourne
Bissett Bond Fund	Interest rate anticipation and duration neutral	Guy Le Blanc
Fidelity Canadian Bond Fund	Duration neutral	David Prothro
Mackenzie Sentinel Bond Fund	Interest rate anticipation	Chris Kresic
Trimark Canadian Bond Fund	Duration neutral	Rex Chong, Anthony Imbesi and Alfred Samson

CANADIAN BALANCED / ASSET ALLOCATION FUNDS

Recommended Funds

<u>FUND</u>	<u>PROCESS</u>	<u>DISCIPLINE</u>	<u>LEAD MANAGER(S)</u>
AIM Canadian Balanced Fund	Bottom Up	Earnings Momentum	Clas Olsson, Jan Friedli, Jason Holzer, Scot Johnson and Richard Nield
Dynamic Focus and Balanced Fund	Bottom Up	Value	Ned Goodman and Michael McHugh; Goodman & Company Investment Counsel
Fidelity Canadian Asset Allocation Fund	Bottom Up	Growth at a Reasonable Price	Richard Haberman, Alan Radlo, David Prothro and Derek Young
Fidelity Canadian Balanced Fund	Bottom Up	Growth at a Reasonable Price	Robert Haber, Stephen Binder, David Prothro and Eric Mollenhauer
Harbour Growth & Income Fund	Bottom Up	Value	Gerald Coleman
Mackenzie Ivy Growth and Income Fund	Bottom Up	Value	Jerry Javasky
Mackenzie Universal Canadian Balanced Fund	Bottom Up	Growth at a Reasonable Price	Dina DeGeer, Pete Robic, Dennis Starritt and Phil Taller; Bluewater Investment Management
Trimark Select Balanced Fund	Bottom Up	Value	Rex Chong, Ian Hardacre, Anthony Imbesi and Alfred Samson

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CANADIAN INCOME & GROWTH FUNDS

Recommended Funds

<u>FUND</u>	<u>INVESTMENT FOCUS</u>	<u>LEAD MANAGER(S)</u>
Signature Income and Growth	Preferred and common equities, bonds and high yield bonds	Eric Bushell
Fidelity Monthly Income	Common equities, domestic and foreign fixed income, income trusts	Derek Young, Steve Binder, Cecilia Mo, David Prothro, Dave Bagnani and Matt Conti
GGOF Diversified Monthly Income (capped)	Preferred and common equities, income trusts, high-yield bonds	John Priestman, Michael Stanley, Kevin Hall, Stephen Kearns and Michele Robitaille

CANADIAN DIVIDEND FUNDS

Recommended Funds

<u>FUND</u>	<u>INVESTMENT FOCUS</u>	<u>LEAD MANAGER(S)</u>
Signature Dividend Fund/ CI Dividend Fund	Preferred and common equities and bonds	Eric Bushell
Dynamic Dividend Fund	Preferred and common equities and income trusts	Oscar Belaiche
GGOF Dividend Growth Fund	Dividend paying common equities	Michael Stanley; Jones Heward Investment Counsel Inc.
GGOF Monthly Dividend Fund (capped)	Preferred equities and corporate bonds	John Priestman, Kevin Hall and Michele Robitaille

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CANADIAN EQUITY - LARGE CAP FUNDS

Recommended Funds

<u>FUND</u>	<u>PROCESS</u>	<u>DISCIPLINE</u>	<u>LEAD MANAGER(S)</u>
AGF Canadian Stock Fund	Bottom Up	Growth	Martin Hubbes
AIM Canadian Premier Fund / Class	Bottom Up	Growth/ Earnings Momentum	Clas Olsson, Jason Holzer and Richard Nield
Bissett Canadian Equity Fund	Bottom Up	Growth at a Reasonable Price	Fred Pynn; Bissett & Associates
CI Canadian Investment Fund	Bottom Up	Value	Kim Shannon; Sionna Investment Managers
Elliott & Page Sector Rotation Fund	Top Down	Sector Rotation	Nereo Piticco and Jack Campbell; PCJ Investment Counsel
Fidelity True North Fund	Bottom Up	Growth at a Reasonable Price	Stephen Binder
Harbour Fund	Bottom Up	Value	Gerald Coleman and Stephen Jenkins
Mackenzie Ivy Canadian Fund	Bottom Up	Value	Jerry Javasky
Mackenzie Universal Canadian Growth Fund	Bottom Up	Growth at a Reasonable Price	Dina DeGeer, Pete Robic, Dennis Starritt and Phil Taller; Bluewater Investment Management
Synergy Canadian Corporate Class	Bottom Up	Growth/ Earnings Momentum	David Picton
Trimark Canadian Fund	Bottom Up	Value	Ian Hardacre

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CANADIAN EQUITY - SMALL TO MID CAP FUNDS

Recommended Funds

<u>FUND</u>	<u>PROCESS</u>	<u>DISCIPLINE</u>	<u>LEAD MANAGER(S)</u>
Fidelity Canadian Growth Company	Bottom Up	Growth at a Reasonable Price	Alan Radlo
Fidelity Canadian Opportunities Fund	Bottom Up	Growth at a Reasonable Price	Maxime Lemieux
GGOF Enterprise Fund	Bottom Up	Value	Martin Ferguson; Mawer Investment Management
Mackenzie Ivy Enterprise Fund	Bottom Up	Value	Stephanie Griffiths
Talvest Small Cap Canadian Equity Fund	Bottom Up	Value	David Graham; TAL Global Asset Management & Jamie A. Rome and Edward Makin; Wellington Management

US EQUITY - MID TO LARGE CAP FUNDS

Recommended Funds

<u>FUND</u>	<u>PROCESS</u>	<u>DISCIPLINE</u>	<u>LEAD MANAGER(S)</u>
Capital International-U.S. Equity Fund	Bottom Up	Blend	David Fisher, Michael R. Ericksen, Terry Berkemeier, Karen A. Miller, Theodore R. Samuels, Eugene P. Stein and Alan J. Wilson; Capital International Asset Management
CI American Value Fund	Bottom Up	Value	William Priest and David Pearl; Epoch Investment Partners
CI Value Trust Corporate Class	Bottom Up	Blend	Bill Miller; Legg Mason Capital Management
Elliott & Page American Growth Fund	Bottom Up	Growth	Robert Jones, Melissa Brown and Victor Pinter; Goldman Sachs Asset Management
GGOF American Value Fund	Bottom Up	Value	Andrew Lacey and Christopher Blake; Lazard Asset Management
Mackenzie Universal US Blue Chip Capital Class	Bottom Up	Blend	Jim Wineland; Waddell & Reed Inc.
Mutual Beacon Fund	Bottom Up	Value	Michael Emblar and Charles Lahr; Franklin Mutual Advisors
Trimark US Companies Fund	Bottom Up	Value	Jim Young and Bruce Harrop

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Funds Under Review

<u>FUND</u>	<u>PROCESS</u>	<u>DISCIPLINE</u>	<u>LEAD MANAGER(S)</u>
Fidelity Growth America Fund	Bottom Up	Growth at a Reasonable Price	Harry Lange

US EQUITY - SMALL TO MID CAP FUNDS

Recommended Funds

<u>FUND</u>	<u>PROCESS</u>	<u>DISCIPLINE</u>	<u>LEAD MANAGER(S)</u>
AIM American Mid Cap Growth Class	Bottom Up	Earnings Momentum	Ronald Sloan
Elliott & Page US Mid Cap Fund	Bottom Up	Growth (quantitative)	Rhonda Chang
Franklin US Small-Mid Cap Growth Fund	Bottom Up	Growth	Ed Jamieson

GLOBAL EQUITY FUNDS

Recommended Funds

<u>FUND</u>	<u>PROCESS</u>	<u>DISCIPLINE</u>	<u>LEAD MANAGER(S)</u>
AGF International Value Fund	Bottom Up	Value	David Herro and Edward Loeb; Harris Associates L.P.
AIM Global Theme Class	Bottom Up	Earnings Momentum	Derek Izuel, Duy Nguyen and Eric Thaller
Brandes Global Equity Fund	Bottom Up	Value	Brandes Investment Partners & Co.
Capital International-Global Equity Fund	Bottom Up	Blend	Carl Kawaja, Robert Lovelace and Dina Perry; Capital International Asset Management
CI Global Fund / CI Global Sector Fund	Top Down	Growth	Bill Sterling, Robert Beckwitt and Greg Gigliotti
Clarington Global Equity Fund	Bottom Up	Growth	Rajeev Bhaman; Oppenheimer Funds Inc.
Mutual Discovery Fund	Bottom Up	Value	David Segal and Anne Gudefin; Franklin Mutual Advisors
Templeton Growth Fund	Bottom Up	Value	George Morgan
Trimark / Select Growth Funds	Bottom Up	Value	Tye Bousada & Dana Love/ Richard Jenkins & Judith Adams

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Funds Under Review

<u>FUND</u>	<u>PROCESS</u>	<u>DISCIPLINE</u>	<u>LEAD MANAGER(S)</u>
Fidelity International Portfolio Fund	Bottom Up	Growth at a Reasonable Price	Richard Habermann

GLOBAL EQUITY - SMALL CAP FUNDS

Recommended Funds

<u>FUND</u>	<u>PROCESS</u>	<u>DISCIPLINE</u>	<u>LEAD MANAGER(S)</u>
Capital International Global Small Cap Fund	Bottom Up	Blend	Michael R. Ericksen, Richard N. Havas, Nancy Kyle and Karen Miller; Capital International Asset Management Company
Talvest Global Small Cap Fund	Bottom Up	Growth	Edward L. Makin and Jamie A. Rome; Wellington Management Company
Templeton Global Smaller Companies Fund	Bottom Up	Value	Brad Radin

INTERNATIONAL (EX-NORTH AMERICAN) EQUITY FUNDS

Recommended Funds

<u>FUND</u>	<u>PROCESS</u>	<u>DISCIPLINE</u>	<u>LEAD MANAGER(S)</u>
AGF International Stock Class	Bottom Up	Value	John Arnold and Rory Flynn; AGF International Advisors
Brandes International Equity Fund	Bottom up	Value	Brandes Investment Partners & Co.
Capital International - International Equity Fund	Bottom up	Blend	David Fisher, Nancy J. Kyle, Richard N. Havas and Arthur J. Gromadzki; Capital International Asset Management
CI International Fund	Top Down	Growth	Bill Sterling, Robert Beckwitt and Greg Gigliotti
Templeton International Stock Fund	Bottom Up	Value	Don Reed
Trimark International Companies Fund	Bottom Up	Value	Judith Adams and Dana Love

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<u>FUND</u>	<u>PROCESS</u>	<u>DISCIPLINE</u>	<u>LEAD MANAGER(S)</u>
Fidelity Overseas Fund	Bottom Up	Growth at a Reasonable Price	Robert S. Feldman and Lance McInerney

HIGH YIELD BOND FUNDS

Recommended Funds

<u>FUND</u>	<u>INVESTMENT FOCUS</u>	<u>LEAD MANAGER(S)</u>
Fidelity American High Yield Bond Fund	US fixed income products	Matthew Conti
GGOF Canadian High Yield Bond Fund	High yield and government bonds, and income trusts	Stephen Kearns
Trimark Global High Yield Bond Fund	High yield and government bonds	Rex Chong, Anthony Imbesi and Alfred Samson

Mutual Fund Research