

Investment Objective

The ScotiaMcLeod U.S. Core Guided Portfolio is designed for growth oriented investors seeking consistent long-term rates of return from a portfolio of high quality American companies. This portfolio includes companies offering market leadership, unique franchises and a strong management team combined with an attractive trend in profitability. Diversification is achieved by investing in 15 to 20 companies broadly distributed across the four major sectors - interest sensitive, consumer, industrial and commodity/basic. The companies in the U.S. Strategy portfolio are for the most part selected from the S&P 500 although an appropriate company outside of this index can be included.

Selection Criteria

Our selection process for companies to be included within this portfolio is based on both a top-down and bottom-up approach. Given the emphasis on diversification across a broad cross-section of industries, we review various economic and industry forces that result in an emphasis or de-emphasis of a specific sector. The weighting allocated to each sector will be monitored in accordance with this broad view and will be adjusted as fundamentals change. In order to qualify for inclusion in the U.S. Core Portfolio, specific companies must satisfy a variety of fundamental and quantitative investment criteria. The company must have a positive fundamental rating from our U.S. research providers as well as attractive relative earnings growth and valuation, and a strong (or improving) balance sheet. While not specifically required, at least a modest dividend policy is viewed favourably.

The tables below provide our current selections, portfolio composition, dividends, yields, earnings, price targets and return potential. Short profiles of each stock are also provided.

Composition & Target Returns

Company Name	Sector	Rating *	Risk	Price 21JUL8	Div.	Target Price	Div. Yield	Target ROR
Freeport Mcmoran Copper&gold (FCX)	Basic Materials	Outperform	Medium	\$ 107.01	\$ 1.75	\$ 130.00	1.6 %	23.1 %
Disney Walt Co (DIS)	Consumer Discretionary	Outperform	Medium	\$ 30.49	\$ 0.35	\$ 37.40	1.1 %	23.8 %
Nike Inc (NKE)	Consumer Discretionary	Outperform	Medium	\$ 57.51	\$ 0.92	\$ 85.00	1.6 %	49.4 %
Colgate Palmolive Co (CL)	Consumer Staples	Outperform	Low	\$ 68.59	\$ 1.60	\$ 84.00	2.3 %	24.8 %
Cvs Corp (CVS)	Consumer Staples	Outperform	Low	\$ 37.67	\$ 0.24	\$ 45.00	0.6 %	20.1 %
Wal Mart Stores Inc (WMT)	Consumer Staples	Outperform	Low	\$ 57.31	\$ 0.95	\$ 60.00	1.7 %	6.4 %
Occidental Pete Corp Del (OXY)	Energy	Outperform	Medium	\$ 79.97	\$ 1.28	\$ 110.00	1.6 %	39.2 %
Transocean Inc New (RIG)	Energy	Outperform	Medium	\$ 147.97	\$ 0.00	\$ 172.00	0.0 %	16.2 %
Allstate Corp (ALL)	Financials	Outperform	Low	\$ 44.33	\$ 1.64	\$ 60.00	3.7 %	39.0 %
J P Morgan Chase & Co (JPM)	Financials	Outperform	Medium	\$ 38.65	\$ 1.52	\$ 55.00	3.9 %	46.2 %
Metlife Inc (MET)	Financials	Outperform	Low	\$ 51.64	\$ 0.74	\$ 62.00	1.4 %	21.5 %
Becton Dickinson & Co (BDX)	Health Care	Outperform	Medium	\$ 83.95	\$ 1.14	\$ 96.00	1.4 %	15.7 %
Lilly Eli & Co (LLY)	Health Care	Outperform	Low	\$ 47.18	\$ 1.88	\$ 58.00	4.0 %	26.9 %
Terex Corp New (TEX)	Industrials	Outperform	Medium	\$ 48.45	\$ 0.00	\$ 80.00	0.0 %	65.1 %
United Technologies Corp (UTX)	Industrials	Outperform	Low	\$ 64.05	\$ 1.28	\$ 84.00	2.0 %	33.1 %
Cisco Sys Inc (CSCO)	Technology	Outperform	Medium	\$ 21.84	\$ 0.00	\$ 31.00	0.0 %	41.9 %
Microsoft Corp (MSFT)	Technology	Outperform	Low	\$ 25.64	\$ 0.44	\$ 35.00	1.7 %	38.2 %
Oracle Corp (ORCL)	Technology	Neutral	Low	\$ 21.09	\$ 0.00	\$ 24.00	0.0 %	13.8 %
At&t Inc (T)	Telecommunication Services	Neutral	Low	\$ 31.83	\$ 1.60	\$ 39.00	5.0 %	27.6 %
Edison Intl (EIX)	Utilities	Neutral	Low	\$ 49.70	\$ 1.22	\$ 52.50	2.5 %	8.1 %
Total Portfolio								29.0%

Stocks at a Glance

The Allstate Corporation, is the second largest US personal lines insurer, behind rival State Farm. Through its subsidiaries, the company provides property-liability insurance, as well as other types of insurance in the United States and Canada. Allstate primarily sells private passenger automobile and homeowner insurance through independent and specialized brokers. Allstate also sells life insurance, annuity, and group pension products through agents.

AT&T Corp. is the leading telecommunications company in the U.S. with 50 million access lines mostly in the mid and western US, a 60% ownership interest in Cingular Wireless (a joint venture with BellSouth), and one of the world's most advanced and powerful global backbone networks. AT&T has participated in the recent consolidation trend in the U.S. telecommunications market. In November 2005 SBC Communications acquired AT&T and adopted the AT&T brand. In March 2006, the new company wasted no time in taking further steps to consolidate the industry making an all-stock offer to acquire BellSouth Corp. This latest transaction is expected to close in March 2007.

Becton, Dickinson and Company is a global medical technology company that manufactures and sells medical supplies, devices, laboratory instruments, antibodies, reagents and diagnostic products through its three segments: BD Medical, BD Diagnostics and BD Biosciences. It serves healthcare institutions, life science researchers, clinical laboratories, industry and the general public. BDX is a defensive investment within the defensive health care space, and unlike big-pharma stocks, is less vulnerable to patent-expiry, litigation, and political risk. The company offers consistent earnings and dividend growth and an attractive valuation. In addition, BDX is a multinational operation with more than 50% of sales from outside the U.S.

Cisco Systems Inc. designs, manufactures, and sells Internet Protocol (IP)-based networking and other products relating to the communications and information technology industry worldwide. It provides products for transporting data, voice, and video within buildings, across campuses, and around the world. It offers routers, which interconnect computer networks; and switching systems, which offer connectivity to end users, workstations, and servers.

CVS Corp. CVS Corp. through its subsidiaries CVS Pharmacy and Revco, operates drug-store chains in four key regions in the U.S.: Northeast, Mid-Atlantic, Southeast, and Mid-West. The company is one of the largest and most profitable drug store retailers in the U.S. with more than 6200 stores.

Colgate-Palmolive Colgate-Palmolive (CL) is a diversified consumer products company that sells a broad range of oral care, personal care, home care, and pet food products in approximately 200 countries around the globe. CL has the highest exposure to emerging markets of any of the large household packaged-goods participants and is the dominant player in the oral care markets of Latin America and Asia. The company is the global market leader in toothpaste and toothbrushes, and also markets laundry products, liquid and bar soaps, deodorants, and dishwashing liquid under well known brand names that include: Colgate, Palmolive,

Ajax, Javex, Mennen, Irish Spring, and Soft Soap. Oral care remains Colgate's largest category accounting for 38% of 2006 revenues growing at a Compound Annual Growth Rate (CAGR) of 8.5% during 2001-2006, well above the 6.1% company average. Pet nutrition is the second fastest growing category at 7.7% but remains Colgate's smallest business, accounting for 14% of revenues from the Hill's Science Diet and Prescription Diet brands.

Edison International through its subsidiaries, is an eclectic power generator and distributor, and an investor in infrastructure and renewable energy projects. The company operates in regulated and non-regulated markets with a power generation portfolio of approximately 14,000 megawatts. Edison International is the parent company of a regulated utility and other subsidiaries engaged in non-utility businesses with combined assets totalling \$33.5 billion.

Eli Lilly Eli Lilly is a high quality, large-cap, big-pharma company that is in the business of discovering, developing, manufacturing, and selling therapeutic drug products for both humans and animals, around the world. The company's products include pharmaceuticals used in neuroscience, the treatment of heart disease, anti-infectives, oncology, and anti-ulcer agents.

Freeport-McMoRan Copper & Gold Freeport acquired Phelps Dodge in early 2007 and in the process created the world's largest copper producer. For 2007, the company is forecast to produce approximately 3.9 billion pounds of copper, 2.3 million ounces of gold, and 68 million pounds of molybdenum. Proved and probable reserves will be about 75 billion pounds of copper, 41 million ounces of gold, and 1.9 million pounds of molybdenum. On a combined basis approximately 74% of revenues will come from copper, 16% from molybdenum, and 10% from gold. The company will receive 47% of its revenues from politically stable North America, 35% from Indonesia, 14% from Chile and 4% from Peru. The addition of Freeport is based on our positive long-term view on the metals market driven by growing demand from China and India and potential supply constraints. The valuation remains attractive given the company's high quality reserve position, long-term organic growth prospects, and low cost production.

JPMorgan Chase & Co. provides global financial services under the JP Morgan brand, and provides retail banking under the Chase brand. The Company provides services such as investment banking, treasury and security services, asset management, private banking, cardmember services, commercial banking, and home finance, servicing business enterprises, institutions, and individuals.

MetLife, Inc. is a global financial services company providing insurance and investment products to both individual and institutional customers. The company offers individual and group insurance, annuity, retirement, and savings products and services. MetLife is one of the largest insurance companies in the U.S. with high brand recognition. The stock offers steady earnings growth, a conservative balance sheet and an attractive valuation. Microsoft Corp. was founded in 1975 and develops, manufactures, licenses, and supports software for various business and personal computing devices around the world. Microsoft has a unique asset in its customer base that includes over 1 billion Windows users providing a platform upon which to build and sell products and services for existing consumers. The

company has recently commenced launching and deploying one of the strongest pipelines of new product releases in recent years that should re-accelerate revenue and earnings growth for the next few years. The stock is appropriate for conservative investors looking for technology exposure, consistent earnings growth, and an attractive valuation.

Nike Inc. was founded in 1964, but got its name with the introduction of athletic footwear called Nike, named after the Greek goddess of victory. The company has grown to become a \$16.3 Billion manufacturing, marketing, and sales organization that caters largely to the athletic market, and is now embarking on a new specialty retail strategy that is targeted to leverage its world renowned iconic brand name.

Oracle Corporation supplies software for enterprise information management. The Company offers databases and relational servers, application development and decision support tools, and enterprise business applications. Oracle's software runs on network computers, personal digital assistants, set-top devices, personal computers, workstations, minicomputers, mainframes, and massively parallel computers.

Occidental Petroleum is an international oil and gas exploration and production company with operations in the United States, Middle East/North Africa and Latin America regions. OXY is the fourth largest U.S. oil and gas company based on market capitalization. In the U.S. OXY is the largest oil producer in Texas, the largest natural gas producer in California, and has additional production in Kansas, Oklahoma and New Mexico. The company also operates in the Middle East and Latin America. In addition to their now-separate midstream energy business, Occidental has a chemical operation (OxyChem) that manufactures vinyls and specialty chemical products.

Terex Corporation is one of the world's largest producers of heavy machinery that operates five major divisions making cranes, aerial platforms, and equipment that serves the construction, road building, and mining industries. Construction equipment includes off-highway trucks, excavators, and large wheel loaders; the road building unit builds pavers and mixers as well as landfill compactors. The company's equipment is marketed around the globe to the construction, forestry, quarrying, government, recycling, and utility industries. TEX has grown through acquisitions over time and is benefitting from its expanding geographic penetration and growing order backlog resulting from the growth in infrastructure projects around the world. The addition of Terex Corporation provides exposure to the ever increasing demand for global infrastructure, a growing investment theme that has and will be a focus for many years to come. TEX has financial strength and improving earnings visibility due to a growing order backlog, revenue mix that is diversified by end-user and geography, and TEX is a play on the strength in the global economy and is insulated somewhat by the challenges stemming from a weakening U.S. economy by virtue of the fact that 70% of its revenues come from outside the U.S. with a current focus on emerging markets.

Transocean Inc is the world's largest offshore drilling company, with 89 mobile

offshore drilling rigs, and the largest deepwater driller with 28 rigs that can drill in more than 4500 feet of water. The company has grown through both merger and acquisition as well as via the largest newbuild construction program in the industry. Transocean specializes in construction of oil and gas wells in deep water and/or harsh environments, and operates in the U.S. Gulf of Mexico, eastern Canada, Brazil, the UK and North Sea, West Africa, the Middle East, and Australasia. The offshore drilling sector remains an attractive area for investment due to compelling valuations and multi-year earnings visibility resulting from firm backlogs and long-term contracts that extend beyond 2010. The deepwater drilling market is somewhat insulated from a potential oil price decline as the economics of deepwater drilling are still attractive at even a \$35-\$40 oil price.

United Technologies Corp. is a diversified global industrial company. Broadly speaking, roughly 60% of revenues come from commercial businesses and 40% from aerospace. More specifically, the company has leading market positions in six businesses: Carrier (world's largest maker of heating, ventilation, refrigeration, and air conditioning systems), Pratt & Whitney (one of the world's largest manufacturers of aircraft engines), Otis (the #1 elevator and escalator manufacturer), Hamilton Sundstrand (flight systems), UTC (Fire & Security), Sikorsky (helicopters).

Wal-Mart Stores Inc. is the world's largest retailer. Through its discount stores and supercenters, Wal-Mart offers merchandise such as apparel, housewares, small appliances, electronics, and hardware. Wal-Mart operates in the United States, Canada, Argentina, Brazil, Germany, Mexico, Korea, the United Kingdom, and Puerto Rico.

The Walt Disney Company is a global entertainment company operating media networks, studio entertainment, theme parks and resorts, consumer products, and Internet and direct marketing. The company produces motion pictures, television programs, and musical recordings, as well as publishing books and magazines. Assets include the ABC Network, cable channels such as History, Life, Family, Disney, ESPN, theme parks in Orlando, Anaheim, Paris and Tokyo as well as the movie production companies such as Disney, Miramax, Buena Vista, and Pixar.

The ScotiaMcLeod Guided Portfolios are model portfolios of equity and fixed income securities designed for individual investors. Managed by the firm's Portfolio Advisory Group, the guided portfolios include Canadian and U.S. equity portfolios and Canadian fixed income portfolios. The objective of the equity portfolios is to provide individual investors with superior investment returns for various investment objectives and levels of risk. The objective of the fixed income portfolios is to track the performance of the Scotia Capital Markets Bond Universe index and its components. For further information on the Guided Portfolios, please contact your ScotiaMcLeod Investment Executive.

The supervisors of the Portfolio Advisory Group own securities of the following companies:
Oracle Corp, Wal Mart Stores Inc

The author of the report owns securities of the following companies:

Oracle Corp, Wal Mart Stores Inc

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