



## **Summit Tax Efficient Balanced Fourth Quarter, 2008**

The fourth quarter proved to be an extremely difficult period for investors, compounding an already challenging year. Capital markets around the world experienced extreme volatility as deteriorating economic data continued to weigh on the minds of investors.

Asset mix had a negative impact on the portfolio due to an underweight in bonds versus equities. During the quarter we tilted our asset allocation to reflect a more neutral stance by reducing our target equity exposure and adding to fixed income.

In fixed income, our bond holdings underperformed their respective benchmark with security selection and sector allocation detracting from performance.

Our Canadian equities materially outperformed the S&P/TSX composite Index this quarter. Sector allocation contributed positively due to an underweight in Energy and overweight in Industrials, and Consumer Staples. Strong security selection also contributed positively with our positions in Energy, Industrials, Consumer Staples and Telecommunications outperforming their respective sectors. During the quarter we trimmed our position in AGF and added CI Financial. We have been following CI for several years and have a greater degree of confidence in the management team and business model.

Our U.S. equities underperformed the S&P 500 Index in the fourth quarter. Both sector allocation and security selection contributed negatively. In sector allocation, positive contribution from our overweight position in Consumer Staples, Healthcare and Financials was offset by our zero weight in Telecommunications and Utilities. During the quarter, we exited Wellpoint and allocated the proceeds to Becton Dickinson, the largest manufacturer and distributor of medical surgical products. Also, we trimmed Nike and Costco as a means of reducing our exposure to the weakened American consumer.

Our international equities underperformed the MSCI EAFE Index this quarter. Country selection contributed negatively due to our overweight in Brazil and significant underweight in Japanese equities. Cemex, Petrobras and Barclays are three of the worst culprits contributing to our underperformance. All three are world class companies and we will be considering them as potential candidates to increase in the future.

Overall the portfolio marginally underperformed its benchmark during the quarter.

While the economic environment remains a very challenging one and we are likely to experience muted growth prospects for some time, eventually the equity markets will look past slowing economic data and begin pricing in better days ahead. We will continue to seek out opportunities to high-grade our portfolio – adding to those companies that are better equipped to manage through this difficult economic environment.

## **The Summit Program**

