



Summit Canadian Equity Momentum Mandate Q4 2008 Commentary

Investment Environment

The Canadian stock market continued its downward spiral through October and much of November before bouncing off its lows and stabilizing somewhat in the month of December. For the fourth quarter, the benchmark S&P/TSX Composite Index lost 22.7% and closed down 33.0% for the full twelve months of 2008. This dismal performance placed Canadian equities last among asset classes for the quarter and for the year.

There were not many places to hide as the vast majority of companies declined in value. Nine of the ten sub-sectors of the market were lower, led by Financials, Information Technology and Energy. The banks, which had performed well in the third quarter, finally succumbed to the mounting crisis, raising equity to protect their falling capital ratios. The only sector that rose in the quarter was Consumer Staples, helped by the defensive nature of its companies. For the year, all ten sectors recorded losses.

The economic news is not improving. Recent data suggests that the current U.S. recession could be the worst since WWII. In Canada, there are many signs of slowing but the magnitude seems less severe than south of the border. Although Canada generally tends to lag the U.S., the Canadian economy started with a much stronger base and significantly less banking problems.

Despite the gloom, there is some cause for optimism as central banks around the world aggressively lower interest rates and governments offer up fiscal stimulus and corporate bailout packages.

Performance

In absolute terms the mandate had a difficult quarter as Canadian equities markets trended lower.

Despite declining markets in each of the three months of the quarter, the portfolio had positive added value in both November and December but lagged behind the Index in October as volatility reached all time highs and markets corrected dramatically.

It is worth noting that the strategy can outperform in declining markets as the algorithm adjusts to select stocks with the lowest downward price momentum.

Outlook and Portfolio Strategy

The economic outlook is certainly very bleak and likely to remain this way for some time to come. While there is certainly more bad news to come the policy response from the world's governments will ultimately free up credit markets and stimulate growth.

This time next year we expect to see significant improvement in the economic outlook. More importantly, markets are forward looking and will start to trend higher long before the economic news turns positive.

Representative Holdings

At the August 30th quarterly rebalancing nine of the mandate's holdings were replaced. Eldorado Gold was the only common holding between the periods while materials was the only common sector.

All six names in the energy sector were eliminated. Overall, sector exposure moved from three to seven enhancing diversification in these uncertain times.

New sectors include Consumer Discretionary, Consumer Staples, Financials, Information Technology, Telecommunications and Utilities. Energy and Industrials were eliminated.

The next rebalancing for the portfolio will take place on February 27th.

The Summit Program

