MORRISON WILLIAMS

Investment Management LP

Canadian Equity
Fourth Quarter, 2008

The Canadian equity markets continued to contract throughout the fourth quarter. The S&P/TSX Total Return Index shed -22.7% in the quarter and -33.0% for the year.

Within the sub-sectors of the S&P/TSX Index 9 out the 10 sub-sectors were negative with only the Consumer Staples sector eking out a small gain of +2.8%. The largest declines were in the Financial Services sector which posted a -30.8% decline, followed by the Energy sector at -28.2% and the Information Technology sector at -27.3%. For the year, all sub-sectors were negative.

Performance Comment and Strategy

The Canadian stock market continued its decline into December as the worldwide credit crunch displayed no signs of abating even in the face of massive monetary stimulus provided by the world's Central Bankers. Given this situation and the appearance that a worldwide recession was taking hold, commodity prices continued to fall at an alarming pace from the peak in July 2008. Given the large resource component in the S&P/TSX Composite, the index continued to decline with very few bright spots to be found. The CRB Futures Index fell 36% in 2008, only to be outdone by the price of crude oil, which has fallen by over 50%. All major stock markets throughout the world have followed the direction of the S&P/TSX Index and are sporting double digit decreases of over 30%.

In addition to the havoc caused by the decline in resource valuations, the Canadian financial institutions continued to stun investors with additional mark-to-market losses in the investments held on their balance sheets. This led to numerous equity offerings by most of the Canadian banks and insurance companies in order to maintain their tier one capital status. These dilutive equity infusions were completed at depressed valuations. Thus, the financial sector continues to be under ongoing selling pressure.

Going forward, the direction of the market will depend on the severity of the current recession and whether the enormous fiscal stimulus packages provided by the governments of the United States, Canada, Europe and Asia will be able to resuscitate economic growth and bring about increased demand for Canada's natural resources. If the economies of the world spend most of 2009 in recession then corporate profits will be decimated and stock markets will react accordingly.

Several market strategists are currently envisioning a bear market rally taking hold in the stock market sometime in 2009, but the timing and strength of any rally will most certainly be predicated by the near term risks of a protracted contraction in the North American and worldwide economies. President Elect Obama brings with him a sign of hope that he can instill confidence to a consumer and an economy that has been battered. Prime Minister Harper must now wake up and put together a budget, to be delivered in late January 2009, which addresses a slumping economy. While government bond yields have declined precipitously over the last three months, corporate bond yields have headed in the opposite direction and have ballooned. It is crucial that corporate spreads start to decline meaningfully or any stock market rally is destined to fail. The bear market which started in October 2007 is still with us and continues to signal only the most liquid and highest quality equities should be held. Caution and defensiveness is still the order of the day.

Representative Holdings

Rogers Communications Inc. (RCI.B – TSX)
Rogers Communications is the largest wireless services and cable system operator in Canada, with over six million wireless subscribers nationally and 2.2 million cable subscribers in the Greater Toronto Area, Ottawa, New Brunswick and Newfoundland. Rogers also has a media division which includes 43 radio stations, local television stations, websites, The Toronto Blue Jays, The Rogers Centre and numerous print magazines. Rogers revenues are generated by Wireless (53%), Cable & Telecom (35%) and Media (13%). Rogers has shown consistent growth over the past 3 years and has now become Canada's largest communications investment.

Goldcorp (G – TSX)
Goldcorp is a leading gold producer engaged in gold mining and related activities including exploration, extraction, processing and reclamation. The Company's main assets are comprised of 10 operations and 6 development projects throughout the Americas. Goldcorp is one of the lowest cost and fastest growing senior gold producers. Goldcorp has a solid pipeline of projects including the 100% owned Eleonore gold project in Quebec and the 100% owned Penasquito project in Mexico. These two valuable assets, along with several others, will allow for growth in production for years to come.

Cameco (CCO – TSX, CCJ - NYSE)
Cameco is the world's largest producers of uranium concentrates. Cameco accounts for 20% of the world's uranium production, with mining and conversion facilities in North America to provide fuel to the western world's nuclear power plants. Cameco has a 32% interest in the Bruce Power Plant which generates clean nuclear power in Ontario. It also has a 53% stake in Centerra Gold Inc. which controls mines in Kyrgyzstan and Mongolia and has a stake in the REN project in Nevada. Cameco has two new uranium mines being developed in Canada and Central Asia and 550 million pounds of proven and probable uranium reserves. Growing concerns over greenhouse gas emissions and growing worldwide demand for electricity are bringing nuclear power to the forefront as a clean and reliable source for power. Cameco is well positioned in the market to benefit from this growing demand.