

Report on Asset Allocation

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As an asset allocation team, we continue to watch closely the events that are taking place in the global financial markets and making adjustments to our mix to ensure that our client's portfolios retain the optimal risk profile. As a result, we are going to begin making a number of shifts to our overall asset allocation for each of the six portfolios. These shifts and changes are attached.

Equity Investment Style

We are continuing the reduction in our allocation to Large-cap Canadian Value that we began in the third quarter of 2007 and increasing our exposure to large-cap Canadian Growth stocks. For all but the Aggressive Equity portfolio, this now means that our exposure to large-cap Canadian equities will be equally divided between value and growth. The Aggressive Equity portfolio will have a relative overweight of growth stocks to value stocks.

We believe that the later stages of the current bull market (ushered in by the recent mid cycle event) and the corresponding increase in the level of volatility will continue to favour a growth style for some time to come. The declining level in the overall growth rate of earnings makes those companies that can deliver on growth more valuable to the market.

Exposure to Fixed Income

While we still believe equities are more attractive than bonds at current price levels and yields, there is more risk to this outlook than before. As a result, we are modestly reducing our overweight in equities to bonds, and increasing our exposure to short-term bonds across most of the portfolios. This is a new development, as previously only the Conservative Portfolio had a defined exposure to this asset class.

Additionally, we have been working closely with the Portfolio Managers of our Income asset class. The strategy seeks to add value from multiple asset classes, including income trusts, REITs, bonds, common and preferred shares. The weighting of equities (Trusts, REITs and Stocks) within the portfolio has historically fluctuated between 60% and 80%. In recent quarters the equity weight has stayed closer to the upper end of that range and is expected to stay there indefinitely as the portfolio managers from Connor, Clark & Lunn Investment Management are seeing better value in the equity sectors than fixed income. As a result, we have generally decreased our exposure to the asset class to reduce our overall exposure to equities, thereby dampening the volatility of the portfolio.

Outlook

Markets posted one of the weakest fourth quarters in many years, bucking the seasonal trend. We believe equities are more attractive than bonds at current price levels and yields. The risks to equities are rising the longer the credit crunch goes on. We will continue to monitor the markets closely and make the necessary adjustments to our asset allocation.

The past few weeks have seen deterioration in the outlook for the economy and consequently for risky assets. Interbank lending rates have moderated, but fears are still running high as fallout from the banking crisis is not over.

In the US, there are concerns that the Fed has fallen behind the curve and there are widespread beliefs that economic weakness will be worse than expected. To date, key indicators (unemployment, consumer spending, exports, and wages) are indicating anemic growth but no contraction. The Fed has moved to reduce rates but more is needed to prop up the economy. Falling US rates are putting pressure on other central banks to reduce rates.

We continue to believe this is a mid-cycle slowdown but acknowledge the risks are rising. In order to control the risk in the portfolios, we are modestly reducing our relative overweight in equities by a reduction in exposure to large-cap Canadian value stocks, which are trading at the upper end of their range on strong commodity sentiment.

Actions

- Reduce overall overweight in equities
- Add exposure to short-term bonds to reduce volatility in the portfolio
- Reduce exposure to large-cap Canadian equities
- Increase exposure to large-cap Canadian growth equities
- Reduce exposure to income asset class



Summary of Changes to Portfolio Asset Allocation January, 2008

Asset Class	CC&L Conservative Portfolio			CC&L Balanced Income Portfolio		
	Current	Proposed	Change	Current	Proposed	Change
Cdn Large-Cap GARP	5.00%	5.00%		6.50%	7.00%	+0.50%
Cdn Large-Cap Value	8.00%	5.00%	-3.00%	9.30%	7.00%	-2.30%
Cdn Small-Cap	0.00%	0.00%		3.00%	3.00%	
Global Equities	10.00%	9.00%	-1.00%	14.00%	14.00%	
Income	13.00%	11.00%	-2.00%	11.70%	10.00%	-1.70%
Bonds	46.50%	50.00%	+3.50%	55.50%	49.00%	-6.50%
Short bonds	17.50%	20.00%	+2.50%	0.00%	10.00%	+10.00%
TOTAL	100%	100%		100%	100%	

Asset Class	CC&L Balanced Portfolio			CC&L Balanced Growth Portfolio		
	Current	Proposed	Change	Current	Proposed	Change
Cdn Large-Cap GARP	9.00%	11.00%	+2.00%	11.60%	12.50%	+0.90%
Cdn Large-Cap Value	14.50%	11.00%	-3.50%	16.00%	12.50%	-3.50%
Cdn Small-Cap	4.50%	4.50%		5.10%	4.50%	-0.60%
Global Equities	25.00%	25.00%		27.00%	27.00%	
Income	12.00%	10.00%	-2.00%	10.30%	10.00%	-0.30%
Bonds	35.00%	31.00%	-4.00%	30.00%	26.50%	-3.50%
Short bonds	0.00%	7.50%	+7.50%	0.00%	7.00%	+7.00%
TOTAL	100%	100%		100%	100%	

Asset Class	CC&L Growth Portfolio			CC&L Aggressive Equity Portfolio		
	Current	Proposed	Change	Current	Proposed	Change
Cdn Large-Cap GARP	13.00%	15.00%	+2.00%	23.00%	28.00%	+5.00%
Cdn Large-Cap Value	19.00%	15.00%	-4.00%	23.00%	18.00%	-5.00%
Cdn Small-Cap	4.50%	4.50%		4.00%	4.00%	
Global Equities	35.50%	35.50%		40.00%	40.00%	
Income*	11.00%	10.00%	-1.00%	10.00%	10.00%	
Bonds	17.00%	14.00%	-3.00%	0.00%	0.00%	
Short bonds	0.00%	6.00%	+6.00%	0.00%	0.00%	
TOTAL	100%	100%		100%	100%	

* The Income strategy seeks to add value from multiple asset classes, including income trusts, REITs, bonds, common and preferred shares. The weighting of equities (Trusts, REITs and Stocks) within the portfolio has historically fluctuated between 60% and 80%. In recent quarters the equity weight has stayed closer to the upper end of that range and is expected to stay there indefinitely the portfolio managers from Connor, Clark & Lunn Investment Management are seeing better value in the equity sectors than fixed income. In recognition of this, we are using the assumption that the portfolio holds approximately 20% of its assets in fixed income instruments and 80% of its assets in traditional equities.

	Current		Proposed		Changes	
	Fixed	Equity	Fixed	Equity	Fixed	Equity
CC&L Conservative Portfolio	66.6%	33.4%	72.2%	27.8%	+5.60%	-5.60%
CC&L Balanced Income Portfolio	57.8%	42.2%	61.0%	39.0%	+3.16%	-3.16%
CC&L Balanced Portfolio	37.4%	62.6%	40.5%	59.5%	+3.10%	-3.10%
CC&L Balanced Growth Portfolio	32.1%	67.9%	35.5%	64.5%	+3.44%	-3.44%
CC&L Growth Portfolio	19.2%	80.8%	22.0%	78.0%	+2.80%	-2.80%
CC&L Aggressive Equity Portfolio	2.0%	98.0%	2.0%	98.0%	0.0%	0.0%

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.