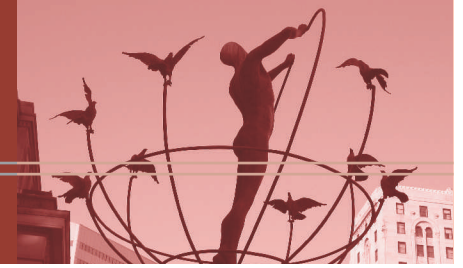


BLUMONT HIRSCH PERFORMANCE FUND

SINGLE MANAGER CANADIAN EQUITY FUND

PROVEN PERFORMANCE. NO MANAGEMENT FEE.



Manager Commentary

Investors were relieved to see January end, as it turned out to be one of the worst starts to a new year by any measure. The MSCI World index declined 7.6% for the month, with most of the damage inflicted on Monday January 21. On that day, the German DAX sank 7.1% and the FTSE 100 lost 5.5%, its biggest daily loss outside of October 1987 and September 11, 2001. It was not until after the fact we learned that a major contributor to the European sell off was Société Générale unwinding unauthorized trades perpetrated by a rogue trader. Timing could not have been less fortunate with US markets closed, depriving global markets of its share of liquidity and potentially better leadership. Panic selling was reversed on Tuesday after the emergency 75 bps rate cut by Federal Reserve. Even though markets reacted positively to the lowered rates, the episode left investors even more apprehensive and fearful of additional adverse developments- adding significantly to future volatility.

The S&P/TSX Total Return Index fared slightly better, declining 4.7% in January, with Materials (more specifically Golds) being the only group with positive returns. Information Technology, with its high valuations and high beta showed the steepest decline. Our portfolios sustained most damage from the telecommunication sector, which broke down on fears of the new spectrum auction potentially leading to the entry of new competitors. We decided to exit this group and wait until after the auction, as telecom stocks are very liquid and easy to replace if warranted later. There were not many stocks left undamaged during the January sell off. What proved most instructive was to watch which groups of stocks showed leadership by recovering quickly. In Canada, gold and fertilizer stocks seem the most resilient so far, recovering a lot of their value during rallies.

The Canadian economy is faring relatively well, still adding jobs, causing unemployment rate to decline to a 33 year low of 5.8%. The demand and pricing for most Canadian resources remains robust. Even as the slowing US economy and the appreciating Cdn currency are hurting manufactured exports, the consumer is benefitting from climbing housing prices and declining interest rates. In fact there is more good news to come from that front, as Canada's 50 bps rate reduction catches up with the Fed's 225 bps cuts. We think the Fed will extend its rate cutting cycle until both the financial crisis and the US economy stabilize.

We presently favour long positions in both gold bullion and gold equities, as they will be beneficiaries of the large amount of liquidity being pumped into the system by Fed, while remaining short the financials. Since this recession began with a financial crisis, the bear market will not be over until the financials lead us out of it. A great deal of damage has already been inflicted on stock markets in the first 3 weeks of January, but we would not be surprised to see markets carve out a lower bottom perhaps later during the summer amid a barrage of a fresh set of gloomy news. Markets need assurance that most of the negative surprises are in the past, before they will be willing to look forward to the economic recovery.

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