



THE NORTH AMERICAN SPECIAL EQUITY PORTFOLIO

Opportunity

The North American Special Equity portfolio at Knight Bain Private Counsel is a unique portfolio that invests in niche growth companies. There are three key reasons to invest in the portfolio:

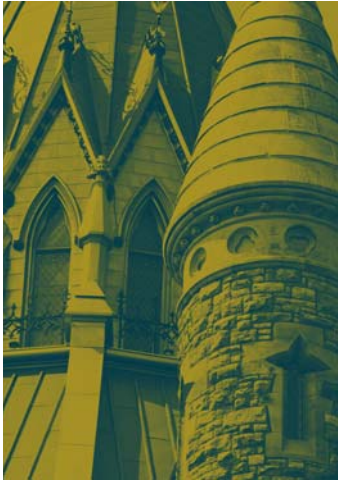
- It has a unique North American Focus
- It includes small growing companies... but not too small
- It has a long term investment approach

North American Focus

Firstly, Canada and the United States are both amazing countries with strong economies and capital markets. However, just like our cultures, there are as many differences as similarities, complementing each other very well. By taking a North American view on investing, the portfolio draws on the strengths of each country (Canada's robust energy and materials sectors or the dynamic U.S. health care industry). More importantly though, unlike investing in a separate U.S. and Canadian fund, we are able to avoid each country's weaknesses. Therefore, we don't end up owning Canadian or U.S. companies that may be the best in their class at home, but not the best in North America.

Small growing companies... but not too small

We invest in small companies, not speculative companies. The average market value of a stock in the Dow Jones Index is \$138 billion, and in Canada the S&P/TSX Index average is \$32 billion. By comparison then, when we're investing in \$1-\$5 billion companies, they are in fact small to medium sized. They are substantial businesses with significant revenue in excess of \$100s of millions. There are advantages and disadvantages to investing in small versus large companies, such as the stability of large companies or the nimbleness and growth of smaller companies. We look to take advantage of the best of both worlds. For example, we bought Alliance Data Systems, the company that owns Air Miles in Canada (as in "do you have your Air Miles Card") four years ago when it had a \$1.7 billion market value. It had a dominant market niche (over two thirds of Canadian households collect Air Miles), it was growing quickly, attractively priced and with over \$1 billion in revenue it had the stability that we found attractive to go with its growth. Today it has a \$5 billion market value with the same attributes. We hope to hold it for many years to come.



A Long Term Approach

We look to invest in great businesses at great prices. We consider a great business to be one that dominates a growing niche, has an attractive competitive position and excellent management with a clear strategy. We avoid companies that are overly cyclical or businesses that we view as speculative (i.e. biotechnology companies). Once we've identified a great business, we then determine if it's a great stock; the difference being the price you pay. We value every company with a long term approach that focuses on their ability to generate and grow their free cash flow, not just this year or next year, but over the next five plus years. Once we buy

them, we hope to hold them indefinitely. There are additional reasons to buy a great business and watch it grow other than just tax savings.

Returns

It is with this philosophical framework that the fund has succeeded. While the growth in our client's capital is a key achievement from start to finish, we are also proud of the fund's preservation of that capital during volatile times in the interim.

NORTH AMERICAN SPECIAL EQUITY PORTFOLIO

ANNUALIZED RATES OF RETURN FOR THE PERIOD ENDED MARCH 31, 2007 (C\$)

	One Year (%)	Two Years (%)	Three Years (%)	Four Years (%)	Five Years (%)
North American Special Equity Portfolio	15.9	19.7	20.6	25.4	11.9
Benchmark*	6.8	13.0	8.9	17.6	7.4

*50% Russell 2000; 50% TSX Small Cap.

TOP 10 HOLDINGS AT MARCH 31, 2007

Stantec	5.6
Alliance Data Systems	5.6
Forzani Group	4.9
BlackRock	4.8
UTI Worldwide	4.6
Sierra Health Services	4.2
Rona	4.1
Canada Bread	4.0
Cognizant Technology Solutions	3.9
Mediacom Communications	3.7

PORTFOLIO ALLOCATION

