

# FORTRESS Asia Pacific Equity Fund

## Fund Highlights

# Investment Review

First Quarter 2010

The rally since March 2009 paused in early February 2010, as problems in Europe led to increased risk aversion among investors, combined with profit taking in a number of strong performing stocks. There were fears that the Chinese authorities would be forced to tighten monetary policy faster than previously expected, as a result of very strong economic growth and sharp rises in property prices in Beijing and Shanghai. The Fund's stock selection in China and Indonesia contributed positively to performance while the performance of the Fund's Singapore and Hong Kong holdings detracted from performance over the quarter.

Mackenzie continues to focus on finding attractive investment opportunities in Asia. We are seeing ample scope for positive earnings surprises over the next 12-months, and continue to find attractively priced shares in companies that offer excellent long-term growth prospects. In the Asia-Pacific region, we are more cautious on the outlook for small capitalization and mid-capitalization stocks, a focus of their approach. Instead of chasing rising share prices, we expect to wait for dips to accumulate stock positions. We also added holdings in Australia and India over the period, and continue to search for attractive opportunities elsewhere in the region. We have maintained exposure to domestic-oriented companies that should benefit from continued growth in the region, such as Chinese consumer and financial companies, but have also added to global technology and consumer electronic leaders that should do well as the global economy recovers.

*Any amount that is allocated to a segregated fund is invested at the risk of the contract holder and may increase or decrease in value.*

This report is published to provide additional information on economic conditions and investment performance. It was prepared by Mackenzie Financial.