

FORTRESS Global Equity Fund

Fund Highlights

Investment Review

Second Quarter 2009

Market Commentary & Outlook

Investors rediscovered an appetite for equities in quarter two. This was due to signs that the recent coordinated efforts of governments to stimulate the economy may be beginning to take hold and hopes grew that we may be through the worst of the downturn. The MSCI World index was up 11.5% in Canadian dollar terms over the quarter.

Investors focused on the rate of change in economic data and earnings releases, rather than the absolute levels, which are still mainly weak. Good news is being rewarded and this included improving business sentiment in Germany and improving consumer sentiment and signs of stabilization in the property prices in the U.S. and U.K. There were also indications that China's economy has benefited from the government's considerable fiscal stimulus package. The rally was also supported by better-than-expected earnings from some large companies, particularly in the U.S. Also, several U.S. banks are now repaying the TARP funds, a much needed sign of stabilization in financial markets. However, toward the end of June, positive data was harder to come by and global stock markets retreated slightly.

After two further interest rate cuts by the European Central Bank ("ECB"), interest rates are now at their lowest levels ever in the Eurozone. The ECB also offered unlimited one-year financing to banks. There was a large take-up and the money markets are now awash with excess liquidity. However, banks are still choosing to lend very little and instead cash is being placed on deposit or into the very short end of the bond market.

The U.S. dollar came under pressure as speculation increased that China, India and Russia may diversify their reserves away from the U.S. currency and the dollar weakened 6% against the euro over the quarter.

In line with the outperformance of so-called riskier assets, there was a move out of defensive sectors (such as Healthcare, Staples and Telecoms) into cyclical sectors (such as Financials, Industrials and Consumer Cyclical). Emerging markets also outperformed.

Top 5 Holdings

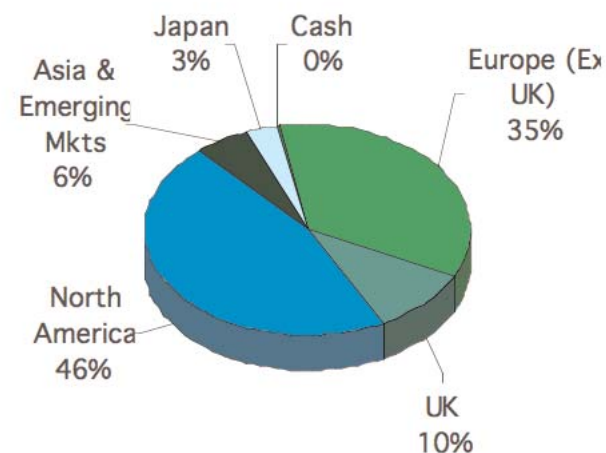
EXXON MOBIL	2.1%
JOHNSON & JOHNSON	1.8%
SIGMA ALDRICH	1.7%
GENERAL DYNAMICS	1.6%
MICROSOFT	1.6%

Sector Breakdown (exc. cash)

Summary Sector	Fund %	Relative to Benchmark %
Financials	17.9	19.7
Consumer Discretionary	12.2	10.6
Healthcare	13.2	10.7
Consumer Staples	10.4	10.5
Information Technology	11.3	11.7
Industrials & Materials	14.7	15.8
Energy	12.2	11.4
Telecoms & Utilities	8.2	9.6
Total	100	100

*source: Setanta Asset Management

Geographic Breakdown



Fund Review

Top contributing stocks year-to-date:

Norwegian Bank DnB Nor has rebounded sharply from a very low valuation having sold off aggressively in the second half of 2008. We continue to hold the stock on the belief that its capital position will be sufficient to withstand the current economic turmoil. Xstrata, a diversified mining group, has advanced strongly on the back of the sharp recovery in the spot prices of its products since mid-March. Kasikornbank is a strongly capitalized and conservative bank, a mindset framed by the excesses that caused the Asian crisis (1997). As a result, it has come through the global financial crisis in good shape.

The valuation at the start of the year was 'cheap', heightening the probability for a re-rating of the shares at some point. Despite its strong performance this year the stock is not expensive and it remains a core holding.

Bottom contributing stocks year-to-date:

U.S. Bank Synovus entered the current financial crisis as one of the best capitalised banks, but with a high concentration of commercial real estate / developer loans. We bought the stock on the belief that its capital would be sufficient to see it through tough times. The stock has been a very disappointing performer, but we expect the company to re-emerge from the crisis intact. U.S. regional banks have performed poorly this year and Keycorp has performed somewhat worse than the overall group. This is primarily due to the U.S. Federal Reserve's "stress test" report, which found that Keycorp had insufficient capital and has to raise \$1.8 billion. While we were disappointed with the Fed's overall assessment, the additional capital will put the bank in a stronger position and better equip it to ride out the current crisis. Land Securities: Prices in the U.K. commercial property market have fallen more than the stock was pricing in at the turn of the year. The company successfully raised equity (we subscribed fully) in Q1, which means the company can weather further substantial falls in U.K. commercial property should they arise.

Fund activity:

We purchased Exelon Corporation (Telecoms & Utilities), funded out of a reduction in our positions in Terna and E.ON. Exelon's predominantly nuclear generating assets and its position as the largest and most efficient nuclear generator in the country, make the company an ideal vehicle for gaining exposure to both a stronger electricity price when U.S. GDP recovers and also to the growing demand for restrictive CO2 emission limits in the U.S. We purchased Pharmaceutical Product Development ("PPD") (Healthcare), funded out of a reduction in our positions in Wyeth and United Health. PPD's core business is clinical research services. Drug companies are

outsourcing more and more of their non-core activities, including trial management. With this strong demand, there are really only five or so credible companies who can manage large, complex, international trials and PPD is one of these. We also purchased Venture Corporation (Technology), which provides manufacturing, design, engineering, customization and logistic services to global companies including HP, IBM, NCR, Agilent and Xerox. Traditionally companies like HP and IBM manufactured all their own products, however over the last number of years many of these companies have decided to scale down production and outsource more production to companies such as Venture.

The Global Equity Fund continues to have a broadly neutral sector tilt given the continued heightened uncertainty in the market place. A marginal overweight in the Consumer Discretionary and Materials sectors, and a marginal underweight in the Telecom Services, Utilities and Consumer Staples sectors remains in place. However it should be noted, that the sharp rebound in stock markets generally since mid-March warrants a particularly close monitoring of the sector positions in the months ahead.

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 Setanta Asset Management Ltd.