

FORTRESS Asia Pacific Equity Fund

Fund Highlights

Investment Review

Third Quarter 2009

The portfolio manager notes that Asian stock markets sold off dramatically in anticipation of an economic slowdown that has not been as severe as expected; consequently, many stock markets in the region have rebounded faster than elsewhere. The biggest risk in Asia is its dependence on exports to the U.S and Europe. To partially offset this risk, China has implemented a stimulus package aimed at increasing domestic demand growth. If this proves successful, the Chinese stock markets, and by extension those in the rest of non-Japan Asia, may finally stop following the movements of the Western markets. The decline in the oil price should also be beneficial since Asia still depends on imported oil.

The portfolio manager believes the global policy responses to the economic and financial crises are likely to put a floor under economic growth and stock markets sometime in 2009. The portfolio manager believes that investors who choose to buy assets in China could see benefits in 2009, and he has therefore maintained exposure to investments with exposure to China and Hong Kong.

The portfolio manager will be looking to accumulate stocks on future dips and gradually tilt the portfolio in favour of higher growth companies such as those in the technology sector.

The portfolio manager sees some signs that things are improving. Most stock markets staged an impressive rally. However, they remain well below peak levels.

Overall, the portfolio manager remains positioned to capitalize on a rebound in the Asian markets.

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.