WEBB ASSET MANAGEMENT

August, 2008

Canadian Performance Fund

SYSTEMATIC, PROVEN & RELIABLE

Process

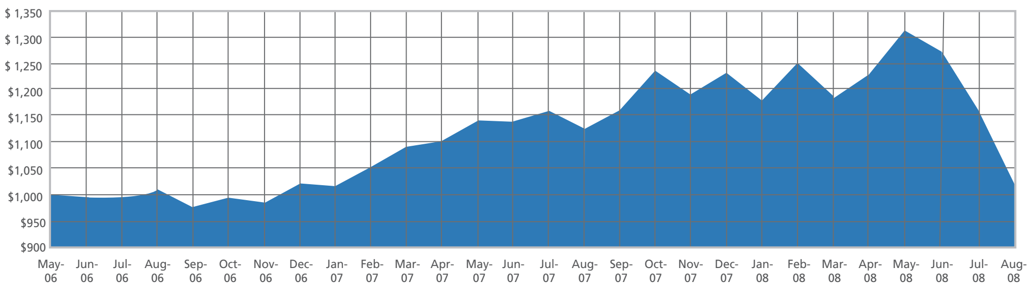
We screen a database of over 3,000 securities. Those with adequate liquidity are tested and ranked according to their earnings characteristics. Specifically, we look for the rate of change in reported earnings and reported earnings in relation to expected earnings. The securities are further screened for strong fundamentals and attractive technical indicators. The securities that best pass these tests are selected as long positions for the Fund. Those companies that screen the worst are selected as short positions for the Fund. Each position in the portfolio, long or short, is monitored on a continuous basis. Should any security no longer meet our investment criteria, the position is sold or covered accordingly.

Commentary

In light of the Fund's recent performance, we've expanded our commentary this month in hopes of explaining results and setting expectations for the future. Our investment model buys companies with accelerating earnings that are beating expectations, while shorting companies with decelerating earnings that are missing expectations. This process has proven to be the best way to generate strong performance, but it is not without periods of volatility and sharp declines. Unfortunately, the recent past marks one of those periods, much like 1987, 1990, 1994 and 2002. The market is not currently trading on factors that have served us so well in the past. Instead, the market is being driven by something entirely different.

To put things in perspective, Potash Corporation of Saskatchewan is the OPEC of fertilizer in a secure country with high margins, long reserve life, huge free cash flow, rising prices and accelerating earnings that are beating rising expectations. Everything we could ever hope for in a stock. As well, Potash trades at 7x's 2009 EPS. Potash is down 33% from its high. Many other great businesses with great earnings characteristics have suffered a similar fate, including Agrium -28%, Talisman -30% and Gerdau Ameristeel -31%. Continued on page 2.

Growth of $1000



Monthly Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008	-4.75	6.31	-5.70	4.18	6.49	-2.75	-8.59	-12.48					-17.59
2007	-0.53	4.71	2.91	1.36	3.33	-0.72	2.36	-2.71	2.69	7.71	-4.43	3.80	21.77
2006						-0.77	0.13	1.02	-3.44	2.68	-1.67	3.75	1.52

Performance Statistics

Total Returns (%)

1 month	-12.48
3 months	-22.20
6 months	-18.62
YTD	-17.59
12 months	-9.58
2 Years Annualized	0.75
Inception	1.89

Top 5 Fund Positions (August 31, 2008)

Long

1 HBP NYMEX Natural Gas Bull+ ETF
2 Potash Corporation Of Saskatchewan
3 Flir Systems
4 Mosaic
5 Agrium

Short

1 Great Canadian Gaming
2 Alimentation Couche Tard
3 Calfrac Well Services
4 Ivanhoe Mines
5 Jean Coutu Group

Sectors	Long (%)	Short (%)	Net (%)
Energy	40.9	3.3	37.6
Materials	22.2	3.3	18.9
Industrials	22.5	3.5	19.0
Consumer	5.9	9.9	-4.0
Health Care	2.1	2.1	0.0
Financials	0.0	1.1	-1.1
Technology	19.6	1.7	17.9
Telecom	3.1	0.0	3.1
Utilities	0.0	0.0	0.0
Total	116.3	24.9	91.4

Webb Asset Management Canada, Inc.

Phone (416) 646 0975 Toll Free (866) 611 9590 Fax (416) 777 5181 | 920 — 26 Wellington St. E Toronto, Ontario M5E 1S2 | info@WAMfunds.com www.WAMfunds.com

Commentary Continued

On the other hand, Cascade is a failing business in a fading industry. It ranks as one of the worst stocks in our model as recent earnings fell short of expectations by 37% and expectations are for earnings to drop 36% in the next reporting period. The stock is up 36% since July 25. Many other troubled businesses with poor earnings characteristics have enjoyed a similar rise, including Canwest Global +50% and European Goldfields +37%.

Though we have made great returns on the short side in some names since the start of this correction including Frontier Development Group, +27%, Alimentation Couche Tard +26%, Maple Leaf Food +25%, Uranium One +20%, Hudbay +20%, MDS +19%, ATS Automation +17%, it simply wasn't enough to overcome the long-biased nature of the Fund and the inverted performance of our long and short positions.

In July and August there was a major rally in financial, retail and consumer discretionary stocks, and in the US dollar, while there was a major decline in all commodity stocks. The rally in financial and consumer stocks is mystifying as it seems there will be as much as $2 trillion in bad-debt write-offs in the US. We have only seen approximately $400 billion so far. Meanwhile, the consumer spending tap has been turned off. The substantial rally in the dollar is presumed to be a flight to quality (an oxymoron in our view). The ensuing decline in commodity prices and commodity stocks is reflecting the stronger US dollar and slower global economic growth as the credit malaise spreads around the world.

So where does this leave us? Given the extreme volatility on the screens, I think it important to take a step back, take a deep breath and ask ourselves 'what do we know?'

1) The financial crisis in the USA is not over. Some experts are expecting $2 trillion in write downs. Fannie Mae, Freddie Mac, and many other major financial institutions will go bankrupt. The US government will most likely have to rescue these institutions, which almost doubles US Federal liabilities. More debt on top of more debt is generally not good.
2) Given the credit melt-down, it is hard to see any strength from the US consumer. This is bad for real estate, retailers, and all consumer discretionary items.
3) Europe is likely to have slower economic growth due to the same credit phenomenon. However, emerging countries are likely to escape a serious economic slowdown.
4) Though the dollar is currently rallying, given further federal indebtedness and more write-downs from the US financial system, the US dollar is highly vulnerable.
5) The longer-term trend of higher commodity demand by emerging economies, coupled with stable to declining supplies is still in tack. The rise in commodity prices this decade has been due primarily to increased demand by the emerging economies and not by developed economies. Tata Motors is rolling a car off the assembly line for a price of $2,500 and offering it to the world. How much more oil demand will result from a $2,500 car?
6) What are the investment options? Bonds have negative real rates, many financial stocks will go bankrupt and those that do not will most likely dilute shareholders. Consumer stocks are overbought and earnings for pharmaceuticals continue to decline. Technology stocks have clean balance sheets, but no earnings acceleration.
7) Investment themes that are currently exhibiting accelerating and consensus-beating earnings include: agriculture, coal, steel, alternative energy, and some health care. Themes that are currently exhibiting decelerating and consensus missing earnings include: financials, retailers, transportation, and consumer discretionary.

The past three months have been a serious test of investors' temperament. Fortunately, we know that eventually the market always rewards strong, highly-profitable and growing companies and punishes weak, money-losing companies in decline. Irrational markets can persist for a lot longer than many of us can stomach, but were one to make an investment decision today, I suspect being long of the strong companies and short of the weak ones is the right decision and before too long will produce attractive returns. This approach has served investors too well for too long to doubt it now.

Though these might be simple thoughts, when nothing else makes sense, simple thoughts are best. Keep the faith, this too shall pass.

Webb Asset Management Canada, Inc.

Phone (416) 646 0975 Toll Free (866) 611 9590 Fax (416) 777 5181
920 — 26 Wellington St. E Toronto, Ontario M5E 1S2 | info@WAMfunds.com www.WAMfunds.com