SCEPTRE INVESTMENT COUNSEL

Quarterly Investment Review
of the Foreign Equity Pooled Fund*
*(*Sub-advised by AllianceBernstein)*
for the period ending

June 30, 2010

SCEPTRE
INVESTMENT COUNSEL LIMITED

CONTENTS

July 15, 2010

The global economic recovery has begun to falter as nations move away from massive stimulation of their economies and toward the implementation of austerity measures designed to reduce annual deficits and rising total indebtedness. Without increased participation by consumers and corporations to take up the slack left by governments gradual withdrawing of support programmes, the outlook is for more modest global growth. With consumer confidence weakening and with corporations continuing to hoard their substantial cash holdings, the near term outlook remains worrisome. With all the problems that persist in Europe, with evidence that the Chinese economy is slowing and with the US recording only a modest recovery, investors have become increasingly skeptical about the future and are employing risk averse strategies to protect their portfolios. Consequently, equity markets have come under pressure, the highest quality bonds are greatly sought after and the risk of deflation in the US and many other nations has escalated.

In the second quarter, the S&P/TSX Composite Index declined 5.5% while the Morgan Stanley World ex-Canada Index was off 8.6%. With bond yields continuing to decline, the DEX Bond Universe increased 2.9%.

In this environment, the second quarter return for your Fund was -10.1%.

We look forward to the opportunity to discuss your report with you in more detail.

INVESTMENT SUMMARY

- The return of the Foreign Equity portfolio fell in the second quarter as investors fled risk of all kinds. Macroeconomic concerns drove down most of the largest detractors from relative performance. Stock-specific fundamental success drove up the largest contributors.
- Volatility returned to financial markets in the second quarter as investors grew increasingly concerned about unsustainable levels of government debt. While risk aversion has risen, it remains well below the levels of the recent crisis. We think it is unlikely that recent market volatility will derail a global economic recovery led by strong demand in emerging-market economies.
- Equity markets today offer strong upside potential over the longer term and rich opportunities for active managers. We added exposure to a diverse group of firms with strong free cash flows, as well as firms with strong growth potential and upward earnings revisions, at unusually attractive valuations. We reduced exposure to near-term political and currency risks.

Portfolio Performance

Risk Aversion Drives Market Drop...

Following a spectacular 12-month rebound from the 2009 market trough, equities fell worldwide and volatility soared in the second quarter. Mounting fears over escalating fiscal troubles in Europe and a potential slowdown in the global economic recovery led investors to flee risk of all kinds **(Display 1)**. The MSCI World Index returned (11.2)% in local currencies for the quarter, for a (7.1)% return year to date. Flight from the euro and high-interest-rate currencies (such as the Australian dollar) to the US dollar and yen caused index returns to vary widely by reporting currency.

Every region and sector fell sharply **(Displays 2 and 3).** Economically sensitive sectors, such as energy, technology and materials fell most, along with financials, which were hit by concerns about European sovereign-debt exposure and regulatory reform.

...and Portfolio Underperformance

The spike in risk aversion created a hostile environment for fundamentally driven active managers. All but the highest-quality stocks fell in tandem, and most fundamental return factors that have been successful over time failed in the quarter—although stocks with the lowest refinancing risk and best price momentum led.

The portfolio lagged the benchmark on weakness in both style sleeves. While no single stock had a large negative impact, stock selection in financials, materials and consumer discretionary hurt most. Holdings Freeport-McMoRan Copper & Gold, Xstrata, Rio Tinto and Vale detracted because of macroeconomic concerns.

Stock-specific issues drove down Transocean and Goldman Sachs. Transocean fell on concerns about its potential liability in the Gulf of Mexico oil spill. We sold the stock because the firm's high debt burden limited its ability to withstand an earnings hit from the US moratorium on Gulf deepwater drilling. We cut our Goldman exposure because it is too hard to predict the impact of the SEC probe into its business practices.

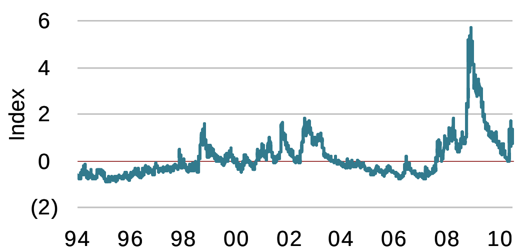
On the other hand, such stock-specific factors as strong first-quarter earnings reports and an improved outlook for 2010 drove up contributors in diverse sectors. Among them were Sprint Nextel in telecom; BMW, Hyundai Motor and Time Warner Cable in consumer discretionary; AstraZeneca in healthcare; and Ingersoll-Rand in industrials.

While we are disappointed in this setback, we believe that the recent market drop has created extraordinary opportunities, as well as near-term risks.

Display 1

Anxiety Returned in Second Quarter

Global Risk Aversion Indicator

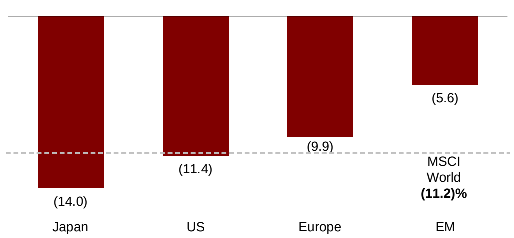


Through June 30, 2010
Combines implied volatility of equities, currencies, bonds and commodities with credit spreads and mutual fund flows
Source: Bloomberg, Investment Company Institute and AllianceBernstein

Display 2

Equity Markets Fell Around the World

2Q:2010 Returns
In Local Currencies (Percent)

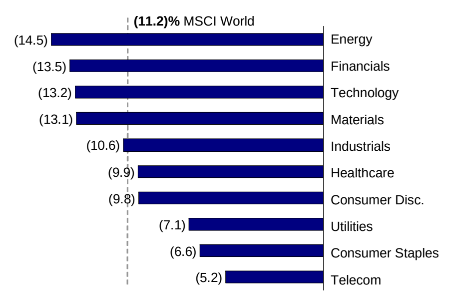


Emerging markets (EM) and Europe represented by MSCI indices, US by S&P 500, All-Share and Japan by TOPIX
Source: FactSet, MSCI, S&P, Tokyo Stock Exchange and AllianceBernstein

Display 3

Cyclically Sensitive Sectors Fell Most

MSCI World Sector Returns: 2Q 2010
In Local Currencies (Percent)



Source: FactSet and MSCI and AllianceBernstein

Market Overview

Volatility Returns

Volatility returned to global financial markets in the second quarter as investors began to worry that sovereign debt problems in Europe might spread and undermine economic growth in other economies. Markets whipsawed as investors reacted to these concerns and to a host of other new uncertainties, from the oil spill in the Gulf of Mexico to signs of a softening in US consumer confidence. Stocks fell in both developed and emerging markets, and credit spreads widened. But while risk aversion increased, it remains far below the levels seen during the recent financial crisis. For example, interbank lending rates are still within precrisis historical norms **(Display 1)**.

The return of risk aversion and the recent spate of negative headlines have sparked concerns regarding the sustainability of the global economic recovery and, for many observers, have revived memories of the dramatic 2008 crisis.

But there are several important differences to note between the recent crisis and the state of the world economy today. In late 2008, major industrialized economies were contracting, corporate earnings were weakening and the US banking system was in crisis. Today, the global economy appears to be on the mend, nonfinancial corporate balance sheets are in great shape and US banks are rebuilding their capital.

Leading economic indicators continue to show significant improvement in global economic conditions **(Display 2)**. Emerging-market economies are leading the recovery, thanks to booming domestic demand. Within the developed world, the euro-area recovery is lagging as fiscal austerity measures in Greece and other high-deficit nations challenge economic growth. But not all Europe is in the same boat **(Display 3)**; core euro-area countries such as Germany are recovering steadily thanks to a weaker euro and historically low interest rates.

Fiscal Issues at the Fore

Worries about the fiscal position of Greece intensified throughout the quarter, causing Greek sovereign bond spreads to sharply widen. These worries spread to other peripheral countries such as Spain and Portugal, while shares of French, German and Spanish banks came under pressure as concerns grew about their exposure to troubled government debt. Downgrades of Greece, Portugal and Spain by the rating agencies added to the anxiety.

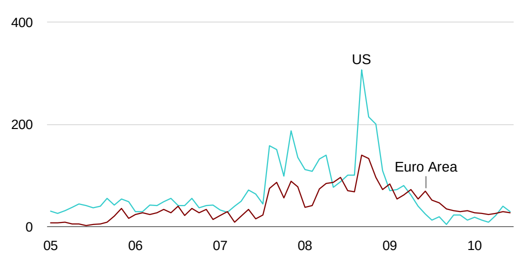
To be sure, several euro-area countries will face significant challenges in refinancing their debt in coming years **(Display 4, next page)**. But aggressive policy actions can help buy these countries some time to get their fiscal houses in order. In early May, euro-area governments and the International Monetary Fund unveiled a €110 billion support package for Greece and, just days later, a €750 billion rescue fund to aid other troubled euro-area countries.

In addition, the European Central Bank pledged to purchase euro-area public and private

Display 1

Interbank Rates Below Crisis Levels

Interbank Lending: Cash Spreads
Basis Points

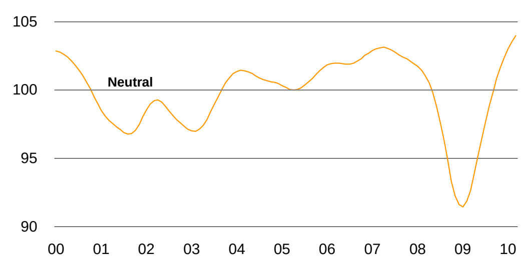


Through June 30, 2010
US data are three-month USD LIBOR versus three-month US Treasury bills; euro-area data are three-month LIBOR in euros versus overnight index swap.
Source: Bloomberg and AllianceBernstein

Display 2

Economic Activity Is Rebounding

OECD Leading Indicators
Index

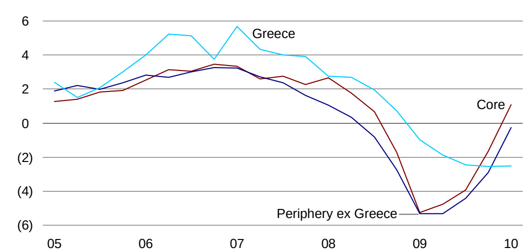


Through April 30, 2010
Source: Organisation for Economic Co-operation and Development (OECD)

Display 3

Not All Europe Is in the Same Boat

Real GDP
Year-over-Year Percent Change



Through March 31, 2010
Core is weighted average of Germany, France, the Netherlands, Belgium, Austria and Finland.
Periphery ex Greece is weighted average of Italy, Spain, Ireland and Portugal.
Source: Haver Analytics, Markit and AllianceBernstein

securities in the secondary markets to help preserve market liquidity. So far, policy actions have helped stem the threat of contagion to global financial markets. Although Italy, Portugal, Ireland and Spain all faced higher borrowing costs at government bond auctions in late May, the debt offerings attracted solid demand.

Ultimately, however, governments around the world will need to address their structural deficits—a persistent shortfall of tax revenues relative to the level of government spending. Difficult political decisions such as to cut spending and raise taxes will be required.

Some governments have already started to act. The UK coalition government recently unveiled an emergency budget that includes significant cuts to public spending and increases in taxes. Sustainable economic growth, too, would greatly alleviate the pressures on government finances by boosting tax revenues. And, on this front, we believe that there are grounds for optimism.

New Drivers of Recovery

Unlike past global economic recoveries, which were usually led by rising US domestic demand, the recovery today is being driven by emerging-market economies. In fact, thanks to rapid consumption growth in emerging-market economies, the global economy today is far less dependent on the US consumer than it once was. In recent years, almost half the growth in global consumption has come from emerging markets—more than double their share in the 1990s. Ecnomies such as China and Brazil have become key sources of demand for a wide range of raw materials and finished goods, from iron ore to televisions to passenger jets. Retail sales and industrial production in developing economies are booming today, supporting the global recovery **(Display 5)**.

The US has been a major beneficiary of this global rebalancing, as demand from developing economies has boosted US exports. The weaker dollar and rising productivity have made the US a more competitive base for production.

Another positive sign is that the balance sheets of nonfinancial corporations are in solid shape. After cutting costs and capital expenditures throughout the downturn, companies are generating significant free cash flow. Increased business confidence and attractive valuations have led to a pickup in stock buybacks and mergers and acquisitions.

We expect the global economic recovery to continue at a measured pace in 2010 **(Display 6)**. Nevertheless, investors face considerable uncertainties as policymakers around the world attempt the delicate balancing act of reining in fiscal deficits while sustaining economic growth. These issues are unlikely to be resolved for some time.

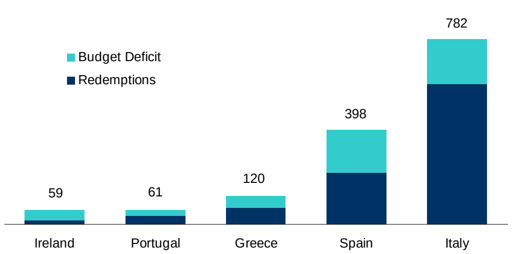
Accordingly, we expect financial-market volatility to remain elevated. While we continue to see attractive opportunities across the capital markets and we remain positioned for an economic recovery, we have taken steps to moderate the volatility of our portfolios where we believe we are not being appropriately compensated for the risks entailed.

Display 4

Refinancings Will Challenge Euro Area

Government Financing Requirements

July 2010–December 2012 (EUR Billions)

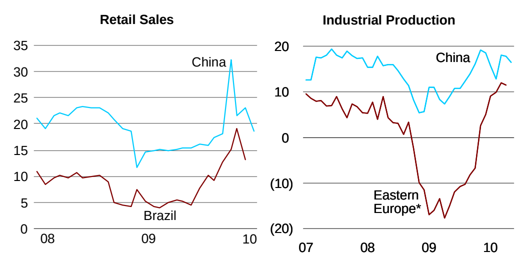


Financing requirements are estimated as of May 31, 2010.
Source: Bloomberg and AllianceBernstein

Display 5

Emerging-Market Economies Booming

Year-over-Year Percent Change



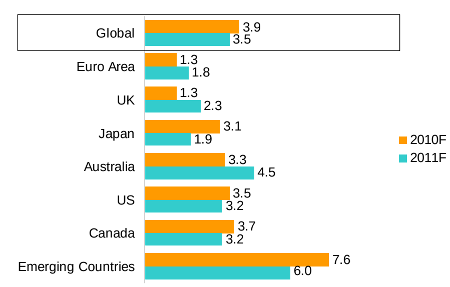
Brazil retail sales and Eastern Europe industrial production through April 30, 2010; China retail sales, and China industrial production through May 31, 2010
**Weighted average of Russia, Turkey, Poland, Czech Republic and Hungary*
Source: Haver Analytics, Instituto Brasileiro de Geografia e Estatística

Display 6

Continued Moderate Economic Growth

AllianceBernstein Real GDP Forecasts

Percent



As of July 1, 2010
Source: AllianceBernstein

Portfolio Positioning

The Upside of Risk

While the recent spike in market volatility and some fundamental developments suggest that caution is advisable in the near term, equities look very attractive for those with a longer time horizon.

Corporate restructuring has helped to strengthen balance sheets: the estimated net-debt-to-equity ratio of nonfinancial companies globally is better than at almost any point in the last 20 years. Profitability, while depressed, is on the upswing. Yet price-to-book ratios are well below their 30-year average. The free cash flow yield on global equities is very attractive versus yields on sovereign bonds **(Display 1)**.

Renewed market risk aversion has created enormous long-term opportunities for bottom-up active managers, in our view. While the high correlations among stocks that we saw in the second quarter made it difficult for active managers to lead in the quarter (except by emphasizing safety), such periods are typically followed by greater dispersion in stock performance, which makes it possible for such managers to shine.

The opportunity for growth investing appears exceptionally large. Investors anxious about the economic outlook and perhaps skeptical of the large and widespread upward earnings revisions over the past year continue to pay an unusually low premium for future growth **(Display 2).** The MSCI World Growth Index is currently trading at levels that imply earnings more than 60% below analysts' forecasts. The narrowing of that extraordinarily wide gap represents a sizable opportunity.

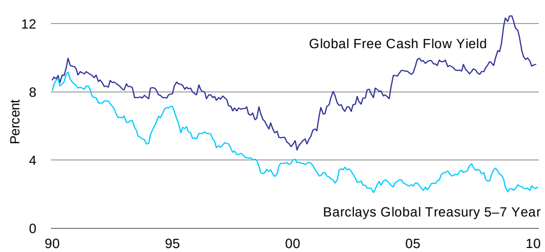
The value opportunity is also large, as shown by the huge discount of the cheapest 20% of stocks to the most expensive 20% (also shown in Display 2). It's rare for the value opportunity to be so large when corporate cash flows and balance sheets are so strong. Despite recent volatility, we expect a big payoff in long-term performance.

Blend portfolios offer strong upside potential, in our view. At quarter-end, a representative account managed to the MSCI World offered 12% higher earnings growth potential over the long term, based on consensus estimates. Yet the portfolio traded at a 29% discount to the market's price-to-cash-flow multiple **(Display 3)**.

Display 1

Rising Free Cash Flow Yields Offer Upside for Stocks

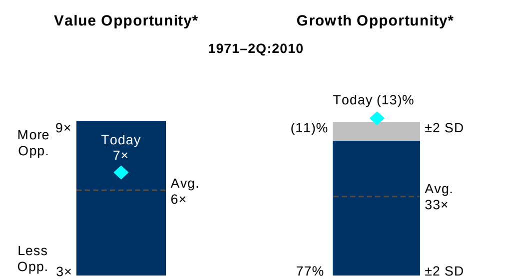
Global Free Cash Flow Yield



Through March 31, 2010
Free cash flow defined as earnings before interest, taxes, depreciation and amortization (EBITDA) minus capital expenditures. Yield = free cash flow/price
Source: Barclays, Compustat, MSCI and AllianceBernstein

Display 2

Two Ways to Win

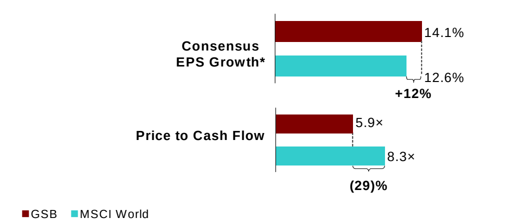


Through June 30, 2010
**Ratio of most expensive quintile to cheapest quintile on price to book for MSCI World*
***Share of index price attributable to future earnings. Results for the S&P 500, MSCI Japan and MSCI Europe were cap weighted to create a proxy for global developed equities*
Source: FactSet, MSCI, S&P and AllianceBernstein

Display 3

Strong Fundamentals at a Discount

Global Style Blend Portfolio Characteristics



As of June 30, 2010
**Long-term*
Based on a representative Global Style Blend account managed to the MSCI World
Source: FactSet, MSCI, Thomson I/B/E/S and AllianceBernstein

Modifying the Cyclical Tilt

The blend portfolios' overall posture still favors cyclically sensitive companies and sectors. The largest sector overweights are in consumer discretionary, technology and energy, and the largest underweights are in financials, consumer staples and utilities **(Display 4)**.

But this positioning represents a shift from three months ago. The exposure to technology and consumer staples is larger, and the exposure to industrials and financials is smaller, driven mostly by the value team's purchases and sales.

The value team sought to manage risk and pursue opportunity by adding to its holdings in attractively valued companies with strong cash flow generation, high dividend yields and clean balance sheets. These traits should help firms to withstand near-term turbulence, deliver solid returns over time and increase shareholder value by raising dividends and buying back shares at low prices.

Many of the cash-rich firms the value team purchased are in technology and consumer staples. In the latter group, the value team added to Sara Lee, Procter & Gamble and Japan Tobacco.

Sara Lee is an undervalued cash machine, in the team's view. Its ongoing restructuring raises cash and focuses management on strong cash-generating food businesses. The team estimates that more than 60% of Sara Lee's current stock price will be returned to shareholders as cash over the next five years **(Display 5)**.

In technology, the value team initiated positions in Capgemini and Hewlett-Packard and added to Toshiba; all three trade at discounts to their peers. Capgemini's projected free cash flow through 2014 accounts for 77% of the market capitalization of the European IT services group. The firm has dramatically shifted staff to lower-wage areas such as India to support its superior margins.

Toshiba is poised to benefit from a surge in demand for NAND flash memory, a crucial component of consumer products ranging from iPads to mobile phones. The team expects this segment of the flash-memory market to more than double in 2011, as consumer demand recovers. Toshiba commands more than a third of the global market **(Display 6)**. In the value team's view, the stock is undervalued because investors aren't giving this diversified company enough credit for its NAND business.

While the value team narrowed its underweight of technology, the growth team modestly added to its large overweight in technology. Earnings revisions have been strong in the sector because of a confluence of growing emerging-market demand and renewed corporate spending.

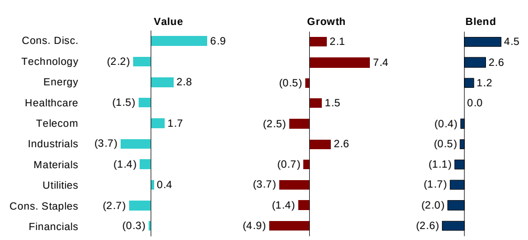
Demand for new PCs is surging in the developing world, with China alone accounting for 50% of the growth in global PC unit sales over the past year. At the same time, an ongoing replacement and upgrade cycle among businesses in more developed nations remains brisk. On this basis, the growth team favors Hewlett-Packard,

Display 4

Complementary Sector Allocations

Active Weights vs. MSCI World

Percent

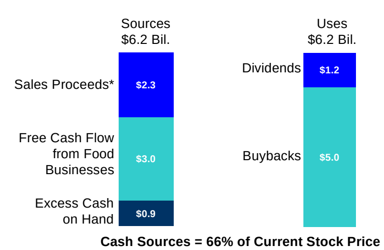


As of June 30, 2010
Active weight is the difference between the weight in a representative Global Style Blend account and in the MSCI World; excludes cash; columns may not sum to zero due to rounding.
Source: MSCI and AllianceBernstein

Display 5

Sara Lee: Undervalued Cash Machine

Sources and Uses of Cash (FY2010E–2015E)

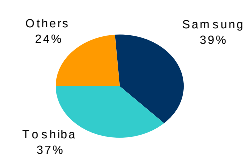


As of June 30, 2010
**Expected after-tax cash proceeds including $200 million pension contribution*
Source: FactSet, S&P, company reports and Bernstein

Display 6

Better Dynamics in Flash Memory

NAND Flash-Memory Market



	NAND	DRAM
2011 Growth (Bits)	108%	55%
2011 Operating Margins*	15%	5%

As of June 30, 2010
**Industry average*
Source: iSuppli, Semiconductor Industry Association, company reports and Bernstein

Hon Hai Precision and Intel.

The growth team also favors data storage specialists EMC and NetApp, which have been steadily gaining share in the growing data-storage market **(Display 7)**. As the number of computers churning out information grows around the world, vast quantities of data need a place to live. The volume of data that businesses need to store has been growing 50% a year; by 2014 it is forecast to exceed 77 million terabytes, the equivalent of about 193 million typical laptop hard drives.

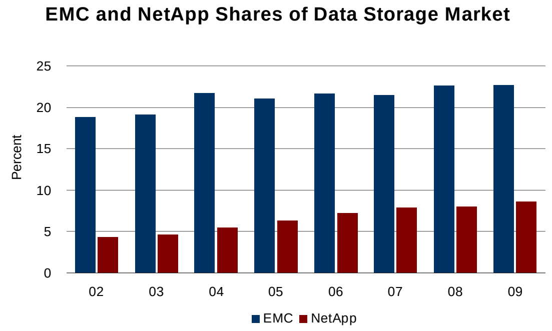
The growth team also purchased MAN SE, a German truckmaker that stands to benefit as European demand for new trucks rebounds from current low levels. Until then, MAN should gain from strong sales of replacement parts. Its 2009 acquisition of Volkswagen's Brazilian operations also made emerging markets a bigger part of MAN's sales.

Emerging markets play a particularly important role in the growth team's holdings. A recent visit to China helped reassure the team that massive government investment in housing and efforts toease food inflation could soften the upward pressure on wages that many investors fear. The team expects strong exports to other Asian nations and strong domestic demand for raw materials to continue.

The team retains its conviction in its global mining holdings and also favors global industrial firms that benefit from infrastructure developments in the emerging markets. Among them are ABB, a Swiss leader in power-generation projects; VINCI Construction, a French firm; and Komatsu, a Japanese maker of mining and construction equipment.

Display 7

Gaining Share of Growing Pie



As of December 31, 2009
Source: Barclays Capital and Alliance

Managing Near-Term Risks

Of course, the economic and political uncertainties that created the long-term upside for equities broadly and for active management strategies pose significant risks, which we are carefully managing.

Both style teams reassessed their exposure to unpredictable political risks that can have a material effect on markets, companies and stocks, and in some cases, acted decisively.

For example, while Goldman Sachs may offer a compelling opportunity if it emerges unscathed from a regulatory probe and pending industry reforms, the value team trimmed its holding in the stock because other stocks that don't face similar threats trade at equally attractive valuations. The growth team sold its whole position. Both teams reduced exposure to European banks with exposure to sovereign bonds and regulatory reform in the first half.

The growth team eliminated exposure to BP because a possible ban on developing its vast Gulf of Mexico oil resources would jeopardize BP's superior production-growth advantage versus rivals. The value team cut its BP exposure, despite its low valuation, because the regulatory and legal costs are too hard to predict. It sold Transocean, which faces similar risks and has a weaker balance sheet.

We also reduced risk without giving up significant return potential by trimming overall currency exposure and shifting the exposure that remained from higher-risk, higher-interest-rate currencies (such as the Australian and New Zealand dollars) to safe-haven currencies (such as the US dollar and yen). Late in the quarter, we began to partly unwind these positions to capture gains.

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	MAR 31-2010	JUN 30-2010
YOUR MARKET VALUE	$ Mill	$ Mill
UNIT VALUE	65.5	58.8

	CURRENT QUARTER	YEAR TO DATE	ONE YEAR	TWO YEARS	THREE YEARS	FOUR YEARS
SCEPTRE FOREIGN EQUITY POOLED FUND*	-10.1%	-10.7%	1.1%	-16.2%	-17.0%	-9.1%
MSCI-WORLD EX-CANADA (in Canadian Dollars)	-8.6%	-8.8%	0.5%	-9.8%	-11.8%	-5.1%

COMPLIANCE REPORT

As part of our service to our clients, please find below confirmation that, except for any highlighted items, we were in compliance with our operating guidelines as of June 30, 2010.

		Guidelines	Actual
ASSET MIX			
	Short-Term Investments	0% – 15%	2.4%
	Equities & Convertibles	85% – 100%	97.6%
COUNTRY WEIGHTS*			
	United States	25% – 75%	49.5%
	Europe	15% – 50%	29.4%
	Japan	0% – 25%	7.9%
	Pacific Rim (ex-Japan)	0% – 25%	2.9%
	Emerging Markets	0% – 10%	7.9%
PERMITTED INVESTMENTS	Common & Preferred plus securities with equity characteristics		
	Convertibles		
	Private Placements	Max. 5%	Complies
	Equity Warrants	Max. 10%	Complies
	Fully collateralized Stock Index Futures & ETFs	Max 10%	Complies
	REITS		
	Partly paid securities subject to holding cash to cover the position		
	Collective investment vehicles and in-house funds to gain exposure to emerging markets		
DIVERSIFICATION	The portfolio will be diversified among sectors		
	Single Company investment	Max. = > of 10% or BM + 5%	Complies
		Max. 10% of shs. o/s	Complies

* % of equities

CURRENCY & CASH	Currency spot contracts permitted to facilitate settlements and other transactional needs Active currency management through use of currency forward contracts to hedge currency exposures Net exposure to any currency (except Cdn. $) limited to equity exposure in that currency plus cash dominated in that currency	Max. 35% of Port. Mkt. Value hedged	1.2% Complies
RESTRICTIONS	No short sales No borrowing No Canadian issuers No investment in manager's parent or affiliates		Complies Complies Complies Complies
PERFORMANCE	Rolling 4 years	Exceed MSCI World ex Canada Index by 3.0%	MSCI World ex Canada Index -4.0%

Voting: We have voted all proxies received.

Soft Dollar: We are compliant with the CFA Institute Soft Dollar Standards. Details are available upon request.

Conflict of Interest: To the best of our knowledge, there has been no conflict of interest situation in the latest quarter.

Mario Richard, Managing Director

APPENDIX

PROPOSED MERGER OF
SCEPTRE INVESTMENT COUNSEL LIMITED & FIERA CAPITAL INC.

IMPLICATIONS FOR SCEPTRE CLIENTS

Sceptre Investment Counsel Limited and Fiera Capital Inc. recently announced the proposed merger of the two firms which, when approved by Sceptre shareholders at a meeting on August 24, 2010, will create a leading, publicly traded, fast growing independent money manager with $30 billion dollars in assets under management. The terms of the transaction and information about Fiera and Sceptre and the merged entity are outlined in a press release and an investor presentation contained within Sceptre's web site at www.sceptre.ca.

As this is a major development for both firms, many of our clients are asking how this transaction will affect them and their relationship with existing Sceptre personnel. The short answer is that we feel that the merger will prove to be a significant positive for our clients.

The expertise of the two firms is complementary and supportive. There are currently no intended changes in either investment or client service personnel or in the style or philosophy governing the management of our clients' portfolios. From a Sceptre clients' perspective, it is business as usual-but with pluses. Fiera Capital Inc. has an enviable track record in the Fixed Income sector where a significant portion of their assets under management are invested. The expertise of their people in combination with our Fixed Income professionals will strengthen this segment of your portfolio.

The strength of the firm will be enhanced with increased investment management depth and dedicated operating management.

Fiera Capital has demonstrated an expertise in a broad range of other product offerings such as structured fixed income products, market neutral portfolios and non-traditional investment strategies including an infrastructure fund. For more information on these products and a discussion of how these services may benefit your Fund, please contact your client service manager.

The merger of Fiera and Sceptre will result in a much stronger entity with expanded investment and service capabilities. The two firms share the same entrepreneurial values and business culture and employ one of the larger and stronger teams of investment professionals to provide the solid long-term investment returns required by our clients.

We look forward to continuing to work closely with you. If you would like to further discuss the implications of this merger, please do not hesitate to contact us.

SCEPTRE'S BROKERAGE COMMISSION POLICIES

REQUIRED DISCLOSURES REGARDING USE OF CLIENT BROKERAGE COMMISSIONS UNDER NATIONAL INSTRUMENT 23-102

It is Sceptre's policy to select dealers to effect securities transactions in a manner that serves the best interests of the firm's clients. Brokerage commissions are paid for both order execution and research goods and services. As part of the process of allocating brokerage transactions, both trading and research personnel vote on which dealers contribute the most to the firm's investment management process. The specific aim is to leverage our research knowledge and to acquire the best execution when trading securities. The firm has no affiliated trading operation.

The nature of the services provided by dealers used by Sceptre to effect securities transactions ranges from order execution only to trading commissions for full service brokers who provide order execution as well as research. The firm also participates in third party "soft dollar" arrangements whereby a portion of the commission paid to the dealer is allocated to a third party independent research house or data provider. The independent services provided are covered by contractual arrangements between Sceptre and the provider. The cost of these services is paid directly by "soft dollar" dealers who set aside part of the trading commission for such purpose. The names of dealers and third parties providing research services will be provided upon request.

The type of goods and services provided in addition to order execution services includes dealer research and dealer sponsored research conferences, company financial data, market data, risk analysis, economic and strategy analysis and market and trading information.

Sceptre receives high quality execution and research in return for brokerage commissions paid to dealers. Sceptre has determined that the overall value of order execution and research services received is reasonable considering the total amount of client brokerage commissions paid. This determination was made based on the industry experience and expertise of the Sceptre personnel involved, taking into account the total commission dollars generated by Sceptre in managing its clients' portfolios, relative to the research services received. Since Sceptre's management style is generally consistent across all of its clients, all clients incur approximately similar amounts of brokerage commission on a proportional basis (relative to the size of the account). Sceptre utilizes the value of research received, that was funded by brokerage commissions, across all of its clients with similar mandates.

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