

Meritage Portfolios™
Transition Report
Investor version



meritage
PORTFOLIOS™

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Portfolio Management Change



Meritage employs a rigorous selection process, and as we continuously monitor the funds we select to build the Meritage Portfolios™, we have chosen to re-evaluate one position which no longer meets all our selection criteria.

Effective March 19, 2007, the Fidelity NorthStar® Fund will be replaced by the Trimark Fund.

Overview of the Change

Summary of the Event

On December 19, Fidelity Investments announced the departure of Alan Radlo, co-manager of the Fidelity NorthStar® Fund, which is included in certain Meritage Portfolios™ as a Global Equity Fund with a blend style. Cecilia Mo has taken over since then. After this announcement, a complete due diligence process was undertaken, and a decision was reached to replace the Fidelity NorthStar® Fund.

The Meritage Due Diligence Process:

First, Aon Consulting has been informed of the change, and has submitted recommendations as to if the fund should be kept, put under surveillance or replaced.

Also, in the case of a new manager, the due diligence process includes a complete review of the new manager's track record, according to the **Select Rating System™ criteria**:

- Value added by the manager;
- Complete downside risk analysis;
- Returns per unit of risk;
- Other observations (holding based style consistency, correlation, downside and upside capture ratios, validation of management team continuity and additional qualitative data provided by Aon Consulting).

The conclusion of the process was to replace the Fidelity NorthStar® Fund, because of the following reasons:

- Limited experience with a similar mandate
- Different investment style

Aon Consulting has approved the entire process and made a recommendation to review our positioning.

How does Trimark Fund fit in the Meritage Portfolios™?

Asset Category	Fund Name	EQUITY PORTFOLIOS		INVESTMENT PORTFOLIOS					INCOME PORTFOLIOS				
		Canada	Global	Conservative	Moderate	Balanced	Growth	Equity	Income Conservative	Income Moderate	Income Balanced	Income Growth	Income Equity
Fixed Income		0.0%	0.0%	80.0%	65.0%	50.0%	35.0%	20.0%	80.0%	65.0%	50.0%	35.0%	20.0%
Canadian Short Term Bond	TD Short Term Bond			20.0%	10.0%				20.0%	10.0%			
Canadian Bond	TD Canadian Bond			25.0%	22.5%	25.0%	17.5%	10.0%	20.0%	17.5%	15.0%	12.5%	10.0%
Canadian Bond	Beutel Goodman Income			25.0%	22.5%	25.0%	17.5%	10.0%	20.0%	17.5%	15.0%	12.5%	
Canadian Real Return Bond	TD Real Return Bond			10.0%	10.0%				10.0%	10.0%	10.0%		
High Yield Bond	Mackenzie Sentinel Corporate Bond								10.0%	10.0%	10.0%	10.0%	10.0%
Canadian Equity		100.0%	0.0%	10.0%	17.5%	25.0%	32.5%	40.0%	20.0%	30.0%	40.0%	50.0%	60.0%
Large Cap Value	Beutel Goodman Canadian Equity	30.0%			5.0%	7.5%	10.0%	10.0%					
Large Cap Blend	TD Canadian Blue Chip Equity	30.0%		10.0%	7.5%	5.0%	5.0%	10.0%					
Small and Mid Cap Growth	Fidelity Canadian Opportunities	30.0%			5.0%	7.5%	10.0%	10.0%					
Small Cap	Saxon Small Cap	10.0%				5.0%	7.5%	10.0%					
Income Trust	GGOF Monthly High Income II								5.0%	7.5%	10.0%	12.5%	15.0%
Income Trust	Dynamic Focus + Diversified Income Trust								5.0%	7.5%	10.0%	12.5%	15.0%
Dividend (with preferred equity)	CI Signature Dividend								5.0%	7.5%	10.0%	12.5%	15.0%
Dividend	RBC Canadian Dividend								5.0%	7.5%	10.0%	12.5%	15.0%
Global Equity		0.0%	100.0%	10.0%	17.5%	25.0%	32.5%	40.0%	0.0%	5.0%	10.0%	15.0%	20.0%
Large Cap Value	Mackenzie Cundill Value		30.0%		5.0%	7.5%	10.0%	10.0%			5.0%	5.0%	5.0%
Large Cap Blend	Trimark Fund**		30.0%	10.0%	7.5%	5.0%	5.0%	10.0%		5.0%		5.0%	5.0%
Large Cap Growth	Mackenzie Ivy Foreign Equity		30.0%		5.0%	7.5%	10.0%	10.0%			5.0%	5.0%	5.0%
Small Cap	Brandes Global Small Cap		10.0%			5.0%	7.5%	10.0%					5.0%
Management Fees	Advisor Series (%)	2.25	2.25	1.75	1.75	2.00	2.00	2.25	1.75	1.75	2.00	2.00	2.25
	F Series (%)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
*Fixed Distribution (initial target)		-	-	-	-	-	-	-	5.0%	5.5%	6.0%	6.5%	7.0%
Distribution Frequency		Annual	Annual	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Monthly	Monthly	Monthly	Monthly	Monthly

* As at March 19, 2007.

“The best blend of the best funds.”

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