

Market Highlights

- Over the past quarter, the Canadian Balanced Fund earned 0.9%, the Canadian Equity Fund earned 4.3%, the Canadian Small Cap Fund earned 8.0%, the Canadian Income Fund earned 0.1% and the Global Fund lost 1.2%.
- The Canadian dollar rose 8.4% versus the US dollar in the quarter, offsetting investment gains in US securities.
- Equity markets continued to post strong gains, bolstered by higher corporate earnings and more corporate take-over announcements. Investors continued to ignore high valuations for the promise of continued double-digit returns.
- The month of June, however, provided a warning sign of what could happen when investors' sentiment starts to change.
- The cost of money is rising. Low rates were a key factor that supported the consumer and housing-led booms, and fuelled this extended equity bull market. Higher interest rates will initiate its unwinding.
- We will maintain our quality focus in our portfolios. In our balanced and income portfolios, we emphasise high quality government bonds to protect against deteriorating credit conditions. In our equity funds, we will continue to keep debt ratios and valuations low.
- We hold more bonds in our Canadian Balanced Fund and more cash in our equity funds to offset higher risk in the equity markets.

What a difference a month makes

As we prepare to apprise our President, Leigh Pullen, of the events that affected the markets during his six-week trek across Asia and Europe, one major theme emerges: Rising bond yields are exposing the vulnerability of the US economy and equity markets.

As Leigh embarked on his journey on May 22nd, equity markets continued to post strong gains. The S&P/TSX alone was up 6.3% since the end of March, bolstered by higher corporate earnings and more corporate take-over announcements. The unfettered enthusiasm that dominated the equity markets over the past five years continued as investors ignored high valuations for the promise of continued double-digit returns. The month of June, however, provided a warning sign of what could happen when investors' sentiment starts to change.

Bond yields in the US and Canada took a sharp turn higher in late May and the early part of June in response to higher than expected inflation reports. The benchmark 10-year US Treasury bond broke through 5.0% in June, and reached a high of 5.23%, before falling back to 5.03% by the end of the month. The significance of this movement can be seen by the reaction in the equity markets. The US S&P 500 equity Index dropped 2.2% over this period, while the high flying Canadian TSX Index fell by 2.8%. The message delivered by the markets was clear – as bond yields rise, the relative attractiveness of owning equities diminishes.

The sharp declines in US housing prices and the growing mortgage default rates in the US sub-prime market highlight the risks associated with large debt burdens and rising interest rates. Rising default rates triggered higher income yields on lower quality corporate bonds, signaling a changing environment for corporate bonds as investors begin to demand higher returns for holding riskier assets. The unwinding of the US housing boom is just beginning, and the overall effect this will have on the US economy is still uncertain. We should, though, expect higher delinquency rates to come as home owners re-finance mortgages at higher rates.

The dynamic changes in the equity and bond markets in June highlight the risk that is in the markets today. The Bank of Canada has signaled higher administered rates to contain inflation at the expense of economic growth. The US Central Bank remains on the side-lines, unwilling to lower rates at the risk of re-igniting the credit bubble once again. The cost of money is rising. Low rates were a key factor that supported the consumer and housing-led booms, and fuelled this extended 5-year equity bull market. Higher interest rates will initiate its unwinding.

How do we set our strategy in the face of all this uncertainty? We maintain our quality focus in our portfolios. We hold more bonds in our Canadian Balanced Fund and more cash in our equity Funds. Low returns from bonds have reduced our total fund returns in this equity bull market. However, we prefer the steady cash flow and capital protection offered by bonds in these speculative equity markets. The companies we own in our equity portfolios have strong balance sheets and low debt burdens. We will continue to emphasize holding equities at lower valuations, and hence lower risk than the market.

In our balanced and income portfolios, our emphasis has always been to own high quality government bonds to protect against issuer default risk. With rising bond yields and deteriorating credit conditions, our conservative, high quality bond strategy will be maintained. On a final note, we are happy to report that Leigh has returned somewhat unscathed by his participation in the Peking to Paris Antique Automobile Rally - as did the markets during his absence.

The *QVGD Global Equity Fund* invests in common shares of larger companies operating principally outside of Canada. The Global Equity Fund seeks companies with a good record of growth in dividends and/or shareholder's equity.

Performance

This quarter we have introduced more non-North American securities into the portfolio to provide more global diversification. Therefore, we have introduced the MSCI World Index in Canadian dollars(C\$) to better reflect a more global focus. The Global Fund returned -1.4% in the quarter versus the MSCI World Index (C\$) of -2.3%. The out performance in the quarter was part a result of a larger cash holding on average and the takeover bid for **CDW Corporation (USA)** discussed below. However, the year-to-date return for the Global Fund is -4.7% versus the MSCI World Index (C\$) of -1.5%. The under performance in the first quarter was the result of large weights in two companies that under performed.

Inside the Fund

Last quarter we stated that we wanted to increase the number of names and the global diversity. This resulted in the cash coming down to just under 10%. The number of names now stands at 23. We added 10 new names in the quarter. They are outlined below by their respective regions:

Europe - We added **Fortum (Finland)** to give us utility exposure to the Nordic and Baltic Rim region. **Heineken Holdings (Holland)** is a global beverage company providing stable growth. They are trying to reach new customers while continuing to maintain their strong base. We initiated **Novo-Nordisk (Denmark)** into the fund, which is a focused healthcare company and is the world's leader in diabetes care. Finally, we added **Zurich Financial Services (Switzerland)**. Zurich is a global provider of life and general insurance. Zurich's main markets are the US and Europe.

North America - An exposure to the telecommunications sector was initiated with a position in **AT&T (USA)**. We introduced a small position in internet infrastructure maker, Cisco Systems, as demand for internet bandwidth continues to increase. Our final North American addition was **Microsoft (USA)**. As the world's largest software maker, Microsoft has global reach and incredible cash flow.

Asia / Australia - We added **BHP Biliton (Australia)**, the world's largest diversified resources company. This company is ranked in the top five as a producer of nickel, coal, and copper. In addition to Fortum, we added **CLP Holdings Ltd.(Hong Kong)**, a Hong Kong based electrical utility. This company gives us exposure to China, India and other Pacific Rim countries.

Holdings

Newmont Mining Corp. (USA) - During the quarter we sold our position in Newmont. We felt there was a lack of direction at the helm as the Chairman, Seymour Schulich and President Pierre Lassonde retired at the end of 2006. We also had concerns that the recently appointed CEO Wayne Murdy was also nearing retirement. Furthermore, the company seemed to be struggling with some of their international mines as costs were escalating.

CDW Corporation (USA) - CDW announced it had signed a definitive merger agreement with Madison Dearborn Partners LLC on May 29, 2007. Madison Dearborn offered \$87.75 per share, which was a 16.1% premium to the trading price before merger speculation. If approved by shareholders, the deal should close at the end of the third quarter. This was one of our larger weights in the portfolio and we will remain in this high quality name until the vote is held.

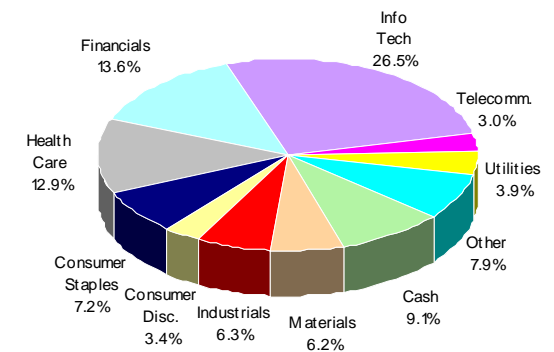
Global Equity Fund vs. Benchmarks

Performance*

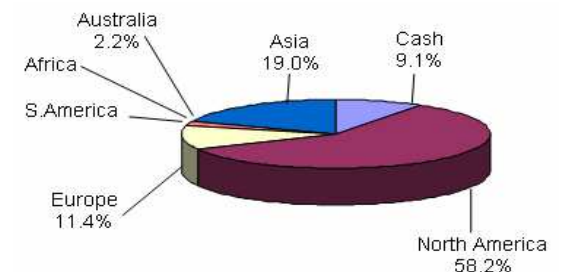
	1 Mth Return %	3 Mth Return %	YTD Return %
Global Equity Fund	-1.2	-1.4	-4.7
MSCI World (\$CA)	-1.6	-2.3	-1.5
S&P 500 Index (\$CA)	-2.3	-2.0	-2.4
S&P 500 Index (\$US)	-1.7	6.3	7.0
	Jun 30'07	Mar 31'07	Dec 31'06
Equivalent CAD for 1 USD	1.063	1.153	1.165

* QVGD Pooled Fund returns are shown gross of management fees

Sector Allocation - June 30, 2007



Regional Allocation - June 30, 2007





Fund Review - Global Equity Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
CASH/BILLS									
CASH									
958,381	CASH - CANADIAN DOLLARS	1.00	958,380.58	1.00	958,380.58	0.00	7.8	0.00	0.00
-571,425	CASH - CANADIAN DOLLARS	1.00	-496,454.04	1.00	-496,454.04	0.00	-4.1	0.00	0.00
614,237	CASH - U.S. DOLLARS	1.00 US	653,179.80	1.00 US	653,179.80	0.00 US	5.3	0.00	0.00
			1,115,106.34		1,115,106.34		9.1	0.00	
CASH/BILLS TOTALS			1,115,106.34		1,115,106.34		9.1	0.00	
US EQUITY MATERIALS									
9,200	DU PONT E I DE NEMOU COMMON	50.27 US	530,101.63	50.84 US	497,381.96	1.48 US	4.1	14,479.25	2.91
			530,101.63		497,381.96		4.1	14,479.25	
INDUSTRIALS									
13,300	HEARTLAND EXPRESS IN COMMON	17.16 US	266,712.57	16.30 US	230,534.49	0.08 US	1.9	1,131.46	0.49
4,700	UNITED PARCEL SV INC CLASS B	70.79 US	384,233.69	73.00 US	364,852.54	1.68 US	3.0	8,396.61	2.30
			650,946.26		595,387.03		4.9	9,528.06	
CONSUMER DISCRETIONARY									
500	WASHINGTON POST CO CLASS B	794.40 US	461,386.36	776.09 US	412,647.05	8.20 US	3.4	4,359.94	1.06
			461,386.36		412,647.05		3.4	4,359.94	
CONSUMER STAPLES									
2,500	JOHNSON & JOHNSON COMMON	66.65 US	196,341.31	61.62 US	163,816.77	1.66 US	1.3	4,413.11	2.69
4,700	KIMBERLY CLARK CORP COMMON	69.63 US	377,194.02	66.89 US	334,314.88	2.12 US	2.7	10,595.72	3.17
			573,535.33		498,131.65		4.1	15,008.83	
HEALTH CARE									
49,900	PFIZER INC COMMON	26.08 US	1,529,448.92	25.57 US	1,356,837.79	1.16 US	11.1	61,553.85	4.54
1,500	STRYKER CORP COMMON	67.90 US	116,921.56	63.09 US	100,634.86	0.22 US	0.8	350.92	0.35
			1,646,370.48		1,457,472.65		11.9	61,904.77	
FINANCIALS									
17,050	MERCURY GENERAL CORP COMMON	53.12 US	1,064,438.20	55.11 US	999,197.76	2.08 US	8.2	37,712.42	3.77
4,700	WELLS FARGO & CO COMMON	35.57 US	196,251.43	35.17 US	175,778.96	1.12 US	1.4	5,597.74	3.18
			1,260,689.63		1,174,976.71		9.6	43,310.16	
INFORMATION TECHNOLOGY									
16,000	CDW CORPORATION COMMON	69.39 US	1,304,866.83	84.97 US	1,445,713.57	0.52 US	11.8	8,847.49	0.61
11,600	CISCO SYSTEMS INC COMMON	27.90 US	356,780.74	27.85 US	343,542.00	0.00 US	2.8	0.00	0.00



Fund Review - Global Equity Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
10,600	MICROSOFT CORP COMMON	30.66 US	358,233.52	29.47 US	332,187.02	0.40 US	2.7	4,508.82	1.36
			2,019,881.09		2,121,442.59		17.4	13,356.30	
TELECOMMUNICATION SERVICES									
8,200	AT&T INC COMMON	39.77 US	359,508.07	41.50 US	361,875.02	1.42 US	3.0	12,382.23	3.42
			359,508.07		361,875.02		3.0	12,382.23	
US EQUITY TOTALS			7,502,418.85		7,119,314.66		58.2	174,329.54	
INT'L EQUITY MATERIALS									
4,200	BHP BILLITON LTD SP ADR(2 ORDS)	52.02 US	240,848.89	59.75 US	266,860.23	0.77 US	2.2	3,439.04	1.29
			240,848.89		266,860.23		2.2	3,439.04	
INDUSTRIALS									
2,400	WARTSILA OYJ ABP 'B'EUR3.5	47.91 EU	172,362.17	48.90 EU	168,716.74	1.75 EU	1.4	6,037.92	3.58
			172,362.17		168,716.74		1.4	6,037.92	
CONSUMER STAPLES									
7,000	HEINEKEN HOLDING EUR1.6	34.34 EU	360,349.91	38.35 EU	385,923.72	0.60 EU	3.2	6,037.92	1.56
			360,349.91		385,923.72		3.2	6,037.92	
HEALTH CARE									
1,000	NOVO-NORDISK AS ADR(1 'B' ORD)	105.29 US	116,067.29	108.66 US	115,549.04	1.24 US	0.9	1,317.11	1.14
			116,067.29		115,549.04		0.9	1,317.11	
FINANCIALS									
1,500	ZURICH FIN SVS GRP CHF0.10	380.95	496,454.04	379.25	494,238.60	11.00	4.0	14,335.20	2.90
			496,454.04		494,238.60		4.0	14,335.20	
INFORMATION TECHNOLOGY									
3,410	SAMSUNG ELECTRONICS GDR 144A (0.5 ORD)	310.73 US	1,244,783.71	308.25 US	1,117,774.30	2.70 US	9.1	9,783.47	0.88
			1,244,783.71		1,117,774.30		9.1	9,783.47	
UTILITIES									
35,400	CLP HOLDINGS LTD SP ADR (1 ORD)	7.44 US	299,274.15	6.60 US	248,452.78	0.31 US	2.0	11,586.60	4.66
6,900	FORTUM OYJ EUR3.40	22.31 EU	230,795.15	23.19 EU	230,031.81	0.73 EU	1.9	7,241.19	3.15
			530,069.30		478,484.59		3.9	18,827.79	
OTHER									
80,300	SWIRE PAC LTD SP ADR (1 ORD A)	10.80 US	1,019,574.64	11.25 US	960,648.98	0.36 US	7.9	30,949.12	3.22
			1,019,574.64		960,648.98		7.9	30,949.12	
INT'L EQUITY TOTALS			4,180,509.95		3,988,196.20		32.6	90,727.56	
PORTFOLIO TOTALS IN CANADIAN DOLLARS			12,798,035.14		12,222,617.19		100.0	265,057.11	

The *QVGD Canadian Income Fund* provides interest and dividend income from Canadian bonds, preferred shares, trusts and common stocks. As the bond portfolio is very short in term, the Fund has very low risk to capital.

Performance

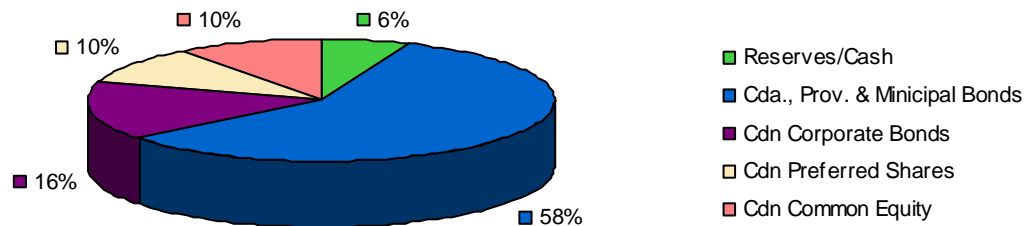
The Canadian Income Fund advanced by 0.1% in the quarter and by 5.5% over the past year. Since inception, four years ago, the Fund has grown at an annual rate of 4.7% to the end of June. Falling bond prices in response to higher inflation expectations lowered the Fund's performance this quarter. Our equity holdings and larger cash weighting provided an offset to declining bond prices, allowing the Fund to outperform its benchmark.

Inside the Fund

We took steps to enhance the income growth profile of the Fund by increasing our common share exposure to our maximum policy weight of 10%. We introduced the Bank of Nova Scotia, National Bank and Canadian Oil Sands Trust to the Fund, names that are also found in our large cap equity portfolio. These three companies have an impressive history of raising their dividend annually, and offer an attractive yield ranging from 3.5% for the Banks to 4.9% for the Canadian Oils Sands Trust.

The Oils Sands Trust is the only income trust owned in the Income Fund. The Trust's low payout ratio and prospect of higher cash flows from increasing production at its Syncrude oil sands project allows the company to maintain their current distribution once the company becomes taxable in 2011, and raises the possibility of higher distributions once the Syncrude expansion phase is complete.

The portfolio holds the following assets:



We increased the Fund's preferred share exposure to the maximum 10% policy weight. We introduced a CIBC preferred equity, offering a dividend yield of 5.4% at current prices. Our preferred share holdings provide a higher, after-tax income yield than bonds, but will fluctuate more in price with interest rate movements.

The table to the right shows the defensive quality of the Income Fund. The bonds we own have an average term to maturity of 2.5 years. The overall portfolio yield is 4.6%. Within the bond portion of the portfolio, we have maintained our high credit quality standards, as over 80% of the holdings carry a credit rating of AAA. The high credit quality rating provides stability in the portfolio, a priority now that we see signs of deteriorating credit quality.

Canadian Income Fund vs. Index

Annualized Performance*

	3 Mth Return %	1 Year Return %	4 Year Return %
Canadian Income Fund	0.1	5.5	4.7
Scotia Cap. Short Bond Index	-0.4	4.0	3.6

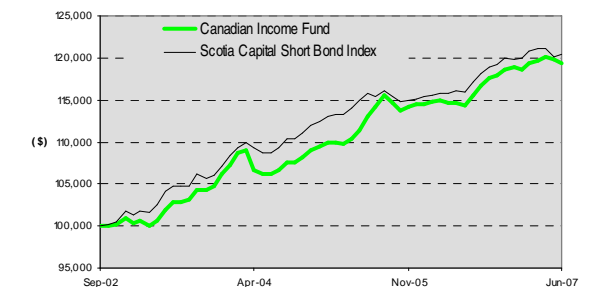
* QVGD Pooled Fund returns are shown gross of management fees

Cdn Income Bond Portfolio Characteristics

Credit Ratings as issued by Standard & Poor's	(%) of bond portfolio
AAA	88%
AA	12%
A	0%
< A/Not rated	0%
Weighted Average Term to Maturity	2.5 years
Average Bond Portfolio Yield	4.7%
Total Portfolio Yield	4.6%

Investment Values

Based on \$100,000 Investment at Inception*



* Assume reinvestment of income and capital gains distributions



Fund Review - Canadian Income Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
CASH/BILLS									
CASH									
4,491	CASH - CANADIAN DOLLARS	1.00	4,491.17	1.00	4,491.17	0.00	0.1	0.00	0.00
			4,491.17		4,491.17		0.1	0.00	
TREASURY BILLS									
335,000	CANADA GOVT T/B DISCNT SEP 20 07	98.73	330,742.15	98.73	330,742.15	0.00	5.9	13,170.47	3.98
			330,742.15		330,742.15		5.9	13,170.47	
CASH/BILLS TOTALS			335,233.32		335,233.32		6.0	13,170.47	
FIXED INCOME									
GOVERNMENT BONDS									
500,000	ALBERTA TREASURY MTN 4.100 DEC 01 11	98.35	491,750.00	97.40	487,000.00	4.10	8.7	20,500.00	4.76
450,000	BC MUNI FINANCE 4.000 DEC 01 10	99.78	448,996.50	97.65	439,438.50	4.00	7.9	18,000.00	4.75
755,000	CANADA HOUSING TRST 3.550 MAR 15 09	98.26	741,900.40	98.10	740,617.25	3.55	13.2	26,802.50	4.72
1,000,000	CANADA HOUSING TRST 4.050 MAR 15 11	99.79	997,900.00	97.80	977,975.00	4.05	17.5	40,500.00	4.70
408,000	CANADA HOUSING TRST 4.400 MAR 15 08	101.38	413,611.08	99.78	407,094.24	4.40	7.3	17,952.00	4.71
200,000	ONTARIO PROV 4.750 JUN 02 13	99.52	199,042.00	99.95	199,900.00	4.75	3.6	9,500.00	4.76
			3,293,199.98		3,252,024.99		58.1	133,254.50	
CORPORATE BONDS									
300,000	BANK OF NOVA SCOTIA 4.295 AUG 22 08	99.61	298,827.00	99.44	298,314.00	4.30	5.3	12,885.00	4.80
600,000	CAN CAP AUTO REC 3.780 NOV 17 07	100.00	600,000.00	99.62	597,720.00	3.78	10.7	22,680.00	4.77
			898,827.00		896,034.00		16.0	35,565.00	
STRAIGHT PREFERRED									
3,800	CDN IMP BANK COMMERC PFD SR 18 CL A	26.33	100,054.00	25.50	96,900.00	1.38	1.7	5,225.00	5.39
8,000	IND ALLNCE & FNCL NC CLASS A PRF SER B	25.00	200,000.00	22.50	180,000.00	1.15	3.2	9,200.00	5.11
6,100	POWER FINANCIAL CORP PFD 1 SER D 5.50%	24.97	152,291.18	25.84	157,624.00	1.38	2.8	8,387.50	5.32
5,000	ROYAL BANK CDA PFD 1 SER N	26.18	130,889.00	25.24	126,200.00	1.18	2.3	5,875.00	4.66
			583,234.18		560,724.00		10.0	28,687.50	
FIXED INCOME TOTALS			4,775,261.16		4,708,782.99		84.1	197,507.00	
CANADIAN EQUITY									
ENERGY									
2,400	CDN OIL SANDS TRUST TRUST UNIT	29.59	71,025.12	32.94	79,056.00	1.60	1.4	3,840.00	4.86
			71,025.12		79,056.00		1.4	3,840.00	



Fund Review - Canadian Income Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
FINANCIALS									
2,500	BANK OF NOVA SCOTIA COMMON	53.58	133,960.00	51.89	129,725.00	1.80	2.3	4,500.00	3.47
2,100	NATIONAL BK CDA COMMON	63.99	134,378.00	61.37	128,877.00	2.40	2.3	5,040.00	3.91
			268,338.00		258,602.00		4.6	9,540.00	
TELECOMMUNICATION SERVICES									
2,547	BCE INC COMMON	27.75	70,667.48	40.34	102,745.98	1.46	1.8	3,718.62	3.62
			70,667.48		102,745.98		1.8	3,718.62	
UTILITIES									
4,200	TRANSALTA CORP COMMON	23.56	98,942.60	26.75	112,350.00	1.00	2.0	4,200.00	3.74
			98,942.60		112,350.00		2.0	4,200.00	
CANADIAN EQUITY TOTALS			508,973.20		552,753.98		9.9	21,298.62	
PORTFOLIO TOTALS IN CANADIAN DOLLARS			5,619,467.68		5,596,770.29		100.0	231,976.09	

The **QVGD Canadian Balanced Fund** invests for long-term income and capital gains within larger Canadian companies and high quality fixed income securities. The **QVGD Canadian Equity Fund** invests for long-term capital gain with some income from larger Canadian companies, typically paying dividends. The equities parallel those in the Canadian Balanced Fund.

Performance

As shown on the adjacent table, the Canadian Balanced Fund rose 0.9% in the quarter compared to 3.0% for the Balanced Fund Index. Our asset mix favouring fixed income securities held our relative performance back versus the benchmark. The Canadian Equity Fund advanced 4.3% compared to 6.3% for the S&P/TSX Composite Index. In the past year, the Balanced Fund rose 10.0%, while the Canadian equities within the Balanced Fund grew 18.4% compared to 22.7% for the Canadian equity market.

Telecommunication stocks generated the largest gains in the S&P/TSX Composite Index and in our Equity Fund, led by the take-over target BCE Inc., up 23.6% in the quarter. Large stock gains were generated in companies targeted for acquisitions. Besides BCE, Alcan and Potash Corporation were two other high profile companies in take-over talks. Our lack of exposure to these material stocks and to the high-flying Blackberry maker, RIM, resulted in our weaker performance compared to the benchmark S&P/TSX Composite Index.

The bond portfolio fell 2.0% in the quarter. Higher inflation expectations and deteriorating credit quality lowered bond prices. Bell Canada issued bonds declined 10% on average in response to an expected drop in their credit rating to sub-investment grade status in anticipation of a large debt-backed financing bid for the company. We own one Bell Canada 10-year bond. We will be evaluating its status in the portfolio once the bid process is complete.

Inside the Fund – Canadian Equities

Our large exposure to **Telus Corp.** and **BCE Inc.** has proved to be successful, yet also eventful. During the second quarter, an announcement of three private equity and pension plan bidders for BCE were revealed. Telus subsequently stepped into the fray and stated their intention to acquire BCE inc. Five days later, Telus retracted their proposal and subsequently on June 30, 2007, the BCE Board accepted a competing offer. The successful offer of \$42.75 was made by Ontario Teachers Pension Plan and two US private equity firms. There are still various scenarios being explored, such as Telus returning to make a hostile bid. If the current privatization bid for BCE transpires, we will likely increase our position in Telus.

The strong return on shareholder's equity in the Financials sector and our desire to increase the diversification in the portfolio resulted in the purchases of **Toronto-Dominion Bank**, **E-L Financial**, an Ontario-based insurer, and the brokerage firm **GMP Capital**.

We also increased our exposure in the energy sector by adding **Husky Energy** and **Trican Well Services**. Both companies are known for their strong management teams. Trican's share price has been under pressure as a result of lower drilling activity. We felt this provided a timely entry point for a company that is debt free and has very high returns on shareholder's equity.

Last quarter we mentioned our trim of **Magna International**. We decided to eliminate this position upon the announcement of the transaction with Russian Machines, a Russian Industrial conglomerate. We felt our risk outweighed any potential gains and moved our funds into more stable businesses.

Inside the Fund - Canadian Fixed Income

We made no changes to the fixed income component of the Balanced Fund. We maintained the high quality character of our bond portfolio to protect against deteriorating credit market conditions.

Canadian Balanced Fund vs. Benchmarks

Annualized Performance*

	3 Mth Return %	1 Year Return %	5 Year Return %
Canadian Balanced Fund	0.9	10.1	10.0
Balanced Fund Index**	3.0	14.4	11.6
S&P/TSX Total Return	6.3	22.7	16.6
Scotia Capital Bond Univ.	-1.7	4.8	6.0
S&P 500 Index (\$CA)	-2.0	15.0	3.1

* QVGD Pooled Fund returns are shown gross of management fees

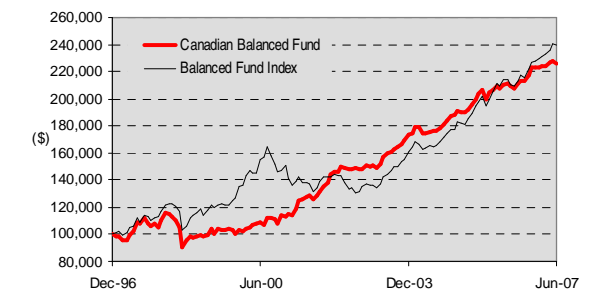
** 10% SCM 91 Day T-Bill Index; 35% SCM Bond Universe Index; 55% S&P/TSX Comp. TR Index

Asset Mix-Canadian Balanced Fund

	Sep-06	Dec-06	Mar-07	Jun-07
Cash/T-bills	8%	5%	7%	5%
Fixed Income				
Bonds	47%	44%	47%	44%
Preferred Shares	5%	5%	5%	5%
Equities				
Income/Royalty Trusts	3%	4%	2%	3%
Common Shares	37%	42%	39%	43%
TOTAL	100%	100%	100%	100%

Investment Values

Based on \$100,000 Investment at Inception*



* Assume reinvestment of income and capital gains distributions



Fund Review - Canadian Balanced Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
CASH/BILLS									
CASH									
134,221	CASH - CANADIAN DOLLARS	1.00	134,220.77	1.00	134,220.77	0.00	0.1	0.00	0.00
			134,220.77		134,220.77		0.1	0.00	
TREASURY BILLS									
4,575,000	CANADA GOVT T/B DISCNT OCT 04 07	98.85	4,522,204.50	98.85	4,522,204.50	0.00	4.6	196,636.30	4.35
500,000	CANADA GOVT T/B DISCNT SEP 20 07	98.94	494,700.00	98.94	494,700.00	0.00	0.5	21,027.17	4.25
			5,016,904.50		5,016,904.50		5.1	217,663.47	
CASH/BILLS TOTALS			5,151,125.27		5,151,125.27		5.3	217,663.47	
FIXED INCOME									
GOVERNMENT BONDS									
6,050,000	ALBERTA CAP FIN AUTH 4.350 JUN 15 16	99.65	6,028,749.99	97.23	5,882,112.50	4.35	6.0	263,175.00	4.73
4,000,000	BC MUNI FINANCE 4.000 DEC 01 10	99.48	3,979,350.00	97.65	3,906,120.00	4.00	4.0	160,000.00	4.75
1,045,000	BC MUNI FINANCE 5.250 JUN 01 09	100.44	1,049,572.25	101.08	1,056,233.75	5.25	1.1	54,862.50	4.66
1,115,000	CANADA HOUSING TRST 3.550 MAR 15 09	98.99	1,103,722.84	98.10	1,093,759.25	3.55	1.1	39,582.50	4.72
4,000,000	CANADA HOUSING TRST 3.550 SEP 15 10	98.64	3,945,780.00	96.60	3,864,060.00	3.55	4.0	142,000.00	4.70
1,120,000	CMHC 5.500 JUN 01 12	101.82	1,140,369.50	103.60	1,160,320.00	5.50	1.2	61,600.00	4.67
3,455,000	MANITOBA PROV 4.800 DEC 03 14	102.38	3,537,236.62	99.95	3,453,272.50	4.80	3.5	165,840.00	4.81
5,000,000	NEW BRUNSWICK PROV 4.300 DEC 03 15	99.70	4,984,820.00	96.45	4,822,500.00	4.30	4.9	215,000.00	4.82
2,000,000	ONTARIO PROV 4.700 JUN 02 37	105.13	2,102,600.00	96.38	1,927,600.00	4.70	2.0	94,000.00	4.93
3,120,000	ONTARIO PROV 4.750 JUN 02 13	99.48	3,103,623.79	99.95	3,118,440.00	4.75	3.2	148,200.00	4.76
5,000,000	TORONTO ON 4.550 MAY 20 15	101.07	5,053,740.00	97.50	4,874,900.00	4.55	5.0	227,500.00	4.94
5,090,000	YORK ON 4.600 MAY 25 15	100.62	5,121,808.16	98.01	4,988,658.10	4.60	5.1	234,140.00	4.91
			41,151,373.14		40,147,976.10		41.2	1,805,900.00	
CORPORATE BONDS									
500,000	BANK OF NOVA SCOTIA 4.290 SEP 22 09	100.16	500,775.00	98.72	493,610.00	4.29	0.5	21,450.00	4.90
1,500,000	BELL CANADA 4.640 FEB 22 16	98.75	1,481,275.00	87.20	1,308,000.00	4.64	1.3	69,600.00	6.61
500,000	CONSUMER GAS 5.000 MAR 31 09	100.06	500,310.00	99.91	499,570.00	5.00	0.5	25,000.00	5.05
400,000	CU INC 6.145 NOV 22 17	102.75	411,000.00	106.93	427,712.00	6.15	0.4	24,580.00	5.27
320,000	SUN LIFE CAP TRUST 6.865 DEC 31 11 PER	102.62	328,384.00	106.98	342,336.00	6.87	0.4	21,968.00	5.11
			3,221,744.00		3,071,228.00		3.1	162,598.00	

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
STRAIGHT PREFERRED									
33,950	GEORGE WESTON LTD PFD SER 1 5.80%	25.47	864,725.50	25.05	850,447.50	1.45	0.9	49,227.50	5.79
90,500	IND ALLNCE & FNCL NC CLASS A PRF SER B	25.00	2,262,550.00	22.50	2,036,250.00	1.15	2.1	104,075.00	5.11
34,600	POWER FINANCIAL CORP PFD 1 SER D 5.50%	24.77	856,927.64	25.84	894,064.00	1.38	0.9	47,575.00	5.32
			3,984,203.14		3,780,761.50		3.9	200,877.50	
RETRACTABLE PREFERRED									
32,600	CDN IMP BANK COMMERC PFD SR 19 CL A	26.38	860,048.50	25.66	836,516.00	1.24	0.9	40,342.50	4.82
			860,048.50		836,516.00		0.9	40,342.50	
FIXED INCOME TOTALS			49,217,368.78		47,836,481.60		49.0	2,209,718.00	
CANADIAN EQUITY									
ENERGY									
76,800	CDN OIL SANDS TRUST TRUST UNIT	19.10	1,466,969.60	32.94	2,529,792.00	1.60	2.6	122,880.00	4.86
31,988	ENCANA CORPORATION COMMON	40.50	1,295,391.22	65.52	CA2,095,853.76	0.80 US	2.1	27,212.83	1.30
11,000	HUSKY ENERGY INC COMMON	88.93	978,208.00	87.70	964,700.00	2.00	1.0	22,000.00	2.28
44,000	TRICAN WELL SERVICE COMMON	23.83	1,048,315.00	21.69	954,360.00	0.10	1.0	4,400.00	0.46
			4,788,883.82		6,544,705.76		6.7	176,492.83	
MATERIALS									
12,400	AGNICO EAGLE MINES COMMON	39.51	489,948.80	38.72	CA 480,128.00	0.12 US	0.5	1,582.34	0.33
24,250	GOLDCORP INC COMMON	35.99	872,639.60	25.29	CA 613,282.50	0.18 US	0.6	4,641.74	0.76
33,850	WEST FRASER TIMBER COMMON	43.02	1,456,361.66	41.56	1,406,806.00	0.56	1.4	18,956.00	1.35
			2,818,950.06		2,500,216.50		2.6	25,180.08	
INDUSTRIALS									
34,900	CDN NATL RAILWAY COMMON	44.38	1,549,001.22	54.20	1,891,580.00	0.84	1.9	29,316.00	1.55
44,400	TOROMONT INDS LTD COMMON	22.86	1,014,920.80	28.85	1,280,940.00	0.48	1.3	21,312.00	1.66
100,850	TRANSCONTINENTAL INC CLASS A SUB VTG	19.61	1,977,726.43	21.28	2,146,088.00	0.28	2.2	28,238.00	1.32
			4,541,648.45		5,318,608.00		5.5	78,866.00	
CONSUMER DISCRETIONARY									
35,900	ASTRAL MEDIA INC CLASS A NON VTG	32.97	1,183,584.80	42.25	1,516,775.00	0.40	1.6	14,360.00	0.95
58,600	REITMANS CDA LTD CLASS A NON VTG	21.29	1,247,717.97	23.03	1,349,558.00	0.64	1.4	37,504.00	2.78
57,250	RONA INC COMMON	20.98	1,200,914.40	22.25	1,273,812.50	0.00	1.3	0.00	0.00
			3,632,217.17		4,140,145.50		4.2	51,864.00	
CONSUMER STAPLES									
64,500	METRO INC CLASS A SUB VTG	24.00	1,547,891.39	37.32	2,407,140.00	0.46	2.5	29,670.00	1.23



Fund Review - Canadian Balanced Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
50,900	SAPUTO INC COMMON	32.38	1,648,309.99	44.00	2,239,600.00	0.80	2.3	40,720.00	1.82
			3,196,201.38		4,646,740.00		4.8	70,390.00	
FINANCIALS									
44,050	BANK OF NOVA SCOTIA COMMON	40.64	1,790,198.44	51.89	2,285,754.50	1.80	2.3	79,290.00	3.47
1,450	E-L FINANCIAL CORP COMMON	700.05	1,015,072.50	660.00	957,000.00	0.50	1.0	725.00	0.08
21,100	GMP CAPITAL TRUST TRUST UNIT	23.84	503,056.71	23.85	503,235.00	1.50	0.5	31,650.00	6.29
40,700	GREAT-WEST LIFECO COMMON	25.96	1,056,677.65	34.55	1,406,185.00	1.02	1.4	41,514.00	2.95
53,900	IND ALLNCE & FNCL COMMON	30.14	1,624,303.89	39.50	2,129,050.00	0.72	2.2	38,808.00	1.82
19,950	ING CANADA INC LTD VTG	50.05	998,556.22	47.43	946,228.50	1.08	1.0	21,546.00	2.28
23,700	NATIONAL BK CDA COMMON	59.32	1,405,981.76	61.37	1,454,469.00	2.40	1.5	56,880.00	3.91
35,400	POWER FINANCIAL CORP COMMON	27.96	989,873.02	40.45	1,431,930.00	1.16	1.5	41,064.00	2.87
13,900	TORONTO DOMINION BK COMMON	72.33	1,005,325.84	72.86	1,012,754.00	2.12	1.0	29,468.00	2.91
			10,389,046.03		12,126,606.00		12.4	340,945.00	
TELECOMMUNICATION SERVICES									
81,984	BCE INC COMMON	28.63	2,347,277.57	40.34	3,307,234.56	1.46	3.4	119,696.64	3.62
31,950	TELUS CORP NON VTG	57.44	1,835,217.82	62.75	2,004,862.50	1.50	2.1	47,925.00	2.39
			4,182,495.39		5,312,097.06		5.4	167,621.64	
UTILITIES									
37,600	CDN UTILITIES LTD CLASS A NON VTG	33.12	1,245,153.30	46.30	1,740,880.00	1.26	1.8	47,376.00	2.72
83,350	TRANSALTA CORP COMMON	23.02	1,918,415.20	26.75	2,229,612.50	1.00	2.3	83,350.00	3.74
			3,163,568.50		3,970,492.50		4.1	130,726.00	
CANADIAN EQUITY TOTALS			36,713,010.79		44,559,611.32		45.7	1,042,085.55	
PORTFOLIO TOTALS IN CANADIAN DOLLARS			91,081,504.84		97,547,218.19		100.0	3,469,467.03	

The *Canadian Small Cap Fund* provides investors with a superior long-term rate of return by investing in common shares of small and mid-cap Canadian companies.

Performance

The Canadian stock market continues to post strong returns in what is now the fifth year of this bull market. Small cap stocks performed in line with the overall market in the quarter and have outperformed since the beginning of the year after lagging for the past three years. The market strength was once again broadly based with nine of ten industry sectors posting positive returns. The QVGD Canadian Small Cap Fund outperformed the BMO Small Cap (unweighted) index in the quarter, gaining 8.0% versus 6.0%. Our strong performance in the period was a result of our broadly diversified portfolio experiencing gains in all sectors we were invested in.

Inside the Fund

Last quarter we discussed the significant portion of resource stocks in the Canadian marketplace and the fact that we were trailing the small cap benchmark due to our reluctance to risk the portfolio in this sector. We lagged the market but did not change our investing discipline to chase potentially higher returns; in fact we reduced our exposure further! This has in part been responsible for this quarter's gain. We were very active in selling positions in which we have lost confidence in or believe we can find more attractive alternatives, call it spring cleaning if you will. A significant portion of the cash we raised was reinvested back into our core holdings in the Fund with the view to holding more of what we believe in the most. This was beneficial as we added to our holding in CCS Income Trust, a position we have held for over five years. The company was the target of a buyout offer on the last day of the quarter and appreciated 20%. Of note, at the end of the quarter we had a large contribution which pushed the cash levels up to nearly 17%, we anticipate being closer to 12% as the cash is put to work.

We have recently witnessed a very disturbing trend; valuations have been increasing at the same time as growth rates have been decreasing, a fundamentally risky scenario. Our strategy in this environment will be to continue to emphasize quality, reasonable valuations, and diversification in our portfolio. Should this very profitable run in the Canadian small cap market slow or come to an end we should hold companies which we would buy more of at depressed prices. As we always say, it is best to do your selling when others are buying and your buying when others are selling. In doing this review we have sold a number of positions including: Buhler Industries, Chartwell REIT, Real Resources, Spectra Energy Income Fund, and West Energy. We bought two new names in the quarter, Richelieu Hardware and Softchoice Corporation which are detailed below.

Richelieu Hardware distributes and manufactures products to a large customer base made up of both manufacturers of kitchens, bathrooms etc. and the large retailers such as Home Depot. The management team has created significant shareholder wealth and we believe they will continue to prudently manage the company's future opportunities. The current negative sentiment surrounding the US real estate market and how that will affect Richelieu's business offers us an attractive entry point. **Softchoice Corporation** is also a distribution company but one focused on distributing both software and hardware products to corporate clients in North America. Softchoice has shown impressive results and its opportunity for growth in the US market is significant. This company trades at a significant discount to other larger businesses offering us a good margin of safety.

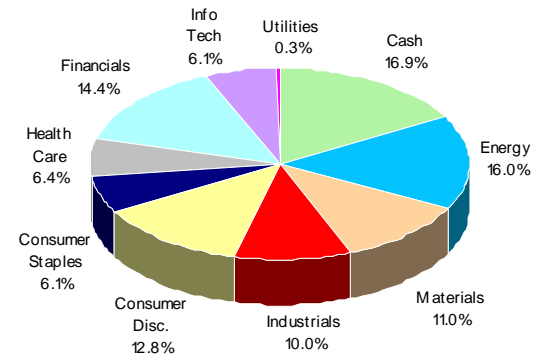
Canadian Small Cap Fund vs. Benchmarks

Annualized Performance*

	3 Month Return %	1 Year Return %	5 Year Return %
Canadian Small Cap Fund	8.0	14.8	22.0
BMO Sml Cap Index (unwtd)	6.0	18.6	16.9
S&P/TSX Small Cap Index	6.2	17.5	12.2

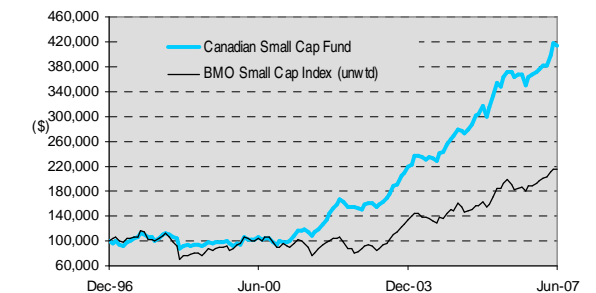
* QVGD Pooled Fund returns are shown gross of management fees

Sector Allocation – June 30, 2007



Investment Values

Based on \$100,000 Investment at Inception*



* Assume reinvestment of income and capital gains distributions



Fund Review - Canadian Small Cap Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
CASH/BILLS									
CASH									
880,381	CASH - CANADIAN DOLLARS	1.00	880,381.19	1.00	880,381.19	0.00	0.7	0.00	0.00
			880,381.19		880,381.19		0.7	0.00	
TREASURY BILLS									
15,000,000	CANADA GOVT T/B DISCNT OCT 04 07	98.85	14,826,900.00	98.85	14,826,900.00	0.00	11.7	644,709.18	4.35
5,700,000	CANADA GOVT T/B DISCNT SEP 20 07	98.95	5,640,174.00	98.95	5,640,174.00	0.00	4.5	239,824.04	4.25
			20,467,074.00		20,467,074.00		16.2	884,533.23	
CASH/BILLS TOTALS			21,347,455.19		21,347,455.19		16.9	884,533.23	
FIXED INCOME									
CORPORATE BONDS									
221,464	TAIGA BLDG PRODS LTD 14.000 SEP 01 20	100.00	221,464.00	98.60	218,363.50	14.00	0.2	31,004.96	14.24
			221,464.00		218,363.50		0.2	31,004.96	
FIXED INCOME TOTALS			221,464.00		218,363.50		0.2	31,004.96	
CANADIAN EQUITY									
ENERGY									
284,880	ALTAGAS INCOME TRUST TRUST UNIT	26.56	7,566,158.10	25.51	7,267,288.80	2.04	5.8	581,155.20	8.00
100,780	CCS INCOME TRUST TRUST UNIT	36.07	3,635,202.42	45.80	4,615,724.00	2.10	3.7	211,638.00	4.59
177,329	CRESCENT POINT ENRGY TRUST UNIT	19.52	3,460,722.37	19.63	3,480,968.27	2.40	2.8	425,589.60	12.23
84,504	KERECO ENERGY COMMON	11.87	1,003,104.93	5.90	498,573.60	0.00	0.4	0.00	0.00
141,900	PASON SYSTEMS COMMON	15.52	2,202,328.33	16.68	2,366,892.00	0.15	1.9	21,285.00	0.90
65,000	SAVANNA ENERGY COMMON	21.21	1,378,784.99	20.00	1,300,000.00	0.00	1.0	0.00	0.00
169,174	TRISTAR OIL&GAS COMMON	6.48	1,097,069.61	4.50	761,283.00	0.00	0.6	0.00	0.00
			20,343,370.75		20,290,729.67		16.1	1,239,667.80	
MATERIALS									
96,500	CASCADES INC COMMON	11.29	1,089,176.77	11.39	1,099,135.00	0.16	0.9	15,440.00	1.40
148,210	CCL INDUSTRIES INC CLASS B NON VGT	34.73	5,147,257.53	38.92	5,768,333.20	0.48	4.6	71,140.80	1.23
371,220	IAMGOLD CORP COMMON	8.84	3,279,784.58	8.20	3,044,004.00	0.07	2.4	25,985.40	0.85
268,700	METALLIC VENTRS GOLD COMMON	2.48	666,383.70	2.12	569,644.00	0.00	0.5	0.00	0.00
80,020	RUSSEL METALS INC COMMON	27.22	2,178,117.76	30.75	2,460,615.00	1.80	1.9	144,036.00	5.85
405,900	TAIGA BUILDING PROD COMMON	1.78	723,218.80	1.81	734,679.00	0.26	0.6	103,748.04	14.12
			13,083,939.14		13,676,410.20		10.8	360,350.24	



Fund Review - Canadian Small Cap Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
INDUSTRIALS									
79,250	MAJOR DRILLING GRP COMMON	25.08	1,987,411.53	44.70	3,542,475.00	0.00	2.8	0.00	0.00
162,850	MARTINREA INTL COMMON	10.70	1,742,295.83	16.52	2,690,282.00	0.00	2.1	0.00	0.00
158,660	MULLEN GROUP INCOME FD	23.59	3,742,655.72	21.30	3,379,458.00	1.80	2.7	285,588.00	8.45
29,200	RICHELIEU HARDWARE COMMON	24.25	708,106.90	24.32	710,144.00	0.28	0.6	8,176.00	1.15
249,100	TRIMAC INCOME FUND TRUST UNIT	9.90	2,467,067.64	9.15	2,279,265.00	0.93	1.8	230,467.32	10.11
			10,647,537.61		12,601,624.00		10.0	524,231.32	
CONSUMER DISCRETIONARY									
178,700	COSSETTE COMMUNICAT SUB VTG	12.14	2,169,472.96	13.00	2,323,100.00	0.00	1.8	0.00	0.00
931,200	GLACIER VENTURES COMMON	3.34	3,114,428.00	3.80	3,538,560.00	0.00	2.8	0.00	0.00
17,600	LE CHATEAU INC CLASS A SUB VTG	43.37	763,375.39	65.00	1,144,000.00	2.00	0.9	35,200.00	3.08
382,800	LEONS FURNITURE LTD COMMON	11.92	4,564,532.45	13.50	5,167,800.00	0.28	4.1	107,184.00	2.07
128,730	UNI SELECT INC COMMON	29.53	3,801,783.87	30.62	3,941,712.60	0.43	3.1	55,353.90	1.40
			14,413,592.67		16,115,172.60		12.8	197,737.90	
CONSUMER STAPLES									
180,030	EMPIRE LTD CLASS A NON VTG	41.72	7,510,928.53	43.06	7,752,091.80	0.60	6.1	108,018.00	1.39
			7,510,928.53		7,752,091.80		6.1	108,018.00	
HEALTH CARE									
191,900	ATRIUM INNOVATIONS COMMON	17.60	3,378,243.39	21.33	4,093,227.00	0.00	3.2	0.00	0.00
191,600	AXCAN PHARMA INC COMMON	17.56	3,363,699.96	20.65	3,956,540.00	0.00	3.1	0.00	0.00
			6,741,943.35		8,049,767.00		6.4	0.00	
FINANCIALS									
97,160	CDN WESTERN BANK COMMON	21.38	2,077,359.89	28.24	2,743,798.40	0.36	2.2	34,977.60	1.27
337,300	CROMBIE REIT	12.42	4,190,550.68	13.15	4,435,495.00	0.85	3.5	286,691.51	6.46
8,176	E-L FINANCIAL CORP COMMON	591.95	4,839,777.07	660.00	5,396,160.00	0.50	4.3	4,088.00	0.08
79,570	HOME CAPITAL GROUP COMMON	32.20	2,562,077.32	36.90	2,936,133.00	0.40	2.3	31,828.00	1.08
135,200	MORNEAU SOBECO INCOME FUND	12.39	1,675,357.65	12.65	1,710,280.00	0.88	1.4	119,343.74	6.98
165,010	WESTERN FINL COMMON	2.91	479,769.70	6.03	995,010.30	0.04	0.8	6,600.40	0.66
			15,824,892.30		18,216,876.70		14.4	483,529.25	
INFORMATION TECHNOLOGY									
75,600	AASTRA TECHNOL COMMON	31.11	2,351,815.21	38.41	2,903,796.00	0.00	2.3	0.00	0.00
36,600	CONSTELLATION SFTWR COMMON	19.87	727,414.25	24.49 CA	896,334.00	0.15 US	0.7	5,838.07	0.65



Fund Review - Canadian Small Cap Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
260,150	GENNUM CORP COMMON	11.66	3,034,175.44	11.10	2,887,665.00	0.14	2.3	36,421.00	1.26
58,600	SOFTCHOICE CORP COMMON	15.74	922,332.22	17.80	1,043,080.00	0.40	0.8	23,440.00	2.25
			7,035,737.13		7,730,875.00		6.1	65,699.07	
UTILITIES									
49,187	ALTAGAS UTILITY GRP COMMON	7.29	358,626.34	7.26	357,097.62	0.14	0.3	6,886.18	1.93
			358,626.34		357,097.62		0.3	6,886.18	
CANADIAN EQUITY TOTALS			95,960,567.81		104,790,644.59		82.9	2,986,119.76	
PORTFOLIO TOTALS IN CANADIAN DOLLARS			117,529,487.00		126,356,463.28		100.0	3,901,657.95	

An Explanation

To reduce the volatility of clients' portfolios and to increase the potential for a positive return, QVGD manages the "character" of our model equity and bond portfolios. In the equity portfolios, we work to improve the value, growth, dividend yield and credit quality. We seek to keep growth at an advantage to the market. We seek to keep value and credit risks lower than the market. In the bond portfolios, we measure the quality ratings, issuer, term and yield to maturity. Our goal is to keep a consistent long-term, high quality investment strategy.

Equity Characteristics*

	QVGD Large Cap Portfolio	S&P/TSX Comp. Index	QVGD Small Cap Portfolio	BMO Small Cap Index
Valuation				
Price to earnings multiple (current year)	14.9x	16.4x	15.2x	23.3x
Growth				
Return on equity (4-yr-avg)	14.9%	12.3%	14.4%	6.4%
Income				
Dividend Yield	2.5%	2.4%	2.5%	3.2%
Credit Quality				
Percent of debt to shareholder's equity	42%	60%	37%	54%

Comments

In managing the equity portfolio, in addition to the selection of companies having good businesses and excellent managers, we always try to maintain the "characteristics" of the total portfolio at an advantage to the market indices. In the long run, this approach has provided higher equity returns compared to the market indices.

In total, our companies have valuation multiples of earnings less than that of the market; dividends, credit quality and historical returns on equity or invested capital higher than the market.

Fixed Income Characteristics*

	QVGD Balanced Bonds	SC Bond Universe	QVGD Income Bonds	SC Short Bond Universe
% of AAA or AA rated bonds	94.8%	74.4%	100.0%	84.2%
Average yield to maturity	4.9%	4.9 %	4.7%	4.8%
Average term to maturity	7.6yrs	10.0 yrs	2.6yrs	3.1 yrs

Comments

The table shows that the QVGD bond portfolios have a quality rating that is higher, a term that is shorter and a yield that is comparable to the Scotia Capital Indices. We have emphasized the qualities that support a portfolio having more defensive or less volatile characteristics. In the QVGD Canadian Balanced Fund, the bonds are used to offset the volatility inherent in equities.

* Refer to glossary for definitions

Portfolio Risk Management Terms

Price to Earnings Multiple

The Price to Earnings Multiple is the ratio of a company's share price to its earnings per share. This ratio indicates how many times an investor is paying for each dollar of earnings. A lower number is more attractive.

Return on Equity - 4 Year Average

The Return on Equity - 4 year average is the four year average of the earnings per share expressed as a percentage of the book value per common share. The book value (equity) is the amount shareholders have invested into the firm. This is a common profitability measure. A higher rather than lower percentage is desirable.

Dividend Yield

The Dividend Yield is the annual dividend rate expressed as a percentage of the current price of the stock. The higher the yield, the more income is paid to the investor.

Percentage of Debt to Shareholder's Equity

The Percentage of Debt to Shareholder Equity shows the amount of debt (leverage) used by the company relative to share holders investment (book value) to in their business. Typically, the lower the debt to equity ratio, the lower the financial risk of the company.

Average Yield to Maturity

The Average Yield to Maturity refers to the average annual percent that will be earned on capital if a bond or bond portfolio is held to maturity. The yield to maturity calculation considers the bond's market price, the term (the time remaining to the bond's maturity), and the coupon (the bond's yield at its initial sale). The yield to maturity assumes the semi-annual payments received are reinvested at the prevailing interest rate. The higher the yield the more attractive a bond is.

Average Term to Maturity

The Average Term to Maturity is the time remaining until the bond portfolio is repaid by the borrower to the investor. The shorter the average term to maturity for a bond, the less sensitive or more stable the price of the bond is to changes in interest rates.

Disclosures

QVGD Investors acts for and may invest in the following related companies:

- Industrial Alliance (Clarington Funds)
- Western Financial Group
- CI Funds
- Ethical Funds

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