RAYMOND JAMES

Steele Wealth Management

Second Quarter 2011 – "Our Big Fat Greek Crisis Redux"

Yet Another Greek Debt Crisis and Global Growth Slowdown in Q2.

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Supply-Chain Disruptions and Greek debt issues revive Q2/Q3 double-dip worries

- The S&P/TSX Composite Index lost 5.27% during the second quarter of 2011.

- The generally defensive sectors – Telecom, Consumer Staples, Utilities, Consumer Discretionary, Health Care, Industrials and Financials – outperformed the TSX Composite Index throughout the quarter.

- While the offensive sectors – Materials, Energy and IT – underperformed the TSX Composite Index.

- Commodities markets continued their decline as manufacturing activity slowed around the world. The Japanese crisis caused supply-chain disruptions, particularly in the auto sector, which is a major component of manufacturing activity. Oil was notably weak as supply worries eased on the back of cooling political tensions in the Middle East, particularly Saudi Arabia, and the announcement that the International Energy Agency (IEA) would release 60 million barrels of oil to substitute lost Libyan production.

- According to Naoto Kan, the Prime Minister of Japan, the large-scale building efforts related to the reconstruction of Japan will not be initiated until the end of the year, contrary to the initial consensus that rebuilding would begin almost immediately. This delay is likely to extend the current global manufacturing lull seen in the second quarter.

- Inflation concerns in China have led the People's Bank of China (PBoC) to increase interest rates, tighten lending rules and increase bank reserve requirement ratios, all of which are forms of monetary tightening. Money supply growth slowed to a 30-month low in China for the month of May. Rising interest rates are beginning to worry many investors as red hot housing markets and highly indebted local governments may struggle to operate smoothly in a high interest rate environment.

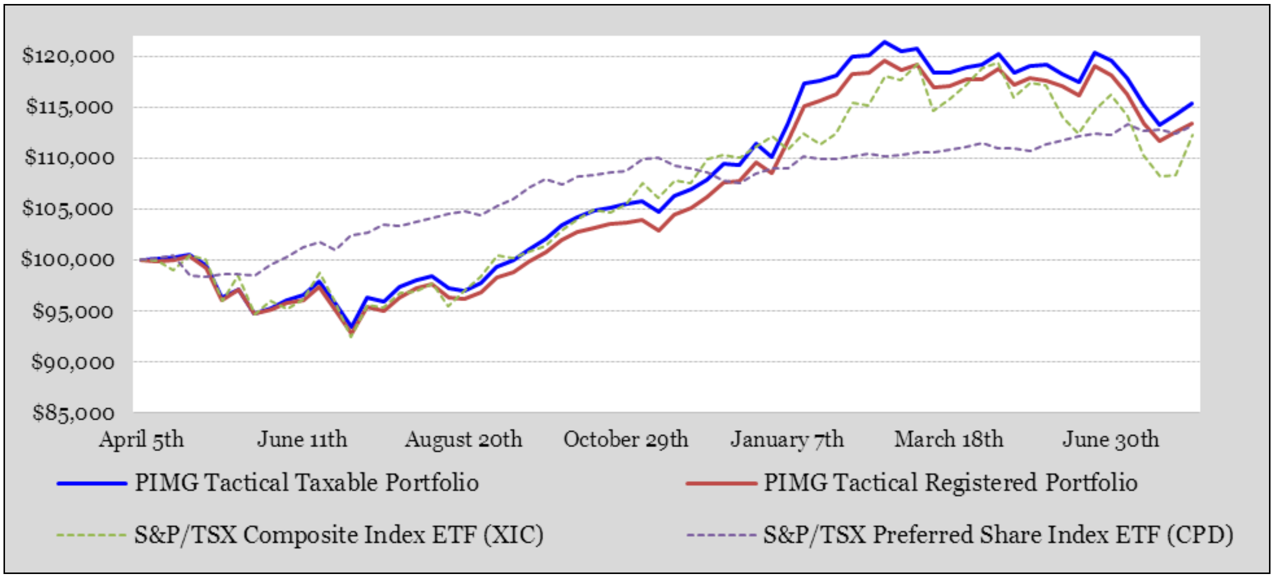
- Emerging markets outperformed in the quarter with China's Shanghai Composite losing 5.67% in Yuan terms and 5.06% in CAD terms and India's BSE Sensex losing 3.08% in Rupee terms and 3.92% in CAD terms.

- European debt worries resurfaced and Greece was forced to pass additional austerity measures in order to secure ongoing EU/IMF support and open the door for an additional €100+ billion bailout. Markets reacted definitively to any news stemming from the Greek crisis with many pundits concluding that a misstep in the handling of the situation could result in a "Lehman-like" credit shock. Most market participants have concluded that with two-year Greek bond yields of greater than 25%, it is impossible to avoid a restructuring or default of Greek sovereign debt, and we tend to agree.

- Worldwide, employment growth slowed with economic activity. Unemployment rates in the U.S. and Canada came in at 9.2% and 7.4%, respectively, from 8.8% and 7.7% at the end of Q1. The U.S. housing market continued to struggle with home prices (Case-Schiller 20-city Index) hitting levels not seen since mid-2002.

The S&P/TSX Composite Total Return & Preferred Share Indices
vs
The PIMG Tactical Taxable & Tactical Registered Portfolios

April 5th, 2010 (Inception) to June 30th, 2011



	PIMG Tactical Taxable Portfolio	PIMG Tactical Registered Portfolio	S&P/TSX Composite Index ETF (XIC)	S&P/TSX Preferred Share Index ETF (CPD)
Cumulative Return Since Inception	15.30%	13.31%	12.21%	13.13%
Compound Annual Return	12.21%	10.65%	9.77%	10.50%
Standard Deviation	9.52%	9.38%	13.00%	3.97%
Sharpe Ratio	0.86	0.71	0.44	1.64
Largest Monthly Gain	7.88%	7.80%	4.39%	3.33%
Largest Monthly Loss	-3.40%	-3.88%	-3.75%	-1.59%
Number of Up Months	8	8	8	12
Number of Down Months	7	7	7	3
Correlation with Tactical Taxable	--	0.99	0.77	0.07

We have assumed a 1% performance fee when calculating the returns for our PIMG portfolios. To the best of our knowledge, the ETFs used as benchmarks track the indices they represent though material tracking error and misrepresentation can occur which is beyond our control. Only full month data is included in the chart titled “Benchmark Analysis”. Volatility and correlation data are calculated from weekly returns. For the purpose of calculating Sharpe ratios, a risk-free rate of 4% is assumed.

PIMG Tactical Taxable Portfolio:

- Lost 3.08% during the quarter
- The portfolio's asset allocation as at June 30th was 1.8% cash, 38.2% preferred equity and 60% common equity.

PIMG Tactical Registered Portfolio:

- Lost 3.82% during the quarter
- The portfolio's asset allocation as at June 30th was 2.1% cash, 8.7% convertible debentures, 5.3% bonds, 23.5% preferred equity and 60.4% common equity.

The top five outperformers in this quarter were:

- BCE Inc (Telecom/Diversified) at +9.58%
- Rogers Communications (Telecom/Diversified) at +9.38%
- TransCanada Corp (Utilities/Pipelines & Power) at +8.80%
- Quadra FNX Mining (Materials/Copper & Nickel) at +7.52%
- New Millennium Iron (Materials/Iron Ore) at +5.01%

The top five underperformers were:

- Research In Motion (IT/Consumer Products) at -49.15%
- Connacher Oil and Gas (Energy/Oil & Gas) at -26.57%
- Aecon Group (Construction/Infrastructure) at -17.96%
- Canadian Natural Resources (Energy/Oil & Gas) at -15.48%
- Fortress Paper (Materials/Pulp & Paper) at -10.99%

During the quarter we bought:

- Fortress Paper: We bought Fortress Paper following a selloff in the lumber, pulp and paper sector due to worries about future oversupply and a delay in the reconstruction of Japan. Currently, margins for dissolved pulp are extremely high and this is drawing in a number of new entrants. We believe that Fortress will be able to take advantage of the high pulp prices for an extended period of time before supply pressures force an industry-wide margin squeeze. Fortress's legacy security, currency and wallpaper businesses yield steady revenues and provide a floor to Fortress's valuation.

- Yellow Media Preferred A: We bought Yellow Media Preferred A shares following a credit-related selloff in all Yellow Media shares, bonds and debentures. The Yellow Media Preferred A shares are retractable on December 31st, 2012 and there are no other preferred share or bond maturities prior to this date. We believe Yellow Media will generate enough cash from operations and the sale of Trader Corp. to allow for the retraction of these shares without triggering any bond covenants along the way.

- New Millennium Capital: We bought New Millennium following a 53% slump from its highs. With DSO project construction already underway and ~$100 million in cash, the market is still giving little to no value to NML's taconite projects. Should Tata agree to proceed with at least one of the taconite projects, we believe NML shares could see a significant gain in the next 18-24 months. Though with no material near-term catalysts, it is expected that shares will continue to be volatile.

<u>During the quarter we sold:</u>

- Quadra FNX Mining: We sold Quadra FNX following a run-up in the stock due to the signing of a joint venture agreement for its Sierra Gorda project. We felt that the stock appeared overvalued relative to its peers at the time of sale. We used a portion of the proceeds to buy NML which we deemed to have a better risk/return profile.

- BCE Inc: We sold a portion of our position in BCE to buy NML. Following the recent selloff, our telecom positions had become greater than 15% of our portfolio's total equity allocation and we determined that adding more risk to the portfolio was appropriate.

- New Millennium Capital: We sold ~3% of our position in NML for a 21.5% gain but were unable to sell a larger portion at our designated price.

Going Forward:

Our preferred share allocation has continued to perform, though for the first time since inception, its performance has lagged that of bonds due to a flight-to-safety in the quarter. We believe it is prudent to maintain a high preferred share allocation at this time.

Our slightly underweight positions in Materials and Energy allowed us to avoid feeling the full brunt of the selloff but with ~15% of our equity holdings invested in small caps, we experienced greater losses than we would have wished. We had cut our small cap allocation from over 30% in the first quarter to approximately 15% at the start of the second quarter. The selloff was more a capitalization-specific selloff than it was a sector-specific selloff with the S&P/TSX Venture Index falling 17.1% versus the S&P/TSX Composite Index's decline of 5.27%. Our overweight position in the Telecom sector (which gained over 7.5% in Q2) offset much of this underperformance such that the equity portion of our portfolio performed in-line with the market.

We increased our small cap allocation to ~25% of our portfolio following the selloff as we believe small caps will continue to add value so long as we are in a bull market. That said, as a precaution we will continue to be heavily invested in high-yielding Financials, Telecom and Industrials so as to provide a risk-offset to our small cap positions, above and beyond our preferred share allocation.

According to Grant Thornton, M&A activity fell to the lowest level in 24 months and the deals were generally smaller in size. M&A activity is mostly dependent on investor confidence, which we expect to rebound now that progress is being made in Greece and manufacturing data appears to have stabilized in the month of June.

We have yet to see any knee-jerk reaction in the markets leading up to and following the end of QE2 and we do not anticipate any further, large-scale monetary stimulus. Many investors are worried about the U.S. debt ceiling issue but we do not see it as a major risk as lawmakers are well aware of the negative consequences should they not finalize details on austerity and taxes.

Although we have seen a decline in the rate of growth in the past quarter, we are constructive on the world economy. We are comfortable buying into the commodity complex mostly due to the great degree of pessimism most investors currently have towards this sector. We would much rather be buying into small cap energy and materials stocks which are down 50%-75% from their 52-week highs than large cap utilities and other "safe havens" which are generally near their all-time highs and are trading at expensive valuations relative to other sectors. We love to be contrarian when the time is right and we believe the recent selloff is a blip in a four to five year bull market.

Sincerely,

Steele Wealth Management