RAYMOND JAMES®

Steele Wealth Management

Third Quarter 2011 – "Highway to the Danger Zon€"

Eurozone Debt Debacle Sparks A Global Selloff While Recession Worries Mount.

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Credit Risk Spikes as Banks Writedown Greek Debt Exposure and Growth Forecasts Decline

- The S&P/TSX Composite Index lost 12.46% during the third quarter of 2011.

- The non-cyclical sectors – Telecom, Consumer Staples, Utilities, Health Care and Financials – outperformed the TSX Composite Index throughout the quarter. The Materials sector, although cyclical, also outperformed the index due to its substantial weighting towards gold equities.

- The cyclical sectors – Energy, Industrials, Consumer Discretionary and IT – underperformed the TSX Composite Index.

- Commodities markets, as measured by the CRB (Commodity Research Bureau) Index plummeted by nearly 12% during the quarter as investors changed their focus from inflation to deflation. Tsunami-related growth difficulties in Japan, ongoing high food inflation in China, the Eurozone's austere focus and underfunded banking system and the inaction of the U.S. Federal Reserve with regards to a third round of quantitative easing (QE3) forced traders to trim their speculative bets on the continuation of inflationary monetary policy and to price in higher odds of a global recession and possible deflation.

- Inflation concerns persist in China despite a reduction in global growth expectations. Inflation readings remain over 6%, well above the central bank's 4% target, despite three months of contraction in the Chinese manufacturing sector and a small decline in house prices for the months of August and September. Many investors worry that a slowdown in Europe and the U.S. could spark a serious downturn, or "hard landing", in the Chinese economy due to its persistently high inflation and expensive housing market.

- Emerging markets declined during the quarter with China's Shanghai Composite losing 14.59% in Yuan terms and 6.22% in CAD terms and India's BSE Sensex losing 12.69% in Rupee terms and 13.97% in CAD terms.

- European debt worries continued to dog equity markets. Greece was forced to implement even harsher austerity measures in order to secure ongoing bailout funds while Italy was coerced into implementing its own set of austerity measures as a precondition to receiving European Central Bank support of its government bonds. European bank shares, particularly those that have material exposure to Greek debt, fell substantially throughout the quarter. It is expected that many banks will experience capital shortfalls should they be required to record a writedown of 50% or greater on Greek debt holdings.

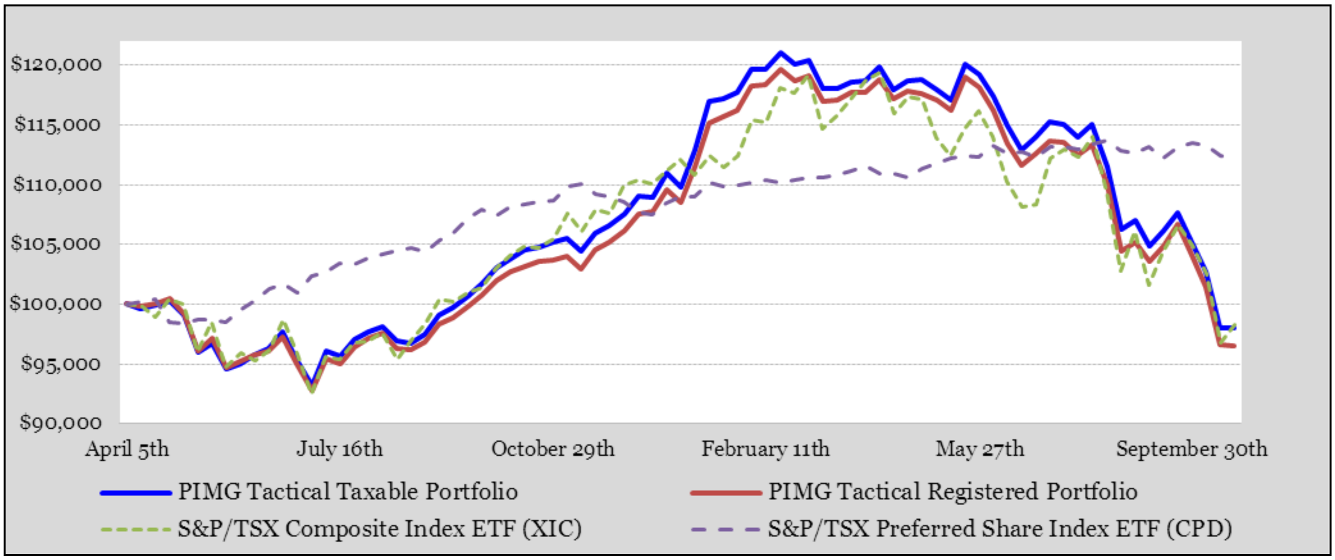
- Employment levels were stagnant during the quarter as declines in business and consumer confidence as a result of the spike in perceived political risk in Europe and the U.S put hiring plans on halt. Manufacturing sectors in the Eurozone, Japan and China fell into contraction territory during the quarter while U.S. and German manufacturing sectors continued to expand.

The S&P/TSX Composite Total Return & Preferred Share Indices

vs

The PIMG Tactical Taxable & Tactical Registered Portfolios

April 5th, 2010 (Inception) to September 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	-2.04%	-3.50%	-1.77%	12.19%
Compound Annual Return	-1.38%	-2.36%	-1.19%	8.02%
Standard Deviation	11.27%	11.26%	15.32%	3.96%
Sharpe Ratio	-0.39	-0.48	-0.27	1.27
Largest Monthly Gain	7.87%	7.80%	4.39%	3.33%
Largest Monthly Loss	-9.89%	-10.21%	-9.12%	-1.59%
Number of Up Months	8	8	8	13
Number of Down Months	10	10	10	5
Correlation with Tactical Taxable	--	0.99	0.84	0.18

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 14.14% during the quarter
- The portfolio's asset allocation as at September 30th was 17.6% cash, 27.7% preferred equity and 54.7% common equity.

PIMG Tactical Registered Portfolio:

- Lost 14.28% during the quarter
- The portfolio's asset allocation as at September 30th was 17.3% cash, 5.5% convertible debentures, 22.1% preferred equity and 55.1% common equity.

The top five outperformers in this quarter were:

- iShares Barclays 20+ Yr Treasury ETF (Long-Term U.S. Bond ETF) at +8.33%
- Cisco Systems (IT/Networking Supplies) at +7.47%
- George Weston Preferred "D" (Staples/Food Supplier & Distributor) at +5.66%
- BCE Inc. (Telecom/Diversified) at +5.13%
- West Coast Energy Preferred "J" (Utilities/Natural Gas Transmission & Storage) at +4.70%

The top five underperformers were:

- Yellow Media Preferred "A" (Media/Advertising) at -92.04%
- Connacher Oil and Gas (Energy/Oil & Gas) at -69.05%
- New Millennium Iron (Materials/Iron Ore) at -48.00%
- Superior Plus Corp (Energy/Propane Marketing & Distribution) at -25.38%
- Canadian Natural Resources (Energy/Oil & Gas) at -23.67%

During the quarter we bought:

- Royal Bank: We added to our position in Royal Bank as it continued to see weakness due to a global selloff in Financials equities. We like Royal Bank's sizable and reliable dividend as well as its position as a likely acquirer of troubled banks' assets.

- Loblaw Companies: We added to our position in Loblaw Companies as it was dragged down with the general market despite it being a defensive equity. Loblaw was trading in-line with peers at the time and we believe that it should trade at a premium due to its high-growth PC and Joe Fresh brands.

- Canadian Oil Sands: We purchased Canadian Oil Sands as it had underperformed its peers and its dividend had reached nearly 5%. We believed the yield would begin to limit the stock's ultimate downside going forward. We believe the dividend can be maintained so long as WTI oil prices averaged $80 or so, making Canadian Oil Sands an ideal stock in a period of stagnation.

- Student Transportation: We purchased Student Transportation as it was dragged down with the general market despite proving itself as a unique defensive stock in the 2008-2009 bear market. Student Transportation was one of very few companies that were able to increase their revenues during that period. We believe that cash-strapped U.S. municipalities will continue to unlock value through the sale of buses and bus routes for quite some time, providing Student Transportation with plenty of accretive acquisition opportunities.

- Fortress Paper: We added to our position in Fortress Paper as it had vastly underperformed its peers. We believed the company was getting no value for their high margin dissolved pulp plant that is set to go online soon.

- Sandvine Inc: We purchased Sandvine as its large cash balance provides a floor on the stock while its operating business could be worth a lot in the right hands. At the time of purchase, Sandvine's operating business was valued at approximately $115 million. We believe the business could be worth more than triple this amount when accounting for the cost synergies an acquirer would achieve in purchasing Sandvine.

- Finning International: We purchased Finning when it began trading at a significant discount to its peers despite being the leader in the heavy equipment leasing segment. We believe Finning will once again trade at a premium to its peers as equity markets stabilize.

- Canadian Pacific: We purchased Canadian Pacific as it has traded at a notable discount to its peers for quite some time due to operational issues and we believe this discount will narrow as these issues are remedied. We also like CP's defensive nature and it should perform well in a "sideways" market.

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

- New Millennium Iron: We sold a small portion of our position in New Millennium (~4%) on two occasions when it vastly outperformed its peers on an intraday basis.

- Sun Life Financial Preferred "C": We sold our position in Sun Life Preferred "C" to raise funds for the Royal Bank, Loblaw, Canadian Oil Sands, Student Transportation and Fortress Paper buys outlined above. Despite limited reaction in share prices, we believed that risk in the Financials- and Utilities-issued perpetual preferred shares was increasing due to the general decline in credit markets.

- Canadian Utilities Preferred "B": We sold our position in Canadian Utilities Preferred "B" to raise funds for the Royal Bank, Loblaw, Canadian Oil Sands, Student Transportation and Fortress Paper buys outlined above. Despite limited reaction in share prices, we believed that risk in the Financials- and Utilities-issued perpetual preferred shares was increasing due to the general decline in credit markets.

- TransCanada Corp: We sold our position in TransCanada to raise funds for the Canadian Pacific, Finning International and Sandvine buys outlined above. We believed that TransCanada, and the utilities shares in general, were beginning to look overly expensive relative to the more cyclical sectors.

- Rogers Communications: We sold our position in Rogers Communications to raise funds for the Canadian Pacific, Finning International and Sandvine buys outlined above. We wished to reduce our weighting in the Telecom sector to Market Weight as the sector was beginning to look overly expensive relative to the more cyclical sectors.

- BCE Inc: We sold our position in BCE to raise funds for the Canadian Pacific, Finning International and Sandvine buys outlined above. We wished to reduce our weighting in the Telecom sector to Market Weight as the sector was beginning to look overly expensive relative to the more cyclical sectors.

- Superior Plus Corp: We sold our position in Superior Plus as the Superior Plus debentures began to paint an ugly picture of the company's future, prior to a material decline in the common stock. Superior's longer-term debentures were trading at over 20% yield-to-maturity and we concluded that the debenture/bond markets were signaling much higher credit risk than was reflected in the common stock's trading price. Additionally, we believed that the debenture markets may have been signaling that the company will need to cut its common share dividend in order to appease debenture/bond markets and allow for future refinancing of outstanding debentures, an action that typically leads to significant losses for common shares.

- Loblaw Companies: We sold half of our position in Loblaw Companies as it had seen a material appreciation throughout the recent turmoil and had returned to trading at a notable premium to its peers. We continue to like the company but wished to reduce the position as it had become fully valued relative to its peers and had amounted to nearly 7% of the total portfolio at the time of sale.

- Fortress Paper: We sold our position in Fortress Paper as the forestry/paper segment had vastly outperformed the rest of the materials sector despite notable declines in lumber and paper prices. We believed that the forestry/paper segment was particularly at risk should we see further declines in equity markets and/or economic expectations.

- Superior Plus Debenture "C": We sold our position in Superior Plus Debenture "C" to raise funds for the Royal Bank, Loblaw, Canadian Oil Sands, Student Transportation and Fortress Paper buys outlined above. Superior Plus Debenture "C" held up well during the global flight-to-safety despite being issued by a highly cyclical company.

- iShares Barclays 20+ Year Treasury ETF: We sold our position in this ETF to raise funds for the Royal Bank, Loblaw, Canadian Oil Sands, Student Transportation and Fortress Paper buys outlined above. This ETF had seen strength during the global flight-to-safety.

Going Forward:

Similar to the second quarter, our preferred share allocation continued to outperform equities due to a flight-to-safety throughout the quarter. We wish to maintain a high preferred share allocation but are constantly reviewing the credit risk of our individual positions so as to prevent experiencing losses similar to those seen in the preferred share market in 2008.

The portfolios' underperformance in the quarter was mostly the result of our weighting towards small cap companies and our position in Yellow Media Preferred "A". In our last quarterly review, we mentioned that we had cut our small cap exposure slightly throughout the second quarter but that we still remain overweight relative to the TSX Composite index. We wish to maintain this small cap exposure as we believe these positions will see the greatest returns when markets stabilize. As for Yellow Media, its shares, bonds and debentures have all been under severe pressure as a result of their heavy debt load and rising credit risk in the global economy. Without an improvement in economic and market conditions in the next 18 months, it is likely that Yellow Media will have a difficult time refinancing its large debt load despite having considerable free cash flows. We continue to hold onto this position for its somewhat reliable dividend.

Lack of monetary stimulus in the Eurozone and the U.S. has thrown into jeopardy the ongoing assumption that central banks will support the world economy at the first sign of bad news. In the U.S., the "Bernanke Put" (i.e. the modern-day version of the Greenspan Put but with more emphasis on open market operations) which helped spark and support the 2009-2011 rally is now in doubt as policymakers attempt to influence Federal Reserve policy decisions and block any fiscal stimulus recommended by Bernanke. We believe that the rise of right-wing political parties in the U.S. and Europe will pose significant risks to equity markets in the upcoming years as ongoing bailout programs and austerity plans will face increasing social and political resistance.

We are the least constructive on the world economy and equity returns than we have been in the past two years. Key commodities and currencies have fallen below statistically important levels providing additional support for this bearish stance. Although we believe equities could experience rallies over the next six to twelve months, we believe the worsening political and social situation will disallow equities from holding onto these gains in the intermediate-term. Additionally, the lower probability of large-scale monetary stimulus and the ongoing drive towards austerity in the U.S. and Europe supports a low growth, disinflationary environment.

The rise of pessimism in our view highlights the need for less cyclical, high yielding large cap equities and small caps with plenty of cash and/or cash flows, a need that resonates with our investing style. We also believe these turbulent markets warrant carrying a sensible level of cash in order to take advantage of unique buying opportunities.

Sincerely,

Steele Wealth Management