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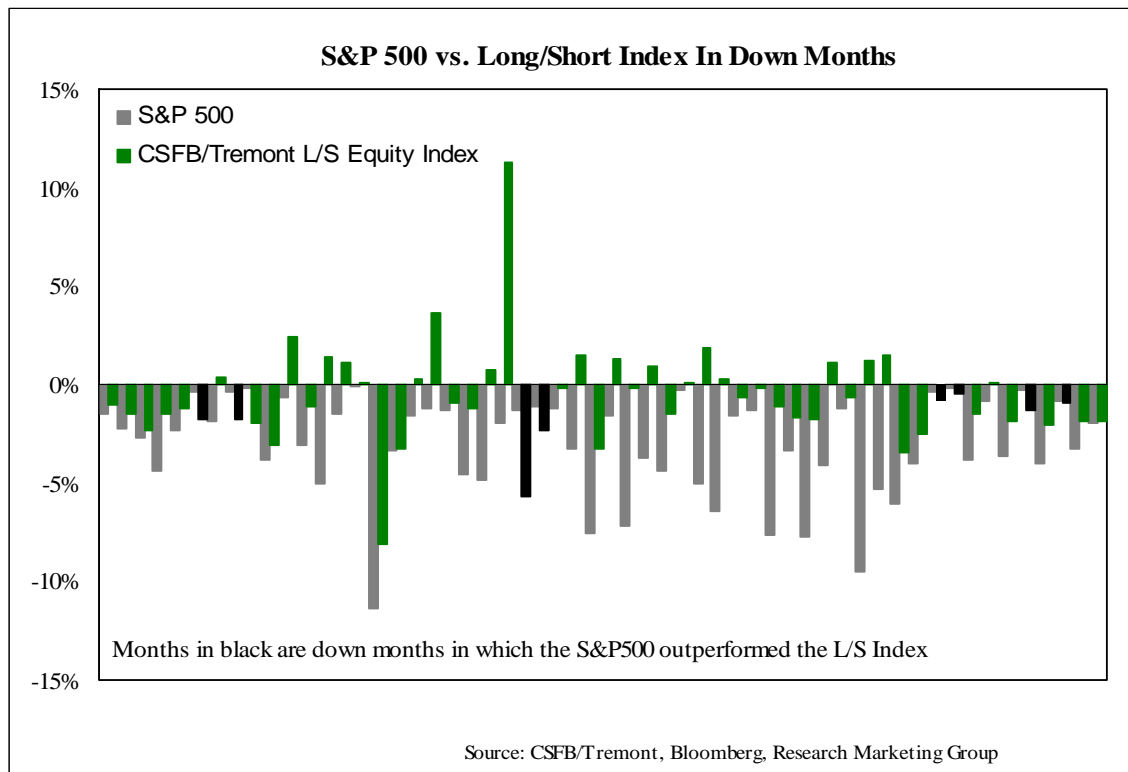
We are highlighting five Funds, that we believe, are suitable for equity investors who are looking to gain exposure to alternative investment funds:

- Goodwood Fund
- Hillsdale Canadian Aggressive Hedged Fund
- Horizons Mondiale Hedge Fund
- Redwood Long/Short Canadian Growth
- SciVest Market Neutral Equity Fund

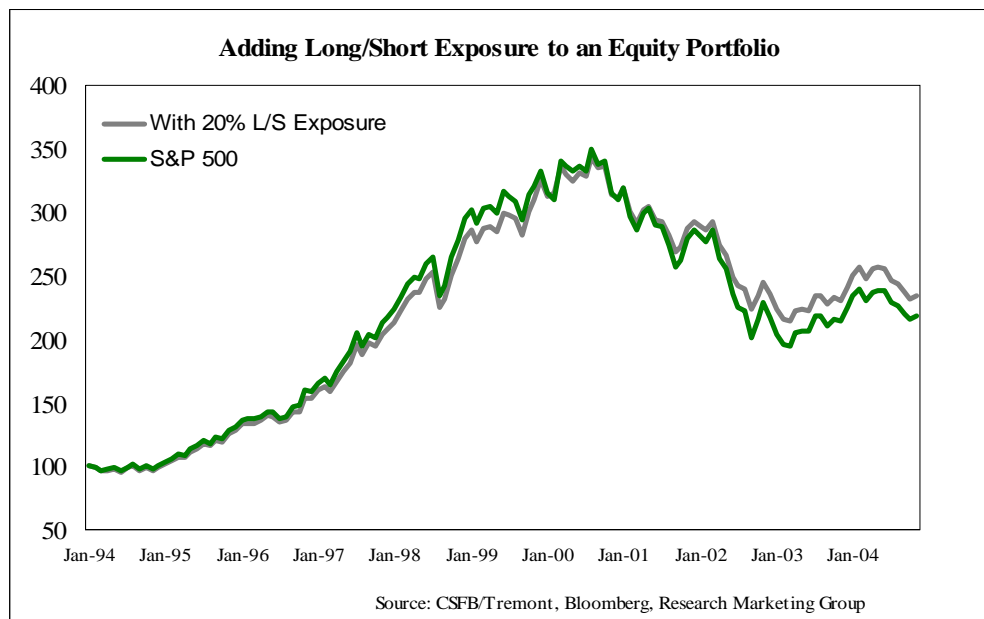
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In recent years, equity investors have been plagued with severe market extremes of irrational exuberance and drastic lows. Skilled investment managers who have the ability to short stocks have been able to flatten out some of these extremes and mitigate the risk inherent in being “long the equity market.

One of the tenets of active management is capital preservation in poor markets. Since the start of 1994, the S&P 500 has lost money in 56 months. The CSFB/Tremont Long/Short Hedge has outperformed the S&P in 47 of those 56 months. The average negative monthly return for the S&P 500 was 3.1%, versus an average drawdown of slightly only 0.66% for the long/short hedge index during these negative months. This would indicate that, on average, hedge managers are able to protect capital in down markets through their ability to short.



This downside protection is a key reason why the long/short index is a third less volatile than the equity index, with slightly better returns over time. We show the benefit on an equity portfolio for an investor to have a 20% exposure to equity long/short. We see from the comparative graph below, how a portfolio of 80% S&P 500 and 20% CSFB/Tremont Long/Short Index has outperformed the S&P 500 with less volatility over time.



While the shape of the two return series are very similar, we see that by virtue of losing less money in periods of decline, the long/short allocation allowed the portfolio to outperform the index. We also believe that the adaptive nature of long/short managers and flexibility that they are afforded allows them to react more quickly when markets begin trending in either direction. As the downward trend persisted in 2000, hedge managers began adapting their market exposures and adding to their short portfolio in an effort to protect capital.

We believe that the potential for capital preservation in poor markets and the reduction of volatility over the long-term are the key drivers behind an equity-oriented investor allocating capital to a long/short hedge manager.

Please contact your TD Waterhouse Private Investment Advice Advisor to determine whether hedge funds are suitable for your portfolio, or if you would like copies of our most recent hedge fund reports.

Fund Details

Fund Details: Goodwood Inc.
Fund Strategy: Long/Short Equity
Inception Date: Oct 1996
Return Target: 20%
Risk Target: S/P/TSX Composite
Fund Assets: \$175m CAD
Fees: 1.9% +20% performance fee

Liquidity: Weekly
Trustee: Computershare
Auditor: KPMG
Availability: \$25,000 (subject to prov.)
RSP Eligible: Yes
Foreign Content: No

Highwater Mark: Yes
Reset: 1 year loss carry-forward
Hurdle: No
Typical Market Exposure: 60-90%

Fund Codes	Cdn
Front	GWD022

Firm Description:

Since 1996 Goodwood has managed the Goodwood Fund, a Canadian long/short equity fund. Goodwood’s investment process and success can best be summarized as being bottom up, value oriented, and often event driven. The firm has amassed an impressive performance record in it’s 8 years of existence and its investment staff has grown to include 5 investment professionals.

Investment Strategy Description:

The Manager utilizes a value-oriented approach that stresses the purchase of securities trading below the manager’s estimate of a firm’s intrinsic value. The investment team will then select the securities, which trade at a significant discount to their computed fair business value. The investment team favours companies who have rapidly improving business or industry fundamentals.

In selecting short sale candidates, the investment team expects to focus on, but is not limited to, companies that are experiencing deteriorating business and industry conditions, have leveraged and/or cash poor balance sheets and are facing capital expenditure requirements in excess of their internal cash generation abilities.

Portfolio Manager Description:

This fund is co-managed by Peter Puccetti, CFA and Cameron MacDonald, CFA. Prior to founding Goodwood, Peter worked at Sprott Securities as a special situations analyst, then founded Puccetti Farrell Capital. Peter earned a Bachelor of Arts Degree in Economics at Dalhousie University and has been awarded the Chartered Financial Analyst designation. Cam MacDonald joined Goodwood in 2000 from Connor Clark Private Trust. Prior to that, Cam was an Account Executive at CIBC Wood Gundy. Cam holds a Bachelor of Arts in Economics from Wilfrid Laurier University and a Chartered Financial Analyst designation.

Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2004	0.5%	2.0%	-1.3%	2.0%	-6.1%	0.0%	0.9%	-2.7%	0.4%	4.3%	6.0%	9.0%	15.1%
2003	2.3%	-4.3%	-5.4%	7.3%	4.5%	4.8%	2.7%	5.6%	-1.0%	4.0%	2.6%	4.7%	30.5%
2002	2.0%	-2.4%	1.6%	-0.8%	1.0%	-3.6%	-8.1%	-4.6%	-2.7%	1.0%	-1.5%	-1.8%	-18.6%
2001	5.5%	-2.2%	0.3%	3.8%	3.6%	3.5%	1.4%	3.3%	-0.5%	1.7%	1.3%	1.0%	24.9%

Highlights:

While never professing to be a true “hedge fund,” Peter Puccetti and Cam MacDonald have become much less patient value investors of late, having adding a degree of shareholder activism to their investment efforts. We view this move as a positive for the fund. The investment management team continue to focus on companies trading at a deep discount to their intrinsic value, however they are being much more aggressive at unlocking this value. We view this fund as an alternative to long-only equity funds, as it will continue to have high exposure to equity markets, while opportunistically shorting companies in distressed situations. This fund will continue to exhibit “lumpy” returns in our view, as a function of their investment style and new found activism.

Hillsdale Canadian Aggressive Hedged

Fund Details:

Fund Strategy: Canadian Long/Short
Inception Date: January 30, 2000
Return Target: TSX + 6% (over 3 yrs)
Fund Assets: \$96 million
Fees: 2% Mgmt. Fee + 20% Perf. Fee
Sales Options: Front End Load only

Liquidity: Daily
Trustee: Hillsdale Investment Mgmt. Inc.
Auditor: Deloitte & Touche LLP
Availability: All Provinces AI rules apply.
RSP Eligible: Yes
Foreign Content: No

Highwater Mark: Yes
Reset: None
Hurdle: None
Typical Market Exposure: 40-60%

Fund Codes	Cdn
Front	HIL200/201

Firm Description:

Hillsdale is a Toronto-based alternative investment manager. The company believes that making rational and systematic portfolio management decisions leads to superior investment performance. Hillsdale's investment strategies are based on its proprietary investment platform which uses a dynamic, fundamental based, multi-factor approach to stock selection. This approach removes emotion from the investment process, and has enabled Hillsdale to outperform its benchmarks.

Investment Strategy Description:

The Fund invests a minimum of 80% of its assets primarily in a diversified selection of 50 to 200 selected Canadian corporations trading on major Canadian stock exchanges with at least CAD \$100 million market capitalization at the time of purchase or short sale.

The fund maintains a net market exposure between 30% and 70% at all times with aggregate short positions maintained at a minimum of 25% of assets. No single long or short position exceeds 5% of the fund's assets. The fund may invest up to 5% of its net asset value in derivative instruments, primarily exchange traded, in order to moderate its exposure to market risk. Leverage is limited to a maximum of two times the Fund's net assets

Portfolio Manager Description:

Primary portfolio management responsibilities for this belong to Chris Guthrie and Arun Kaul. Prior to founding Hillsdale in January 1996, Mr. Guthrie was employed at a Toronto-based investment counselor specializing in quantitative equity management and was responsible for assisting in the design and on-going development of quantitative equity management systems; training institutional money managers in the application of quantitative investment strategies; and supervising and managing in-house equity accounts.

Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2004	4.1%	3.6%	-0.5%	-5.6%	0.3%	3.1%	3.0%	-1.8%	5.4%	3.5%	5.0%	1.7%	23.5%
2003	2.4%	-3.6%	-3.1%	5.2%	1.0%	1.7%	7.0%	-2.2%	1.9%	9.3%	2.4%	2.8%	26.8%
2002	5.3%	3.9%	3.2%	0.4%	2.3%	-4.1%	-10.4	5.8%	-4.3%	-3.1%	-3.9%	5.2%	-1.2%
2001	-11.0%	-2.2%	2.1%	3.7%	7.4%	-2.1%	5.0%	0.5%	-2.6%	-0.9%	5.6%	2.2%	6.5%

Recommendation:

Hillsdale have had tremendous success in recent years. Perhaps what's lost in the trailing return numbers of the past 4 years is the story of Hillsdale evolving into the manager that they are today. There are currently two camps of investors who know Hillsdale. The first, remember a difficult period that started in mid-2002 and continued into the first quarter of 2003. The second group are dazzled by Hillsdale's strong trailing return numbers and do not know the evolution that has occurred within the firm's quantitative strategies. While being very cognizant of where they have been and where they are now, we believe that Hillsdale represent a solid opportunity for diversification and return in the Canadian equity market.

Fund Details:

Fund Strategy: Systematic, Trend Following
Inception Date: September, 1997
Return Target: 9%
Risk Target: StdDev <8%
Fund Assets: \$175M
Fees: 2.5% +20%

Liquidity: Daily
Trustee: Horizons Funds Inc.
Auditor: KPMG
Availability: All provinces except Quebec
Minimums: \$5,000
RSP Eligible: Yes
Foreign Content: No

Highwater Mark: Yes
Reset: No
Hurdle: 90-day T-bill
Typical Market Exposure: 50% long

Fund Codes	Cdn
Front	FHG 005
Deferred	FHG 004
F-Class	FHG 1001

Firm Description:

Horizons Funds Inc. provides portfolio solutions using Alternative Investment Strategies to grow client capital without the higher levels of volatility and risk associated with traditional buy-and-hold strategies. Pioneers in Canada, Horizons Funds has been providing Canadian retail investors with tools to reduce volatility in their portfolios since 1987.

Investment Strategy Description:

Horizons Mondiale Hedge Fund is a Canadian Trust which, managed by Mondiale Asset Management. The Horizons Mondiale Hedge Fund uses a trend-following investment strategy to produce consistent returns regardless of the direction of global equity markets. Investment decisions are determined by the firm's systematic trading rules, initiating long positions as the market trends higher and allocating to cash or short positions as the market sells off. This dynamic approach creates a very defensive portfolio. In addition, the fund is 100% hedged against US\$/CAN\$ exposure.

Portfolio Manager Description:

Mondiale Asset Management Ltd. is a Canadian firm specializing in quantitative investment management. Mondiale has been managing public capital for more than 7 years and currently manages a total of C\$267 million, acting as Portfolio Manager to the Horizons Mondiale Hedge Fund as well as acting as an advisor to an institutional client-base around the world.

Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2004	0.5%	0.0%	-0.1%	-1.4%	-0.7%	-0.1%	-1.2%	-1.1%	-0.7%	2.1%	1.6%	0.3%	-0.9%
2003	-0.4%	-1.5%	0.1%	1.2%	2.5%	0.6%	0.9%	2.2%	-0.3%	1.2%	0.8%	2.0%	9.6%
2002	-1.1%	-1.2%	2.8%	-2.3%	-2.4%	1.5%	6.0%	0.8%	-2.6%	0.6%	1.2%	-3.7%	-0.8%
2001	1.8%	-1.9%	0.7%	2.0%	1.4%	0.2%	-2.5%	-3.4%	4.3%	-1.0%	2.9%	1.7%	6.1%

Highlights:

While managed futures strategies have received a bad rap in recent years for being incredibly volatile, the managers at Mondiale certainly do NOT fit into this category. The managers have provided investors with steady returns over the past number of years, with very little in the way of drawdowns. While 2004 was a lean year for returns, this manager profits when markets, whether they be currencies, equity, bonds or commodities, begin to trend. The worst case scenario for the managers at Mondiale, is a rangebound, with high intraday volatility. We view this fund as a solid offering for clients who will be happy with high single digit returns in the mid-to-long term.



Fund Details

Fund Strategy: Canadian Long/Short Equity

Inception Date: January 1, 2004

Return Target: 12%-15% per annum

Risk Target: < S&P/TSX

Fund Assets: \$30 million

Fees: MER 2.50% + 20%

Liquidity: Weekly purchases, Bi-Monthly Redemptions

Trustee: Co-operative Trust Company of Canada

Auditor: Harris Chong & Crewe LLP

Availability: AB, BC, ON, SK

AI Min: \$5,000 Accredited

RSP Eligible: Yes

Foreign Content: No

Highwater Mark: yes

Reset: No

Hurdle: No

Typical Market Exposure: Ranges between 30% net short and 120% net long

Fund Codes	Cdn \$
Front	Ram103

Firm Description:

Redwood Asset Management is a Toronto-based firm providing funds with absolute return objectives to high net worth individuals and institutional clients. The firm markets 4 investment funds, two sold by offering memorandum and two sold via prospectus. Each manager targets to deliver consistency of returns with low volatility while generating positive returns in every year calendar year.

Investment Strategy Description:

The fund manager intends to focus on the generation of gains by using fundamental research to invest in sectors and companies that are experiencing changing growth characteristics. The Investment Advisor intends to maintain both long and short position in the Fund at most times. In selecting long and short positions, the Investment Advisor will utilize bottom up, and top-down research as well as technical analysis. The fund manager actively manages the fund's net market exposure and looks for positive and negative catalysts within stock market sectors to generate return. Once the manager has identified key sectors for investment, bottom-up research dictates the best companies in which to invest to best capitalize.

Portfolio Manager Description:

Gene Vollendorf is the Portfolio Manager of the Redwood Long/Short Canadian Growth . Mr. Vollendorf has 10 years of investment experience in fundamental credit and equity research. Mr. Vollendorf has a Bachelor of Commerce degree from the University of Calgary, an MBA from the University of Chicago, and is a CFA Charterholder. Prior to starting Savoy, Mr. Vollendorf was Portfolio Manager, of the small and micro cap mandates at Bissett and Associates.

Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2004	7.1%	5.2%	2.4%	-0.1%	-1.0%	-1.4%	0.5%	0.4%	1.3%	0.2%	5.8%	7.3%	30.8%
2003	1.2%	2.0%	-2.6%	0.5%	4.4%	2.8%	3.0%	6.0%	-1.0%	8.2%	5.0%	5.4%	40.4%
2002	12.5%	3.9%	7.8%	4.2%	1.4%	1.0%	-4.2%	-0.7%	-3.5%	-0.6%	5.2%	2.3%	32.0%
2001	11.0%	-18.8%	-1.6%	1.9%	-1.1%	-2.2%	-2.9%	-1.2%	-2.0%	-1.6%	10.9%	6.8%	-4.2%

Shaded performance is that of Gladiator LP, net of fees in CS. Gladiator LP, is an offshore fund, on which this fund is based.

Highlights:

There are many things that have impressed us about this fund since coming across fund manager Gene Vollendorf. Not the least of which was his commitment to build a track record as a hedge fund manager before attempting to sell a retail investment product. After compiling a three-year track record as private limited partnership, Mr. Vollendorf decided to team up with Redwood Asset Management to provide a retail investment product to Canadians.

Mr. Vollendorf has proven himself as a seasoned stock picker with excellent knowledge of the Canadian market and an uncanny knack of generating returns from both long and short and short positions. We recommend this fund as core holding for high net worth investors who are seeking an active manager who can generate returns in good markets and protect capital during times of market decline.



Fund Details

Fund Strategy: Market Neutral Equity
Inception Date: May 2001
Return Target: 10%
Risk Targets: 9% - 12%
Fund Assets: \$44 million
Fees: 2.5% + 20%

Liquidity: Daily
Trustee: Royal Trust Company
Auditor: Deloitte & Touche
Availability: provincial AI minimums
RSP Eligible: As foreign content
Foreign Content: 100%

Highwater Mark: CAD T-Bills
Reset: No
Hurdle: Yes
Typical Market Exposure: 0%

Fund Codes	Cdn	US
Front	SCI 100	SCI 105
F-Class	SCI 101	SCI106

Firm Description:

Founded in 1999, SciVest Capital Management is a Toronto-based investment manager registered with the Ontario Securities Commission as an Investment Counsellor and Portfolio Manager, and as a Limited Market Dealer. SciVest currently manage over \$100 million for Canadian high net worth and institutional investors.

Investment Strategy Description:

The fund's objective is to provide consistent long-term growth while maintaining virtually no exposure to general movements in the equity market. The risk of the overall Fund is strictly managed and controlled. Stock selection and portfolio construction decisions are made based on adaptive quantitative models and an integrated optimization process that incorporates expected returns, risks, and trading costs of every position in an attempt to maximize the fund's risk-adjusted performance.

Portfolio Manager Description:

The founder of SciVest Capital Management is Dr. John Schmitz. Prior to starting SciVest, John was a Senior Vice President of Investments at MAXXUM Fund Management Inc. John began his career at Alpha Strategic Partners where he helped to found their quantitative research department. As an active researcher in the areas of investments and portfolio management, John has published articles in both academic/practitioner journals, as well as has taught at the Joseph L. Rotman School of Management at the University of Toronto. In addition to his Ph.D. in Business Administration (Finance) from the Richard Ivey School of Business, John holds a degree in Mechanical Engineering, a Master of Arts in Economics and the Chartered Financial Analyst designation.

Monthly Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2004	-2.2%	1.0%	-2.1%	-4.8%	-2.2%	1.7%	0.5%	-4.4%	-0.2%	-2.1%	2.7%	-1.5%	-13.0%
2003	3.8%	1.1%	-0.4%	1.8%	1.4%	-1.6%	0.0%	-1.9%	2.5%	0.0%	3.1%	2.3%	12.6%
2002	7.3%	-2.4%	4.3%	-0.1%	2.6%	1.7%	-3.1%	3.1%	3.6%	-4.3%	-6.4%	2.0%	7.7%
2001					1.1%	-1.8%	4.0%	3.5%	6.8%	-3.5%	3.4%	1.9%	16.0%

Highlights:

We recommend this fund to investors who are willing to invest in single strategy fund, and want to mitigate equity market risk (beta) through the use of an equity market neutral strategy. While we admit it has been a very difficult year for this fund, we point out that SciVest Market Neutral Equity continues to be one of the top ranked market neutral fund's globally, in a market that has not been kind to this strategy.

This past year was a challenging one for many hedge fund strategies, our expectation is more accommodative markets in 2005 with market volatilities and risk spreads reverting to more historical norms. We believe the potential for market participants to re-focus on company specifics will drive fund returns going forward.

Disclaimers:

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RSP tax savings are available on any RSP eligible investment and tax is payable on all amounts withdrawn from RSPs. Investments must be held for 8 years to keep tax credits. Tax credits vary per province, therefore, ensure you have reviewed your prospectus before investing. Important information about the Fund is contained in its prospectus. Please obtain a copy from your Investment Advisor and read it carefully before investing. Commission, trailing commissions, management fees and expenses all may be associated with this investment. This fund is not guaranteed and its value changes frequently and past performance may not be repeated.

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