



Palos Weekly Commentary

Investment Themes



U.S. Equities Decline on Economic Concern

U.S. equities closed lower for the week, topping a fourth-straight monthly drop. Business activity fell to a level not seen since 2001. NAPM stated that business activity decreased as employment and production softened, raising concerns that the ongoing trend will continue.



Crude Oil Prices Close Higher For The Week After Reaching Record Levels

Crude oil prices closed higher for the week, slightly lower than its record level of USD\$102 a barrel. Investors are buying the commodities as an inflation hedge as the U.S. dollar is depreciating in value versus other world currencies, particularly those of commodity-based economies such as Canada. U.S. Economic growth failed to meet forecasts, leading equity markets to decline and the American dollar to weaken, resulting in increasing speculation that the Fed will cut interest rates further. Furthermore, production drops in Nigeria production, shipment disruption in Iraq and a gas terminal fire in U.K. contributed to record crude prices.



Corporate Spreads Widen as Default Risk Rises Coupled with Increasing Economic Slowdown

Credit spreads widened during the week

as investors speculated on a slowing U.S. economy resulting in rising defaults and lending scale-backs by financial institutions.



U.S. Treasuries Close Higher as Traders increase Bets on Rate-Cuts Amid Credit Turmoil

U.S. Treasuries closed higher for the week, pushing short yields lower as escalating losses in credit markets, coupled with a slowing U.S. economy, pushed investors towards the relative safety of government issues. Rate-cut expectations by speculators have pushed down long yields as well, however, less than short yields, resulting in the widening of maturity differentials in the term structure.



Canadian Dollar Closes Higher For The Week After Hitting Three-Month Highs

The Canadian dollar closed higher for the week after coming off three-month highs as traders bought currencies tied to resilient global growth that has become increasingly less dependent on the weakening U.S. economy. Rising prices for the Canadian commodity exports boosted demand for the Loonie. The Canadian dollar strengthened as crude oil and gold traded at record levels. Commodities account for approximately half of Canadian exports.

Investment Themes:

- **Equity Markets:**
U.S. Equities
Decline on
Economic Concern
- **Energy Markets:**
Crude Oil Prices
Close Higher For
The Week After
Reaching Record
Levels
- **Credit Spreads:**
Corporate Spreads
Widen as Default
Risk Rises Coupled
with Increasing
Economic
Slowdown
- **US Treasury :** U.S.
Treasuries Close
Higher as Traders
increase Bets on
Rate-Cuts Amid
Credit Turmoil
- **Canadian Dollar:**
Canadian Dollar
Closes Higher For
The Week After
Hitting Three-
Month Highs

Are you happy with your RRSP performance? Have you been loosing sleep over your RRSP portfolio's underperformance? Are you meeting your retirement-savings goals? Are you getting sufficient income from your mandatory RRIF distributions? Why not consider moving your RRSP/RRIF assets to the Palos RRSP-eligible funds for capital-preservation and income-enhancement solutions? For further information on your personally-tailored investment solution, please contact:

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Performance

Funds	Value	Weekly Returns	Year-To-Date Returns
Palos Income Trust Fund LP	CAD\$11.34	-0.37%	-1.40%
Palos Equity Income Fund - RRSP	CAD\$10.29	0.04%	2.92%
Palos International Equity Income Fund PLC - CAD	CAD\$8.87	2.78%	1.60%
Palos International Equity Income Fund PLC - EUR	EUR€8.60	4.37%	-0.18%
Palos International Equity Income Fund PLC - USD	USD\$10.41	5.36%	1.56%
CTI Palos Equity Fund LP	CAD\$12.17	-0.36%	0.89%
CTI Palos Equity Fund - RRSP	CAD\$10.14	-0.37%	1.42%
CTI Palos Bond Fund LP	CAD\$10.41	1.03%	1.54%
CTI Palos Bond Fund - RRSP	CAD\$9.99	0.00%	-0.00%
Gauthier Palos Global Macro Fund LP	CAD\$8.55	-4.64%	-6.39%
MVest Opportunity Fund LLC	N.A.	N.A.	N.A.
Palos Capital Pool LP	N.A.	N.A.	N.A.

Benchmarks, Interest Rates & Commodities

Benchmarks, Interest Rates & Commodities	Value	Weekly	Year-To-Date
S&P 500 Total Return Index	1,330.63	-1.62%	-9.05%
S&P TSX Composite Total Return Index	13,582.69	0.10%	-1.43%
S&P TSX Capped Income Trust Total Return Index	147.12	0.80%	3.74%
MSCI All Countries World Total Return Index - CAD	600.74	1.57%	-7.69%
DEX Universe Bond Total Return Index	N.A.	N.A.	N.A.
US Government 10-Year Yield	3.51%	-0.29%	-0.56%
Canadian Government 10-Year Yield	3.64%	-0.25%	-0.43%
Crude Oil Spot	\$101.72	2.95%	5.98%
Gold Spot	\$975.00	3.21%	16.35%
US Government 10-Year/Moody's BAA Corporate Yield Spread	337 bps	24 bps	72 bps
USD/CAD Exchange Rate Spot (USD per CAD)	1.0122	0.0247	-0.0066

Sincerely,

Charles Marleau

Tommy Nguyen

Minh Nguyen

Robert Sands Jr.

