VOLUME I , ISSUE 2

CAG

COMMODARI ANTINORI GROUP

SAFEGUARDING YOUR WEALTH

INVESTMENT COMMENTARY: JULY 2007

"Investors should remember that excitement and emotion are their enemies. And if they insist on trying to time their participation in equities, they should try to be fearful when others are greedy and greedy only when others are fearful."

–Warren Buffett, Berkshire Hathaway 2004 Report to Shareholders

We are pleased to report to you on the progress of your investment portfolio. A detailed tabulation of your holdings and individual results are enclosed for your quick reference.

For the six-month period ending June 30, 2007, the total returns for the Dow Jones Industrial Average and the Standard & Poor's 500 were 8.8% and 7.0% respectively, while in Canada, the S&P/TSX Composite gained 9.1%.

These summary statistics mask a very volatile period however. The year started with robust advances on world equity markets, but abruptly reversed course in late February, when the Chinese market dropped 9.9% in one day and stocks worldwide fell sharply in reaction. Equity markets soon recovered but by early June, concerns over inflation and the swift back-up in U.S. long term bond yields triggered another temporary wave of declines.

We were hopeful that these worldwide market declines might linger and produce deeper markdowns in share prices. Alas, this wasn't to be and there was little opportunity for us to put our large cash reserves to work. As a result, returns in client equity portfolios lagged the benchmarks somewhat due to the dampening effect of carrying cash. Nonetheless, client portfolios generated mid-single digit returns, excluding any negative currency impact caused by the rise in the Canadian dollar relative to the U.S. dollar.

AND THE BEAT GOES ON… UNTIL IT ENDS

In our last Investment Commentary, we wrote that many investors were seriously underestimating risk with potentially flammable consequences for their portfolios. Today, we are even more convinced of this and continue to maintain a defensive stance.

Easy money, investors' appetite for risk, and deal-making continue to drive financial asset prices well beyond reasonable levels. Money generated by the substantial trade surpluses of China and other emerging economies, as well as the petro-dollars of oil exporters are being recycled into the financial system, indiscriminately lifting asset prices. Investors big and small are seemingly oblivious to risk. Hedge funds and other speculative pools of capital are flush with cash. Private equity firms have no trouble attracting money to be spent outbidding each other on often already over-priced companies. Not only has this activity contributed to an escalation in asset prices, but it has also led to a deterioration of credit standards as investors gobble up dubious paper issued to finance these leveraged buyouts.

Takeovers have given a big lift to stocks, particularly on Canada's resource-heavy market. In May, CIBC World Markets reported that mergers and acquisitions accounted for a staggering 44% of the S&P/TSX Composite's increase year-over-year. In the first three months of this year, 483 transactions were announced worth $66-billion in comparison to the average quarterly deal count of around 200. This level of deal-making is reminiscent of the dot com bubble, where America Online's acquisition of Time Warner Inc. – announced on January 10, 2000 – came to symbolize the folly of this era and is now widely recognized as a disaster.

Without a doubt, it is clear that a drumbeat of enthusiasm pervades financial markets. At Commodari Antinori Group, our combined nearly twenty years as investment professionals tells us that caution is warranted. Given the risks that many of you already take in your businesses, our primary mandate is to preserve your capital. We will never compromise on this and expose you to needless risk by buying stocks merely for the sake of avoiding idle cash. We refuse to swing to the rhythm of the drumbeat and continue to hold cash reserves.

PUTTING CASH TO WORK

Over the past six months, worried that the market would leave your portfolio behind, many of you called urging us to put more cash to work. Rest assured the decision to hold cash is not taken lightly. We are aware of the short-term effect this has on results and ask for your patience – particularly new clients, who, for the most part are not yet fully invested and hold larger than normal cash balances.

It is important that we look at cash in a positive way, not only as something yielding money market rates – ranging from 4.2% - 4.7% – but also as the ammunition enabling us to buy tomorrow's bargains.

For the patient investor, opportunities will always present themselves to prudently put money to work. The opportunity could be broad-based – affecting the market as a whole – or merely company/sector specific – affecting only a select few businesses. A broad-based correction can be caused by political upheaval, another terrorist attack, currency devaluation, stalled growth in China, or war in the Persian Gulf to name just a few. On the flip side, a company's failure to meet analyst expectations, a sudden change in management, overpaying for an acquisition or legal and regulatory issues are often all that is needed to cause even the finest business to temporarily decline in price.

Often, these markdowns are swift, violent and magnified by what we read in newspapers or see on television. We all know the best time to buy stocks is when they are cheap. However, when stocks are at their cheapest, people turn fearful and many investors pass on the opportunity. Not at the Commodari Antinori Group. Our disciplined investment approach allows us to insulate ourselves from such distractions and to act with courage and conviction, thusly capitalizing on opportunities and investing your hard-earned money when the margin of safety is at its maximum.

IT'S A MARATHON, NOT A SPRINT

Many people believe that the fastest way to high market returns is by accurately timed short-term trades. That is simply not the case. In our view, superior long-term performance results from beating the market in the bad times. This means not giving back gains when the tide turns and markets tumble.

To do this, one must maintain a steady state of mind at all times. Caution should not be seasonal! One should not rediscover caution when markets are falling and forget about it when they are rising.

Outsized long-term rewards accrue to investors with a rational and disciplined approach. In the first half of 2000, as the technology bubble was peaking, we underperformed the market because we continued to build positions in ignored and undervalued businesses – chiefly banking, insurance, industrial and energy companies. The businesses that we bought for you then were those significantly depressed in price and not those that were market favorites. When the technology bubble burst, our portfolio of businesses re-valued upwards to levels approaching their true value.

Focusing on value, not popularity, on depressed stocks with low expectations, and on having patience, remain the cornerstone of our investment philosophy. Our current challenge is making new investments at prices as compelling as those we have made in the past. That being said, we are continuously on the lookout for opportunities, but must admit that the list of "on deck" names that are close to our required discount is small. We are content however to have cash in portfolios in the event that we see more volatility as we did briefly in February and June.

PORTFOLIO DEVELOPMENTS

Despite our defensive posture, we did find a number of new businesses to recommend to you in the first half of half of 2007.

In Canada, we took advantage of share price weakness to buy Canadian National Railway Company (CNR) for new clients and topped up positions for existing ones. This has been a long-standing holding among client portfolios – initially purchased in 1998 – and, we add to it whenever a large enough margin of safety exists.

CNR has come a long way since its creation by an Act of Parliament in 1919. Our experience with it highlights how good things happen when a smart manager takes charge of a solid business. In July 1992, Paul Tellier became President and Chief Executive Officer of CNR and worked to change the culture of the company. He succeeded in doing this and he oversaw the company's privatization – CNR's shares were floated on the Montreal, Toronto, and New York stock exchanges on November 28, 1995.

Mr. Tellier's ability to enhance operational efficiency and successfully allocate capital impressed us. For example, he gave the go ahead in 1993 to build the St. Clair Tunnel, now a vital rail link in international trade between Canada and the United States.

In 1998, CNR acquired Illinois-Central and we were confident that Mr. Tellier and his management team could successfully merge Illinois-Central's operations into its own and benefit from the newly created Y-shaped rail network – the only one to link three North American coasts, Atlantic, Pacific and Gulf of Mexico.

CNR continues to be an exceptionally well-run business, now under the stewardship of E. Hunter Harrison – another asset from lllinois-Central. In the face of ever changing patterns of world trade and production, CNR recently partnered with the Prince Rupert Port Authority and invested in the construction of the Prince Rupert Container Terminal. This terminal is the closest North American port to Asia and is poised to add value to CNR's bottom line well into the next decade.

In the U.S., our largest purchase has been Bed Bath & Beyond. This unique company – management rarely speaks to Wall Street, does not belong to any industry trade groups and otherwise keeps its own counsel – was founded in 1971 and today is a very successful retailer of kitchen, bath and home décor items in the United States. It distinguishes itself from its competitors by its breadth of product offering, excellent merchandising, and superior financial returns. The company has a terrific balance sheet with an enormous amount of cash on hand and no debt. If you are travelling to the U.S. on holiday this summer, we encourage you to visit a nearby store and spend some money.

We also continued to recommend Wal-Mart in the first half of 2007. Wanting to keep Wal-Mart's attractive valuations from clouding our judgment, we decided to visit the nearest Supercenter in Stouffville, Ontario to assess the concept first hand. We are pleased to report to you that there were cars in the parking lot, people in the store and, most importantly, carts full of merchandise waiting to be rung-up. We are comfortable with the price we paid and most excited about Wal-Mart's long-term growth potential outside of the United States.

CONCLUDING THOUGHTS

We are pleased with the companies that we have recommended and are confident in their future prospects.

Should you have any questions or would like to meet with us to review your portfolio, please do not hesitate to contact us. We enjoy working with you and appreciate the confidence you have in us.

Wishing you and your family a great summer!

A Commodari

Alessandro Commodari
Investment Advisor

Tel.: 514.286.7254
alessandro.commodari@nbpcd.com

M. Antinori

Mario Antinori
Investment Advisor

Tel.: 514.286.7311
mario.antinori@nbpcd.com

July 16, 2007

COMMODARI ANTINORI GROUP
1501 McGill College Avenue, Suite 3200
Montreal, Quebec H3A 3M8

MEMBER CIPF

BMO Nesbitt Burns®

The opinions, estimates and projections contained herein are those of the author as of the date hereof and are subject to change without notice and may not reflect those of BMO Nesbitt Burns Inc. ("BMO NBI"). Every effort has been made to ensure that the contents have been compiled or derived from sources believed to be reliable and contain information and opinions that are accurate and complete. Information may be available to BMO Nesbitt Burns or its affiliates that is not reflected herein. However, neither the author nor BMO NBI makes any representation or warranty, express or implied, in respect thereof, takes any responsibility for any errors or omissions which may be contained herein or accepts any liability whatsoever for any loss arising from any use of or reliance on this report or its contents. This report is not to be construed as an offer to sell or a solicitation for or an offer to buy any securities. BMO NBI, its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities mentioned herein as principal or agent. BMO Nesbitt Burns Inc. and BMO Nesbitt Burns Ltee/Ltd. ("BMO Nesbitt Burns") will buy from or sell to customers securities of issuers mentioned herein on a principal basis. BMO Nesbitt Burns, its affiliates, officers, directors or employees may have a long or short position in the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. BMO Nesbitt Burns or its affiliates may act as financial advisor and/or underwriter for the issuers mentioned herein and may receive remuneration for same. A significant lending relationship may exist between Bank of Montreal, or its affiliates, and certain of the issuers mentioned herein. BMO NBI is a wholly owned subsidiary of BMO Nesbitt Burns Corporation Limited which is an indirect wholly-owned subsidiary of Bank of Montreal. Any U.S. person wishing to effect transactions in any security discussed herein should do so through BMO Nesbitt Burns Corp. and/or BMO Nesbitt Burns Securities Ltd.