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# ANNUAL MEETING FORMULA GROWTH FUND – MAY 15, 2007

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Chairman's Welcome

John Dobson - Chairman

Randy Kelly - President

Philosophy

Kim Holden - Portfolio Manager

John Liddy - Portfolio Manager

Process

Tony Staples - Portfolio Manager

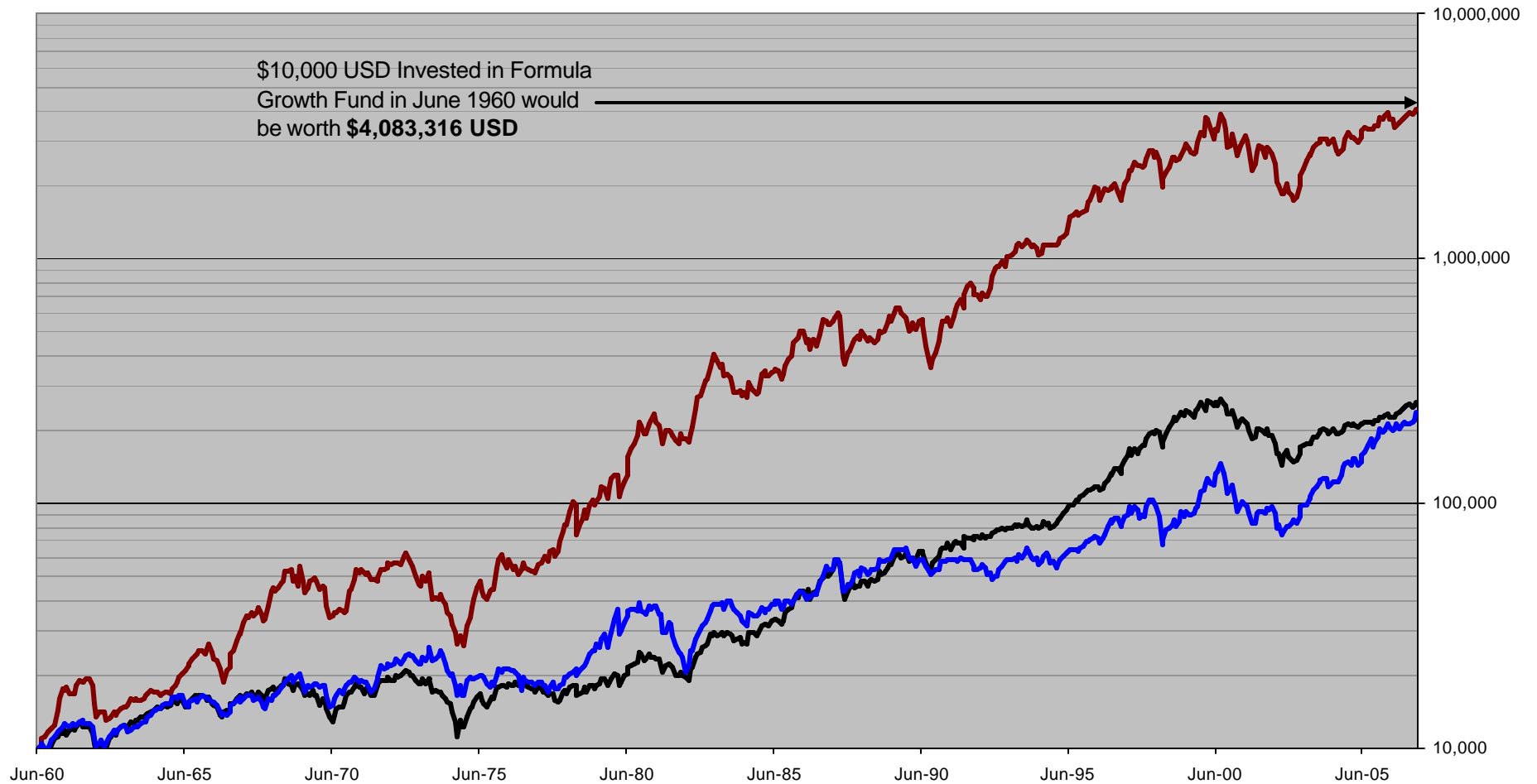
People

Performance

Perspective

Peak-to-Peak Performance

## Chairman's Welcome – Long Term View



	Fund	S&P 500	TSE 300
\$10,000 USD Invested in June 1960 would be worth	\$4,083,316	\$260,429	\$232,838
Compounded Annual Growth Rate (USD)	13.7%	7.2%	7.0%

Indices exclude reinvested dividends.  
Fund value is net of the 1% management fee.

## Philosophy – Growth drives the Formula Growth Fund

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- Earnings and Sales Growth
  - Earnings growth drives stock prices: 20% is our target.
- Small and Mid Sized Companies:
  - More room for long term growth, a broader market to select from.
- Reasonable Valuations, Aggressive and Early
  - P/E Multiple expansion together with rapid EPS growth is the “rocket fuel” for stock price appreciation.
- Solid Management Teams
  - Experienced and having a firm grasp of their business.
  - Significant owners of their own stock.
- Fully invested posture with little market timing.

## Process – Research builds the Portfolio

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- Use our eight financial professionals to constantly hunt down, research, own and manage the portfolio.
- We generate new ideas from:
  - Large network (buy and sell side of Wall Street)
  - References from current holdings
  - Intense use of technology
- We research stocks by:
  - Traveling to meet with management
  - Checking with suppliers, customers and competitors
- When we buy and own a stock, we:
  - Constantly reappraise through repeated management (CEOs/CFOs) contact.
- We maintain a one to three year time horizon with strict targets/models on all positions.
- We remove stocks from the portfolio because of:
  - Deals / Takeouts
  - Target price achieved
  - Management's failure to execute business plan

## People – Your Team puts it all together

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Stable, experienced, credentialed and growing:

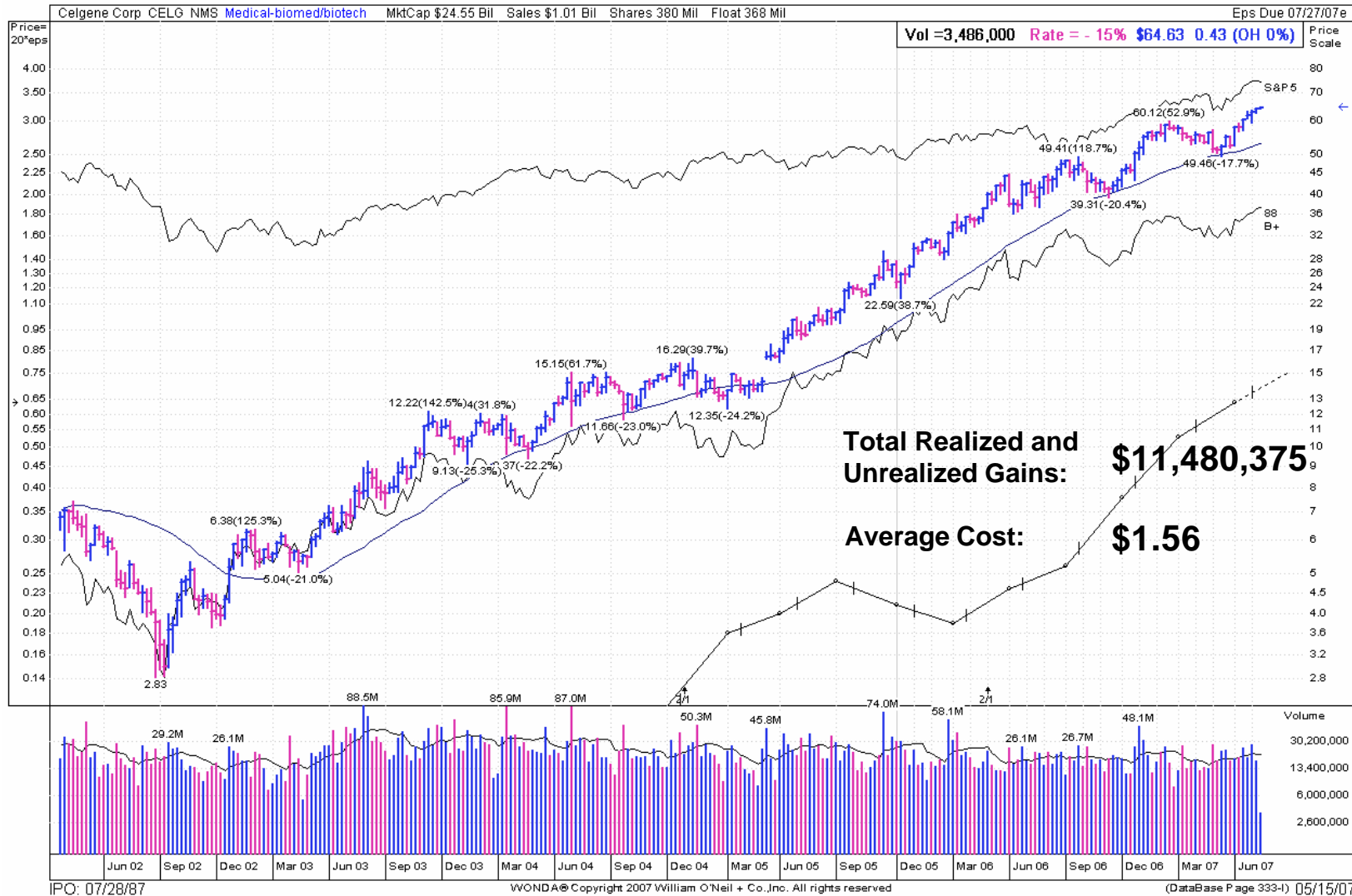
- The five member Portfolio Management team has worked together for 10 years.
- Over 165 Years combined investment experience among 12 Investment Professionals (9 CFA designations, 3 MBAs and 3 CAs) in a total staff of 14.
- Specialists in US emerging growth stocks, individual specialists in Technology, Healthcare, Telecommunications and Finance.
- Added three new Research Analysts in the past 18 months.

# Process – Celgene

Current Position Size: 1.2%



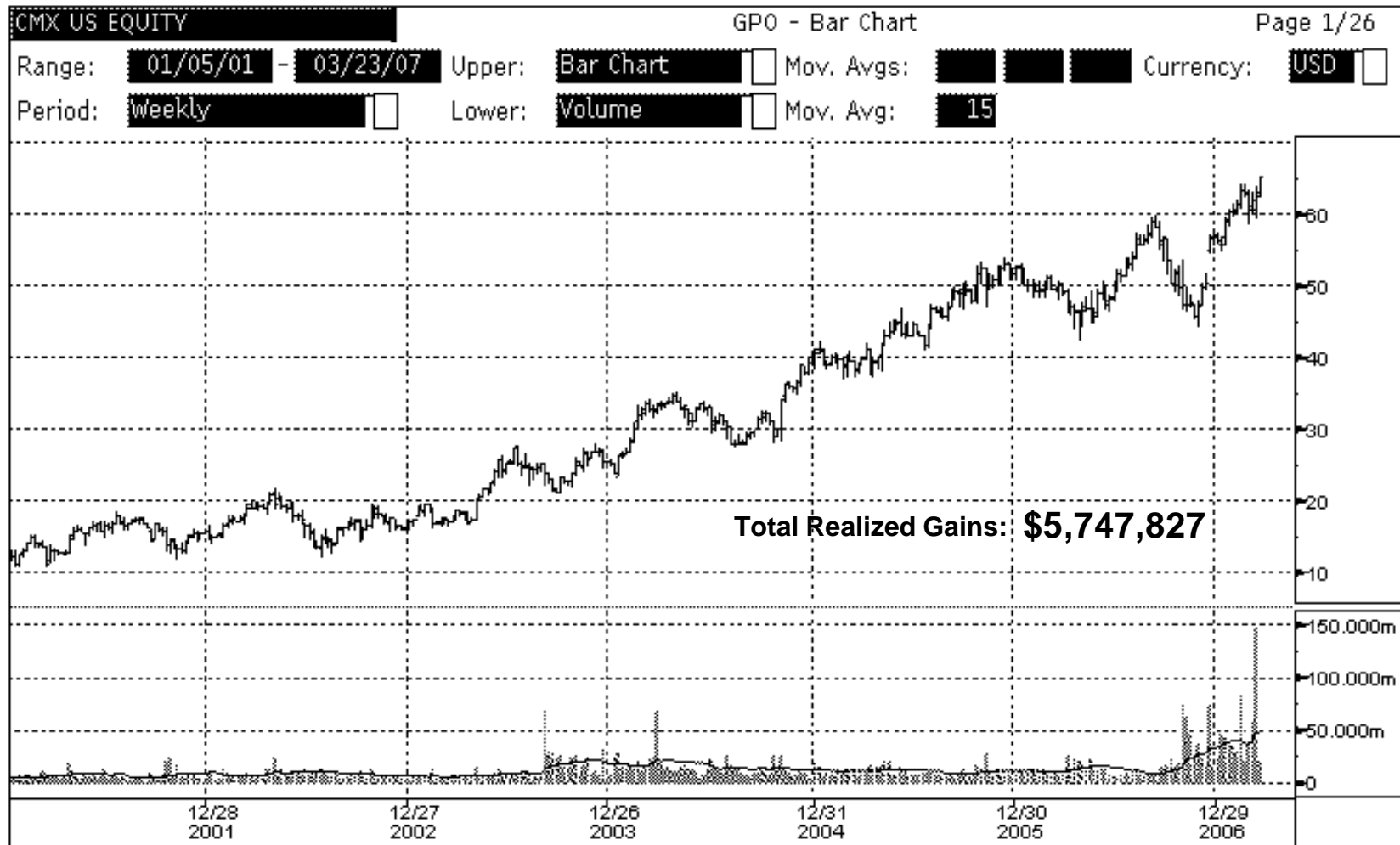
DEVELOPS THERAPIES TO TREAT CANCER AND IMMUNE-INFLAMMATORY RELATED DISEASES THROUGH THE REGULATION OF CELLS, GENES AND PROTEINS. LEAD PRODUCT IN COMBINATION WITH DEXAMETHASONE IS APPROVED FOR THE TREATMENT OF MULTIPLE MYELOMA AND FOR PATIENTS WITH TRANSFUSION-DEPENDENT ANEMIA DUE TO MYELODYSPLASTIC SYNDROMES. 2006 REVENUES BY PRODUCT IN %: THALOMID 53; REVLIMID 40; ALKERAN 6; AND OTHER 1 INTERNATIONAL REVENUES ACCOUNTED FOR 6%.





PROVIDES COMPREHENSIVE DRUG BENEFIT SERVICES TO OVER 2000 HEALTH PLAN SPONSORS THROUGHOUT THE U.S. CLIENTS INCLUDE CORPORATE HEALTH PLANS, MANAGED CARE ORGANIZATIONS, INSURANCE COMPANIES, UNIONS AND GOVERNMENT AGENCIES. THEY OPERATE A NATIONAL RETAIL PHARMACY, MAIL SERVICE PHARMACIES, FDA-REGULATED REPACKAGING PLANT AND LICENSED SPECIALTY PHARMACIES.

**ACQUIRED**

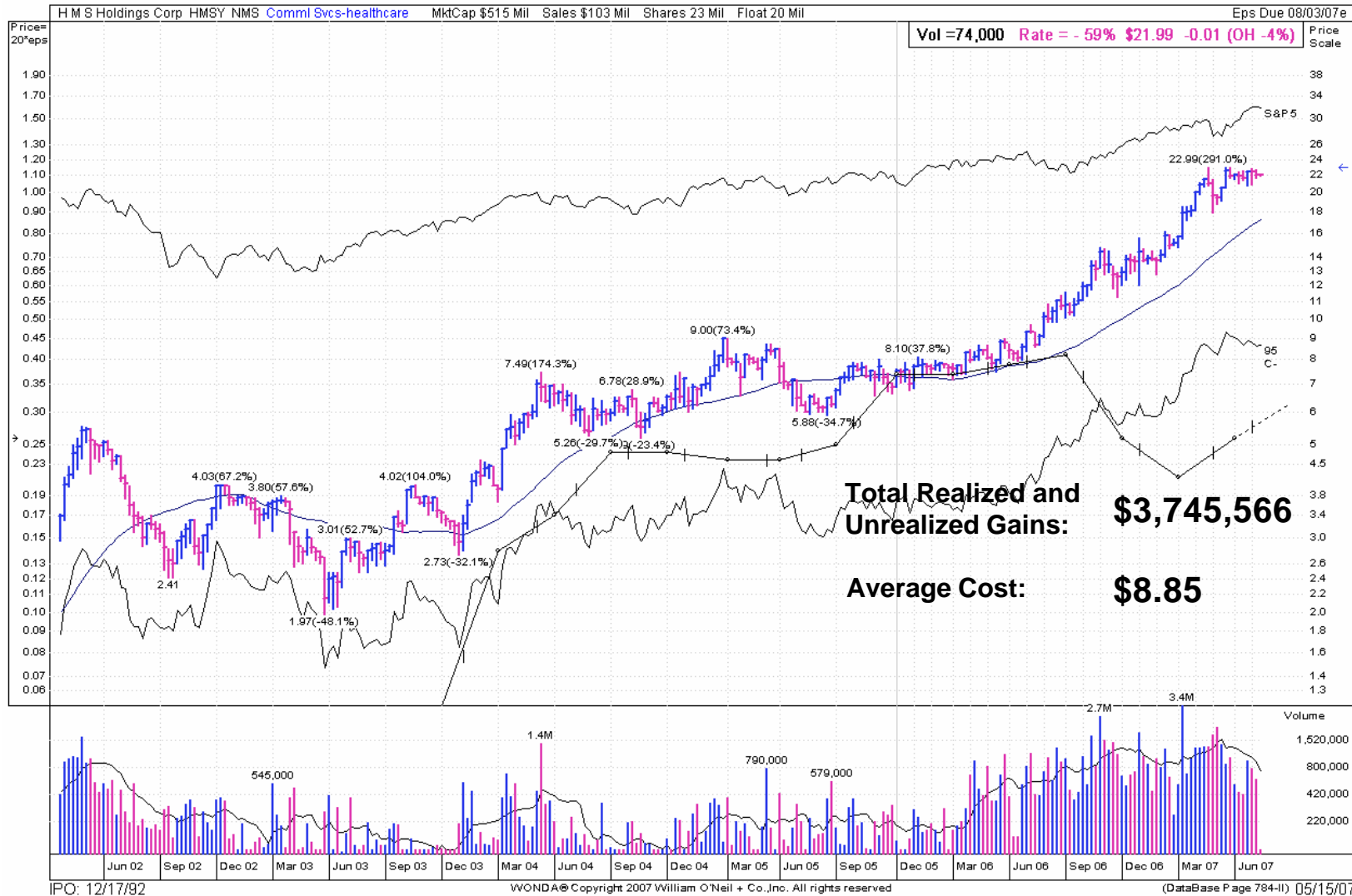


# Process – HMS Holdings

Current Position Size: 1.9%



PROVIDES COST CONTAINMENT, REVENUE RECOVERY, REIMBURSEMENTS AND BENEFITS COORDINATION TO GOVERNMENT HEALTHCARE PROGRAMS. SERVICES INCLUDE RECOVERING EXPENDITURES THAT WERE A THIRD PARTY RESPONSIBILITY OR PAID INAPPROPRIATELY. ALSO PROVIDES DOCUMENTING SERVICES THAT QUALIFY HOSPITALS FOR REIMBURSEMENTS. 2006 REVENUES BY SEGMENT IN %: COST CONTAINMENT 88; REIMBURSEMENTS 9; AND OTHER 3. FLORIDA AGENCY FOR HEALTHCARE ACCOUNTED FOR 11% OF REVENUES.



## Performance Review

(Calendar Periods Ending December 31<sup>st</sup>)

	Fund (\$CAD)	Fund (\$US)	S&P 500 (\$US)
	4,168.33	<b>3,577.04</b>	1,418.30
<b>Performance</b>			
Year-To-Date (May 11, 2007)	3.1%	<b>7.9%</b>	6.2%
1 Year	10.1%	<b>10.2%</b>	13.6%
2 Year	7.1%	<b>8.8%</b>	8.2%
3 Year	5.2%	<b>8.9%</b>	8.5%
4 Year	11.0%	<b>19.8%</b>	12.7%
5 Year	-0.6%	<b>5.8%</b>	4.3%
10 Year	5.3%	<b>7.0%</b>	6.7%
15 Year	12.0%	<b>11.9%</b>	8.5%
20 Year	10.5%	<b>11.5%</b>	9.2%
Since Inception (June 1960)	14.1%	<b>13.7%</b>	7.2%

Index excludes reinvested dividends.

Fund value is net of the 1% management fee.

## Perspective #1 ...

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...The U.S. Economy – Much Better than you think...

Over the last 5 years:

- GDP adjusted for inflation has soared \$1.6 Trillion or **17%**
- Disposable Income has jumped \$2.2 Trillion or **29%**
- Net Wealth has swelled to \$56 Trillion, up **38%**
- Jobless Rate is 4.4% (**7.8M** jobs created)

Conclusion:

The U.S. Economy is enormously **deep, broad**, amazingly **resilient**, and highly **innovative**.

## Perspective #2...

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### ...U.S. Stock Markets – Overheated or Breaking Out?

	S&P500 (USD)	TSE (USD)
YTD	6.2%	<b>9.5%</b>
1 Year	13.6%	<b>14.6%</b>
3 Years	8.5%	<b>20.1%</b>
5 Years	4.3%	<b>18.1%</b>
10 Years	6.7%	9.9%
20 Years	9.2%	8.4%
30 Years	9.0%	8.3%
40 Years	7.4%	7.0%
47 Years	7.2%	6.8%

#### Conclusion:

Recent U.S. returns are generally **in line** with Long Term average equity returns.

Current U.S. market returns are **anything but frothy**.

It is the **commodity based** stock markets that are on fire.

### Perspective #3

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#### ...U.S. Stock Markets ...are actually Cheap!

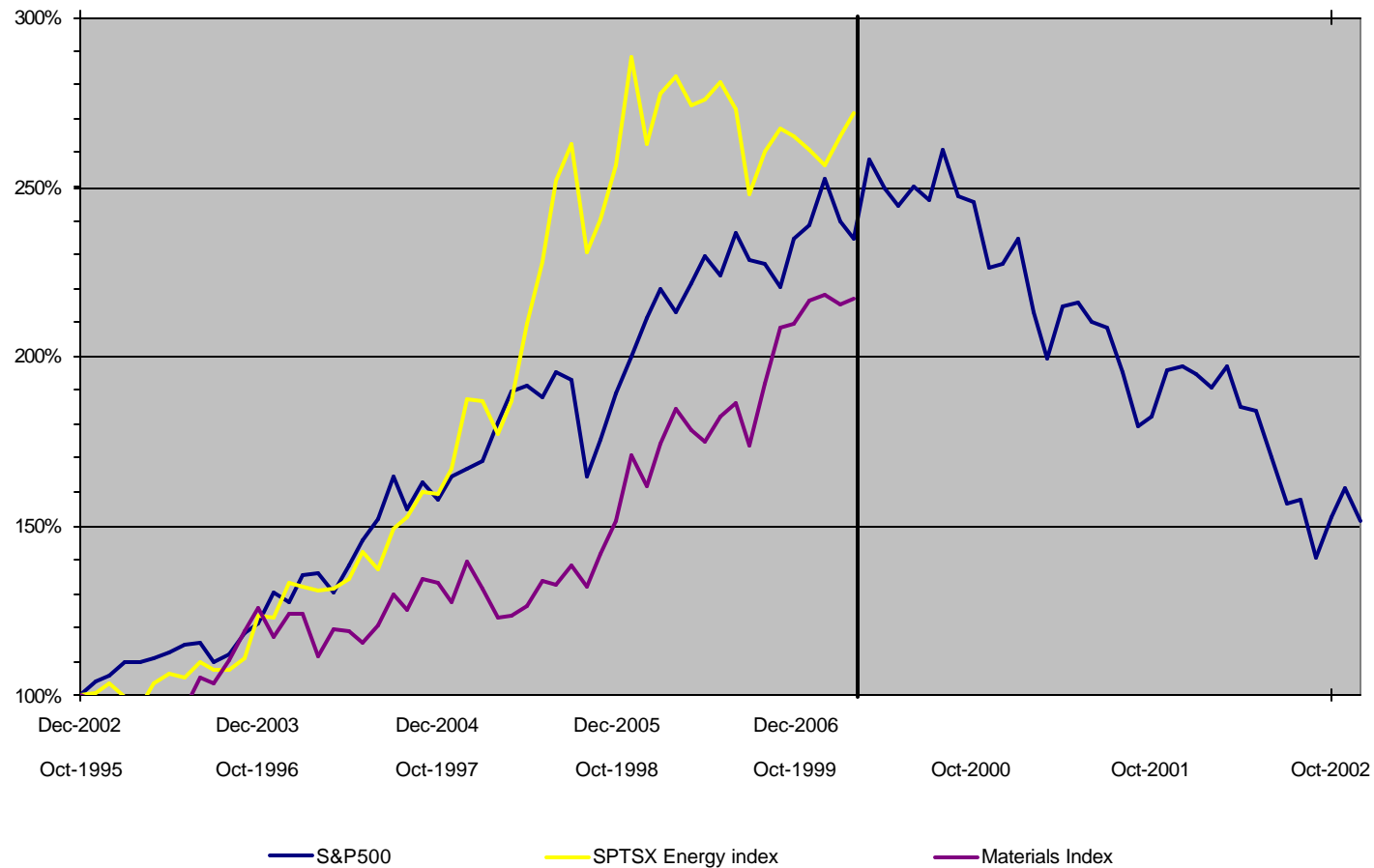
- Merger and Acquisition activity showing that Stocks are a bargain
- Corporate Share repurchases
- Cost of Capital (interest rate) is low.
- Earnings are good (and earnings yields are high versus Interest Rates)
- Vibrant IPO environment

Conclusion: U.S. Stocks are **not expensive** and Formula Growth Fund is even cheaper (with higher EPS growth!)

## Perspective #4

...Price action in Commodities is reminiscent of past bubbles

Comparison of Energy and Materials versus U.S. Stock market bubble of 2000



### Conclusion:

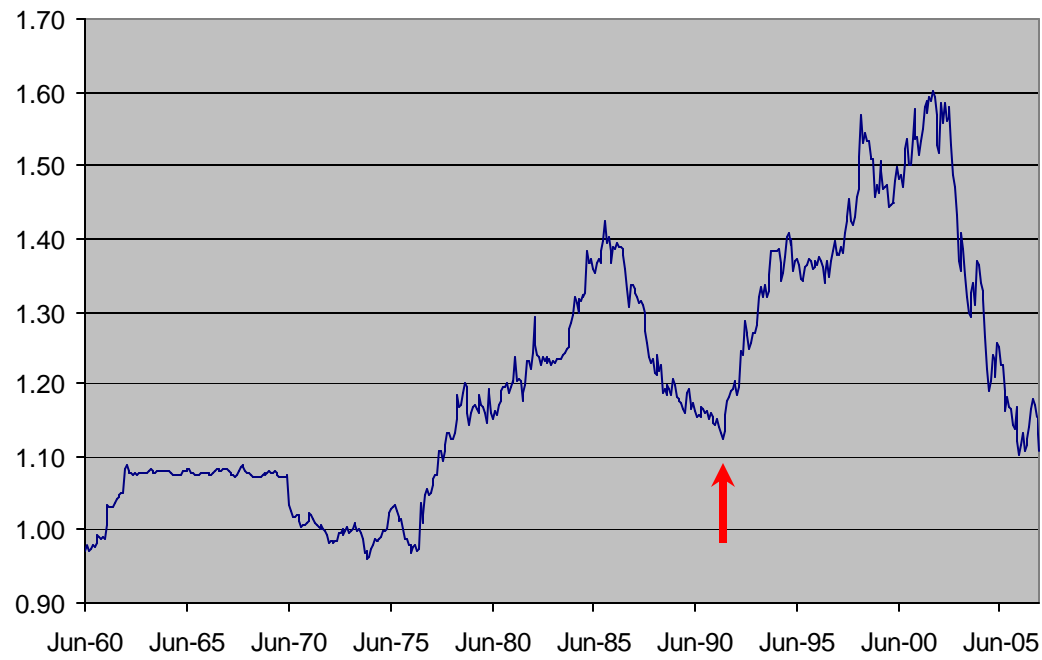
Much of the “action” in Canada has been commodities driving the TSX.

## Perspective #5

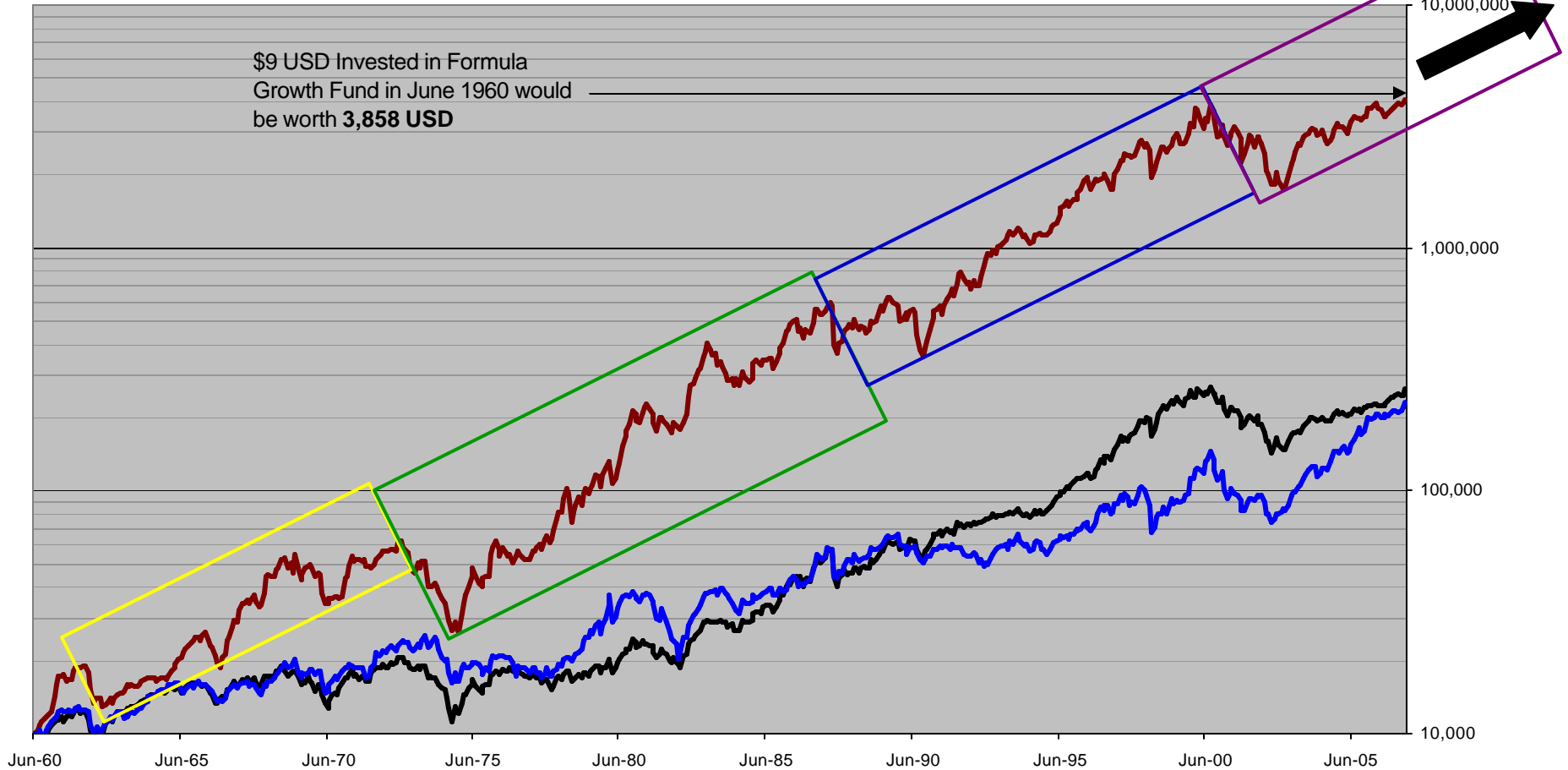
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... Currency...We've seen this before...

- Commodities run fueling Canadian Dollar strength
- It is an expensive proposition to hedge (individual unitholder decision)
- 1991 - the last steep FX decline (-23%) ended up surprising
- Interest rate tightening around the world should slow
- U.S. should begin to adjust (Balance of Trade, etc.)



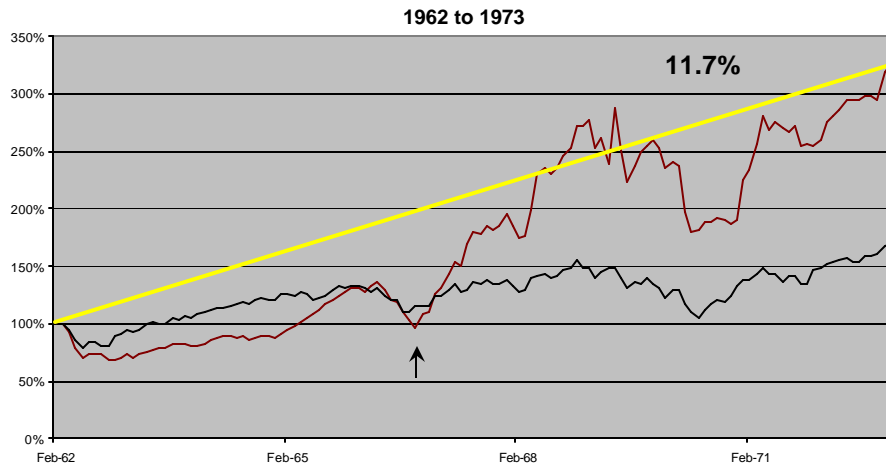
# Peak to Peak – Long Term Performance



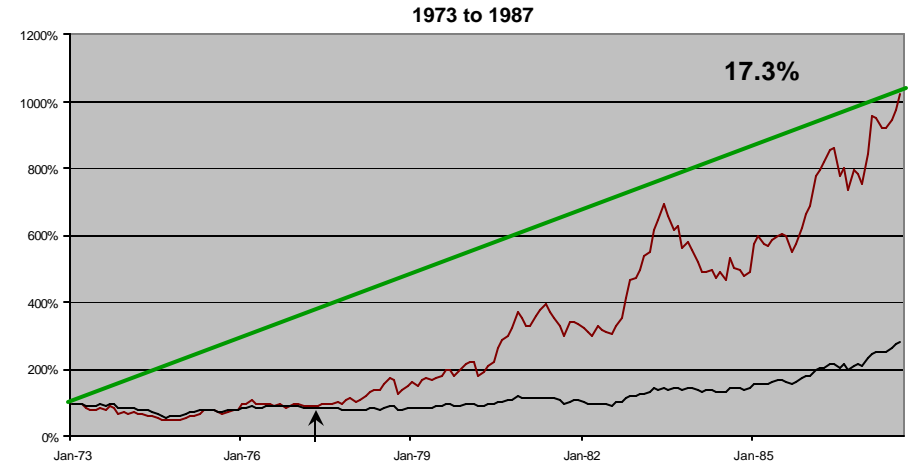
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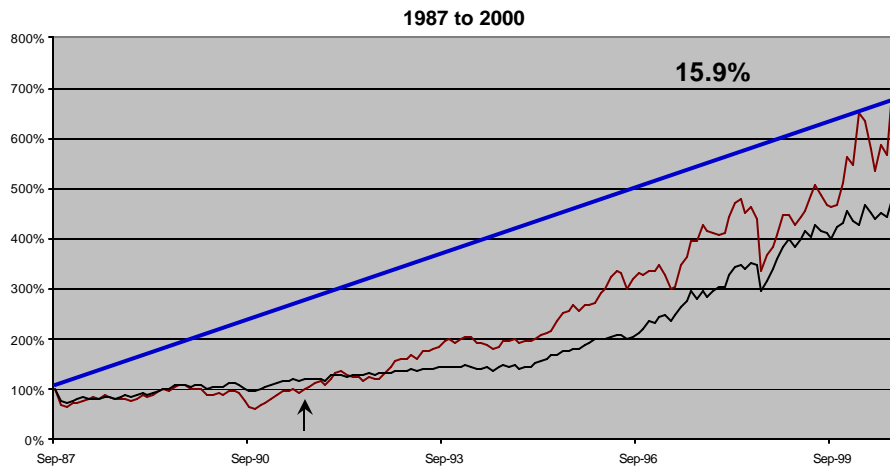
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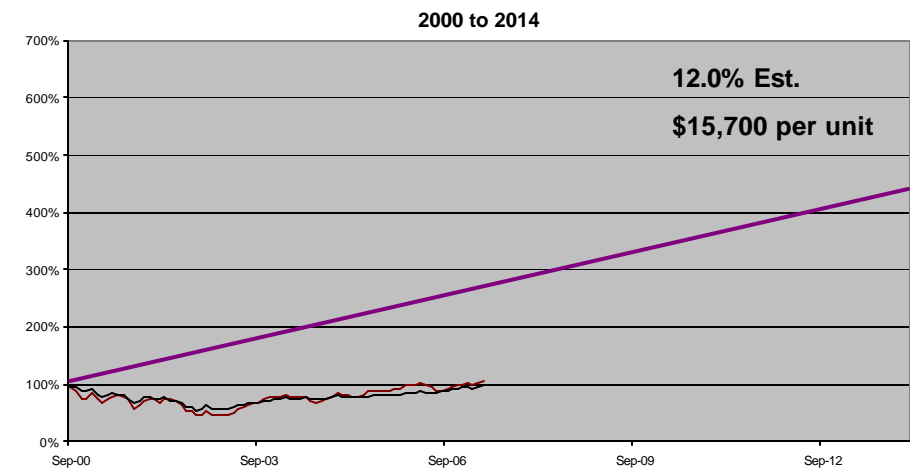
**11 Years – \$17 to \$58**



**15 Years – \$58 to \$555**



**13 Years – \$555 to \$3,606**



**14 Years – \$3,606 to \$15,700**

It's Not Different this Time!

## Summary

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The Fund is at a **New High** in U.S. Dollars.

Our **Performance has been solid** through an extended difficult period for the U.S. market.

Our **Philosophy, People and Process** remain sound.

Despite many troubling headlines, the U.S. economy and stock markets **continue to march along**.

U.S. stocks are **inexpensive**.

Commodities (Canadian stock markets) are **overheated**.

**U.S. Dollar has corrected** a great deal.

We expect **continued solid performance** in coming years.