

The “new” economic paradigm... How real is it?

Internet Hype - Analyzed Assessing Change Fund News

We recently have been receiving analysis that suggests that technology stocks are overvalued. Here is a particularly good article from Trimark.

Technological change isn't new. What's now obsolete was once on the cutting edge of change – as anyone who had an eight-track car stereo will tell you. And today's hot items and sectors will one day become old hat or antiquated, too.

In his nearly 35 years of investment management, Trimark chairman and chief investment officer Bob Krembil has seen plenty of tech changes, including the introduction and development of the:

- Microprocessor (he invested in Intel in the mid-1970s)
- Personal computer
- Cellular phone
- Biotechnology industry
- Internet
- Field of genomics

As revolutionary as each of these technologies is or was, the stock of companies involved with the products or concepts have experienced boom and bust cycles – except, as yet, many of the Internet outfits. Think back to the crash of computer and chip stocks in the 1980s. The bear market for biotech in the early 1990s.

Are there obstacles to unbridled Internet growth? International IT consultants the

Gartner Group make a case that unproven technologies, business models and unready markets stand in the way of a smooth transition from traditional “bricks and mortar” enterprise to e-commerce. Gartner predicts there will be failures before the truly productive companies survive.

Still, investors have been valuing new so-called dot.coms on generous expectations. Barron's noted in a December 13, 1999, article that, of 1999's record number of IPOs, about half were related to the Internet, and a significant number of these companies had little in the way of revenue, let alone profit.

And there's the peg on which the “new paradigm” claimants hang their hats. The counter-argument to valuation concerns centres on the new paradigm claim that the current technological revolution is the most profound change in business and society since the Industrial Revolution.

No doubt, it is significant. But you have

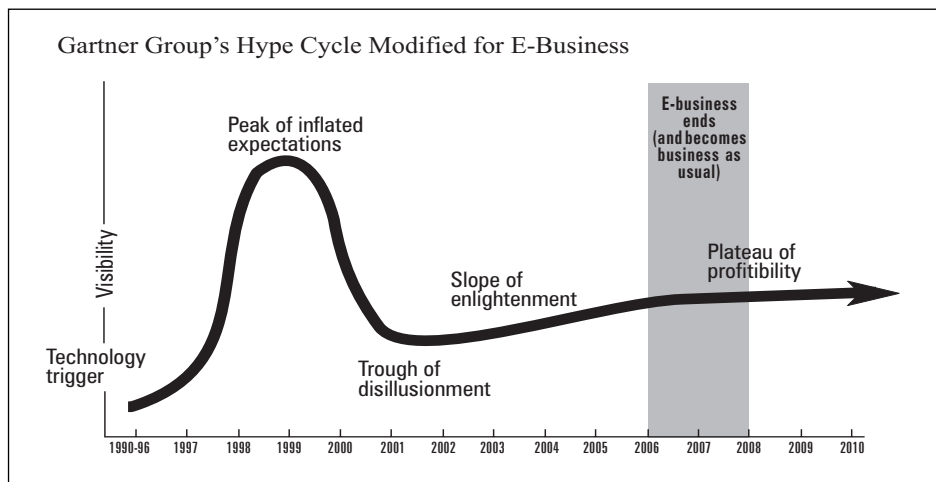
to wonder about the droves of new Internet companies that are coming to the market, and the vast majority that are bid up on unrealistic expectations. The market is essentially saying, “Company.com X – and each of its competitors – will be the next big thing.”

Realistically only the top companies survive

But realistically only the top companies will remain in business, and competition will ensure that returns for the “survivors” diminish over time. As the dance floor becomes increasingly crowded, it becomes more difficult to show your moves.

Currently, it is a bet to try to guess the companies that will have the best management, the largest market share and the highest profits. Betting is not investing: Not every Internet IPO will be the next Microsoft.

Evidence to support this can be found in recent history. Some IPOs that started out with a bang have ended up a bust.



1 Year Total Return

1 Atlas Pacific Basin Value Fund	166.0%
2 AIM Global Technology Fund	157.9%
3 AGF 20/20 Aggressive Growth Fund	154.8%
4 Altamira Science and Technology Fund	153.2%
5 Altamira e-business Fund	139.1%
6 Talvest Global Sci & Technology C\$.	136.5%
7 Talvest Global Small Cap Fund	129.4%
8 Altamira Japanese Opportunity	118.3%
9 Scudder Pacific Fund - Classic	112.5%
10 Fidelity Japanese Growth Fund	110.6%

3 Year Total Return

1 C.I. Sector Global Telecommunications	75.9%
2 Altamira Science and Technology Fund	73.8%
3 AIM Global Technology Fund	72.6%
4 Talvest Global Sci & Technology C\$.	69.1%
5 AGF 20/20 Aggressive Growth Fund	64.0%
6 BPI Global Opportunities Fund	61.0%
7 Clarington Global Communications Fund	53.4%
8 C.I. Sector Global Technology	52.7%
9 MAXXUM American Equity Fund	51.4%
10 Universal World Science & Technology	49.4%

5 Year Total Return

1 AGF 20/20 Aggressive Growth Fund	46.5%
2 MAXXUM American Equity Fund	46.5%
3 Green Line Science & Technology Fund	38.0%
4 AIM Global Telecommunications Class	34.7%
5 Spectrum United American Growth Fund C\$.	34.7%
6 BPI American Equity Value Fund	34.6%
7 Spectrum United Gbl Telecommunications	34.1%
8 Global Strategy World Companies Fund	33.1%
9 Ethical North American Equity Fund	32.0%
10 Universal European Opportunities	31.4%

10 Year Total Return

1 Spectrum United American Growth Fund C\$.	23.9%
2 BPI American Equity Value Fund	21.3%
3 AGF American Growth Class	20.1%
4 PH&N U.S. Pooled Pension Fund	18.9%
5 McLean Budden American Growth Fund	18.6%
6 Ethical North American Equity Fund	18.4%
7 GBC North American Growth Fund Inc.	17.7%
8 PH&N U.S. Equity Fund	17.6%
9 Guardian American Equity Fund Ltd.	16.2%
10 BPI Global Equity Value Fund	15.9%

COMMENTARY

ScotiaMcLeod would be pleased to provide you with further detailed information on the above mutual funds, however we cannot provide information on the funds marked #. These are historical performance rankings, and are not indicative of future investment performance. When analyzing particular funds, stress longer term performance.

1 Year Total Return

1 Dynamic Real Estate Equity Fund	-16.7%
2 Universal World Tactical Bond	-14.1%
3 AGF Global Government Bond Fund	-13.4%
4 AIC Value Fund	-13.4%
5 Altamira Global Bond Fund	-13.2%
6 Green Line Global Government Bond Fund	-12.5%
7 Royal Global Bond Fund	-12.5%
8 Templeton Global Bond Fund	-11.8%
9 Global Strategy World Bond Fund	-11.2%
10 Clarington U.S. Equity Fund	-10.5%

3 Year Total Return

1 AGF 20/20 Managed Futures Value Fund	-19.0%
2 Fidelity Emerging Markets Portfolio Fun	-14.8%
3 Ethical Pacific Rim Fund	-10.5%
4 Hansberger Asian Fund	-8.3%
5 AGF 20/20 Latin America Fund	-6.8%
6 AGF Asian Growth Class	-4.5%
7 Dynamic Real Estate Equity Fund	-3.8%
8 C.I. Latin American Fund	-2.5%
9 Royal Asian Growth Fund	-2.3%
10 Templeton Global Bond Fund	-2.2%

5 Year Total Return

1 Hansberger Asian Fund	-3.1%
2 Ethical Pacific Rim Fund	-1.2%
3 AGF 20/20 Latin America Fund	-1.0%
4 AGF 20/20 India Fund	-0.5%
5 Fidelity Emerging Markets Portfolio Fun	-0.2%
6 Altamira Asia Pacific Fund	0.6%
7 C.I. Latin American Fund	0.8%
8 AGF Intl Short-Term Income Class	1.5%
9 AGF Asian Growth Class	1.6%
10 Universal Far East Fund	2.2%

10 Year Total Return

1 Royal Japanese Stock Fund	2.5%
2 C.I. Sector Short-Term	3.9%
3 Atlas American Money Market Fund	4.3%
4 AGF Japan Class	4.3%
5 Templeton Global Bond Fund	5.8%
6 GBC International Growth Fund	5.9%
7 Global Strategy World Bond Fund	6.5%
8 AGF Global Government Bond Fund	7.6%
9 C.I. Sector Pacific	7.8%
10 AGF World Balanced Fund	8.0%

These rankings are not sales advice and ScotiaMcLeod does not recommend simply selling bottom past performance funds and buying top past performing funds. Purchase or redemption fees may be involved. Please call (416) 863-7777 or 1-800-387-9273 for specific recommendations tailored to your individual needs.

1 Year Total Return

1 Capital Alliance Ventures Inc. (LSVCC)	67.5%
2 Bissett Microcap Fund	66.9%
3 AIM Canadian Premier Fund	57.9%
4 WOF Balanced Shares	55.3%
5 Dynamic Power Canadian Growth Fund	52.6%
6 BPI Canadian Small Companies Fund	51.1%
7 O'Donnell Canadian Emerging Growth Fund	50.7%
8 AIM Canada Growth Class	47.8%
9 Universal Future Fund	45.8%
10 Dynamic Power Canadian Fund	45.5%

3 Year Total Return

1 AIM Canadian Premier Fund	24.9%
2 Universal Future Fund	21.7%
3 AIM Canada Growth Class	21.2%
4 Altamira Capital Growth Fund Limited	21.0%
5 Atlas American RSP Index Fund	21.0%
6 C.I. Global Equity RSP Fund	20.5%
7 WOF Balanced Shares	19.2%
8 Scotia CanAm Stock Index Fund	19.0%
9 Global Strategy Diversified Europe Fund	17.8%
10 C.I. American RSP Fund	17.7%

5 Year Total Return

1 AIC Diversified Canada Fund	23.8%
2 AIM Canada Growth Class	23.7%
3 AIM Canadian Premier Fund	23.3%
4 Scotia CanAm Stock Index Fund	23.0%
5 AIC Advantage Fund	23.0%
6 Universal Future Fund	21.3%
7 GBC Canadian Growth Fund	21.2%
8 Fidelity Canadian Growth Company Fund	21.1%
9 PH&N Vintage Fund	19.8%
10 Tradex Equity Fund Limited	19.5%

10 Year Total Return

1 AIC Advantage Fund	17.7%
2 Altamira Equity Fund	17.3%
3 ABC Fundamental-Value Fund	17.2% #
4 GBC Canadian Growth Fund	17.0%
5 Dynamic Power Canadian Growth Fund	16.3%
6 PH&N Vintage Fund	15.6%
7 Marathon Equity Fund	14.9%
8 Altamira Capital Growth Fund Limited	14.1%
9 Universal Future Fund	13.9%
10 Altamira Special Growth Fund	13.5%

1 Year Total Return

1 Scotia Precious Metals Fund	-21.7%
2 AIC Advantage Fund II	-18.9%
3 AIC Advantage Fund	-18.3%
4 Dynamic Infinity Canadian Fund	-16.8%
5 Royal Precious Metals Fund	-15.8%
6 Ethical Global Bond Fund	-15.3%
7 Dynamic Global Bond Fund	-14.9%
8 Spectrum United RRSP International Bond	-14.1%
9 Scotia CanGlobal Income Fund	-13.8%
10 AGF RSP Global Bond Fund	-13.8%

3 Year Total Return

1 Scotia Precious Metals Fund	-28.4%
2 Spectrum United Canadian Resource Fund	-28.3%
3 Global Strategy Gold Plus Fund	-27.0%
4 Dynamic Precious Metals Fund	-23.1%
5 Royal Precious Metals Fund	-21.6%
6 MAXXUM Natural Resource Fund	-21.3%
7 Green Line Precious Metals Fund	-20.2%
8 Universal Precious Metals Fund	-20.0%
9 AGF 20/20 Canadian Resources Fund Ltd	-18.7%
10 Green Line Energy Fund	-18.5%

5 Year Total Return

1 Dynamic Precious Metals Fund	-10.5%
2 Scotia Precious Metals Fund	-9.9%
3 Global Strategy Gold Plus Fund	-7.5%
4 Industrial Equity Fund Limited	-6.1%
5 Universal Precious Metals Fund	-5.1%
6 Altamira Resource Fund	-5.0%
7 BPI Canadian Resource Fund Inc.	-4.6%
8 Green Line Energy Fund	-0.9%
9 Green Line Resource Fund	-0.9%
10 Dynamic Global Bond Fund	0.7%

10 Year Total Return

1 Dynamic Precious Metals Fund	-0.7%
2 Industrial Equity Fund Limited	-0.7%
3 Royal Precious Metals Fund	2.4%
4 Industrial Growth Fund	2.8%
5 BPI Canadian Resource Fund Inc.	3.0%
6 AGF 20/20 Canadian Resources Fund Ltd	4.1%
7 Green Line U.S. Money Market Fund	4.3%
8 Dynamic Global Bond Fund	5.1%
9 Atlas Canadian T-Bill Fund	5.2%
10 AGF Money Market Account	5.3%

NOTES TO THE PERFORMANCE TABLES

- ScotiaMcLeod is unable to supply information on funds marked #
- Figures are average rates of return for the periods ending January 31, 2000
- Source data from the Mutual Funds Source Disk, February 9, 2000, which includes over 2,900 funds
- Funds with total assets under \$25 million are not included
- Only "totally public" funds are ranked
- RRSP Eligible Funds are at least 80% Canadian content and can also be held outside RRSPs
- Performance figures include reinvested dividends and management fees have been subtracted
- Non RRSP eligible funds can be held inside a ScotiaMcLeod RRSP to a maximum of 20% of book value

Company	Date went public	Offer price	First-day close	Price increase %	Jan. 10 close	% change since first-day close
theglobe.com	11/13/98	\$9	\$63.50	606%	\$8.62	-86.4%
MarketWatch.com	1/15/99	\$17	\$97.50	474%	\$40.75	-58.2%
priceline.com	3/30/99	\$16	\$69	331%	\$54.37	-21.2%

To understand the optimism priced into some tech issues, take the case of a recent addition to Trimark Fund and Trimark Select Growth Fund, W.W. Grainger Inc. Grainger is one of the largest suppliers of industrial products in the United States. Starting in the mid-1990s, the company began to rethink its business model to incorporate e-commerce as a means of reducing costs for both itself and its customers.

A quick comparison of Grainger to e-commerce firm Commerce One, Inc. – a business-to-business Internet company – reveals the following:

Grainger*

Market Cap:	\$4.3 billion
Sales:	\$3.4 billion
Internet Sales:	\$160 million
Profits:	\$152.6 million

Commerce One*

Market Cap:	\$14.3 billion
Sales (all Internet):	\$16.7 million
Loss:	\$34.5 million

* (Figures are for the nine months ending September 30, 1999; market cap at January 10, 2000)

The market values Commerce One at three times Grainger, despite the latter's significant customer base, profile in its industry (the company's been around since 1927) and its profits being 10 times Commerce One's sales. The management team at Grainger is top-notch. It foresaw the power of the Internet and made sure capital and resources were

dedicated to leverage its potential. If e-business becomes business as usual, then it is companies like Grainger – that already control customers – that will benefit from the Internet revolution. At Grainger, it's already happening: Internet sales have increased 1000 percent over 1998's figures, and Grainger has one of the most trafficked business-to-business Web sites.

Assessing change and impact

So it is the mark of a true investor to assess change and understand how it will impact the way things are done today and in the future. This assessment is neither reverential nor skeptical: Rather, it is an honest attempt to think independently and identify true opportunities.

In a rare comment on the markets, Warren Buffet (Fortune magazine, November 1999) mused over the valuations of stocks today – and addressed the issue of “things being different this time.” While admitting that investors ignore the current technological revolution at their peril, he pointed to two other technological changes that fundamentally altered life in the 20th century: automobiles and airplanes. But after several decades, only the companies with a competitive advantage had survived. And even these once-revolutionary businesses had not been the most generous to investors. So, good ideas don't necessarily make for good stocks.

Trimark knows investment is about risk and reward

This is why Trimark understands that investing is about risk and reward. Our

investment style has worked through booms and busts in technology and other areas of industry because we build cases across the entire market for well-run businesses with good growth prospects and sensible valuations.

Avoiding faddish manias and speculative bubbles means avoiding the risk of large losses that come when bubbles burst. Never forget that an investor feels twice as bad experiencing a loss as they feel good with a gain. Keeping clients happy with their investments helps us all prosper.

We've provided clients with superior long-term returns by digging deeper to uncover opportunities others have overlooked, and paying attention to what we pay for them. This style has worked exceptionally for the 35 years Trimark chairman and chief investment officer Bob Krembil has been in the investment management business. We believe it will continue to provide superior long-term performance going forward.

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Fund News

- Dynamic Infinity International Fund has changed its name to Dynamic Infinity American Fund.
- Fidelity has introduced eight new RRSP-eligible foreign funds:
 - Fidelity RSP European Growth
 - Fidelity RSP Far East
 - Fidelity RSP Focus Financial Services
 - Fidelity RSP Focus Healthcare
 - Fidelity RSP Focus Technology
 - Fidelity RSP Growth America
 - Fidelity RSP Overseas
 - Fidelity RSP Japanese Growth