# LAWRENCE PARTNERS FUND
## FOURTH QUARTER 2007

### FOURTH QUARTER PERFORMANCE OVERVIEW

| Series 1 NAV per share | Monthly Performance | 2007 Performance | Since Inception Performance |
|---|---|---|---|
| $245.64 | +3.6% | +20.9% | +506.6% |

Shares of Lawrence Partners Fund were up 3.6% net of all fees in the month of December. This compares to a loss of 0.86% on the S&P500 and a gain of 3.2% n the S&P/ TSX Index. For the quarter ended December 31st, the fund returned 2.9%. This compares to a loss of 1.9% on the quarter on the S&P / TSX Index. For 2007 the Lawrence Partners Fund returned 20.9% which compares to a return of approximately 7.2% on the S&P / TSX Index and 3.5% on the S&P 500 Index.

### MARKET UPDATE

The perceived slowdown in the U.S. economy and the ongoing credit crisis continue to dominate headlines and thoughts of market observers as we begin a new year. While the debate is currently on as to whether the U.S. is in a recession or will soon slip into one, it is almost certain that the U.S. economy has slowed significantly. It is also certain that this slow down will affect the emerging economies of the world. When and what precisely will bring us out of this glut of paper is not clear, but there are a number of factors at work which may serve to make short work of this slow down, and in particular, create excellent entry points for equities with exposure to emerging markets.

The Canadian market was not immune to this slow-down. While the large-cap S&P/TSX 60 index declined only 5.6% from its peak in June, the S&P/TSX Venture which is far more representative of the Canadian capital markets, declined 15.8% from its peak – a devastating sell-off in the speculative end of equities. Recently, the sub-prime bug in the U.S. has spread to Canadian financial services stocks. Though in most cases their exposure is minimal when compared to their U.S. counterparts, the Canadian financials have sold off significantly. Though Canada and by extension, its financial stocks, are not immune to a slowdown in the U.S., 2008 will likely prove that their earning power is not significantly diminished by the current crisis and current share prices are a bargain on an absolute basis, and on a risk-reward basis versus their U.S. counterparts.

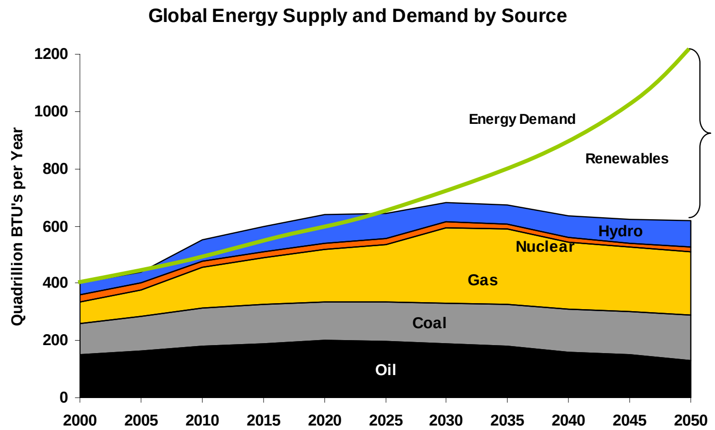
The most important commodity in the world and the most frequent topic of discussion in our quarterly updates is of course crude oil. While the U.S. economy is slowing, it is worthwhile noting that crude oil is still oscillating around all-time highs – perhaps an indicator of the health of the global economy as a whole. A particularly ominous event for world crude supplies is Tata Motor's 2008 launch of the 'People's Car' for 1 Lakh Rupees or about US$2,500. Tata is able to profitably manufacture and sell an automobile for US$2,500 which will open up the opportunity to own an automobile to millions of new consumers. In our position we see most of the world's investment opportunities in oil – both private and public. These opportunities include the Middle East, Africa, and elsewhere. One thing that is undeniable is that we are going to increasingly remote corners of the globe, with higher costs and lower probabilities of success in order to find the next barrel of crude. It is of no use to attempt to forecast oil prices but it is without question that oil prices will remain very high and despite a slowdown in the largest per capita consumer in the world, the pressure on prices is likely to be upwards.

The sustained high price of oil has created a secular investment opportunity in bio-fuels and alternative energy. The bio-fuel revolution has also caused agricultural commodities to decisively break out of a long-standing range. It is likely the beginning of a multi-year bull market in soft commodities much like we've seen develop in the hard commodities. In addition to bio-fuels, the rising income in the developed world has created a tremendous shift in demands on the agricultural complex resulting in higher prices from the end-product to fertilizers, chemicals, right through to arable land and the equipment used to develop it. This is occurring during a time where we have heightened sensitivity to global-warming and as a result any form of deforestation. This, combined with a global shortage of water virtually guarantees a very meek response from the supply-side of the market. The Canadian market includes two of the largest suppliers of fertilizer products as well as many other derivative plays on global agriculture. It is likely that Canadian resources, expertise, and Canadian capital markets will play a similar role in the soft commodity complex as they have in the hard commodity side for the past 6 years.

Perhaps the most significant if simplistic observation of markets as we begin the New Year is that equities are inexpensive on a historical basis. While not necessarily bullish for 2008 we believe that this will limit the extent to any downdraft in equities – the downside risk to equities appears to resemble those of 2002 more so than 2000 where equity valuations were stratospheric.

## STRATEGY FOR 2008

From a long perspective our largest exposure is in energy: long reserve-life oil assets and economic alternative energy investments. Bio-fuels and alternative energy sources such as solar have become economic propositions – no longer confined to dependence on green subsidies or relegated to being short-term capital markets plays. Economies of scale, improved technologies, combined with drastically higher costs and outright scarcity of traditional fuels is creating a huge new alternative energy industry.



Source: OECD/IEA

While the exact timing and levels defined in the chart can be debated, the point is clear. The value of long reserve-life oil assets in reasonable jurisdictions is enormous and bio-fuels and alternatives are here to stay and represent a major secular investment opportunity. The bio-fuel revolution combined with other factors has created a number of opportunities in agriculture where we have established a small number of positions both long as well as short to capitalize on speculative frenzy for this sector.

Forestry continues to be an area of focus. Global shortage in the most basic of materials, combined with global warming considerations has created an opportunity in emerging markets forestry from a long perspective, and continued opportunities for cross-capital structure short positions in domestic forestry companies.

In mining and metals we are now running a very balanced portfolio. We remain bullish on emerging markets and on industrial metals demand but a slow-down in the US and higher prevailing valuations have changed the nature of opportunities. We continue to maintain long positions in several base metal and uranium companies in the late stages of development or in production. Conversely we maintain short positions in a number of early-stage of development companies which we believe are not likely acquisition targets due to lack of scale or the stage of development. We believe this approach creates a synthetic long put position on the mining and metals market for us that has a negative carrying cost. This is because we expect to make profits from our near production mining stocks that will profit from the next several years of high metals prices without having to tap equity markets during difficult conditions while those in early stages of development are forced to access weak debt and equity markets for capital, and may miss this cycle entirely – not acquired by a major and not participating in the current environment of high prices.

We will continue to be active in trading of special situations in Canada outside of basic materials. These constitute approximately half of our positions by value, long and short. We have made several investments in Canadian financial services in the past quarter which we believe have been made at attractive levels and represent a risk-reward entirely different than much of the U.S. financial services index.

The credit crisis has created a number of opportunities for us. While severe and likely to overhang capital markets for a significant time period, we believe it is unlikely to derail global growth or sufficiently upset the imbalance of supply and demand in industrial commodities or oil to significantly change the opportunity-set in Canadian markets or any of our over-arching theses.

Thank you for your continued support.

Ravi Sood

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