



Sustainable Wealth Management Ltd.

Sustainable Oil Sands Sector Index™ (SOSSI) June 2007 Commentary

Geopolitical concerns are driving up crude oil prices in the short term but the hidden long term factors are a weakening US dollar and rampant demand growth that is being consistently underestimated by government authorities. Crude oil jumped again in the second quarter by 5.5% and closed just below \$70 US per barrel. Natural gas dropped by 12.4% in the quarter due to seasonal weakness in demand. The current crude to natural gas ratio of 10+ is substantially above the historical average of 7 to 1 and improves operating margins of several oil sands producers who are heavy users of natural gas. The Canadian oil sands sector gained 14.7%, outperforming the S&P/TSX Capped Energy sector which was up 9.4% in the quarter. The big winners were the US and Global Energy indices which gained 14.7% and 15.2% respectively in US dollar terms. The US dollar lost 1.1% against the Euro and an amazing 8.5% against the Canadian dollar in the second quarter which is having a major impact on Canadian oil sands producers' profitability (more on this later).

Index	Symbol	Region	Q2 - 2007 Return
S&P/TSX Capped Energy	TTEN	Canada	9.4%*
S&P Select Energy Sector	IXE	US	14.7%**
S&P Global Energy	IXC	Global	15.2%**
Oil Sands Sector Index™	SOSSI	Canada	14.7%*

* Return in Canadian dollar terms. **Return in US dollar terms.

Top Performing Stocks YTD

Petrobank Energy	57.4%
UTS Energy	38.8%
Encana	22.5%

Worst Performing Stocks YTD

Enerplus Energy Trust	1.9%
Penn West Energy Trust	-0.4%
Canadian Oil Sands Trust	-0.6%



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So far this year only 2 out of the 16 index members are losing money. Notice that the bottom three performers are the royalty trusts which are still suffering from the decision by the Canadian government to tax publicly listed trusts by the 2011 tax year. Expect these three trusts to convert back into a corporate structure over the next three years to avoid this new tax. The only surprise to the top three performers is Encana which is considered a major natural gas producer. The drop in natural gas prices is being offset by the strong institutional interest in Encana and its undervaluation compared to its Canadian energy peer group.

The Oil Sands Sector Index just pasted a major milestone, 3 years of operating history. It was recently rebalanced on June 22, 2007 at which time Paramount Resources was eliminated due to the pending sale of their only oil sands asset, a 40% stake in North American Oil Sands Corp that was sold to Statoil. Unfortunately, Statoil does not qualify for inclusion in the index. Only one additional company, Penn West Energy Trust qualified for inclusion in the index this year and the number of index constituents remains at 16. Our expectation is that several companies will progress enough to be include in the index next year.

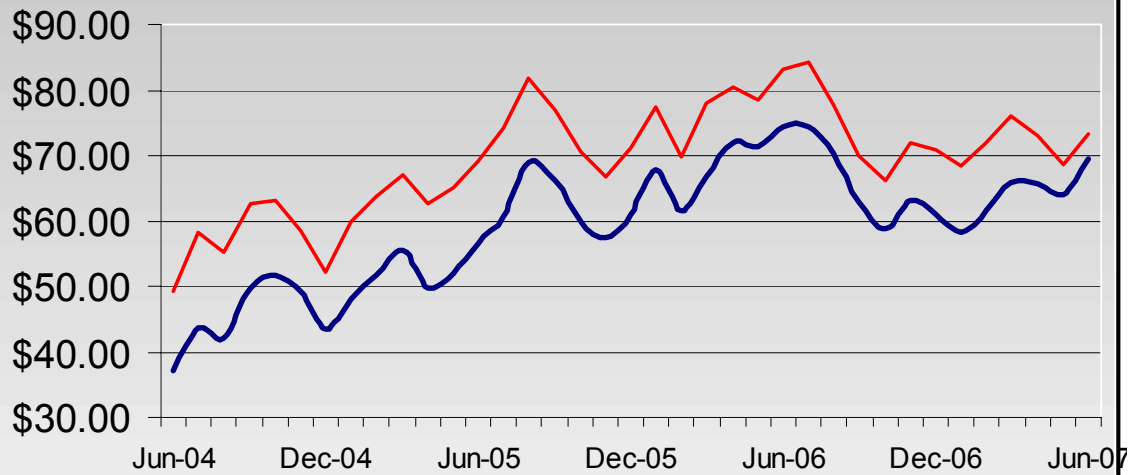
The following chart clearly demonstrates weakness of the crude oil prices when priced in a strong currency such as the Canadian dollar. As you can see the US dollar price indicates that we are on an uptrend but crude oil priced in Canadian dollars has been weak. I've publicly stated that crude oil will reach \$180 US or higher in the next ten years and one of the main reasons is that the US dollar will be losing its purchasing power long term much like what was experienced in the 1970s.

Canadian oil sands producers are highly dependent on the US to Canadian dollar exchange rate. Their major operating expenses are in Canadian dollars and their only product, bitumen or synthetic crude oil is usually priced in US dollars. Currently, crude oil is only \$5 dollars away from its closing monthly peak of \$74.45 in July 2006, off only by 7%. In Canadian dollar terms, we are \$11 dollars away or 15% from the previous highs. Over the last three years, crude oil is up 87.5% in US dollars but only 49.2% in Canadian dollars. Despite this drawback, the huge flow of liquidity into the energy sector has pushed the oil sands producers to new highs. I expect that trend to accelerate as international investors continue to look for growth opportunities in this sector and the anticipated shortage of supply in Q4 2007 will push crude oil prices significantly higher into year end.



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Crude Oil Prices in US & CAD dollars (Nymex June 2004 to June 2007)



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