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Sustainable Oil Sands Sector Index™ (SOSSI) Oct 2006 Commentary

After months of declining energy stock prices October provided investors with much needed relief from the recent selling pressure. Natural gas was responsible for much of the recovery as prices increased a stunning 34% from September's closing price of \$5.62/mm Btu to end the month at \$7.53/mm Btu. However, crude oil prices continued to drop, losing 6.6% during the month and closing below \$60 for the first time since November 2005. The ending crude oil price was \$58.73/bbl on the NYMEX. The US energy sector proved to be the laggard this month with a gain of 4.2%, closely followed by the Global Energy sector's gain of 4.4%. The real standout region was Canada with the benchmark S&P/TSX Capped Energy index gaining 5.4% and the Oil Sands Sector Index gaining 7.7% in October, over 42% better return than the Canadian benchmark.

The big news this month is that the Oil Sands Sector Index is now available to the public via the newly launched Claymore Oil Sands Sector ETF which started trading on the Toronto Stock Exchange on October 26 under the symbol CLO. The ETF closed at \$19.50 Cdn at month end. More details on holdings and performance can be found by visiting the following link:

<http://www.claymoreinvestments.ca/ETFs/Public/fund/Overview.aspx?ID=289cb9eb-6d35-417a-a321-ab6bac0eaff1>

Next month I will be comparing ETFs returns instead of indices now that the Oil Sands Sector ETF is widely available. The Canadian benchmark will be represented by the iShares S&P/TSX Energy ETF, symbol XEG on the TSX (Toronto). The US benchmark will be represented by the SPDR Energy ETF, symbol XLE on AMEX and the global benchmark will be iShares S&P Global Energy ETF, symbol IXC on AMEX.

Index	Symbol	Region	Oct 2006 Return
S&P/TSX Capped Energy	TTEN	Canada	5.4%*
S&P Select Energy Sector	IXE	US	4.2%**
S&P Global Energy	XGC	Global	4.4%**
Oil Sands Sector Index™	SOSSI	Canada	7.7%*

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



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15 of the 17 index members in the Sustainable Oil Sands Sector Index were able to post a positive result in October. The best performer was Shell Canada which benefited from the news that the parent of the Canadian subsidiary, Royal Dutch Shell, was willing to purchase the remaining 22% of the outstanding shares they didn't already own for \$40/share Cdn. The announcement was made on October 23 when the shares were trading at \$32.80 but investors quickly realized that Shell Canada was a bargain and bid up the shares above the \$40 offering price. Currently the shares are trading at \$43. Other notable performances this month were Petrobank Energy (up 19.1%) as they continue to improve their revolutionary THAI extraction process and UTS Energy (up 16.1%) which released quarterly results and an update on their Fort Hills project. The only disappointment was Synenco Energy which provided an update on Oct 27 of their Northern Lights project that indicated lower best case estimates of their potential resource based on an independent review. In my opinion, most of the cost overrun concerns in the sector are behind us and the overall sector has hit a bottom in October and should recover strongly from this point onward.

Top Performing Stocks in Oct

Worst Performing Stocks in Oct

Shell Canada	36.5%	Synenco	-7.6%
Petrobank Energy	19.1%	Husky Energy	-0.6%
UTS	16.1%	Nexen	0.3%

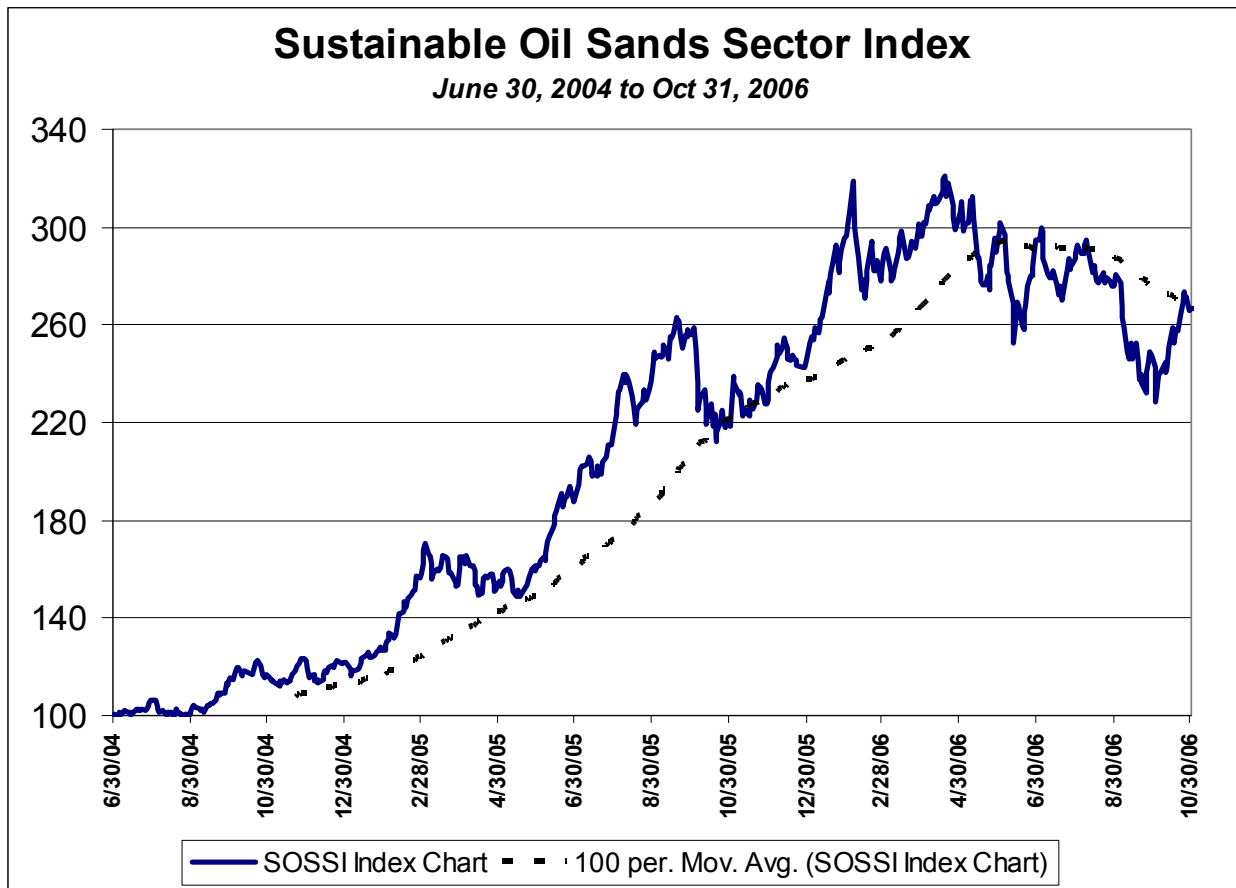
One last note to consider is the recent announcement by the Canadian government to tax royalty trusts in the same manner as corporations thus eliminating the substantial tax advantage these investments received. The impact on the income trust and royalty trust structure was an immediate 16% drop on November 1, the day after the announcement was made. As I write this on November 4 it appears that the majority of the selling pressure has subsided and it is clear that there are some great bargains in the energy related royalty trust structure in Canada. At this time I would like to highlight the exposure of the Canadian energy benchmark and the Oil Sands Sector Index to the royal trust issue as of Oct 31, 2006, the day the proposed tax changes were announced.

	Number of Trusts	% of the Index
S&P/TSX Capped Energy Index	30 out of 66	26.4%
Sustainable Oil Sands Sector Index	2 out of 17	9.7%



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The following chart shows the Sustainable Oil Sands Sector Index chart vs. its 100 day moving average. The chart shows a clear bottom around Oct 3 and that current prices are hitting resistance around the 100 day moving average price of 260.



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