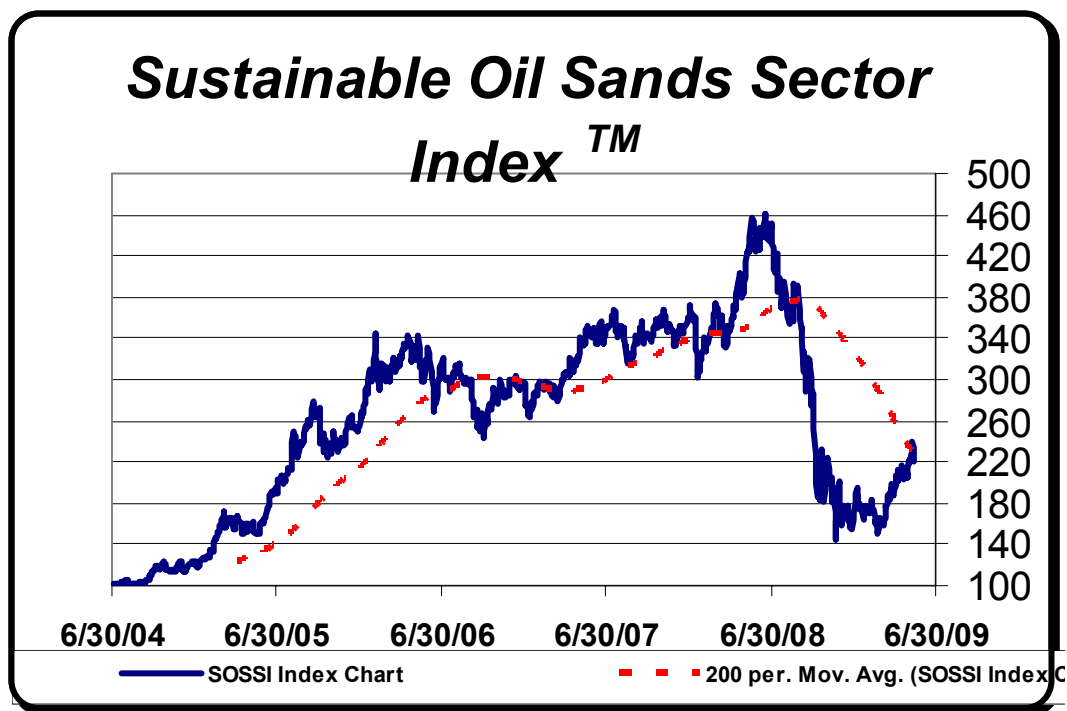




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Sustainable Oil Sands Sector Index™ (SOSSI) May 2009 Commentary Recent Recovery to Pause then Accelerate

The Oil Sands Sector Index is up over 60% from the Feb 23, 2009 low to the recent high on May 8, 2009. A similar bottom was hit in mid November, 2008 that resulted in a 38% run up in less than 10 days. The result is that we have a solid bottom for the sector that has been tested twice around the 150 level (see the chart below).



At this point I think it is likely that the rally will run into some selling pressure from the declining 200 day moving average price trend which is still trending downward. Once the short term consolidation is over I expect that we will see a continuation of the recent uptrend. For those of you who were skeptical of my call in January 2009 about a major market bottom developing, this consolidation period will represent a great second entry point.

Natural gas continues to struggle in April however gas focused energy producers have already hit bottom in my opinion. The benchmark Canadian energy sector index was the top performer, outpacing the oil sands sector and crude oil by a substantial margin.



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I think it is reasonable to expect that the relationship will be restored in the near future. My assumption is that gold will remain stable in price and that crude oil will play catch up. The alternative is that gold drops against crude oil however I feel this is unlikely as investors are using gold as a hedge against excessive government spending. It is clear to me that governments around the world will be spending their way out of the current economic mess. The end result is that inflation will eventually return with a vengeance. For my money, I think that oil sands producers will be major beneficiaries of this trend.

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