



Otto Spork

SEIZING OPPORTUNITIES IN THE CURRENT CRISIS

With every 500 point drop in the TSX, it becomes more and more obvious how different Sextant Capital really is. **We think differently, invest differently and hedge differently.** Most importantly, we are well positioned for these turbulent markets and believe that we can continue to generate attractive returns for you, despite the current market turmoil. We have been able to attract new investors and sustain a healthy inflow of new investment capital. In fact, we are using the market's pronounced weakness to deploy our cash into securities we want to own at very attractive price levels.

Although Sextant is a relatively young firm, we have a mature and seasoned Management Team that has been through many market cycles, we have realized that you have to go to cash early, before everyone else, in order to be able to take advantage of the inevitable bargains that come along after a crash. If you are fully invested at the top, when the bear market comes, it becomes very difficult to move to the sidelines quickly enough to protect your profits. Fortunately, Sextant has side stepped this problem, by investing in Water (the most under priced commodity in the world) a select few commodities and by being in cash. This was no accident, by getting this timing right is how fortunes are made.

We believe that our significant exposure to cash, Water (through attractively priced private equity) and more recently cherry picked resource stocks, will help insulate our portfolio from the current market turmoil. Water is the most inelastic of all the commodities because it has no substitutes. We can go without food for an extended period of time, but can only do without water for 3 days. Because there is no substitute for water, its price can only go up as it becomes more scarce.

Forecasts for the Global economic growth have been revised steadily downward - from 5% in 2007 to 4% in 2008 and 3.5% in 2009. While most developed economies are going into recession, emerging economies are expected to continue to grow rapidly. Given our expectation of continued strong commodity demand from the major emerging economies (i.e., China, India), we have not changed our investment thesis. We remain very bullish on the commodity complex. However, this does not mean an immediate end to the big swings in value we are now witnessing. Although we believe that all commodities will hit new highs, sustained market volatility will make profitable trading very difficult for many investors.

Can you imagine a future where London's Thames River no longer flows under the Tower Bridge? This may sound like the stuff of science fiction movies, but this seemingly improbable event could occur within the next two decades. The depletion of water supplies has already become evident elsewhere – in China the once mighty Yellow River no longer reaches the sea at least 200 days every year; with global warming it could potentially dry up completely within the next 40 years. What other water sources will dry up completely in that time??

We need water to live, and most of us consider it a human right. Basic economics however, dictate that when a product is in high demand and availability is decreasing, prices will steadily climb. Many have called for water to be treated as a valued commodity, in order to move the world to a more water efficient and water saving economy. The paradox of value notes the irony of water costing less than diamonds when it is water that sustains life and therefore has the truer practical value. The given rate of global water consumption could feasibly result in water being treated more as a commodity and less as a human right as the years pass. While the likelihood of water and diamonds one day matching each other in economic value is of course ridiculous----- so once was the idea of walking under Tower Bridge without getting your feet wet.

If you are not currently a Sextant unit holder, we would urge you to take a closer look at us; if you are already an investor, I want to thank you for your continued support. Thank you.

Yours in the Interest of Strategic Wealth Creation,

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