

Update Report

December 19, 2007

Recommendation

Strong Buy

Risk

Medium

Target Price

\$3.00

Price (Dec 18)

\$1.40

52-Week Range

\$2.01 - \$1.25

% Below High

30%

% Above Low

12%

Potential Return

2.1x

Shares O/S

28.49 million

Market Cap

\$39.9 million

Average Daily Volume

20 da: 19,500

150 da: 14,900

Year-End

September 30

C\$	REV	EPS
2004a	\$21.5	\$0.02
2005a	\$37.9	\$0.17
2006a	\$32.4	\$0.06
2007a	\$32.7	\$0.07
2008e	\$34.1	\$0.09

REV: Total Revenue

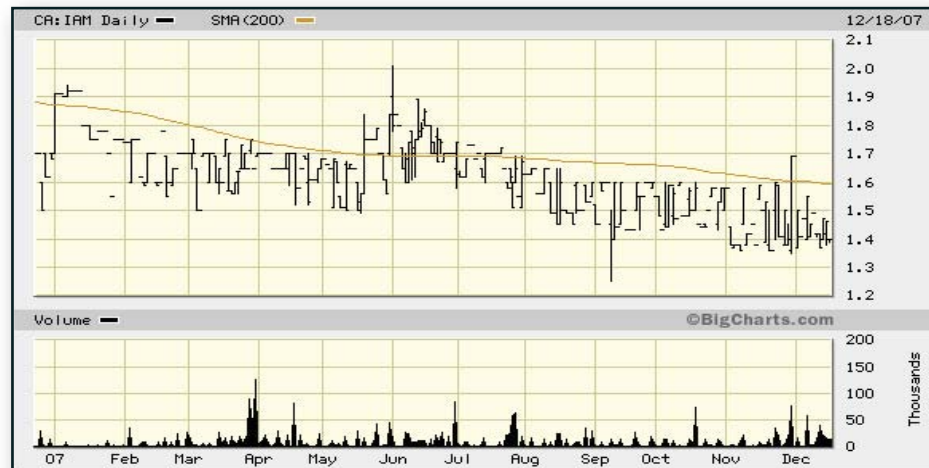
EPS: Earnings Per Share

Analysts

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INTEGRATED ASSET MANAGEMENT CORP. (TSX-IAM: \$1.40)



Data Source: www.BigCharts.com

Conflict of Interest: Koloshuk Farrugia Corp., the largest shareholder of Integrated Asset Management Corp. ("IAM"), is also the largest shareholder of Independent Equity Research Corp. (operating as eResearch). IAM entered into a contract with eResearch whereby eResearch will provide annual continuous research coverage on IAM for a cash fee of \$35,000. This is the second year of the contract. All other terms and conditions of this contract are substantially the same as eResearch has with its other arms-length clients. For further information concerning eResearch's compliance policies, business practices, and independence, please refer to the About Us section on our web-site, www.eresearch.ca, and the Disclosure Statement on the back page of this report.

UPFRONT

With all the woes currently existing in the financial services industry, near-term performance for the sector may be jaded, at least until some of the industry's problems are resolved. However, there are still opportunities in the small-cap financials sector, one being Integrated Asset Management Corp. Despite its thin float, the stock's upside potential and its 5.7% yield are compelling.

RECOMMENDATION

We recommend the shares of Integrated Asset Management Corp. ("IAM" or the "Company") as a Strong Buy with a 12-months Target Price of \$3.00.

PROFILE

IAM is an alternative-class asset manager that is well diversified into five key asset categories, namely, private equity, private debt, managed futures, hedge funds, and real estate.

HIGHLIGHTS

- Fiscal 2007 (September 30): revenue up 1% and EBITDA 8%.
- Earnings per share \$0.07 in fiscal 2007 versus \$0.06 the previous year.
- Assets Under Administration (AUM) up 3% Y/Y to \$2.98 billion.
- During the year, 100% of BluMont Capital acquired.
- Shares listed on TSX on June 1, 2007.
- Dividend increased 14% to \$0.08 per share; current yield 5.7%.

FISCAL 2007 YEAR-END OVERVIEW

Integrated Asset Management (IAM) reported operating results in line with our expectations for its fiscal year ending September 30, 2007 up 8% Y/Y. The annual dividend rate paid was increased 14% to \$0.08 per share from \$0.07 per share. The dividend is payable semi-annually.

For fiscal 2008 we forecast a 20% increase in EBITDA to \$8.0 million or \$0.28 per share. EPS in fiscal 2008 is estimated at \$0.09. Based on management's success in delivering strong earnings we are maintaining our 12 month share price target at \$3.00 per share. The shares are considered significantly undervalued and recommended as a BUY.

For fiscal 2007, IAM reported consolidated EBITDA of \$6.7 million or \$0.26 per share up 8% from \$6.2 million or \$0.29 per share in fiscal 2006 with 30% fewer shares outstanding in fiscal 2006. Net income for fiscal 2007 was \$1.9 million or \$0.07 per share up from \$1.2 million or \$0.06 per share last year. Higher earnings were achieved despite lower performance fees of \$9.4 million down from \$11.6 million last year. Management fees increased 11.5% Y/Y. Total Assets Under Management were up 3% Y/Y at \$3.0 billion.

Recent Developments

Several developments took place in fiscal 2007 which we view as very positive and a logical step in integrating IAM's operation as a diversified alternative asset manager.

- **IAM Acquired 100% of BluMont Capital Inc. (BluMont):** On March 2, 2007 IAM completed the acquisition of the remaining 54% of BluMont that it did not own bringing its total ownership to 100%.
- **BluMont Transaction Increased IAM Share Float:** The BluMont transaction simplifies the capital structure, increases the IAM common share float to over 10 million shares, broadens the shareholder base and provides new potential shareholders with the opportunity to acquire positions. Total IAM shares outstanding as a result of this transaction increased to 28.5 million from 21.9 million.
- **IAM Shares Recently Listed On The TSX:** IAM shares began trading on the TSX on June 1, 2007.
- **Office Consolidation Completed:** IAM recently consolidate the offices of the hedge fund, real estate, private equity and private debt from three locations into a common location at 70 University Avenue in Toronto.
- **Asset Acquisition From Augen Capital:** BluMont recently acquired approximately \$30 million of AUM from Augen Capital Corp. The transaction plus future transactions will add mineral flow-through products to BluMont's range of product offerings.
- **BluMont Names New President:** In June, BluMont named Paul Perrow as President and Chief Executive Officer.

REVIEW OF OPERATIONS

Fourth Quarter Details

Operating EBITDA in the quarter was \$0.9 million or \$0.03 per share down marginally from the \$1.0 million in Q4/06. Consolidated net operating loss was \$0.3 million or \$(0.01) per share versus a small profit of \$0.2 million or \$0.01 per share in the same period last year. The results for the quarter were driven by moderate asset growth and a 13% Y/Y increase in revenues, largely management fees which increased to \$6.2 million from \$5.3 million last year. The increase in revenues reflected in part the increased ownership of BluMont. There were only small performance based fees recorded in the quarter of \$71,000. Total AUM (assets under management and committed capital) as at September 30, 2007 was essentially flat over the last quarter at \$3.0 billion.

Fiscal 2007 Review Of Asset Management

IAM's alternative asset management operation consists of five alternative asset classes, namely, (i) real estate (GPM), (ii) private debt (Integrated Private Debt), (iii) retail alternative investments (BluMont) and (iv) private equity (Integrated Partners) and (v) managed futures (Integrated Managed Futures).

Total AUM as at the end of September 30, 2007 was \$2.98 billion, up slightly over 3% Y/Y from \$2.88 billion as at the end of the fiscal year ended September 30, 2006. However of the total AUM approximately \$2.8 billion earned management fees as at year end up 26% Y/Y. The balance is committed AUM of \$102 million which does not earn fees until deployed. The significant growth in actively managed AUM primarily resulted from Integrated Private Debt's AUM increasing from \$221 million as at the end of fiscal 2006 to \$651 million currently. Committed AUM (total of both AUM invested and not invested) in Integrated Private Debt declined to \$754 million from \$819 million as a result of maturities and debt repayments amounting to approximately \$60 million.

The real estate group increased its AUM in fiscal 2007 to \$1,451 million up from \$1,264 million as at September 30, 2006 driven by a 23% increase in AUM for GPM and an increase of 8% in the value of properties managed by Darton Property Advisors.

Retail alternative AUM increased by 2% Y/Y. BluMont Man products total approximately \$400 million representing about 53% of BluMont's AUM with the balance largely in hedge funds. The slower growth resulted from a shift in focus during the year from marketing the Man products to a broader offering of prospectus-based alternative investment funds accessible by most retail investors.

AUM in private equity and managed futures declined to \$19 million from \$60 million as at the end of last year. The current AUM of private equity is estimated at \$16 million and includes a write-off of one of its investments. AUM at managed futures declined to an estimated \$3.0 million.

IAM reported consolidated EBITDA for fiscal 2007 of \$6.7 million or \$0.26 per share up 8% from \$6.2 million or \$0.29 per share in fiscal 2006 with 30% fewer shares outstanding in fiscal 2006. Net income for fiscal 2007 was \$1.9 million or \$0.07 per share up from \$1.2 million or \$0.06 per share last year. Higher earnings were achieved despite lower performance fees of \$9.4 million down from \$11.6 million last year. Management fees increased 11.5% Y/Y.

Table 1. IAM Assets Under Management

IAM Asset Breakdown	Years Ended				Forecast
	30-Sep	30-Sep	30-Sep	30-Sep	30-Sep
AUM & Committed Assets	2004	2005	2006	2007	2008E
\$millions					
Retail Alternative Investments	\$ 552	\$ 785	\$ 739	\$ 756	\$ 800
Integrated Private Debt					
Managed	\$ 243	\$ 258	\$ 221	\$ 652	\$ 800
Committed		\$ 522	\$ 598	\$ 102	\$ 450
Total Private Debt	\$ 243	\$ 780	\$ 819	\$ 754	\$ 1,250
GPM					
GPM - AUM	\$ 370	\$ 533	\$ 562	\$ 692	\$ 720
GPM - AUM Committed	\$ -	\$ -	\$ -	\$ -	\$ 120
Darton Property Advisors	\$ 505	\$ 710	\$ 702	\$ 759	\$ 775
Total GPM	\$ 875	\$ 1,243	\$ 1,264	\$ 1,451	\$ 1,615
Integrated Partners & Futures	\$ 62	\$ 66	\$ 60	\$ 19	\$ 25
Total IAM Assets Managed	\$ 1,732	\$ 2,352	\$ 2,284	\$ 2,878	\$ 3,120
Total Committed AUM	\$ 1,732	\$ 2,874	\$ 2,882	\$ 2,980	\$ 3,690

Source: Company

FINANCIAL FORECAST

Integrated Debt is expected to be 100% invested by the end of fiscal 2008 which does not include any new commitments and as well the GPM assets are also expected to be almost fully invested excluding new commitments. This should result in overall higher revenues for the asset management group throughout fiscal 2008. We expect GPM to raise further commitments in 2008 of an estimated \$150 million and Integrated Debt an additional \$500 million however both are expected more towards the middle of the fiscal year. We have assumed little change in AUM at BluMont, Integrated Partners and Managed Futures until later in fiscal 2008 as refocusing strategies take effect.

For fiscal 2008 we have assumed \$8.5 million of performance fees down slightly from fiscal 2007. Unrealized performance fees as at September 30, 2007 were \$12.5 million with \$11.9 million in GPM. This total of unrealized performance fees does not include properties under development of about \$170 million. Of the total performance fees earned we expect a larger proportion to be derived from GPM of which IAM's share is larger.

For fiscal 2008 we forecast total revenue to increase to \$35.0 million including performance fees. Management fees are forecast to increase to \$24.3 million from \$21.5 million reported for fiscal 2007. The latter will be driven by Integrated Debt being more fully invested. Operating expenses as a percentage of management fees is expected to drop to 88% from 93% in fiscal 2007 and 94% reported in fiscal 2006. EBITDA for fiscal 2008 is forecast to increase by 19% to \$8.0 million or \$0.28 per share. EBITDA as a percentage of revenue in fiscal 2008 is expected to increase to 23.4% from our forecast 20.6% reported in fiscal 2007 and the 19.2% reported in fiscal 2006. Net income is forecast to increase to \$2.7 million or \$0.09 per share up from \$1.8 million or \$0.07 per share in fiscal 2007.

Table 2. IAM Consolidated Income Statement

IAM Consolidated Year end Sept 30	Years Ended September 30			
	30-Sep 2005A	30-Sep 2006A	30-Sep 2007A	30-Sep 2008E
Revenue				
Net Mgmt & Adv. Fees	\$ 18,347,725	\$ 19,954,884	\$ 21,482,395	\$ 24,300,000
Performance Fees	\$ 18,323,542	\$ 11,561,353	\$ 9,369,468	\$ 8,000,000
Equity Loss of Investment	\$ -	\$ (574,554)	\$ (381,628)	\$ -
Other Income & Interest	\$ 1,218,218	\$ 1,491,007	\$ 2,200,697	\$ 1,800,000
Total Revenue	\$ 37,889,485	\$ 32,432,690	\$ 32,670,932	\$ 34,100,000
Net of Performance Fees				
Performance Fees	\$ 18,323,542	\$ 11,561,353	\$ 9,369,468	\$ 8,500,000
Less: Performance Fees Paid	\$ 5,538,770	\$ 6,112,304	\$ 4,753,104	\$ 3,600,000
Net Perform. Fees	\$ 12,784,772	\$ 5,449,049	\$ 4,616,364	\$ 4,900,000
Expenses				
SG&A	\$ 19,182,414	\$ 18,702,721	\$ 20,175,402	\$ 21,500,000
Investment Advisory Fees	\$ 859,132	\$ 681,416	\$ 262,344	\$ 200,000
Service Fees to Dealers	\$ 1,427,347	\$ 1,285,891	\$ 1,131,365	\$ 1,275,000
Perform Fees Paid Out	\$ 5,538,770	\$ 6,112,304	\$ 4,753,104	\$ 3,100,000
Deprec. Prop & Equip	\$ 269,988	\$ 248,270	\$ 254,159	\$ 300,000
Amort. D.S. commissions	\$ 597,267	\$ 724,454	\$ 1,917,494	\$ 2,450,000
Amort. Mgmt Contracts	\$ 770,734	\$ 1,359,230	\$ 156,303	\$ 80,000
Interest Expense	\$ 251,759	\$ 221,378	\$ 226,922	\$ 220,000
Stock Based Comp.	\$ 424,578	\$ 146,604	\$ 125,691	\$ -
Total Expenses	\$ 29,321,989	\$ 29,482,268	\$ 29,002,784	\$ 29,125,000
Operating Income	\$ 8,567,496	\$ 2,950,422	\$ 3,668,148	\$ 4,975,000
Minority Interest	\$ (1,628,388)	\$ (595,807)	\$ (602,507)	\$ (600,000)
Net Income (Loss)	\$ 3,671,625	\$ 1,226,218	\$ 1,779,965	\$ 2,700,000
Earnings Per Share				
EPS - (Basic & fd)	\$ 0.17	\$ 0.06	\$ 0.07	\$ 0.09
EBITDA	\$ 10,881,822	\$ 6,224,912	\$ 6,730,000	\$ 8,000,000
EBITDA per share (Basic & fd)	\$ 0.50	\$ 0.29	\$ 0.26	\$ 0.28

Source: Company

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eResearch analysts on this report: Robin Cornwell, B.A. (Economics), MBA: Robin Cornwell is one of Canada's foremost financial services analysts with over 30 years experience. He has been both a research analyst and an investment banker covering the banks and other financial service stocks for Pitfield, McKay, Ross and Gordon Capital. He served as banking advisor to Canada's House of Commons on two occasions. Robin is founder and president of investment advisor, Catalyst Equity Research Inc.

Bob Weir, B.Sc., B. Comm, CFA. Bob Weir has 40 years of investment research and analytical experience in both the equity and fixed-income sectors, and in the commercial real estate industry. He was at Dominion Bond Rating Service (DBRS) from 1994 to 2001, latterly as Executive Vice-President responsible for conducting the day-to-day management affairs of the company. He joined eResearch in 2004.

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Strong Buy:	Expected total return within the next 12 months is at least 40%.
Buy:	Expected total return within the next 12 months is between 10% and 40%.
Speculative Buy:	Expected total return within the next 12 months is substantial, but Risk is High (see below).
Hold:	Expected total return within the next 12 months is between 0% and 10%.
Sell:	Expected total return within the next 12 months is negative.

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A company may have some, but not necessarily all, of the following characteristics of a specific risk rating to qualify for that rating:

High Risk:	<i>Financial</i> - Little or no revenue and earnings, limited financial history, weak balance sheet, negative free cash flows, poor working capital solvency, no dividends. <i>Operational</i> - Weak competitive market position, early stage of development, unproven operating plan, high cost structure, industry consolidating, business model/technology unproven or out-of-date.
Medium Risk:	<i>Financial</i> - Several years of revenue and positive earnings, balance sheet in line with industry average, positive free cash flow, adequate working capital solvency, may or may not pay a dividend. <i>Operational</i> - Competitive market position and cost structure, industry stable, business model/technology is well established and consistent with current state of industry.
Low Risk:	<i>Financial</i> - Strong revenue growth and earnings over several years, stronger than average balance sheet, strong positive free cash flows, above average working capital solvency, company may pay (and stock may yield) substantial dividends or company may actively buy back stock. <i>Operational</i> - Dominant player in its market, below average cost structure, company may be a consolidator, company may have a leading market/technology position.

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