



Monthly Perspectives

Portfolio Advice & Investment Research

April 2010

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This publication is for distribution to Canadian clients only.

Please refer to Appendix A in this report for important disclosure information

Spring Has Sprung!

With longer days and warmer weather, Canadians are once again breathing a sigh of relief that we have survived yet another winter. Time for some spring cleaning, both at home and in investment portfolios.

After spectacular increases across most markets in 2009, investors should now be reviewing asset mix and portfolio holdings with an eye to rebalancing and upgrading. First and most importantly, asset mix: is your asset mix appropriate for your time horizon and risk tolerance? Is paring back equities warranted, if they are overweight due to the outperformance of stocks over government bonds? Is it appropriate to reduce corporate bond allocation after that sector's strong rise in 2009? Is a greater exposure to dividend-paying stocks necessary to meet income requirements since dividend yields (before and after-tax) on some good quality equities comfortably exceed the after-tax return on interest income? Now is an excellent time to comb through individual stock holdings to take profits on the lower quality, higher volatility equities that have outperformed their higher quality brethren; in effect, to high-grade portfolios as the rotation of market leadership to the stable, quality names occurs.

While we have seen strong Canadian and U.S. GDP data for the fourth quarter, improving retail sales and a healthy recovery in U.S. manufacturing, much of this good news is already discounted by the markets. In addition, valuation levels are in line with long-term averages. Hence, we are not expecting robust gains, although we do maintain a preference for equities relative to bonds. It is simply that the risk/reward outlook is less attractive

than it was in 2009 and we feel this is a good time to “take risk off the table”. Focusing on large capitalization, high quality (low leverage) companies and culling portfolios of lower quality stocks that have risen substantially over the past year is one of the steps to spring cleaning of investment portfolios.

There are still several significant problems looming: high government debt levels in the U.S., U.K. and the Eurozone have been front page news. Bank lending continues to contract in the U.S. at rates not seen since the 1970's, leading to serious questions regarding the business recovery. As well, the U.S. housing recovery may be faltering with the supply of new homes back up to 9.2 months. Therefore, on balance, we remain that oft-repeated phrase “cautiously optimistic”.

With the Canadian dollar (CAD) approaching parity, it is more attractive than ever to diversify portfolios beyond our borders. Canada is just 3% of the global market index and the S&P/TSX Composite Index (S&P/TSX) is extremely skewed to two sectors, financial services and resources. Foreign investing has been a disappointment over the last ten years as the CAD has appreciated and the S&P/TSX has been a top performer. At close to par with the U.S. dollar, prospects for further significant gains in the CAD are likely limited and currency should not be the drag it was in the past. This is a great opportunity to look selectively at sectors with limited or no breadth in large caps in Canada.

Happy spring cleaning!

*Deborah Leckman, CFA
Senior V.P., TD Waterhouse*

Fixed Income:

Where We Are and What Lies Ahead

Financial markets and global economic conditions continue to improve from their depths of the last two years, with more central banks poised to lift interest rates from record-low or near-zero levels. Though normally loathe to make bold predictions, we feel fairly confident in still calling for a bull market in uncertainty. We are less confident in other projections given the humbling experience of reviewing past forecasts. For example, even the most bullish forecasts a year ago did not foresee that global equity markets would rebound by an astounding 60% to 80% from their March 2009 lows. This year, strategists were universally bearish on the U.S. dollar in January with virtually no one predicting the sudden and swift demise of the euro. Social mood and risk appetite are the determinants of financial markets. We continue to adhere to an investment rule of hoping for the best, but planning for the worst.

There is nothing normal about the current state of financial markets, as we are still in uncharted territory. The driving forces for the current bounce in global economic growth appear largely due to business inventory cycle and government stimulus. Global authorities have recreated conditions for speculation and asset price inflation by maintaining interest rates so low that there is no point in saving, and by promising to provide stimulus until they are able to manufacture economic growth. Although economic conditions are improving, it remains prudent to be cautious about the future – you can't really say the U.S. economic recovery is healthy when the federal government is still supporting the financial system (Citigroup's largest shareholder with a 27% stake), writing 9 out of 10 mortgages (via Fannie Mae and Freddie Mac), and running the biggest insurance company in the world (American International Group).

Governments and central banks around the world have a simple solution to exit

from recession – that is to spend more and create more debt. Governments have stepped in to make up for the reduction in consumer spending, and have flooded the global financial system with liquidity (via 0% interest rates) in order to get the private sector to spend again (consumer spending generates about 70% of the gross domestic product in the U.S.). In the U.S. alone, about \$12 trillion has already been committed by the federal government to replace the \$12 trillion of paper wealth that Americans have lost since the global financial crisis began. While the private sector is paying down debt, the public sector in the U.S. is adding debt at a ferocious pace – about \$150 billion per month. In 2009, extraordinary co-ordinated efforts (spending) by governments helped rescue banks, the financial system and the global economy. In 2010, it appears that some governments (Greece, Dubai, Iceland) may be over-indebted themselves and in need of rescue. The uncertainty going forward is not if you can get out of a debt crisis by piling on another layer of debt, but when does your credit card gets maxed out? The problem is that governments do not create income or wealth – today's stimulus is really a future tax liability. There is no free lunch to remedying past indiscretions in overdone borrowing and lending. In the fullness of time, a price must be paid. Social unrest is another risk that appears to be growing given the immense transfer of wealth to repair the financial system via an unjust system that allowed for the privatizing of gains and the socializing of losses. People who did everything right – living within their means and saving for the future – have been forced to bail out those who spent more than they could afford.

The last two decades were about wealth, accumulation and consumption – fuelled by ever-lower borrowing rates. It is simply human nature to take advantage of enticements to borrow and spend when there are no incentives to save. All is fine until the debt has to be repaid. Since 2007 (the start of the credit

crisis), there has been a mean reversion toward something more austere, more sensible. By choice or by force, there has been debt reduction from overleveraged individuals and less guilt about rejecting materialism as a misplaced priority.

Forecasts and Thoughts

Canada's economic recovery has been swifter relative to most other developed economies and credit markets are currently showing a 100% implied probability that the Bank of Canada (BoC) will begin a new cycle of raising interest rates starting at its July 20, 2010 meeting. The benchmark target overnight rate is expected to start increasing by 25 basis points from an emergency-level, and record-low, of 0.25%. The process of normalizing interest rates is expected to be gradual, with TD Economics forecasting the overnight rate to reach 1.25% by the end of 2010 and 3.25% by the end of 2011. This will be a welcome relief for savers, as bond yields are forecast to rise moderately (approximately 200 basis points for 2-year maturities to about 100 basis points for longer maturities) from current levels. In a rising interest rate cycle, we continue to advocate the use of a low-cost passive laddered bond portfolio strategy, as maturities will be rolled-over into higher yielding securities. For investors who do not run passive strategies, we recommend the use of floating rate bonds to protect against interest rate risk.

We remind investors that the main purposes of bond investments are to provide capital preservation and absolute returns, and that income is as important as capital gains. In a still abnormal low-interest rate environment, bond investors should strive for risk management over chasing reward and discipline over conviction.

"Leverage gives the illusion of wealth. Saving is wealth." - Richard Bernstein

Sheldon Dong, CFA
V.P. Fixed Income Strategy

Canadian Equities:

Moderate Returns Ahead

The month of March marked the first anniversary of the 2009 equity market lows. Investors willing to look through the economic malaise and invest in stocks were handsomely rewarded as the S&P/TSX Composite Index (S&P/TSX) and global equity markets soared over the past 12 months.

Thanks to fiscal and monetary stimulus, the Canadian economy has bounced back and is stronger than many others. Although unemployment remains elevated (at 8.2%), it is down from the August 2009 peak. Q4/09 GDP growth was strong at 5% (annualized). Canada's housing market remains robust. Although the fiscal deficit has increased due to the stimulus, Canada's debt/GDP ratio is the envy among the G8 countries.

Stimulus Exit Strategies

This time last year, governments around the world were on a spending spree rolling out various fiscal packages to help stimulate economic growth. The spending is expected to continue through much of 2010, however it should ease in 2011 as the stimulus is removed and governments look to cut costs.

The Bank of Canada (BoC) is expected to move to raise short-term rates before the U.S. Federal Reserve Board (the market is discounting a Fed Funds rate increase in November). Short-term interest rates and the Canadian dollar have been rising, reflecting the market's change in expectations for the BoC. TD Economics is of the view that the BoC will move to raise rates by 25 bps to 0.5% in July. Following this, the BoC is expected to tighten gradually to reach 1.25% by year end.

Earnings growth has been strong with the most recent quarterly earnings revealing close to a 20% increase in S&P/TSX earnings year over year. We believe further advances in stocks require sustained earnings growth and based on consensus expectations, S&P/TSX earnings are expected to grow by 23% between 2009 and 2010.

The strength of the Canadian dollar is presenting headwinds for earnings for Canadian companies with significant exports or operations outside of the country. At the same time, companies with U.S. dollar inputs (such as retailers) can benefit from cost savings as the Canadian dollar appreciates.

Canadian stocks have enjoyed a significant expansion in valuations over the past 12 months. We believe that valuations in Canada, while no longer compelling, are reasonable. Using the consensus forward earnings estimate, the S&P/TSX is trading at 15.6x, essentially in line with its long-term average. The earnings yield of 6.4% is very attractive relative to the competing 10 year Government of Canada bond yield of 3.5% as well as forecasted bond yields (TD Economics forecasts a 4.15% yield on the Government of Canada 10 year bond in Q4/10). The dividend yield is also appealing at 2.6%.

What Are the Risks?

The significant spending by governments to help restore economic growth has only added to already high debt levels. The troubles with Dubai World and Greece have provided a view into the impact of potential sovereign debt defaults. As we know from the Canadian experience during the 1990s, there is no simple fix for the high debt levels. From a longer term perspective, the high levels of debt will dampen economic growth rates and contribute to a loss of competitiveness.

A more immediate risk facing equity markets is the fragile state of the global economic recovery. Debate continues regarding the shape of the recovery (is it "V-shaped" or will it be a "W"?). The private sector's ability to pick up, as the government spending winds down, is unclear.

The potential for rising interest rates also poses a threat to equity markets. Based on past experience, we expect markets to experience a brief correction when the Fed begins to tighten. However, we do not expect the increase in rates will be enough to derail stocks as rates are likely to remain low relative to history.

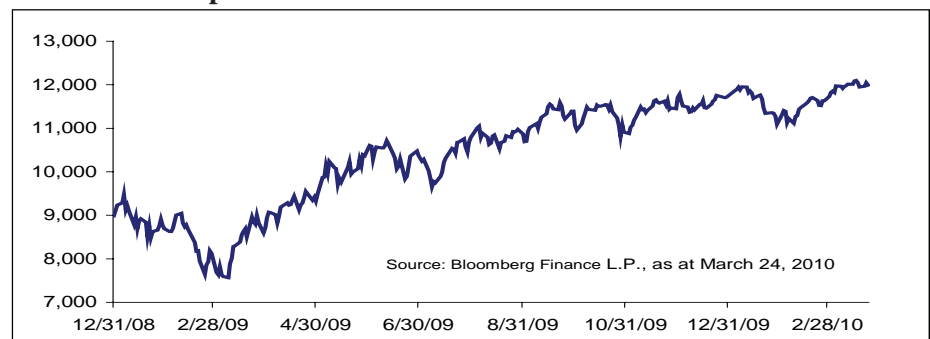
Can Stocks Move Higher?

On balance, we believe the combination of strong earnings growth, improved corporate balance sheets, reasonable valuations, and expectations for sustained (albeit modest) economic growth remain supportive of a further advance in equities. We expect returns to be muted relative to 2009 and therefore recommend large cap, high quality companies, with a focus on dividend paying stocks.

As the loonie flirts with parity, it is providing investors with an opportunity to diversify portfolios outside of the Canada. When doing so we recommend adding to sectors under-represented in the Canadian market such as health care, information technology and consumer staples.

*Martha Hill, CFA
V.P. & Canadian Equity Strategy*

S&P/TSX Composite Index



U.S. Equities:

Implications of “ObamaCare”

On Sunday March 21, 2010, history was made after the House of Representatives voted 219-212 in favour of a sweeping overhaul to the U.S. health care system. After a year-long battle on health care reform, unrelenting partisan bickering, and a near-death experience of the reform bill following the Democrats losing their super-majority in a Senate by-election in January 2010, the bill was approved and signed into law. A Senate vote still remains, as they look to reconcile the House bill. However, there is a high likelihood that health care reform, which has eluded so many presidents before, will finally materialize. In this article, we summarize the key components of the bill and its implications on the health care sector and its key industries.

Details of “ObamaCare”

Thomas “Tommy” Douglas, the 7th Premier of Saskatchewan and father of Canada’s universal health care system, was awarded “The Greatest Canadian” of all time by a 2004 CBC poll. This, we believe, is testament to Canadians’ strong beliefs and support of a universal health care system. With President Obama’s signature on the landmark health care bill, millions of uninsured U.S. citizens will now receive a slice of what fortunate Canadians have received for decades. The main components of the bill are as follows:

- The bill requires all U.S. legal residents to buy health insurance, and offers hundreds of billions of dollars in federal subsidies to help offset the cost. Those who don’t purchase insurance will face a penalty, which tops out at \$695 a year or 2.5% of income.
- As a result, 32 million uninsured Americans will begin receiving coverage. The bulk of the legislation will not take effect until 2014, but the Congressional Budget Office (CBO) estimates that the bill would ensure 95% of U.S. legal residents will have insurance by 2019, up from the current 83%.
- While there is no mandate for employers to offer coverage, firms with more

than 50 workers and who do not offer coverage would be subject to a penalty of \$750 annually for each full-time worker.

- The new entitlement is estimated to cost \$940 billion over the next 10 years, according to the CBO. This cost will be subsidized by tax increases on households, and additional costs paid by private sector employers. For high-income earners (\$200,000+ for individuals), they would pay 2.35% of their total income (now also to include income from dividends, interest etc.), up from the current 1.45%.
- The CBO, which has a dubious track record in their projections, estimates that the bill would reduce the deficit by \$143 billion over the next ten years, largely due to savings in reduced Medicare payments, and increased taxes.
- The bill includes large regulatory changes to the health insurance sector, prohibiting insurers from declining coverage based on a pre-existing health condition, or cancelling coverage for individuals with an illness.

Nothing in life is free, with this new large entitlement coming at the expense of private employers and high-income earners.

Sector Implications

We believe overall that the passage of health care reform will be positive for the broad sector as 1) it removes an overhang on the sector which has acted to constrain valuations, and 2) it creates 32 million additional customers for the health care sector. That said, some areas within the health care sector stand to benefit more from the new reforms.

We believe the clear winners from this legislation are clinical laboratories, drug distributors and pharmacy benefit managers (PBMs). Clinical laboratories will benefit from the large influx of new customers. While they will see a decline in reimbursement rates, the significant volume increase should more than offset lower rates. Likewise, the PBMs will clearly benefit from the addition of previously uninsured Americans. In this

area, we like **Lab Corp (LH-N)** and **CVS/Caremark (CVS-N)**.

The impact on pharmaceutical companies is modestly positive in our view. Clearly they will benefit from more demand from newly insured customers, which could increase revenues (S&P estimates a 2%-3% increase in revenues). However, the new legislation will also result in roughly \$80 billion in lower reimbursements rates and additional fees on the industry. Similarly, the impact on generics is modestly positive, as they benefit from increased sales of their lower-cost generics; however, within the legislation branded products are granted 12 years of marketing exclusivity, which was much longer than the 5-7 years that generic proponents had sought. Overall, we believe it will be a net positive for generics. Within the branded pharmaceuticals we like **Merck (MRK-N)** and **Teva Pharmaceutical (TEVA-N)** within the generics.

The biotech industry benefits from the legislation with the 12 years of marketing exclusivity granted to branded drugs. This was a great victory for biotech as the White House sought to reduce this period, given their predilection for the cheaper generics. Our preferred biotech name is **Gilead Sciences (GLD-N)**.

For the managed care sector, we believe the legislation would be slightly negative. While the industry will also benefit from the additional 32 million customers, the health insurers will face tighter regulation which could lead to margin compression. The new consumer protection rules (which ban denying coverage, end lifetime coverage limits, and prohibit insurers from cancelling existing policies due to an illness) could hurt the bottom line. In addition, the managed care industry will pay fees of \$67 billion, starting in 2014, to help finance the health care reform. We prefer to look outside of managed care within the health care sector.

*Ryan Lewenza, CFA, CMT
Senior U.S. Equity Strategist*

Mutual Funds:

Seeking Higher Cash Flows? Solutions Proliferate

The velocity of the rally witnessed in global equity markets over the past year has astounded many, and some question its sustainability. Cautious Canadian investors have responded by reducing cash equivalents in favour of migrating into conservative longer term investments, particularly income oriented mutual funds. The modest yields on short term bond funds and mortgage funds have now influenced some investors to seek out other alternatives for cash flow. Fund sponsors have recognized this demand and are addressing this need with new global, go-anywhere, balanced funds that offer the potential for higher cash flows by moving up the risk spectrum.

New Balanced Funds with Attractive Cash Flows

In the past 12 months, three firms have seen notable success in gathering assets into newly launched “global, go-anywhere balanced yield” mandates. Some might say these are simply extensions of existing successful high income balanced funds with greater flexibility to seek out high-yielding opportunities worldwide.

Dynamic Funds roared out of the gates with a successful new product launch approximately 12 months ago. CI Investments and Manulife Mutual Funds have since followed with similar product launches. The differentiator with these products from traditional high income balanced funds is the global, tactical asset allocation design that allows them to search for enhanced yield predominantly in fixed income and income oriented equities. The freedom to go global provides these mandates a competitive advantage over their predominantly domestic counterparts. This global autonomy is designed to assist these new funds in sustaining the targeted 5.0 - 6.5% annual distribution rates. Note these distributions are not guaranteed and subject to change.

Dynamic Strategic Yield Class

- Management - Oscar Belaiche (equities) and Michael McHugh (fixed income) of Goodman & Company, Investment

Counsel with a high yield allocation attributed to Barry Allan of Marret Asset Management Inc.

- Cash Flow - A \$0.058 per unit target monthly distribution
- There are no restrictions in pursuit of yield by market capitalization, industry, sector, or geographical mix. Both equity and fixed income investments can range from 20 to 80% and flexibility to invest a small portion of the fund in mortgage backed securities and closed end funds.

CI Signature Diversified Yield

- Management - Eric Bushell, CIO of Signature Global Advisors with key members of the Signature team including Joe D’Angelo (Industrials), Geof Marshall (High Yield Bonds), and Ryan Fitzgerald (Income Trusts/REITs/Infrastructure).

- Cash Flow - A \$0.050 per unit target monthly distribution. Another compelling feature of this product is the tax efficiency of the distributions as the fund utilizes forward agreements with BMO to recharacterize interest and dividend income as capital gains.

- This is an open architecture version of **CI Signature High Income**, one of our Analysts’ Choice Funds (ACF). Aside from foreign content, other differences will be found in the non-high yield segment and additional REIT exposure. The Fund will have active asset allocation and active currency hedging. Neutral asset allocation will include 45% investment grade & high yield corporate bonds, 25% REITs, 20% infrastructure, and 10% higher yielding equities.

- We also note that Signature offers several balanced mandates that currently offer superior yields, albeit without the magnitude of global flexibility - namely **CI Signature High Income** and **CI Signature Income & Growth**.

Manulife Yield Opportunities

- Management - Terry Carr (fixed income & asset allocation), Alan Wicks (equities), Jack Iles (non-domestic fixed income).

- Cash Flow - A \$0.050 per unit target monthly distribution
- This is a global fixed income-tilted alternative to **Manulife Monthly High**

Income, another ACF. This newer fund is currency hedged and will have a higher fixed income weight, higher global orientation, and will have more tactical and short term calls. The fixed income component will also include additional global corporate bonds and high yield bonds. The equity component will also include a greater focus on global dividend-paying securities. The new fund’s neutral asset mix is 40% U.S. high yield, 20% corporate bonds, 30% North American dividend paying equities, and 10% preferred shares.

Monthly Cash Flow Options - Abundant

We see each of these three new funds as reasonable considerations for balanced investors with a need for monthly income. They may be considered unrestricted cash-flow vehicles where management can explore yield opportunities in broader regions and sectors when compared to traditional balanced funds.

However, we must acknowledge that higher cash-flow fund options have been available for some time through other high income balanced mandates. In addition, there already exists an abundance of T-series fund choices in the market suggesting alternate vehicles delivering customizable, tax-efficient, high monthly cash flows.

Occasionally, these products may distribute “return of capital” as required. When filtering through the abundance of mutual funds with high cash flows, an important consideration is NAV erosion. We suggest gravitating to investment managers with strategies whose total return over time are likely to exceed the targeted distribution.

Your investment advisor can help you navigate as to which funds and strategies are optimally suited for your individual income requirements within the context of your diversified investment portfolio.

Dom Rando
Senior Manager, Mutual Fund Research

Exchange Traded Funds:

Leveraged & Inverse ETFs: Bad Rep or Bad Products?

Over the past few years, leveraged ETFs have come under scrutiny and caused concern for investors who feel the products have not performed in line with expectations. Leveraged ETFs are similar to passively managed ETFs, but seek to magnify (usually twice or three times) the daily returns of the index or commodity which the ETF is tracking by employing leverage (generally speaking, the use of borrowed funds, but in reality, the products use derivatives to create a levered exposure).

The daily rebalancing mechanism is a very important concept to understand and is best explained with an example. Suppose two investors want to take a view on the S&P/TSX 60 Index, which is trading at \$100 for simplicity sake. One investor buys a two-times leveraged S&P/TSX 60 Bull ETF, while the second buys units of the inverse two-times leveraged S&P/TSX 60 Bear ETF, each taking \$100 positions. The next day the S&P/TSX 60 moves up 10% to \$110. Ignoring fees and transaction costs, holdings in the Bull ETF jump 20% to \$120 while holdings in the Bear ETF fall 20% to \$80. In order to maintain twice the exposure to the underlying index, the Bull ETF will increase the amount of derivatives to create \$240 of exposure. The Bear ETF will decrease the amount of derivatives to create \$160 of exposure. Suppose the following day, the index declines 9.1% to \$100. Doubling that move, the Bull ETF declines 18.2% to \$98.16, and the position in the Bear ETF gains 18.2%, rising to \$94.56. Both investors have lost money and that is before factoring in fees. Over periods longer than one day, the effect of compounding can have a dramatic effect on expected returns, as depicted in the chart. In periods where the underlying asset trends in one direction with little volatility, compounding will work in the investor's favour; the leveraged ETF will return more than 200% times the return of the underlying asset.

To mitigate these factors, investors should frequently adjust their exposures back to the original dollar investment.

This means that if the position moves up in value, he/she should sell some of the leveraged ETF units (and vice-versa if it moves down). However, the drawback of this approach is that investors must incur the cost and inconvenience of frequent rebalancing and portfolios may have to sit on idle cash or seek areas for reinvestment. Without regular rebalancing, the longer investors hold leveraged ETFs, the more likely it is that their returns will deviate from the underlying index or commodity.

Despite their drawbacks, leveraged ETFs do have some advantages. Leveraged ETFs offer non-recourse leverage, which means that investors will never lose more than their initial investment. This is in contrast to traditional leveraged investments in which an investor can lose his/her initial investment and be liable for the borrowed portion. Secondly, two-times leveraged ETFs offer a way to achieve daily market exposure to a specific index with half the invested capital. Therefore, a \$0.50 investment in a leveraged ETF will provide approximately the same daily performance as a \$1 investment in a traditional ETF. The "liberated" \$0.50 can be used to seek out other investments, preferably in uncorrelated asset classes.

Inverse ETFs

Single-inverse ETFs can be used in a multitude of scenarios, a major one being to hedge an existing position. Suppose an investor is currently long a diversified basket of Canadian equities, but feels that the 6-month outlook for the equity market is grim. Rather than selling the existing positions (which may not be

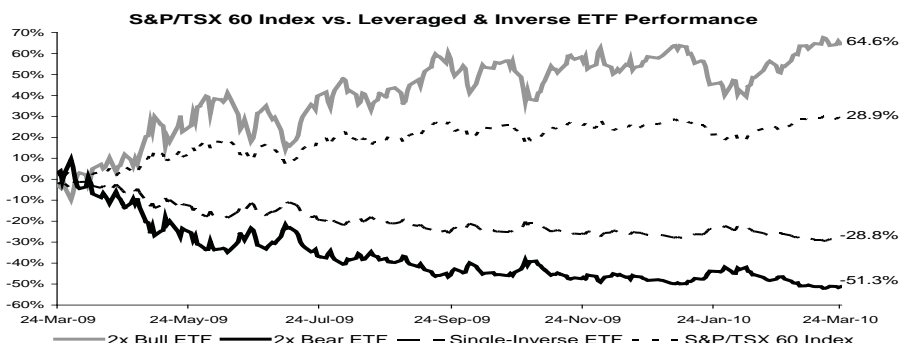
desirable for various reasons such as tax concerns), the investor can use an inverse ETF on the S&P/TSX 60 to partially hedge the market exposure. Of course, inverse ETFs can be used to take a general view that the broad market or a specific sector will decline, limiting the need for stock-picking. Inverse ETFs possess advantages over short-selling, including no requirements for margin and limited loss potential.

Inverse ETFs reset their exposure daily to ensure that the daily performance of the ETF closely replicates the inverse of the daily performance of the underlying index or commodity. As such, volatility can cause actual returns for single-inverse ETFs to differ from expectations.

Final Thoughts

Leveraged and inverse ETFs may have a place in investor portfolios, but the risks must be understood. Inverse ETFs can be effective hedging tools when used appropriately. While such products may be useful in some sophisticated trading strategies, they are highly complex financial instruments which should be monitored very closely to determine if frequent rebalancing should take place. Since these products seek to return a multiple of the daily percentage return of the index or commodity, they are most suitable for taking short-term views on a particular market or sector and may not align well with a buy-and-hold strategy.

Shawn Levine
Exchange Traded Funds Analyst



Source: Bloomberg Finance L.P. The 2x Bull ETF is the Horizons BetaPro S&P/TSX 60 Bull ETF (ticker HXU), the 2x Bear ETF is the Horizons BetaPro S&P/TSX 60 Bear ETF (ticker HXD) and the Single-Inverse ETF is the Horizons BetaPro S&P/TSX 60 Inverse ETF (ticker HIX).

Performance Monitor:

	Index Level	(%) 1 Month	(%) 3 Month	(%) YTD	(%) 1 Year	(%) 3 Year	(%) 5 Year	(%) 10 Year	(%) 20 Year
Canadian Indices (\$CA) Total Return									
S&P/TSX Composite	31,994	3.81	3.14	3.14	42.15	-0.03	7.41	4.67	8.64
S&P/TSX Composite (Price)	12,038	3.51	2.48	2.48	38.04	-2.94	4.60	2.44	6.16
S&P/TSX 60	1,517	4.11	2.56	2.56	37.41	0.56	8.27	4.34	9.59
S&P/TSX SmallCap	759	3.49	4.91	4.91	76.86	-3.86	2.46	5.21	-
US Indices (\$US) Total Return									
S&P 500	1,936	6.03	5.39	5.39	49.77	-4.17	1.92	-0.65	8.66
S&P 500 (Price)	1,169	5.88	4.87	4.87	46.57	-6.29	-0.19	-2.45	6.37
Dow Jones Industrial (Price)	10,857	5.15	4.11	4.11	42.68	-4.22	0.66	-0.06	7.19
NASDAQ Composite (Price)	2,398	7.14	5.68	5.68	56.87	-0.33	3.70	-6.25	8.90
Russell 2000	3,003	8.14	8.85	8.85	62.76	-3.99	3.36	3.68	8.93
US Indices (\$CA) Total Return									
S&P 500	1,967	2.31	2.27	2.27	20.70	-8.13	-1.58	-4.15	7.89
S&P 500 (Price)	1,188	2.16	1.77	1.77	18.12	-10.16	-3.62	-5.88	5.62
Dow Jones Industrial (Price)	11,026	1.45	1.03	1.03	14.99	-8.18	-2.80	-3.58	6.44
NASDAQ Composite (Price)	2,435	3.37	2.55	2.55	26.43	-4.45	0.14	-9.55	8.14
Russell 2000	3,050	4.34	5.63	5.63	31.17	-7.96	-0.19	0.03	8.16
MSCI Indices (\$US) Total Return									
World	3,947	6.25	3.35	3.35	53.23	-4.85	3.45	0.45	6.93
EAFE (Europe, Australia, Far East)	4,875	6.31	0.94	0.94	55.20	-6.55	4.24	1.68	5.62
EM (Emerging Markets)	1,772	8.08	2.45	2.45	81.55	5.46	16.00	10.11	11.12
MSCI Indices (\$CA) Total Return									
World	4,009	2.52	0.30	0.30	23.49	-8.79	-0.10	-3.08	6.17
EAFE (Europe, Australasia, Far East)	4,951	2.57	-2.04	-2.04	25.08	-10.42	0.65	-1.90	4.88
EM (Emerging Markets)	1,800	4.28	-0.58	-0.58	46.31	1.09	12.02	6.24	10.34
Currency Impact									
Canadian Dollar (\$US/\$CA)	98.46	3.64	3.05	3.05	24.08	4.32	3.56	3.65	0.71
Regional Indices (Native Currency) Price Return									
London FTSE 100 (UK)	5,680	6.07	4.93	4.93	44.66	-3.44	3.02	-1.40	4.74
Hang Seng (Hong Kong)	21,239	3.06	-2.89	-2.89	56.45	2.37	9.46	2.01	10.28
Nikkei 225 (Japan)	11,090	9.52	5.15	5.15	36.75	-13.76	-1.01	-5.88	-4.85
Yield Curve									
Canadian Yield Curve		3 Month		5 Year		10 Year		Long	
		0.28		2.90		3.57		4.07	
US Yield Curve		0.15		2.54		3.83		4.71	

As of March 31, 2010

Sources: TD Securities Inc., Baseline, Bloomberg Finance L.P.

Appendix A: Important Disclosures

Full disclosures for all companies covered by TD Newcrest can be viewed at <https://www.tdsresearch.com/equities/coverage.disclosure.action>

Research Ratings

Action List BUY: The stock's total return is expected to exceed a minimum of 15%, on a risk-adjusted basis, over the next 12 months and it is a top pick in the Analyst's sector.

BUY: The stock's total return is expected to exceed a minimum of 15%, on a risk-adjusted basis, over the next 12 months.

SPECULATIVE BUY: The stock's total return is expected to exceed 30% over the next 12 months; however, there is material event risk associated with the investment that could result in significant loss.

HOLD: The stock's total return is expected to be between 0% and 15%, on a risk-adjusted basis, over the next 12 months.

TENDER: Investors are advised to tender their shares to a specific offer for the company's securities.

REDUCE: The stock's total return is expected to be negative over the next 12 months.

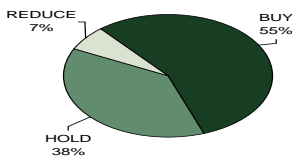
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Distribution of Research Ratings[^]



Current as of March 2, 2010

[^] Percentage of subject companies under each rating category—BUY (covering Action List BUY, BUY and Spec. BUY ratings), HOLD and REDUCE (covering TENDER and REDUCE ratings).

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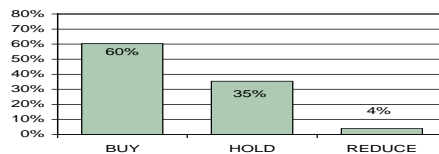
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