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## Monthly World Markets Report



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See Legal Disclaimer and Important Disclosure Footnotes at the end of this report for disclosures, including potential conflicts of interest. Complete research on any securities mentioned in this report is available from your Investment Advisor. All prices quoted in this report are as of the close of markets on February 24, 2009.

### Dividend Growth Despite A Recession

Finance theory tells us that whether a company pays a dividend or not should have little relevance to an investor. The more cash a company keeps internally, instead of paying out as dividends, the more it can put toward growth projects. Thus, the theory goes, a company's dividend policy should have little influence on investment returns. (Note: We use the term "dividend" in its broadest sense to include payouts by income trusts, which pay distributions that are comprised of dividends, return of capital and other income.)

Theory, however, doesn't always hold true in practice. Studies have shown that dividend-paying companies tend to outperform non-dividend payers over the long term. Last year provided further support to that tenet. The median dividend yield of the 262 stocks in the S&P/TSX Composite Index at the start of 2008 was 1.1%. The 131 stocks that offered yields above this level averaged a 25% loss in the year. This may seem disappointing, but this return was significantly better than the 43% decline posted by the stocks paying less than 1.1%.

One reason dividend-paying companies outperform may be that when times are good, some non-dividend-paying companies that allow cash to build up internally end up spending it unwisely on management pet projects and value-destroying acquisitions. These wasteful ventures tend to be exposed when the economy (and the stock market) takes a turn for the worse.

The fact that a company pays out a dividend, however, does not protect it from the ravages of the current credit crunch and economic downturn. Companies such as H&R REIT and Precision Drilling Trust – both of which paid attractive distributions and were considered high-quality companies in their respective industries – needed to raise debt last year and had to do so at a high cost. H&R was forced to cut its payout in half and Precision suspended its distribution altogether.

Distributions in the oil & gas royalty trust sector are also being slashed due to falling oil and gas prices. Some market observers have even pondered the probability that Canadian banks might reduce their healthy dividends – a low likelihood in our view, although dividends are unlikely to be increased anytime soon.

So where can equity investors look for steadily growing income? One approach is to seek out companies that are so comfortable with their ability to generate cash flow that they have increased their dividends amidst the weakening economy. In this issue of the *Monthly World Markets Report*, we highlight four Canadian companies that actually raised their payouts in the past year: TELUS Corp., Shoppers Drug Mart Corp., North West Company Fund, and Fortis Inc.

It should be of little surprise that these companies fall into the consumer staples, utilities and telecom sectors, which are considered to be the most defensive categories in the stock market. But good fortune is not bestowed on these companies only when times are difficult. Each has a history of growing dividends during both good and bad times. In fact, Fortis Inc. has raised its dividend for 36 consecutive years – the only Canadian company that can make such a claim. Over the past five years, three of these companies (Shoppers instigated a dividend only three years ago) have raised their dividends at an 18.8% average annualized rate. The average annualized return (not including dividends) of all four has been 9.3% in that period. That is an impressive achievement when compared to the -1.7% annualized return of the TSX.

It is important, however, to remember that choosing stocks based solely on their dividend can lead to costly mistakes. Stocks and income trusts with very high dividend yields may, in fact, be signalling that a dividend cut is imminent. However, by seeking companies with defensive revenue streams and that have consistently (and recently) raised their dividends, investors should be able to better weather the continued choppy equity markets.

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## Long-term Strategic Asset Allocation

Global equity markets plummeted in 2008, causing many investors to question the merits of this asset class. Long-term experience has taught us that discipline is required under such stressful and trying circumstances. The human tendency is to shy away from equities near a market trough, but this tends to hamper longer-term portfolio performance.

U.S. and Canadian high yield credit spreads (the yield differential between lower-quality corporate bonds and federal government bonds) widened to around 18% and 8%, respectively, by the end of 2008. We believe that the combined efforts of aggressive fiscal and monetary policy will help high yield credit spreads to narrow in 2009, which should bode well for equity investors, as historically, narrowing credit spreads have been positive for equity markets. Indeed, during the equity market downturn of 2002, the TSX hit its bottom at the same time as credit spreads in Canada and the U.S. peaked.

However, once all the government intervention plays out, the ultimate outcome could be higher inflation. Historical data does not provide a clear answer as to how stocks perform when inflation rises. Inflation creates uncertainty, which equity investors generally despise. On the other hand, equities can represent a better store of value than many other assets such as fixed income and cash, since the value of an enterprise would also rise in value with inflation.

Regardless of short-term market fluctuations, it is the length of time in the market that matters, not timing. Investors are advised to set long-term financial goals and to employ a disciplined asset allocation approach that is suitable for their risk profile to help them meet those goals. Trying to time the market and deviating from the recommended asset allocation may hinder the portfolio's ability to meet the investor's long-term goals. Investors with very short-term goals should, for the large part, steer clear of equities and focus on guaranteed investments. However, in the long run, equities often prove to be the better asset class for growing a portfolio. From 1950 through 2008, even the worst 20-year period for equities (annualized return of 6.22%) is roughly on par with the average performance from the bond market, and higher than the current effective yield on cash and bonds (0.87% and 3.69%, respectively).

### Asset Allocation Including Global Equities

Asset allocation – or the distribution of an investor's assets among stocks, bonds and cash (and potentially other areas) – is the active ingredient in creating and maintaining a solid financial plan. The asset allocation process is founded on the principle that each combination of stocks, bonds and cash will provide a different combination of risk and return. The key to the investment process is to find an asset mix that meets the objectives of the individual investor. Your Investment Advisor can help you determine which investor profile, ranging from Capital Preservation to Aggressive Growth, corresponds best with your objectives and risk tolerance. Listed below is our recommended asset allocation for each investor profile. These allocations represent the optimal long-

term blend of equity/bond/cash weightings for each profile, based on the past 59 years of historical returns.

### Recommended Asset Allocation For Canadian Investors

	Global Equity (%)	Cdn Equity (%)	Bonds (%)	Cash (%)
Capital Preservation	10	5	65	20
Income	20	15	55	10
Income & Growth	30	20	50	0
Growth	45	25	30	0
Aggressive Growth	60	30	10	0

Source: CIBC Asset Management Inc.

We note that to increase the likelihood of achieving certain rates of return, one would need to become more aggressive in choice of asset mix, as the following table illustrates.

### Higher Return Expectations Require Riskier Profiles

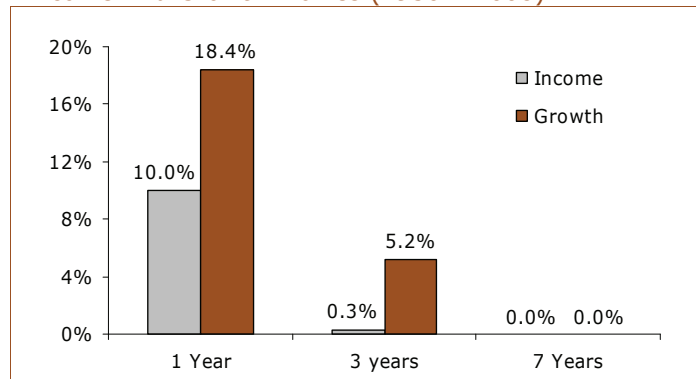
Based On A 5-Year Holding Period –  
Probability (%) Of Matching Or Exceeding  
A Targeted Annual Portfolio Return Of:

	4%	6%	8%	12%
Capital Preservation	93	54	39	13
Income	96	71	46	20
Income & Growth	92	76	59	27
Growth	88	78	64	37
Aggressive Growth	85	78	66	44

Source: CIBC Asset Management Inc.

It is true that employing a more aggressive asset mix also poses greater volatility and exposes a portfolio to the potential of larger losses over certain investment periods. However, it is important to note that while becoming more aggressive adds more volatility, the likelihood of negative returns for holding periods longer than seven years nearly disappears even for the Growth profile, which includes a 70% equity allocation.

### Percentage Of Negative Annualized Returns For The Income And Growth Profiles (1950 – 2008)



Source: Bloomberg and CIBC Asset Management Inc.

Investors should view their portfolios' risk and return objectives in tandem, as each provides an essential piece to the asset allocation puzzle. The expected return must be sufficient to achieve the investor's long-term goals, while the risk must be tolerable.

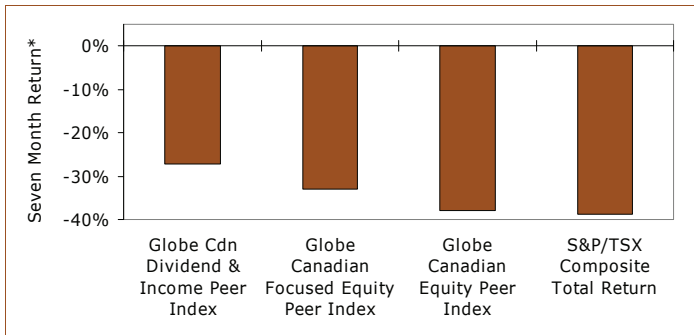
**NINO BOEZIO, CFA, FCIA, FSA**  
& **GHATTAS GEORGE DALLAL, MSC, CFA**  
CIBC Asset Management Inc.

## Stone & Co. Dividend Growth Class Canada Fund

The bull market that reigned from 2003-2007 may have been the perfect storm for Canadian investors. Just 16 short months ago, the S&P/TSX Composite, with its heavy weightings in financial and commodity-related companies, was firing on all cylinders. Even the 2006 Halloween announcement that the federal government would begin taxing income trusts in 2011 failed to halt the charging Canadian bull market. With rapid economic growth from emerging markets, some argued that our resource-heavy stock market had decoupled from the economic powerhouse that resided south of the border and that Canada was immune to a U.S. slowdown.

During this golden age of investing, easy money, the desire for higher yields and financial engineering led to the proliferation of subprime mortgages and complex mortgage backed securities (MBS), products which were based on the premise that housing values would continue to rise. The increased use of home equity line of credit (HELOC) loans and adjustable-rate mortgages allowed the U.S. housing bubble to expand until home owners' monthly payments became too big a burden to bear. The MBS and derivative products that were peddled throughout the world soon enough began to give way, leading to the onset of the financial collapse, eventually impacting even the most cautious investors.

### Dividend & Income Funds More Resilient In Bear Market



\*Return from June 30, 2008 to January 31, 2009. Source: Globe HySales

In periods of recessions and market contractions, dividend- and income-generating funds tend to outperform. During the bear market sparked by the dot.com collapse, which ran between September 2000 and October 2002, Canadian dividend and income funds returned, on average, 1.2%, whereas Canadian equity funds lost 25.9% over the same period. So far in this bear market, the story has been similar. Since June 30, 2008, when the sell-off in the market began to get more aggressive, Canadian dividend and income funds have lost 27.1% while the average Canadian equity fund has lost 38.0% in the seven months ending January 31, 2009.

### A Canadian Dividend Fund Poised To Perform

Stone & Co.'s Dividend Growth Class Canada Fund was not well-known to the average fund investor until recently, but the secret

appears to be out, as the fund continues to collect accolades. The fund, managed by Martin Ansee, recently won the title of Canadian Dividend & Income Equity Fund of the Year at the 2008 Canadian Investment Awards, where it was recognized as a finalist just a year prior. The fund was also named the Dividend and Income Equity Fund of the Year at the 2008 Lipper Awards.

Mr. Ansee looks primarily for Canadian (and some U.S.) stocks trading at a discount of at least 20% to their intrinsic value, which is established via a proprietary quantitative system. All stocks in the portfolio must pay a dividend and have a history of dividend growth. This process has generated some impressive results over time, handily beating the S&P/TSX Composite Total Return Index (the fund's benchmark) over the one-, three- and five-year periods ending January 31, 2009. It also ranks in the top quartile for each of these periods. The fund's 12.8% three-year standard deviation, a gauge of volatility, is also lower than the benchmark's 18.0%, making it easier for investors to sleep at night. The fund's Sharpe ratio, which measures the amount of excess return per unit of risk, also places it near the top of its investment category. And although the fund may be slightly more expensive than the index based on its price-to-earnings (P/E) and price-to-book (P/B) ratios, we believe the premium is justified given its growth-at-a-reasonable-price (GARP) mandate.

### A Standout In Its Category

	Stone & Co. Dividend Growth Class Canada	Peer Group Quartile	Peer Group Average
One-year Return	-22.8%	1	-26.9%
Five-year Return	5.9%	1	0.2%
One-year Sharpe Ratio	-1.43	N/A	-1.75
Five-year Sharpe Ratio	0.22	N/A	-0.27

Source: Globe HySales

Mutual fund companies have suffered significant redemptions since early 2008 as investors have flocked to the safety of cash and short-term funds in the market downturn. Stone & Co., however, has surprisingly generated positive net sales for the last 42 consecutive months, an impressive feat given the market climate and the company's smaller size. We believe this fund, which invests in a basket of high-quality Canadian and U.S. companies and trusts, is an attractive option for investors wishing to leave stock selection to a professional. The fund's 2.88% management expense ratio (MER) is higher than we normally prefer, but this is a function of the portfolio's smaller size. We view this as a trade-off, as we expect the market to remain volatile and the fund's small stature to be an advantage as Mr. Ansee navigates through the ongoing crisis. We believe the fund will continue to be resilient in a market that hasn't been kind to investors. And when the market eventually turns, this fund should be well positioned for the return of the glory days.

ALFRED LEE, CFA

Exchange-Traded Funds & Mutual Funds Specialist

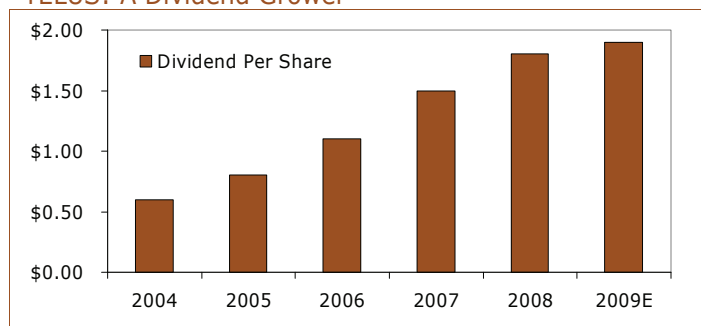
## Canadian Equities

**TELUS Corp. (T, \$32.49, Sector Outperformer) Price Target: \$42.00**

The pervasive nature of the economic slowdown has resulted in plunging profits and dividend cuts for many companies. TELUS Corp., however, is expected to grow earnings in 2009, albeit modestly, and recently raised its dividend.

TELUS is the largest telecommunications company in Western Canada and the second largest in Canada. The company provides both wireline and wireless products and services, including data, Internet, voice and video services.

### TELUS: A Dividend Grower



Source: TELUS Corp.

Some market observers express concern about the declining number of traditional wireline phone customers. However, this segment represents only 26.6% of TELUS' revenues and, in fact, remains a high-free-cash-flow business. CIBC World Markets analyst Robert Bek believes the primary drivers of earnings growth will come from data and wireless, which comprise 69% of the company's revenue. He forecasts that high-speed Internet subscribers and total wireless subscribers will grow 6.8% and 8.8%, respectively, in 2009. While TELUS already claims to have the most smartphones on Canada's largest third-generation (3G) network, it will be launching a new advanced network (referred to as high-speed packet access or HSPA) next year to capture a larger share of the highly lucrative smartphone market.

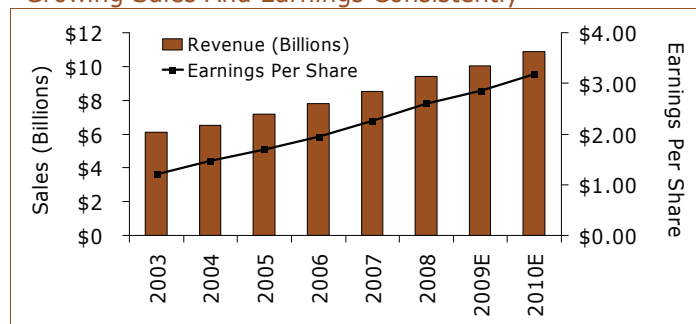
Adding to concerns related to an economic slowdown, investors were spooked last year when Industry Canada allowed new mobile communications providers to enter the market. Mr. Bek notes that the threat of increased competition in the low end of the market is real, but that Canada ranks last among the 30 OECD countries in terms of wireless penetration; as Canada's wireless usage catches up with that of other developed countries, telecom companies should be able to capture additional growth opportunities.

Including the 5.6% increase in November 2008, TELUS has boosted its dividend in each of the past five years at a compound annual growth rate of 25.9%. It now yields 5.8%.

**Shoppers Drug Mart Corp. (SC, \$43.50, Sector Outperformer) Price Target: \$55.00**

Many companies, especially those in the retail sector, have responded to the current slowdown by cutting costs. Shoppers Drug Mart Corp., however, has ambitious growth plans for 2009, having earmarked \$575 million to open between 80 and 95 new stores. CIBC World Markets analyst Perry Caicco, who had expected the retailer to open roughly 55 stores this year, believes this planned 10.5% increase in square footage is remarkable in the context of a recessionary economy.

### Growing Sales And Earnings Consistently



Source: Company reports and CIBC World Markets Inc.

In addition to ramping up new store openings, Shoppers has become more promotional. While the company's high regular prices have always been offset by widely advertised in-store sale programs, in late 2008, Shoppers started a broader promotional push and has continued it through to this year. These promotions improve Shoppers' value proposition for its consumers and should increase store traffic. Selling merchandise at discounted price points can pressure margins but Mr. Caicco estimates that earnings before interest, taxes, depreciation and amortization (EBITDA) margins will increase 34 basis points to 11.9% in 2009 as the company increases sales of higher-margin, private-label products and improves procurement.

Shoppers has a greater than 20% market share in the high-end beauty products business, which could be impacted as women trade down to lower-price-point cosmetic products amidst the weakening economy. However, Mr. Caicco suggests that the mid-range beauty product segment is much more important to Shoppers' profit, as it represents a larger portion of sales and should prove to be resilient. Investors should also bear in mind that 46% of Shoppers' sales in the latest quarter were derived from the pharmacy division, which makes it relatively more recession resistant than traditional retailers.

Despite the deepening recession, Mr. Caicco expects Shoppers, with its assertive growth plans, to increase earnings per share (EPS) by 10% in 2009. Moreover, its \$0.86 annualized dividend per share, which has grown at an average rate of 16.5% over the past three years, provides a dividend yield of 2.0%.

Company Name	Symbol	Stock Rating	Sector Weighting	Price 24-Feb-09	Price Target	Earnings Per Share			P/E 2009E	Indicated Dividend	
						2008A	2009E	2010E		Rate	Yield
TELUS Corp.	T	SO	M	\$32.49	\$42.00	\$3.42	\$3.47	\$3.63	9.4x	\$1.90	5.8%
Shoppers Drug Mart Corp.	SC	SO	M	\$43.50	\$55.00	\$2.60	\$2.86	\$3.18	15.2x	\$0.86	2.0%

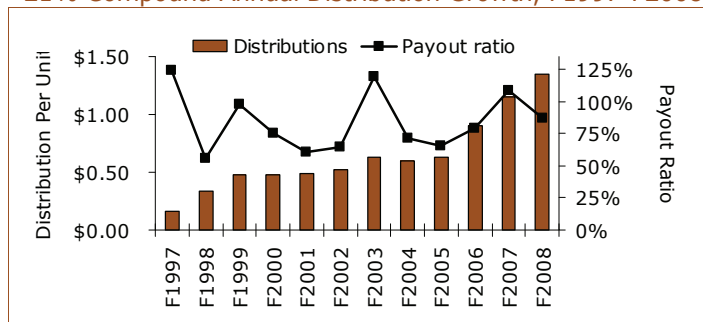
A — Actual for the fiscal year; E — Estimate for the fiscal year. For a full description of the CIBC World Markets Research Rating System, please see page 8.

### North West Company Fund (NWF.UN, \$16.21, Sector Performer) Price Target: \$18.00

Investors seeking a high-quality income stream may want to consider North West Company Fund, a dominant and well-managed retailer that predominantly services Northern Canada and Alaska.

North West has a fairly defensive product mix, with roughly 75% of its revenue derived from food sales while general merchandise and ancillary business activities comprise the balance. Due to a lack of infrastructure in the regions it services, the company enjoys limited competition. Less than one-fifth of its 222 stores are located within a three-hour radius of a small- or medium-sized urban centre and only 90 have year-round access to roads. As such, North West's customers are unable to be very price sensitive, which in turn yields high and stable gross margins for the company. North West also garners significant customer loyalty with its modern and well-positioned stores by employing decentralized management to adeptly satiate communities' needs and tastes.

#### 21% Compound Annual Distribution Growth, F1997-F2008



Source: Company reports and CIBC World Markets Inc.

In addition to its core business, the company also has *Giant Tiger* stores in Western Canada and *Cost-U-Less* stores in the Tropics. While the core business generates 58% of North West's revenue and roughly 80% of its EBITDA, CIBC World Markets analyst Mark Petrie believes *Giant Tiger* and *Cost-U-Less* present relatively little risk but offer significant upside potential over the long term. For example, he believes *Giant Tiger* could, in time, boost its EBITDA margins from 3% to double digits as it cuts costs and improves its product mix. *Cost-U-Less*, despite its tropical locations, is similar to North West's core northern businesses: it is a dominant food retailer operating in remote locations, servicing low-income consumers.

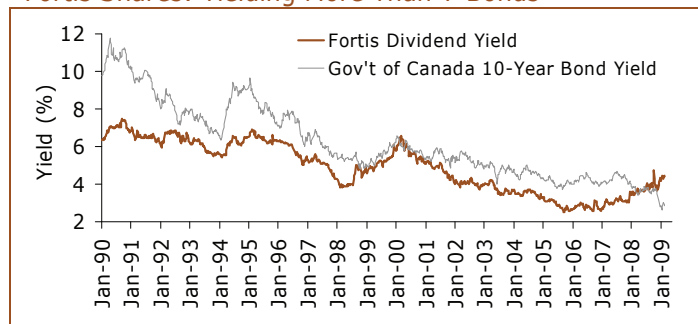
Post 2010, Mr. Petrie believes North West will become a high-yielding corporation with an estimated dividend per share of \$1.00 to \$1.10 versus the current \$1.28-per-unit distribution. Consequently, given the favourable tax treatment of dividends, some investors could wind up with a higher after-tax yield than under the current trust structure.

### Fortis Inc. (FTS, \$23.45, Sector Performer) Price Target: \$28.00

Shares of natural gas and electric distribution companies are among the most defensive of all equities, although they are often thought of as purely income investments with little to no growth. Fortis Inc., however, has the distinction of being the only Canadian company to have increased its dividend for the past 36 consecutive years – a period that includes several recessions.

CIBC World Markets analyst Petro Panarites notes that Fortis' impressive long-term record of both EPS and dividend growth has been driven by aggressive and timely acquisitions of regulated utilities in Canada and the Caribbean. Its assets have grown from a little over \$2 billion in 2004 to \$11 billion at the end of 2008. Fortis owns Terasen Gas, the natural gas utility in B.C., as well as electric distribution utilities in five Canadian provinces and three Caribbean countries. Fortis also owns power generation assets in Canada, Belize and New York State, as well as hotels and commercial real estate in Canada.

#### Fortis Shares: Yielding More Than T-Bonds



Source: Bloomberg

When it reported its quarterly results in February, the company increased its dividend by 4%. This modest increase, relative to the 14.8% increase in 2008, may reflect the fact that EPS are expected to dip in 2009 as the company's power supply agreement with Ontario Power Generation is set to expire. Longer term, however, Mr. Panarites notes that Fortis has a five-year, \$4.5 billion capital program that will see its rate base – a measure of its regulated utility assets – grow at a compound annual growth rate (CAGR) of 7% through 2013.

Investors who need income and growth should consider that 10-year Government of Canada bonds, which offer safety but no income growth, are currently yielding 2.9%. By comparison, Fortis shares are currently yielding 4.4%, and the company has raised the dividends at a CAGR of 14.0% over the past five years. In this economic environment, investors may want to consider Fortis for its defensive nature and history of dividend growth.

SUNIL BHARDWAJ, MBA, CFA, YOGESH OZA, MA & SANDI ROSSI, CFA  
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Company Name	Symbol	Stock Rating	Sector Weighting	Price 24-Feb-09	Price Target	Earnings Per Share (EPS)			P/E 2009E	Indicated Dividend	
						2008A	2009E <sup>a</sup>	2010E <sup>a</sup>		Rate	Yield
North West Company Fund	NWF.UN	SP	M	\$16.21	\$18.00	\$1.93 <sup>a</sup>	\$2.21 <sup>a</sup>	\$2.26 <sup>a</sup>	7.2x	\$1.28 <sup>a</sup>	7.9%
Fortis Inc.	FTS	SP	O	\$23.45	\$28.00	\$1.56	\$1.49	\$1.56	15.7x	\$1.04	4.4%

A – Actual for the fiscal year; E – Estimate for the fiscal year. a - Cash flow per unit (CFPU), P/CFPU and indicated distribution displayed in lieu of EPS, P/E, and indicated dividend, respectively; CFPU figures are for 2007A, 2008E and 2009E. For a full description of the CIBC World Markets Research Rating System, please see page 8.

## Charting Trends

It is often said that a picture is worth a thousand words. We agree. In this section we examine a few interesting charts in order to better understand market dynamics and uncover some investing ideas. It is important to remember, however, that historical relationships or patterns may not always repeat themselves in the future.

### Valuation + Pessimism = Opportunity?

Current stock valuations and the general malaise among consumers may provide a ripe opportunity for investors to reap rewards in the long run.

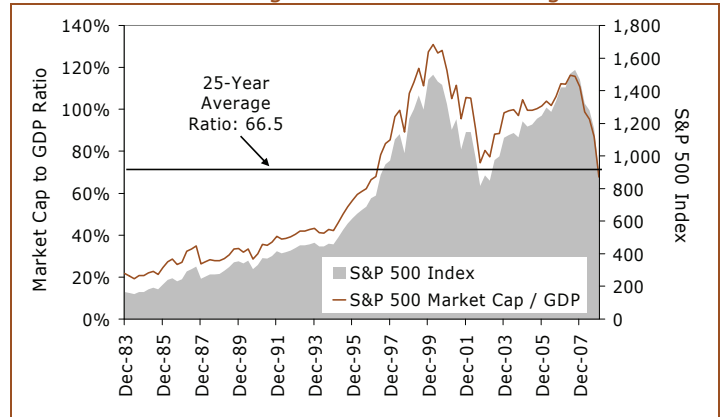
One measure of whether equities are over- or undervalued is a stock market's total capitalization as a percentage of the gross domestic product (GDP) of its home country. In the U.S., that relationship suggests stocks are becoming more attractive. As of December, the market cap to GDP ratio was 67.7%, just slightly above its 25-year average of 66.5%. More compelling is that the ratio is now lower than it was after the market bottomed following the bursting of the tech bubble. In March 2000, the ratio reached an all-time peak of 130.8%, and then fell to 74.5% as the S&P 500 Index lost roughly 46% of its value by September 2002. In the five years following that low point, the S&P 500 nearly doubled. With the market currently off 50.6% from the October 2007 high, and with valuations at reasonable levels, investing now could be rewarding in the long term.

Dire market sentiment can be another signal to deploy cash into the stock market. The Conference Board Consumer Confidence Index, which tracks answers from U.S. households to questions regarding current and future business conditions and employment, has been a useful indicator of future market performance. Over the past 42 years, whenever the index dipped below 60 (excluding 2008), the S&P 500, on average, was up 19.5% and 24.1%, respectively, one and two years later. The Consumer Confidence Index currently stands at an all-time low of 25.0, which may highlight some of the challenges that lie ahead for the economy. However, it may also reflect overly pessimistic sentiment among individuals, which, for the most part, is likely embedded in market valuations.

### Not All Energy Stocks Are Created Equal

As the price of oil slid a staggering 73% from its July 2008 high, many energy-related stocks followed suit. Some sub-sectors, however, have held up better than others. Over the same period, pipeline & storage (P&S) stocks fell 20%, while those of the integrations and equipment & services companies tumbled 53% and 61%, respectively. Why such a divergence in performance? First, among the three categories, revenues for P&S companies are the least sensitive to oil price changes, given their contractual nature. Second, P&S stocks generally offer higher yields, which are attractive to investors during volatile periods. If one believes oil prices will rise in the near term, then the integrations and equipment & services companies, which have exhibited higher correlation with the commodity price, offer the biggest upside, while P&S stocks could fare better should crude oil prices remain at current levels or decline.

### Market Valuation Begins To Look Interesting



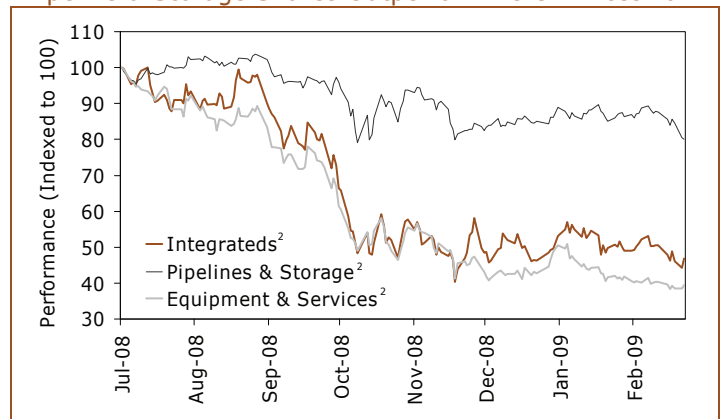
Source: Bloomberg, Haver Analytics, and CIBC World Markets Inc.

### Stocks Rally After Sentiment Turns Sour

	Consumer Confidence	One-year Return <sup>1</sup>		Consumer Confidence	One-year Return <sup>1</sup>
Oct-74	54.5	20.5%	Dec-82	59.5	17.3%
Nov-74	54.5	30.4%	Jan-83	59.0	12.5%
Dec-74	43.2	31.5%	Jan-91	55.1	18.9%
Jan-75	43.2	31.0%	Feb-91	59.4	12.4%
Feb-75	54.5	22.2%	Nov-91	52.7	15.0%
Mar-75	54.5	23.3%	Dec-91	52.5	4.5%
May-80	50.1	19.2%	Jan-92	50.2	7.3%
Jun-80	56.1	14.9%	Feb-92	47.3	7.4%
Mar-82	56.7	36.6%	Mar-92	56.5	11.9%
Apr-82	57.0	41.2%	Aug-92	59.0	12.0%
Jun-82	56.7	53.4%	Sep-92	57.3	9.8%
Aug-82	56.9	37.6%	Oct-92	54.6	11.7%
Sep-82	58.1	37.9%	Jun-93	58.6	-1.4%
Oct-82	54.3	22.3%	Jul-93	59.2	2.3%
Nov-82	57.4	20.1%	Aug-93	59.3	2.6%

1. S&P 500 Index. Source: Bloomberg

### Pipeline & Storage Shares Outperform As Oil Prices Fall



2. S&P/TSX indices. Source: Bloomberg

DONATO SCOLAMIERO, CFA  
Private Client Investing

## CIBC Economics Department Interest Rate Outlook

Interest Rates (%) – End of Qtr		24-Feb-09	Jun/09	Dec/09
3-month T-Bill	Canada	0.65	0.35	0.40
	U.S.	0.30	0.20	0.30
10-year Gov't Bond Yield	Canada	2.86	3.00	3.40
	U.S.	2.80	2.85	3.00
US\$/C\$		80.5	80.0	84.7

Source: CIBC World Markets Inc.

## CIBC World Markets Economic Outlook

Economic Outlook		2008F	2009F	2010F
Real GDP Growth (% Chg)	Canada	0.6	-1.3	2.0
	U.S.	1.3	-1.9	2.1
Consumer Price Index (% Chg)	Canada	2.4	0.8	3.3
	U.S.	3.8	-0.7	4.2

Source: CIBC World Markets Inc.

## Disclosures And Disclaimers

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 North West Company Fund (7) (NWF.UN-TSX, C\$16.21, Sector Performer)  
 Precision Drilling Trust (2g) (PD.UN-TSX, C\$3.08, Sector Performer)  
 Shoppers Drug Mart Corporation (2a, 2c, 2e, 2g, 5c) (SC-TSX, C\$43.50, Sector Outperformer)  
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SP	Sector Performer	Stock is expected to perform in line with the sector during the next 12-18 months.
SU	Sector Underperformer	Stock is expected to underperform the sector during the next 12-18 months.
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R	Restricted	CIBC World Markets is restricted*** from rating the stock.
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O	Overweight	Sector is expected to outperform the broader market averages.
M	Market Weight	Sector is expected to equal the performance of the broader market averages.
U	Underweight	Sector is expected to underperform the broader market averages.
NA	None	Sector rating is not applicable.

\*\*Broader market averages refer to the S&P 500 in the U.S. and the S&P/TSX Composite in Canada.

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