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FORECAST

Stocks that will lead the market higher

By Carlyle Dunbar

If the stock market rises through the coming seasonally favorable months, where is the leadership going to come from? On Wall Street, the answer seems clear: utilities and telecommunications. In Canada, the probabilities are not that clear-cut. Yes, utilities and telecoms are strengthening, but materials (thank you, gold!) and consumer stocks are also possible leaders.

Strength in utilities is a relief for me, because at the beginning of the year my forecast included utilities as a likely surprise winner in both markets this year. Mind you, they are smallish sectors in both the U.S. and Canadian market indexes — seven per cent on Wall Street, six per cent in Canada.

But utilities are not as small as the health-care sector in Canada — it is a mere half of one per cent of the S&P/TSX composite index. Still, health care leads the parade. There are only four stocks in the TSX index, plus three more in the TSX's subsidiary indexes. Not much variety, and a group that may run out of steam quickly.

On the negative side, you can delete energy from possible leader-

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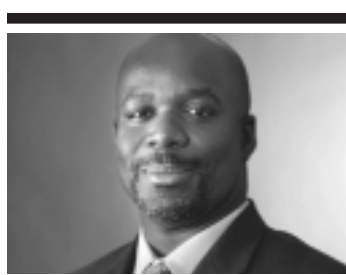
Why now is a good time to buy one of Canada's oldest real estate investment trusts and why it must expand into U.S. properties

RioCan REIT — how the biggest just gets better

RioCan Real Estate Investment Trust (REI.UN-TSX, \$22.84) is one of the oldest REITs in Canada and with an enterprise value of approximately \$8.5 billion, it is the largest. RioCan has interests in over 250 predominantly retail properties in Canada and the U.S., concentrated in the "Big Six markets" of Vancouver, Calgary, Edmonton, Toronto, Ottawa and Montreal. The majority of these properties are power centres, shopping centres and/or regional malls. RioCan is still run by founder, Ed Sonshine. In the interests of full disclosure I should mention that the Sentry Investments owns quite a bit of RioCan.

The last five years have been very eventful for Canadian REITs and even more so for RioCan. On Oct. 31, 2006, the Department of Finance unleashed the Tax Fairness Plan on Canadians, which strove to "level the playing field" between corporations and publicly traded trusts by taxing the latter like the former, beginning in 2011. REITs, as the globally recognized structure for owning publicly traded real estate, were largely spared this treatment, provided they ultimately met several criteria.

For RioCan, the biggest hurdle was the "passive income" test. It's clear that the DOF wished for REITs



DENNIS MITCHELL

to become very passive, flow-through vehicles and not to engage in active business activities. RioCan's business includes three activities that put it offside in qualifying as a REIT — providing mezzanine financing to developers, managing assets it does not own and selling completed assets or interests in assets under development.

All three activities constitute "active business income" and the fact that more than five per cent of RioCan's revenue has historically come from these sources means it does not automatically qualify as a REIT. Fortunately, the solution to this situation is simply to stop — either do less or none of these things. We feel confident that by 2011 Rio-

Can should qualify as a REIT.

Next came RioCan's long-telegraphed entry into the U.S. In 2007 RioCan had announced that it was exploring a transaction with Ramco-Gershenson Properties Trust. Considering the timing, Ramco's asset quality and locations (horrible, weak and challenged, respectively), the subsequent decision *not* to go ahead with this transaction constitutes one of the best capital preservation decisions in the history of Canadian business. However, RioCan had also served notice that it fully intended to enter the U.S. market.

In September of 2009, RioCan announced that it was entering into a joint venture with Cedar Shopping Centers Inc. The JV saw Cedar initially contribute seven assets in which it would retain a 20 per cent interest, while RioCan contributed capital to fund an 80 per cent interest in the assets and the JV. RioCan also took an approximate 12 per cent interest in Cedar through a private placement and has retained that equity ownership level on a subsequent capital raise by Cedar.

Now Cedar is not the strongest shopping centre REIT in the U.S., but its assets are generally unchallenged in their markets. The theory is that

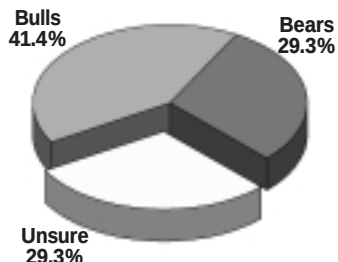
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EDITOR'S NOTES

In our Sept. 10 issue, Sunil Vidyarthi advised investors to put their money only in good dividend-paying stocks. In this issue, he provides an update to his conservative, safe strategy. What prompts the update? Realization that this strategy has really caught on with most investors and the outlook for interest rates. Sunil expects rates will be forced higher by emerging markets to curb their "out-of-control growth." He recommends investors prepare to buy big U.S. players that will cater to that growth. See his short article on page 345 on how best to deploy this strategy.

And while on the subject of strategies, we can hardly wait to see market timer extraordinaire Keith Richards's next article, due in our next issue. If you have been following him, you know he correctly predicted the market's spring peak and advised readers to reduce their exposure to equities. After a summer rally, he said the market would collapse in the fall, giving investors a great buying opportunity. So far so good, except the market has shown little inclination to stay with the plan — the falling in the fall part. Normally a dreadful month for stocks, September, 22 days in, has been anything but. The summer rally continues, and so does the suspense. Will the market fall off a cliff yet, or will it keep chugging along? Be sure to catch Keith's update.

THE SENTIMENT PIE



Bullish sentiment among about 130 independent advisories has jumped to 41.4% from 33.3% in late September, while bears are down to 29.3% from 32.2%. The percentage looking for a correction is down to 29.3% from 34.5%. The sentiment pie is a contrary indicator, based on the assumption that most advisers are followers rather than leaders. The more bulls counted the more likely the market is to decline. Source: *Investor's Intelligence*

ANALYTICAL INVESTING

Outperforming, underowned, will gold fly?

By David Chapman

The gold standard was once referred to as a "barbarous relic" by John Maynard Keynes, the "guru" of many economists. In the Canadian Investment Manager course, gold as an investment is barely mentioned. Yet according to a study by Wainwright Economics, a seven to 15 per cent allocation of gold to a portfolio can pay dividends due to its low correlation to other asset classes. According to the World Gold Council, gold has a volatility over the past 10 years of 15.8 per cent, versus 41 per cent for oil and 18.4 per cent for the S&P 500.

Gold is grossly under-represented in Canadian (and American) mutual- and pension-fund portfolios. It is estimated that the total value of the world's stock and bond markets is roughly US\$170 trillion. Global GDP is estimated at US\$61 trillion. At US\$1,250 an

ounce, the value of all the gold in the world above the ground is estimated to be US\$6 trillion. All the gold stocks in the world have a market cap of roughly US\$260 billion, which is somewhat smaller than **Exxon Mobil** (XOM-NYSE, \$61.38), the world's largest company by market capitalization.

If just one per cent of the US\$170 trillion of bonds and stocks outstanding were shifted into gold, the \$1.7 trillion could cause an explosion in the price of gold as there are insufficient gold stocks to handle even a small shift.

The rising price of gold reflects continuing mismanagement of the world's fiscal, monetary and currency systems. For years, central banks and government treasuries — particularly in the U.S., Europe and Japan — have assured us that their paper currencies and fractional reserve banking systems can protect us and keep the world's economies growing. For decades,

global growth has been built on a bed of debt. But today, the world's economies are sinking into a morass of debt collapse. Years of speculation and over-indebtedness have caught up to us, and only a prolonged recession or a depression will wipe out the excesses of the past 40 years.

There have been calls for a new world currency, especially from the BRIC nations of Brazil, Russia, India and China. This challenges the supremacy of the U.S. dollar as the

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Why RioCan had to expand to the U.S.

Continued from front page

while the markets may not benefit from rapid population growth or high population density, the people in those markets still need to eat and fill their prescriptions. The markets tend to be overlooked by the larger U.S. competitors, allowing Cedar to dominate in these smaller markets. The trade-off is long-term stability and resiliency at the loss of greater cash-flow growth.

Subsequently, RioCan has announced a similar JV with Inland Western Retail Real Estate Trust Inc. and purchased assets from Pennsylvania Real Estate Investment Trust. The JV with Cedar has also purchased another five assets. All told, RioCan now has interests in 29 U.S. retail properties in seven states, with initial clusters in Pennsylvania and Texas.

Pennsylvania is a surprisingly rural state, with two large city centres. As a result, many of RioCan's assets in the state are located in areas with low population density. This was our main concern with RioCan's Pennsylvania assets, however, they were generally good quality, newer assets with long lease terms. The trade-off for the density is little to no competition from other retail assets and owners. Tenants are stable and unspectacular but occupancy is high and very resilient, even during the recent downturn.

Houston is a very entrepreneurial city with almost no zoning limits. The result is miles and miles of national, regional, local and mom-and-pop retail sites and stores that at times seem to go on forever. Population density is not an issue, but the sheer volume of competition is a little scary. RioCan appears to have done a good job selecting well located, well leased assets, but over time, the question will be what kind of rent growth will be realized, given the low barriers to entry.

Our overall assessment of the U.S. assets is that RioCan purchased stable, long-term cash flows with a low cost of capital. Since RioCan has no local market experience or leverage with these tenants, the big risk is leasing. RioCan has mitigated this risk by allowing its JV partners and vendors to retain management of the assets. We expect RioCan to eventually build out a platform and attract some capable people to this team. Most of its peers are still regrouping from the recession and talented people will be attracted to a growing, dynamic platform.

Questions

A number of people have questioned RioCan's ability to source properties and compete in the U.S. Again, most of RioCan's natural competitors in the U.S. are still recovering from the recession. They are still trying to recover occupancy and, in some cases, still need to source capital to replace maturing debt or JV-partner equity. One of RioCan's stronger competitors in the U.S. is actually in the process of deleveraging from eight times Debt/EBITDA to six times. Deleveraging on that scale is generally not compatible with seeking out and paying for quality assets.

Right now, RioCan has a strong

currency to make accretive acquisitions and a balance sheet that allows it to bulk up quickly. If one assumes that the U.S. economy is going to experience a long, slow, uneven recovery, then RioCan should have a few years to build quality scale in the U.S. Given its rapid pace of expansion so far, it's clear that RioCan's management realizes this and is moving quickly to take advantage of this window before it closes.

Now this discussion leads nicely into why RioCan is entering the U.S. RioCan has grown large enough that to maintain its growth rate, it must buy and/or develop large quantities of real estate. Canada no longer offers sufficient quality real-estate opportunities for RioCan to do so. The aborted Ramco transaction was the right move and subsequently the recession created a number of opportunities for RioCan to enter the U.S. Many investors point to a Standard & Poor's credit report as a catalyst, but clearly RioCan was interested in the U.S. before this report.

Credit rating

On March 10, S&P, which rates RioCan's unsecured debentures, issued a ratings report that downgraded their *outlook* for RioCan, from stable to negative. The report was perceived by many investors, as a sign that RioCan would be forced to cut its distribution or S&P would cut its credit rating below investment grade. This would immediately cause a spike in RioCan's cost of capital and derail the acquisition express. But the report actually said that RioCan's credit rating was *affirmed*, and that as long as distributions were covered by funds from operations (FFO) and debt-service coverage (DSC) *approached* 2.0 times (RioCan's long-term average) by Q4 of 2010, RioCan's credit rating would be *maintained*. The report itself, is actually quite flattering to RioCan:

"Our ratings on Toronto-based RioCan continue to acknowledge the real estate investment trust's leading position in the Canadian retail real estate market, and the stability of its shopping centre portfolio relative to those of its U.S. peers. RioCan's occupancy remains high and the company's core cash flow has been steady."

The potential downgrade revolves around the fact that RioCan issued \$253 million in equity and \$330 million in debentures and had not yet fully deployed all of that capital. The resulting dilution brought both FFO coverage and DSC ratios down below historical levels. But exploring both of these metrics yields favorable findings about RioCan.

Most U.S. REITs utilize unsecured debentures in their capital structure instead of mortgages. The advantages are fewer and larger debt securities and maturities, and generally no principal payments. By utilizing mortgage financing, RioCan's debt profile is actually more conservative, as its mortgages require RioCan to pay the principal down as well. Now RioCan will almost certainly refinance the principal on maturity back up to 58 per cent and S&P acknowledges this:

"We estimate that the maturing mortgages are leveraged at an average of about 40 per cent loan-to-value (based on a weighted average capitalization rate of 8.5 per cent), and we expect the company will refinance them with new mortgage debt."

An 8.5 per cent cap was extremely conservative, as the market cap rate in March was likely closer to 7.5 per cent and now is probably closer to 7.0 per cent. That means that the loan-to-value on the assets is likely much less than 40 per cent and RioCan can source significant capital out of its portfolio just by refinancing these assets back to a 58 per cent loan-to-value ratio, with 4.5 per cent, five-year-mortgage debt. Deploying that capital into acquisitions at cap rates of 6.5 per cent, or better, generates significant FFO growth.

Looking at Q4 of 2009, RioCan's FFO declined by 25 per cent to \$65 million. Distributions of \$82 million yielded an FFO payout ratio of 125 per cent. The decline in FFO was a function of increased interest expense of \$15 million and a decrease in gains on sale of \$7 million. S&P correctly stated that the company's core cash flow was stable, as net operating income was flat at \$118 million. So with an under-levered balance sheet and \$156 million in cash, all S&P's report basically did was point out that RioCan needed to deploy its excess capital to close its distribution shortfall.

Distribution

The annualized distribution shortfall in Q4 of 2009 was \$65 million. But after factoring in the distribution-reinvestment plan, the actual cash-out-the-door shortfall was \$9 million. While RioCan will have to borrow to finance the shortfall, which is never ideal, its sheer size, asset quality, balance sheet and strategy should allow it to grow into the distribution some time in 2012.

If we look at RioCan's latest quarter, Q2 of 2010, we see that RioCan has largely met S&P's criteria to maintain its credit rating. Q2 FFO was \$93 million and distributions were \$84 million. Even stripping out gains on sales, FFO was \$86 million. Debt-service coverage was reported as 1.94 times (annualized) versus 1.75 times in Q1 and 1.88 times in Q2 of 2009.

The improvement and steady progress is a direct result of RioCan deploying its excess capital accretively into \$325 million of acquisitions, with \$352 million in acquisitions announced. Not to mention that over the last six months RioCan has leased up 827,000 square feet of previously vacant space (\$13 million of NOI) and renewed 1.9 million square feet at an average 10 per cent increase in net rents (\$2.7 million of NOI).

In early August, RioCan disclosed an acquisition pipeline of \$500 million and then promptly acquired two Wal-Mart-anchored centres in Canada at a 6.7 per cent cap rate and five more U.S. centres at a 7.9 per cent cap rate. RioCan's cost of capital is about 5.3 per cent (58 per cent long-term loan-to-value ratio, 6.5 per cent AFFO yield on last deal and 4.5 per cent cost of debt), making these acquisitions

very accretive and causing most Canadian analysts to raise their target price. If RioCan continues to deploy capital on these terms and continues to lease up and renew its existing assets at positive spreads, then eventually it will grow into its distribution. In the meantime, look for S&P to raise its outlook back to stable in early 2011 and for the stock to react favorably.

Dennis Mitchell, CFA, is the lead manager of the Sentry REIT Fund, which has \$550 million in assets

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Stocks, sectors that will lead the fall rally

Continued from front page

ship. The sector in both the U.S. and Canada is starting to fall behind the market.

To cut potential leadership slices a little finer, in Canada the pharmaceutical/biological group and autos are currently the strongest "industry groups."

In the consumer durables sector, relative strength of consumer durables/apparel and hotels/restaurants/leisure is improving. In the financial sector, real estate is strong. The final group to note is transport.

On Wall Street, among the largest industries in Standard and Poor's 500 composite index, those with the greatest improvement in relative strength are electric utilities, multi-utilities and integrated telecom services.

Relative strength

Other major U.S. industries showing strong improvement in relative performance are restaurants, cable and satellite services, soft drinks, railways and air freight.

Why my emphasis on improved relative strength? Because a stock or group with superior or rising relative strength is likely to continue to provide superior results for investors. Expected time frame for superior results from the industries and sectors named above: about six months.

As for the broad market indexes, the barrier to an extended rise in Canada is the 12,000 level on the TSX composite index. This price



Carlyle Dunbar

range was an obstacle in the market's rise in 2005-06 and supported the market at the 2007-08 highs. The index started the new business year in September near 11,900.

The U.S. picture is similar, with the 1200 level of the S&P 500 composite index offering overhead resistance based partly on its 2006 lows.

These barriers might be pierced quickly if the market still had rising price momentum. There was great momentum in the rise from the lows of early 2009 — the S&P 500 gained 50 per cent in the 12 months ended February, and the TSX composite gained 42 per cent in the same period. Now that momentum is waning, just as the momentum of earnings is slackening.

Strong showing of Canada's minuscule health-care sector hides a variety of reasons why:

- **Biovail Corp.** (BVF-TSX, \$27.46) is the biggie in health care, rising because of its forthcoming merger with **Valeant Pharmaceuticals** (VRX-NYSE, \$64.60). Valeant will be the surviving corporation, retaining Biovail's corporate structure. In 2009, each firm had about \$830 million in revenue.

- **MDS Inc.** (MDS-TSX, \$10.50) is a shell of its original self, and will change its name to Nordion Inc. to reflect the new focus on medical imaging. A \$450 million share buy-back helped the stock. Shareholders equity has been cut by about two thirds, while long-term debt has been cut 82 per cent.

- **CML Healthcare Income Fund** (CLC.UN-TSX \$11.20) has

rallied after sliding from above \$14 this year. The income trust will convert to a corporation, in advance of the end of the favored tax status of income trusts. CML says its annual dividend as a corporation will be \$0.7548 per share, or 30 per cent below the current distribution rate.

- **SXC Health Solutions** (SXC-TSX, \$39.63) is a U.S. drug-benefits manager and health-care information technology provider, rated one of the U.S.'s fastest growing companies. It is dual listed in New York and Toronto. SXC planning a two-for-one stock split, the shares having risen eight times since 2005 (when it was known as Systems Excellence).

Given the uncertainties about U.S. business prospects as a result of the Obama administration's deluge of taxes (Ben Bernanke, the Fed head, says the economic outlook is "unusually uncertain"), investor movement into utilities and telecom stocks is understandable. Big first-half earnings gains by **BCE** (BCE-TSX, \$33.46) and **Rogers Communications** (RCI.B-TSX, \$38.46) add to the encouragement.

Meantime, there is one solidly

bullish sector — gold.

Junior exploration mining and oil stocks proliferate like fruit flies, and they have a life expectancy not much longer. So it is unusual — that's an understatement — to find a penny stock celebrating its 100th birthday this fall. **Moneta Porcupine Mines** (ME-TSX, \$0.21) is the company. In the 1938-42 it was a producer, located almost in downtown Timmins, Ont. The company paid \$1.5 million in dividends then — or about \$20 million in today's money. The company's market capitalization now is only \$27 million.

Active for a century

Unsurprisingly, for a company active in the area for a century, Moneta has built up a land position over 10 per cent of the Porcupine-Destor fault zone between Timmins and the Quebec boundary. Moneta's current focus is about 90 kilometres east, down Highway 101 on a 10,000-hectare spread it calls Golden Highway. Recent drilling in the spread's Windjammer South area has indicated a new gold vein zone about 500 metres below the

mineralization originally outlined by Barrick Gold. This contains an estimated 517,000 ounces of gold, indicated and inferred.

Moneta's neighbors in that area include producers **St. Andrews Goldfields** (SAS-TSX, \$1.64) and **Brigus Gold** (BRD-TSX, \$1.47), recently formed by merger of Apollo Gold and Linear Gold.

The Timmins-Porcupine area has been the country's largest gold producing camp. Mining companies have zoomed in on the area like so many mosquitoes at a summer camp. I have counted 16 exploring in the area. That's excluding Moneta, Lake Shore Gold (with its West Timmins discovery) and Goldcorp, the big operator in the area. And I have surely missed some names.

The extreme west end of the 250-kilometre-long Abitibi greenstone belt has attracted the greatest interest. The Porcupine-Destor fault, which runs through the Abitibi greenstone, is the axis on which most gold discoveries have been made. And it pushes well west of Timmins. Companies of immediate interest there include **Melkior Resources** (MKR-TSX/VEN, \$0.21), **Metals Creek Resources** (MEK-TSX/VEN, \$0.13), **Lategra Gold** (LRG-TSX/VEN, \$0.41), **Explor Resources** (EXS-TSX/VEN, \$0.58), **VG Gold** (VG-TSX, \$0.42) and **Claim Post Resources** (CPS-TSX/VEN, \$0.15).

Lake Shore (a stock I own) is one of the 10 stocks in this column's model all-Canadian gold portfolio by virtue of its big discovery. The nearby table updates data on the 10 stocks.

	TSX ticker	Market cap (million)	Recent price	Year to date change %
Detour Gold Corp.	DGC	\$2,554	\$30.96	73
Kirkland Lake Gold	KGI	\$555	\$8.20	-8
Lake Shore Gold	LSG	\$1,392	\$3.70	-10
PC Gold	PKL	\$64	\$1.16	81
Premier Gold	PG	\$584	\$5.70	36
Queenston Mining	QMI	\$287	\$4.21	-24
Rubicon Minerals	RMX	\$882	\$4.13	-17
San Gold	SGR-v	\$1,066	\$3.55	-3
Virginia Mines	VGQ	\$219	\$7.24	39
Wesdome Gold	WDO	\$269	\$2.67	16

Outperforming, underowned, gold could fly

Continued from front page

world's reserve currency. The U.S. now has debt nearly equal to its GDP and a budget deficit in excess of 10 per cent of GDP. Central banks holding U.S. Treasury securities in their reserves are nervous

about the declining value of the dollar and the resultant erosion of the value of their reserves. Many, including China, India and Russia, have increased their holdings of gold, and a survey by the Swiss banking giant UBS cited gold as being the best performing asset that many central banks can own.



David Chapman

For the year to Aug. 31, gold was up 31 per cent versus a gain of 2.8 per cent for the S&P 500 and 12.8 per cent for 30-year U.S. Treasuries (plus a six per cent coupon). Over the past decade, gold is up 446 per cent versus a loss of 30.9 per cent for the S&P 500 and a gain of 35.9 per cent for 30-year U.S. Treasuries (plus the coupon). Yet gold remains grossly underowned in portfolios.

Gold has a low correlation to other assets. According to a study by the World Gold Council, the average correlation of gold to government and corporate bonds, world equities

and REITs ranged from 10 to 30 per cent. The correlation of gold to the S&P Goldman Sachs commodity index (GSCI), a production-weighted benchmark index, was 31 per cent, although the range was from 10 per cent to almost 50. Silver had the strongest correlation to gold. The best correlation is with the U.S. dollar at 60 per cent.

Years of speculation and overindebtedness have caught up to us, and only a prolonged recession or depression will wipe out the excesses of the past 40 years.

Gold's lack of correlation with other assets shows up in its fundamentals of demand and supply. Two-thirds of the demand (68 per cent) comes from consumption of goods (primarily jewelry from India and other Asian countries), with 20 per cent as investment demand and the remaining 12 per cent coming from industrial use.

On the supply side, only 60 per cent comes from mine production, which has been in decline over the past several years. Of the rest, 28 per cent comes from recycling and 12 per cent from official-sector sales. But as with mine production,

the official sector (primarily central banks) has been in decline. More recently central banks have become buyers rather than sellers.

Given gold's performance over the past decade, its low correlation to other assets and volatility lower than other assets, its absence in money-managers' portfolios is baffling. Perhaps the scant attention it is given in courses on portfolio management is a factor?

Products offering gold as an investment have become quite numerous as the price of gold has risen. Ten years ago, the only available product to investors was **Central Fund of Canada** (CEF.A-TSX, \$16.67), a closed-end fund investing in gold and silver and a small portion in quality gold stocks. Yet CEF.A can trade at premiums or discounts to its net asset value, depending on whether it is a rising or falling market. That is because, as a closed-end fund trading on the stock market, it is limited by its outstanding shares.

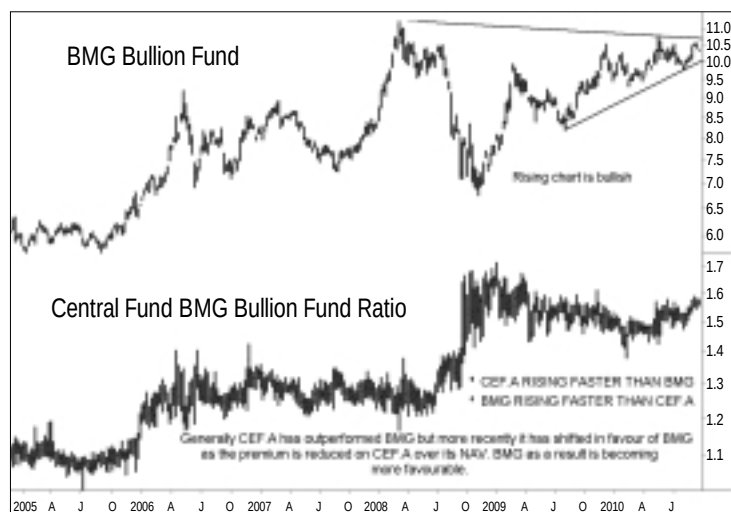
In 2002, Bullion Management Group introduced the **BMG BullionFund** (formerly the Millennium BullionFund), an open-ended mutual fund investing in gold, silver and platinum. There is also the **BMG Gold BullionFund**. The BMG funds always trade at NAV and when investors buy the fund they are buying the bullion, as opposed to a closed-end fund where you are

buying a piece of paper (stock) that happens to own bullion. The BMG funds deal directly into the bullion market, which is one of the largest markets in the world. (Note: I am a director of Bullion Management Group, the manager of the BMG funds.)

Over the years, we have seen the arrival of numerous exchange-traded funds and a few other closed-end funds that all trade based on the price of gold or silver. Some hold gold and silver while others are derivative-based. All are stocks trading on an exchange and all are limited by their number of shares outstanding. They can trade at premiums and discounts to their NAV. Some ETFs are aimed more at traders than investors, such as the Horizon Beta Pro funds which are leveraged to the market through the use of derivatives. Others such as the Claymore and Sprott funds do hold bullion. (Note: Horizon Beta Pro is a related company to MGI Securities.)

But despite a proliferation of bullion products in recent years, gold (as well as silver) remains grossly underowned, despite its clear outperformance. To many, gold is still a barbarous relic.

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MORNING CALL

BUY, SELL AND HOLD ADVICE, PLUS EARNINGS ESTIMATES, ON MORE THAN 1,000 CANADIAN COMPANIES

INSIDE TRACK

PHILLIP FINE

Walk down 13th Ave., the main drag of Borough Park, a bustling enclave of Orthodox Jewry in Brooklyn, New York City.

Stop at 46th St. and look around you. No, you aren't dreaming. That is the TD logo. And that is a branch of the **Toronto-Dominion Bank** (TD-TSX, \$74.36).

Yes, here in the heart of one of the most densely populated Chassidic Jewish communities in the world, you'll find an outpost of Canadian finance, the result of TD's purchase over the last few years of two mid-sized American banks.

Nor is Toronto-Dominion in the U.S. limited to the sidewalks of New York.

The Green Machine now boasts 1,100 retail branches from Maine down through the mid-Atlantic states to Washington, D.C. and Florida.

Toronto-Dominion is also well represented in the "I-need-money-right-away" column, with 2,700 automated teller machines in the U.S.

TD, not surprisingly, is a big player on its home turf as well, with more than 1,100 branches across Canada.

The company, like other big banks, also boasts a broad footprint in retail brokerage, wealth management, foreign exchange and investment banking.

Our analysts cashed in on TD this month. Of the 10 we polled, nine rated it a buy and only one, a hold, giving TD sixth place in our list of top-10 buys.

Of course, not every analyst out there is sold on TD.

For example, Peter Rozenberg, a Toronto-based analyst with UBS Investment Research, is keeping Toronto-Dominion pegged at "neutral."

He's also sticking with his 12-month price target of \$79, while cutting his net earnings estimate by one per cent.

For its third quarter, TD coined net income of \$1.43 a share — \$0.04 below Mr. Rozenberg's estimate, as well as \$0.01 below the consensus call.

The poorer showing reflects lower wholesale revenue, along with higher corporate segment expenses, says the analyst.

But he does note that TD's personal and commercial lines remained strong, rising 24 per cent, while at \$339 million, its provision for credit losses was down 31 per cent year over year.

STRONGEST RECOMMENDATIONS THIS MONTH

Mining heavyweight seeks to meet demand for gold

Our analysts also coin a 'buy' for Toronto-Dominion Bank

Take heed, you jewellers, scaredy-cat investors, central bankers and all you others who now lust for gold. Peter Munk is riding to the rescue.

Mr. Munk is founder, chairman and guiding light of **Barrick Gold Corp.** (ABX-TSX, \$48.43), the biggest producer of the lustrous yellow metal in the world.

And his company recently announced it will produce nine million ounces of gold over the next five years.

Indeed, Barrick is expecting production growth from three mines it's now developing: Pueblo Viejo in the Dominican Republic, Cerro Casale in Chile and Pascua Lama on the Chilean-Argentinian border.

Other Barrick properties, such as Goldstrike and Cortez Hills, both in Nevada, could also buoy Barrick's output, notes Brian MacArthur, a Toronto-based analyst with UBS Investment Research.

Mr. MacArthur notes that Barrick's target isn't the biggest in gold mining in terms of percentage. But he admits it's a meaningful number for a company of Barrick's size.

Not surprisingly, he's keeping Barrick pegged at "buy," while boosting his 12-month price target to US\$60 from US\$57.

He's also boosting his estimate of Barrick's net asset value to US\$46.09 from \$44.22 a share.

Our market watchers echoed Mr. MacArthur in his admiration for Barrick this month.

Of the 10 other folks we surveyed, seven rated it a buy; two, a buy/hold; and only one a hold, lofting the company into fourth place in our list of top-10 stocks to own.

Meanwhile, Barrick continues to do well, having dug up second-quarter net earnings of US\$783 million, or \$0.77 a share — a year-over-year jump of 59.1 per cent.

Sales were also higher, jumping 30 per cent to \$2.6 billion, while adjusted net income rose 76.1 per cent to \$759 million.

For the six months ended June 30, Barrick's net income grew to US\$1.5 billion, or \$1.52 a share, from \$863 million, or \$0.84 a share, for the similar period in 2009.

Sales were up as well, climbing 40.5 per cent to \$5.2 billion, while adjusted net income more than doubled to \$1.5 billion.

Besides churning out eight million ounces of gold yearly, Barrick is a player in other metals markets, with six billion pounds of copper deposits to its name.

The company leapt to the top of the gold-mining heap — ahead of Newmont Mining and AngloGold Ashanti — after swallowing Placer Dome, a Canadian rival, in 2006.

Although a global player with operations in both Australia and Africa, as well as in South and Central America, Barrick sources one-third of its total production in Canada and the United States.

Barrick wasn't the only precious metal play this month that caught the attention of our analysts.

They also stopped to look at **Yamana Gold Inc.** (YRI-TSX, \$11.42), a senior producer based in Toronto.

Of the 13 folks we polled, 10 rated the company a buy and only three, a hold, lofting Yamana into no. 2 position in our list of must-have stocks.

And Yamana is raking in the cash, having heaped up second-quarter net income of US\$90.8 million, or \$0.12 a share — a YOY jump of 845.8 per cent!

Sales were also higher, rising 48.5 per cent to \$351.4 million, while operating earnings jumped 71.8 per cent to US\$100.5 million.

For the six months ended June 30, Yamana's net income rose to US\$170.3 million, or \$0.23 a share, from \$95.6 million, or \$0.13 a share, for the similar period in 2009.

Revenue, too, presented a brighter picture, jumping to \$697.7 million from \$450.3 million, while operating earnings grew to \$195.9 million from \$103 million.

But sales costs, as might be expected, increased, deepening to minus \$280.8 million from minus \$206.8 million.

Depletion, depreciation and amortization also grew — to minus \$138.2 million from minus \$95.8 million.

With roughly 19 million ounces of proved and probable gold reserves, Yamana produces nearly one million ounces of the yellow metal every year.

The company, whose mines are located in Argentina, Brazil and Chile, also produces both copper and silver.

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LEADING EDGE

"If writers were such good businessmen, they'd have too much sense to be writers."

— **Irwin S. Cobb**



"The gambling known as business looks with austere disfavor upon the business known as gambling."

— **Ambrose Bierce**

WHAT'S HOT, WHAT'S NOT

Based on our buy, sell, hold advice for more than 1,000 Canadian companies, the stocks on the left have gained the most 'buy' recommendations. Those on the right are less favored.

TIME TO BUY

Company	Sym.	# Analysts	Buy	Hold	Hold	Sell	Sell
Cdn. Natural Resources Ltd.	CNQ	12	11	0	1	0	0
Yamana Gold Inc.*	YRI	13	10	0	3	0	0
Talisman Energy Inc.	TLM	12	10	0	2	0	0
Barrick Gold Corp.*	ABX	11	8	2	1	0	0
Suncor Energy Inc.	SU	11	9	0	2	0	0
Toronto-Dominion Bank	TD	10	9	0	1	0	0
Arc Energy Trust	AET.UN	10	9	0	1	0	0
Goldcorp Inc.*	G	12	7	2	3	0	0
Cenovus Energy Inc.*	CVE	12	8	0	4	0	0
Gran Tierra Energy Inc.*	GTE	12	7	2	3	0	0

TIME TO SELL

Company	Sym.	# Analysts	Buy	Hold	Hold	Sell	Sell
Arise Technologies Corp.	APV	4	0	0	1	1	2
Timminco Ltd.	TIM	3	0	0	0	2	1
Royal Host REIT	RYL.UN	3	0	0	0	2	1
Gabriel Resources Ltd.	GBU	3	0	0	0	3	0
Westport Innovations Inc.	WPT	5	0	0	2	2	1
Gaz Metro L.P.	GZM.UN	5	0	0	2	3	0
Kingsway Financial Services	KFS	2	0	0	0	2	0
Husky Energy Inc.	HSE	8	0	0	5	2	1
St Andrew Goldfields Ltd.	SAS	1	0	0	0	0	1
Whitemud Resources Inc.	WMK	1	0	0	0	0	1

BUY, SELL, HOLD ADVICE — PLUS EARNINGS ESTIMATES
FOR APPROXIMATELY 1,000 CANADIAN COMPANIES

BUY, SELL, HOLD ADVICE — PLUS EARNINGS ESTIMATES
FOR APPROXIMATELY 1,000 CANADIAN COMPANIES

CANADIAN COMPANIES: Earnings per share

Company	Sym.	Fiscal Year-end	Recommendations						Consensus Estimates		
			# Analysts	Buy	Buy Hold	Hold	Hold Sell	Sell	Latest EPS	Current Year	Next Year
20-20 Technologies Inc.*	TWT	Oct.2010	2	1	-	1	-	-	0.14	0.18	0.27
5N Plus Inc.	VNP	May.2011	8	4	3	1	-	-	0.32	0.40	-
Aastra Technologies Ltd.	AAH	Dec.2010	3	2	-	1	-	-	3.20	2.63	3.44
Absolute Software Corp.	ABT	Jun.2011	7	2	1	3	1	-	-0.18	-0.01	-
Acadian Timber Corp.	ADN	Dec.2010	3	1	-	2	-	-	0.30	0.47	0.50
Ace Aviation Holdings Inc.	ACE.A	Dec.2010	2	-	-	2	-	-	-19.56	-	-
Active Control Tech. Inc.	ACT	Jul.2010	1	-	1	-	-	-	-0.04	-	-
ADF Group Inc.	DRX	Jan.2011	3	2	1	-	-	-	0.19	0.25	0.35
Aecon Group Inc.	ARE	Dec.2010	3	2	1	-	-	-	0.80	0.80	1.22
Aerquest Int'l. Ltd.	AQL	Sep.2010	1	1	-	-	-	-	-0.31	-0.22	0.10
Aeterna Zentaris Inc.*	AEZ	Dec.2010	4	2	1	1	-	-	-0.43	-0.37	-
Ag Growth Int'l Inc.	AFN	Dec.2010	4	3	-	1	-	-	3.45	2.45	3.05
AGF Management Ltd.	AGF.B	Nov.2010	4	-	-	3	1	-	1.09	1.36	1.57
Agnico-Eagle Mines Ltd.*	AEM	Dec.2010	12	5	3	4	-	-	0.55	1.74	2.32
Agrium Inc.*	AGU	Dec.2010	8	6	-	2	-	-	2.33	4.31	5.57
Ainsworth Lumber Co. Ltd.	ANS	Dec.2010	1	-	-	-	1	-	-0.22	-0.55	-0.62
Air Canada	AC.A	Dec.2010	8	5	-	3	-	-	-0.18	-0.62	0.33
Akita Drilling Ltd.	AKT.A	Dec.2010	1	-	-	1	-	-	0.46	0.28	0.49
Alamos Gold Inc.*	AGI	Dec.2010	11	6	2	3	-	-	0.52	0.67	0.88
Alaris Royalty Corp.	AD	Dec.2010	2	1	-	1	-	-	1.83	0.78	0.85
AlarmForce Industries Inc.	AF	Oct.2010	1	1	-	-	-	-	0.31	0.39	0.44
Alexco Resource Corp.	AXR	Jun.2010	2	-	2	-	-	-	-0.24	-	-
Algonquin Power & Utilities Corp.	AQN	Dec.2010	6	3	-	2	1	-	0.39	0.25	0.35
Alimentation Couche-Tard Inc.*	ATD.B	Apr.2011	7	5	-	2	-	-	1.29	1.69	1.90
Allana Potash Corp.	AAA	Jul.2010	2	1	1	-	-	-	-0.02	-	-
Alliance Grain Traders Inc.	AGT	Dec.2010	3	3	-	-	-	-	2.74	2.50	3.42
Allied Nevada Gold Corp.*	ANV	Dec.2010	4	2	-	2	-	-	0.13	0.39	0.52
Allon Therapeutics Inc.	NPC	Dec.2010	3	1	1	1	-	-	-0.09	-0.10	-0.10
Alter Nrg Corp.	NRG	Dec.2010	3	1	1	1	-	-	-0.34	-0.17	0.06
Altius Minerals Corp.	ALS	Apr.2011	1	-	-	-	-	-	0.97	-0.03	-
Amerigo Resources Ltd.*	ARG	Dec.2010	1	-	-	1	-	-	0.00	-	-
Amica Mature Lifestyles Inc.	ACC	May.2011	2	1	1	-	-	-	-0.25	-	-
Anatolia Minerals Development*	ANO	Dec.2010	5	3	-	2	-	-	-0.28	-0.22	0.29
Andean Resources Ltd.*	AND	Jun.2010	4	2	-	2	-	-	-1.58	-0.02	-0.01
Andina Minerals Inc.*	ADM	Dec.2010	3	-	-	3	-	-	-0.02	-	-
Angiotech Pharmaceuticals*	ANP	Dec.2010	2	-	-	1	-	-	-0.27	-0.01	-
Anooraq Resources Corp.	ARQ	Dec.2010	2	2	-	-	1	-	-0.12	-0.07	-
Antares Minerals Inc.	ANM	Jan.2011	3	3	-	-	-	-	-0.06	-0.20	-0.14
Antioquia Gold Inc.	AGD	Mar. 2011	1	-	1	-	-	-	-0.02	-	-
Anvil Mining Ltd.*	AVM	Dec.2010	3	3	-	-	-	-	-0.22	-0.15	0.94
Aptilon Corp.	APZ	Dec.2010	1	-	1	-	-	-	-0.02	-0.03	-
Aquila Resources Inc.	AQA	Dec.2010	1	-	1	-	-	-	-0.01	-	-
Arise Technologies Corp.	APV	Dec.2010	4	-	-	1	1	2	-0.32	-0.07	-
Asia Bio-Chem Group Corp.	ABC	Dec.2010	3	3	-	-	-	-	0.03	0.22	0.29
Astral Media Inc.	ACM.A	Aug.2010	5	3	-	2	-	-	-2.82	3.04	3.24
Atco Ltd.	ACO.X	Dec.2010	1	-	-	1	-	-	4.89	4.75	-
Athabasca Potash Inc.	API	Dec.2010	4	-	1	3	-	-	-0.30	-0.38	-
Atlantic Power Corp.*	ATP	Dec.2010	4	-	-	2	2	-	1.09	0.85	0.96
Atrium Innovations Inc.*	ATB	Dec.2010	4	4	-	-	-	-	1.47	1.65	1.84
ATS Automation	ATA	Mar.2011	5	4	-	1	-	-	0.35	0.44	0.61
AuEx Ventures Inc.*	XAU	Jun.2010	1	1	-	-	-	-	-0.26	-0.26	-0.24
Augusta Resource Corp.*	AZC	Dec.2010	3	1	2	-	-	-	-0.06	-	-
Aura Minerals Inc.	ORA	Dec.2010	5	4	1	-	-	-	-0.23	0.11	0.41
Aurizon Mines Ltd.	ARZ	Dec.2010	7	4	1	2	-	-	0.23	0.23	0.37
AutoCanada Inc.	ACQ	Dec.2010	1	1	-	-	-	-	0.63	0.60	-
Avanti Mining Inc.	AVT	Dec.2010	1	1	-	-	-	-	-	-	-
Avcorp Industries Inc.	AVP	Dec. 2010	1	-	-	-	-	-	-0.09	-0.04	-0.01
Avion Gold Corp.	AVR	Dec.2010	2	1	1	-	-	-	0.06	0.02	0.17
Axia NetMedia Corp.	AXX	Jun.2010	3	2	-	1	-	-	0.09	0.01	0.09
Azure Dynamics Corp.	AZD	Dec.2010	2	2	-	-	-	-	-0.07	-0.03	-0.02
B2Gold Corp.*	BTO	Dec.2010	3	2	1	-	-	-	-0.12	-	-
Baffinland Iron Mines Corp.	BIM	Dec.2010	3	-	1	2	-	-	0.00	-	-
Baja Mining Corp.	BAJ	Dec.2010	1	1	-	-	-	-	-0.06	-	-
Ballard Power Systems Inc.	BLD	Dec.2010	3	1	1	-	1	-	-0.47	-0.29	-0.15
Bank of Montreal	BMO	Oct.2010	10	4	-	6	-	-	3.08	4.71	5.15
Bank of Nova Scotia	BNS	Oct.2010	7	3	-	3	1	-	3.31	3.85	4.05
Bannerman Resources Ltd.	BAN	Jun.2010	2	-	-	2	-	-	-0.06	-	-
Barkerville Gold Mines Ltd.	BGM	Feb.2011	1	-	1	-	-	-	-0.30	-	-
Barrick Gold Corp.*	ABX	Dec.2010	11	8	2	1	-	-	-4.73	2.92	3.28
BCE Inc.	BCE	Dec.2010	9	4	1	3	1	-	2.11	2.73	2.87
Bear Creek Mining Corp.*	BCM	Dec.2010	3	1	-	2	-	-	-0.15	-0.10	-
Bennett Environmental Inc.	BEV	Dec.2010	2	-	2	-	-	-	0.55	0.36	0.34
BioExx Specialty Proteins Ltd.	BXI	Dec.2010	3	1	2	-	-	-	-0.06	-0.08	0.04
Bioteq Environmental Tech. Inc.	BQE	Dec.2010	2	-	1	1	-	-	-0.08	-	-
Biovail Corp.	BVF	Dec.2010	6	4	1	1	-	-	1.50	1.79	1.70
Biox Corp.	BX	Sep.2010	1	1	-	-	-	-	-	-	-
Black Diamond Group Ltd.	BDI	Dec.2010	4	3	-	1	-	-	1.54	1.11	1.41
BMTC Group Inc.	GBT.A	Dec.2010	1	-	-	1	-	-	2.45	2.79	2.89
Bombardier Inc.*	BBD.B	Jan.2011	10	7	-	2	1	-	0.39	0.37	0.41
Boralex Inc.	BLX	Dec.2010	7	6	-	1	-	-	0.65	0.66	0.89
Breakwater Resources Ltd.	BWR	Dec.2010	5	3	1	1	-	-	0.00	0.87	0.49
Bridgewater Systems Corp.	BWC	Dec.2010	5	5	-	-	-	-	0.44	0.52	0.58
Brookfield Asset Mgt. Inc.*	BAM.A	Dec.2010	5	5	-	-	-	-	0.71	-	-
Brookfield Properties Corp.	BPO	Dec.2010	7	6	-	1	-	-	0.72	1.31	1.19

Company	Sym.	Fiscal Year-end	Recommendations						Consensus Estimates		
			# Analysts	Buy	Buy Hold	Hold	Hold Sell	Sell	Latest EPS	Current Year	Next Year
Cabo Drilling Corp.	CBE	Jun.2010	1	-	1	-	-	-	-0.02	-0.03	0.01
Cadillac Ventures Inc.	CDC	May.2011	1	-	1	-	-	-	-0.06	-	-
Cae Inc.	CAE	Mar.2011	7	5	-	1	1	-	0.56	0.67	0.94
Calfrac Well Services Ltd.	CFW	Dec.2010	8	7	-	1	-	-	-0.14	0.71	1.57
Calian Technologies Ltd.	CTY	Sep.2010	1	1	-	-	-	-	2.11	-	-
Calmena Energy Services Inc.	CEZ	Dec.2010	3	2	1	-	-	-	-0.07	0.02	0.06
Cameco Corp.	CCO	Dec.2010	8	2	-	6	-	-	2.82	1.08	1.06
Canaccord Financial Inc.	CF	Mar.2011	1	-	-	1	-	-	0.69	0.66	0.96
Canaco Resources Inc.	CAN	Jun.2010	1	1	-	-	-	-	-0.05	-	-
Canada Bread Co. Ltd.	CBY	Dec.2010	1	1	-	-	-	-	3.05	3.47	-
Canada Fluorspar Inc.	CFI	Dec.2010	2	1	1	-	-	-	0.01	-	-
Canada Lithium Corp.	CLQ	Dec.2010	1	-	1	-	-	-	-	-	-
Cdn. Energy Services & Tech.	CEU	Dec.2010	3	2	-	1	-	-	0.66	1.44	1.86
Cdn. Imp. Bank of Commerce	CM	Oct.2010	9	3	-	6	-	-	2.65	6.33	6.86
Cdn. National Railway Co.	CNR	Dec.2010	10	3	2	5	-	-	3.92	3.89	4.51
Cdn. Pacific Railway Ltd.	CP	Dec.2010	10	6	1	2	-	1	3.67	3.52	4.33
Cdn. Satellite Radio Holdings*	XSR	Aug.2010	2	-	-	2	-	-	-0.84	-0.98	-
Cdn. Tire Corp. Ltd.	CTC.A	Dec.2010	9	4	-	4	1	-	4.10	4.60	5.21
Cdn. Utilities Ltd.	CU	Dec.2010	3	2	-	1	-	-	3.71	3.32	3.31
Cdn. Western Bank	CWB	Oct.2010	6	3	-	3	-	-	1.47	1.84	1.94
Canam Group Inc.	CAM	Dec.2010	5	1	1	3	-	-	0.44	0.54	0.56
Candente Copper Corp.*	DNT	Dec.2010	1	1	-	-	-	-	-0.02	-	-
CanElsion Drilling Inc.	CDI	Dec.2010	1	1	-	-	-	-	-0.01	0.10	0.19
Canfor Corp.	CFP	Dec.2010	5	3	-	1	1	-	-0.50	0.15	0.08
Cangene Corp.	CNJ	Jul.2010	2	2	-	-	-	-	0.86	0.69	-
Cantronic Systems Inc.	CTS	Jan.2011	1	-	1	-	-	-	-0.01	-	-
CanWel Building Materials Group Ltd.	CWX	Dec.2010	1	1	-	-	-	-	0.43	-	-
Canyon Services Group Inc.	FRC	Dec.2010	5	5	-	-	-	-	-0.42	0.28	0.47
Capital Gold Corp.	CGC	Jul.2010	1	1	-	-	-	-	0.05	0.23	0.41
Capital Power Corp.	CPX	Dec.2010	4	1	-	2	1	-	1.59	1.30	-
Capstone Mining Corp.*	CS	Dec.2010	5	2	1	2	-	-	-0.10	0.60	0.42
Cardiome Pharma Corp.	COM	Dec.2010	6	3	-	3	-	-	-0.02	0.32	-0.30
Caribbean Utilities Co. Ltd.*	CUP.U	Dec.2010	1	-	-	1	-	-	0.67	0.68	0.72
Carmanah Technologies Corp.	CMH	Dec.2010	3	2	-	1	-	-	-0.02	0.00	0.05
Carpathian Gold Inc.*	CPN	Dec.2010	1	-	1	-	-	-	-0.02	-	-
Cascades Inc.	CAS	Dec.2010	6	6	-	-	-	-	1.13	0.72	0.95
Catalyst Paper Corp.	CTL	Dec.2010	5	1	-	1	3	-	-0.01	-0.25	-0.16
Catch the Wind Inc.*	CTW	Dec.2010	3	2	1	-	-	-	-0.24	-0.25	-0.18
Cathay Forest Products Corp.	CFZ	Dec.2010	3	2	-	1	-	-	-0.03	0.07	0.09
Cathedral Energy Services Ltd.	CET	Dec.2010	5	4	-	1	-	-	0.15	0.56	0.72
CCL Industries Inc.	CCL.B	Dec.2010	1	1	-	-	-	-	1.74	2.12	2.56
Celestica Inc.*	CLS	Dec.2010	3	-	-	3	-	-	-3.41	0.89	0.96
Centamin Egypt Ltd.*	CEE	Jun.2011	4	3	-	1	-	-	0.01	0.13	-
Centerra Gold Inc.*	CG	Dec.2010	6	3	-	2	-	-	0.27	1.01	0.83
Cervus Equipment Corp.	CVL	Dec.2010	7	6	-	1	-	-	1.19	0.94	1.54
CGA Mining Ltd.*	CGA	Jun.2010	1	1	-	-	-	-	-0.05	0.13	0.33
CGI Group Inc.	GIB.A	Sep.2010	9	3	-	6	-	-	1.02	1.15	1.30
Changfeng Energy Inc.	CFY	Dec.2010	1	1	-	-	-	-	0.02	-	-
China Wind Power Int'l Corp.	CNW	Mar.2011	1	1	-	-	-	-	-0.10	-	-
Churchill Corp. The	CUQ	Dec.2010	3	2	1	-	-	-	1.98	1.99	2.15
CI Financial Corp.	CIX	Dec.2010	5	2	-	3	1	-	1.01	1.14	1.36
Claude Resources Inc.	CRJ	Dec.2010	3	2	-	1	-	-	-0.06	0.02	0.10
Clifton Star Resources Inc.	CFO	Jun.2010	1	1	-	-	-	-	-	-	-
Cline Mining Corp.	CMK	Nov.2010	1	-	1	-	-	-	-0.13	-0.08	0.04
Cluff Gold plc*	CFG	Dec.2010	1	-	-	1	-	-	-0.30	0.14	-
Coastal Contacts Inc.	COA	Oct.2010	1	1	-	-	-	-	0.05	0.09	0.12
Coeur d'Alene Mines Corp.*	CDM	Dec.2010	5	3	-	1	1	-	0.02	0.37	1.27
Cogeco Cable Inc.	CCA	Aug.2010	6	3	-	3	-	-	-5.29	2.19	2.77
Cogeco Inc.	CGO	Aug.2010	2	-	-	1	-	-	-4.69	2.44	2.46
Colabor Group Inc.	GCL	Dec.2010	4	1	1	2	-	-	1.06	0.95	1.10
Colossus Minerals Inc.	CSI	Jul.2010	2	1	1	-	-	-	-0.11	-	-
COM DEV Int'l. Ltd.	CDV	Oct.2010	3	1	-	2	-	-	0.21	0.27	0.41
Commercial Solutions Inc.	CSA	Sep.2010	1	-	-	-	1	-	-1.19	-	-
Computer Modelling Group	CMG	Mar.2011	2	1	-	1	-	-	0.79	0.91	0.88
ConjuChem Biotechnologies Inc.	CJB	Oct.2010	1	-	-	1	-	-	-0.06	-	-
Cons. Thompson Iron Mines Ltd.	CLM	Dec.2010	7	4	1	2	-	-	-0.12	0.67	1.22
Constellation Software Inc.*	CSU	Dec.2010	5	1	-	4	-	-	2.95	3.56	4.03
Continental Gold Ltd.	CNL	Dec.2010	1	1	-	-	-	-	-	-	-
Contrans Group Inc.	CSS	Dec.2010	5	3	1	1	-	-	0.77	0.62	0.71
Copper Mountain Mining Corp.	CUM	Dec.2010	5	4	1	-	-	-	-0.03	-0.03	0.37
Coro Mining Inc.*	COP	Dec.2010	2	2	-	-	-	-	0.00	-	-
Corus Entertainment Inc.	CJR.B	Aug.2010	6	2	1	3	-	-	-0.71	1.66	1.83
Cott Corp.*	BCB	Jan.2011	1	1	-	-	-	-	1.08	-	-
Creston Moly Corp.	CMS	Jul.2010	2	1	1	-	-	-	-0.04	-	-
CRH Medical Corp.*	CRM	Dec.2010	2	-	-	2	-	-	-0.09	-	-
Crocodile Gold Corp.*	CRK	Dec.2010	2	1	1	-	-	-	-0.27	-	-
CVTech Group Inc.	CVT	Dec.2010	1	-	-	1	-	-	0.05	0.11	0.13
Cyberplex Inc.	CX	Dec.2010	1	1	-	-	-	-	0.11	-	-
D-Box Technologies Inc.	DBO.A	Mar.2011	4	3	1	-	-	-	-0.06	-0.04	0.03
Dalsa Corp.	DSA	Dec.2010	3	3	-	-	-	-	0.03	0.72	0.98
Davie Yards Inc.*	DAV	Dec.2010	1	1	-	-	-	-	-	-	-
Day4 Energy Inc.	DFE	Dec.2010	1	1	-	-	-	-	-0.56	-0.21	0.01
DDS Wireless Int'l. Inc.	DD	Dec.2010	2	2	-	-	-	-	-0.16	0.30	0.40
Denison Mines Corp.*	DML	Dec.2010	5	1	-	3	1	-	-0.51	-0.06	-0.04

BUY, SELL, HOLD ADVICE — PLUS EARNINGS ESTIMATES
FOR APPROXIMATELY 1,000 CANADIAN COMPANIES

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CANADIAN COMPANIES: Earnings per share

Company	Sym.	Fiscal Year-end	# Analysts	Recommendations					Consensus Estimates		
				Buy	Buy Hold	Hold	Hold Sell	Sell	Latest EPS	Current Year	Next Year
Descartes Systems Group Inc.*	DSG	Jan.2011	3	2	-	1	-	-	0.25	0.15	0.16
Destiny Resource Services Corp.	DSC	Dec.2010	1	1	-	-	-	-	0.20	0.27	0.44
Detour Gold Corp.	DGC	Dec.2010	7	6	1	-	-	-	-0.78	-	-
DHX Media Inc.	DHX	Jun.2010	2	1	-	1	-	-	0.01	-0.01	0.05
DiagnoCure Inc.	CUR	Oct.2010	2	2	-	-	-	-	-0.30	-0.15	-
Diamonds North Resources Ltd.	DDN	Dec.2010	1	-	1	-	-	-	-0.04	-	-
Discovery Air Inc.	DA.A	Jan.2011	1	1	-	-	-	-	0.00	0.02	-
Distinction Group Inc.	DG	Dec.2010	1	1	-	-	-	-	0.20	0.23	0.25
Dollarama Inc.	DOL	Jan.2011	6	5	1	-	-	-	1.37	1.61	1.70
Domtar (Canada) Paper Inc.*	UFX	Dec.2010	1	1	-	-	-	-	1.09	6.20	7.23
Domtar Corp.*	UFS	Dec.2010	6	4	-	2	-	-	1.11	7.51	6.13
Dorel Industries Inc.*	DII.B	Dec.2010	4	3	-	1	-	-	0.73	3.69	3.97
DragonWave Inc.	DWI	Feb.2011	7	1	-	4	1	-	0.90	0.59	0.49
Duluth Metals Ltd.	DM	Dec.2010	1	-	1	-	-	-	-0.11	-	-
Dundee Precious Metals Inc.	DPM	Dec.2010	2	1	1	-	-	-	0.05	0.37	0.90
DundeeWealth Inc.	DW	Dec.2010	2	2	-	-	-	-	0.35	0.55	0.80
Dynasty Metals & Mining Inc.	DMM	Dec.2010	2	-	2	-	-	-	-0.23	-	-
East Asia Minerals Corp.	EAS	Aug.2010	1	-	-	1	-	-	-0.14	-0.06	-
Eastern Platinum Ltd.*	ELR	Dec.2010	6	6	-	-	-	-	0.01	0.03	-
easyhome Ltd.	EH	Dec.2010	2	1	-	1	-	-	0.55	1.06	1.19
ECU Silver Mining Inc.	ECU	Dec.2010	1	-	1	-	-	-	-0.03	-	-
EGI Financial Holdings Inc.	EFH	Dec.2010	2	1	-	1	-	-	0.36	1.20	-
Eldorado Gold Corp.*	ELD	Dec.2010	12	4	3	5	-	-	0.26	0.34	0.65
Electrovaya Inc.*	EFL	Sep.2010	1	1	-	-	-	-	-0.01	-0.03	-0.07
Emera Inc.	EMA	Dec.2010	7	3	-	4	-	-	1.56	1.54	1.56
Empire Co. Ltd.	EMP.A	May.2011	5	4	-	1	-	-	4.16	4.58	4.99
Enableness Technologies Inc.	ENA	Apr.2011	1	-	-	1	-	-	-0.11	-0.04	-
Enbridge Inc.	ENB	Dec.2010	8	3	-	5	-	-	2.37	2.62	2.84
Endeavour Silver Corp.*	EDR	Dec.2010	1			1			-0.06	0.41	0.48
Energold Drilling Corp.	EGD	Dec.2010	2	2	-	-	-	-	-0.06	0.13	0.39
Energy Fuels Inc.	EFR	Sep.2010	1	-	1	-	-	-	-0.13	-	-
Enseco Energy Services Corp.	ENS	Mar.2011	1	-	1	-	-	-	-0.21	-0.01	0.06
Ensign Energy Services Inc.	ESI	Dec.2010	8	4	1	3	-	-	0.82	0.90	1.23
Equinox Minerals Ltd.*	EQN	Dec.2010	8	3	2	3	-	-	-0.27	0.38	0.63
Equitable Group Inc.	ETC	Dec.2010	5	2	-	3	-	-	3.36	3.28	3.76
Espial Group Inc.	ESP	Dec.2010	1	1	-	-	-	-	-0.29	-0.15	-
Essential Energy Services Ltd.	ESN	Dec. 2010	2	2	-	-	-	-	-0.16	0.03	0.11
Estrella Int'l Energy Services Ltd.	EEN	Dec. 2010	1	-	1	-	-	-	-	-	-
European Goldfields Ltd.*	EGU	Dec.2010	3	3	-	-	-	-	-0.07	-0.15	0.01
Evertz Technologies Ltd.	ET	Apr.2011	7	3	-	4	-	-	0.83	1.02	1.19
Excellon Resources Inc.	EXN	Dec.2010	1	1	-	-	-	-	-	-	-
Exchange Income Corp.	EIF	Dec.2010	1	1	-	-	-	-	1.63	-	-
Exco Technologies Ltd.	XTC	Sep.2010	2	2	-	-	-	-	-0.43	0.22	0.29
Exeter Resource Corp.	XRC	Dec.2010	2	1	-	1	-	-	-0.51	-	-
Exfo Inc.	EXF	Aug.2010	3	2	-	1	-	-	-0.27	0.23	0.38
Extorre Gold Mines Ltd.	XG	Dec.2010	1	-	1	-	-	-	-	-	-
Extract Resources Ltd.	EXT	Jun.2010	1	1	-	-	-	-	-0.09	-0.10	-
Fairfax Financial Holdings Ltd.*	FFH	Dec.2010	3	2	-	1	-	-	43.75	37.61	41.94
Far West Mining Ltd.	FWM	Dec.2010	1	1	-	-	-	-	-0.11	-0.18	-0.14
Farallon Mining Ltd.*	FAN	Dec.2010	3	1	-	1	-	-	-0.04	0.12	0.15
Fibrek Inc.	FBK	Dec.2010	2	-	-	1	1	-	-	0.11	0.03
Finning Int'l. Inc.	FTT	Dec.2010	9	5	1	3	-	-	0.77	0.90	1.34
First Capital Realty Inc.	FCR	Dec.2010	6	3	1	1	1	-	0.45	-	-
First Majestic Silver Corp.	FR	Dec.2010	1	-	-	1	-	-	0.08	0.56	0.69
First Quantum Minerals Ltd.	FM	Dec.2010	8	5	-	2	1	-	6.14	9.51	11.38
First Uranium Corp.*	FIU	Mar.2011	4	1	-	2	1	-	-0.56	-0.18	-
FirstService Corp.*	FSV	Dec.2010	3	1	-	2	-	-	-1.87	2.00	2.25

Company	Sym.	Fiscal Year-end	# Analysts	Recommendations					Consensus Estimates		
				Buy	Buy Hold	Hold	Hold Sell	Sell	Latest EPS	Current Year	Next Year
Fission Energy Corp.	FIS	Jun.2010	1	1	-	-	-	-	-0.22	-	-
Flint Energy Services Ltd.	FES	Dec.2010	3	1	2	-	-	-	1.01	0.91	1.09
Foraco Int'l. SA*	FAR	Dec.2010	3	3	-	-	-	-	0.24	0.17	0.33
Formation Metals Inc.	FCO	Feb.2011	1	-	1	-	-	-	-0.14	-0.15	-
Forsys Metals Corp.	FSY	Dec.2010	1	-	1	-	-	-	-0.06	-	-
Fortis Inc.	FTS	Dec.2010	8	4		4	-	-	1.51	1.65	1.76
Fortress Paper Ltd.	FTP	Dec.2010	5	5	-	-	-	-	1.23	1.44	2.13
Fortuna Silver Mines Inc.*	FVI	Dec.2010	4	2	1	1	-	-	0.62	0.28	-
Forzani Group Ltd.	FGL	Jan.2011	4	4	-	-	-	-	0.94	1.29	1.50
Franco-Nevada Corp.*	FNV	Dec.2010	6	3	-	3	-	-	0.76	0.52	0.53
Franconia Minerals Corp.*	FRA	Sep.2010	2	-	2	-	-	-	-0.02	-	-
Fronteer Gold Inc.	FRG	Dec.2010	4	2	1	1	-	-	0.13	-0.11	-0.12
Gabriel Resources Ltd.	GBU	Dec.2010	3	-	-	-	3	-	-0.09	-0.04	-
Gammon Gold Inc.	GAM	Dec.2010	9	1	1	7	-	-	0.01	0.47	0.59
Garda World Security Corp.	GW	Jan.2011	2	2	-	-	-	-	-1.12	0.84	1.00
Gemini Corp.	GKX	Dec.2010	1	-	-	1	-	-	0.00	-	-
GeneNews Ltd.	GEN	Dec.2010	1	-	-	1	-	-	-0.09	-	-
General Moly, Inc.*	GMO	Dec.2010	3	-	1	1	1	-	-0.12	-0.12	-0.10
Genesis Land Development	GDC	Dec.2010	1	1	-	-	-	-	0.15	-	-
Genesis Worldwide Inc.	GWI	Dec.2010	1	-	-	1	-	-	-0.29	-	-
Gennum Corp.*	GND	Nov.2010	2	1	-	-	1	-	-0.07	0.27	0.36
Genworth MI Canada Inc.	MIC	Dec.2010	3	3	-	-	-	-	3.30	2.86	3.12
George Weston Ltd.	WN	Dec.2010	6	-	-	6	-	-	0.55	3.47	4.09
Gildan Activewear Inc.*	GIL	Sep.2010	9	8	-	1	-	-	0.79	1.58	1.94
Glacier Media Inc.	GVC	Dec.2010	4	2	1	1	-	-	0.15	0.27	0.31
Glentel Inc.	GLN	Dec.2010	1	1	-	-	-	-	1.45	-	-
GLG Life Tech Ltd.	GLG	Dec.2010	2	1	-	1	-	-	0.04	0.15	0.56
Globestar Mining Corp.*	GMI	Dec.2010	5	3	2	-	-	-	0.02	0.22	0.16
Gluskin Sheff + Associates Inc.	GS	Jun.2010	5	4	-	1	-	-	0.73	1.44	1.56
GLV Inc.	GLV.A	Mar.2011	6	4	-	2	-	-	-0.31	0.52	0.54
GMP Capital Inc.	GMP	Dec.2010	2	-	-	2	-	-	0.59	0.84	1.10
Gold Reserve Inc.*	GRZ	Dec.2010	1	-	-	-	1	-	-2.89	-	-
Gold Wheaton Gold Corp.*	GLW	Dec.2010	2	1	-	1	-	-	0.02	-	-
Goldcorp Inc.*	G	Dec.2010	12	7	2	3	-	-	0.33	1.16	1.80
Golden Star Resources Ltd.*	GSC	Dec.2010	6	1	-	5	-	-	0.70	0.17	0.26
Grande Cache Coal Corp.	GCE	Mar.2011	4	4	-	-	-	-	0.20	1.06	-
Grayd Resource Corp.	GYD	Aug.2010	1	-	1	-	-	-	-0.03	-	-
Great Basin Gold Ltd.	GBG	Dec.2010	3	1	-	2	-	-	-0.16	-	-
Great Cdn. Gaming Corp.	GC	Dec.2010	7	6	-	1	-	-	0.28	0.37	0.49
Great-West Lifeco Inc.	GWO	Dec.2010	5	2	1	2	-	-	1.72	2.05	2.39
Grey Horse Corp.	GHC	Dec.2010	2	1	1	-	-	-	0.36	0.41	0.72
Greystar Resources Ltd.	GSL	Dec.2010	5	-	2	3	-	-	-0.43	-0.20	-0.24
Groupe Aeroplan Inc.	AER	Dec.2010	10	6	1	3	-	1	0.45	0.91	1.09
Guardian Capital Group Ltd.	GCG.A	Dec.2010	1	1	-	-	-	-	0.41	0.45	0.47
Guestlogix Inc.	GXI	Nov.2010	4	4	-	-	-	-	0.00	0.04	0.09
Guyana Goldfields Inc.	GUY	Oct.2010	2	2	-	-	-	-	-0.11	-	-
H ₂ O Innovation Inc.	HEO	Jun.2010	1	-	-	1	-	-	0.00	-0.07	-0.05
Hammond Power Solutions	HPS.A	Dec.2010	1	1	-	-	-	-	0.82	1.08	1.31
Hana Mining Co.	HMG	Oct.2010	4	2	2	-	-	-	-0.05	-	-
Hanfeng Evergreen Inc.	HF	Jun.2010	7	4	-	3	-	-	0.64	0.48	0.67
Hanwei Energy Services Corp.	HE	Mar.2011	2	1	-	1	-	-	-1.08	-0.02	-
Harry Winston Diamond Corp.*	HW	Jan.2011	5	2	-	3	-	-	-0.99	0.15	0.53
Hathor Exploration Ltd.	HAT	Mar.2011	4	2	2	-	-	-	-0.09	-0.09	-0.02
Hemisphere GPS Inc.*	HEM	Dec.2010	3	3	-	-	-	-	-0.11	-0.09	0.07
Héroux-Devtek Inc.	HRX	Mar.2011	5	3	1	1	-	-	0.52	0.51	0.65
High Liner Foods Inc.	HLF	Dec.2010	3	3	-	-	-	-	1.07	1.35	1.46
Homburg Invest Inc.	HII.B	Dec.2010	1	-	-	1	-	-	-12.51	-	-

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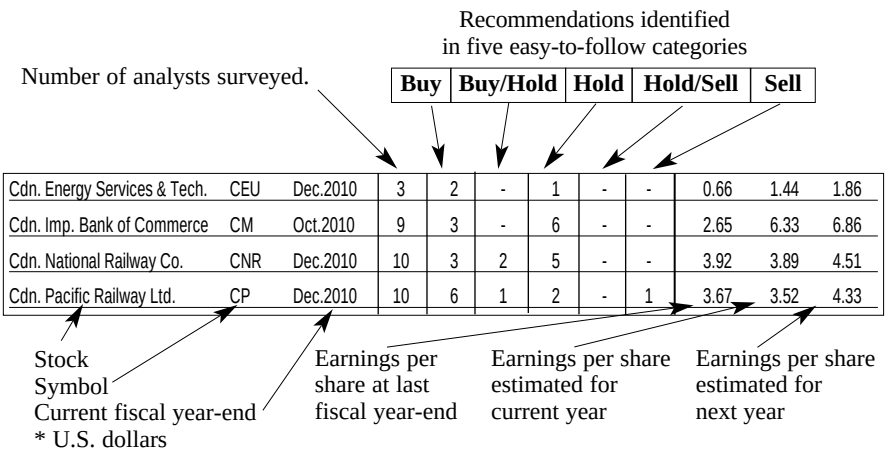
HOW TO READ THE TABLES

Our comprehensive tables of analysts recommendations and earnings estimates for approximately 1,000 Canadian companies appear in every other edition of Investor's Digest. They allow you to compare current estimates for net earnings per share, cash flow per share for oil and gas stocks and distributions per unit for income trusts in this fiscal year and the next.

The tables include the company name, stock symbol, date of the next fiscal year-end and the number of analysts covering that stock. Analysts use a wide variety of terms to define their recommendations. We have simplified these into specific, easy-to-follow categories — buy, buy/hold, hold/sell or sell. (The number of analysts surveyed may be greater than the number of recommendations because some analysts may provide earnings estimates without a specific recommendation.)

Latest EPS shows what the company actually reported for its last fiscal year-end, with adjustments for splits and consolidations. Current Year and Next Year show the analysts' estimated earnings for this fiscal year and the next. These consensus estimates are the average of all estimates from the analysts surveyed.

Earnings per share, cash flow per share and distribution per unit play vital roles in fundamental analysis. A high earnings per share prediction means dividends may increase or, at least, continue, while a negative or declining one shows management may be hard pressed to continue paying dividends.



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CANADIAN COMPANIES: Earnings per share

Company	Sym.	Fiscal Year-end	Recommendations						Consensus Estimates		
			# Analysts	Buy	Buy Hold	Hold	Hold Sell	Sell	Latest EPS	Current Year	Next Year
Home Capital Group Inc.	HCG	Dec.2010	6	5	1	-	-	-	4.15	5.10	5.62
Homeq Corp.	HEQ	Dec.2010	3	1	1	1	-	-	-0.13	0.54	0.89
Horizon North Logistics Inc.	HNL	Dec.2010	3	2	1	-	-	-	0.05	0.10	0.16
HSE Integrated Ltd.	HSL	Dec.2010	1	-	1	-	-	-	-0.18	-	-
HudBay Minerals Inc.	HBM	Dec.2010	8	5	2	1	-	-	0.73	0.87	1.63
Hydrogenics Corp.*	HYG	Dec.2010	1	-	-	1	-	-	-2.54	-0.23	-
IAMGOLD Corp.*	IMG	Dec.2010	11	6	1	4	-	-	0.60	0.80	1.00
Iberian Minerals Corp.	IZN	Dec.2010	5	5	-	-	-	-	-0.81	0.06	0.28
IC Potash Corp.	ICP	Dec.2010	2	1	1	-	-	-	-0.09	-	-
iCo Therapeutics Inc.	ICO	Dec.2010	1	1	-	-	-	-	-0.08	-0.15	-
IESI-BFC Ltd.*	BIN	Dec.2010	4	3	-	1	-	-	0.63	0.81	1.16
IGM Financial Inc.	IGM	Dec.2010	4	3	-	-	1	-	2.12	2.82	3.23
Imax Corp.*	IMX	Dec.2010	1	1	-	-	-	-	0.09	0.91	1.09
ImmunoVaccine Technologies Inc.	IMV	Dec.2010	1	1	-	-	-	-	-0.05	-0.14	-0.18
Imris Inc.	IM	Dec.2010	4	3	1	-	-	-	-0.33	0.06	0.29
Imvoscor Restaurant Group Inc.	IRG	Oct.2010	1	-	-	1	-	-	-	0.34	-
Inca Pacific Resources Inc.	IPR	Nov.2010	1	-	-	1	-	-	-0.10	-	-
Indigo Books & Music Inc.	IDG	Mar.2011	3	2	1	-	-	-	1.39	1.35	1.50
Industrial Alliance	IAG	Dec.2010	5	1	-	4	-	-	2.55	3.67	4.63
Inmet Mining Corp.	IMN	Dec.2010	10	5	2	4	-	-	5.13	5.95	7.03
Innergex Renewable Energy Inc.	INE	Dec.2010	6	2	1	3	-	-	-0.65	0.23	0.30
Intact Financial Corp.	IFC	Dec.2010	5	3	-	2	-	-	1.06	3.67	4.13
Inter-Citic Minerals Inc.	ICI	Nov.2010	1	-	1	-	-	-	0.05	-	-
Intermap Technologies Corp.*	IMP	Dec.2010	1	-	1	-	-	-	-0.51	-	-
Int'l. Datacasting Corp.	IDC	Jan.2011	1	-	1	-	-	-	-0.06	-0.03	-
Int'l. Forest Products Ltd.	IFP.A	Dec.2010	6	4	-	2	-	-	-0.51	-0.11	0.21
Int'l. Minerals Corp.*	IMZ	Jun.2011	2	2	-	-	-	-	-	0.29	0.31
Int'l. Tower Hill Mines Ltd.	ITH	May.2011	2	1	1	-	-	-	-	-0.09	-
Int'l. Water-Guard Industries Inc.	IWG	Sep.2010	1	1	-	-	-	-	0.01	0.00	0.01
Intrinsyc Software Int'l. Inc.*	ICS	Dec.2010	1	-	-	1	-	-	-0.02	-0.01	-
Iroc Energy Services Corp.	ISC	Dec.2010	1	-	-	1	-	-	-0.24	0.03	0.09
ISE Ltd.	ISE	Dec. 2010	1	1	-	-	-	-	-0.79	-0.80	-0.26
Iseemedia Inc.	IEE	Jun.2010	1	-	1	-	-	-	-0.10	-0.04	0.00
Ivanhoe Mines Ltd.*	IVN	Dec.2010	3	1	1	-	1	-	-0.72	-	-
iWeb Group Inc.	IWB	Sep.2010	1	-	1	-	-	-	0.00	0.03	0.07
Jaguar Mining Inc.*	JAG	Dec.2010	3	2	-	1	-	-	-0.10	0.06	0.82
JDS Uniphase Canada Ltd.*	JDJ	Jun.2011	1	1	-	-	-	-	0.41	0.80	0.91
Jean Coutu Group*	PJC.A	Feb.2011	4	2	-	2	-	-	0.48	0.78	0.85
Katanga Mining Ltd.*	KAT	Dec.2010	3	-	-	2	-	1	-0.09	0.09	0.17
Keegan Resources Inc.	KGN	Mar.2011	2	1	1	-	-	-	-0.18	-	-
Killam Properties Inc.	KMP	Dec.2010	7	3	1	3	-	-	-0.05	-	-
Kimber Resources Inc.	KBR	Jun.2010	1	-	-	1	-	-	-0.04	-	-
Kingsway Financial Services	KFS	Dec.2010	2	-	-	-	2	-	-5.38	-0.30	-
Kinross Gold Corp.*	K	Dec.2010	12	7	-	5	-	-	0.44	0.69	0.90
Kirkland Lake Gold Inc.	KGI	Apr.2011	3	2	-	1	-	-	-0.20	0.33	1.08
La Mancha Resources Inc.	LMA	Dec.2010	1	-	1	-	-	-	0.08	-	-
Lab Research Inc.	LRI	Dec.2010	2	-	-	2	-	-	-0.39	-0.11	-
Labopharm Inc.	DDS	Dec.2010	4	3	-	1	-	-	-0.46	-0.40	-
Labrador Iron Mines Holdings Ltd.	LIM	Mar.2011	2	1	1	-	-	-	0.03	0.15	1.23
Lake Shore Gold Corp.	LSG	Dec.2010	7	5	-	2	-	-	0.01	0.01	0.18
Laramide Resources Ltd.	LAM	Dec.2010	1	1	-	-	-	-	-0.23	-0.04	-
Laurentian Bank of Canada	LB	Oct.2010	5	1	-	4	-	-	4.23	4.36	4.71
Le Château Inc.	CTU.A	Jan.2011	1	1	-	-	-	-	1.22	1.34	-
Leon's Furniture Ltd.	LNF	Dec.2010	1	1	-	-	-	-	0.78	0.85	0.91
Linamar Corp.	LNR	Dec.2010	4	3	-	1	-	-	0.02	1.15	1.65
Lithium One Inc.	LI	Dec.2010	1	-	1	-	-	-	-0.09	-	-
Loblaw Companies Ltd.	L	Dec.2010	7	4	-	2	1	-	2.39	2.49	2.72
Lucara Diamond Corp.	LUC	Jul.2010	1	-	1	-	-	-	-0.03	-	-
lululemon athletica inc.*	LLL	Jan.2011	3	1	-	2	-	-	0.82	1.18	-
Lumina Copper Corp.	LCC	Sep.2010	1	1	-	-	-	-	-0.04	-	-
Lundin Mining Corp.	LUN	Dec.2010	7	5	1	1	-	-	0.13	0.51	0.50
Lydian Int'l Ltd.	LYD	Dec.2010	1	1	-	-	-	-	-	-	-
MacDonald, Dettwiler & Assoc.	MDA	Dec.2010	6	5	-	1	-	-	2.67	3.14	3.62
Mag Silver Corp.	MAG	Dec.2010	3	2	1	-	-	-	-0.27	-	-
Magellan Aerospace Corp.	MAL	Dec.2010	4	1	-	1	2	-	0.60	0.21	0.27
MagIndustries Corp.*	MAA	Dec.2010	5	-	3	2	-	-	-0.17	-0.05	-0.07
Magma Energy Corp.*	MMY	Jun.2010	6	5	1	-	-	-	-0.03	-0.03	0.01
Magma Metals Ltd.	MMW	Jun.2010		1	-	-	-	-	-	-	-
Magna Int'l. Inc.*	MG	Dec.2010	5	4	-	1	-	-	-4.41	5.21	6.70
Mainstreet Equity Corp.	MEQ	Sep.2010	4	2	1	1	-	-	-0.26	-	-
Major Drilling Group Int'l.	MDI	Apr.2011	3	2	-	-	-	1	-0.02	1.47	3.21
Manitoba Telecom Services	MBT	Dec.2010	7	1	-	4	1	1	1.57	2.15	2.34
Mantra Resources Ltd.	MRL	Jun.2010	1	1	-	-	-	-	-0.21	-0.18	-
Manulife Financial Corp.	MFC	Dec.2010	7	4	-	3	-	-	0.82	1.75	2.09
Maple Leaf Foods Inc.	MFI	Dec.2010	4	3	-	1	-	-	0.40	0.79	0.96
Marathon PGM Corp.	MAR	Dec.2010	1	-	1	-	-	-	-0.08	-	-
March Networks Corp.	MN	Apr.2011	2	-	-	2	-	-	-1.88	-0.45	-
Marsulex Inc.	MLX	Dec.2010	2	1	-	1	-	-	1.02	0.78	0.92
Martinrea Int'l. Inc.	MRE	Dec.2010	2	2	-	-	-	-	-0.05	0.87	1.50
Maxim Power Corp.	MXG	Dec.2010	1	-	-	1	-	-	0.04	-	-
MBAC Fertilizer Corp.	MBC	Jul.2010	2	1	1	-	-	-	0.01	-0.20	-0.01
McCoy Corp.	MCB	Dec.2010	1	1	-	-	-	-	-0.50	0.10	0.26
MDC Partners Inc.*	MDZ.A	Dec.2010	1	1	-	-	-	-	-0.67	-0.17	0.86
MDS Inc.*	MDS	Oct.2010	3	-	-	3	-	-	-1.12	-0.26	-

Company	Sym.	Fiscal Year-end	Recommendations						Consensus Estimates		
			# Analysts	Buy	Buy Hold	Hold	Hold Sell	Sell	Latest EPS	Current Year	Next Year
Mediagrif Interactive Tech. Inc.	MDF	Mar.2011	3	2	-	1	-	-	0.18	0.49	0.62
Medicago Inc.	MDG	Dec.2010	2	1	1	-	-	-	-0.13	0.05	0.03
Medipattern Corp.	MKI	Jun.2010	2	2	-	-	-	-	-0.10	0.06	0.09
Medwell Capital Corp.	MS	Dec.2010	1	-	-	1	-	-	0.03	-	-
Mega Brands Inc.*	MB	Dec.2010	1	-	-	-	1	-	0.29	-0.03	-
Mercator Minerals Ltd.*	ML	Dec.2010	4	2	2	-	-	-	-0.13	-0.04	0.22
Mercer Int'l. Inc.*	MRI.U	Dec.2010	3	3	-	-	-	-	-2.32	-	-
MetalCorp Ltd.	MTC	Dec.2010	1	1	-	-	-	-	-0.03	-	-
Methanex Corp.*	MX	Dec.2010	5	4	-	-	1	-	0.01	1.60	2.80
MethylGene Inc.	MYG	Dec.2010	1	-	1	-	-	-	-0.63	-	-
Metro Inc.	MRU.A	Sep.2010	7	4	1	2	-	-	3.23	3.42	3.72
Microplanet Technology Corp.*	MP	Dec.2010	1	1	-	-	-	-	-0.12	-	-
Migao Corp.	MGO	Mar.2011	8	6	2	-	-	-	0.79	0.78	0.90
Minco Silver Corp.	MSV	Dec.2010	2	2	-	-	-	-	-0.13	-	-
Minefinders Corp. Ltd.*	MFL	Dec.2010	5	2	3	-	-	-	-0.07	0.83	1.67
Minera Andes Inc.*	MAI	Dec.2010	1	-	1	-	-	-	0.02	-	-
Mineral Deposits Ltd.*	MDM	Jun.2010	2	1	-	1	-	-	-0.44	-	-
Mirabela Nickel Ltd.*	MNB	Jun.2010	5	3	1	1	-	-	-0.06	-0.16	0.07
Miranda Technologies Inc.	MT	Dec.2010	6	3	-	3	-	-	0.24	0.32	0.59
MKS Inc.*	MKX	Apr.2011	2	-	-	2	-	-	1.23	0.75	-
Moly Mines Ltd.*	MOL	Jun.2010	1	-	-	1	-	-	-0.48	-0.16	-
Morguard Corp.	MRC	Dec.2010	1	1	-	-	-	-	2.16	-	-
Mosaid Technologies Inc.	MSD	Apr.2011	4	4	-	-	-	-	2.04	2.53	2.78
Mountain Province Diamonds Inc.	MPV	Dec.2010	1	1	-	-	-	-	-	-	-
MTY Food Group Inc.	MTY	Nov.2010	1	1	-	-	-	-	0.64	0.75	0.83
Mullen Group Ltd.	MTL	Dec.2010	5	3	-	2	-	-	1.10	0.81	1.08
Multiplied Media Corp.	MMC	Dec.2010	2	2	-	-	-	-	-0.04	-	-
Mustang Minerals Corp.	MUM	Dec.2010	2	-	1	1	-	-	0.00	-	-
Naikun Wind Energy Group Inc.	NKW	Sep.2010	1	-	-	1	-	-	-0.30	-	-
National Bank of Canada	NA	Oct.2010	10	4	-	4	1	-	4.94	6.05	6.43
Neo Material Technologies Inc.*	NEM	Dec.2010	4	4	-	-	-	-	0.17	0.40	0.43
Nevada Geothermal Power Inc.*	NGP	Jun.2011	3	1	1	1	-	-	-	-	-
Nevsun Resources Ltd.*	NSU	Dec.2010	1	-	1	-	-	-	-0.04	-	-
New Gold Inc.*	NGD	Dec.2010	9	4	-	5	-	-	-0.04	0.18	0.28
New Millennium Capital Corp.	NML	Dec.2010	2	1	1	-	-	-	-0.02	-	0.06
Newalta Corp.	NAL	Dec.2010	4	3	-	1	-	-	0.07	0.65	0.86
Newfoundland Capital Corp. Ltd.	NCC.A	Dec.2010	2	-	-	1	-	1	0.45	0.38	-
Newmont Mining Corp.*	NMC	Dec.2010	7	3	-	4	-	-	2.66	4.22	4.66
Norbord Inc.*	NBD	Dec.2010	6	5	-	-	1	-	-1.35	0.43	0.74
Noront Resources Ltd.	NOT	Apr.2011	2	-	1	1	-	-	-0.06	-0.09	-0.09
Norsat Int'l. Inc.*	NII	Dec.2010	1	1	-	-	-	-	0.08	0.06	-
Norsemont Mining Inc.	NOM	Jun.2010	1	1	-	-	-	-	-	-	-
North Amer. Energy Partners Inc.	NOA	Mar.2011	4	2	-	1	1	-	0.77	0.90	0.67
North American Palladium Ltd.	PDL	Dec.2010	1	1	-	-	-	-	-0.29	-	-
Northern Dynasty Minerals Ltd.	NDM	Dec.2010	2	1	1	-	-	-	-0.14	-	-
Northgate Minerals Corp.*	NGX	Dec.2010	5	2	1	2	-	-	-0.19	0.14	0.13
Northland Resources SA	NAU	Jan.2011	1	-	-	1	-	-	-0.05	-	-
Northstar Aerospace Inc.*	NAS	Dec.2010	3	3	-	-	-	-	0.12	0.24	0.34
Novadaq Technologies Inc.*	NDQ	Dec.2010	3	2	-	1	-	-	-0.61	-0.28	-0.27
NovaGold Resources Inc.	NG	Nov.2010	1	-	-	-	1	-	-0.42	-	-
Omni-Lite Industries Canada*	OML	Dec.2010	1	1	-	-	-	-	0.05	0.21	0.31
Oncolytics Biotech Inc.	ONC	Dec.2010	3	3	-	-	-	-	-0.33	-0.31	-
Onex Corp.*	OCX	Dec.2010	4	2	1	1	-	-	0.92	2.00	2.73
Open Text Corp.*	OTC	Jun.2011	8	5	1	2	-	-	1.53	3.41	4.33
Orbit Garant Drilling Inc.	OGD	Jun.2010	2	2	-	-	-	-	0.38	0.34	0.55
Orezone Gold Corp.*	ORE	Dec.2010	3	2	1	-	-	-	-0.03	-	-
Orko Silver Corp.	OK	Oct.2010	1	1	-	-	-	-	-0.11	-	-
Orsu Metals Corp.*	OSU	Dec.2010	1	-	1	-	-	-	2.17	-	-
Osisko Mining Corp.	OSK	Dec.2010	8	5	1	2	-	-	-0.08	-0.03	0.60
Pacific Northern Gas Ltd.	PNG	Dec.2010	2	-	-	2	-	-	1.71	1.88	1.86
Pacific Rim Mining Corp.*	PMU	Apr.2011	1	-	-	-	1	-	-0.04	-	-
Paladin Energy Ltd.*	PDN	Jun.2011	8	3	2	3	-	-	-0.08	0.12	-
Paladin Labs Inc.	PLB	Dec.2010	4	3	-	1	-	-	2.16	0.66	0.63
Pan American Silver Corp.*	PAA	Dec.2010	7	3	-	3	1	-	0.71	1.12	1.76
Pareto Corp.	PTO	Dec.2010	1	1	-	-	-	-	0.11	0.17	0.18
Parkbridge Lifestyle Communities	PRK	Sep.2010	3	3	-	-	-	-	0.19	0.43	0.50
Pason Systems Inc.	PSI	Dec.2010	2	-	1	1	-	-	-0.07	0.40	0.54
Patheon Inc.*	PTI	Oct.2010	4	2	1	1	-	-	-0.18	0.02	0.13
Peer 1 Network Enterprises Inc.*	PIX	Jun.2010	4	4	-	-	-	-	0.05	0.04	0.07
Peregrine Diamonds Ltd.	PGD	Dec.2010	1	1	-	-	-	-	-0.05	-	-
Peregrine Metals Ltd.	PGM	Dec.2010	1	1	-	-	-	-	-0.02	-	-
Perseus Mining Ltd.*	PRU	Jun.2010	1	-	1	-	-	-	-	-	-
Pethealth Inc.	PTZ	Dec.2010	3	2	1	-	-	-	0.12	0.07	0.12
Phoscan Chemical Corp.	FOS	Jan.2011	2	-	1	-	-	1	0.00	-	-
Platinum Group Metals Ltd.	PTM	Aug.2010	2	2	-	-	-	-	-0.10	-0.07	-
Platmin Ltd.*	PPN	Dec.2010	1	1	-	-	-	-	-0.02	0.02	-
Plazacorp Retail Properties Ltd.	PLZ	Dec.2010	1	-	-	1	-	-	0.08	-	-
Plutonic Power Corp.	PCC	Dec.2010	5	2	1	2	-	-	-0.40	-0.11	-0.03
PNI Digital Media Inc.	PN	Sep.2010	3	3	-	-	-	-	-0.05	0.11	0.23
Points Int'l. Ltd.*	PTS	Dec.2010	1	1	-	-	-	-	0.00	-	-
Polaris Minerals Corp.*	PLS	Dec.2010	3	1	-	2	-	-	-0.34	-0.13	-0.08
Polymet Mining Corp.*	POM	Jan.2011	2	2	-	-	-	-	-0.06	-	-
Potash Corp. of Sask.*	POT	Dec.2010	9	7	-	2	-	-	3.25	5.10	7.48
Potash One Inc.	KCL	Apr.2011	3	1	2	-	-	-	-0.08	-0.10	-

BUY, SELL, HOLD ADVICE — PLUS EARNINGS ESTIMATES
FOR APPROXIMATELY 1,000 CANADIAN COMPANIES

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CANADIAN COMPANIES: Earnings per share

Company	Sym.	Fiscal Year-end	Recommendations						Consensus Estimates		
			# Analysts	Buy	Buy Hold	Hold	Hold Sell	Sell	Latest EPS	Current Year	Next Year
Power Corp. of Canada	POW	Dec.2010	4	2	-	2	-	-	1.40	2.47	2.80
Power Financial Corp.	PWF	Dec.2010	5	3	-	2	-	-	1.91	2.46	2.92
Powertech Uranium Corp.*	PWE	Dec.2010	1	-	1	-	-	-	-	-	-
Precision Drilling Corp.	PD	Dec.2010	6	5	-	-	-	-	0.63	0.38	0.58
Premier Gold Mines Ltd.	PG	Dec.2010	3	1	2	-	-	-	-0.04	-	-
Premium Brands Holding Corp.	PBH	Dec.2010	3	2	-	1	-	-	1.07	1.28	1.48
Prestige Telecom Inc.	PR	Mar.2011	1	1	-	-	-	-	-0.01	-	-
Primerio Mining Corp.	P	Dec.2010	1	1	-	-	-	-	-0.02	-	-
Pristine Power Inc.	PPX	Dec.2010	3	1	-	2	-	-	-0.30	-0.21	-0.13
ProSep Inc.	PRP	Dec.2010	1	1	-	-	-	-	-0.13	-0.02	0.01
Protox Therapeutics Inc.	PRX	Dec.2010	1	1	-	-	-	-	-0.10	-0.10	0.00
Pulse Seismic Inc.	PSD	Dec.2010	1	-	-	1	-	-	-0.05	-0.11	-0.09
Pure Energy Services Inc.	PSV	Dec.2010	4	2	-	2	-	-	-0.66	-0.13	0.29
Pure Technologies Ltd.	PUR	Dec.2010	3	2	-	1	-	-	0.04	0.12	0.21
QHR Technologies Inc.	QHR	Dec.2010	1	-	1	-	-	-	0.05	-	-
QLT Inc.*	QLT	Dec.2010	2	1	1	-	-	-	1.77	-0.04	0.22
Quadra FNX Mining Ltd.*	QUX	Dec.2010	6	6	-	-	-	-	0.89	2.22	3.94
Quebecor Inc.	QBR.B	Dec.2010	10	6	2	2	-	-	4.32	3.56	3.86
Queenston Mining Inc.	QMI	Dec.2010	1	1	-	-	-	-	-0.04	-0.10	-0.11
Radiant Communications Corp.	RCN	Dec.2010	1	1	-	-	-	-	0.01	-0.03	0.10
Rainy River Resources Ltd.	RR	Sep.2010	3	2	1	-	-	-	-0.06	-	-
Ram Power Inc.	RPG	Dec.2010	4	4	-	-	-	-	-0.37	-0.06	-0.14
RDM Corp.	RC	Sep.2010	1	-	-	1	-	-	-0.10	-0.06	0.07
Realex Properties Corp.	RP	Sep.2010	1	2	-	-	-	-	-	-	-
Redknee Solutions Inc.	RKN	Sep.2010	3	3	-	-	-	-	0.06	0.07	0.12
Redline Comm. Group Inc.*	RDL	Dec.2010	1	-	-	1	-	-	-	-	-
Reitmans (Canada) Ltd.	RET.A	Jan.2011	3	3	-	-	-	-	0.98	1.36	-
Research In Motion Ltd.*	RIM	Feb.2011	12	7	-	4	-	1	4.31	5.48	5.92
Richelieu Hardware Ltd.	RCH	Nov.2010	2	-	1	1	-	-	1.38	1.56	1.76
Richmont Mines Inc.	RIC	Dec.2010	2	2	-	-	-	-	0.01	-	-
Ritchie Bros. Auctioneers Inc.*	RBA	Dec.2010	4	1	-	1	2	-	0.88	0.70	0.83
Rockgate Capital Corp.	RGT	Jun.2010	1	-	-	-	-	-	-	-	-
Rockwell Diamonds Inc.	RDI	Feb.2011	1	1	-	-	-	-	-0.03	-	-
Rocky Mountain Dealerships Inc.	RME	Dec.2010	7	6	-	-	1	-	1.02	1.20	1.47
Rogers Communications Inc.	RCL.B	Dec.2010	8	5	-	3	-	-	2.38	2.75	3.00
Romarco Minerals Inc.	R	Dec.2010	3	1	1	1	-	-	-0.01	-	-
Rona Inc.	RON	Dec.2010	9	4	-	5	-	-	1.11	1.31	1.43
Route1 Inc.	ROI	Dec.2010	2	-	1	1	-	-	-0.01	-0.01	-
Royal Bank of Canada	RY	Oct.2010	8	6	-	2	-	-	2.57	4.25	4.71
Royal Gold Inc.*	RGL	Jun.2010	3	1	1	1	-	-	1.07	0.81	1.98
Rubicon Minerals Corp.	RMX	Dec.2010	4	2	1	-	1	-	0.00	-0.05	-0.04
RuggedCom Inc.*	RCM	Mar.2011	6	4	-	2	-	-	0.33	0.80	1.19
Rusoro Mining Ltd.*	RML	Dec.2010	1	-	1	-	-	-	-0.03	-	-
Russel Metals Inc.	RUS	Dec.2010	4	2	-	1	1	-	-1.54	1.16	1.59
Sabina Gold & Silver Corp.*	SBB	Dec.2010	3	2	-	-	1	-	-0.01	-0.03	-0.04
San Gold Corp.	SGR	Dec.2010	6	4	1	1	-	-	-0.12	0.12	0.44
Sandspring Resources Ltd.	SSP	Dec.2010	1	1	-	-	-	-	-0.17	-	-
Sandvine Corp.	SVC	Nov.2010	5	2	-	3	-	-	-0.15	0.05	0.10
Sangoma Technologies Corp.	STC	Jun.2010	2	2	-	-	-	-	0.08	0.08	0.11
Saputo Inc.	SAP	Mar.2011	8	5	-	3	-	-	1.83	2.01	2.19
Savanna Energy Services Corp.	SVY	Dec.2010	9	1	-	5	3	-	-0.15	0.13	0.36
Sceptre Investment Counsel Ltd.	SZ	Nov.2010	1	-	-	-	1	-	0.25	0.33	0.38
Scorpio Mining Corp.	SPM	Dec.2010	1	1	-	-	-	-	0.12	-	-
Seacliff Construction Corp.	SDC	Dec.2010	4	1	3	-	-	-	1.04	1.29	1.64
Sears Canada Inc.	SCC	Jan.2011	1	-	-	1	-	-	2.18	-	-
Secure Energy Services Inc.	SES	Dec.2010	1	1	-	-	-	-	-0.07	0.06	0.10
Semafo Inc.*	SMF	Dec.2010	4	1	-	3	-	-	0.18	0.34	0.34
SemBioSys Genetics Inc.	SBS	Dec.2010	1	-	-	1	-	-	-0.10	-	-
Shamaram Petroleum Corp.*	SNM	Dec.2010	4	-	2	1	1	-	0.01	-0.01	-0.01
Shaw Communications Inc.	SJR.B	Aug.2010	8	2	-	6	-	-	1.24	1.35	1.51
ShawCor Ltd.	SCLA	Dec.2010	3	2	-	1	-	-	1.85	2.14	2.54
Sherritt Int'l. Corp.	S	Dec.2010	5	3	1	1	-	-	0.29	0.72	-
Shoppers Drug Mart Corp.	SC	Jan.2011	9	4	-	5	-	-	2.69	2.75	-
Shore Gold Inc.	SGF	Dec.2010	2	1	-	1	-	-	-0.04	-0.01	-
Sierra Wireless Inc.*	SW	Dec.2010	6	2	1	3	-	-	-1.29	0.43	0.38
Silver Bear Resources Inc.	SBR	Dec.2010	1	-	-	1	-	-	-0.35	-0.13	-
Silver Standard Resources Inc.	SSO	Dec.2010	5	2	-	3	-	-	-0.19	0.18	0.77
Silver Wheaton Corp.*	SLW	Dec.2010	8	8	-	-	-	-	0.38	0.71	1.00
Silvercorp Metals Inc.*	SVM	Mar.2011	4	2	-	2	-	-	0.24	0.48	-
SilverCrest Mines Inc.	SVL	Dec.2010	1	-	1	-	-	-	-0.30	0.02	0.15
Sino-Forest Corp.*	TRE	Dec.2010	5	5	-	-	-	-	1.38	1.52	2.19
Slam Exploration Inc.	SXL	Jan. 2011	1	-	1	-	-	-	-0.01	-	-
SNC-Lavalin Group Inc.	SNC	Dec.2010	9	7	-	1	-	1	2.36	2.38	2.75
Softchoice Corp.*	SO	Dec.2010	3	2	-	1	-	-	1.26	0.92	1.08
Solium Capital Corp.	SUM	Dec.2010	2	2	-	-	-	-	0.06	0.11	0.13
SouthGobi Resources Ltd.*	SGQ	Dec.2010	1	-	-	1	-	-	-0.83	0.11	0.41
Sprott Inc.	SII	Dec.2010	3	-	-	2	1	-	0.21	0.33	0.39
Sprott Resource Corp.	SCP	Dec.2010	2	2	-	-	-	-	-0.03	-	-
Sprott Resource Lending Corp.	SIL	Dec.2010	2	1	1	-	-	-	-0.14	-0.02	0.04
SQI Diagnostics Inc.	SQD	Dec.2010	1	1	-	-	-	-	-0.23	-0.27	-
St Andrew Goldfields Ltd.	SAS	Dec.2010	1	-	-	-	-	1	-0.07	-	-
Stantec Inc.	STN	Dec.2010	10	6	1	3	-	-	1.22	1.94	2.33
Stella-Jones Inc.	SJ	Dec.2010	5	4	-	1	-	-	2.37	2.39	2.85
Stornoway Diamond Corp.	SWY	Apr.2011	3	3	-	-	-	-	-0.09	-	-

Company	Sym.	Fiscal Year-end	Recommendations						Consensus Estimates		
			# Analysts	Buy	Buy Hold	Hold	Hold Sell	Sell	Latest EPS	Current Year	Next Year
Strateco Resources Inc.	RSC	Dec.2010	1	1	-	-	-	-	-0.01	-0.01	-
Strathmore Minerals Corp.	STM	Dec.2010	1	-	-	1	-	-	-0.09	-	-
Strongco Corp.	SQP	Dec.2010	1	1	-	-	-	-	-	-	-
Student Transportation Inc.	STB	Jun.2010	5	2	1	2	-	-	-0.18	0.16	0.19
Sulliden Gold Corp. Ltd.	SUE	Apr.2011	1	1	-	-	-	-	-0.04	-	-
Sun Life Financial Inc.	SLF	Dec.2010	5	3	-	2	-	-	0.94	2.74	3.13
Sun-Rype Products Ltd.	SRF	Dec.2010	1	1	-	-	-	-	0.62	-	-
SunOpta Inc.*	SOY	Dec.2010	3	2	-	1	-	-	-0.10	0.35	0.40
Superior Plus Corp.	SPB	Dec.2010	4	-	-	4	-	-	0.75	0.64	0.93
SXC Health Solutions Corp.*	SXC	Dec.2010	6	3	-	3	-	-	-	-	-
Tahoe Resources Inc.	THO	Dec.2010	1	-	1	-	-	-	-	-	-
Taseko Mines Ltd.	TKO	Dec.2010	6	4	-	2	-	-	0.06	0.32	0.49
Technicoil Corp.	TEC	Dec.2010	1	-	-	1	-	-	-0.09	0.09	0.08
Teck Resources Ltd.	TCK.B	Dec.2010	9	7	1	1	-	-	3.42	3.40	3.65
Tekmira Pharmaceuticals Corp.	TKM	Dec.2010	4	2	1	1	-	-	-0.19	-0.17	-0.14
Telus Corp.	T	Dec.2010	8	1	1	6	-	-	3.14	3.11	3.14
Tembec Inc.	TMB	Sep.2010	3	1	-	1	1	-	-2.14	0.23	0.12
TeraGo Inc.	TGO	Dec.2010	2	2	-	-	-	-	-0.56	-0.50	-0.21
Thallion Pharmaceuticals Inc.	TLN	Nov.2010	1	-	-	1	-	-	-0.43	-0.37	-
Theratechnologies Inc.	TH	Nov.2010	6	5	-	1	-	-	-0.25	0.08	0.12
Thompson Creek Metals Co. Inc.*	TCM	Dec.2010	9	3	2	4	-	-	-0.44	0.90	1.57
Thomson Reuters Corp.	TRI	Dec.2010	7	5	-	2	-	-	1.01	1.61	2.52
Tiger Resources Ltd.*	TGS	Jun.2010	1	1	-	-	-	-	-0.05	-	-
Tim Hortons Inc.	THI	Dec.2010	10	5	-	5	-	-	1.64	2.01	2.25
Timminco Ltd.	TIM	Dec.2010	3	-	-	-	2	1	-1.09	-0.15	-
Timmins Gold Corp.	TMM	Mar.2011	2	-	2	-	-	-	-0.08	0.23	-
TIO Networks Corp.	TNC	Jul.2010	2	1	1	-	-	-	-0.46	-0.04	0.01
TMX Group Inc.	X	Dec.2010	5	1	-	2	2	-	1.41	2.61	2.87
Torex Gold Resources Inc.	TXG	Oct.2010	1	1	-	-	-	-	-0.04	-0.04	-0.04
Toromont Industries Ltd.	TIH	Dec.2010	6	4	-	2	-	-	1.86	1.35	2.13
Toronto-Dominion Bank	TD	Oct.2010	10	9	-	1	-	-	5.35	5.54	6.35
Torstar Corp.	TS.B	Dec.2010	5	2	-	3	-	-	0.45	1.32	1.36
Total Energy Services Inc.	TOT	Dec.2010	2	2	-	-	-	-	0.40	0.73	0.96
Tournigan Energy Ltd.	TVC	Sep.2010	1	-	-	1	-	-	-0.03	-	-
TransAlta Corp.	TA	Dec.2010	7	2	-	4	1	-	0.90	1.15	1.52
Transat A.T. Inc.	TRZ.B	Oct.2010	5	2	-	3	-	-	1.86	0.18	1.56
TransCanada Corp.	TRP	Dec.2010	8	7	-	1	-	-	2.11	2.02	2.49
Transcontinental Inc.	TCL.A	Oct.2010	5	2	-	2	1	-	-1.02	1.66	1.79
TransForce Inc.	TFI	Dec.2010	4	4	-	-	-	-	0.12	0.56	0.80
TransGaming Inc.	TNG	May.2011	2	2	-	-	-	-	-0.05	-0.04	-
Transition Therapeutics Inc.	TTH	Jun.2010	4	1	1	2	-	-	-0.97	-1.33	-
Tranzeo Wireless Technologies Inc.	TZT	Dec.2010	1	-	1	-	-	-	-0.41	-0.02	0.09
Trelawney Mining and Explor. Inc.	TRR	Dec.2010	1	-	1	-	-	-	-0.02	-0.02	0.12
Trevail Resources Corp.	TV	Dec.2010	1	-	1	-	-	-	-0.08	-	-
Trican Well Service Ltd.	TCW	Dec.2010	8	6	1	1	-	-	-0.07	0.61	0.94
Trinidad Drilling Ltd.	TDG	Dec.2010	10	7	2	1	-	-	0.26	0.21	0.49
Troy Resources NL	TRY	Jun.2010	1	-	-	1	-	-	0.22	-0.10	0.

BUY, SELL, HOLD ADVICE — PLUS EARNINGS ESTIMATES
FOR APPROXIMATELY 1,000 CANADIAN COMPANIES

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CANADIAN COMPANIES: Earnings per share

OIL & GAS: Cash flow estimates

Company	Sym.	Fiscal Year-end	Recommendations						Consensus Estimates		
			# Analysts	Buy	Buy Hold	Hold	Hold Sell	Sell	Latest EPS	Current Year	Next Year
WestJet Airlines Ltd.	WJA	Dec.2010	7	6	-	1	-	-	0.74	0.87	1.20
Westport Innovations Inc.	WPT	Mar.2011	5	-	-	2	2	1	-1.10	-0.91	-0.44
Whitemud Resources Inc.	WMK	Dec.2010	1	-	-	-	-	1	-0.47	-0.37	-
Wi-Lan Inc.	WIN	Dec.2010	1	1	-	-	-	-	-0.02	0.10	0.32
Winpak Ltd.*	WPK	Dec.2010	1	1	-	-	-	-	0.66	0.83	0.88
Wireless Matrix Corp.*	WRX	Apr.2011	2	2	-	-	-	-	-0.01	0.05	-
World Energy Solutions Inc.*	XWE	Dec.2010	1	-	1	-	-	-	-0.27	-0.04	0.17
Xceed Mortgage Corp.	XMC	Oct.2010	1	-	-	-	1	-	-0.12	-0.55	-0.20
Xtreme Coil Drilling Corp.	XDC	Dec.2010	4	3	-	1	-	-	0.21	0.12	0.17
Yamana Gold Inc.*	YRI	Dec.2010	13	10	-	3	-	-	0.26	0.69	0.76
Yangaroo Inc.	YOO	Dec.2010	1	-	-	1	-	-	-0.04	-0.04	-0.02
YM BioSciences Inc.	YM	Jun.2010	1	1	-	-	-	-	-0.23	-	-
Zarlink Semiconductor Inc.*	ZL	Mar.2011	2	1	-	-	-	-	0.04	0.31	-
ZCL Composites Inc.	ZCL	Dec.2010	5	1	1	1	2	-	0.08	0.30	0.40
Zenn Motor Co. Inc.	ZNN	Sep.2010	1	-	1	-	-	-	-0.29	-	-
Zongshen PEM Power Systems Inc.	ZPP	Dec.2010	3	1	-	2	-	-	-0.02	0.01	-

OIL & GAS: Cash flow estimates

Company	Sym.	Fiscal Year-end	Recommendations						Latest Cash Flow	Consensus Estimates	
			# Analysts	Buy	Buy Hold	Hold	Hold Sell	Sell		Current Year	Next Year
Advantage Oil & Gas Ltd.	AAV	Dec.2010	4	3	-	1	-	-	1.30	1.22	1.34
Alange Energy Corp.*	ALE	Dec.2010	5	4	-	1	-	-	0.01	0.07	0.11
Americas Petrogas Inc.	BOE	Dec.2010	1	-	1	-	-	-	-	-	-
Anderson Energy Ltd.	AXL	Dec.2010	4	1	-	3	-	-	0.25	0.32	0.49
Angle Energy Inc.	NGL	Dec.2010	6	6	-	-	-	-	0.90	1.08	1.70
Antrim Energy Inc.*	AEN	Dec.2010	4	1	1	2	-	-	-0.01	-0.01	-0.03
Arcan Resources Ltd.	ARN	Dec.2010	2	2	-	-	-	-	0.14	0.36	0.66
Argosy Energy Inc.	GSY	Dec.2010	2	1	1	-	-	-	0.20	0.40	0.46
Arsenal Energy Inc.	AEI	Dec.2010	2	2	-	-	-	-	0.18	0.17	0.28
Artek Exploration Ltd.	RTK	Dec.2010	1	1	-	-	-	-	0.28	0.86	1.12
Athabasca Oil Sands Corp.	ATH	Dec.2010	2	1	-	1	-	-	-	-	-
Bankers Petroleum Ltd.*	BNK	Dec.2010	7	4	2	1	-	-	0.12	0.40	0.74
Bellamont Exploration Ltd.	BMX.A	Dec.2010	2	1	-	1	-	-	0.04	0.14	0.17
Bellatrix Exploration Inc.	BXE	Dec.2010	4	3	1	-	-	-	0.39	0.58	0.96
Birchcliff Energy Ltd.	BIR	Dec.2010	6	1	2	2	1	-	0.56	0.89	1.48
BlackPearl Resources Inc.	PXX	Dec.2010	3	3	-	-	-	-	0.12	0.31	0.12
Bonterra Energy Corp.	BNE	Dec.2010	1	1	-	-	-	-	2.69	3.97	5.90
Bridge Resources Corp.	BUK	Mar.2011	1	1	-	-	-	-	-	-	-
Bronco Energy Ltd.	BCF	Dec.2010	1	-	-	1	-	-	-	0.11	-
Calvalley Petroleum Inc.*	CVI.A	Dec.2010	3	1	1	1	-	-	0.14	0.32	0.79
Canacol Energy Ltd.	CNE	Jun.2010	5	2	2	1	-	-	-0.04	0.20	0.11
Cdn. Natural Resources Ltd.	CNQ	Dec.2010	12	11	-	1	-	-	11.24	8.93	10.85
Cdn. Quantum Energy Corp.	CQM	Apr.2011	1	1	-	-	-	-	-	-	-
Cdn. Spirit Resources Inc.	SPI	Dec.2010	2	2	-	-	-	-	-0.04	-0.03	0.18
Canoro Resources Ltd.	CNS	Mar.2011	3	-	2	1	-	-	-0.02	0.07	0.01
Celtic Exploration Ltd.	CLT	Dec.2010	7	4	1	2	-	-	1.35	1.93	2.62
Cenovus Energy Inc.*	CVE	Dec.2010	12	8	-	4	-	-	3.29	3.71	4.26
CGX Energy Inc.*	OYL	Dec.2010	3	-	3	-	-	-	-0.01	-0.01	-0.01
Chinook Energy Inc.	CKE	Dec.2010	1	-	-	1	-	-	-	0.20	0.55
Cinch Energy Corp.	CNH	Dec.2010	7	6	-	1	-	-	0.17	0.16	0.33
Cirrus Energy Corp.	CYR	Aug.2010	4	3	1	-	-	-	-0.03	0.38	0.93
Coastal Energy Co.	CEN	Dec.2010	3	2	1	-	-	-	0.37	2.39	-
Compton Petroleum Corp.	CMT	Dec.2010	4	-	1	2	1	-	0.29	0.15	0.20
Connacher Oil and Gas Ltd.	CLL	Dec.2010	5	1	-	3	1	-	0.27	0.17	0.31
Corridor Resources Inc.	CDH	Dec.2010	3	1	1	1	-	-	0.31	0.22	0.37
Crescent Point Energy Corp.	CPG	Dec.2010	10	8	-	2	-	-	4.15	3.61	4.20
Crew Energy Inc.	CR	Dec.2010	8	5	-	3	-	-	2.31	1.55	2.27
Crocotta Energy Inc.	CTA	Dec.2010	5	5	-	-	-	-	0.89	0.21	0.38
Culane Energy Corp.	CLN	Dec.2010	3	-	1	1	1	-	0.42	0.37	0.72
Daylight Energy Ltd.	DAY	Dec.2010	4	4	-	-	-	-	-	1.58	2.01
DeeThree Exploration Inc.	DTX	Dec.2010	1	1	-	-	-	-	0.08	0.16	0.37
Delphi Energy Corp.	DEE	Dec.2010	7	5	-	2	-	-	0.59	0.60	0.69
Eaglewood Energy Inc.	EWD	Dec.2010	1	-	1	-	-	-	-	-	-
Ember Resources Inc.	EBR	Dec.2010	2	-	-	1	1	-	0.25	0.21	0.21
Emerge Oil & Gas Inc.	EME	Dec.2010	3	3	-	-	-	-	0.10	0.55	0.93
EnCana Corp.*	ECA	Dec.2010	11	5	-	6	-	-	9.03	5.91	6.53
Epsilon Energy Ltd.	EPS	Dec.2010	1	1	-	-	-	-	-	0.31	0.70
Equal Energy Inc.	EQU	Dec.2010	2	2	-	-	-	-	1.47	1.96	2.54
Fairborne Energy Ltd.	FEL	Dec.2010	7	6	-	1	-	-	1.59	1.32	1.45
Galleon Energy Inc.	GO	Dec.2010	5	2	-	3	-	-	1.22	1.26	1.20
Gastem Inc.	GMR	Dec.2010	1	-	1	-	-	-	-	-	-
Gran Tierra Energy Inc.*	GTE	Dec.2010	12	7	2	3	-	-	0.65	0.94	1.14
Great Plains Exploration Inc.	GPX	Dec.2010	1	1	-	-	-	-	-	-	-
Heritage Oil Corp.*	HOC	Dec.2010	3	1	1	1	-	-	-0.13	-0.23	-0.26
Husky Energy Inc.	HSE	Dec.2010	8	-	-	5	2	1	2.95	4.33	4.71
Imperial Oil Ltd.	IMO	Dec.2010	9	2	-	5	2	-	3.11	3.72	4.04
Insignia Energy Ltd.	ISN	Dec.2010	4	3	-	1	-	-	0.29	0.52	0.88
Ironhorse Oil & Gas Inc.	IOG	Dec.2010	1	1	-	-	-	-	-	-	-

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Ithaca Energy Inc.*	IAE	Dec.2010	3	1	1	1	-	-	0.34	0.68	1.05
Ivanhoe Energy Inc.	IE	Dec.2010	2	1	-	1	-	-	0.03	-0.01	0.01
Junex Inc.	JNX	Dec.2010	2	-	2	-	-	-	-0.01	-0.01	-0.02
Legacy Oil + Gas Inc.	LEG	Dec.2010	5	4	-	1	-	-	0.91	1.37	1.85
Logan International Inc.	LII	Dec.2010	3	3	-	-	-	-	-	0.49	0.78
Longford Energy Inc.	LFD	Dec.2010	1	-	-	1	-	-	-0.03	-0.01	-
Madalena Ventures Inc.	MVN	Dec.2010	1	-	1	-	-	-	-0.01	0.01	-0.01
MEG Energy Corp.	MEG	Dec.2010	1	1	-	-	-	-	-	0.58	1.11
MGM Energy Inc.	MGX	Dec.2010	4	-	2	2	-	-	-0.02	-0.03	-0.02
Midway Energy Ltd.	MEL	Dec.2010	3	3	-	-	-	-	-0.01	0.34	0.71
Nexen Inc.	NXY	Dec.2010	11	4	-	6	1	-	4.25	4.89	5.95
Niko Resources Ltd.*	NKO	Mar.2011	7	4	1	2	-	-	4.30	7.43	7.82
North Peace Energy Corp.	NPE	Dec.2010	2	-	-	2	-	-	-0.01	-0.01	-0.01
Norwood Resources Ltd.	NRS	Dec.2010	1	-	1	-	-	-	-0.02	-0.02	-
Novus Energy Inc.	NVS	Dec.2010	3	3	-	-	-	-	-0.10	0.09	0.24
Nuloch Resources Inc.	NLR.A	Dec.2010	2	2	-	-	-	-	0.03	0.15	0.39
NuVista Energy Ltd.	NVA	Dec.2010	8	5	-	3	-	-	2.28	2.57	3.11
Open Range Energy Corp.	ONR	Dec.2010	5	5	-	-	-	-	0.50	0.49	0.60
OPTI Canada Inc.	OPC	Dec.2010	6	2	-	2	2	-	-1.13	-0.45	0.29
Orca Exploration Group Inc.*	ORC.A	Dec.2010	1	1	-	-	-	-	0.40	-	-
Orleans Energy Ltd.	OEX	Dec.2010	7	6	-	1	-	-	0.27	0.40	0.64
Pace Oil & Gas Ltd.	PCE	Dec.2010	1	1	-	-	-	-	1.29	1.07	2.03
Pacific Rubiales Energy Corp.*	PRE	Dec.2010	11	9	1	-	-	1	0.93	2.82	4.59
Painted Pony Petroleum Ltd.	PPY.A	Dec.2010	3	3	-	-	-	-	0.44	0.82	1.40
Palliser Oil & Gas Corp.	PXL	Dec.2010	2	2	-	-	-	-	-0.06	0.11	0.33
Pan Orient Energy Corp.	POE	Dec.2010	4	3	1	-	-	-	1.20	1.33	1.72
Paramount Resources Ltd.	POU	Dec.2010	7	3	-	3	1	-	0.88	1.23	1.41
Parex Resources Inc.	PXT	Dec.2010	7	5	1	1	-	-	-0.08	-0.03	0.39
Perpetual Energy Inc.	PMT	Dec.2010	2	-	-	2	-	-	-	1.20	0.98
Petro Vista Energy Corp.	PTV	Sep.2010	1	-	-	1	-	-	-	-	-
Petroamerica Oil Corp.	PTA	Dec.2010	1	1	-	-	-	-	0.00	-	-
PetroBakken Energy Ltd.	PBN	Dec.2010	7	6	-	1	-	-	3.14	4.03	4.85
Petrobank Energy & Resources	PBG	Dec.2010	4	3	-	1	-	-	2.78	13.56	15.03
Petrodorado Energy Ltd.	PDQ	Dec.2010	1	-	1	-	-	-	0.00	0.00	0.03
Petrolifera Petroleum Ltd.	PDP	Dec.2010	6	1	2	2	1	-	0.41	0.19	0.16
Petrominerales Ltd.*	PMG	Dec.2010	10	7	-	1	2	-	2.78	6.56	6.84
Pinecrest Energy Inc.	PRY	Jul.2010	1	1	-	-	-	-	-	-	-
Primeline Energy Holdings Inc.	PEH	Mar.2011	1	-	1	-	-	-	0.00	-0.01	-0.03
Progress Energy Res. Corp.	PRQ	Dec.2010	9	7	-	2	-	-	0.95	1.12	1.46
ProspEx Resources Ltd.	PSX	Dec.2010	3	2	-	1	-	-	0.22	0.38	0.48
Questerre Energy Corp.	QEC	Dec.2010	3	1	2	-	-	-	0.02	0.02	0.04
Reliable Energy Ltd.	REL	Dec.2010	1	-	1	-	-	-	-0.01	0.04	0.13
Renegade Petroleum Ltd.	RPL	Dec.2010	2	2	-	-	-	-	0.03	0.42	1.09
Rock Energy Inc.	RE	Dec.2010	5	5	-	-	-	-	0.72	0.97	1.42
Sea Dragon Energy Inc.	SDX	Dec.2010	2	1	1	-	-	-	-0.03	0.04	0.09
Seaview Energy Inc.	CVU.A	Dec.2010	2	1	-	-	-	-	0.26	0.24	0.33
Second Wave Petroleum Ltd.	SCS	Dec.2010	3	2	1	-	-	-	0.02	0.19	0.42
Serica Energy PLC*	SQZ	Dec.2010	2	2	-	-	-	-	0.08	0.04	0.10
SkyWest Energy Corp.	SKW	Dec.2010	1	1	-	-	-	-	-	0.03	0.16
Southern Pacific Resource Corp.	STP	Jun.2010	3	2	1	-	-	-	0.02	0.21	0.19
Sterling Resources Ltd.*	SLG	Dec.2010	3	2	1	-	-	-	-0.04	-0.02	-0.02
Storm Resources Ltd.	SRX	Dec.2010	1	1	-	-	-	-	-	-0.09	-0.03
Stratic Energy Corp.*	SE	Dec.2010	1	-	-	1	-	-	0.00	0.10	-
Suncor Energy Inc.	SU	Dec.2010	11	9	-	2	-	-	2.34	3.99	5.46
Sure Energy Inc.	SHR	Dec.2010	1	1	-	-	-	-	-	-	-
Surge Energy Inc.	SGY	Dec.2010	1	1	-	-	-	-	1.05	0.82	1.13
Suroco Energy Inc.	SRN	Dec.2010	2	2	-	-	-	-	0.00	0.10	0.19
Talisman Energy Inc.	TLM	Dec.2010	12	10	-	2	-	-	3.90	3.55	4.39
Tamarack Valley Energy Ltd.	TVE	Dec.2010	1	-	1	-	-	-	0.01	0.02	0.03
Terra Energy Corp.	TT	Dec.2010	3	2	1	-	-	-	0.32	0.37	0.46
Tethys Petroleum Ltd.*	TPL	Dec.2010	1	-	1	-	-	-	-0.07	0.04	0.17
TG World Energy Corp.	TGE	Dec.2010	2	-	2	-	-	-	0.00	0.00	-
TransAtlantic Petroleum Corp.*	TNP	Dec.2010	1	1	-	-	-	-	-0.10	-	-
TransGlobe Energy Corp.	TGL	Dec.2010	3	2	-	1	-	-	0.70	1.18	1.51
Triangle Petroleum Corp.*	TPE	Jan.2011	2	-	2	-	-	-	-	-	-
Trilogy Energy Corp.	TET	Dec.2010	4	2	-	2	-	-	1.18	1.19	1.06
TriOil Resources Ltd.	TOL	Dec.2010	2	2	-	-	-	-	-	0.47	1.15
Twin Butte Energy Ltd.	TBE	Dec.2010	7	6	1	-	-	-	0.28	0.36	0.45
UTS Energy Corp.	UTS	Dec.2010	7	3	-	4	1	-	-0.05	-0.02	-0.02
Vast Exploration Inc.	VST	Jan.2011	2	1	1	-	-	-	-0.02	-0.01	-0.01
Vermilion Energy Inc.	VET	Dec.2010	1	1	-	-	-	-	-	-	-
Vero Energy Inc.	VRO	Dec.2010	4	4	-	-	-	-	0.70	1.46	2.16
WesternZagros Resources Ltd.	WZR	Dec.2010	7	-	1	3	3	-	-0.01	-0.01	-0.04
WestFire Energy Ltd.	WFE	Dec.2010	3	3	-	-	-	-	0.31	0.71	1.50
Wild Stream Exploration Inc.	WSX	Dec.2010	3	3	-	-	-	-	1.05	0.68	1.21
Winstar Resources Ltd.	WIX	Dec.2010	3	1	2	-	-	-	0.52	0.82	0.89
Xcite Energy Ltd.	XEL	Dec.2010	1		1				-0.02	-0.02	0.07
Yoho Resources Inc.	YO	Sep.2010	3	3	-	-	-	-	0.53	0.53	0.66
Zedi Inc.	ZED	Dec.2010	1	1	-	-	-	-	-	-	-

BUY, SELL, HOLD ADVICE — PLUS EARNINGS ESTIMATES
FOR APPROXIMATELY 1,000 CANADIAN COMPANIES

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INCOME TRUSTS: Total distribution

Company	Sym.	Fiscal Year-end	Recommendations						Consensus Estimates		
			# Analysts	Buy	Buy Hold	Hold	Hold Sell	Sell	Latest Dist.	Current Year	Next Year
Allied Properties REIT	AP.UN	Dec.2010	8	3	1	4	-	-	1.32	1.32	1.32
Altus Group I.F.	AIF.UN	Dec.2010	4	4	-	-	-	-	1.20	1.20	1.20
Arc Energy Trust	AET.UN	Dec.2010	10	9	-	1	-	-	1.28	1.20	1.20
Arctic Glacier I.F.*	AG.UN	Dec.2010	2	1	-	-	1	-	0.54	0.00	0.00
Armtec Infrastructure I.F.	ARF.UN	Dec.2010	5	4	1	-	-	-	1.98	2.88	2.93
Artis REIT	AX.UN	Dec.2010	5	1	-	4	-	-	1.08	1.08	1.08
Avenir Diversified I.T.	AVF.UN	Dec.2010	2	2	-	-	-	-	0.84	-	-
Badger I.F.	BAD.UN	Dec.2010	3	3	-	-	-	-	1.26	-	-
Baytex Energy Trust	BTE.UN	Dec.2010	11	9	-	1	1	-	1.56	2.16	2.16
Bell Aliant Reg. Comm. I.F.	BA.UN	Dec.2010	8	-	1	6	-	1	3.39	2.90	1.90
Bird Construction I.F.	BDT.UN	Dec.2010	3	2	1	-	-	-	1.62	-	-
Boardwalk REIT	BEI.UN	Dec.2010	7	2	-	5	-	-	2.55	1.80	1.80
Bonavista Energy Trust	BNP.UN	Dec.2010	7	6	-	1	-	-	2.00	2.73	1.92
Boralex Power I.F.	BPT.UN	Dec.2010	7	1	-	5	-	-	0.64	0.53	0.50
Boston Pizza Royalties I.F.	BPF.UN	Dec.2010	2	-	-	1	1	-	1.38	-	-
Brick Group I.F.	BRK.UN	Dec.2010	2	1	-	1	-	-	0.32	0.00	0.00
Brookfield Infra. Partners L.P.	BIP.UN	Dec.2010	3	1	-	2	-	-	0.27	-	-
Brookfield Ren. Power Fund	BRC.UN	Dec.2010	6	1	-	4	1	-	1.25	1.43	1.47
BTB REIT	BTB.UN	Dec.2010	2	-	-	1	1	-	0.09	0.09	0.08
Calloway REIT	CWT.UN	Dec.2010	7	1	1	5	-	-	1.41	1.55	1.55
Cdn Apt. Properties REIT	CAR.UN	Dec.2010	7	2	1	3	1	-	0.99	1.08	1.08
Cdn. Oil Sands Trust	COS.UN	Dec.2010	10	6	-	3	-	-	0.90	1.83	2.00
Cdn. REIT	REF.UN	Dec.2010	6	4	1	1	-	-	1.36	1.36	1.38
Canexus I.F.	CUS.UN	Dec.2010	4	2	-	2	-	-	0.50	0.55	0.55
Canfor Pulp I.F.	CFX.UN	Dec.2010	5	3	-	2	-	-	0.26	2.08	1.37
Capital Power Income L.P.	CPA.UN	Dec.2010	5	1	-	2	2	-	1.95	1.76	1.76
Carfinco I.F.	CFN.UN	Dec.2010	1	1	-	-	-	-	0.08	0.24	0.26
Cargojet I.F.	CJT.UN	Dec.2010	2	1	-	1	-	-	0.79	0.50	0.50
Chartwell Seniors Housing REIT	CSH.UN	Dec.2010	3	1	-	2	-	-	0.66	0.54	0.54
Chemtrade Logistics I.F.	CHE.UN	Dec.2010	1	-	-	1	-	-	1.20	1.20	1.20
Cineplex Galaxy I.F.	CGX.UN	Dec.2010	5	3	-	2	-	-	2.14	1.26	1.31
Cinram Int'l. I.F.	CRW.UN	Dec.2010	2	-	-	1	1	-	0.00	-	-
Clearwater Seafoods I.F.	CLR.UN	Dec.2010	2	-	-	-	1	-	0.00	-	-
CML Healthcare I.F.	CLC.UN	Dec.2010	5	2	-	3	-	-	0.98	1.25	-
Coast Wholesale Appliances I.F.	CWA.UN	Dec.2010	1	-	-	1	-	-	0.58	0.50	0.50
Cominar REIT	CUF.UN	Dec.2010	8	3	1	4	-	-	1.44	1.44	1.44
Consumers' Waterheater I.F.	CWI.UN	Dec.2010	2	-	-	2	-	-	1.02	-	-
Crombie REIT	CRR.UN	Dec.2010	4	-	1	3	-	-	0.82	0.89	-
Davis + Henderson I.F.	DHF.UN	Dec.2010	2	1	-	1	-	-	1.84	1.84	-
DirectCash I.F.	DCI.UN	Dec.2010	2	2	-	-	-	-	2.05	1.38	1.38
Dundee REIT	D.UN	Dec.2010	3	1	1	1	-	-	2.20	-	-
Enbridge I.F.	ENF.UN	Dec.2010	5	1	-	2	1	1	1.15	1.17	1.22
Enerplus Resources Fund	ERF.UN	Dec.2010	8	3	-	5	-	-	2.23	2.16	2.16
Extendicare REIT	EXE.UN	Dec.2010	2	1	-	1	-	-	0.84	-	-
Firm Capital Mortgage I.T.	FC.UN	Dec.2010	1	-	-	1	-	-	1.04	1.00	1.03
First National Financial I.F.	FN.UN	Dec.2010	4	2	-	2	-	-	1.45	1.82	1.43
Foremost I.F.	FMO.UN	Dec.2010	2	1	-	1	-	-	1.07	-	-
Fort Chicago Energy Partners L.P.	FCE.UN	Dec.2010	6	-	-	5	-	1	1.00	1.00	1.00
FP Newspapers I.F.	FP.UN	Dec.2010	1	-	-	-	1	-	1.14	0.93	0.93
Freehold Royalty Trust	FRU.UN	Dec.2010	3	-	-	3	-	-	1.40	1.68	1.62
Futuremed Healthcare I.F.	FMD.UN	Dec.2010	2	1	-	1	-	-	0.93	-	-
Gamehost I.F.	GH.UN	Dec.2010	2	1	-	1	-	-	0.81	0.88	0.88
Gaz Metro L.P.	GZM.UN	Sep.2010	5	-	-	2	3	-	1.24	1.24	1.00
Genivar I.F.	GNV.UN	Dec.2010	10	5	3	2	-	-	1.95	1.50	1.50

I.F. = Income Fund

I.T. = Income Trust

INCOME TRUSTS: Total distribution

Company	Sym.	Fiscal Year-end	Recommendations						Consensus Estimates		
			# Analysts	Buy	Buy Hold	Hold	Hold Sell	Sell	Latest Dist.	Current Year	Next Year
H&R REIT	HR.UN	Dec.2010	6	4	2	-	-	-	0.72	0.72	0.72
Holloway Lodging REIT	HLR.UN	Dec.2010	2	-	1	-	1	-	0.10	-	-
Homborg Cdn. REIT	HCR.UN	Dec.2010	1	-	-	-	-	-	-	0.95	0.95
Huntingdon REIT	HNT.UN	Dec.2010	1	1	-	-	-	-	0.00	-	-
IBI I.F.	IBG.UN	Dec.2010	5	2	1	1	1	-	1.60	1.58	1.67
InnVest REIT	INN.UN	Dec.2010	3	1	-	2	-	-	0.67	0.50	0.50
Inter Pipeline Fund	IPL.UN	Dec.2010	6	5	1	-	-	-	0.84	0.90	0.90
InterRent REIT	IIP.UN	Dec.2010	2	-	-	1	-	1	0.11	0.12	0.12
Jazz Air I.F.	JAZ.UN	Dec.2010	5	1	-	4	-	-	0.84	0.68	0.64
Just Energy I.F.	JE.UN	Mar.2011	3	1	1	1	-	-	1.24	1.75	-
K-Bro Linen I.F.	KBL.UN	Dec.2010	1	1	-	-	-	-	1.10	-	-
Keyera Facilities I.F.	KEY.UN	Dec.2010	5	3	1	1	-	-	2.25	1.80	1.80
Labrador Iron Ore Royalty Corp.	LIF.UN	Dec.2010	1	1	-	-	-	-	-	-	-
Lakeview Hotel REIT	LHR.UN	Dec.2010	1	-	-	-	1	-	0.02	-	-
Liquor Stores I.F.	LIQ.UN	Dec.2010	3	1	-	2	-	-	1.02	1.62	1.62
Macquarie Power I.F.	MPT.UN	Dec.2010	1	-	-	1	-	-	0.88	-	-
Medical Facilities Corp.*	DR.UN	Dec.2010	3	2	-	1	-	-	1.10	-	-
Morguard REIT	MRT.UN	Dec.2010	3	1	1	1	-	-	1.06	-	-
Morneau Sobeco I.F.	MSI.UN	Dec.2010	2	-	1	1	-	-	1.00	1.00	1.10
NAL Oil & Gas Trust	NAE.UN	Dec.2010	6	3	-	3	-	-	1.12	1.08	1.08
New Flyer Industries Inc.	NFI.UN	Dec.2010	4	2	-	2	-	-	1.17	1.17	1.17
Newport Partners I.F.	NPF.UN	Dec.2010	1	-	-	-	1	-	0.00	-	-
Noranda I.F.	NIF.UN	Dec.2010	1	-	-	-	1	-	0.29	-	-
North West Co. Fund	NWF.UN	Jan.2011	2	-	-	2	-	-	0.98	-	-
Northern Property REIT	NPR.UN	Dec.2010	6	5	-	1	-	-	1.48	1.48	1.48
Northland Power I.F.	NPI.UN	Dec.2010	6	3	1	2	-	-	1.08	1.08	1.08
NorthWest Healthcare Properties	NWH.UN	Dec.2010	1	-	-	1	-	-	-	-	-
Parkland I.F.	PKI.UN	Dec.2010	4	3	-	1	-	-	1.26	-	-
Pembina Pipeline I.F.	PIF.UN	Dec.2010	6	1	-	4	1	-	1.56	1.56	1.56
Pengrowth Energy Trust	PGF.UN	Dec.2010	10	8	-	2	-	-	1.08	0.84	0.84
Penn West Energy Trust	PWT.UN	Dec.2010	9	4	-	5	-	-	2.23	1.56	1.29
Peyto Energy Trust	PEY.UN	Dec.2010	5	4	-	1	-	-	1.47	1.26	1.26
Phoenix Technology I.F.	PHX.UN	Dec.2010	5	4	-	1	-	-	0.89	0.48	0.48
Primaris Retail REIT	PMZ.UN	Dec.2010	6	2	1	3	-	-	1.22	1.22	1.22
Provident Energy Trust	PVE.UN	Dec.2010	2	1	-	-	1	-	0.75	-	-
Pure Industrial Real Estate Trust	AAR.UN	Dec.2010	3	2	-	1	-	-	0.30	-	-
Retrocom Mid-Market REIT	RMM.UN	Dec.2010	1	1	-	-	-	-	-	-	-
Riocan REIT	REI.UN	Dec.2010	6	1	-	5	-	-	1.38	1.38	1.38
Rogers Sugar I.F.	RSI.UN	Sep.2010	2	-	-	1	1	-	0.46	0.68	0.55
Royal Host REIT	RYL.UN	Dec.2010	3	-	-	-	2	1	0.64	-	-
Scott's REIT	SRQ.UN	Dec.2010	3	1	-	2	-	-	0.93	-	-
Second Cup I.F.	SCU.UN	Dec.2010	1	-	-	-	1	-	0.95	-	-
Stoneham Drilling Trust	SDG.UN	Dec.2010	5	4	-	-	1	-	0.10	0.00	0.00
Supremex I.F.	SXP.UN	Dec.2010	1	-	-	1	-	-	0.65	0.77	0.60
Temple REIT	TR.UN	Dec.2010	1	-	-	-	1	-	0.58	-	-
TimberWest Forest Corp.	TWF.UN	Dec.2010	7	3	-	1	3	-	1.08	0.14	0.39
Trimac I.F.	TMA.UN	Dec.2010	3	1	-	2	-	-	0.48	0.48	0.24
Vicwest I.F.	VIC.UN	Dec.2010	2	2	-	-	-	-	2.17	1.56	1.08
Wajax I.F.	WJX.UN	Dec.2010	5	2	-	2	1	-	2.55	1.80	1.00
WesternOne Equity I.F.	WEQ.UN	Dec.2010	1	-	-	1	-	-	0.60	0.60	0.48
Westshore Terminals I.F.	WTE.UN	Dec.2010	2	2	-	-	-	-	1.37	-	-
Whiterock REIT	WRK.UN	Dec.2010	3	1	-	2	-	-	1.69	1.69	1.69
Yellow Pages I.F.	YLO.UN	Dec.2010	8	-	2	5	1	-	0.92	0.80	-
Zargon Energy Trust	ZAR.UN	Dec.2010	4	-	-	4	-	-	2.16	2.16	2.16

Story of Paramount just keeps getting better

By Mike Kachanovsky

I first presented **Paramount Gold and Silver Corp.** (PZG-TSX, \$1.52) (in a Mexico Mike article a couple of years ago, and since then the company has been very busy indeed. Paramount has expanded its property holdings to comprise more than 440,000 acres around its flagship San Miguel project in Chihuahua. The company now controls most of a large district that has accounted for significant historic production of high grade gold and silver, yet remains underexplored.

Exploration success has been reported on several fronts as



M. Kachanovsky

Paramount has gone about testing some of the many high priority targets that have been identified. The intense alteration that is evident through the district contributed to the enrichment of gold, silver and base metals producers. Deposits have been discovered in a variety of settings, including some extremely high grade zones and also larger areas of lower grade disseminated mineralization that may be suitable for lower cost open-pit mining.

Total "compliant," or reportable, resources for the project now amount to about 2.65 million gold-equivalent ounces. The drills continue to turn, with additional suc-

cess reported that have not been included in this resource.

San Miguel is located in the midst of several huge mining projects that have been developed in recent years, including the Ocampo Mine (Gammon Gold), El Sauzal (Goldcorp), Pinos Altos (Agnico-Eagle), and Palmarejo (Coeur D'alene). The district is rapidly evolving into one of the most important production areas in Mexico. As the magnitude of its defined resource base continues to grow, San Miguel may become the subject of interest for the next major acquisition deal for development.

It is worth noting that Coeur D'alene paid about US\$1.1 billion for Palmarejo in 2007, a deposit of roughly 3.1 million gold-equivalent

ounces. San Miguel is rapidly approaching a similar net defined resource, and yet Paramount trades at a market capitalization of about \$170 million. Suffice to say, the stock looks cheap. Sometime in the future, the company may have outlined a much larger resource and the premium that will be offered for acquisition may be higher in a hot market. There is no need for it to rush into any deal today.

Tip of the iceberg

In an effort to establish a second core-operating area outside of Mexico, Paramount recently acquired X-Cal Resources to gain 100 per cent ownership of the Sleeper Gold project plus two other exploration prospects in Nevada. The price tag amounted to roughly \$32 million, an all-stock deal.

Much like Mexico, Nevada is a mining-friendly jurisdiction with a long history of significant gold and silver production. Paramount has followed its strategy to gain large property holdings around proven mining districts with the acquisition of the Sleeper Mine, a high grade historic producer that yielded more than 1.7 million ounces of gold and 2.3 million ounces of silver.

The entire property comprises about 30-square miles surrounding the old mine workings and is highly prospective. There is an established resource in excess of one million ounces of gold that remains from prior mining activity, but this probably represents the proverbial tip of the iceberg. The company also inherited extensive infrastructure and various equipment left over from the large mine operation.

The acquisition makes great sense for a number of reasons. Paramount paid roughly \$30 per ounce of gold resource in the ground, an exceptional value. Secondly, there is a very good potential that significant gold can be recovered from reprocessing of the millions of tons of tailings on site from the prior mining operations. For reference, First Majestic Silver is running a highly profitable tailings-recovery operation in a similar project right now. However, the real upside to this deal comes from the discovery potential of the surrounding property holdings.

Exploration is what the people at Paramount do best. And at

Sleeper, they control a project that already has several extremely attractive targets outlined. It is amazing to consider that despite the high grade resources that were mined for more than a decade, very little exploration work was completed beyond the limits of the old mine workings. Some drill holes, punched in the immediate vicinity of the open pit, encountered some good gold intervals, but they were never followed up on.

I was able to tour the Sleeper Mine workings in June, and the project is awesome in terms of its scale and magnitude. The old pit measures more than a mile across, and has now filled with water creating a lake several hundred feet deep. Huge mounds of mine tailings are built up surrounding the old pit. Almost no other human activity can be detected throughout the region, except for the road extending to the mine. It is a dream development scenario.

The geologists that are now preparing for the first phase of new exploration are almost giddy with excitement. Several cross-trending structures have been identified that may host entirely new resource zones. Historical exploration data and old drill cores are being reviewed to shed new insight on the target areas. The company plans to commence drilling before the end of the year.

Taken as a whole, Paramount Gold and Silver is an enormously attractive junior exploration story. The balance sheet is clean, with no debt and nearly \$20 million on hand. Management has demonstrated effectiveness to complete acquisitions, raise funding and successfully complete exploration to define new resources.

The company now has an established presence in two high profile districts, and controls resources of more than 3.5 million gold-equivalent ounces. Yet the current market cap is extremely cheap. I have been buying more shares of Paramount recently, and I think sometime in the future the company is likely to become a high profile takeover candidate itself — at a much higher price than it trades at today.

Michael Kachanovsky is a freelance writer who specializes in junior mining stocks. He can be reached at mike@smartinvestment.ca.

Get ready to change your strategy

By Sunil Vidyarthi

If you took a poll among investors today, dividend paying stocks would top the list. That worries me a little even though I just did recommend the same in my last missive a month ago. First, everyone is in love with this strategy, and the second is the future of interest rates.

Interest rates are low. More money is floating around, as well as more confidence, which leads to more spending, and that means better earnings and higher stock and bond prices. And that often leads to higher rates.

But this recession and recovery do not compare well with anything in recent memory. It feels more like the '30's depression, at least for the millions who can't find a job. In the 1930s, U.S. rates actually went higher, peaking in 1932, nearly three years after the event. Sure, the bankers made some stupid decisions by increasing rates. But after they did change course, rates kept falling for another five years. Many argue that this time too, rates should be stuck in low for at least another two years. In other words, dividend payers may be safe for a few more quarters.

There is another problem this time. Nearly all previous recessions



Sunil Vidyarthi

came to an end by some action or growth spurt in the developed world. This time, it is quite likely the world will look substantially different (in economic terms) after the "bad times" are over.

China will likely be in the driver's seat, and barring another destruction sequence with Pakistan, India too will be well up there. Have you noticed the number of multibillion-dollar deals flowing out of these supposedly third-world countries? It is no surprise to me to come across a book entitled *Third World America*.

Perhaps we shouldn't play politics although there seems to be nothing else going on down south. Let us play with money instead. If rates do rise, it won't be done by the western world. It will be due to out-of-control growth in the emerging markets. We better hope these *nouveau riche* countries get it right. That will be the day, when the current buy-income-and-dividends strategy, will come to an end.

We need to be especially careful asset allocators and stock pickers to prepare for that day. Fortunately, we have had a lot of experience living with inflation and rising rates during the last 40 years or so. What works then is common equity with the possibility of growth.

To do this right, let me take you

to the world as it is likely to be in 2020. By then, China, India, Brazil, many parts of Africa and even Russia are all, at least, 100 per cent larger in size while the western world has grown by, maybe 25 per cent. Japan is probably even smaller. Incremental demand for consumer goods and services is coming from the "rest of the world" as opposed to the so-called first world. Growth is centred in a few large conglomerate companies that can supply the entire globe not just domestic markets. This is bad news for our non-resource Canadian companies but great news for the outward inclined U.S. corporations.

I suggest you start with the Dow's 30 industrial stocks. You can go through individual stocks and look for those with significant non-western connections or you can just buy the exchange-traded funds, which will keep you in the game when the bottom drops out. My favorite instruments are **SPDR Dow Jones Industrial Average ETF** (DIA-NYSE, \$107.32) for U.S.-currency accounts and **BMO Dow Jones Diamonds Index ETF** (ZDJ-TSX, \$18.79) for hedged Canadian-dollar play. Both track the 30 largest U.S. stocks, which are likely to become the largest global stocks in a decade or so.

Sunil Vidyarthi, M.B.A., PhD, is president of Value Sciences Inc.

To increase your shareholdings, tap into DRIPs

A dividend reinvestment plan allows you to buy additional stock more efficiently — and more cheaply

If you own shares in a blue-chip, dividend-paying company, you may be able to buy more without paying a transaction fee.

A dividend reinvestment plan, or DRIP, is a program offered by some companies and income trusts that allows shareholders/unitholders to reinvest their dividends/distributions in additional shares/units of that company.

Since a company must pay dividends to offer a DRIP, our list leans toward established blue-chip stocks.

To join a DRIP, you must be a registered shareholder of the issuer. Most issuers allow shareholders to participate in the program with only one share. But some require more.

Once registered, you'll then start receiving quarterly receipts or transaction-activity reports. But be prepared. The paperwork associated with a large portfolio of DRIPs can be burdensome.

One criticism is that DRIPs create an administrative nightmare. After all, every time a company reinvests your dividends or cash, your adjusted-cost base changes. It's important to keep track of your adjusted-cost base for tax purposes.

A second criticism is that DRIPs lead you to pay tax on income you don't receive. But if DRIPs suit you, the benefits sure beat the costs. Investment guru Peter Lynch says you are better off watching your DRIPs, than in following the market's every twist and turn.

DRIPs encourage investors to follow a simple but effective investment technique — dollar-cost averaging. By buying shares on a regular basis, you'll be spared the nuisance of buying them when their prices have gone through the roof.

You'll also end up getting your shares at below-average cost. As well, you will have profited from volatile markets.

No commissions

The biggest advantage of DRIPs is that no other commissions need be paid. The longer they're held, the more you benefit.

Moreover, by taking advantage of a dividend reinvestment plan, you're spared the customary spread between the "bid" and the "ask" price for a stock.

DRIPs also provide you with the benefit of compounding. As your reinvested dividends buy more shares, your dividends get bigger over time.

Other advantages include putting your dividends to work immediately. This beats letting them sit in your brokerage account until you have enough cash to invest.

As well, Drips set up 'forced' savings plans. After all, you can't spend dividends you don't receive.

Finally, you benefit from the dividend tax credit on Canadian stocks and pay tax on just half of your capital gains. Bonds, by contrast are fully taxed.

The table at right, compiled by editorial assistant Zoe Ngan, lists those Canadian companies and income trusts offering DRIPs.

Our table shows the frequency

Symbol	Company	Transfer Agent / Contact	Internet Address (prefix www.)	Price \$	Div. \$	Yield %	Discount	Cash Investment Option	Payment Frequency
FAP	Aberdeen Asia Pacific	CIBC Mellon	aberdeen-asset.com	6.99	0.60	8.6	--	Y	Monthly
AGF.B	AGF Mgmt. Ltd.	Computershare	agf.com	15.72	1.04	6.6	--	N	Quarterly
AEM	Agnico-Eagle Mines Ltd.	Computershare	agnico-eagle.com	70.31	0.18	0.3	5%	Y	Annually
ALA	AltaGas Ltd.	Computershare	altagas.ca	19.79	2.16	10.9	5%	Y	Monthly
BMO	Bank of Montreal	Computershare	bmo.com	60.60	2.80	4.6	5%	Y	Quarterly
BNS	Bank of Nova Scotia	Computershare	scotiabank.ca	53.46	1.96	3.7	2%	Y	Quarterly
BCE	BCE Inc.	Computershare	bce.ca	33.67	1.79	5.3	--	Y	Quarterly
BAM.A	Brookfield Asset Management Inc.	CIBC Mellon	brookfield.com	28.47	0.53	1.9	--	N	Quarterly
BPO	Brookfield Properties	CIBC Mellon	brookfieldproperties.com	16.40	0.59	3.6	--	N	Quarterly
CAE	CAE Inc.	Computershare	cae.com	10.69	0.12	1.1	--	N	Quarterly
CGI	Canadian General Invest. Ltd.	Computershare	mmainvestments.com	15.96	0.24	1.5	--	Y	Quarterly
CTC.A	Canadian Tire Corp. Ltd.	Computershare	canadiantire.com	57.20	0.84	1.5	--	N	Quarterly
CWB	Canadian Western Bank	Valiant Trust	cwbbankgroup.com	24.03	0.44	1.8	5%	N	Quarterly
CUP.U	Caribbean Utilities Company Ltd.*	Valiant Trust	cuc-cayman.com	9.09	0.66	7.3	--	Y	Quarterly
CVL	Cervus Equipment Corp.	Computershare	cervuscorp.com	11.49	0.72	6.3	5%	N	Quarterly
CM	CIBC	CIBC Mellon	cibc.com	74.26	3.48	4.7	3%	Y	Quarterly
CLK	ClubLink Enterprises Ltd.	CIBC Mellon	clublinkenterprises.com	7.00	0.30	4.3	5%	N	Quarterly
CJR.B	Corus Entertainment	CIBC Mellon	corusent.com	21.13	0.60	2.8	2%	N	Monthly
CPG	Crescent Point Energy Corp.	(403)693-0020	crescentpointenergy.com	37.39	2.76	7.4	5%	Y	Monthly
DAY	Daylight Energy Ltd.	Valiant Trust	daylightenergy.ca	9.48	0.92	9.7	5%	Y	Monthly
ECA	EnCana Corp.*	CIBC Mellon	encana.com	28.45	0.80	2.8	--	N	Quarterly
EMA	Emera Incorporated	Computershare	emera.com	27.90	1.12	4.0	5%	Y	Quarterly
ENB	Enbridge Inc.	CIBC Mellon	enbridge.com	51.56	1.70	3.3	2%	Y	Quarterly
ETC	Equitable Group Inc.	Computershare	equitablegroupinc.com	20.50	0.40	2.0	--	N	Quarterly
EIF	Exchange Income Corp.	CIBC Mellon	exchangeincomecorp.ca	16.64	1.56	9.4	3%	Y	Monthly
FTS	Fortis Inc.	Computershare	fortisinc.com	30.87	1.12	3.6	2%	Y	Quarterly
IMO	Imperial Oil Ltd.	CIBC Mellon	imperialoil.com	38.59	0.43	1.1	--	Y	Quarterly
IFC	Intact Financial Corp.	Computershare	intactfc.com	44.26	1.36	3.1	--	N	Quarterly
KMP	Killam Properties Inc.	Computershare	killamproperties.com	9.52	0.56	5.9	3%	N	Monthly
L	Loblaw Co. Ltd.	Computershare	loblaw.ca	41.67	0.78	1.9	3%	N	Quarterly
MBT	Manitoba Telecom Service	Computershare	mts.ca	27.68	2.15	7.8	3%	Y	Quarterly
MFC	Manulife Financial Corp.	CIBC Mellon	manulife.com	13.48	0.52	3.9	3%	Y	Quarterly
MRC	Morguard Corp.	Computershare	morguard.com	41.90	0.60	1.4	--	N	Quarterly
NA	National Bank of Canada	Computershare	nbc.ca	66.05	2.48	3.8	--	Y	Quarterly
OCX	Onex Corp.	CIBC Mellon	onex.com	28.30	0.11	0.4	--	N	Quarterly
PLZ	Plazacorp Retail Properties Ltd.	CIBC Mellon	plaza.ca	3.42	0.19	5.6	3%	N	Quarterly
NVA	Nuvista Energy	Valiant Trust	nuvistaenergy.com	10.86	0.20	1.8	3%	N	Quarterly
POT	Potash Corp. of Saskatchewan Inc.*	CIBC Mellon	potashcorp.com	148.47	0.40	0.3	--	N	Quarterly
PRQ	Progress Energy Resources Corp.	Computershare	progressenergy.com	11.57	0.40	3.5	5%	N	Quarterly
RY	Royal Bank of Canada	Computershare	rbc.com	54.00	2.00	3.7	--	N	Quarterly
SJR.B	Shaw Communications Inc.	CIBC Mellon	shaw.ca	22.24	0.88	4.0	--	N	Monthly
SU	Suncor Energy Inc.	Computershare	suncor.com	33.35	0.40	1.2	--	Y	Quarterly
SLF	Sun Life Financial Inc.	CIBC Mellon	sunlife.com	27.58	1.44	5.2	2%	Y	Quarterly
SPB	Superior Plus Corp.	Computershare	superiorplus.ca	11.99	1.62	13.5	5%	Y	Monthly
STB	Student Transportation of Canada Inc.	Computershare	rideSTA.com	5.78	0.56	9.7	3%	N	Monthly
T	Telus Corp.	Computershare	telus.com	43.78	2.00	4.6	3%	Y	Quarterly
TRI	Thomson Reuters Corp.*	Computershare	thomsonreuters.com	37.80	1.16	3.1	--	N	Quarterly
THI	Tim Hortons Inc.	Computershare	timhortons.com	37.95	0.52	1.4	--	Y	Quarterly
TD	Toronto-Dominion Bank	CIBC Mellon	td.com	76.08	2.44	3.2	1%	N	Quarterly
TS.B	Torstar Corp.	CIBC Mellon	torstar.com	12.33	0.37	3.0	--	N	Quarterly
TA	TransAlta Corp.	CIBC Mellon	transalta.com	21.62	1.16	5.4	--	Y	Quarterly
TRP	TransCanada Corp.	Computershare	transcanada.com	38.01	1.60	4.2	3%	Y	Quarterly

Symbol	Income Trust / Closed-End Fund	Transfer Agent / Contact	Internet Address (prefix www.)	Price \$	Dist. \$	Yield %	Discount	Cash Investment Option	Payment Frequency
AEU.UN	Activenergy Income Trust	(416)362-0714	middlefield.com	6.99	0.84	12.0	5%	Y	Monthly
AP.UN	Allied Properties REIT	CIBC Mellon	alliedpropertiesreit.com	21.31	1.32	6.2	5%	N	Monthly
AET.UN	ARC Energy Trust	Computershare	arcresources.com	20.45	1.20	5.9	5%	Y	Monthly
AX.UN	Artis REIT	CIBC Mellon	artisreit.com	13.49	1.08	8.0	4%	Y	Monthly
BTE.UN	Baytex Energy Trust	Valiant Trust	baytex.ab.ca	35.84	2.16	6.0	5%	N	Monthly
BA.UN	Bell Aliant Regional Communications I.F.	CIBC Mellon	bell.aliant.ca	25.80	2.90	11.2	--	Y	Monthly
OGF.UN	Brompton Oil & Gas I.F.	Computershare	bromptongroup.com	4.75	0.42	8.8	5%	N	Monthly
VIP.UN	Brompton VIP Income Fund	Computershare	bromptongroup.com	8.91	0.84	9.4	5%	Y	Monthly
CWT.UN	Calloway REIT	Computershare	callowayreit.com	24.01	1.55	6.5	3%	N	Monthly
CAR.UN	Canadian Apartment Properties REIT	Computershare	capreit.net	16.65	1.08	6.5	5%	N	Monthly
REF.UN	Canadian REIT	CIBC Mellon	creit.ca	30.79	1.41	4.6	4%	Y	Monthly
CPA.UN	Capital Power Income L.P.	Computershare	capitalpowerincome.ca	18.41	1.76	9.6	5%	Y	Monthly
CRH.UN	Charter REIT	Computershare	charterreit.com	1.54	0.16	10.4	3%	Y	Monthly
CSH.UN	Chartwell Seniors Housing REIT	Computershare	chartwellreit.ca	8.61	0.54	6.3	3%	N	Monthly
CLC.UN	CML Healthcare Income Fund	CIBC Mellon	cmlhealthcare.com	11.12	1.07	9.6	--	N	Monthly
CUF.UN	Cominar REIT	Computershare	cominar.com	20.91	1.44	6.9	5%	N	Monthly
CMZ.UN	Compass Income Fund	(416)362-0714	middlefield.com	10.30	0.96	9.3	5%	Y	Monthly
D.UN	Dundee REIT	Computershare	dundeereit.com	27.61	2.20	8.0	4%	Y	Monthly
ENF.UN	Enbridge Income Fund	CIBC Mellon	enbridgeincomefund.com	15.40	1.15	7.5	--	Y	Monthly
EPF.UN	Energy Plus Income Trust	Computershare	citadelfunds.com	7.23	0.51	7.1	--	Y	Monthly
ERF.UN	Enerplus Resources Fund	Computershare	enerplus.com	24.54	2.16	8.8	5%	Y	Monthly
EIT.UN	Envest Diversified Income Trust	Computershare	envest.com	13.31	1.20	9.0	--	Y	Monthly
EOS.UN	Envest Energy & Oil Sands T. R. Trust	Computershare	envest.com	8.49	0.50	5.9	--	Y	Monthly
EXE.UN	Extencicare REIT	Computershare	extencicare.com	9.71	0.84	8.7	3%	N	Monthly
FC.UN	Firm Capital Mortgage Investment Trust	Computershare	firmcapital.com	11.77	0.94	8.0	--	Y	Monthly
FFI.UN	Flaherty & Crumrine Inv. Grade Fixed I.F.	Computershare	bromptongroup.com	10.25	0.96	9.4	5%	N	Monthly
FRU.UN	Freehold Royalty Trust	Computershare	freeholdtrust.com	16.80	1.68	10.0	--	N	Monthly
HR.UN	H&R REIT	CIBC Mellon	hr-reit.com	19.75	0.78	3.9	3%	Y	Monthly
IDX.UN	Indexplus Income Fund	(416)362-0714	middlefield.com	11.11	0.96	8.6	5%	Y	Monthly
INN.UN	InnVest REIT	Computershare	innvestreit.com	6.83	0.50	7.3	--	N	Monthly

Continued on next page

Continued on next page

that a company/income trust pays dividends/distributions.

Most of the columns on the table are self-explanatory, but two — discount and cash investment option — need some elaboration.

Simply put, a cash investment option allows someone to buy more shares by paying cash directly to the company. The investor, therefore, adds to his shares without paying a brokerage fee.

We note that a company or trust offers a cash investment option, however, investors should contact the transfer agent for the details.

Some DRIPs offer a discount in that additional shares are bought at a discount to the average market price.

The listed prices are the ones from which the dividend yield has been calculated.

They were taken from the Sept. 20, 2010 close. Our next table of DRIPs will appear in the Dec. 24, 2010, issue of *Investor's Digest*.

Symbol	Income Trust / Closed-End Fund	Transfer Agent / Contact	Internet Address (prefix www.)	Price \$	Div. \$	Yield %	Discount	Cash Investment Option	Payment Frequency
IPL.UN	Inter Pipeline Fund	Computershare	interpipelinefund.com	13.03	0.90	6.9	5%	Y	Monthly
JE.UN	Just Energy Income Fund	Computershare	je-un.ca	14.15	1.24	8.8	2%	Y	Monthly
KEY.UN	Keyera Facilities Income Fund	Computershare	keyera.com	29.27	1.80	6.1	3%	Y	Monthly
MPT.UN	Macquarie Power & Infrastructure I.F.	Computershare	macquarie.com/mpt	7.18	0.66	9.2	--	Y	Monthly
DR.UN	Medical Facilities Corporation	Computershare	medicalfacilitiescorp.ca	9.50	1.10	11.6	--	N	Monthly
MID.UN	MINT Income Fund	(416)362-0714	middlefield.com	9.59	0.84	8.8	--	Y	Monthly
MRT.UN	Morguard REIT	Computershare	morguardreit.com	13.70	0.90	6.6	--	N	Monthly
NAE.UN	NAL Oil & Gas Trust	Computershare	nal.ca	11.35	1.08	9.5	5%	Y	Monthly
OSF.UN	Oil Sands Sector Fund	CIBC Mellon	marklandstreet.com	5.89	0.50	8.5	5%	Y	Quarterly
PEY.UN	Peyto Energy Trust	Valiant Trust	peyto.com	14.54	1.44	9.9	5%	Y	Monthly
RIG.UN	Pantera Drilling Income Trust	Valiant Trust	panteradrilling.com	3.09	0.36	11.7	5%	N	Monthly
PKI.UN	Parkland Income Fund	Valiant Trust	parkland.ca	11.42	1.26	11.0	--	N	Monthly
PGF.UN	Pengrowth Energy Trust	Computershare	pengrowth.com	10.84	0.84	7.7	5%	Y	Monthly
PWT.UN	Penn West Energy Trust	CIBC Mellon	pennwest.com	19.58	1.80	9.2	5%	Y	Monthly
PMZ.UN	Primaris Retail REIT	CIBC Mellon	primarisreit.com	19.04	1.22	6.4	3%	N	Monthly
PVE.UN	Provident Energy Trust	Computershare	providentenergy.com	7.21	0.72	10.0	5%	Y	Monthly
REI.UN	RioCan REIT	CIBC Mellon	riocan.com	22.71	1.38	6.1	3.1%	Y	Monthly
RYL.UN	Royal Host REIT	Computershare	royalhost.com	2.49	0.03	1.2	3%	N	Monthly
TRH.UN	Triax Diversified High Yield Trust	Computershare	firstassetfunds.com	12.20	0.84	6.9	--	N	Monthly
WRK.UN	Whiterock REIT	CIBC Mellon	whiterockreit.ca	17.20	1.68	9.8	4%	Y	Monthly
YP.UN	Yieldplus Income Fund	(416)362-0714	middlefield.com	6.38	0.84	13.2	--	Y	Monthly
ZAR.UN	Zargon Energy Trust	Valiant Trust	zargon.ca	18.13	2.16	11.9	--	N	Monthly

** Denote dividends paid in U.S. dollars. Transfer Agents: CIBC Mellon: (800)387-0825 Computershare: (800)564-6253 Valiant Trust: (866)313-1872*

INVESTING 101

EXPANDING YOUR INVESTMENT KNOWLEDGE

The odd thing about good times? They often result from bad times.

In 1980, the economy was on the ropes. Yet, at the same time, forces were unleashed that would spark one of the greatest global booms ever, say Chip Dickson and Oded Shankar

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Remember 1980? It was a difficult year around the world, as evidenced by the somber public mood.

The U.S. and much of Europe were trying to reverse a decade-long tide of rising interest rates, high inflation and sluggish growth.

In the U.S., the core inflation rate rose above 12.5 per cent, while the U.S. government paid 17.5 per cent for short-term money funded with three-month T-Bills.

Elsewhere, the rate paid for a conventional 30-year mortgage reached 16 per cent and good corporate credits saw the prime rate climb above 20 per cent.

Risk takers were few

It was expensive to take risks and few dared or could afford to. All this happened while the last of the baby boom generation was entering the workforce.

The rest of the world didn't fare much better. Sub-Saharan Africa, for example, suffered from overwhelming poverty, as well as from growing political instability.

The main exceptions were Japan, which was continuing its post-war rise, and the oil-rich countries, which remained beneficiaries of an endless and vital resource in great demand — petrol.

For the typical investor, the prospect of better economic times and surging financial markets seemed far-fetched.

Virtually no one realized that this dismal year actually marked a dramatic inflection point.

Indeed, the leadership and structure of governments the world over was beginning to change, real economic growth was set to accelerate, a wave of technological innovation was about to take hold and financial markets were ready to take off.

What had happened was that the same destructive forces of inflation and historically high interest rates that had wreaked economic havoc triggered a political backlash against the existing order.

The backlash started in the U.K., where Margaret Thatcher and the Tories came to power in 1979 and implemented reforms that eventually lowered inflation, reduced regulatory barriers and set in motion an economic surge.

The U.S. followed suit in 1980, electing Ronald Reagan. With Reagan and with Paul Volcker as the head of the U.S. Federal Reserve, trends started to reverse.

After years of dealing with double-digit inflation and interest rates well over 10 per cent, the stage was being set for the beginning of the great equity bull market that lasted in the U.S. until 2000.

Reducing inflation and lowering interest rates also meant that the cost of capital was lower, which made investing more attractive.

The risk-free rate fell as did the risk premium. In other words, growth expectations rose as investors' confidence grew.

Lowering the cost of capital meant that the value of a dollar of profit rose. For the equity markets, it meant valuations increased.

Concurrent with these changes were regulatory and technological developments, making investing more accessible and less costly to the individual investor.

Investment products proliferated, as did the number of financial markets worldwide that were open to investors from other nations.

At about the same time, on the other side of the world, big changes were also brewing.

In China, late 1978 saw the beginning of reforms that would eventually catapult that country to its current position as the world's second-largest economy.

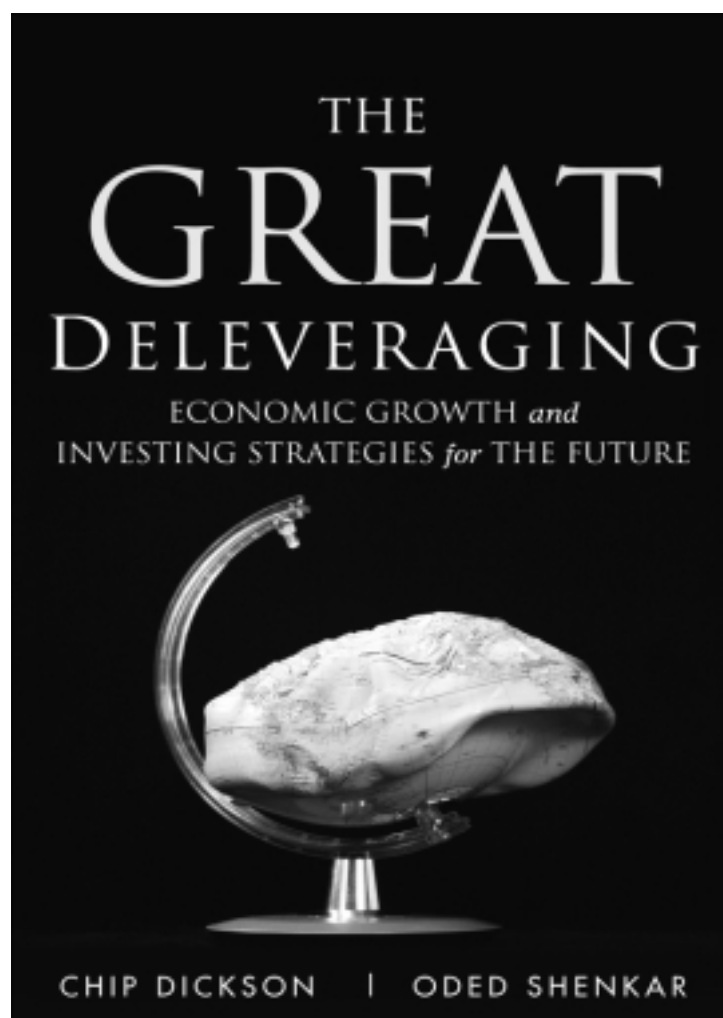
Since then, China's economy has more than quintupled by sustaining an annual compound growth rate of over 12 per cent.

The Chinese reforms would be one of five major events creating the foundation for a major wave of globalization and, with it, the creation of financial wealth.

Other factors were key

The other four events were the move to free markets through the elections of Margaret Thatcher and Ronald Reagan, the fall of the Berlin Wall, the start of the World Wide Web and the free trade initiative started under the first Bush administration and put into effect by the Clinton administration.

Altogether, these events formed the foundation for a more open economy, triggering a surge of innovation, a decline in geopolitical tensions, more open communication and a surge in education.



Over the next 25 years, that wave of technological and political change would alter many assumptions, as well as some of the structures of daily life.

Taken for granted now in most developed countries are the net, e-mail, cell phones, smartphones and gazillions of other gizmos.

Many of these technologies were introduced into developing markets much faster than previously was the case. As they grew, the economy and financial markets grew with them.

The Great Deleveraging

By Chip Dickson
and Oded Shenkar

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Between 1980 and 2007, the global economy grew more than 3.5 times. Global gross domestic product reached almost \$55 trillion. Indeed, on a real basis, it grew more than 2.5 times.

Per capita, GDP went from \$2,771 in 1980 to \$8,443 in 2007. The value of the world's stock markets increased from close to \$675 per person to just under \$9,500 — up more than 14 times.

In the meantime, the value of all financial assets climbed from near \$2,700 per person to an estimated \$28,500.

Strong economic growth, along with attractive financial market performance, coincided with population growth.

It also coincided with other positive trends like lower poverty levels, rising life expectancy and declining illiteracy.

In 1981, almost 52 per cent of the

world's population lived on no more than \$1.25 a day; almost 75 per cent lived on less than \$2.50 a day.

By 2005, the number of people living on \$1.25 a day had fallen to 25.2 per cent, while the number living on \$2.50 a day had fallen to 56.6 per cent — a big improvement.

The global illiteracy rate fell from 30.3 per cent in 1980 to 18.3 per cent in 2005 according to UNESCO. In the U.S., meanwhile, life expectancy rose from 73.7 years in 1980 to 77.8 years in 2005.

Improvements in the quality of life occurred while the world's population expanded from 4.43 billion people in 1980 to more than 6.7 billion people in 2008.

In 2005, in a global population of 6.5 billion, 1.2 billion people lived in developed countries, 5.3 billion in developing nations.

The combination of population and economic growth brought with it a surge in the number of new businesses created.

Those new businesses often came from new industries and product lines, such as personal computers, cell phones, semiconductors, the Internet, credit cards, mortgage banking and health care, to name just a few.

The post-1980 era also saw a major wave of globalization, which was reflected first in the economic mix and only more recently in the investment mix.

In 1992, the developed world's share of the global economy topped 75 per cent. As recently as 2000, it was close to that level.

But from 2000 to 2007, the developed world's share declined to 68 per cent. Since 2001, the U.S. share of the global economy has declined to 23 per cent from 32 per cent, according to the World Bank.

Japan's 2008 share of eight per

cent global GDP represents a big reduction in its share since 2001, when it was 12.9 per cent.

The developing world has continued to gain share since 2001. For example, China saw its share of global GDP rise from 4.2 per cent to 7.1 per cent in 2008.

This was a period when low- and middle-income nations logged faster growth, garnering a bigger share of the global economy.

In line with the economic mix, the developed world controlled the lion's share of financial assets.

As recently as 2001, the U.S. stock market represented over 50 per cent of global equity market capitalization.

But by the end of 2007, the U.S. equity market accounted for only 30 per cent of global equity with a market cap of over \$60 trillion.

Between 2002 and 2007, the size of the equity market almost tripled, and it increased more than six times between 1992 and 2007.

Investment zoomed

An investor in the global equity market in 1980 saw his investment increase more than 20 times through 2007.

With the global economy, the character and structure of the global financial markets also changed dramatically.

The forces stimulating the growth of the financial markets started in the late 1970s as inflation and interest rates began to peak in much of the developed world.

Also, the technologies driving the digitalization of the economy became more accessible, affordable, and of greater importance.

This started the initial stage of financial asset growth relative to GDP in some of the world's developed countries.

The economic and financial success of 1980-'07 was constructed on some very durable foundations, but also on some false ones. There were weaknesses and structural decay only a few recognized.

As is often the case, perception failed to match reality. Since the end of 2007, the global equity markets have lost more than 50 per cent of their value from peak to trough. And much of the world's economy has fallen into recession.

Future economic and financial prospects seem less attractive, even though a modest recovery has already begun.

Through it all, the world's population continued to grow. That growth is expected to continue through 2050, albeit at a slower rate. By 2050, the world's population is expected to top nine billion.

In the interim, the U.S. is expected to remain the third most populous country in the world with more than 400 million people.

Its population growth is expected to exceed global population growth — in large part because of more open immigration.

The global economy and financial market should continue to be volatile and evolve, while the world's population continues to grow. There will be many challenges. But there will also be many opportunities.

THREE-MONTH FOLLOWUP

How July research has fared

Phillip Fine updates recommendations from our July 9, 2010, edition

WestJet Airlines Ltd.

WJA-TSX, \$11.75 (\$11.85)

More folks are flying WestJet, says Chris Murray, citing that airline's 8.2 per cent jump in passenger traffic for August.

And the increase — in-line with his estimate — shows that Canadians are continuing to put themselves aboard planes, he believes.

In the meantime, he suggests WestJet will not only grab a bigger chunk of the business traveler market, but see its vacations operations grow as well.

Thanks to the latter, as well as higher ancillary fees, the airline is likely to post an increase in third-quarter unit revenue of 4.7 per cent, says the analyst.

For Mr. Murray, who's with PI Financial in Toronto, WestJet still merits a rating of "buy/above-average risk." He's also sticking with his price target of \$17 a share.

Athabasca Oil Sands Corp.

ATH-TSX, \$10.52 (\$10.48)

Jeff Martin is saying little about Athabasca's purchase of Excelsior Energy, other than listing the price (\$85 million) the closing date (November) and similar details.

That's because Peters & Co., his employer, was an advisor to Athabasca on the recent transaction.

As a result, Mr. Martin can provide neither a rating nor a 12-month price target. In fact, he now classifies Athabasca as "restricted."

But he does note that the acquisition boosts the company's oil assets at Hanginstone, Alberta to 584 from 412 million barrels.

Back in early July, Mr. Martin had pegged Athabasca at sector outperform with a 12-month price target of \$15 a share.

Reliable Energy Ltd.

REL-TSX/VEN, \$0.34 (\$0.30)

In its second quarter, Reliable Energy was well, reliable, Robert Cooper might tell you.

Just look at its performance according to one standard measure: barrels of oil equivalent.

At a daily rate of 311 BOE, Reliable was only 10 per cent below Mr. Cooper's forecast, while at \$75.69, its gross sales per BOE were just three per cent off the mark.

And even though Reliable's cash flow of \$700,000 was \$500,000 below the analyst's estimate, the gap per share was a mere \$0.01.

Mr. Cooper admits Reliable managed to drill only three wells in the second quarter. But he blames this on bad weather.

He also notes that the company, following the lead of other energy plays in the Saskatchewan-Manitoba border area, is preparing to do horizontal drilling.

Indeed, Reliable expects its horizontal wells will yield 100 barrels a day — 40 barrels more than it now gets from its vertical wells.

Meanwhile, the company is raising its capital budget 40 per cent to \$23 million, now that it plans to ramp up exploration and development over the remainder of 2010.

It is also pegging '10 daily output at 450 BOE; 2010 exit production at 900 BOE.

Not surprisingly, Mr. Cooper, who's with Acumen Capital Partners in Calgary, is keeping the faith.

Not only is he standing by his price target of \$0.50 a share, but he's sticking with his recommendation of "speculative buy."

Cathay Forest Products Corp.

CFZ-TSX/VEN, \$0.85 (\$0.37)

John Duncanson is interim CEO at Cathay Forest Products.

And he seems to have cleared away some of its operational underbrush, Richard Kelertas reports.

For starters, Mr. Duncanson has updated Cathay's harvesting plans. But he has also streamlined operations at DEL 1, one of its timber concessions in Central Siberia.

Indeed, Mr. Duncanson has reduced much of DEL 1's waste, thus raising margins, Mr. Kelertas says.

Meanwhile, Cathay continues to clear a path in the forest, having logged second-quarter sales at DEL I of more than 58,000 cubic metres.

In fact, production capacity from DEL II's three harvesting complexes could hit 270,000 cubic metres — even 300,000 cu. m, should a fourth harvesting complex be added, says Mr. Kelertas.

And although he admits Cathay is taking its time at its second timber concession — DEL II — he does note that it still plans to equip it with a 90,000 cu. m sawmill.

Indeed, he expects that in the second half of 2011, Cathay's harvest at DEL II will top 100,000 cu. m, rising to 400,000 cu. m in 2012.

The analyst does note that because of weak poplar prices, Cathay will likely delay its harvests at its China timber plantations.

The company, he notes, will probably do most of its China harvesting in the fourth quarter — from its plantations in Shandong.

The amount to be harvested will likely total 10,000 cu. m, according to the company.

For Mr. Kelertas, a Montreal-based analyst with Dundee Capital Markets, Cathay Forest Products still merits a rating of "buy/high risk." He's also sticking with his price target of \$0.85 a share.

Goldcorp Inc.

G-TSX, \$44.87 (\$44.25)

Goldcorp has edged out Eldorado Gold to buy Andean Resources for \$3.6 billion. And Brian MacArthur suggests that's good.

For one thing, he says, Goldcorp can easily fund the deal, given the proceeds from its asset sales.

He also believes the company has the money to upgrade Andean's main asset: the Cerro Negro gold project in southern Argentina.

In fact, Goldcorp can go ahead with the upgrading without jeopardizing its own list of projects, suggests Mr. MacArthur, who's with UBS Investment Research.

Not surprisingly, he's continuing to rate Goldcorp as a "buy," although he's boosting his 12-month price target to US\$56 from \$51.

He's also hoisting Goldcorp's net asset value to \$36.54 from \$35.18 a share.

Under the purchase agreement, announced in September, Goldcorp will exchange each Andean share for 0.14 Goldcorp shares, or a cash payment of \$6.50.

CGI Group Inc.

GIB.A-TSX, \$14.80 (\$14.76)

Dushan Batrovic is taking a wait-and-see attitude toward CGI, a Montreal-based provider of information technology services.

He suggests that because its shares are roughly 12 per cent be-

low their recent highs, CGI is now an investment bargain.

But he's pegging the company at "neutral" — he had pegged it as a buy — while it digests the U.S. information technology outfit it bought in May for \$900 million.

That company, Stanley Inc., may turn out to be a mixed blessing, suggests Mr. Batrovic, a Toronto-based analyst with Dundee Capital Markets.

Although he admits the deal may offer upside potential, such a benefit is more likely to stem from revenue synergies.

And revenue synergies, he notes, take longer to play out than those on the cost side.

Mr. Batrovic suggests a "neutral" on CGI is also in order, given what he says is the strong possibility that the company will turn in a poor fourth quarter.

But because of the Stanley purchase, he is raising CGI's fourth-sales to \$1 billion from \$920 million, while hoisting fiscal 2011 revenue 26.3 per cent to \$4.8 billion.

He's also raising CGI's net earnings by a penny to \$0.32 a share. Yet, he's sticking with his 12-month price target of \$17.

ANNUAL FOLLOWUP

What was said 12 months ago

Updated recommendations from our October 9, 2009, edition

Iamgold Corp.

IMG-TSX, \$18.20 (\$15.32)

Iamgold's production of the world's most famous precious metal declined in the second quarter, Dan Rollins reports.

At 190,000 ounces, its output was 10 per cent below his forecast, or eight per cent lower quarter over quarter, while at \$623 an ounce, its cash costs were 15 per cent higher.

The quarterly drop reflects lower grades at the company's mines, says Mr. Rollins, an analyst with UBS Investment Research.

Iamgold also proved a disappointment on the earnings side, posting net income of \$0.10 a share — \$0.05 shy of the analyst's estimate, as well as a nickel below the consensus call.

The company, nonetheless, is being bullish, raising the low end of its full-year output target to 980,000 from 940,000 ounces.

It also now sees cash costs coming in between \$530 and \$550, rather than between \$490 and \$510 an ounce, as it previously forecast.

Mr. Rollins, for his part, is pegging Iamgold's output at 992,000 ounces, with cash costs of \$532.

Meanwhile, he's raising Iamgold to "buy" from neutral, while boosting his price target to \$23 from US\$14 a share.

Agrium Inc.

AGU-TSX, \$70.07 (\$53.34)

John Redstone wants Agrium to show him the money.

He admits the fertilizer maker has enough cash to buy AWB, an Australian agribusiness concern.

And the purchase, he notes citing Agrium, would allow that company to beef up its presence in both Australia and New Zealand.

Moreover, he points out, it's not as if Agrium is a stranger to takeovers, having successfully notched US\$3.4 billion of acquisitions over the past six years.

But Mr. Redstone, who's with Desjardins Securities, wants assurance the deal will go ahead before giving Agrium the thumbs-up.

So, he's changing the Canadian agribusiness giant to a "hold" from a buy, while cutting his price target \$5.80 to \$70 a share.

AlarmForce Industries Inc.

AF-TSX, \$7.16 (\$5.05)

AlarmForce rang in lower-than-expected numbers for the third quarter, reports Brian Pow.

But he's hardly sounding the tocsin. Although the company trailed his estimates, the difference, he admits, wasn't that big.

At \$9.5 million, for example, sales were only \$300,000 below his forecast, while at \$1.4 million, or \$0.11 a share, net income was just a penny off the mark.

Moreover, at 78 per cent, the company's gross margin was actually 60 basis points higher.

AlarmForce's weaker numbers reflect smaller-than-expected growth in its subscriber base.

But the company still boasts some good stats, having posted operating expenses, relative to sales, that were in-line with historical averages, the analyst says.

In fact, the gap between AlarmForce's net income and Mr. Pow's forecast came as close as it did because the tax rate — 29.5 per cent — was 230 basis points lower.

The company also saw its cash balance grow by \$3 million to \$9.5 million, while posting operating cash flow of \$2.2 million.

Mr. Pow admits the company logged a decline in AlarmCare subscribers, with that number dropping to 3,700 from 3,800.

But he says he's not concerned, given that AlarmCare isn't a key focus for the company.

For Mr. Pow, who's with Peters & Co. in Calgary, AlarmForce continues to merit a "buy," although his price target — \$6.90 a share a year ago — is now \$1.20 higher.

He's also tweaking his fiscal 2011 estimates, cutting revenue to \$42.3 million from \$43.4 million, while shaving \$300,000 off his net income estimate of \$5.3 million, or \$0.44 a share. His new EBITDA number is \$11.4 million — \$900,000 below his previous forecast.

Essential Energy

Services Ltd.

ESN-TSX, \$1.21 (\$0.84)

Greg Colman added Essential Energy Services to his coverage list about a year ago with a "buy."

And he's keeping it there now, although he's upped it to a "strong buy." He's also raised his price target to \$2.25 from \$2 a share.

His attraction is easy to understand, considering what he says are the company's many pluses.

For starters, he notes, Essential is diversified, given its interests in multi-stage fracturing, as well as tool and equipment rentals.

The company is also in good financial shape, having eliminated its outstanding debt, despite a slowdown in the oilpatch.

What's more, Essential Energy boasts an undrawn credit facility of \$50 million.

Then, there's the company's valuation. Given assets of \$177 million, Essential deserves an enterprise value higher than the \$81 million it now has, says Mr. Colman.

He also likes Essential's comparatively low price. Indeed, it's the cheapest name among those oil-field services firms he now covers.

Not surprisingly, Mr. Colman, who's with Wellington West Capital Markets, thinks Essential may soon become a takeover target. Indeed, he sees the company being courted by any number of suitors.

And regardless of whether the acquirer buys all or just part of Essential, such a transaction, he suggests, would benefit all parties.

The product of a merger in April, 2008, Essential Energy boasts the sixth-biggest fleet of service rigs in Canada.

VIEWS OF LEADING CANADIAN ANALYSTS

Every issue of Investor's Digest contains upwards of 50 digested research reports from Canada's top analysts. The reports listed below can be found on pages 349 to 357.

COMPANIES IN THIS ISSUE

AG Growth Int'l. Wellington WestBuy	Peters & Co.Sector perform
Agrium Desjardins SecuritiesHold	Lockheed Martin Deutsche BankHold
AlarmForce Peters & Co.Buy	McDonald's Edward JonesHold
Alliance Grain Traders Canaccord GenuityBuy	Miranda Technologies Dundee Capital MarketsBuy
Andean Resources UBS Investment Research .Neutral	Monsanto Canaccord GenuityHold
Andina Minerals Canaccord GenuityBuy	NuVista Energy UBS Investment ResearchBuy
Asia Bio-Chem Group Dundee Capital MarketsBuy	Parkbridge Lifestyle Communities Vision CapitalBuy
Athabasca Oil Sands Peters & Co.Restricted	Pengrowth Energy Trust Citigroup Global MarketsHold
Aura Minerals Wellington WestBuy	Petrobank Energy UBS Investment ResearchBuy
BCE Desjardins SecuritiesHold	Phillips-Van Heusen Credit SuisseNeutral
Bombardier UBS Investment ResearchBuy	Quest Capital Jennings CapitalBuy
Canadian Western Bank Jennings CapitalHold	Reliable Energy Acumen CapitalBuy
Cathay Forest Products Dundee Capital MarketsBuy	Renegade Petroleum Canaccord GenuityBuy
CGI Group Dundee Capital Markets ..Neutral	Royal Bank Canaccord GenuityHold
Descartes Systems Group PI FinancialBuy	Second Wave Petroleum Acumen CapitalBuy
Edleun Group Vision CapitalBuy	Sun Life Financial RBC Capital Markets ..Outperform
Emera Beacon SecuritiesHold	SunOpta PI FinancialBuy
Empire Co. Beacon SecuritiesBuy	The Forzani Group PI FinancialBuy
Essential Energy Services Wellington WestBuy	Torstar Credit SuisseNeutral
Fortis Beacon SecuritiesBuy	Tranzeo Wireless Canaccord GenuityBuy
Goldcorp UBS Investment ResearchBuy	Trilogy Energy BMO Capital Markets ..Market perform
Goldcorp Dundee Capital MarketsBuy	Tuscany Int'l. Drilling Jennings CapitalBuy
Harry Winston UBS Investment ResearchBuy	U.S. Geothermal Wellington WestBuy
Iamgold UBS Investment ResearchBuy	United Natural Citigroup Global MarketsBuy
Imperial Oil Edward JonesHold	WestJet Airlines PI FinancialBuy
Laboratory Corp. UBS Investment Research .Neutral	Wild Stream Exploration Jennings CapitalBuy
Laurentian Bank of Canada Desjardins SecuritiesHold	Yoho Resources Acumen CapitalBuy
Legacy Oil	

Quest Capital

JENNINGS CAPITAL

New strategy

Digested from a Sept. 1 report by analyst Marc Charbin

Mr. Charbin begins coverage of **Quest Capital Corp.** (QC-TSX, \$1.61) with a "buy" rating and a one-year target price of \$2.50. He writes:

Quest Capital recently announced that it intends to refocus its business to address the resource lending niche. With a top notch executive team and board, we believe the company could be embarking on a period of aggressive loan book growth. Currently trading under book value, the investment is also attractive from a valuation perspective.

On June 10, QC announced that it had entered into a letter of intent with Sprott Consulting Limited Partnership to refocus and rebrand Quest as a lender to the natural resource sector under the name Sprott Resource Lending Corp. ("SRL"). This arrangement offers the opportunity to leverage the deal flow and investment expertise of the Sprott organization ("Sprott"). For Sprott, QC provides a considerable degree of expertise in resource lending and a meaningful asset base to deploy to target borrowers.

SRL intends to provide bridge and mezzanine debt to mining and energy companies. The initial target loan size is expected to be between \$10 million and \$15 million, for terms between 12 and 18 months, and with an expected cash interest yield of 12% per annum plus bonus shares/warrants for a total yield of ~20%.

The current Quest management team, led by Murray Sinclair and Brian Bayley, who will be staying with SRL, has considerable experience in the resource lending sector. Peter Grosskopf, recently appointed CEO of Sprott Inc., will be CEO of SRL and will be appointed to the board along with John Embry of Sprott Asset Management and Murray John of Dundee Resources Ltd. To date, both the Rule Family Trust (8.8% ownership) and Dundee Corp. (11.1% ownership) have publicly notified shareholders that they will retain their current interest in QC.

Over the course of the next year, we expect the company will be primarily focused on winding-up its existing loan book and using the proceeds to invest in resource loans. As a result, we do not expect loan book growth until later in 2011 or 2012. We currently forecast the loan book to reach \$500 million after the third full year of operation (2013). Based on the projected economics of the company's new business model, we expect double-digit ROE by 2013.

Historically, lenders have traded between 1.5x and 2.1x P/BV, depending on the level and consistency of ROE. We apply a 1.2x multiple to FY 2011 ending book value, which calculates to \$2.43 per share, to obtain our 12-month target price. We believe a modest discount is

currently appropriate, given the potential volatility in earnings due to the nature of the portfolio and limited history on rates of return.

Quest Capital is currently a residential real estate lender. On June 10, the company announced it had entered into a letter of intent to refocus and rebrand as a lender to the natural resource sector in partnership with Sprott Consulting Limited Partnership, called Sprott Resource Lending Corp. The plan received shareholder approval Aug. 17 and should become effective Sept. 7, 2010.

Alliance Grain Traders

CANACCORD GENUITY

More overseas growth

Digested from a Sept. 7 report by analyst Keith Carpenter

Mr. Carpenter maintains his "buy" recommendation for **Alliance Grain Traders** (AGT-TSX, \$28.32). He also reiterates his 12-month target price of \$41 a share. Mr. Carpenter writes:

Alliance Grain Traders has signed a Letter of Intent to acquire the assets of Northern Yorke Processors in Kadina, South Australia. It stated the acquisition will be funded as a part of the C\$10 million investment announced last week: the acquisition of Balco Grain (a similar processing plant, with property and equipment, also in South Australia). The expected closing date for both deals is Sept. 30, 2010, and is subject to various conditions and due diligence.

Combined with Balco, the North Yorke facilities will have a storage capacity of 50,000 tonnes and a processing capacity of 100,000 tonnes a year. We believe the margins on the business will be about US\$70 a tonne in 2011. However, we expect this to increase to its steady run rate of about \$90 a tonne following the upgrade of the packaging facilities to value-added pulse processing (which excludes colour sorting and splitting). We had previously added the estimated increased earnings from this transaction in a previous note. The estimated transaction multiple is at a low three times EBITDA following the planned upgrade. (EBITDA is earnings before interest, taxes, depreciation and amortization.)

Alliance Grain Traders also announced it has begun construction on two projects in Turkey: a new short-cut pasta line at its Arbella facility in Mersin, and the construction of a new rice processing mill near Erdine. The pasta processing facility will add 36,000 tonnes per year in capacity at similar margins and operating rates to the existing pasta lines (which have current capacity of 100,000 tonnes). The rice facility will have capacity of 65,000 tonnes per year. The company estimates the cost of the two projects to be C\$15 million, with completion expected in the first quarter of 2011. We estimate an additional \$2.7 million in EBITDA in 2011, and \$5 million in 2012 under a full-

year processing scenario. Therefore, as noted above, this means we estimate the \$15 million cost of the transaction to be three times estimated full run rate EBITDA.

The transactions are in-line with our expectations of the firm making acquisitions that will boost profit, at low earnings multiples, in the following jurisdictions: Turkey, Australia, North America and India. We continue to expect further announcements of similar scale in the near future. Management continues to position the firm towards a stronger and less volatile earnings base. We believe this strategy will continue to unfold.

We are increasing our fiscal 2011 EBITDA estimate to \$100.5 million from \$97.8 million previously and raising our EPS forecast to \$3.33 from \$3.22.

Alliance Grain Traders processes specialty crops (including lentils, peas, chick peas and beans) from its 20 facilities in Canada, the U.S., Australia and Turkey. Its Turkish subsidiary also produces pasta, rice and milled wheat products.

Ag Growth Int'l

WELLINGTON WEST

Focused on int'l growth

Digested from an Aug. 12 report by analyst Robert Winslow

Mr. Winslow maintains his "buy" recommendation for **Ag Growth International** (AFN-TSX, \$36.30). He also reiterates his 12-month target price of \$40 a share. The stock pays a monthly dividend of \$0.17, or \$2.04 a year, giving it a yield of 5.6%. Mr. Winslow notes that this implies a total one-year return of 16%. He writes:

Second quarter sales of \$72.4 million beat estimates on strong U.S. agricultural demand and international growth. Sales were above our \$70.2 million estimate and \$69 million Thomson ONE consensus, as strong U.S. and international demand offset challenged Canadian markets.

Adjusted EPS of \$0.88 beat our \$0.80 estimate on solid gross margin and a robust top-line. Ag Growth's gross margin of 39.7% largely met our 40.4% forecast, though the company was challenged by a higher cost sales mix and foreign currency exchange rates. Adjusted EBITDA came in at \$18.8 million versus our estimate of \$17.2 million. (EBITDA is earnings before interest, taxes, depreciation and amortization.)

Reflecting the strong second quarter results, we have raised our fiscal 2010 EPS estimate slightly, given strong second quarter results; however, our fiscal 2011 EPS estimate is unchanged. Our fiscal 2010 EPS forecast is now \$2.40, up \$0.05 from our previous estimate. We believe continued international market strength (second quarter sales were up 48% compared to a year earlier) will support our optimistic fiscal 2011 estimates.

Second quarter 2010 results were above our expectations owing to strong U.S. demand for handling

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equipment and only modest negative short-line equipment demand pressure owing to adverse Western Canadian weather. We expect EPS to decline in fiscal 2010 from record levels in 2009. This will reflect a combination of modest organic growth coupled with higher taxes. (Ag Growth was an income trust for part of fiscal 2009) before recovering again in fiscal 2011.

That said, we contend that a continuation of the current grain price recovery (driving higher grain volumes and farmer demand for equipment), stronger than expected international sales growth, and/or merger and acquisition activity could provide the positive catalysts for upward revisions to our earnings estimates and a positive re-rating of the shares.

We remain optimistic on Ag Growth's medium-term earnings prospects given our expectations of robust global demand for short-line Ag Growth equipment in the coming years. We also expect mergers and acquisitions to provide additional legs of growth.

Specifically, we submit that robust international growth could stimulate EBITDA of over \$80 million by fiscal 2012, supporting a \$45 to \$52 two-year trading range, at 8.5 times to 9.5 times Enterprise Value/EBITDA. For now we maintain a "buy" rating and \$40 discounted cash flow-based target, implying 8.6 times fiscal 2011 estimated EV/EBITDA.

Ag Growth International is a leading manufacturer of grain handling equipment, including grain augers, belt conveyors and other grain handling accessories.

Tranzeo Wireless

CANACCORD GENUITY Wins contract in India

Digested from an Aug. 24 report by analyst Eyal Ofir

Mr. Ofir maintains his "speculative buy" recommendation for **Tranzeo Wireless Technologies** (TZZ-TSX, \$0.72). He also reiterates his 12-month target price of \$1.50 a share. Mr. Ofir writes:

Tranzeo Wireless designs and manufactures end-to-end wireless networking gear, including WiMAX- and WiFi-based solutions, for the delivery of voice, data and video services. It targets wireless Internet service providers, governments, the military, campuses and other organizations in need of wireless communication solutions, both directly and through a broad partner network. Founded in 2000, the company is headquartered in Pitt Meadows, B.C.

We reiterate our "speculative buy" recommendation following Tranzeo's announcement that its subsidiary, Aperto Networks, has received a purchase order from a Tier 1 telecommunications service provider in India. Shipments are expected to begin immediately, with the deal providing a multi-year relationship for the company.

Subsequent to the recent quarterly results and conference call, we were a little sceptical that the company would be able to achieve its full-year guidance of \$40 million to \$45 million and we lowered our estimates to \$35 million. With this announcement, however, we are

feeling significantly more comfortable with our estimates and understand management's intention of reiterating its prior guidance. With orders now set to accelerate from both Indonesia and India, the coming quarters should reveal significant growth.

We note that this order further confirms our original thesis that Tranzeo Wireless will successfully compete in emerging markets (i.e., India and Indonesia).

The purchase order is for fixed WiMax equipment and management has noted further opportunities for WiFi gear as well. We believe this is a multi-million dollar order and is in addition to the prior order backlog of \$33.9 million.

Our target price of \$1.50 is based on our discounted cash flow model and industry comparatives analysis. Our target price implies a P/E multiple of 17 times, based on fiscal 2011 estimates.

Tranzeo Wireless designs and manufactures wireless networking gear, including WiMAX- and WiFi-based solutions, for the delivery of voice, data and video services.

BCE Inc.

DESJARDINS SECURITIES BCE gives media convergence another try

Digested from a Sept. 13 report by analyst Maher Yaghi

Mr. Yaghi maintains his "hold" rating and raises his target price to \$34.50 from \$33.40 after **BCE Inc.** (BCE-TSX, \$32.99) decided to buy the rest of CTV. He writes:

- BCE will not be left behind as content and distribution continue to converge, while TELUS may face a strategic disadvantage in the long term;

- Economically sensitive media properties could see upside; deal is accretive to EPS and free cash flow.

On Friday (Sept. 10), BCE announced the acquisition of the remaining 85% of equity in CTV it did not previously own from Woodbridge, OTTP and Torstar for \$1.3 billion and assumed debt of \$1.7 billion. In a separate transaction, Woodbridge will acquire ownership of *The Globe and Mail* newspaper, with BCE retaining a 15% equity interest. Closing of the transaction, which is subject to CRTC and Competition Bureau approval, is expected by March 2011.

BCE's move follows a continuing trend of cable companies and telecommunications services providers acquiring media content assets. We believe this is a positive strategic move for Bell as the telecom and media landscapes continue to converge, and as mobile TV adoption is on the verge of significant acceleration.

We have increased our target price on BCE slightly due to the accretive nature of the transaction. A more pressing issue facing BCE's stock, in our view, is the recent entry in the Quebec and Ontario markets of new wireless players, especially Videotron in Quebec. We believe Videotron's offering will appeal to many Quebec residents, which could put pressure on pricing and subscriber growth in the short to medium term. Hence, given we see only a 10% potential total return for the stock in the next year, we recommend investors look for a better

entry point before adding to their positions in BCE's shares.

BCE Inc. is the largest telecommunications company in Canada, offering a complete array of communications products including wireline, wireless, Internet, data and video services. Its Bell subsidiary currently services 7.0m NAS lines and 6.8m wireless subscribers nationwide. BCE also controls and owns a 44% equity interest in Bell Aliant Regional Communications Income Fund, with a 15% interest in CTVglobemedia and an 18% interest in the Montreal Canadiens.

Miranda Technologies

DUNDEE CAPITAL MARKETS Acquires Omnibus — its strategic but what of the valuation?

Digested from a Sept. 9 report by analysts Puneet Malhotra and Tom Astle

Messrs. Malhotra and Astle continue to maintain their "buy" rating and \$7 target price after **Miranda Technologies** (MT-TSX, \$4.98) expands with a U.K. purchase. They write:

Omnibus provides IT based media management and delivery solutions that help broadcasters in channel playout and automation. They have an established base of broadcast customers and did \$24 million in sales in the trailing 12-months and \$4 million in EBITDA. We can see IT based solutions becoming more relevant in the broadcast space as the technology allows broadcasters to move away from multi-vendor hardware solutions to software that can be run on standard IT hardware.

Miranda will be paying a total purchase price of \$48.7 million for Omnibus. Omnibus has \$6.7 million in cash which translates into a net price of \$42 million. The all cash purchase is expected to be financed equally between cash on hand (at the end of its last quarter Miranda had \$51 million in cash) and an existing credit facility (undrawn up until the last quarter). Management expects the transaction to be accretive in the first year of full operations.

Omnibus did \$24 million in sales and \$4 million in EBITDA on a TTM (trailing 12-month) basis which implies takeout multiples in the order of 1.8 times sales and 10.5 times EBITDA.

We think this could be a good strategic acquisition for Miranda for the following reasons:

- We believe the acquisition allows Miranda to target the next generation playout systems market. Management estimates peg this growth at a CAGR of 24% over the next two years. We expect these systems to become increasingly relevant as broadcasters consolidate facilities and look for cost cutting measures. Omnibus has been one the pioneers in this area and provides a good entry point for Miranda to expand its products here with minimal product overlap.

- Omnibus is a U.K.-based company providing Miranda an expanded presence in the European region. We think this will allow

'Best Buys' from leading analysts

Analysts follow as many as 20 stocks, most of which are rated "buys." Of those buys, an analyst has one or two special favorites seen as most suitable for new buying. This column is devoted to those one or two favorite "best buys."

If you've never heard of **Edleun Group Inc.** (EDU-TSX/VEN, \$0.73), you're likely in good company. The Calgary-based outfit, which operates day-care centres, trades at less than a buck, has a market cap of just \$67 million and only went public in May. So, does this mean it should be ignored? Not at all.

"Just because a company is small and obscure doesn't mean it can't become a force to be reckoned with," says Frank Mayer, chairman and co-portfolio manager of Toronto's Vision Capital.

In fact, he cites two Canadian real estate outfits — Killam Properties and Boardwalk REIT — that, having started small, have since become major players.

And Boardwalk has grown. Starting with only 2,400 rental units in 1995, it added 17,600 more by mid-1998, another 18,000 by 2010. From 1995 to 1998, meanwhile, its shares appreciated 15 times.

Share price more than quintupled

Killam has also followed an upward arc — from roughly 200 rental units in 2002 to 18,000 today. Then, too, in just its first 18 months, its shares jumped to \$2.70 from \$0.50.

But back to Edleun. With Canada's top five day-care firms accounting for just one per cent of the national market, the company has room to grow, says Mr. Mayer, who notes that demand for child-care across the country remains strong.

"There's a profound shortage of day-care space in Canada," he points out, adding that the 8,500 day-care centres now in existence are still at least 1,500 fewer than what the country actually needs.

Moreover, the necessity of building new centres actually works in Edleun's favor. That's because new facilities, by virtue of being bigger, benefit from economies of scale. In addition, when a company is starting afresh, it can always cherry-pick locations.

Then, too, as an outfit that buys, as well as builds, Edleun can take advantage of a fragmented market. Not only are most of Canada's childcare centres mom-and-pop outfits, but the children of the owners often have no interest in running the business, says Mr. Mayer.

Meanwhile, in Leslie Wulf, Edleun can lay claim to an experienced CEO, one who spent several years building childcare centres in the U.S. before starting Edleun two years ago.

Marni Testa, the company's vice-president of operations, is also an experienced player, having logged more than 15 years in the childcare industry in Australia.

Mr. Mayer admits Edleun's second quarter was hardly stellar, given its loss of \$1.7 million, or nil cents a share. But the company, he notes, is just still finding its feet. Moreover, given its growth potential, it could yet become a major enterprise.

Company more than a regional player

Indeed, Mr. Mayer notes, although Boardwalk and Killam Properties have been successful, they both remain regional players: Boardwalk in western Canada, Killam in the east. But Edleun, he believes, has the potential to go nationwide.

For Mr. Mayer, Edleun Group is a best buy.

Mr. Mayer may have a soft spot for a company like Edleun that specializes in caring for individual children. But he also likes an outfit such as **Parkbridge Lifestyle Communities Inc.** (PRK-TSX, \$5.50) which specializes in housing entire families.

For starters, the company, an owner-operator of residential land-lease developments, is cheap. Given its estimated net asset value of \$7 a share, it trades at a 20 per cent discount.

And its NAV could go even higher — to \$8, Mr. Mayer believes — should Canada Mortgage and Housing Corp. decide to approve Parkbridge's communities for insured financing.

In the interim, it's a good bet the company wants to light a fire under its shares. To that end, Parkbridge is likely thinking of converting to a REIT or even putting itself up for sale. It may also be considering privatization, says Mr. Mayer.

Then, too, with its managers and directors owning 39 per cent of its stock, Parkbridge is obviously aligned with the interests of its minority shareholders.

Meanwhile, the company continues to post solid profit margins, given that tenants pay their own heating costs. Parkbridge has also won annual rent increases of five per cent over the past three years.

Moreover, its communities have few vacancies, as well as very little turnover. And with 4,000 additional sites the company can develop, Parkbridge can likely look forward to 10 more years of growth. For Mr. Mayer, Parkbridge is also a best buy.

[Vision Capital has positions in both Parkbridge and Edleun. As well, Jeffrey Olin, Vision's president, is an Edleun director]

Briefly Noted

CREDIT SUISSE

Newspaper giant **Torstar Inc.** (TS.b-TSX, \$12) is getting out of network television, selling its 20 per cent stake in CTVglobemedia to BCE Inc. and the Woodbridge Co.

And Colin Moore is giving the move front-page treatment.

Not only, he says, will the \$345-million sale allow Torstar to put more money into its digital properties and even consolidate its newspapers, it should also allow it to strengthen its balance sheet. In fact, Torstar itself says it hopes to use the proceeds to pay down debt, a debt that now totals \$480 million.

Not surprisingly, Mr. Moore is raising his price target to \$13 from \$11 a share, although he's still pegging Torstar at "neutral." Indeed, because of what he fears could be a drop in its newspaper revenue in 2011, he worries that Torstar stock may have to be re-rated.

For the three months ended June 30, Torstar swung to net earnings of \$22.7 million, or \$0.28 a share, from a net loss of \$4.4 million, or \$0.06 a share, for the similar period in 2009.

Sales were also higher, inching up less than half of one per cent to \$376.5 million, with newspaper and digital revenue rising 3.6 per cent to \$258.7 million.

DESJARDINS SECURITIES

Michael Goldberg is keeping **Laurentian Bank of Canada** (LB-TSX, \$47.56) on deposit as a "hold," citing its sagging loan book. He's also continuing to rate it at "above-average" risk, with a 12-month price target of \$45.50.

For the third quarter of fiscal 2010, the bank coined net earnings of \$1.13 a share — \$0.07 higher quarter over quarter, as well as a nickel higher year over year. And although EPS was \$0.08 below Mr. Goldberg's forecast, it was only a penny shy of the consensus call.

Elsewhere, the bank posted tier one capital ratio of 10.7 per cent — 20 basis points lower QOQ — while logging loan provisions of \$20 million, \$4 million more than the analyst had forecast. Non-performing loan formations, meanwhile, finished the quarter at \$35 million, twice those for the second quarter.

Overall, says Mr. Goldberg, Laurentian "continues to build traction in all of its operations." The company also boasts better margins, having seen its operating profit climb nine per cent to \$5.7 million.

RBC CAPITAL MARKETS

Sun Life Financial Inc. (SLF-TSX, \$30.27) is one of Canada's big three life insurers. It's also the cheapest, says Andre-Philippe Hardy, who's handing it a rating of "outperform/above-average risk," with a 12-month price target of \$37 a share.

Mr. Hardy suggests Sun Life had a tough time in the credit crunch, taking a bigger hit than its rivals. But he believes the insurer will now have an easier time of it, given the improving economy. As a result, its return on equity should rise.

And thanks in part to its potential operating leverage, he also sees Sun Life bringing in better numbers at MFS Management, its U.S. mutual fund firm. Indeed, he thinks MFS's 2011 earnings could climb to \$320 million, a jump of 152 per cent from 2009.

The analyst also sees Sun Life being well-positioned to grow market share, not the least because of changes it made in its upper echelons in late 2008.

Through MFS, Sun Life boasts US\$198 billion in assets under management. The company also owns a 56 per cent stake in McLean Budden, a Toronto-based institutional money manager.

BMO CAPITAL MARKETS

Gordon Tait will tell you at least three things about **Trilogy Energy Corp.** (TET-TSX, \$9.36), a Canadian oil and gas play formed in April 2005 from an asset spinout at Paramount Resources.

Mr. Tait's first point? Trilogy continues to merit a "market perform" with a 12-month price target of \$11 a share.

Mr. Tait's second point? Trilogy deserves higher estimates. Not only is he boosting its 2010 cash flow to \$1.43 from \$1.19 a share, but he's raising its 2011 EPS by \$0.34 to \$1.40.

But Mr. Tait's third point is cautionary. He admits Trilogy has good growth prospects in Alberta's Deep Basin. But he suggests the company could still be chancy, given its heavy exposure to natural gas, a commodity whose near-term outlook he considers to be poor.

For the three months ended June 30, Trilogy's net earnings tumbled to \$1.6 million, or a penny a share, from \$15.4 million, or \$0.14 a share, for the three months ended March 31.

Continued from preceding page

them to target the high growth Eastern European market better.

- Omnibus has a large installed customer base including Ascent, AT&T, BBC, Corus, DirecTV, Discover, Starz, Turner etc. This provides opportunities to cross sell Miranda's products into this large customer base.

- Management believes the revenue model will continue as a typical software model with maintenance contracts and an increasing recurring revenue base.

- Distribution and product synergies are available. We still have to wrap our heads around how much they can gain from these especially on the product side.

While we think strategically the acquisition could make sense there are a few lingering questions:

- Omnibus has EBITDA margins below 20% — for a software and IT solutions company this seems low. Management highlighted they expect to improve these metrics as they avail some of the selling and distribution synergies.

- Ten times EBITDA appears to be a hefty take out multiple given Miranda is trading at 6 times its LTM EV/EBITDA. We'll have to wait and see how these make sense going forward. According to management, the multiple is inline with market comps from the video broadcasting, TV broadcasting and IT systems space.

- Omnibus have been the cheerleaders for IT based broadcast solutions and it will be important to assess what sort of progress they've made over the last few years.

- According to management, performance of a software based solution is similar to that of a hardware solution with the added benefit of easy upgrades. We believe this could be the case but are still unsure how seriously broadcasters are looking at these types of solutions.

Miranda Technologies designs, develops, manufactures and markets hardware and software products across multiple segments of the television industry. The company's suite of digital infrastructure, monitoring and control equipment enables broadcasters to migrate to a multi-channel digital and High Definition broadcast environment.

Andean Resources

UBS INVESTMENT RESEARCH

Goldcorp agree to acquire Andean

Digested from a Sep. 3 report by analysts Jo Battershill, Glyn Lawcock and Brett McKay

Messrs Battershill, Lawcock and McKay downgrade **Andean Resources Ltd.** (AND-TSX, US\$4.44) to a "neutral" from "buy" and move their target price to US\$6.17 from US\$3.64 after the company agrees to merge with Goldcorp. They write:

Andean has announced that it has agreed to be acquired by Goldcorp through a Scheme of Arrangement. Under the scheme, each AND share will be exchanged for 0.14 Goldcorp shares or a cash payment of C\$6.50 a share (subject to an aggregate maximum cash con-

sideration of C\$1billion). This proposal comes hot on the heels of the Eldorado merger proposal also announced today.

In our view, this corporate action is simply recognition of the world class potential of the Cerro Negro project. Despite only having a resource of 3.1 million ounces and reserves of 2.1 million ounces, we believe the project has the potential to be +10Moz. Subsequently, resource and reserve multiples of US\$1,100/oz and US\$1,625/oz look high but have little meaning.

We have downgraded our recommendation to "neutral" due to the corporate action induced re-rating. Andean has agreed that Goldcorp has the right to match any competing bid, should one be forthcoming, so we believe the probability of Eldorado coming back with a higher bid is very low.

Our valuation has been increased by 51% to \$4. Our price target has been increased by 70% to \$6.79a share and is based on the C\$6.50/sh offer price converted at today's exchange rate. Our NPV assuming a flat gold price of US\$1250/oz is \$4.92/sh, thus implying a P/NPV of 1.38x compared to 1.25x for Goldcorp and 1.48x for Eldorado.

Emera Inc. and Fortis Inc.

BEACON SECURITIES

Initiating coverage

Digested from an Aug. 23 report by analyst Philip Bassel

Mr. Bassel initiates coverage of Halifax-based **Emera Inc.** (EMA-TSX, \$26.10) with a "hold" rating and a 12-month target price of \$25 a share. At the same time, he initiates coverage of St. John's headquartered **Fortis Inc.** (FTS, \$29.06) with a "buy" rating and a 12-month target price of \$32 a share. Mr. Bassel writes:

The electric utilities industry in Atlantic Canada is undergoing unprecedented changes that we believe could have potential impacts beyond the borders of its four provinces. This is consistent with the North American utilities sector, in which we see a significant push to move away from electricity generated by high-carbon fossil fuels and towards energy derived from renewable sources. As a result, we caution investors that not all utility stocks are nearly as risk-free as in the past.

Atlantic Canada is home to two publicly-listed utilities, Emera Inc. and Fortis Inc. This report focuses on these two organizations and the ability of each to leverage its expertise to help North Americans meet environmentally friendly, yet potentially costly, renewable electricity ambitions.

We believe Emera is strategically well positioned, albeit through significant transmission investments, to make the link between Atlantic Canada's abundant renewable sources, and the Northeast U.S. However, investors should note that, at this point, we believe most of the upside for these initiatives is priced into the stock, while the risks remain unattractively high in these early days.

Our 12-month target price of \$25 a share is based on P/E and Enterprise Value/EBITDA multiples.

(EBITDA is earnings before interest, taxes, depreciation and amortization.) Our target is derived from the average of 15.4 times our 2011 estimated EPS and 8.9 times 2011 forecast Enterprise Value/EBITDA.

We believe Fortis' strategy is to leverage its expertise, track record in running regulated utilities across Canada, and its strong balance sheet to acquire and operate regulated electric utilities in the U.S. at an opportune time in the industry.

Our 12-month target price of \$32 a share is based on P/E and Enterprise Value/EBITDA multiples. Our target is derived from the average of 17.7 times our 2011 earnings estimate and 10.0 times forecast 2011 Enterprise Value/EBITDA.

Both Emera Inc. and Fortis Inc. are diversified utilities headquartered in Atlantic Canada.

Canadian Western Bank

JENNINGS CAPITAL

Q3/10 results

Digested from a Sept. 2 by analyst Marc Charbin

Mr. Charbin maintains his "hold" rating but raises his one-year target price to \$25 from \$24 after **Canadian Western Bank** (CWB-TSX, \$24.50) posts its third-quarter numbers. He writes:

Adjusting for one-time items (taxes of \$0.11 per share and other non-recurring income of \$0.03 per share), diluted EPS was \$0.45, versus our estimate of \$0.42. The beat was generated by stronger than expected margins, as well as solid growth in credit related and insurance income. The National Leasing acquisition has certainly made a meaningful contribution, adding ~20-23 bps to NIMs (net interest margin) and \$0.05 in EPS this quarter alone.

Loan book growth remains rather modest, increasing 2% quarter over quarter. The Optimum Mortgage segment continues to make a proportionally larger contribution to growth, adding \$70MM or 0.7% to the loan book (\$745MM total). The growth in this segment has been especially meaningful this year as the company contends with prepayments on loans in its traditional heavy equipment and construction lending.

Management's outlook was certainly more tepid in its public filings than over the conference call. While formal guidance has yet to be released for FY 2011, the company expects double-digit loan growth to continue, organically. Yet, this should not be too much of a surprise, as consensus is already forecasting ~15% loan growth in FY 2011 as prepayments decline and construction spending in the oil-sands increases. By the time Q4/10 results are released, CWB should also have more visibility on dividend increases as international capital requirements are clarified.

We have made no material revisions to our forecast for FY 2010 or FY 2011.

CWB continues to demonstrate the quality of its lending quarter-over-quarter, as demonstrated by falling arrears and write-offs well below peers' levels. Management's outlook toward FY 2011 is seemingly becoming more confident, but its outlook has already been re-

flected in the company's share price through its premium valuation. We believe share-price appreciation above the industry average in the next year might have to be derived from another acquisition (National Leasing is proving to be a gem) or expansionary-like growth in Alberta's economy. Until then, earnings are likely to be modest relative to the share price.

We view the chances of a dividend increase as probable (with a current payout ratio of ~21% relative to CWB target in the 20% to 30% range); however, dividend increases could likely come across the board in the financial space and, perhaps to a greater extent, elsewhere.

We continue to value CWB applying a 12.0x multiple to FY 2011 diluted EPS.

Canadian Western Bank is a Schedule 1 chartered bank operating primarily in Alberta, British Columbia, Saskatchewan and Manitoba. Through the bank and its subsidiaries, CWB offers lending, credit, deposit products, trust services and wealth management, as well as personal home and automobile insurance. CWB's niche is real estate and commercial loans, but it is also expanding its personal loan and other income revenue streams.

Empire Co.

BEACON SECURITIES

Record results despite increased deflationary pressures in Q1

Digested from a Sept. 13 report by analyst Philip S. Bassil,

Mr. Bassil maintains his "buy" rating and \$61 target price after **Empire Co. Ltd.** (EMP.A-TSX, \$52.27) reported its best-ever quarter. He writes:

Empire's earnings and revenues grew to record levels in Q1/F2011. Empire reported 13% year-over-year growth in its overall earnings, before capital gains, to reach a record \$81.6 million, or \$1.19 per share, compared to \$72.2 million, or \$1.05 per share, in the same period last year. The company's consolidated revenues also grew 1.8% y/y to reach a record \$4.04 billion compared to \$3.97 billion in Q1/F2010.

Although the deflationary environment intensified in the quarter, largely due to competitive promotional activity primarily in the highly contested Ontario market, Empire's food retailing sales and operating income grew 1.8% and 3.8% y/y, respectively. The food retailing segment also drove results by accounting for 98.4% and 91.5% of Empire's overall revenues and net earnings in Q1/F2011, respectively, compared to 98.4% and 77.1% in the same period last year.

Same-store-sales grew further. Deflationary pressures were widely expected to remain a drag on Q1 results, but the 2.5% deflation in the quarter, compared to last quarter's 2.0% deflation, was more intense than anticipated. Despite the stronger than expected deflation in the quarter, Sobeys delivered another quarter of same-store sales growth. SSS in Q1 increased 0.3% y/y. We expect the deflationary pressures to gradually ease in the coming quarters.

We believe Empire is well posi-

tioned to see sustainable margin improvements from its productivity and efficiency initiatives, as well as its efforts to grow its volumes across its network. Our valuation is based on our NAVPS and a 6.0x F2011 EV/EBITDA multiple.

Empire Co. Ltd.'s core businesses include food retailing and related real estate operations. Headquartered in Stellarton, N.S., Empire owns Sobeys, Canada's second largest food retailer with over 1,300 stores across the country. With more than \$15 billion in annual revenues and nearly \$6.1 billion in assets, Empire employs over 90,000 people, including its franchisees and affiliates.

Descartes Systems Group

PI FINANCIAL

Delivering ahead of plan

Digested from a Sept. 9 by analyst Pardeep S. Sangha

Mr. Sangha reiterates his "buy" rating and increases his target price to US\$7.65 from US\$7 after Descartes Systems Group (DSGX-NASDAQ, \$6.14; TSX-DSG) reported a strong second quarter. He writes:

Descartes reported record quarterly revenue of \$25.2 million for Q2FY11 which was 35% higher than the \$18.6 million recorded in the same quarter last year. Adjusted net income for the quarter was \$6.5 million, or \$0.10 per share fully-diluted, compared to \$5.2 million in the previous year. Descartes results for Q2FY11 were in line with our revenue estimate of \$25.4 million, but beat our earnings estimates of \$0.08 adjusted EPS.

According to management, recent acquisitions are well ahead of operating plans. In Q1FY11, Descartes completed the acquisition of Porthus and announced the acquisition of Imanet. In Q2FY11, Descartes acquired Routing International for approximately EUR3.4 million (net of cash received).

Strong balance sheet. Descartes reported having cash and equivalents of \$58.5 million and no debt at the end of July 2010, compared to \$94.6 million at the end of January 2010. The company's cash balance has decreased during the year due to the cost of acquisitions. The company generated \$6.0 million in positive cash flows from operations during the quarter.

Today's results have had a positive effect on margins and earnings in our model. Management provided baseline revenue guidance of \$24 million for Q3FY11, with baseline operating expenses of \$18.6 million. We are anticipating one more small acquisition before the end of the fiscal year. The global trade and shipping environment has stabilized compared to last year.

We are forecasting 37% revenue growth in FY11 with a return to historic growth rates of 15% in FY12. Acquisitions are the main drivers for growth in FY11. We are forecasting \$101.0M revenues and \$27.5M adjusted Net Income for FY11, with \$115.9M revenues and \$31.8M adj. Net Income for FY12.

We rate this investment with an "above average" risk rating. Our US\$7.65 price target represents a 3.9x EV/Sales multiple, 15.1x EV/EBITDA multiple and 15.2x PE (ad-

justed) multiple of FY12 estimates.

Descartes Systems Group provides logistics solutions for transportation companies, logistics providers, manufacturers, distributors and retailers. DSGX uses a hosted software as a service model to deliver solutions that are used to reduce shipping costs, meet regulatory compliance, and exchange data.

Renegade Petroleum

CANACCORD GENUITY

Wet weather delays production but exit intact

Digested from an Aug. 26 report by analysts Brian Kristjansen and Greg Foofat

Messrs. Kristjansen and Foofat reiterate their "buy" recommendation and adjust their target price to \$6.25 from \$6.75 after **Renegade Petroleum Ltd.** (RPL-TSX/VEN, C\$2.89) reported its second-quarter results. They write:

Unusually wet weather in Saskatchewan during the quarter delayed production additions and reduced cash flow, though management still expects to exit the year between 2,600 and 2,700 BOE/d, which will leave our 2011 production forecast unchanged.

Renegade continues to enjoy top netbacks (the second-best Q2/10 operating netback in our coverage universe, at \$46.01 per BOE) and considerable forecast growth (also the second-best in our coverage universe, at 107% per share in 2011) through our forecast horizon, making its relative valuation increasingly compelling.

Investment highlights

- The company reported average production of 936 BOE/d (97% light oil and liquids), which was below our 1,219 BOE/d estimate. CFPS, f.d., of \$0.05 was below consensus of \$0.10 and our estimate of \$0.11.

- Renegade participated in 11 gross (5.7 net) wells with a 93% success rate, though these were completed late in the quarter and had little impact on the reported production.

- Renegade currently trades at a 3.1x EV/DACF multiple and \$56,368 per BOEPD based on our 2011 estimates.

- The differences from our cash flow estimate related to the lower production (\$0.02), lower realized oil prices (\$0.01), higher royalties, G&A (\$0.01), interest (\$0.01), and cash taxes. Operating costs were sharply lower than our estimate, though we expect the lower realized pricing to offset this impact when carried through our 2011 forecasts.

The company still managed a robust Q2/10 drilling program, which included 2.0 gross (1.1 net) wells in Hastings/Alameda, 2.0 gross (1.6 net) wells in Stoughton/Huntoon, 1.0 gross (0.4 net) well in Florence, and 6.0 gross (2.6 net) wells in the Viking at Dodsland.

Of the wells drilled, the Huntoon well is likely the standout success, as subsequent to the quarter the company had aggressively licensed additional wells in the immediate area. A Frobisher completion in the area was also successful with results exceeding manage-

Briefly Noted

UBS INVESTMENT RESEARCH

Matt Donohue likes **NuVista Energy Ltd.** (NVA-TSX, \$11.06), so much so that he's adding it to his coverage list. And he's doing so with fanfare, rating it a "buy" with a price target of \$13 a share.

His reasons for singling out NuVista are many. For one thing, he says, it boasts a top-tier management team, one with the technical smarts to exploit the company's wide range of assets.

Another plus? NuVista's solid inventory of near-term prospects — prospects, Mr. Donohue suggests, that could eventually lift the company's valuation.

The analyst also likes NuVista's rising exposure to oil-weighted assets. Moreover, he views the company as a good takeover target.

In the meantime, he's heartened by the good results from NuVista's first horizontal well in Western Canada's Montney play, viewing it as a harbinger of things to come.

The well, which initially tested at a daily rate of 10 million cubic feet with 250 barrels of free condensate, is now producing at five million cubic feet with 140 barrels of condensate.

CANACCORD GENUITY

Andina Minerals Inc. (ADM-TSX/VEN, \$1.52) received an improved resource estimate about Volcan, its Chilean gold project, in late September.

And Steven Butler is pleased. Not only is he upping his 12-month price target to \$2.40 from \$2 a share, he's raising Andina to a "speculative buy" from a hold.

He says the better estimate highlights the progress Andina has made in advance of a pre-feasibility study — a study, he says, that should make Volcan less risky.

The new estimate grades Volcan at 0.71 grams a ton on the measured-and-indicated line. Previously, it graded at 0.62 grams.

Mr. Butler admits that although the improved grades have a good impact on his estimate of Andina's net asset value, the impact is offset by higher assumed capital costs.

DUNDEE CAPITAL MARKETS

Richard Kelertas is stalking China's corn processing industry. And he's doing so by initiating coverage on **Asia Bio-Chem Group Corp.** (ABC-TSX, \$1.19), a producer of corn starch in that country.

He admits Asia Bio-Chem is small. But he believes that in terms of capacity, it will become one of China's top five corn starch producers.

For one thing, he notes, Asia Bio-Chem has a cost advantage, given its nearness to China's main corn-growing regions.

Moreover, the company is not only efficient, but has managers who are experienced. Perhaps more important, China is logging a growing demand for starch.

For Mr. Kelertas, Asia Bio-Chem merits a "buy" with a 12-month price target of \$2.

For the three months ended June 30, Asia Bio-Chem's net earnings climbed to \$4.5 million, or \$0.06 a share, from \$430,000, or a penny a share, for the similar period in 2009.

Sales were also higher, more than doubling to \$56.9 million, while gross profit grew 166.7 per cent to \$9.6 million.

Operating expenses, meanwhile, climbed 43.3 per cent to \$4.3 million, while EBITDA (earnings before interest, tax, depreciation and amortization) zoomed 543 per cent to \$7 million.

CITIGROUP GLOBAL MARKETS

Pengrowth Energy Trust (PGF.UN-TSX, \$10.97) is bulking up, having inked a deal to buy the 82 per cent of Monterey Exploration it doesn't already own.

And Richard Roy thinks the deal makes sense. For starters, he says, it gives Pengrowth a new core area, one with growth potential, low costs and strong returns.

Mr. Roy also sees the deal giving Pengrowth exposure to Groundbirch, an exploration area in northeastern British Columbia that holds promise as a low cost source of natural gas.

Other good aspects of the deal for the analyst include an expanded drilling inventory, as well as access to key pieces of infrastructure, such as two natural gas plants.

In the interim, Mr. Roy continues to view 2010 as a transition year for Pengrowth, as it converts from a trust to an oil and gas play focused on maximizing production growth.

For Mr. Roy, Pengrowth remains one of his top picks, although he's keeping it pegged at "hold/high risk" with a price target of \$12.

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ment's expectations. Continued success on the repeatable Viking resource at Dodsland has spawned an increase in H2/10 drilling that will see an incremental 7 to 9 gross wells (3.5 to 4.25 net wells) drilled prior to year-end. On the negative side, the company's Q2/10 Florence well was gassier than expected and results there may preclude further activity should the well (and an offsetting recompletion) fail to improve over time.

Our target price remains based on a 6.0x 2011E EV/DACF multiple. Higher forecast net debt and wider corporate oil price differentials in 2011 are the key factors impacting our target price. Our newly forecast net debt to trailing 12-month cash flow ratio in 2011 remains very comfortable at 0.6x, though this was previously forecast at 0.3x. Absolute cash flow levels in 2011 remain fairly consistent.

Renegade continues to be a focused light oil producer, with some of the best netbacks in our coverage universe. We are still expecting some of the best growth in production per share in 2011, and see the valuation as increasingly compelling.

The lower Q2/10 production has reduced our 2010 outlook, though intact exit rates keep our 2011 production estimates whole. With 29 gross (21.9 net) wells to be drilled in H2/10, the company will have plenty to talk about. Of particular interest will be the drilling of a seismically identified Kisbey look-alike on the Prairie Hunter acquired lands and the North Dakota farm-well to be drilled in late October.

Renegade Petroleum is a light oil focused exploration and production company with its core assets located in Saskatchewan. The company was created in late 2009 as a recapitalization of Colonia Energy Corp.

Royal Bank

CANACCORD GENUITY

Target price lowered

Digested from an Aug. 26 report by analyst Mario Mendonca

Mr. Mendonca maintains his "hold" recommendation for **Royal Bank of Canada** (RY-TSX, \$49.18). However, he lowers his 12-month target price to \$55 a share from \$60. Mr. Mendonca writes:

For the fiscal third quarter, ended July 31, 2010, Royal Bank of Canada reported cash EPS of \$0.87, down 22% from a year earlier and lower than our estimate and the consensus forecast of \$1.03 and \$1.02, respectively. Relative to our estimates, trading revenue was much lower than expected, however, provisions for credit losses (or "PCLs") were slightly better than we had forecast.

We are lowering our 2010 and 2011 EPS estimates to \$3.92 (from \$4.14) and \$4.51 (from \$4.94), respectively. The key change to our estimates relates to much lower trading revenue: \$700 million per quarter, down from \$1 billion to \$1.1 billion.

RBC's Canadian banking profit was up 14% compared to a year earlier, reflecting revenue growth of 6% and a 16% decline in PCLs. Expenses were also up 6%, leading to slightly negative operating leverage in the quarter. This was the

weakest operating leverage in domestic retail since mid-2007. We expect operating leverage to hover around nil for the next two quarters and improve in the middle of 2011 as the higher technology spending initiative slows and longer branch hours drive better revenue.

RBC's Canadian banking earnings remain relatively strong. However, the abrupt decline in trading (particularly given management's comments in 2009 about the growth in the franchise) and Royal's much greater reliance on capital markets-related revenue (particularly trading) suggest Royal Bank should trade at a discount to the group's forward P/E, or at least to TD Bank and Scotiabank.

Our new target price of \$55 (down significantly from \$60) is based on the stock trading at 12 times our reduced 2011 earnings estimate. (This multiple is in-line with the group's, but lower than Scotiabank and TD Bank's.) Our target price implies a total return of 16% and supports a "hold" rating.

Although this was Royal Bank of Canada's second consecutive very disappointing quarter, we do not expect the stock to significantly underperform its peers from here. The stock's performance relative to its peers is currently two-standard deviations below the six-month moving average.

Royal Bank of Canada is Canada's largest bank as measured by assets and market capitalization.

Petrobank Energy

UBS INVESTMENT RESEARCH

Offers diversified growth

Digested from an Aug. 18 report by analyst George Toriola

At UBS, coverage of **Petrobank Energy and Resources** (PBG-TSX, \$39.76) has been transferred to George Toriola. He maintains UBS' "buy" rating for the stock. However, he has set a 12-month target price of \$54 a share, down from UBS' previous target of \$64. Mr. Toriola writes:

Through its 67% and 58% ownership interests in Petrominerales and PetroBakken, respectively, Petrobank offers investors exposure to light oil growth in Colombia and Peru, and in the Bakken and Cardium plays in Western Canada. We forecast a compound annual growth rate (or "CAGR") in production from 2010 through 2012 of 12% and 5.8% for Petrominerales and PetroBakken, respectively.

As well, Petrobank's ownership of the THAI technology, through its 100% owned Archon Technologies subsidiary, provides investors with optionality: a potential game changer in the monetization of heavy oil and oil sands. We believe the company's Conklin and Kerobert projects are showing signs of progress, and look forward to further results in the near-term. We estimate the current stock price reflects \$2.02 a share for the company's heavy oil business unit.

For the near-term, we forecast 2010 average production at 85.2 thousand barrels of oil equivalent per day and cash flow of \$9.88 per fully diluted share.

Our revised \$54 target price is based on our sum of the parts tar-

get prices (with a discount rate of 10%; long-term WTI oil price of US\$80 per barrel; and NYMEX natural gas price of US\$6.50 per thousand cubic feet), incorporating specific risk factors for each subsidiary within the company's portfolio. Our price target is equivalent to a four times Enterprise Value/EBITDA multiple on our 2011 estimates.

Petrobank Energy has controlling stakes PetroBakken and Petrominerales. It is also developing heavy oil (including oil sands) resources and technology.

Imperial Oil

EDWARD JONES

Fairly priced

Digested from a July 30 report by analyst Lanny Pendill

Mr. Pendill maintains his "hold" rating for **Imperial Oil** (IMO-TSX, \$40.18). He writes:

We rate Imperial Oil a "hold" as we believe its future prospects are already priced into the stock. Fundamentally, we believe the company has attractive operations, is financially strong, and has an advantage over peers due to its relationship with ExxonMobil.

In fact, the relationship with ExxonMobil is key. ExxonMobil owns 70% of the outstanding shares of Imperial Oil. As a result of this relationship, Imperial Oil has access to the resources and technical expertise of the leading energy company in the world, which we feel is a tremendous advantage.

Imperial Oil's operations are very attractive in our view and should support healthy growth over the long term. Imperial Oil is the largest refiner of petroleum products in Canada, producing about 70 million litres per day, and given its focus on operational excellence, we believe it will continue to post better results than its peers. The company also has large holdings in the oil sands, the Horn River basin, and in the Canadian Arctic that should generate healthy growth in production.

Imperial Oil is concentrating its oil operations on the Canadian oil sands, one of the largest reserves of oil in the world. We believe this is a key competitive advantage since these operations are large in size, can produce over very long periods of time, have little political risk compared to other areas of the world, and are in close proximity to the United States. Future production growth should be robust upon completion of its development of the Kearn project, along with future expansions at Syncrude.

We believe Imperial Oil has one of the strongest financial positions in the industry, which is clearly evidenced by its "AAA" credit rating. With virtually no debt and strong cash flow generated by its underlying businesses, Imperial Oil is well-positioned to excel during the current industry downturn relative to its peers as it continues to advance its long-term projects.

Imperial Oil reported second quarter EPS of \$0.60 compared to \$0.25 for the same period last year. The improvement was primarily driven by increased Syncrude production, higher oil prices, and improved refining margins. Total production rose 11% as Imperial's share of Syncrude production grew

to 81,000 barrels a day (b/d) from 51,000 b/d. As a result, total production was 300,000 b/d, up from 271,000 b/d in the prior year. Higher oil prices were partially offset by the stronger Canadian dollar and higher royalty payments. Earnings from refining and marketing were \$68 million compared to a loss of \$38 million last year.

Progress with its Kearn Oil Sands project continues, and the company currently has 2,500 people working at the site. Startup remains on track for late 2012. Imperial stated that it will be drilling a horizontal multi-well pad pilot development in the Horn River in the fall, and we look forward to a more detailed assessment of the company's future potential in Horn River later in the year. Overall, it was a quarter in-line with expectations.

In May, Imperial Oil announced a 10% increase in its quarterly dividend to \$0.11 from \$0.10. This brings the annualized dividend to \$0.44 from \$0.40.

Imperial Oil is trading at approximately 12 times our 2011 EPS estimate, which we believe appropriately reflects its opportunities and risk. As a result, we believe current levels already reflect our future expectations for the company.

Imperial Oil is Canada's biggest integrated oil company and largest refiner. It was incorporated in 1880 and is 69.6% owned by ExxonMobil.

Tuscany Int'l. Drilling

JENNINGS CAPITAL

Breaking the mould

Digested from an Aug. 24 report by analyst David Ricciardi

Mr. Ricciardi begins coverage of **Tuscany International Drilling** (TID-TSX, \$1.05) with a "buy" recommendation and a one-year target price of \$1.90. He writes:

Tuscany is focused on providing an array of new drilling rigs to the South American market. The strategy is to expand its presence by offering a unique combination of new rigs, replacing outdated/idle rigs and participating in current/upcoming drilling campaigns.

The company has deployed nine rigs in various countries, with eight more under preparation and negotiation for bidding. The 17 rigs range from 550 HP drilling/workover rigs to 2,000 HP heli-portable rigs, which we expect to be operational by December 2010.

Tuscany's customers include public and private E&P companies ranging in size, the larger of which includes Ecopetrol, Gran Tierra and Petrobras; the smaller includes Canacol, Winchester Oil & Gas and HRT Oil & Gas.

The diverse customer base lessens the impact of customer-specific downturns hampering Tuscany's cash flow.

The investment rationale is based on five key assumptions, which we feel warrant a premium EBITDA multiple versus its peer group, not a discount the market is currently pricing.

- The rig fleet has a high utilization rate of 86% versus the current peer average of 43%.

- The rig fleet is less than two years old and is dependable and ef-

ficient, shaving days off total drilling time compared to older rigs in operation.

- Tuscany has an average EBITDA margin of ~35%, significantly higher than the peer average of 28%.

- The rig fleet will be operational year-round, versus the seasonal nature of the WCSB drilling.

- Our 2011F EBITDA estimate of US\$57.5 million is based on a modest capital program of four rigs, a conservative figure growth assumption relative to the 11-rig program for 2010.

- We feel the market will not incorporate these variables until three or four consecutive quarters of financials have been disseminated — to prove these claims are valid.

Our target price is based on an EV/EBITDA multiple of 6.0X applied to our 2011 EBITDA estimate.

Tuscany International Drilling Inc. is a Canadian-based company providing contract drilling and workover services, along with drilling tool rentals, to the oil and gas industry in South America.

The Forzani Group

PI FINANCIAL

Cautious H211 outlook on positive sales trends

Digested from a Sept. 8 report by analysts Sheila Broughton and Victoria Chan

Mses. Broughton and Chan maintain their "buy" rating and \$19 target price after **The Forzani Group Ltd.** (FGL-TSX, \$15.75) posted its latest numbers. They write:

The Forzani Group reported Q211 results for the period ended Aug. 1st, 2010. While Q211 sales were ahead of our expectations, EBITDA margins and the quarter loss were weaker than our forecast.

In continuing weak economic conditions, The Forzani Group reported Q211 retail system sales increased 3.6% to \$361 million from \$348 million in Q210, including a 4.4% increase in same store sales. Positive same-store sales have continued for the first five weeks of the important back-to-school season with the strongest sales increase in the last week in the period.

The company's execution of its "Unify and Simplify" strategic plan, a stronger economy relative to last year and a broader product offering appeared to support sales growth. Revenue increased 6.5% to \$316 million led by a 5.6% increase in retail revenue and a 9.0% increase in wholesale revenue. Improved margin rates in both the retail and wholesale businesses led to a 120 basis point increase in gross margin to 34.6%.

Q211 EBITDA increased 69% to \$11.7 million resulting in a 3.7% EBITDA margin, up 140 basis points from Q210. The improved EBITDA margin reflects the higher gross margin and lower store operating expenses as a percent of sales partly offset by higher general and administrative expenses. This led to a Q211 net loss of \$1.8 million or \$0.06/share compared to a net loss of \$4.4 million or \$0.14/share in Q210.

While Q211 results were less profitable than expected, we be-

lieve management is effectively revitalizing the Forzani story with the execution of their “Unify and Simplify” plan. We anticipate material profitability growth in the key second half period of the year.

We have updated our forecast for Q211 results, slightly reducing our EBITDA and EPS forecast. Our FY11 forecast includes revenue of \$1,417 million, EBITDA of \$109 million, a 7.7% EBITDA margin and net earnings of \$36.2 million or \$1.22/share.

Our target reflects a 4.8x EV/EBITDA and 14x PE multiple based on our FY12 forecast. We maintain our “average” risk rating.

The Forzani Group Ltd. is Canada's largest, national sporting goods retailer operating 547 retail stores including 334 corporate and 213 franchise stores.

Yoho Resources

ACUMEN CAPITAL Q3 2010 Results

Digested from an Aug. 26 report by analyst Robert Cooper

Mr. Cooper maintains his “buy” recommendation and one-year target price of \$3.50 after **Yoho Resources Inc.** (YO:TSX-VEN, \$2.60) files its third-quarter report. He writes:

Production for Q3 (recall YO has a September year-end) was slightly lower than expectations due to unplanned facility outages at third-party plants (Devon and PGF). We understand the cumulative impact was largely equal to the variance between actual and estimated production (~130 b/d).

While production was impacted, cash flow was in-line due to slightly better product price realizations and markedly lower than expected royalty rates for the quarter. We have made some minor changes to our estimates as a result of the new information. As Q4 will be the first quarter of the Canoils acquisition (deal closed in Q3, production will be felt in Q4), we expect royalties to increase somewhat, coincident with additional liquids production. YO stated 2010 exit guidance of ~2,950 b/d which is in-line with our estimate.

Five (2.9 net) wells were drilled from break-up to date, as follows:

- Kaybob-four wells (two hz and two vt). First vertical (94% WI) was completed in the Gething and is being tied in with 125 boe/d gross of gas and liquids expected;
- Second vertical (37.5% WI) at Kaybob completed in Notikewin and Viking with an initial rate of 250 b/d gas and liquids;
- Horizontal well (60% WI) completed in the Notikewin. Initial production of 500 b/d gross is expected once tied-in during Q4;
- Horizontal well (45% WI) targeted the Cardium and was not economic although further technical work is being completed; and,
- 50% WI vertical well at McLeod targeting the Ostracod is currently being completed and log indications are positive.

While all of the above is positive, the market has a keen focus on the outcome of the company's Duvernay Shale horizontal well. We estimate the cost of the 5,100 m well is ~\$7-\$7.5 MM of which YO has a 33% WI. The well has the potential to be a game changer for

YO and we expect results at the end of September. Success on the well has material implications for capex in F11 (we would expect the operator to accelerate development for the play). YO holds 33% WI in 28 sections of Duvernay rights at Kaybob.

We await the potentially material drilling catalyst at Kaybob (Duvernay shale) in late September and note that the business plan continues to be executed in an efficient manner. Commodity prices remain the key risk to the YO story. Our target (6.6x 2011F EV/DACF), seen another way, represents ~45k/boe/d or 4.2x 2011e cash flow.

Yoho is a junior E&P with core areas in northwest Alberta and northeast British Columbia.

Legacy Oil

PETERS & CO. LTD.

Acquiring Bronco Energy

Digested from a Sept. 8 report by analyst Jeff Martin

Mr. Martin maintains his “sector perform” rating for **Legacy Oil + Gas** (LEG-TSX, \$11.05) and his 12-month target price of \$11.50 a share. He writes:

Legacy announced it is acquiring Bronco Energy for \$36.5 million, comprised of \$27.8 million in cash plus assumed debt, and \$8.7 million in equity. Bronco has current production of 700 barrels of oil equivalent per day (boe/d), and generated a cash flow operating loss of \$1 million in the second quarter. Bronco's Wabiskaw development was a complete failure and we have not attributed any value to the oil sands acreage.

Bronco's current production is two-thirds heavy oil. Relative to Legacy's current assets, this has higher operating costs, higher pricing differentials and lower royalties. With the incorporation of these changes, our 2011 estimated cash flow per share rises from \$1.59 to \$1.60, and our forecast debt to cash flow ratio increases from 0.8 times to 0.9 times. Our 2011 production estimate increases from 13.2 thousand boe/d to 13.8 thousand boe/d.

While Bronco had a cash flow loss from operations of \$1 million in the most recent quarter, we believe that once the assets are acquired, this loss can likely be reversed to positive cash flow of approximately \$3 million a year with the elimination of general and administrative expenses and the change in capital structure. Bronco's operating costs were \$47.60 per boe in the second quarter.

The deal includes 61,000 net acres of land, which may include some Grand Rapids potential to the east that could be traded or swapped with another operator.

Legacy will issue 0.0182 shares for each Bronco share, which equates to a purchase price of \$0.20 per Bronco share. Legacy will assume \$24 million in convertible debentures, which will be acquired at a premium of 110%, in addition to a forecast net working capital deficit of \$1.5 million.

From Legacy's perspective, the transaction was largely tax motivated as Bronco has \$190 million of tax pools, of which \$122 million are non-capital. This will allow Legacy to defer cash taxability until 2013, compared to our previous estimate

of early 2012.

While the Bronco transaction is obviously tax motivated, the assets will still need to be integrated into Legacy's operations, which will not come without its challenges given all of the other assets that are currently being integrated.

We are maintaining our recommendation of “sector perform,” with a 12-month target price of \$11.50 per share. This equates to an approximate 20% premium to our estimate of the company's potential asset value and a 2011 Enterprise Value/Debt-Adjusted Cash Flow multiple of 7.5 times.

Legacy Oil is an oil and gas exploration and production firm.

Aura Minerals

WELLINGTON WEST

Improvement expected

Digested from an Aug. 13 report by analyst Steve Parsons

Mr. Parsons maintains his “buy” recommendation for **Aura Minerals** (ORA-TSX, \$3.46). However, he lowers his 12-month target price to \$5 a share from \$5.25. Mr. Parsons writes:

Aura Minerals has completed its transition from development-stage gold firm to gold producer. Operational improvements remain Aura's focus for 2010, while a return to normalized production rates are expected in 2011.

Aura has closed the acquisition of three producing mines from Yamana Gold, namely the San Andres Mine in Honduras (the deal closed at the end of the third quarter of 2009), and the São Francisco and São Vicente mines in Brazil (the transaction closed April 30, 2010).

In Mexico, Aura continues to make progress on re-starting the Aranzazu copper-gold-silver project, with a planned start-up in the third quarter of 2010. Aura is currently in the midst of an extensive drill program there to test for extension of the mineralization at depth, with results from four holes released to date and more results pending. Success on this front could be transformational from a production perspective, as the delineation of mineralization at depth could justify the move to a larger bulk mining scenario.

We view Aura's second quarter 2010 production results as likely representing a low-water mark. We expect improvement, but this has been delayed. Production for the quarter was down from the previous quarter due to rain, lower grades and higher strip ratios. Second quarter production of 35.3 thousand ounces came in below our 39.4 thousand ounce estimate; total cash costs of US\$851 an ounce came in above our estimate of \$757 an ounce.

Aura lowered its production guidance by approximately 15% to between 157 thousand and 167 thousand ounces of gold (from 185 thousand to 195 thousand ounces). Management has also started implementing its cost initiatives and should see effects take hold in the first quarter of 2011. Aura is planning over US\$100 million in capital expenditure/exploration programs to spur production growth. Nearly half of Aura's capital spending budget is for the Aranzazu mine in Mexico, with

start-up planned for the third quarter of this year. The balance of the capital spending budget is earmarked to remedy production constraints in Brazil and expand Aura's resource base.

Owing to a challenging second quarter that came in below expectations, we are lowering our target price to \$5 and maintaining our “buy” rating. We see potential for the stock to re-rate: modestly at first – in the second half of 2010 – with the bulk of the re-rating likely in 2011 as the capital improvement initiatives take hold and as development projects move forward.

Aura Minerals operates gold mines and a copper-gold-silver mine in Central and South America. It also has a large copper-iron-silver development project in Brazil.

Goldcorp

DUNDEE CAPITAL MARKETS

Bids for Andean Resources

Digested from a Sept. 7 report by analyst Paul Burchell

Mr. Burchell maintains his “buy” recommendation and “medium” risk rating for **Goldcorp Inc.** (G-TSX, \$44.49) and increases his 12-month target price to \$53 a share from \$52. He writes:

On September 2, Goldcorp announced it has entered into an agreement to acquire all of the outstanding shares of Andean Resources for approximately C\$3.6 billion (based on recent closing prices). We believe this is a good deal for Goldcorp shareholders. Andean's high quality Cerro Negro gold project will likely add meaningful gold production to an already impressive growth profile, while the expected low cost of production should compliment Goldcorp's position as one of the lowest cost gold producers.

We find the transaction adds slightly to our Goldcorp net asset

value (or “NAV”) per share estimate. As is our practice, we will incorporate Cerro Negro into our valuation after the deal closes, which is expected to take place in late 2010 or early 2011. In the meantime, we have made some revisions to our operating and cost forecasts for Goldcorp that do not include the proposed Andean transaction. These result in a slight increase in our valuation of Goldcorp. Our NAV estimate increases to C\$28.89 a share from \$28.32 a share.

Under the proposed agreement, Andean common shareholders will have an option to elect to receive cash or shares or any combination of cash and shares, subject to the aggregate cash limitation. Holders of Andean common shares will receive 0.14 common shares of Goldcorp or a cash payment of C\$6.50 per share for each Andean share they hold. This is subject to a maximum cash consideration of \$1 billion.

Andean's key asset is its 100%-owned Cerro Negro gold project in Santa Cruz, Argentina. Cerro Negro is a high-grade low-sulphidation epithermal deposit with reported indicated resources containing an estimated 2.5 million ounces of gold and 23.6 million ounces of silver, with additional inferred resources containing an estimated 523,000 ounces of gold and 3.1 million ounces of silver.

Based on the current feasibility study, the project is expected to produce 250,000 ounces of gold a year at a total cash cost of about US\$60 an ounce (net of silver by-product credits) in the first five years. In its conference call, Goldcorp suggested it plans to examine the viability of doubling throughput and gold production at Cerro Negro. Goldcorp also expects to significantly increase the resource through extensive exploration, including the area hosting the newly discovered Mariana Central Zone

Continued on page nex page

Of Special Interest

Bombardier

UBS INVESTMENT RESEARCH

Solid execution in challenging environment

Digested from a Sept. 2 report by analyst Tasneem Azim

Mr. Azim reiterates his “buy” rating and \$6.50 target price after **Bombardier** (BBD.B-TSX, \$4.60) posted its latest quarterly report. He writes:

Prepared for weakness; positioned for recovery — Despite lower than expected revenues in Q2/F11, we believe BBD posted a healthy performance on better than expected execution. Should demand remain weak near-term, BBD has already demonstrated it can preserve profitability against a challenging backdrop. And in the context of a gradual economic recovery, we believe the company has laid a solid foundation for a healthy recovery in earnings.

Our F2011 aero-delivery forecasts incorporate a 34% and 22% decline in commercial and bizjet deliveries versus guidance of -20% and -15% respectively. This variance is mainly a reflection of poor order intake and soft backlogs for the Learjet, CRJ and Q-Series. Weak aero demand is also the driver behind the divergence of our free cash flow estimate of -\$220m from BBD's guidance of neutral-to-positive free cash flow in F2011. Should aero orders accelerate in H2/F11, we believe there is upside potential to our forecasts.

With book-to-bill of 2x in transportation, BBD is trending nicely towards F2011 book-to-bill of 1x or better. We project weak demand and unfavorable FX to result in an 8% decline in sales in F2011, but expect margins to remain steady year over year at ~6.3%. Long-term, we project stable single-digit revenue growth and healthy margin expansion to the 7-8% range by F2013-14 (in line with guidance).

Continued from preceding page

(which we believe could host upwards of an additional two million ounces of gold or more).

Eldorado Gold has also made a bid for Andean Resources. Eldorado proposed an all share deal consisting of 0.31 of Eldorado share for each Andean share (valuing Andean at slightly less than C\$6.50 a share). Andean management is backing the Goldcorp bid at this time; however, we would not rule out a counter offer from Eldorado.

Goldcorp is one of the world's largest gold producers.

Second Wave Petroleum

ACUMEN CAPITAL Q2 results

Digested from an Aug. 30 report by analyst Robert Cooper

Mr. Cooper maintains his “speculative buy” rating and one-year target of \$3.85 a share after **Second Wave Petroleum** (SCS-TSX, \$2.78) reports its second quarter. He writes:

SCS Q2 results were broadly in line with our estimates on production, opex and cash flow. Of note, as facilities continue to expand across Judy Creek (expected to be the company's lowest opex area at \$10-\$12/boe at full capacity versus legacy properties in the \$17-\$20/boe range), and as Judy Creek comprises a greater proportion of corporate production, we anticipate that opex will continue to fall through 2011 to the \$15.50/boe level.

SG&A was substantially higher than estimated as a result of incentive compensation paid during the quarter. Finally, the company announced the forced redemption of a \$4.0 million convertible debenture during the quarter which we accounted for in Q2. Conversion will occur in late August (\$4.0 million redeemed through 3.3 million shares at \$1.20).

An aggressive H2 capex program is designed to build out production and facilities at Judy Creek. Design work has been undertaken for the next 17 multi-well horizontal pads (designed for six wells each) and an additional 23 km's of pipeline to tie-in the wells. Licences have been received for all drilling and infrastructure related items on the next 23 horizontal wells. While the groundwork has been laid, we do see some risk to the plan.

Since SCS has moved from acid wash completions to multi-stage acid fracture treatment, well results have been encouraging (the first three wells have shown IP ranging between 140-160 boe/d (~63% oil)). However, operations have shown that the reservoir does have areas where random fracturing neutralizes the effectiveness of portions of the completion.

To remedy this situation, SCS has moved to staged fracture stimulations (at slightly higher cost than the acid wash) which utilizes down hole ESP's to maximize well performance. SCS alluded to “modifications to its down hole pumping design” which we understand to mean engineering techniques designed to

optimize ESP efficiency. Ultimately, we believe this is an engineering issue that is resolvable. The question in our mind is to timing of the remedy as opposed to if a remedy exists.

New guidance should result in material increase in production. SCS released new guidance, as follows:

- \$55 MM capex between H2/10 and Q1/11 with ~\$41 MM in Q3 and Q4;

- Capex to be focus on drilling and completions (\$32 MM of ~\$41 MM in 2010) resulting in 14 (100% WI) Judy Creek wells in H2 and another four in Q1;

- Facility upgrades include expansion of the oil battery to 24,000 bbl/d emulsion and 8mmcf/d solution gas capacity which should result in ~4,000 bbl/d of oil handling capacity, enough to accommodate the 2010 and 2011 drilling programs; and,

- Exit 2010 production volume of 2,800 boe/d (~65% liquids) and ~3,200 boe/d at the end of Q1/11.

We have made minor changes to our estimates to account for new information. We believe the guidance is reasonable and achievable. But we also caution that if success is delayed, we believe that SCS will restrain spending so as to ensure balance sheet integrity.

Drilling success through the balance of 2010 and early 2011 will be the tale of the tape for SCS. Successful development of Judy Creek will need an order of magnitude larger investment than SCS will be able to accommodate. We believe that SCS will look to monetize if drilling is successful. Our target is based on a hybrid NAV value of \$3.85/share.

SunOpta

PI FINANCIAL

SunOpta BioProcess sold

Digested from a Sept. 1 report by analysts Sheila Broughton and Victoria Chan

Mses. Broughton and Chan maintain their “buy” rating and target price of US\$7 a share after **SunOpta Inc.** (STKL-NASDAQ, \$5.24; SOY-TSX) sold a business unit. They write:

SunOpta announced it has sold SunOpta BioProcess Inc. to Mascoma Corp. in a deal valued at approximately \$51 million. Post transaction, Mascoma is valued at approximately \$206 million.

The all stock transaction results in existing Mascoma share-holders owning approximately 73% of the combined company, SOY will own about 18% and other existing SBI shareholders will hold 19% of the combined company.

SBI \$51M deal summary:

- SOY received approximately \$37.2 million in preferred and common shares of Mascoma and becomes Mascoma's largest shareholder at 18%.

- SBI's existing preferred shareholders received approximately \$18.5 million of equity in Mascoma and hold 9% of Mascoma's equity.

- Mascoma's existing shareholders retain 73% (~ \$151M) of Mascoma's equity.

- SBI's cash balance of approximately \$14 million transferred to Mascoma from SunOpta's balance sheet. We estimate Mascoma now has approximately \$22 million in

cash and essentially no debt.

Through this transaction we believe SOY has effectively divested its exposure to this non-core, non-food business. We believe Mascoma is a good fit with SBI as SBI's technology focuses on the front-end engineering related to pre-treatment of fibres for cellulosic ethanol productions and Mascoma's technology focuses on the conversion of non-food biomass feedstocks into cellulosic ethanol.

We also believe this transaction effectively reduces SOY's risk related to the ongoing development of SBI's technology. SOY will no longer be responsible for financing SBI's future development which could have required additional financing in the near-term.

Mascoma has a committed investor base including a number of venture firms as well as both General Motors and Marathon Oil.

Our target valuation is driven off an 8.0x EV/EBITDA multiple and a 0.5x sales multiple based on our 2011 forecast.

SunOpta Inc. based in Brampton, Ont., is primarily a global natural, organic and specialty foods and natural health products company.

Wild Stream Exploration

JENNINGS CAPITAL

Results in line; increased drilling increases our forecasts

Digested from an Aug. 24 report by analyst Tim Murray

Mr. Murray maintains his “buy” rating and raises his one year target price to \$7.25 from \$6.75 after Wild Stream Exploration Inc. (WSX-TSX/VEN, \$6.55) posts its quarterly results. He writes:

Q2/10 results in line. Wild Stream reported production of 1,744 boe/d and CFPS of \$0.13 versus our estimates of 1,750 and \$0.13, respectively.

Successful Q2/10 drilling program. The company drilled 5 gross (4.7 net) wells targeting the Shaunavon, 1 gross (1 net) at Dodsland and 2 gross (2 net) in Coutts, with an 86% success rate.

Due to the success of its H1/10 drilling program, Wild Stream has increased its 2010 capital program from \$60-\$65 million to \$80 million. We have adjusted our model to reflect the increase in capital expenditures over the remainder of 2010. We have not adjusted our FY2011 capital program of \$50 million, which is close to our cash flow forecast of ~\$45 million.

Increases to management's production guidance no surprise. Management has increased its FY2010 production from 1,750 boe/d to 1,950 and exit production to 2,900 boe/d from 2,200 to 2,300 boe/d. As mentioned in previous notes, our production forecasts had been running ahead of management's. Our new production forecasts are pretty well in line with management's, and the bulk of the production additions from the increased capital program will affect our FY2011 numbers.

The majority of the increased capital spending will be completed through the use of the bank facility. We see net debt increasing to ~\$32

million by YE2010, against a bank facility of \$50 million. We currently do not see this as a problem as cash flow should play catch up in H1/11, and we also see an expansion in the bank facility. We do not anticipate Wild Stream having any difficulty completing its 2010 capital program at lower commodity levels.

Wild Stream Exploration is a junior exploration and production company with assets in Alberta and Saskatchewan. The company is currently focused on oil resources plays targeting the Shaunavon, Viking and Cardium formations.

U.S. Geothermal

WELLINGTON WEST

No longer “speculative”

Digested from a Sept. 9 report by analyst Sean Peasgood

Mr. Peasgood upgrades his rating for **U.S. Geothermal** (GTH-TSX, \$0.92) to “buy” from “speculative buy.” He reiterates his 12-month target price of \$1.60 a share. Mr. Peasgood writes:

Enbridge Inc. has acquired a 20% direct equity stake in the Neal geothermal project, committing up to \$23.8 million. With this equity investment, the project is now fully financed and on track to produce 22 megawatts (net to U.S. geothermal) by mid-2012. Assuming U.S. Geothermal spends \$4 million more in capital (\$9 million already in), and the drilling program remains on track, we estimate that this project is worth \$0.66 a share.

U.S. Geothermal is scheduled to provide another \$4 million of equity in 2010, with the remainder financed from Enbridge and the U.S. Department of Energy loan. So far the company has spent about \$9 million on the Neal project. The total capital required is estimated at \$124 million.

By the end of this year, U.S. Geothermal plans on drilling two to four new wells at Neal. With these, management believes it will be able to obtain the required GeothermEX report confirming the resource to have the Department of Energy loan released for plant construction. We estimate that this will require another \$9 million of equity in 2010 (\$4 million from U.S. Geothermal and \$5 million from Enbridge). The remaining \$106 million is expected to be deployed over 2011 (\$76 million) and the first half of 2012 (\$30 million). Enbridge has agreed to finance the rest of the equity portion, or \$18.8 million on a 75% debt to equity ratio.

Once Neal is operating we forecast the project will generate approximately \$7.5 million in earnings and about \$11 million in cash flow annually. Given 15 megawatts of the 22 megawatts are already behind pipe and the project is now fully financed, we have increased confidence in these project economics coming to fruition.

This was Enbridge's first investment in the geothermal space, but the company already has interests in 810 megawatts of renewable energy. We believe Enbridge may be interested in other U.S. Geothermal projects. We believe that as the latter is successful in bringing projects online, other strategic investors may look to

gain exposure to the renewable market through geothermal development. We see this announcement as very positive not only for U.S. Geothermal but the entire geothermal industry.

Taking into consideration the operating Raft River project, the Neal Hot Springs project and the San Emidio Repower, we believe the base value for the stock should be \$1.08 a share. Given that none of these projects require additional financing, we are using the current share count to come up with this base case value. While our target price supports \$1.60, this valuation takes into consideration some value for the remaining portfolio of projects and incorporates additional equity requirements in 2011 and beyond.

Given that U.S. Geothermal is trading below our base case value of \$1.08 and has the near-term projects fully financed, we are moving to a “buy” rating from a “speculative buy” rating. Our price target remains unchanged at \$1.60 and reflects some additional value for the project pipeline.

U.S. Geothermal is a renewable energy development firm that is currently focused on three geothermal energy production projects.

Harry Winston

UBS INVESTMENT RESEARCH

Q2 beats; Retail and Mining perform well

Digested from a Sept. 2 report by analyst Brian MacArthur

Mr. MacArthur upgrades his rating to “buy” from “neutral” after **Harry Winston** (HW-TSX, \$10.50) filed its second-quarterly report. His \$15.50 price target remains unchanged. He writes:

HW reported fiscal Q2 2011 EPS of \$0.21; however, after excluding foreign exchange gains we calculate adjusted EPS as \$0.17; significantly above UBS and consensus estimates of \$0.04. In Mining, results benefited from three rough diamond sales in the quarter as well as sustained higher prices in certain categories of rough diamonds. In Retail, the segment had positive quarterly earnings for the second quarter in a row.

HW reiterated guidance for calendar 2010 Diavik production of 7.8M carats. This is in line with previous estimates, but we note that the mix of ore has changed slightly. Mining cost of sales guidance is down from \$260M to \$240M. Retail sales growth is still expected to be 20-25% for the year, and HW is optimistic about opportunities for expansion of the brand in developing countries and core markets.

As previously announced, subsequent to Q2-end HW reacquired a 9% indirect interest in the Diavik Joint Venture from Kinross for ~\$220M, consisting of \$50M cash, 7.1M HW shares and a \$70M 5% promissory note due Aug. 25, 2011.

We have revised our fiscal 2011 EPS estimates from \$0.23 to \$0.42 to reflect updated pricing, costs and depreciation. Applying a P/NAV multiple of 1.0x our NAV estimate of US\$14.40 results in a price target of C\$15.50.

With any company, there comes a time when rapid growth must give way to more efficient operation. McDonald's is one outfit that has recognized this. For the past while, the burger behemoth has substituted revitalization for breakneck expansion. Not only has it freshened its marketing campaign, it has also concentrated on boosting sales per individual restaurant. And the effort, says Jack Russo, has paid off in higher revenue and earnings. Couple that with McDonald's share buybacks, overpowering presence and steadily rising dividends and you have a good investment. And although Mr. Russo, an Edward Jones analyst, isn't rating McDonald's a buy, he is recommending it as a hold. Elsewhere, Steven Valiquette, an analyst with UBS Investment Research, is concocting a neutral for Laboratory Corp. of America Holdings, while Myles Walton, an analyst with Deutsche Bank Securities, is keeping aircraft maker Lockheed Martin in a holding pattern. —**P.F.**

UNITED NATURAL

UNFI-NASDAQ; \$34.44
Citigroup Global Markets
Analyst: Gregory Badishkanian

United Natural Foods Inc. served up a strong fourth quarter, Mr. Badishkanian reports.

At \$0.40, he notes, its net earnings per share were not only bang-on with the consensus call, but just what the company ordered.

Indeed, EPS came in three pennies below the low end — \$0.37 — of United Natural's own estimate.

And net income would have been \$0.06 higher, had the cost of the company's new distribution warehouse, not been factored in.

The company's operational improvements and cost controls fuelled the better performance, says Mr. Badishkanian, who also credits higher-than-expected sales.

And sales were strong, hitting the checkout line at \$988.5 million — \$41.5 million above expectations and at least \$31.5 million above United Natural's forecast.

Sales were also \$135 million higher year over year — a jump of 15.8 per cent.

The company, meanwhile, is being bullish, fixing 2011 sales growth between 15.8 and 18.4 per cent, at least 480 basis points higher than what the pundits are forecasting.

It's also pegging EPS growth between \$1.74 and \$1.83; the pundits, by contrast, have settled on \$1.80.

For Mr. Badishkanian, United Natural continues to merit a "buy/high risk," although he's boosting his price target \$2 to \$42.

A leading wholesale distributor of natural and organic foods in the U.S., United Natural supplies more than 60,000 items to 17,000 customers, including independently

owned retail stores, supermarket chains and buying clubs.

Besides natural groceries, UNFI stocks personal care products, supplements and frozen foods.

For the three months ended July 31, United Natural's net income rose 13.5 per cent to \$17.6 million, while its gross margin fell 44 basis points to 18.5 per cent.

The poorer performance reflects moderated inflation, as well as a continued shift in growth in customer mix, the company says.

MONSANTO

MON-NYSE; \$52.80
Canaccord Genuity
Analyst: Keith Carpenter

Mr. Carpenter continues to seed a "hold" for Monsanto Co., citing its revised earnings guidance for fiscal 2010.

He's also cutting his 12-month price target to \$56 from \$57.

In late August, Monsanto said its net income for fiscal '10 would range from \$2.40 to \$2.45 a share.

It had previously pegged EPS between \$2.40 and \$2.60. The consensus crew had been hoping for \$2.50; Mr. Carpenter, for \$2.49.

Monsanto's lower expectations reflect higher-than-anticipated research and development costs, along with steeper sales, generation and administrative expenses.

The company is also taking a \$180 million restructuring charge from its herbicide business, although it continues to predict cash flow of \$400-\$500 million.

Mr. Carpenter, not surprisingly, is tweaking his estimates, cutting Monsanto's EPS for fiscal '10 to \$2.43 from \$2.49. He's also shaving \$0.08 off his 2011 forecast of \$2.86.

In addition, he now thinks the company will incur higher SG&A costs in fiscal 2011, roughly around \$2.1 billion — the high end of Monsanto's own estimate range.

Originally a company focused on agro-chemicals, Monsanto now earns its keep by turning out genetically modified seeds.

Indeed, the company estimates that its stamp appears on more than 70 per cent of herbicide-resistant crops worldwide.

For its third quarter, Monsanto's net earnings tumbled to \$384 million, or \$0.70 a share, from \$694 million, or \$1.25 a share, for the similar period in 2009.

Net sales were also lower, sliding 6.3 per cent to \$3 billion, while gross profit tumbled 22.2 per cent to \$1.4 billion.

For the nine months ended May 31, net income skidded to \$1.3 billion, or \$2.30 a share, from \$2.3 billion, or \$4.28 a share, for the similar period in 2009.

LABORATORY CORP.

LH-NYSE; \$75.01
UBS Investment Research
Analyst: Steven Valiquette

Laboratory Corp. of America Holdings is buying Genzyme's genetics unit for \$925 million.

And Mr. Valiquette is putting his forecast under the microscope.

He had assumed Laboratory Corp. could boost the EBITDA margin on the genetics unit by 13 per cent in the first year, resulting in a break-even in net earnings.

But he now thinks the margin will finish up at just six per cent, while net income falls \$0.23 a share.

Yet, Mr. Valiquette isn't chucking out the experiment just yet. Laboratory's 2011 share dilution, he says, will only be \$0.08, while its bottom line will actually grow by \$0.29 a share in 2012.

Still, to reflect the \$0.23-a-share dilution he's now forecasting, he's trimming Laboratory's 2011 EPS by \$0.22 to \$5.87, while lowering his 2012 number to \$6.70 from \$6.84.

He's also cutting his 12-month price target to \$76 from \$79, although he's continuing to rate the company as a "neutral."

Based in Burlington, N.C., Laboratory Corp. offers a range of services used by the medical profession in routine testing, patient diagnosis, as well as in the monitoring and treatment of disease.

It announced its bid for Genzyme Corp., a Massachusetts-based biotech, in mid-September.

For the three months ended June 30, Laboratory's net income rose to \$157.2 million, or \$1.46 a share, from \$136.4 million, or \$1.30 a share, for the similar period in 2009.

Net sales were also higher, increasing 4.2 per cent to \$1.2 billion, while operating income rose 10.5 per cent to \$270.5 million.

LOCKHEED MARTIN

LMT-NYSE; \$70.38
Deutsche Bank Securities
Analyst: Myles Walton

Mr. Walton is keeping Lockheed Martin Corp. grounded at "hold," citing production problems with the aircraft manufacturer's new F-35 jet fighter.

He's also cutting his price target to \$82 from \$86, while shaving \$0.21 from his 2011 net income estimate of \$7.21 a share — an estimate already below the consensus call.

Besides delays with the F-35, Mr. Walton's revisions reflect what he predicts will be Lockheed Martin's heftier pension obligations.

The analyst admits Lockheed is running the F-35 program more ef-

ficiently. But he worries that it's likely to face further delays after the Pentagon issues a technical review sometime over the next few weeks.

Until then, its shares, he suggests, will likely stay within their current trading range.

Mr. Walton also suggests the shares will only begin to rise when the consensus estimates go up.

A pillar of America's military-industrial complex, Lockheed generates almost 85 per cent of its sales from defence spending.

Indeed, both the U.S. Army and U.S. Navy are among the company's many customers.

For its second quarter, Lockheed's net income fell to \$825 million, or \$2.22 a share, from \$734 million, or \$1.88 a share, for the similar period in 2009.

Net sales, however, were higher, inching up 2.7 per cent to \$11.4 billion, while operating profit grew 5.3 per cent to \$1.1 billion.

On a year-to-date basis, net earnings slipped two per cent to \$1.3 billion, or \$3.66 a share, from \$1.4 billion, or \$3.55 a share, for the similar period in 2009.

Net sales, though, were slightly brighter, rising 2.8 per cent to \$21.9 billion, while the operating profit slid 1.1 per cent to \$2.1 billion.

MCDONALD'S

MCD-NYSE; \$75.09
Edward Jones
Analyst: Jack Russo

McDonald's Corp. gets no grilling from Mr. Russo.

He spends the first four paragraphs of his report rhyming off the burger giant's many superlatives.

For starters, he says, there's the company's omnipotence. With more than 20 per cent of the U.S. fast-food business, McDonald's has three times the market share of its nearest competitor.

And given its strong brand name, not to mention its nearly 14,000 restaurants in the U.S.

alone, the company, says Mr. Russo, is likely to remain in top spot.

Then, there's the success of McDonald's revitalization plan. Thanks to its new emphasis on marketing and brand imaging, the last few years have seen an increase in both sales and earnings.

Revenue and net income have been buoyed as well by a reduction in new store openings and a concomitant focus on boosting individual restaurant sales.

McDonald's revitalization plan has also seen the company remodel its restaurants, launch premium products and offer healthier food choices to boot.

Mr. Russo admits the chain's days of rapid growth are likely over.

But the company, he points out, not only continues to generate buckets of cash, but has increasingly shown itself ready to return its largesse to the shareholders.

Indeed, the burger giant has substantially raised both its dividends and share buybacks over the past three years.

A year ago, McDonald's raised its dividend 10 per cent to a new annual rate of \$2.20 a share — four times the amount it paid out in 2003. The increase marked the 24th consecutive year that the company boosted its payout.

In the meantime, McDonald's can continue to lay claim to a solid financial position.

For one thing, it enjoys an "A" credit rating from Standard & Poor's. Moreover, because it finances much of its overseas operations locally, it benefits from a natural currency hedge — a hedge that reduces risk, says Mr. Russo.

Then, too, with McDonald's sharper focus on boosting restaurant sales, it has been able to limit its capital spending, thus freeing up more cash for reducing debt.

For Mr. Russo, McDonald's continues to merit a "hold" recommendation, along with an estimate of annual net earnings growth of nine per cent.

Shirt maker a 'neutral' fit

When it comes to sales, Phillips-Van Heusen Corp. is anything but buttoned-down.

Not only has the shirt maker been selling its wares through the wholesale channel, it has also been doing so through factory outlets.

So successful has Phillips been in using the outlet route that it continues to grab market share from shopping malls, says Mr. Saad.

Indeed, same-store sales at outlets now range from the high-single to the low-double digits.

Meanwhile, Phillips' wholesale channel continues to be buoyed by leaner inventories, suggests the analyst, who also sees PVH benefiting from its lack of exposure to mall-based specialty stores.

Not surprisingly, the company appears less likely than its peers to see a slowdown in the second half of the year, says the analyst.

Elsewhere, he sees Phillips boosting its 2011 net earnings by \$1 a share should its Tommy Hilfiger division reach its growth and margin targets.

Phillips, which already owns the Calvin Klein brand, bought Hilfiger, a purveyor of preppy clothing, for \$3 billion in May.

Together, both labels make a good lineup. Indeed, for Phillips, the long-term opportunity to build both brands represents a "unique combination of growth and scale," says Mr. Saad.

In the interim, he's pleased the company intends to pay down \$400 million of its debt.

PHILLIPS-VAN HEUSEN

PVH-NYSE; \$54.07
CREDIT SUISSE
ANALYST: OMAR SAAD

In fact, he sees the move saving Phillips \$15-\$18 million in interest charges in 2011.

In the meantime, he's tweaking his earnings estimates, raising 2010 EPS by \$0.15 to \$3.75, while hoisting

his 2011 number to \$4.80 from \$4.65 a share. He's also raising his 2012 estimate — \$5.25 — to \$5.50.

But he's continuing to peg the company at "neutral," with a price target of \$58 a share.

And although he admits that investors willing to wait out a drop in Phillips stock may eventually be rewarded, he thinks they'd now do better by buying Ralph Lauren.

In addition to Calvin Klein and Tommy Hilfiger, Phillips-Van Heusen does business under such stellar brands as IZOD, Arrow, Geoffrey Beene, Chaps, DKNY and Nautica.

For the three months ended August 1, Phillips-Van Heusen swung to a net loss of \$54.6 million, or \$0.83 a share, from net earnings of \$26.6 million, or \$0.51 a share, for the similar period in 2009.

Total revenue, however, was higher, nearly doubling to \$1.1 billion, while net sales zoomed 121.1 per cent to \$1.1 billion.

For the six months ended Aug. 1, the company swung to a net loss of \$82.2 million, or \$1.39 a share, from net earnings of \$51.3 million, or \$0.99 a share, for the similar period in 2009.

But total revenue presented a brighter picture, climbing 54.5 per cent to \$1.7 billion.

NOTA BENE

MP's Investment Planning Committee recommends that around 25 per cent of a Canadian investor's stock portfolio be in U.S. equities. This allows greater diversification. But when investing in the U.S., the focus should be on companies that Canada lacks or has in short supply.

WHAT THE MARKET LETTERS SAY

Stocks still caught in 'sorting out' phase

As a number of advisories point out in this issue, we're still in the "sorting-it-out period" for stocks. *Positive Patterns* says patience is in order — after all the market suffered a massive heart attack and we are facing dismal economic numbers for the foreseeable future. *Louis Rukeyser's Wall Street* says a confluence of factors has made for a "lumpy" recovery — not a huge surprise in a credit-driven recession. But there's reason for hope: "Business conditions won't have to improve much for the recovery to pick up steam and a double-dip recession remains unlikely." In the meantime, investors have little choice but to grin and bear it and seek out the best stocks in the best market sectors. One place to find attractive growth at bargain prices is the tech sector. Our Letter of the Week, *Dow Theory Forecasts*, says many tech stocks are showing considerable strength. In fact, nine of its 33 recommended stocks are technology companies — the most of any sector. Read the advisory's full report to learn which stocks you should buy now. —J.S.

Positive Patterns, Box 310, Turners, MO 65765; 417-887-4486; \$500 a year.

We are still in the "sorting-it-out" period, says editor Bob Howard. This market suffered a massive heart-attack and it will take time to heal. We are looking at dismal economic numbers for the foreseeable future. There won't be any quick fixes on the horizon. That's why it will be paramount to invest in groups that will be strong and then, within the group. "No rocket science required, just common sense and some research work." One group that will do well is railroads. "The greatest moat ever built might just be the RR business." As transportation costs grow the railroads benefit from higher energy costs. Trucks cost more to fuel. Railroads are cheaper and more efficient. Highways are also becoming increasingly crowded. Trucking costs are esca-

lating much faster than for the railroads. Coal is the major driver for the railroad business. In fact close to 35 per cent of the railroad's profits (in sum and total) are from the black rock. Coal is still the most important energy source in the world. It is more widely used than both natural gas and oil and this will be the case for a long, long time to come. For shipping large goods in large quantity, nothing will ever match the railroads, says Mr. Howard. **Canadian Pacific Railway** (CP-TSX, \$63.55) is one play to consider adding to your portfolio. Mr. Howard is increasing his buy recommendation up to \$64 a share but says it will be the last time he will raise his suggested entry point. CP should deliver earnings ahead that beat expectations. The company is still cheap and has a superior asset base. **Canadian National Railway** (CNR-TSX, \$66.38) is the same story. Buy up to \$66 a share — but don't chase it any further. CNR is doing a great job of running an efficient railroad, and to expand that franchise, Mr. Howard believes it will eventually buy CP. Between the two, CP is a better buy and it might be a good way to buy CNR — at a discount.

Casey Report, : PO Box 84900, Phoenix, AZ 85071; 602-445-2736; \$279 a year.

This advisory is sticking with its bullish long-term outlook for gold and wouldn't be surprised to see a test of the \$1,266 high soon. The **Market Vectors Gold Miners ETF** (GDX-NYSE, \$56.42) took a dip recently with the gold correction, but it, too, came back screaming. Unfortunately, the dip didn't trigger the advisory's ideal buy price before rebounding. "This time around, we don't want to miss the action. Go ahead and buy GDX at the market price on dips." In recent months there has been a statistically relevant shift in the correlation between gold stocks and the broader market. In short, for as long as it lasts, gold stocks will rise on bad economic news. "That performance will only attract more investors to the sector, creating something of a self-fulfilling prophecy that will very much work to the favor of those of us who have been in early." In time, the action in gold stocks will move down the food chain, spreading more widely to the high-quality, well positioned Canadian juniors. That action has already begun with some serious returns being earned in portfolio holdings such as AuEx Ventures, a long-term holding of sister publication *International Speculator*. AuEx has just agreed to be acquired for better than a 50 per cent premium over current market. Such merger and acquisition activity will only pick up, as the gold stock markets heat up and the majors look to boost reserves by acquiring companies with known deposits. Investing in the juniors requires paying close attention to individual issues and accepting a higher risk profile. "For more cautious

investors, GDX — an exchange-rated fund comprised of larger producers, will suit just fine, and with the correlation away from the broader markets, now's as good a time as any to take a position, if you haven't already done so."

Short takes, pro, con, maybe: *Review & Outlook*: "While avoiding many parts of the financial and consumer side of the global economy, we do believe we will again see great opportunities in some of our favorite groups in the months ahead coincident with sharp market declines."

Contra the Heard, 42 Rivercrest Rd., Toronto ON M6S 4H3; 416-410-4431; \$500 a year.

In an interim update, this advisory announces the sale of its position in **C&D Technologies** (CHP-NYSE, \$0.25). The deteriorating condition of C&D Technologies was outlined in a recent issue. The advisory had noted that the terms of the company's credit line were an ominous sign. The interest rate worked out to 14.25 percent, with tight covenants on loan coverage. Such onerous borrowing is a clear red flag and provided a limited amount of time to turn the tide of cash flow in a positive direction. C&D has now hit the wall, but this happened much faster than expected. Despite management's assertion that the turnaround was on track, they seem to have elected to make a pre-emptive strike and restructure their debt now, rather than wait for a potential default. Just how much this improved their negotiating position is hard to say, but the deal that emerged was not good for shareholders. The restructuring agreement calls for the two noteholders of the 5.25 percent

convertible senior notes due 2025 and the 5.50 per cent convertible senior notes due 2026 to exchange the debt for approximately 95 per cent of the company's equity. If the agreement does not proceed, C&D is prepared to pursue a similar restructuring under bankruptcy protection. The reasons for this rush to restructure debt that doesn't come due for 15 years are unclear. When C&D's stock price slipped below \$1, they received the usual letter from the NYSE about the company falling short of listing criteria and a business plan was requested. Instead of proceeding with its "so-called business plan", management instead entered into negotiations that assumed that the company would be delisted. Apparently in the fine print, the two noteholders on the long-term debt can ask for their money back if there is a fundamental change with the company, and losing its NYSE listing is considered such a fundamental change. Shareholders responded by selling the shares en masse, but then they rallied. This rally may well continue in the near-term and offer shareholders an opportunity to exit while there is demand for the stock.

Money Reporter, 133 Richmond St. West, Toronto ON M5H 3M8; 416-869-1177; \$227 a year.

In a followup to earlier advice, this advisory says **Consumers' Waterheater Income Fund** (CWI.UN-TSX, \$5.09) is still a hold. CWI has struggled on the stock charts, but the company is still busy making deals. One thing that hurt CWI this year is that it apparently ran afoul of some permission documentation that its smart-metering division, Stratacon, failed to obtain. Evidently Stratacon got permission from the apartment

building owners to convert their buildings to smart metering, but the regulators decided that individual renters had to sign off on converting their units. CWI will work this out with regulators eventually. In the meantime, it has purchased Enbridge Electric Connections Inc. for \$23.7 million in cash. Enbridge Electric offers contracts with customers to allow smart sub-metering and remote measurement of electricity and water in multi-unit dwellings in Ontario. The acquisition is expected to be accretive to the bottom line in 2011.

Emerging Growth Stocks, 102-2020 Comox St., Vancouver, B.C. V6G 1R9; 604-687 5772; \$159 a year.

Given all the negative undercurrents, "buying stocks in general now is apparently the equivalent of wading into a pond full of hungry alligators." It appears to be just the opposite, however for the gold sector, says editor Louis Paquette. In fact, new nominal highs for gold may not be far off. Gold stocks should do well this fall so buy quality when most investors are looking the other way. Mr. Paquette has added two new junior explorers to his buy list: **Rolling Rock Resources** (RLL-TSX/VEN, \$0.11) and **Supreme Resources** (SPR-TSX/VEN, \$0.09). Rolling Rock has two gold exploration projects in northern Manitoba. The stock plummeted in June when it was removed from the Russell 2000 after the annual rebalancing took place in May. The stock was removed for falling below a certain market cap level as opposed to any qualitative reasons. "It became too good of a bargain." Mr. Paquette says he likes Rolling Rock because it has about one million ounces of gold in the ground — an important threshold for buying juniors. It's also in a safe jurisdiction. Drilling is planned for this winter to expand the size of the Monument resource. Meanwhile, Supreme Resources has two interesting prospects in B.C. It has the Ample-Goldmax Property, which is a high-grade-gold prospect southwest of Lillooet and the Tas Project, a copper prospect located near Princeton. Supreme's Tas Project is adjacent to Copper Mountain Mining Corp., which is preparing for production in 2011. Supreme is drilling 800 metres from the Copper Mountain property and hopes to confirm a continuation of the ore body — news that could add considerably to its valuation.

Louis Rukeyser's Wall Street, 1750 Old Meadow Rd., McLean, VA 22102; 800-892-9702; \$99 a year.

Still waiting . . . waiting for the recovery to pick up steam, that is. Editor Benjamin Shepherd notes that a confluence of factors has made for a "lumpy" recovery — not a huge surprise in a credit-driven recession. Right now the

HOTLINE

The hotline number for *Investor's Digest* is 416-869-2777 ext. 800. The hotline is intended to keep readers abreast of information in *Investor's Digest*. It will be updated regularly on Fridays by 6 p.m. eastern time. The hotline will inform readers about the forthcoming issue and, when necessary, provide updates on information in the *Digest* that might have been superseded by events.

BUYING STOCKS RISKY BUSINESS HERE

Retirement Watch, 3700 Annandale Rd., Annandale VA 22003; 800-552-1152; \$82 a year.

Editor Bob Carlson is steering clear of stocks until the current deleveraging/deflation cycle is over. Who needs the risk of stocks right now? Mr. Carlson says the economy is weak, despite government's best efforts to prop up the economy.

The 2009 stimulus spurred the economy enough to return growth to an average rate for a while. The stimulus was supposed to lead to sustainable private sector-generated growth. But as the stimulus ended or its influence waned, economic growth slowed like a plane that's had its throttle reduced.

When a plane is losing altitude it needs an injection of fuel. The economy is in the same predicament. Corporate earnings growth is one of the few positives for the market. Strength in technology stocks may be encouraging to some observers, but Mr. Carlson says businesses are likely buying technology to replace obsolete equipment and make purchases that were delayed in 2008 and early 2009.

The high cash balances held by corporations also aren't a sign of a strong economy. There's no indication of plans to use cash to hire more staff or expand capacity. And consumer confidence is falling from already low levels.

Income growth is sluggish and household debt is high. Mr. Carlson says business tax cuts, reductions in the cost of regulations and hiring incentives are needed to fuel meaningful advances in the stock market.

The upcoming mid-term elections could be a turning point for stocks. Until the gloom lifts, however, this advisory is sticking with mortgages and corporate bonds.

WHAT THE MARKET LETTERS SAY

A LIFE BEYOND 2010 FOR CANADIAN TRUSTS

Personal Finance, 1750 Old Meadow Rd., McLean, VA 22102; 800-832-2330; \$121 a year.

On Halloween night 2006, the federal government abruptly announced major changes for income trusts. Trusts would be subject to new taxes in 2011. Investors responded by selling swiftly fearing an even greater decline when the taxes took effect.

Ironically, as the doomsday of the trust structure approaches, companies are proving their staying power and setting the stage for robust investment returns. "Dividends are key."

With the exception of real estate investment trusts, virtually all Canadian income trusts have converted or declared their intention to do so by Jan. 1, 2011.

Roughly half have elected to maintain their payouts when they become corporations. And trusts that plan to reduce dividends will still offer competitive distributions.

This advisory's Income Portfolio includes three income trusts: **Canadian Apartment Properties REIT** (CAR.UN-TSX, \$15.53), **Vermilion Energy Trust** (VET.UN-TSX, \$31.31) and **Yellow Pages Income Fund** (YLO.UN-TSX, \$4.79).

Canadian Apartment REIT is exempt from the 2011 tax. It is performing well versus cash-strapped U.S. REITs. It yields just less than seven per cent and is a buy up to US\$15.

Vermilion Energy Trust is a buy up to US\$35 a unit. It is conservatively run and has held net debt to barely half of annual cash flow.

The trust generates more than two-thirds of its income from oil and gas drilling operations in Australia and Europe, which are exempt from the 2011 tax.

Vermilion converted to a corporation in 2009 without cutting its monthly dividend. Higher output should allow the firm to grow revenue, especially if energy prices increase.

Yellow Pages is a buy up to US\$8 for those who don't already own it. It will reduce its distribution from the current annual rate of \$0.80 to \$0.65 when it converts to a corporation in 2011.

Even with the reduction, the stock will still have a yield in the low teens and management's cash-flow estimates suggest that the company will more than cover these payouts.

weak job market is continuing to weigh on investor sentiment. The U.S. unemployment rate is hovering around 9.5 per cent and the outlook for consumer spending and corporate profits remains weak. Employment plays a critical role in the economic recovery. At first glance the July jobs report was horrid; the consensus estimate called for 90,000 new jobs, but the headline number showed that the labor market shed 131,000 positions. Few observers pointed out that the 143,000 temporary U.S. Census workers had artificially inflated jobs growth a year earlier. Private businesses hired 71,000 workers in July, the seventh straight month of net hiring. Employers are concerned about the business environment, but they're still putting Americans back to work — albeit at a slower pace than many had hoped. Many businesses continue to invest heavily in productivity enhancement. Production increased 3.7 per cent last year. This is a sign that hiring should pick up soon — productivity boosts can only go so far until new employees must be added. It's difficult to say what will spark the engine of economic growth, but something is bound to "light a match soon." And, adds Mr. Shepherd, "business conditions won't have to improve much for the recovery to pick up steam and a double-dip recession remains unlikely."

McClellan Market Report, Box 39779 Lakewood, WA 98439-0779; 800-872-3737; \$600 a year.

September is normally a weak month for the market, but not this year. Stocks have advanced strongly in September, which is both good news and bad news. "A delayed corrective agenda still deserves its due, but strength at a time of normal weakness is a positive sign for the market." The next seven months should see some real strength, once we get past mid-October. Look for higher oil prices into year-end. Bonds are still in a downtrend and have fur-

ther to fall. Meanwhile, gold is overbought and has lost its upward momentum, so it should stumble toward a bottom soon.

Kaiser Bottom-Fish Online, Box 6456, Moraga, CA 94570; 925-631-9748; \$800 a year.

Editor John Kaiser notes that **Rare Element Resources Ltd.** (RES-TSX/VEN, \$6.29) has attracted considerable market attention since obtaining its AMEX listing in August, a development that prompted economist/newsletter writer Mark Skousen to pick up the rare-earth story and recommend Rare Element as the preferred way to participate in the sector. The dual TSX/VEN-AMEX listing has also attracted traders who perceive Rare Element as a more volatile clone of Molycorp. The two companies bear some similarity in that both own high-grade light rare-earth-dominated deposits in the United States. Molycorp's Mountain Pass deposit in southern California is larger and higher grade, but Rare Element's Bear Lodge deposit in Wyoming may eventually rival Mountain Pass as an American-based source of rare-earth oxides. For now, Molycorp's Mountain Pass deposit is carrying an implied value of \$2 billion compared to only \$235 million for Rare Element's Bear Lodge. Rare Element is in the midst of a 30,000-foot drilling program in the Bull Hill NW and Whitetail Ridge areas. On Sept. 15, 2010, Rare Element released assays for the first 10 holes which included the highest grades reported so far for the Bear Lodge project. In fact, Rare Element has had to send core to Australia for over-limit assays, that is, material grading in excess of 12 per cent for which North American labs are not set up. Rare Element expects to publish a preliminary economic assessment (PEA) shortly, which will quantify the capital and operating costs associated with delivering a mixed rare-earth-oxide concentrate. The PEA will be based on an open-pit mine with an operational scale similar to that of

Mountain Pass. The similarity between the Mountain Pass and Bear Lodge projects in terms of rare-earth output potential is important in so far that the American government is serious about providing support for the "restart" of the rare-earth supply chain in the U.S. "It is my expectation that once Rare Element has published its PEA in a form that passes muster, this junior priced at a tenth of the valuation commanded by Molycorp, will attract the attention of the capital markets, with the result being a potential doubling of the stock price into the \$10-\$12 range." Although Rare Element has achieved the short-term target price of \$6 a share set in the spring, Mr. Kaiser thinks the stock still has good upside during the coming months after the PEA has been released.

Short takes, pro, con, maybe: *Risk Factor:* "Our Overall Market Risk indicator is at a 0.294, or 'very low risk.' Of course, I worry anyway. Conservative accounts should have a minimum cash position of seven per cent. Speculative accounts — margin is OK."

Deliberations, Box 182, Adelaide St. Station, Toronto, ON M5C 2J1; 416-964-1359; \$225 a year.

With the gold price challenging its highs, the mergers and acquisitions game among the gold miners has quickly accelerated, says editor Ian McAvity, in a report on the world of gold. In August, **Kinross Gold Corp.** (K-TSX, \$19.55) bid a 21 per cent premium over the 20-day moving average for **Red Back Mining** (RBI-TSX, \$34.80). If it wins shareholder approvals, RBI holders will own 37 per cent of the expanded Kinross Gold. To put this in perspective — that's a \$7 billion deal by a \$13 billion company. The volume of newly issued shares will take time to be digested, and explains the poor performance of Kinross this year. The company has made multiple acquisitions, with shares outstanding tripling from

363 million as of Jan. 1, 2007, to 1.1 billion with this latest deal. That's a massive amount of stock issued at dilutive premiums. "I'm not attracted to that kind of transacted growth in pursuit of empire size and institutional respectability," says Mr. McAvity. Goldcorp also made a rich offer for Andean Resources valued at a 50 per cent premium over the 20-day moving average. "Deal Junkie" majors are driven to gobble up smaller companies because they have a growing need to acquire new reserves to replace those mined and preserve a "growth profile." Mr. McAvity warns that the constant share issues for cash and M&A activity at premium prices has not been kind to shareholders. This trend has been dilutive to predeal shareholders over time. **Market Vectors Junior Gold Miners ETF** (GDXJ-NYSE, \$34.74), an index of more than 50 second- and third-tier global gold miners should outperform the large-cap weighted **Market Vectors Gold Miners ETF** (GDX-NYSE, \$56.42) over time — assuming gold prices continue to trend higher. Over the last decade, the senior gold producers have failed to produce the promised profit leverage based on higher gold prices. The share prices of the majors have simply not kept pace with the rise in gold. Juniors are higher risk and are more volatile, but the reward for shareholders is also much greater.

Investment Reporter, 133 Richmond St. W., Toronto, ON M5H 3M8; 416-869-1177; \$327 a year.

Continue to buy **Reitmans (Canada)** (RET.A-TSX, \$18.68) for further gains and high and rising dividends. Reitmans did well in the first half of fiscal 2011. In the six months to July 31, Reitmans earned \$56.3 million, or \$0.83 a share. This was up by 69 per cent from \$34.2 million, or \$0.49 a share, a year earlier. Sales increased while costs fell. Sales for this period rose by 3.3 per cent to \$535 million. Same-store sales jumped by 1.6 per cent, and the company had 977 stores on July 31 — up by six from a year earlier. Cost of goods sold, plus selling, general and administrative costs fell by three per cent. This meant an increase in gross profit margin by 5.8 per cent. The retailer's financial income rose by 28.3 per cent due to higher balances of cash and securities. Interest costs fell with its debt. Higher earnings are confirmed by a one-third increase in the first-half cash flow to \$85 million. This exceeded capital spending of \$23.9 million and dividend payments of \$23.4 million. Reitmans used extra cash flow to buy back its own shares. It spent \$30.1 million to repurchase 1,583,000 shares in the first half. The outlook for Reitmans is mixed. In the second half, it plans to open 13 new stores and close only six. It also plans to remodel 12 stores. Sales in the four weeks to Aug. 28 slipped, however, by 2.1 per cent. And same-store sales declined by 3.2 per cent. Management expects weak consumer demand in fiscal 2011. Still, employment and retail sales are recovering in Canada, which should help.

LETTER OF THE WEEK

Dow Theory Forecasts, 7412 Calumet Ave., Hammond, IN 46324-2692; 219-931-6480 \$233 a year.

Now is the time to buy tech stocks, says this advisory in a special report on the sector. Nine of its 33 recommended stocks are technology companies — the most of any sector. "Our fondness for tech is no accident."

Compared to other sectors, technology companies offer a particularly compelling combination of improved fundamentals, including strong profit-growth prospects and attractive valuations. Many stocks are reasonably priced, too. At 23 times trailing earnings, the average tech stock trades at a discount to its five-year average price/earnings ratio of 25.

Based on estimated current-year earnings, tech stocks have rarely been cheaper. The P/E ratio based on estimated year-ahead earnings is 16, well below the five-year average of 22. Earnings momentum is another reason to own tech. The average tech company in the S&P 1500 is expected to deliver 30 per cent profit growth on a per-share basis this year, and 22 per cent next year.

Nearly 80 per cent of technology firms are expected to record higher earnings this year, while 93 per cent are forecast to grow in 2011. For new buying, two especially attractive technology names include **Microsoft** (MSFT-NASDAQ, \$23) and **IBM** (IBM-NYSE, \$123).

"IBM seems unduly cheap given its growth outlook and substantial free cash flow." The consensus projects per-share profit growth of 13 per cent this year and 10 per cent in 2011, and estimates are rising. The advisory says the shares seem capable of reaching \$145 over the next year.

Microsoft also has a bright outlook despite its detractors. The company is eking out a presence in new markets including cloud computing, or software provided over the Internet on demand and a new operating system for mobile devices. It also has an impressive cash position with \$36.79 billion in cash versus \$4.94 billion in long-term debt. Plus, "the shares look cheap from just about every angle."

12 - MONTH COMPANIES INDEX (OCTOBER 2009 - SEPTEMBER 2010)

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