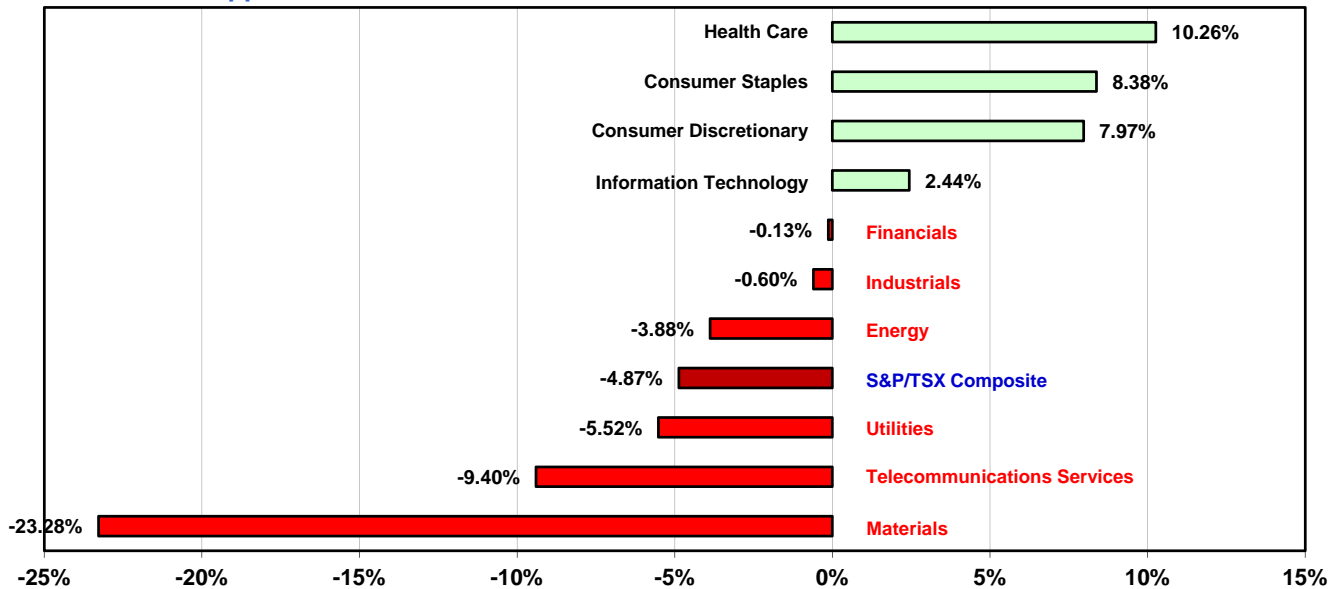


**2013 Q2: TSX Composite loses ground in Q2**

Materials sector leads market downwards, defensive sectors outperform

**2013 Q2 Capped Sector Performance**



- The S&P/TSX Composite returned -4.9% in Q2 and -2.5% for the year-to-date.
- Of the 242 stocks that were in the TSX Composite at some point during Q2, 86 (36%) were higher for the quarter.
- The TSX 60 (large cap) and Completion index (mid cap) essentially market performed in Q2 and year-to-date but have substantially outperformed small caps.
- In Q2, the Canadian market severely underperformed the US market in home currency terms (US returned +2.4%) and in Canadian dollar terms (US market returned +6.0% in C\$ terms).
- Seven sectors outperformed the index in Q2 with Health Care, Consumer Staples and Consumer Discretionary leading the way.
- The Materials sector (primarily due to the very poor performance of gold mining stocks) lost nearly one-quarter of its value in Q2. In fact the decline was so severe that the sector went from 16% to only 13% of the total capitalization of the S&P/TSX Composite over the course of only three months.
- High-yielding sectors Telecommunications Services and Utilities performed poorly in Q2.

2013 Index Returns	Q2	YTD
<b>S&amp;P/TSX Composite</b>	<b>-4.87%</b>	<b>-2.45%</b>
S&P/TSX 60 (Large Cap)	-4.90%	-2.55%
S&P/TSX Completion (Mid)	-4.80%	-2.15%
S&P/TSX Small Cap	-8.06%	-8.11%

**Q2 Biggest Contributors**

- Valeant Pharmaceuticals
- Magna International
- Manulife Financial
- Sun Life Financial
- Alimentation Couche-Tard
- Loblaws
- Great-West Lifeco
- Thomson Reuters
- Bombardier
- Shoppers Drug Mart

**Q2 Biggest Detractors**

- Barrick Gold
- Goldcorp
- Rogers Communications
- Yamana Gold
- Silver Wheaton
- Teck Resources
- Bank of Nova Scotia
- BCE Inc
- Cdn Natural Resources
- Kinross Gold

Sector	Q2 Return	Biggest Impacts
<b>Health Care</b> 3% of S&P/TSX Composite	+10.26%	<ul style="list-style-type: none"> <li>Valeant Pharmaceuticals (+19%) was responsible for virtually the entire sector outperformance on very favourable market reaction to its proposed takeover of contact lens maker Bausch &amp; Lomb.</li> </ul>
<b>Consumer Staples</b> 3% of S&P/TSX Composite	+8.38%	<ul style="list-style-type: none"> <li>Canadian investors sought safety in this sector with 8 of 10 constituents rising with Alimentation Couche-Tard (+13%), Loblaws (+11%) and Shoppers Drug Mart (+12%) leading contributors.</li> </ul>
<b>Consumer Discretionary</b> 6% of S&P/TSX Composite	+7.97%	<ul style="list-style-type: none"> <li>Magna International (+25%) rose on a positive earnings surprise and rising revenue guidance (and rising earnings expectations). The rise was in keeping with similar share price increases from the likes of Ford and General Motors in the US.</li> <li>Thomson Reuters (+4%) rose on a positive earnings surprise.</li> </ul>
<b>Information Technology</b> 2% of S&P/TSX Composite	+2.44%	<ul style="list-style-type: none"> <li>CGI Group (+12%) led contributors on a positive earnings surprise and rising forward earnings expectations.</li> <li>Research in Motion (-27%) led detractors based on a major earnings disappointment and poor sales (sales of smartphones came in at 6.8 million units versus 7.0 million estimates and Blackberry 10 sales came in at 2.7 million units versus estimates of 3.0 million).</li> </ul>
<b>Financials</b> 35% of S&P/TSX Composite	-0.13%	<ul style="list-style-type: none"> <li>Life insurers contributed strongly with Manulife (+13%), Sun Life (+12%) and Great-West Life (+5%) rising on positive earnings surprises amid stronger stock market pricing.</li> <li>Big banks detracted from returns in Q2 with declines in Bank of Nova Scotia (-5%), Bank of Montreal (-5%) and CIBC (-6%). Royal Bank (+0%) and Toronto Dominion Bank (-0%) were essentially flat for Q2.</li> </ul>
<b>Industrials</b> 7% of S&P/TSX Composite	-0.60%	<ul style="list-style-type: none"> <li>Bombardier (+16%) led contributors on stronger revenues (from growth in aerospace), better margins and strong orders for its new C-series aircraft, whose development is proceeding on schedule.</li> <li>Canadian Pacific Railway (-4%) was the biggest detractor in spite of rapidly rising earnings expectations. The stock gained 31% in Q1 and had already likely priced in the good news.</li> </ul>
<b>Energy</b> 25% of S&P/TSX Composite	-3.88%	<ul style="list-style-type: none"> <li>The largest oil and gas producers were the main detractors from performance with Canadian Natural Resources (-9%), EnCana (-10%), Imperial Oil (-3%), Cenovus (-5%) and Husky Energy (-4%) all delivering moderate losses.</li> <li>Pipeline giants Enbridge (-7%) and TransCanada Corporation (-7%) also detracted from performance on declining forward estimates.</li> </ul>
<b>Utilities</b> 2% of S&P/TSX Composite	-5.52%	<ul style="list-style-type: none"> <li>The Utilities sector was virtually universally down with 10 of 11 stocks declining in Q2 (9 declined by single-digit percentages, with only Atlantic Power declining by double-digits – -18%).</li> </ul>
<b>Telecommunications Services</b> 5% of S&P/TSX Composite	-9.40%	<ul style="list-style-type: none"> <li>The three major forces in the sector all detracted from market performance in Q2 with Rogers (-21%), BCE (-9%) and TELUS (-12%) all falling. The Canadian government denied TELUS the right to take over smaller carrier Mobilicity on the grounds it could create excessive dominance by a single company. US major telecom player Verizon is interested in acquiring Wind Mobile (and its over 600,000 subscribers), one of three upstart wireless companies in Canada. These developments have raised the spectre of increased competition in the Canadian wireless industry and investors fear greater competition will lead to lower profitability for the three majors.</li> </ul>
<b>Materials</b> 13% of S&P/TSX Composite	-23.28%	<ul style="list-style-type: none"> <li>The price of gold fell by almost a quarter of its value in Q2 and the Canadian materials sector, which is dominated by precious metal miners, fell a similar amount. The largest gold companies were the leading detractors with Barrick Gold (-44%), Goldcorp (-24%), Yamana Gold (-36%), Siler Wheaton (-35%) and Kinross Gold (-33%) leading detractors.</li> <li>Teck Resources (-21%) was also a large detractor on declining earnings expectations. Commodity prices have remained weak and this is calling into question earnings prospects for the company.</li> </ul>