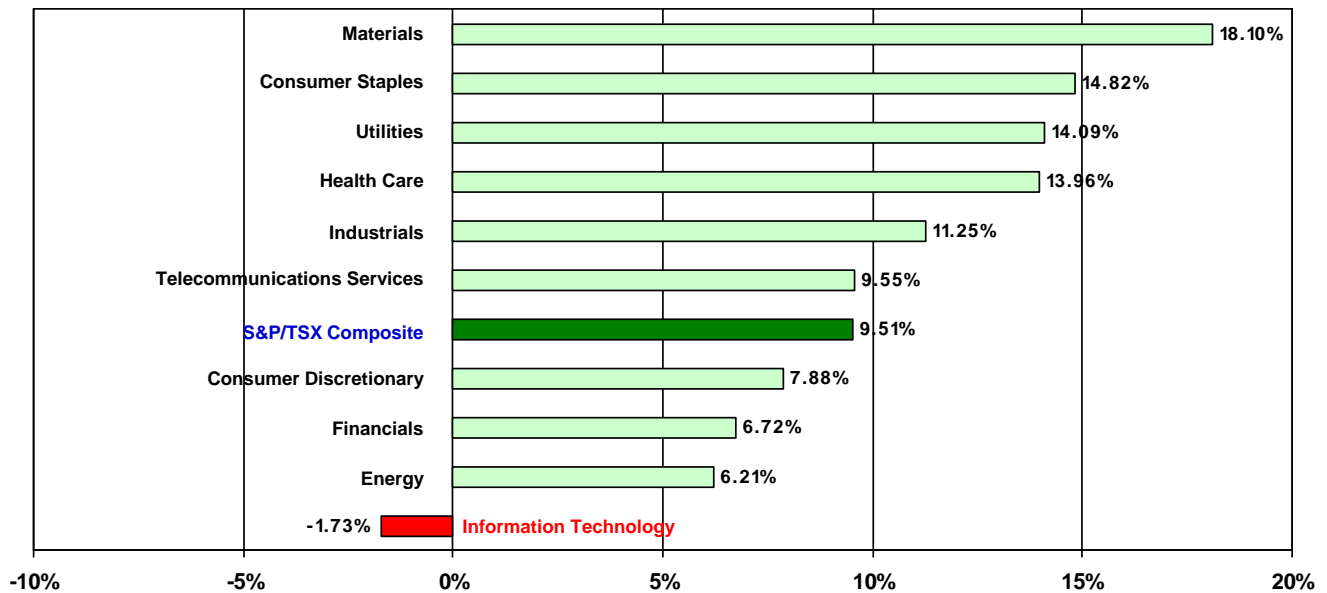


2010 Q3: Canadian market bounces back
Materials and defensive sectors roar back

2010 Q3 Sector Returns



- The S&P/TSX Composite gained 9.5% in Q3.
- Of the 238 stocks that were in the TSX Composite at some point during the quarter, 201 (84%) showed a gain for the quarter.
- Small-cap and mid-cap stocks outperformed the TSX 60 (large cap) for the quarter.
- In Q3, the Canadian market trailed the US market in home currency terms (US returned +11.3%) but outperformed in Canadian dollar terms (US returned +7.6% in C\$ terms).
- Materials led sector performance due to a takeover offer for Potash and strength among the producers of industrial metals.
- Traditionally defensive sectors, such as consumer staples, utilities and health care, were among the big winners, no doubt benefiting from investors' quest for higher yields. High dividend yielding stocks outperformed the broad index for the quarter.
- Financials were led higher by the banks but held back by life insurance companies.
- In spite of record gold prices, the largest gold mining stocks had negative quarters probably as a reaction to the huge returns they experienced in Q2.

2010 Index Returns	Q3	YTD
S&P/TSX Composite	+9.51%	+5.30%
S&P/TSX 60 (Large Cap)	+8.01%	+3.15%
S&P/TSX Completion (Mid)	+14.32%	+12.55%
S&P/TSX Small Cap	+13.37%	+11.81%

Q3 Biggest Contributors

Q3 Biggest Detractors

Potash Corporation	Manulife Financial
Teck Resources	Research in Motion
Bank of Nova Scotia	Goldcorp Inc
Toronto Dominion Bank	EnCana
Ivanhoe Mines	Canadian Oil Sands Trust
Royal Bank of Canada	Barrick Gold
Agrium	Sun Life Financial
CIBC	Sears Canada
Suncor Energy	RONA
Brookfield Asset Mgmt	Jaguar Mining

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Sector	Q3 Return	Biggest Impacts
Materials 23% of S&P/TSX Composite	+18.10%	<ul style="list-style-type: none"> • Potash Corporation (+61%) was up strongly due to a takeover bid by BHP Billiton. Fellow fertilizer stock Agrium (+48%) also rose on speculation it could be a potential takeover target as well. • In addition to benefiting from higher base metal and coal prices, in the diversified metals and mining space, Teck Resources (+34%) rose on positive market reaction to its refinancing efforts and Ivanhoe Mines (+75%) rose on positive developments at its Oyu Tolgoi copper-gold project in Mongolia. • Gold stocks were mixed with some showing strong gains while others fell. The two largest gold miners, Barrick Gold (-2%) and Goldcorp (-4%), both detracted from sector performance.
Consumer Staples 3% of S&P/TSX Composite	+14.82%	<ul style="list-style-type: none"> • All 11 stocks in the sector were up in Q3. • Shoppers Drug Mart (+21%) gained back much of its Q2 losses as fear diminished surrounding provincial plans to reduce generic drug costs and the amount pharmacists could receive for filling these prescriptions. • Other major contributors included Saputo (+16%) and Alimentation Couche Tard (+29%).
Utilities 2% of S&P/TSX Composite	+14.09%	<ul style="list-style-type: none"> • All 10 stocks in the sector were up in Q3. • Fortis (+18%) was the biggest contributor probably in part due to its strong dividend yield prior to the run-up in the share price.
Health Care 1% of S&P/TSX Composite	+13.96%	<ul style="list-style-type: none"> • Results were primarily driven by Valeant Pharmaceuticals (formerly Biovail) (+27%) on positive market reaction to its merger with US-based Valeant Pharmaceuticals and the cost synergies involved.
Industrials 6% of S&P/TSX Composite	+11.25%	<ul style="list-style-type: none"> • 20 of 21 stocks in the sector were up in Q3. • Canadian National Railways (+8%) led contributors based on better than expected earnings and raised forward estimates. • SNC-Lavalin (+23%) rose on better than expected earnings and raised guidance.
Telecommunications Services 5% of S&P/TSX Composite	+9.55%	<ul style="list-style-type: none"> • Rogers Communications (+11%), TELUS (+14%) and BCE (+8%) all contributed in Q3. Each of these companies reported earnings ahead of analysts' forecasts for the prior quarter but perhaps a major part of their success in Q3 was the search for high yielding dividend stocks by yield-hungry investors.
Consumer Discretionary 5% of S&P/TSX Composite	+7.88%	<ul style="list-style-type: none"> • Magna International (+20%) and Shaw Communications (+18%) were the leading contributors in Q3. • The Canadian retail space did not have a good Q3 with Sears Canada (now removed from the index) (-15%), RONA (-15%) and Reitman's (-1%) all negative in an otherwise very positive tape.
Financials 29% of S&P/TSX Composite	+6.72%	<ul style="list-style-type: none"> • The big banks were the biggest contributors with Bank of Nova Scotia (+12%), Toronto-Dominion Bank (+8%), Royal Bank (+6%), and CIBC (+13%) leading the way in spite of what were mediocre earnings results relative to the broad markets. • The life insurance sub-sector was the major detractor due a major negative earnings surprise from Manulife (-16%) and a minor earnings miss from Sun Life (-4%).
Energy 26% of S&P/TSX Composite	+6.21%	<ul style="list-style-type: none"> • Energy stocks lagged the broad market due to continued weakness in oil and natural gas prices during the quarter. • Leading contributors included Suncor (+7%), Cameco (+26%) and Talisman Energy (+12%), all of which had positive earnings surprises. However Cameco is rising primarily on speculation of a potential takeover by a major mining company like BHP Billiton.
Information Technology 2% of S&P/TSX Composite	-1.73%	<ul style="list-style-type: none"> • Research in Motion (-4%) was the major sector detractor in spite of a positive earnings surprise during the quarter. Investor attention has focussed on lower growth expectations due to competition with the Apple iPhone and concerns about the company's product cycle.