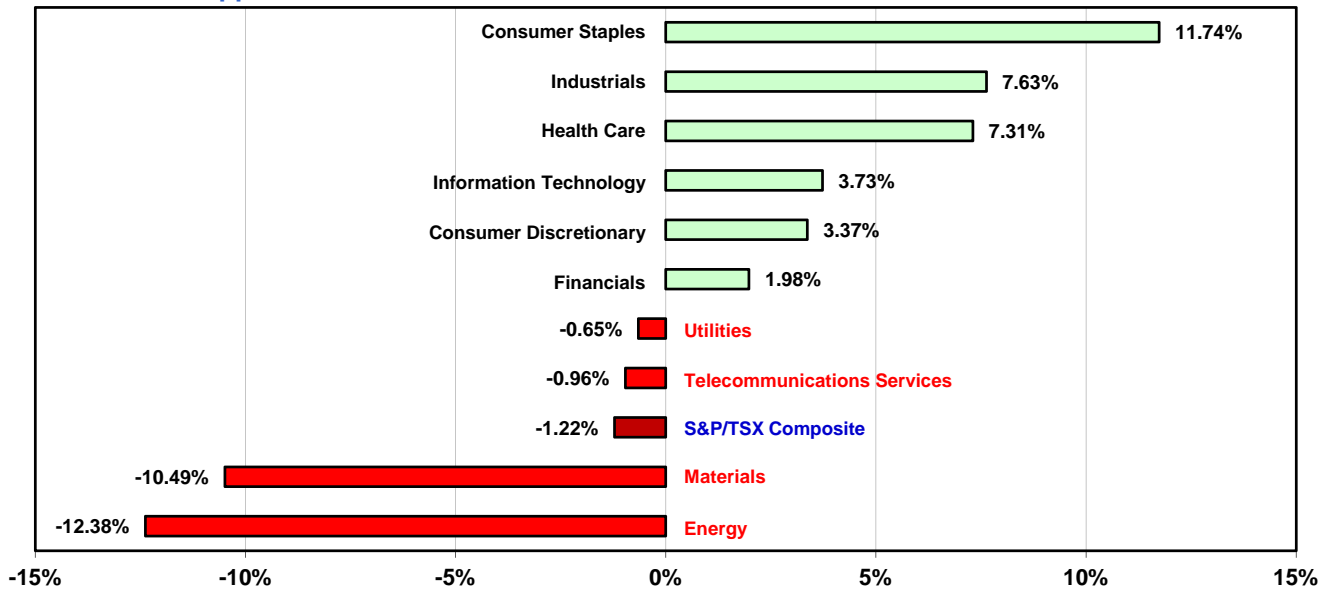


2014 Q3: TSX quarterly winning streak ends at four
 Energy and Materials sectors drag down index to loss in Q3

2014 Q3 Capped Sector Performance



- The S&P/TSX Composite returned -1.2% in Q3.
- Of the 252 stocks that were in the TSX Composite at some point during the quarter, 87 (35%) were higher in Q3.
- The TSX 60 (large cap) modestly outperformed the broader market in Q3 while the Completion (mid cap) and Small Cap Indices significantly underperformed.
- In Q3, the Canadian market underperformed the US market in home currency terms (US returned +0.6%) and in Canadian dollar terms (US market returned +5.6% in C\$ terms). The US dollar rose 5% against the Canadian dollar in Q3.
- The Energy sector was the worst performing sector on the back of a sharp drop in the price of crude oil in Q3.
- Materials was the second worst performing sector primarily due to weakness in gold stocks.
- Two defensive sectors (Consumer Staples and Health Care) became among the strongest in Q3 after being among the weakest in Q2.
- Industrials have been a curious performer ranking second in Q3 when the market got more defensive after also ranking second in Q2 when the market was favouring cyclical sectors. Rail companies are driving this strong performance.

| 2014 Index Returns | Q3 | YTD |
|------------------------------|---------------|---------------|
| S&P/TSX Composite | -1.22% | +9.83% |
| S&P/TSX 60 (Large Cap) | -0.21% | +10.27% |
| S&P/TSX Completion (Mid) | -4.03% | +8.61% |
| S&P/TSX Small Cap | -9.97% | +4.73% |

| <u>Q3 Biggest Contributors</u> | <u>Q3 Biggest Detractors</u> |
|--------------------------------|------------------------------|
| Canadian National Railways | Suncor Energy |
| Canadian Pacific Railways | Cdn Natural Resources |
| Royal Bank | Husky Energy |
| TransCanada Corporation | Barrick Gold |
| Valeant Pharmaceuticals | Cenovus Energy |
| Tim Hortons | Goldcorp |
| Loblaw Companies | Crescent Point Energy |
| Alimentation Couche-Tard | Imperial Oil |
| Enbridge | Bank Of Nova Scotia |
| Bank of Montreal | Silver Wheaton |

| Sector | Q3 Return | Biggest Impacts |
|---|-----------|---|
| Consumer Staples 3% of S&P/TSX Composite | +11.74% | <ul style="list-style-type: none"> Loblaw Companies (+18%) was the biggest contributor on earnings that, excluding one-time items, exceeded analysts estimates in the first full quarter after acquisition of Shoppers Drug Mart. The market also reacted favourably to the company's public face and chairman Galen Weston taking on the additional operational role of president. Alimentation Couche-Tard (+23%) was also a leading sector contributor on earnings growth fueled by stronger gasoline margins. |
| Industrials 9% of S&P/TSX Composite | +7.63% | <ul style="list-style-type: none"> Canadian National Railways (+15%) and Canadian Pacific Railways (+20%) were the biggest contributors for the sector and for the entire index on positive earnings surprises and rising forward earnings expectations for 2015. |
| Health Care 3% of S&P/TSX Composite | +7.31% | <ul style="list-style-type: none"> Valeant Pharmaceuticals (+9%) drove virtually the entire positive sector performance. Valeant has been involved in a hostile takeover attempt for Botox-maker Allergan. Allergan has been courting Salix Pharmaceuticals as a merger partner in an attempt to fight off the Valeant takeover. News that Salix approached Actavis as a merger partner (instead of Allergan) buoyed Valeant's prospects for a successful takeover of Allergan. In addition, Valeant disclosed in a public letter to Allergan that Q3 results would exceed previous guidance and expectations. These helped boost the stock price. |
| Information Technology 2% of S&P/TSX Composite | +3.73% | <ul style="list-style-type: none"> Open Text Corporation (+20%) was by far the leading sector contributor on a positive earnings surprise resulting from 42% year-over-year revenue growth in their most recent quarter. |
| Consumer Discretionary 6% of S&P/TSX Composite | +3.37% | <ul style="list-style-type: none"> Tim Hortons (+51%) was the biggest sector contributor as it accepted a takeover offer from US fast food chain Burger King. The newly merged company will be headquartered in Canada and trade on the TSX. Magna International (-7%) was the leading sector detractor. Losses largely occurred in September and mirrored those of US automakers. |
| Financials 35% of S&P/TSX Composite | +1.98% | <ul style="list-style-type: none"> Banks had a mixed quarter with Royal Bank (+5%), Bank of Montreal (+5%), CIBC (+4%) and Toronto Dominion Bank (+1%) rising. Bank of Nova Scotia (-3%) detracted from performance. Life insurers contributed modestly with Great-West Lifeco (+7%) Sun Life Financial (+4%) and Manulife Financial (+2%) all rising. REITs detracted with the S&P/TSX Capped REIT Index (-2%) losing ground in September as interest rates began to creep up. |
| Utilities 2% of S&P/TSX Composite | -0.65% | <ul style="list-style-type: none"> After posting strong gains in Q1 the sector was basically flat in Q2 and Q3. In Q3, 5 of 12 sector components rose. Fortis (+7%) was the leading contributor. |
| Telecommunications Services 4% of S&P/TSX Composite | -0.96% | <ul style="list-style-type: none"> This high dividend yielding sector saw most of its losses occur in September as interest rates crept higher. TELUS (-4%), Rogers Communications (-2%) and BCE (-1%) all declined in Q3. Bell Aliant (+10%) rose as BCE acquired the remaining shares it did not already own. As a result Bell Aliant was removed from the index. |
| Materials 11% of S&P/TSX Composite | -10.49% | <ul style="list-style-type: none"> Gold stocks led sector detractors as the price of gold sank about 9% in Q3. Barrick Gold (-16%), Goldcorp (-13%), Yamana Gold (-23%) and Agnico-Eagle Mines (-21%) joined silver producer Silver Wheaton (-20%) among the largest detractors. Potash Corporation (-4%) also was a leading detractor as weak agricultural commodity prices were reflected in the stock price. |
| Energy 26% of S&P/TSX Composite | -12.38% | <ul style="list-style-type: none"> Declining oil prices caused many of the sector's constituents to decline with Suncor Energy (-11%), Canadian Natural Resources (-11%), Husky Energy (-11%), Cenovus Energy (-13%), Crescent Point Energy (-15%) and Imperial Oil (-6%) leading detractors. Pipeline companies TransCanada Corporation (+13%) and Enbridge (+6%) both were major contributors to sector performance. |