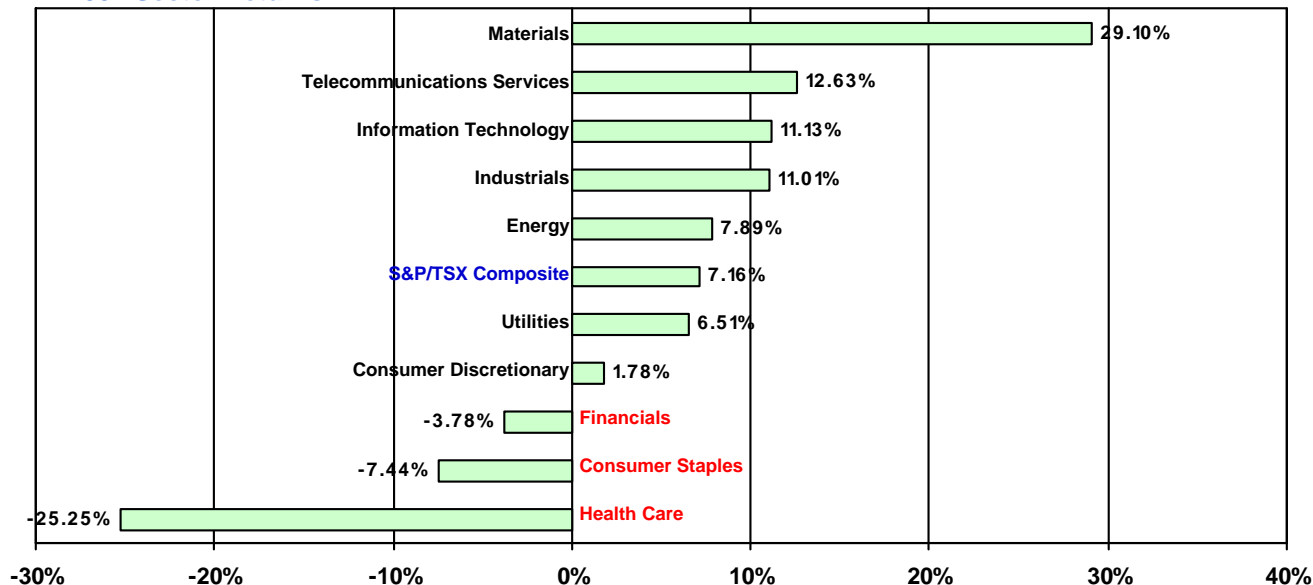


**2007: TSX up 7% for year; Materials stocks, RIM drive gains**  
 TSX down 2% in Q4 on the back of weakness in Financial stocks

**2007 Sector Returns**



- TSX 60 (large cap) stocks began to outperform the broader market in Q2 and continued outperforming in Q3 and Q4.
- The Canadian market once again outperformed the US market (S&P 500) in 2007, but by a smaller margin than in recent years.
- The Materials sector drove gains in the Canadian market in 2007. The sector gained in each quarter and outperformed the broader market by more than 2000 bps. The strong performance of the Canadian Materials sector was consistent with international markets (#1 performing sector on S&P Global 1200 index and #2 performing sector on US S&P 500 index).
- Only two stocks – Research in Motion and Potash Corporation – were together responsible for about half of the gain on the index in 2007, demonstrating the lack of diversity in the Canadian market.
- Takeover activity also greatly aided the Canadian market in 2007 as a number of companies, including Alcan and BCE, surged on takeover offers.
- The global credit crunch hurt most Canadian bank stocks in Q4 (particularly CIBC and Bank of Montreal).

2007 Index Returns	Q4	YTD
<b>S&amp;P/TSX Composite</b>	<b>-1.89%</b>	<b>7.16%</b>
S&P/TSX 60 (Large Cap)	-1.08%	8.85%
S&P/TSX Mid Cap	-4.27%	2.17%
S&P/TSX Small Cap	-5.86%	-2.94%

**2007 Biggest Contributors**

- Research In Motion
- Potash Corporation
- Alcan
- Imperial Oil
- EnCana
- Suncor Energy
- BCE
- Rogers Communications
- Cdn Natural Resources
- Barrick Gold

**2007 Biggest Detractors**

- CIBC
- Nortel Networks
- Bank of Montreal
- Royal Bank of Canada
- Thomson Corp.
- Loblaws Companies
- Uranium One
- Teck Cominco
- Brookfield Properties
- George Weston

Sector	2007 Return	Biggest Impacts
<b>Materials</b> 17% of S&P/TSX Composite	<b>+29.10%</b>	<ul style="list-style-type: none"> <li>• Potash Corp. of Saskatchewan (+158%) and Agrium (+96%) benefited from high agricultural commodity prices. Potash Corp. generated record Q3 earnings to drive the stock ahead 37% in Q4.</li> <li>• Alcan (+67%) benefited as Rio Tinto emerged as the successful bidder for the company in July.</li> <li>• Gold stocks had an up-and-down year. Barrick Gold (+17%) was a major contributor to sector performance.</li> <li>• Teck Cominco (-19%) was the biggest detractor as a substantial Q3 negative earnings surprise hit the company's shares.</li> </ul>
<b>Telecommunications Services</b> 6% of S&P/TSX Composite	<b>+12.63%</b>	<ul style="list-style-type: none"> <li>• BCE (+26%) was the biggest contributor to sector performance in 2007 as it accepted a takeover offer from a consortium of private equity investors led by Ontario Teachers' Pension Plan.</li> <li>• Rogers Communications (+30%) significantly aided performance on strong results, higher dividends and well-received acquisitions.</li> <li>• Telus (-8%) detracted from sector performance due to lower profit expectations and abandonment of its potential takeover of BCE.</li> </ul>
<b>Information Technology</b> 5% of S&P/TSX Composite	<b>+11.13%</b>	<ul style="list-style-type: none"> <li>• The IT sector outperformed worldwide (+13% vs. +8% for S&amp;P Global 1200) and in the US (+16% vs. +4% for the S&amp;P 500) in '07.</li> <li>• Blackberry maker Research in Motion (+127%), was the key contributor to performance driven by entry into China, new product introductions, upward earnings guidance and takeover rumours.</li> <li>• Nortel Networks (-52%) was the biggest detractor from sector performance as its financial and operating woes continued.</li> </ul>
<b>Industrials</b> 5% of S&P/TSX Composite	<b>+11.01%</b>	<ul style="list-style-type: none"> <li>• Bombardier (+51%) led sector contributors in 2007 as aerospace companies benefited from strong worldwide demand.</li> <li>• SNC-Lavalin (+53%) benefited from stronger earnings based on its exposure to the energy sector and also contributed.</li> <li>• Leading detractors were Canadian National Railways (-7%) on falling earnings expectations and Quebecor World (-87%) as it experienced significant financing issues.</li> </ul>
<b>Energy</b> 28% of S&P/TSX Composite	<b>+7.89%</b>	<ul style="list-style-type: none"> <li>• The Canadian Energy sector lagged the US (+32%) and Global (+28%) energy sectors in 2007. Appreciation in the Canadian dollar and higher natural gas exposure hurt Canadian firms.</li> <li>• Imperial Oil (+27%), EnCana (+26%), Suncor (+18%) and Canadian Natural Resources (+17%) were the biggest contributors.</li> <li>• Uranium companies – Uranium One (-45%) and Cameco (-16%) – and energy trusts were the primary detractors from performance.</li> </ul>
<b>Utilities</b> 2% of S&P/TSX Composite	<b>+6.51%</b>	<ul style="list-style-type: none"> <li>• TransAlta (+25%) was primarily responsible for the positive performance of the sector in 2007 as the Utilities sector worldwide benefited from an investor flight to safety and lower interest rates.</li> </ul>
<b>Consumer Discretionary</b> 5% of S&P/TSX Composite	<b>+1.78%</b>	<ul style="list-style-type: none"> <li>• Shaw Communications (+28%), Gildan Activewear (+50%) and Aeroplan Income Fund (+40%) were the biggest contributors.</li> <li>• Thomson Corp (-17%) was the biggest detractor due to investor doubts about its takeover of Reuters International.</li> <li>• Magna International (-15%) also hurt sector performance.</li> </ul>
<b>Financials</b> 30% of S&P/TSX Composite	<b>-3.78%</b>	<ul style="list-style-type: none"> <li>• Contributors included Sun Life (+13%), Power Financial (+8%), Power Corp. (+14%) and Manulife (+3%).</li> <li>• Financial sector detractors were all affected by US mortgage concerns and credit crunch issues: CIBC (-28%), Bank of Montreal (-18%), Royal Bank (-9%) and Brookfield Properties (-37%).</li> </ul>
<b>Consumer Staples</b> 2% of S&P/TSX Composite	<b>-7.44%</b>	<ul style="list-style-type: none"> <li>• Dairy producer Saputo (+61%) was the key sector contributor.</li> <li>• Grocery chain Loblaws (-30%) and its majority owner George Weston (-28%) were the biggest sector detractors.</li> </ul>
<b>Health Care</b> 1% of S&P/TSX Composite	<b>-25.25%</b>	<ul style="list-style-type: none"> <li>• Biovail (-46%) drove sector underperformance on failure to obtain US FDA approval for a new drug. Angiotech Pharma (-66%), QLT (-53%) and Neurochem (-72%) also drove poor performance and were removed from the index.</li> </ul>