

June 7, 2010

MARKET OVERVIEW – May 2010

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Equity markets rallied early in May in response to the massive US\$1 trillion aid package cobbled together by the European Central Bank and the IMF, aided by other central banks around the globe in an effort to resolve the burgeoning European sovereign debt crisis. Although the initial response by investors was one of relief and optimism, upon further analysis, market participants began to pick holes in the package and the market began to sell off again. By the end of the month most global equity markets ended significantly lower. One of the legitimate concerns the market contemplates is that in order for Greece and Portugal and other heavily indebted nations to comply with deficit reduction targets, the austerity measures required will severely impact economic growth in the region, if not tip it back into recession. This has implications for global economic growth forecasts and thus projections for commodities demand.

A major story impacting the energy sector came in the aftermath of the devastating April oil spill in the Gulf of Mexico. Several failed attempts by **BP Plc.**, the majority owner and operator of the well, were unsuccessful in containing the leak, ultimately leading to the declaration that this spill now exceeds the damage caused by the **Exxon Valdez** disaster in 1989. Speculation and debate surrounding ultimate financial responsibility is secondary to the primary objective of containing the spill, which may still take several months, if not years before the courts. In the short term, the price of oil has fallen in response to perceived weakness in demand, but eventually the curtailment of offshore drilling will likely lead to upward pressure on oil prices.

Uncertainty surrounding the sovereign debt situation also had a significant impact on currency trading as the euro traded 7.4% lower against the US dollar: conversely, the traded-weighted US dollar rallied 5.8% during the period as increasingly risk-averse investors shifted toward the relative safe haven of the U.S. currency. Gold bullion futures also captured some of that safe haven trade activity, moving higher by a modest 3% to US\$1218/oz. With the exception of natural gas which rallied almost 12% in May, most other commodities fell in sympathy with economic worries. Crude oil futures dropped more than US\$10 per barrel, declining 14% in the month, while copper futures declined more than 7% in reaction to concern around economic growth not just globally, but in China specifically. Overall the CRB Commodity Price Index, a broader measure of industrial and agricultural commodities, fell by 8.2% for the month. Regarding equity market performance, in Canada the S&PTSX Composite Index declined 3.7% while the large cap focused blue chip S&PTSX60 Index did somewhat better, falling only 3.4%. The TSX Small Cap Index underperformed as it gave up 5.4%. In the U.S. the benchmark S&P500 Index fell 8.2% while small and medium cap stocks outperformed slightly as demonstrated by the small cap S&P 600 Index and the mid-cap S&P 400, both of which fell by 7.3% during the month.

Investor sentiment is understandably volatile in the current environment and reflects the competing forces of positive fundamentals opposed by largely negative macro-economic factors. Although there is reason for optimism toward equities given encouraging corporate earnings reports and historically low interest rates, these rationale are offset by other concerns including the escalating risk of another credit crisis emanating from Europe, growing government debt and deficit issues around the globe, and ongoing weakness in the U.S. housing market. We remain constructive on the outlook for equities through the balance of 2010 and believe major North American indices are likely to end the year higher than where they started; however, the recent market volatility will likely be a common theme for some time to come. Since last fall we have been in a range-bound market which is likely to persist for the foreseeable future as investors wrestle with these competing forces.

Equity Guided Portfolios

Market Return Table

	Closing Price	Performance		Trailing P/E	Yield
	31-May-10	May	Year-to-date	31-May-10	31-May-10
S&P/TSX Composite	11762.99	-3.7%	0.1%	18.7	2.7%
Total Return	31395.79	-3.5%	1.2%		
S&P/TSX 60	691.63	-3.4%	-0.2%	17.6	2.6%
Total Return	1490.86	-3.2%	0.8%		
DJ Canada Select Dividend Index	197.59	-4.4%	-0.9%		
S&P 500	1089.41	-8.2%	-2.3%	16.0	2.0%
Total Return	1809.98	-8.0%	-1.5%		
NASDAQ Composite	2257.04	-8.3%	-0.5%		
MSCI EAFE	1363.93	-12.1%	-13.7%		

Source: Bloomberg

SCOTIAMCLEOD CANADIAN CORE GUIDED PORTFOLIO

PERFORMANCE

Resulting from a combination of successful sector allocation and stock selection, the portfolio performed in line with the benchmark during May. For the most part more cyclically oriented stocks led the Canadian market lower during the period as concerns surrounding European credit issues made investors question the sustainability of the sharp rise in global economic growth observed thus far in 2010. Only two sectors, Consumer Discretionary and Telecommunications Services actually generated a positive move in May, while Technology, Financials, Energy, and Industrials registered the largest declines.

Even though two Financial stocks, **Great West Lifeco** and **Royal Bank**, were among the largest decliners among portfolio holdings, being underweight the Financial sector compared with the S&PTSX60 contributed to the relative performance of the portfolio. **Royal Bank** shares fell almost 11%

in May, mostly experienced during the final week, as Q2 earnings came in short of analyst expectations which provided a catalyst for the sell-off in the shares. Shares of **Research In Motion** dropped 12% as part of a broad decline in U.S. Technology stocks which came under pressure over cyclical concerns. Other poor performing holdings included **Crescent Point Energy** which declined almost 10% after announcing an acquisition and related equity financing that temporarily weighed on the shares, and **Teck Resources** which dropped on economic anxiety and the declined in commodity prices. There were some positive performers though as shares of **Sun Life Financial** increased modestly while **Thomson Reuters** and **Shoppers Drug Mart** both bounced off recent lows after being under previous selling pressure.

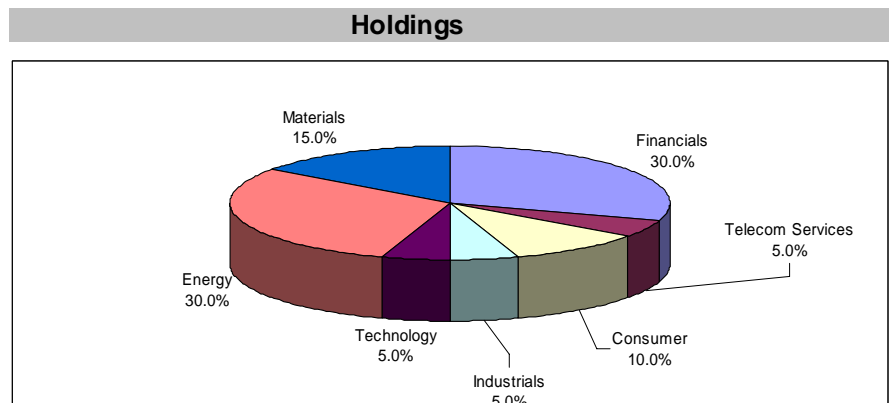
CHANGES

Near the middle of May we made a switch in the portfolio within the fertilizer space: selling the position in **Agrium Inc. (AGU)** and buying **Potash Corp. of Saskatchewan (POT)**. The macroeconomic drivers that support an ongoing investment in fertilizer stocks are still as valid as ever: as the world's population grows, particularly in emerging markets, fertilizer demand is increasing, largely driven by demand for food, for both human and livestock consumption. Farmers increasingly need to enhance efficiency and productivity as they cultivate their land.

Generally speaking, fertilizer stocks tend to outperform during periods of increased demand for the end product; that is, when global demand by farmers increases either in anticipation of planting season, or when grain prices are soaring, typically during droughts or after poor harvests. Seasonally, this period typically extends from November to May; however, despite this seasonal trend, Scotia Capital analyst Sam Kanes recently upgraded his view on the sector on the premise that Chinese imports of U.S. corn and wheat could be a positive catalyst for fertilizer stocks that will lead to improved share price performance in the second half of 2010 and into 2011. Although

Performance		
	May	Year-to-date
Portfolio	-3.2%	-1.1%
S&P/TSX 60 Total Return	-3.2%	0.8%
Relative	0.0%	-1.9%

Source: ScotiaMcLeod, Bloomberg.



Equity Guided Portfolios

fertilizer stocks tend to move together directionally based on macro factors, specific movements, or anticipation of changes in pricing dynamics in potash versus nitrogen will lead to changes in relative performance between **POT** and **AGU**.

Potash Corporation is the world's largest fertilizer producer by capacity, producing all three primary crop nutrients: potash, phosphate, and nitrogen, each representing approximately 1/3 of the company's revenue. The company has operations in seven countries, and has seven potash mines, six of which are 100% owned, representing 20% of global capacity. Based on 2009 data, potash represents 71% of **POT**'s wholesale gross margin and only 27% of **AGU**'s, while nitrogen represents only 19% of **POT**'s wholesale gross margin and 64% of **AGU**'s. Demand for potash plummeted 50% during the global economic recession in 2009 which set up a strong rebound in 2010; although farmers can elect not to apply potash some years, ultimately they must make up for deleted potash levels. A recent industry report suggests that North American producers' inventory of potash is 18% below the 5-year average despite increasing on a month-over-month basis, suggesting a pick up in demand. **The superior outlook for potash versus nitrogen in the current environment favours an investment in Potash Corp. over Agrium Inc.**

ScotiaMcLeod Canadian Core Guided Portfolio

Company	Symbol	Rating	Risk Ranking	Price 31-May-10	Target Price	Dividend	Dividend Yield	Potential ROR	May Return
Interest Sensitive:									
Bank of Nova Scotia	BNS	1-SO	Low	\$48.25	\$60.00	\$1.96	4.1%	28%	-6.8%
Brookfield Asset Management*	BAM	Not Rated	Not Rated	\$26.70	\$31.00	\$0.55	2.1%	18%	3.6%
Great West Lifeco*	GWO	Not Rated	Not Rated	\$25.09	\$30.00	\$1.23	4.9%	24%	-9.0%
Manulife Financial*	MFC	Not Rated	Not Rated	\$17.99	\$22.00	\$0.52	2.9%	25%	-1.8%
Rogers Communications	RCI.B	1-SO	Medium	\$36.08	\$40.00	\$1.28	3.5%	14%	-0.4%
Royal Bank of Canada	RY	2-SP	Low	\$55.10	\$68.00	\$2.00	3.6%	27%	-10.5%
Sun Life Financial*	SLF	Not Rated	Not Rated	\$30.27	\$34.00	\$1.44	4.8%	17%	1.3%
Consumer Products:									
Shoppers Drug Mart	SC	1-SO	Low	\$35.60	\$48.00	\$0.90	2.5%	37%	1.4%
Thomson Reuters Corporation	TRI	1-SO	Low	\$37.75	\$45.00	\$1.20	3.2%	22%	3.1%
Industrial Products:									
Canadian National Railway*	CNR	Not Rated	Not Rated	\$61.60	\$69.00	\$1.08	1.8%	14%	1.3%
Research In Motion	RIM	1-SO	Medium	\$63.55	\$117.00	\$0.00	0.0%	84%	-12.2%
Resource:									
Barrick Gold	ABX	1-SO	Medium	\$44.15	\$63.00	\$0.42	1.0%	44%	-0.3%
Canadian Natural Resources	CNQ	1-SO	High	\$37.25	\$50.00	\$0.30	0.8%	35%	-4.8%
Crescent Point Energy Corp.*	CPG	Not Rated	Not Rated	\$38.92	\$47.00	\$2.76	7.1%	28%	-9.7%
Nexen Inc.	NXY	2-SP	High	\$23.50	\$30.00	\$0.20	0.9%	29%	-4.9%
Potash Corp. of Saskatchewan	POT	1-SO	High	\$107.14	\$150.00	\$0.42	0.4%	40%	-4.5%
Suncor Energy	SU	1-SO	Medium	\$32.50	\$41.00	\$0.40	1.2%	27%	-6.5%
Talisman Energy	TLM	1-SO	Medium	\$18.00	\$22.00	\$0.25	1.4%	24%	4.1%
Teck Resources Ltd.	TCK.B	1-SO	High	\$36.54	\$52.00	\$0.40	1.1%	43%	-8.5%
TransCanada Corp.	TRP	1-SO	Low	\$35.50	\$44.00	\$1.60	4.5%	28%	-0.9%

*Currently Scotia Capital does not provide research coverage - target price based on consensus data.

Source: Scotia Capital, Bloomberg

SCOTIAMCLEOD CANADIAN INCOME PLUS GUIDED PORTFOLIO

PERFORMANCE

Financial stocks lagged the broader market during the month of May, leading to the relative underperformance of dividend stocks because of the heavy emphasis on Financials within the benchmark Dow Jones Canada Select Dividend Index. Although still suffering a decline in absolute terms, the Income Plus Portfolio outperformed due to its lower relative exposure to Financial stocks.

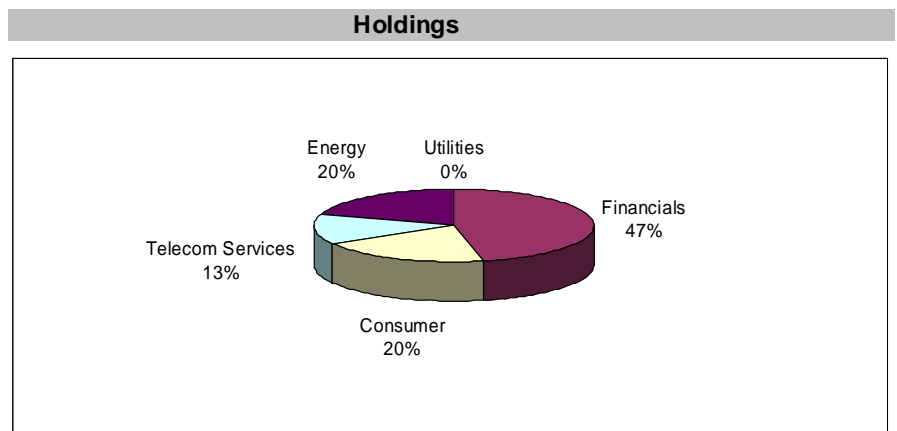
The three weakest performers during the period were **Royal Bank**, **Great West Lifeco**, and **Crescent Point Energy**, all held in common with the Canadian Core Portfolio, and all stocks providing attractive valuations and entry points given their recent sell-off. Among the five portfolio holdings that were able to generate a positive return during the period were **Sun Life Financial**, **Thomson Reuters**, and **Shoppers Drug Mart**, all mentioned above. Shaw Communications' stock advanced marginally while **TELUS Corp.** had the largest gain, moving higher by 4% as investors sought out the relative safety and predictability of dividend income generated by Telecommunication companies.

CHANGES

No changes were made to the Canadian Income Plus Guided Portfolio during April. We will continue to monitor all current holdings to ensure that they represent the best potential return available within the eligible investment universe of companies. We seek to make investments in companies that demonstrate a combination of both above-average income and growth characteristics. This portfolio is currently generating an average annual dividend yield of 4.3%.

Performance		
	May	Year-to-date
Portfolio	-2.7%	1.8%
DJ Canada Select Dividend Index TR	-4.1%	0.8%
Relative	+1.4%	+1.0%

Source: ScotiaMcLeod, Bloomberg.



Equity Guided Portfolios

ScotiaMcLeod Canadian Income Plus Portfolio

Company	Symbol	Rating	Risk Ranking	Price 31-May-10	Target Price	Dividend	Dividend Yield	Potential ROR	May Return
Interest Sensitive:									
Bank of Montreal	BMO	1-SO	Low	\$62.15	\$70.00	\$2.80	4.5%	17%	-1.5%
Bank of Nova Scotia	BNS	1-SO	Low	\$48.25	\$60.00	\$1.96	4.1%	28%	-6.8%
Great West Lifeco*	GWO	Not Rated	Not Rated	\$25.09	\$30.00	\$1.23	4.9%	24%	-9.0%
National Bank of Canada	NA	2-SP	Medium	\$57.94	\$70.00	\$2.48	4.3%	25%	-6.7%
Rogers Communications Inc.	RCI.B	1-SO	Medium	\$36.08	\$40.00	\$1.28	3.5%	14%	-0.4%
Royal Bank of Canada	RY	2-SP	Low	\$55.10	\$68.00	\$2.00	3.6%	27%	-10.5%
Sun Life Financial*	SLF	Not Rated	Not Rated	\$30.27	\$34.00	\$1.44	4.8%	17%	1.3%
TELUS Corp.	T	2-SP	Medium	\$39.11	\$39.00	\$2.00	5.1%	5%	4.1%
Toronto Dominion Bank	TD	1-SO	Medium	\$71.75	\$90.00	\$2.44	3.4%	29%	-5.0%
Consumer Products:									
Shaw Communications	SJR.B	2-SP	Low	\$19.18	\$22.00	\$0.88	4.6%	19%	0.5%
Shoppers Drug Mart	SC	1-SO	Low	\$35.60	\$48.00	\$0.90	2.5%	37%	
Thomson Reuters Corp.	TRI	1-SO	Low	\$37.75	\$45.00	\$1.20	3.2%	22%	3.1%
Resource:									
Crescent Point Energy Corp.*	CPG	Not Rated	Not Rated	\$38.92	\$47.00	\$2.76	7.1%	28%	-9.7%
Enbridge Inc.	ENB	1-SO	Low	\$47.62	\$57.00	\$1.70	3.6%	23%	-3.5%
TransCanada Corp.	TRP	1-SO	Low	\$35.50	\$44.00	\$1.60	4.5%	28%	-0.9%

*Currently Scotia Capital does not provide research coverage - target price based on consensus data.

Source: Scotia Capital, Bloomberg

SCOTIAMCLEOD U.S. CORE GUIDED PORTFOLIO

PERFORMANCE

The U.S. market fell much more than the Canadian experience during May as the benchmark S&P500 Index has a greater emphasis on industrial cyclical stocks without the benefit of an offset by any significant exposure to gold shares. Although arguably a better diversified index overall, it also differs greatly from its Canadian counterpart due to its much lower exposure to resources in general. A review of trading activity in May demonstrates the shift in investor sentiment during the period toward defensive holdings; although every sector declined, the Telecom, Consumer Staples, and Utilities sectors were the relative outperformers while cyclical Energy, Industrials, Materials, and Financials led the market lower.

Only one portfolio holding actually generated a positive return in May as shares of **McKesson Corp. (MCK)** rallied 8% despite the company reporting Q4 earnings below expectations; however, **MCK** raised 2011 financial guidance and increased their quarterly dividend by 50%.

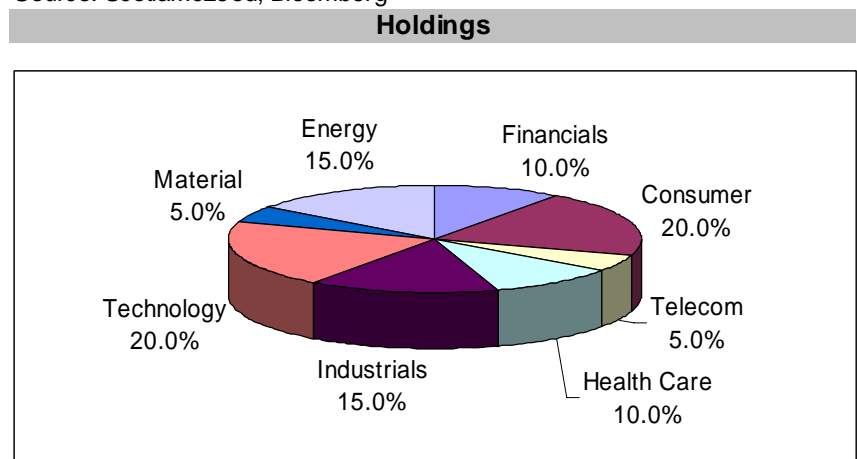
Although the shares fell during the period, Consumer Discretionary holdings **McDonald's Corp** and **Nike Inc.** held up relatively well, falling *only* 5% each; **McDonald's** reported a 4.9% increase in April same stores sales. Technology stocks held in the U.S. Core suffered hefty declines, largely over concerns linking potential economic weakness to technology spending. Although this linkage has some merit, the Technology sector has demonstrated one of the largest earnings growth rates over the past four quarters, and also on a forecast basis; valuations are attractive and thus the group currently represents the largest sector exposure within the portfolio. Evidence of this growth came as **Cisco Systems Inc.** reported Q3 earnings during the month that beat expectations on revenue, earnings, and Q4 guidance. More likely investors were selling down Technology holdings as they represent some of their best investment gains. Financial holdings also experienced outsized declines during the month as the sector came under pressure while the U.S. Senate debated and ultimately approved a financial reform bill that will substantially impact the future profitability for certain participants.

CHANGES

No changes were made to the U.S. Core Guided Portfolio during the month of May. We continue to monitor all current holdings to ensure that they represent the best potential investments in keeping with the portfolio's mandate. In considering new securities we look for companies that offer market leadership, unique franchises and a strong management team combined with an attractive trend in profitability.

Performance		
	May	Year-to-date
Portfolio	-7.6%	-1.3%
S&P 500 Total Return	-8.0%	-1.5%
Relative	0.4%	0.2%

Source: ScotiaMcLeod, Bloomberg



Equity Guided Portfolios

ScotiaMcLeod U.S. Core Guided Portfolio

Sector	Symbol	Rating	Risk Ranking	Price 28-May-10	Target Price	Dividend	Dividend Yield	Potential ROR	May Return
Interest Sensitive:									
AT&T Inc.	T	Neutral	Low	\$24.30	\$27.00	\$1.68	6.9%	18%	-6.8%
MetLife, Inc.*	MET	Restricted	Medium	\$40.49	\$55.00	\$0.74	1.8%	38%	-11.2%
State Street Corp	STT	Outperform	Low	\$38.17	\$52.00	\$0.04	0.1%	36%	-12.3%
Consumer Products:									
Colgate-Palmolive Co.	CL	Neutral	Medium	\$78.09	\$87.00	\$2.12	2.7%	14%	-7.1%
McDonald's Corp	MCD	Outperform	Low	\$66.87	\$81.00	\$2.20	3.3%	24%	-5.3%
McKesson Corporation	MCK	Outperform	Low	\$78.00	\$78.00	\$0.72	0.9%	1%	20.4%
Nike Inc.	NKE	Outperform	Medium	\$72.38	\$85.00	\$1.08	1.5%	19%	-4.7%
Pfizer Inc.	PFE	Outperform	Low	\$15.23	\$22.00	\$0.72	4.7%	49%	-8.9%
Wal Mart Stores	WMT	Neutral	Low	\$50.56	\$58.00	\$1.21	2.4%	17%	-5.7%
Industrial Products:									
Cisco Systems	CSCO	Outperform	Low	\$23.16	\$35.00	\$0.00	0.0%	51%	-14.0%
Fluor Corp.	FLR	Outperform	Low	\$46.92	\$56.00	\$0.50	1.1%	20%	-11.2%
Intel Corp.	INTC	Outperform	Low	\$21.42	\$32.00	\$0.63	2.9%	52%	-6.2%
Microsoft Corp	MSFT	Outperform	Medium	\$25.80	\$40.00	\$0.52	2.0%	57%	-15.5%
Oracle Corp	ORCL	Outperform	Low	\$22.57	\$31.00	\$0.20	0.9%	38%	-12.7%
United Technologies Corp	UTX	Outperform	Low	\$67.38	\$93.00	\$1.70	2.5%	41%	-10.1%
Waste Management Inc.	WM	Neutral	Medium	\$32.51	\$33.00	\$1.26	3.9%	5%	-6.3%
Resource:									
Freeport McMoRan Copper	FCX	Outperform	Medium	\$70.05	\$95.00	\$1.20	1.7%	37%	-7.3%
Marathon Oil Corp.	MRO	Outperform	Medium	\$31.09	\$41.00	\$1.00	3.2%	35%	-3.3%
Occidental Petroleum	OXY	Outperform	Medium	\$82.51	\$93.00	\$1.52	1.8%	15%	-6.9%
XTO Inc.	XTO	Outperform	Medium	\$42.74	\$51.00	\$0.50	1.2%	20%	-10.1%

*Currently Credit Suisse does not provide research coverage - target price based on consensus data.

Source: Scotia Capital, Credit Suisse, Bloomberg, Value Line

SCOTIAMCLEOD NORTH AMERICAN CORE GUIDED PORTFOLIO

PERFORMANCE

As it did in April, the U.S. dollar climbed 2.6% against the Canadian dollar in May, following the path set in U.S. dollar trading against most global currencies, particularly the euro; the euro continues to weaken in the face of sovereign debt concerns surrounding Greece and the risk of contagion with the rest of European Union. On a currency adjusted basis, the large negative returns achieved by U.S. holdings in the portfolio, over 9% each on average, were mitigated somewhat in Canadian dollar terms. The only four positive contributors in the portfolio during the month were all Canadian: **Sun Life Financial**; **Shoppers Drug Mart**; **Canadian National Railway**; and **Talisman Energy**. The portfolio underperformed the hybrid North American benchmark in May, largely due to weak U.S. holdings. **Royal Bank** shares were an exception in this instance as other double digit decliners included **Fluor Corp.**, **United Technologies**, **Cisco Systems**, **Microsoft Corp.** and **Oracle Corp.**

CHANGES

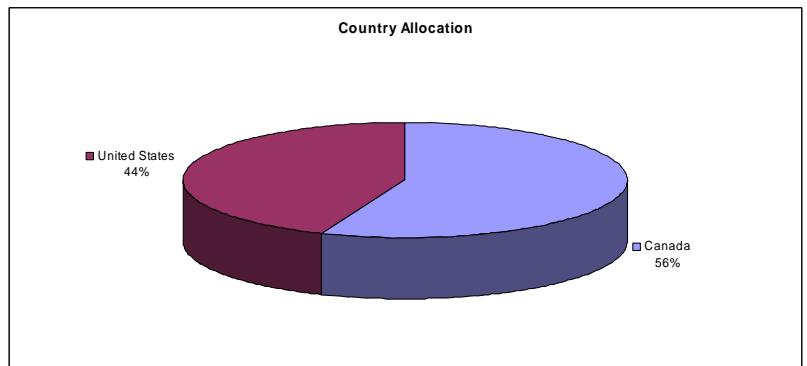
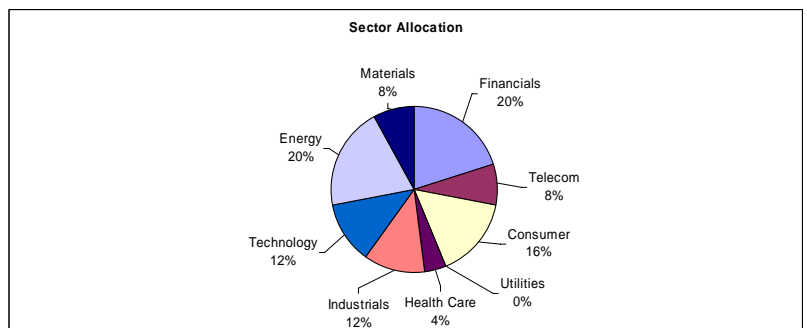
No changes were made to the North American Core Guided Portfolio during May. We continue to monitor all holdings to ensure that the portfolio composition reflects the best potential investments within each sector, viewed within a North American context. In considering new investments in this portfolio, stocks are selected from the universe of positions held in the ScotiaMcLeod Canadian and U.S. Core Guided Portfolios. The mandate for this portfolio is to provide a consistent long term rate of return through investments in companies that are valued attractively and offer strong leadership, unique operating characteristics, and a solid track record combined with predictable earnings growth.

Performance		
	May	Year-to-date
Portfolio (C\$)	-3.7%	-1.4%
North American Index*(C\$)	-4.1%	-0.1%
Relative	0.4%	-1.3%

Source: ScotiaMcLeod, Bloomberg.

*The North American Index is a composite benchmark equally weighted between the S&P/TSX 60 Index (50%) and the S&P 500 Index (50%), translated into C\$.

Holdings



Equity Guided Portfolios

ScotiaMcLeod North American Core Guided Portfolio

Company	Symbol	Rating	Risk Ranking	Price 31-May-10	Target Price	Dividend	Dividend Yield	Potential ROR	May Return
Financials:									
Bank of Nova Scotia	BNS	1-SO	Low	\$48.25	\$60.00	\$1.96	4.1%	28%	-6.8%
Brookfield Asset Management	BAM/A	Not Rated	Not Rated	\$26.70	\$31.00	\$0.55	2.1%	18%	3.6%
Manulife Financial**	MFC	Not Rated	Not Rated	\$17.99	\$22.00	\$0.52	2.9%	25%	-1.8%
Royal Bank of Canada	RY	2-SP	Low	\$55.10	\$68.00	\$2.00	3.6%	27%	-10.5%
Sun Life Financial**	SLF	Not Rated	Not Rated	\$30.27	\$34.00	\$1.44	4.8%	17%	1.3%
Telecommunication Services									
AT&T Inc.	T	Neutral	Low	\$24.30	\$27.00	\$1.68	6.9%	18%	-6.8%
Rogers Communications	RCI/B	1-SO	Medium	\$36.08	\$40.00	\$1.28	3.5%	14%	-0.4%
Consumer Discretionary									
McDonald's Corp	MCD	Outperform	Low	\$66.87	\$81.00	\$2.20	3.3%	24%	-5.3%
Nike Inc.	NKE	Outperform	Medium	\$72.38	\$85.00	\$1.08	1.5%	19%	-4.7%
Consumer Staples									
Colgate-Palmolive*	CL	Neutral	Medium	\$78.09	\$87.00	\$2.12	2.7%	14%	-7.1%
Shoppers Drug Mart	SC	1-SO	Low	\$35.60	\$48.00	\$0.90	2.5%	37%	1.4%
Health Care									
Pfizer Inc.	PFE	Outperform	Low	\$15.23	\$22.00	\$0.72	4.7%	49%	-8.9%
Industrials									
Canadian National Railway	CNR	Not Rated	Not Rated	\$61.60	\$69.00	\$1.08	1.8%	14%	1.3%
Fluor Corp.	FLR	Outperform	Low	\$46.92	\$56.00	\$0.50	1.1%	20%	-11.2%
United Technologies Corp	UTX	Outperform	Low	\$67.38	\$93.00	\$1.70	2.5%	41%	-10.1%
Information Technology									
Cisco Systems	CSCO	Outperform	Low	\$23.16	\$35.00	\$0.00	0.0%	51%	-14.0%
Microsoft Corp.	MSFT	Outperform	Medium	\$25.80	\$40.00	\$0.52	2.0%	57%	-15.5%
Oracle Corp	ORCL	Outperform	Low	\$22.57	\$31.00	\$0.20	0.9%	38%	-12.7%
Energy									
Canadian Natural Resources	CNQ	1-SO	High	\$37.25	\$50.00	\$0.30	0.8%	35%	-4.8%
Occidental Petroleum	OXY	Outperform	Medium	\$82.51	\$93.00	\$1.52	1.8%	15%	-6.9%
Suncor Energy	SU	1-SO	Medium	\$32.50	\$41.00	\$0.40	1.2%	27%	-6.5%
Talisman Energy	TLM	1-SO	Medium	\$18.00	\$22.00	\$0.25	1.4%	24%	4.1%
TransCanada Corporation	TRP	1-SO	Low	\$35.50	\$44.00	\$1.60	4.5%	28%	-0.9%
Materials									
Barrick Gold	ABX	1-SO	Medium	\$44.15	\$63.00	\$0.42	1.0%	44%	-0.3%
Teck Resources Ltd.	TCK/B	1-SO	High	\$36.54	\$52.00	\$0.40	1.1%	43%	-8.5%

*Currently Credit Suisse does not provide research coverage - target price based on consensus data.

**Currently Scotia Capital does not provide research coverage - target price based on consensus data.

Source: Scotia Capital, Credit Suisse, Bloomberg, Value Line



Definition of Scotia Capital Equity Research Ratings & Risk Rankings

We have a three-tiered rating system, with ratings of 1-Sector Outperform, 2-Sector Perform, and 3-Sector Underperform. Each analyst assigns a rating that is relative to his or her coverage universe.

Our risk ranking system provides transparency as to the underlying financial and operational risk of each stock covered. Statistical and judgmental factors considered are: historical financial results, share price volatility, liquidity of the shares, credit ratings, analyst forecasts, consistency and predictability of earnings, EPS growth, dividends, cash flow from operations, and strength of balance sheet. The Director of Research and the Supervisory Analyst jointly make the final determination of all risk rankings.

Ratings

1-Sector Outperform

The stock is expected to outperform the average total return of the analyst's coverage universe by sector over the next 12 months.

2-Sector Perform

The stock is expected to perform approximately in line with the average total return of the analyst's coverage universe by sector over the next 12 months.

3-Sector Underperform

The stock is expected to underperform the average total return of the analyst's coverage universe by sector over the next 12 months.

Other Ratings

Tender - Investors are guided to tender to the terms of the takeover offer.

Under Review - The rating has been temporarily placed under review, until sufficient information has been received and assessed by the analyst.

Risk Rankings

Low

Low financial and operational risk, high predictability of financial results, low stock volatility.

Medium

Moderate financial and operational risk, moderate predictability of financial results, moderate stock volatility.

High

High financial and/or operational risk, low predictability of financial results, high stock volatility.

Caution Warranted

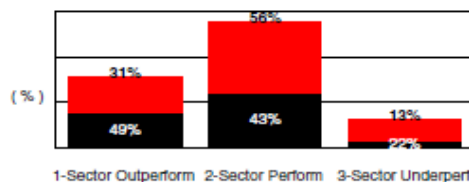
Exceptionally high financial and/or operational risk, exceptionally low predictability of financial results, exceptionally high stock volatility. For risk tolerant investors only.

Venture

Risk and return consistent with Venture Capital. For risk-tolerant investors only.

Scotia Capital Equity Research Ratings Distribution*

Distribution by Ratings and Equity and Equity-Related Financings*



1-Sector Outperform 2-Sector Perform 3-Sector Underperform

* As at May 31, 2010.

Source: Scotia Capital.

- Percentage of companies covered by Scotia Capital Equity Research within each rating category.
- Percentage of companies within each rating category for which Scotia Capital has undertaken an underwriting liability or has provided advice for a fee within the last 12 months.

For the purposes of the ratings distribution disclosure the NASD requires members who use a ratings system with terms different than buy, hold/neutral and sell, to equate their own ratings into these categories. Our 1-Sector Outperform, 2-Sector Perform, and 3-Sector Underperform ratings are based on the criteria above, but for this purpose could be equated to buy, neutral and sell ratings, respectively.

Equity Guided Portfolios

The author(s) of the report own(s) securities of the following companies.

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Scotia Capital Restriction -- U.S. (American) **Bank of Nova Scotia, Toronto-Dominion Bank**

Thomas C. O'Neill is a director of Nexen Inc. and is a director of the Bank of Nova Scotia. **Nexen Inc.**

Scotia Capital Restriction -- Canada **Toronto-Dominion Bank**

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Kevin Choquette, a member of Kevin Choquette's household and/or an account related to Kevin Choquette own securities of this issuer. **Bank of Nova Scotia, Royal Bank of Canada, Toronto-Dominion Bank**

The Head of Equity Research/Supervisory Analyst, in his/her own account or in a related account, owns securities of the following issuer(s): **Bank of Nova Scotia, Barrick Gold Corporation, Canadian National Railway Company, Canadian Natural Resources Limited, Crescent Point Energy Corp., Enbridge Inc., Great-West Lifeco Inc., Manulife Financial Corporation, Nexen Inc., Research In Motion Limited, Rogers Communications Inc., Royal Bank of Canada, Shoppers Drug Mart Corporation, Sun Life Financial Inc., Suncor Energy Inc., Talisman Energy Inc., Teck Resources Limited, TELUS Corporation, Thomson Reuters Corporation, Toronto-Dominion Bank, TransCanada Corporation**

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Scotia Capital USA Inc. had an investment banking services client relationship during the past 12 months. **Bank of Nova Scotia, Nexen Inc., Potash Corporation of Saskatchewan, Inc., Royal Bank of Canada, Talisman Energy Inc., Teck Resources Limited, Thomson Reuters Corporation**

The issuer paid a portion of the travel-related expenses incurred by the Fundamental Research Analyst/Associate to visit material operations of the following issuer(s): **Barrick Gold Corporation**

Scotia Capital Restriction **Bank of Nova Scotia, Toronto-Dominion Bank**

Scotia Capital Inc. and its affiliates collectively beneficially own in excess of 1% of one or more classes of the issued and outstanding equity securities of the following issuer(s): **Brookfield Asset Management Inc., Enbridge Inc., Great-West Lifeco Inc., Manulife Financial Corporation, National Bank, Rogers Communications Inc., Royal Bank of Canada, Shaw Communications Inc., Sun Life Financial Inc., TELUS Corporation, Thomson Reuters Corporation, Toronto-Dominion Bank, TransCanada Corporation**

The Bank of Nova Scotia ("the Bank") is the parent company of Scotia Capital Inc. ("SCI"). This Report includes comparative information regarding a substantial number of competitors of the Bank where such comparable information is known or ascertainable by SCI and in equal prominence to the information in respect of the Bank. **Bank of Nova Scotia**

Scotia Capital is an affiliate of The Bank of Nova Scotia Trust Company ("Scotiastrust"). Under the estate arrangements of the late Kenneth R. Thomson, Scotiastrust is Trustee of the 2003 TIL Settlement ("TIL Settlement"), a trust of which members of the Thomson family are beneficiaries. The TIL Settlement holds holding company shares of The Woodbridge Company Limited ("Woodbridge"), who is the principal shareholder and controlling shareholder of Thomson Reuters Corporation. Under the estate arrangements, the directors and officers of Woodbridge are responsible for its business



Equity Guided Portfolios

and operations. In certain limited circumstances, including a very substantial disposition of Thomson Reuters Corporation common shares by Woodbridge, Scotiabank's approval may be required. **Thomson Reuters Corporation**

The Bank of Nova Scotia is a Related Issuer of Scotia Capital Inc. **Bank of Nova Scotia**

The Fundamental Research Analyst/Associate has visited material operations of the following issuer(s): **Barrick Gold Corporation, Potash Corporation of Saskatchewan, Inc., Research In Motion Limited, Rogers Communications Inc., Shaw Communications Inc., Shoppers Drug Mart Corporation, TELUS Corporation, Thomson Reuters Corporation**

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Petro-Canada (International) Holdings B.V., a subsidiary of Suncor Energy, has engaged Scotia Waterous Inc. to assist with assessing the market for the sale of its Dutch subsidiary Petro-Canada Netherlands B.V. ("Petro-Canada"). **Suncor Energy Inc.**

Scotia Waterous is acting as financial advisor to Talisman Energy Inc. on their sale of certain assets in Western Canada. **Talisman Energy Inc.**

Scotia Waterous acted as exclusive financial advisor to Nexen Inc. on its sale of heavy oil properties in Western Canada to Northern Blizzard Resources Inc. **Nexen Inc.**

This issuer owns 5% or more of the total issued share capital of the Bank of Nova Scotia. **Royal Bank of Canada, Toronto-Dominion Bank**

Scotia Capital Inc. and/or its affiliates expects to receive or intends to seek compensation for investment banking services from issuers covered in this report within the next three months. Scotia Capital Inc. and/or an affiliate has or seeks a business relationship with the issuers referred to herein which involves providing services, other than securities underwriting or advisory services, for which compensation is or may be received. These may include services relating to lending, cash management, foreign exchange, securities trading, derivatives, structured finance or precious metals.

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Comparative Canadian Bank Information

Bank	Symbol	Scotia Capital Recommendation	Risk Rating	1 Yr Target
Bank of Montreal	BMO	1-Sector Outperform	Low	\$70.00
Bank of Nova Scotia	BNS	1-Sector Outperform	Low	\$60.00
CIBC	CM	2-Sector Perform	Low	\$80.00
National Bank	NA	2-Sector Perform	Low	\$70.00
Royal Bank	RY	2-Sector Perform	Low	\$68.00
Toronto-Dominion Bank	TD	1-Sector Outperform	Low	\$90.00

