

## Investment Objective

The ScotiaMcLeod Canadian Core Guided Portfolio is a diversified Canadian equity portfolio. The portfolio is designed and managed for our clients whose investment horizon and objectives focus on long-term capital appreciation. The companies within the portfolio are monitored closely for changes in underlying fundamentals and valuation. Appropriate changes are made when conditions warrant ensuring that the long-term objectives of the fund are being met.

## Portfolio Construction and Management

Investment style plays an important role in fund returns and reflects a portfolio manager's investment mandate and philosophy towards investing. The Canadian Core Guided Portfolio's mandate seeks to provide a consistent rate of return over the long haul and is based on the belief that this goal can be achieved by focusing on companies where the share price is supported by improving levels of profitability. Often times called investing in Growth at a Reasonable Price, this style of investing combines two successful investment strategies - value and growth investing. This style looks to find companies with growth potential but only if it is available at a reasonable price. The list of Canadian companies available for investment is screened with this style in mind to find the best growth with a reasonable combination of absolute and relative value. Risk is minimized through diversification, which is maintained by investing across the four broad sectors of the Canadian economy: resources, financials, industrials and the consumer.

The stocks that comprise the portfolio are market leaders in their respective industries. For the most part, these companies are some of the largest and most established companies in the Canadian marketplace. The shares of which tend to be more actively traded offering a greater level of liquidity. When selecting leaders within an industry we look for companies that have dominant market share and some form of competitive advantage. Relative earnings growth and valuation, a strong balance sheet and a company's ability to generate cash flow on a consistent basis are all considered.

The ability to make sound fundamental selling decisions is an important aspect of portfolio management. Our decision to remove stocks or reduce their weightings within the portfolio is based on company fundamentals and share price momentum. Relative valuation and relative earnings momentum are key determinants.

## Composition & Target Returns

Company Name	Sector	Rating *	Risk Ranking	Price 3FEB12	Div.	Target Price	Div. Yield	Target ROR
Barrick Gold Corporation (ABX)	Basic Materials	1-SO	Medium	U\$ 49.07	U\$ 0.60	U\$ 64.00	1.2 %	31.6 %
Agrium Inc. (AGU)	Basic Materials	1-SO	High	U\$ 83.28	U\$ 0.45	U\$ 105.00	0.5 %	26.6 %
CLAYMORE GOLD BULLION ETF (CGL)	Basic Materials	n.a.	n.a.	U\$ 15.41	U\$ 0.00	n.a.	0.0 %	n.a.
Teck Resources Limited (TCK.B)	Basic Materials	n.a.	High	\$ 43.40	\$ 0.80	n.a.	1.8 %	n.a.
Shaw Communications Inc. (SJR.B)	Consumer Discretionary	1-SO	Medium	\$ 19.61	\$ 0.97	\$ 25.00	4.9 %	32.4 %
ARC Resources Ltd. (ARX)	Energy	1-SO	High	\$ 24.32	\$ 1.20	\$ 30.00	4.9 %	28.3 %
Canadian Natural Resources Limited (CNQ)	Energy	1-SO	High	\$ 40.84	\$ 0.36	\$ 44.00	0.9 %	8.6 %
Crescent Point Energy Corp. (CPG)	Energy	1-SO	High	\$ 46.02	\$ 2.76	\$ 55.00	6.0 %	25.5 %
Suncor Energy Inc. (SU)	Energy	1-SO	Medium	\$ 34.90	\$ 0.44	\$ 40.00	1.3 %	15.9 %
Talisman Energy Inc. (TLM)	Energy	1-SO	High	\$ 12.38	\$ 0.27	\$ 20.00	2.2 %	63.7 %
TransCanada Corporation (TRP)	Energy	1-SO	Low	\$ 41.50	\$ 1.68	\$ 47.00	4.0 %	17.3 %
Bank of Nova Scotia (BNS)	Financials	n.a.	n.a.	\$ 51.66	\$ 2.08	n.a.	4.0 %	n.a.
Brookfield Office Properties (BPO)	Financials	1-SO	Medium	U\$ 18.19	U\$ 0.56	U\$ 19.00	3.1 %	7.5 %
Calloway REIT (CWT.UN)	Financials	2-SP	Medium	\$ 27.00	\$ 1.55	\$ 27.75	5.7 %	8.5 %
Royal Bank of Canada (RY)	Financials	1-SO	Low	\$ 53.33	\$ 2.16	\$ 63.00	4.1 %	22.2 %
Toronto-Dominion Bank (TD)	Financials	1-SO	Low	\$ 78.83	\$ 2.72	\$ 93.00	3.5 %	21.4 %
Canadian National Railway Company (CNR)	Industrials	1-SO	Medium	\$ 77.91	\$ 1.50	\$ 86.00	1.9 %	12.3 %
SNC-Lavalin Group Inc. (SNC)	Industrials	1-SO	Medium	\$ 53.67	\$ 0.84	\$ 62.00	1.6 %	17.1 %
Rogers Communications Inc. (RCI.B)	Telecommunication Services	2-SP	Medium	\$ 38.63	\$ 1.42	\$ 39.00	3.7 %	4.6 %
Brookfield Renewable Energy Partners L.P. (BEP.UN)	Utilities	1-SO	Low	\$ 26.40	\$ 1.30	\$ 31.00	4.9 %	22.3 %
<b>Total Portfolio</b>							<b>3.0%</b>	<b>21.5%</b>

\* Rating definitions:

1-SO = Sector Outperform

2-SP = Sector Perform

3-SU = Sector Underperform

T = Tender

UR = Under Review

R = Restricted

## Stocks at a Glance

### Agrium Inc.(AGU)

Agrium Inc. is an integrated North and South American wholesale and retail fertilizer company. Currently 54% of nitrogen capacity is Canadian based, 21% from continental U.S., and the rest from International, where natural gas costs are mostly fixed through long-term supply contracts. Nitrogen represents 64% of AGU's wholesale gross margin while potash represents 27%. Agrium's assets span agriculture-related wholesale and retail product lines with greater breadth than all others in the fertilizer business.

### Arc Energy Trust (AET.UN)

ARC Energy Trust is an oil and gas exploration and production company, currently structured as a royalty trust. With a focus in Western Canada, ARC's operations include production generated either through acquisition or the company's own development of resource-play opportunities which, due to the concentration of land holdings, traditionally increase recoveries over time. Future growth opportunities include the development of conventional oil and natural gas production from their significant land positions and long-life reserve base, as well as the potential to add production through acquisition as value-added opportunities become available. The current asset portfolio is reasonably balanced with production in 2010 expected to be leveraged 57% to natural gas.

### Barrick Gold Corp. (ABX)

Barrick is the world's largest gold mining company, with 27 operating mines and 10 projects (8 in the feasibility study or higher stage) in 12 countries around the world. The majority of production currently comes out of North American mines, with large resources in both South and North America. In 2008, Barrick made strategic acquisitions to grow reserves including purchasing Arizona Star and the remaining 40% of the Cortez Hills deposit in Nevada (Placer Dome was acquired on March 15, 2006). Barrick has eliminated its hedge book through the elimination of all remaining forward contracts such that Barrick is currently fully exposed to the gold price.

### Bank of Nova Scotia(BNS)

Bank of Nova Scotia is the third-largest Canadian chartered bank in terms of assets by market capitalization. The bank is comprised of three operating divisions: Domestic Banking including a significant Wealth Management operation, International Banking which includes an ownership interest of 97% in Grupo Scotiabank in Mexico, and wholesale activities through Scotia Capital Inc., a Canadian investment dealer with international investment banking operations.

### Brookfield Office Properties (BPO)

Brookfield Properties is the 10th-largest publicly traded real estate company in the United States (largest in Canada) and is focused on owning and managing premier

office buildings located in high-barrier-to-entry commercial business districts. Brookfield's current portfolio comprises an interest in 107 buildings (totalling almost 74 million sq. ft.) and 15.5 million sq. ft. of potential office development. The shares of BPO are trading at an attractive valuation which appears to be discounting a particularly pessimistic outlook for the office leasing market, implying significant erosion in Net Operating Income. Given the company's top-tier portfolio of office assets in the U.S. (61%), Canada (21%), and Australia (18%), BPO is well positioned to take advantage of re-leasing opportunities where expiring in-place rents are well below current market rents.

### Brookfield Renewable Energy Partners L.P. (BEP.UN)

Brookfield Renewable Energy is one of the world's largest publicly traded (on both the TSX and NYSE) renewable power businesses with approximately \$13 billion of environmentally friendly renewable power generating assets in Canada, the U.S., and Brazil. The company is the product of a recently completed merger between the former Brookfield Renewable Power Fund and the international power assets of parent company Brookfield Asset Management (BAM), who now owns 73% of the combined entity; by virtue of the merger, BEP now represents the primary vehicle for any renewable power deals presented to BAM. BEP has around 4800 MW of mostly hydroelectric assets (170 generating stations) along with five wind farms.

### Calloway REIT(CWT.UN)

Calloway REIT (CWT.UN) owns a 24.3 million sq. ft. portfolio of predominantly large format unenclosed retail properties. Its single largest tenant is Wal-Mart, which accounts for 27% of gross rents and anchors 76% of its properties. Geographically, portfolio revenue is split between ON (59% of revenues), QC (14%), BC (9%), AB (3%), MB (5%), SK (4%), and the Maritime provinces (6%). The REIT has a strategic relationship with SmartCentres, a Canadian-based private developer of retail properties, and Wal-Mart, Canada's largest development partner. As a result, Mitchell Goldhar, SmartCentres' owner, is CWT's largest unitholder with 24.7% economic and 25% voting interests. Calloway's stated goal is to be the landlord of choice for retailers. By selecting convenient locations close to consumers and leasing to strong tenants in well designed centres, Calloway will maximize returns to Unitholders, and retailers will prosper.

### Canadian National Railway Co. (CNR)

Canadian National Railway (CN) is the largest freight railroad in Canada and the fifth-largest in North America in terms of revenue. CN operates 19,200 route miles of track, whose principal routes run to every major metropolitan area in Canada and to the major U.S. rail hubs of Buffalo, Detroit, Duluth/Superior, Minneapolis/St. Paul, Chicago, Jackson, Memphis, New Orleans, and Baton Rouge. CN is the only railroad in North America to cross the continent east-west and north-south, serving ports on the Atlantic, Pacific, and Gulf coasts. The company transports forest products, grain and grain products, coal, sulfur, fertilizers, intermodal and automotive products. The revenue of this company consists solely of rail transportation.

## Canadian Natural Resources(CNQ)

Canadian Natural Resources Limited (CNQ) is a Canadian-based senior independent energy company engaged in the acquisition, exploration, development, production, marketing, and sale of crude oil, Natural Gas Liquids (NGLs), natural gas, and bitumen production. The company's principal core regions of operations are Western Canada, the United Kingdom (North Sea), and offshore West Africa. With a strong focus on exploiting its core properties and actively maintaining cost controls, Canadian Natural has grown through a combination of internal growth and strategic acquisitions. CNQ also has Midstream assets consisting of three crude oil pipeline systems and 50% working interest in an 84-MW cogeneration plant at Primrose, Alta. The company's production profile is currently 67% Crude Oil, 33% Natural Gas.

## Claymore Gold Bullion ETF(CGL)

The Claymore Gold Bullion Exchange Traded Fund(CGL) invests 100% of its assets in gold bullion stored in the treasury vault facilities of ScotiaMocatta, a division of the Bank of Nova Scotia. The investment objective of the Fund is to replicate the performance of the price of gold bullion, in Canadian dollars, less fees and expenses. The management fee of 0.5% includes all operating expenses of the fund, including custody fees. This ETF trades in Canadian dollars and closely tracks the movements of gold bullion.

## Cresecent Point Energy Corp.(CPG)

Crescent Point Energy Trust (CPG) was created on September 5, 2003, through the merger of Crescent Point Energy Ltd. and Tappit Resources Ltd. - a transaction that included the spin-out of a separate junior oil & gas explorer (StarPoint Energy). Since then, production has grown from roughly 7,300 boe/d to over 50,000 boe/d today through both acquisitions and a successful drilling program. In July of 2009 the Trust converted to a corporation to create Crescent Point Energy Corp. CPG's strategy focuses on acquiring, developing, and exploiting large resource plays with an ultimate target of long-term growth.

## SNC-Lavalin Group Inc.(SNC)

SNC-Lavalin Group is one of the leading engineering and construction companies in the world providing engineering, procurement, construction, project management, facilities management and project financing services. The group and its companies deliver solutions to the chemicals and petroleum, mining and metallurgy, power, infrastructure (including mass transit), and defence sectors, and to emerging high-growth sectors such as telecommunications, pharmaceuticals, agrifood, and facilities management. SNC has offices throughout Canada and in roughly 30 other countries and is currently working on projects in approximately 100 countries.

## Rogers Communications Inc. (RCI.B)

Rogers provides cable television, broadband internet access and video retailing through Rogers Cable Inc. It operates the largest wireless carrier and cable TV operation in Canada, with 7.41M wireless customers, 2.30M cable customers, 1.51M

Internet customers, and 1.02M telephone customers at 31 Mar 2008. It has major cable system clusters in Toronto, Ottawa, Mississauga, Kitchener, London (ON), NB, and NL. It owns 6.6M shares of CCA (14%), 3.4M shares of CGO (20%), the Toronto Blue Jays, the Rogers Centre, TV and radio broadcasting and magazine publishing assets. Rogers Wireless represents over 75% of NAV while cable contributes just 20%. The breakdown of revenue attributable to each business segment consists of: wireless telecommunications 53%, wired telecommunications 34%, and media 13%.

## Royal Bank of Canada (RY)

Royal Bank is the largest Canadian chartered bank in terms of assets and market cap. The bank owns investment dealer RBC Capital Markets and RBC Insurance. In the United States, the bank provides banking and wealth management services through RBC Centura and RBC Dain Rauscher. The bank comprises four main business segments: Canadian Banking, Wealth Management, U.S. and International Banking, and RBC Capital Markets. The breakdown of revenue attributable to each business segment consists of: commercial banking 53%, wealth management 18%, capital markets 18%, insurance 11%. President & CEO: Gordon Nixon.

## Shaw Communications Inc.(SJR.B)

Shaw Communications is the largest cable TV company in Canada, with 2.3 million basic cable subscribers, 1.8 million high-speed Internet subscribers, and 1.2 million VoIP (internet telephony) subscribers as at 28 Feb 2011. Shaw has major system clusters in Victoria, Vancouver, Calgary, Edmonton, Winnipeg, and Saskatoon. Shaw owns all of Cancom (including its DTH satellite TV operation with 906,000 subscribers) and conventional and specialty TV assets acquired last year through the purchase of CanWest's broadcasting business.

## Suncor Energy (SU)

Suncor Energy is an integrated energy company focused on developing Canada's Athabasca oil sands and upgrading it to refinery-ready feedstock and diesel fuel. Suncor pioneered the world's first commercially successful oil sands operation in 1967 and continues to explore for, acquire, develop, produce, and market crude oil and natural gas. SU is also involved in transporting and refining crude oil as well as marketing petroleum and petrochemical products. SU has the best production growth profile among the Canadian senior energy universe with forecast 15%-20% year-over-year growth. The breakdown of revenue attributable to each business segment consists of: refining and marketing 62%, oil sands 35%, natural gas 3%.

## Talisman Energy Inc. (TLM)

Talisman Energy Inc., is an independent oil and gas producer. With an international portfolio, Talisman's production flows mainly from Western Canada, the North Sea, Malaysia, Vietnam, Indonesia, and Algeria. More recently, Talisman entered the Appalachian region of the United States, adding a significant leg to its natural gas production through the area. Talisman is also conducting exploration in Southeast Asia, Algeria, Qatar, Colombia and Trinidad. The breakdown of revenue

attributable to each business segment consists solely of oil and gas production and sales.

## Teck Resources Ltd.(TCK.B)

Teck Resources Ltd. is a diversified mining and refining company and one of the world's largest zinc miners and metallurgical coal producers. The company also produces significant levels of copper, lead, gold, and specialty metals. The company's major zinc assets include the Red Dog Mine, the world's largest zinc mine, and the Trail lead and zinc smelter and refinery. The breakdown of contribution to Net Present Value attributable to each business segment consists of: coal 48%, copper 40%, zinc 11%, gold 1%.

## TransCanada Corp.(TRP)

TransCanada Corp. (TRP) owns and operates the largest Canadian gas pipeline (Mainline) and Alberta's largest gas-gathering pipeline system (Alberta System). TransCanada is focused on natural gas transmission and power services. TRP also owns several equity and master limited partnership (MLP) interests in U.S. pipelines, 100% of a gas co-generation plant in the U.S. Northeast (Ocean States), 47.9% of Bruce Nuclear A, and 31.6% of Bruce Nuclear B. TRP recently purchased ANR from El Paso for \$3.7 billion. The breakdown of revenue attributable to each business segment consists of: pipelines 53%, energy 47%.

Toronto Dominion Bank(TD) is the second-largest Canadian chartered bank based on assets and the second-largest by market capitalization. The bank offers a range of banking and advisory services to individuals, businesses, financial institutions, governments, and multinational corporations. The bank acquired 100% ownership in TD Banknorth Inc. in 2007 and acquired Commerce Bancorp in the U.S. north east in early 2008.

The ScotiaMcLeod Guided Portfolios are model portfolios of equity and fixed income securities designed for individual investors. Managed by the firm's Portfolio Advisory Group, the guided portfolios include Canadian and U.S. equity portfolios and Canadian fixed income portfolios. The objective of the equity portfolios is to provide individual investors with superior investment returns for various investment objectives and levels of risk. The objective of the fixed income portfolios is to track the performance of the Scotia Capital Markets Bond Universe index and its components. For further information on the Guided Portfolios, please contact your ScotiaMcLeod Investment Executive.

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Teck Resources Limited Toronto-Dominion Bank TransCanada Corporation

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

#### Comparative Canadian Bank Information

Bank	Symbol	SC-Rec	Risk	Target
Bank of Montreal	BMO	3-SU	Low	\$66
Bank of Nova Scotia	BNS	n.a.	n.a.	\$
CIBC	CM	1-SO	Low	\$93
National Bank	NA	3-SU	Low	\$82
Royal Bank	RY	1-SO	Low	\$63
Toronto-Dominion Bank	TD	1-SO	Low	\$93