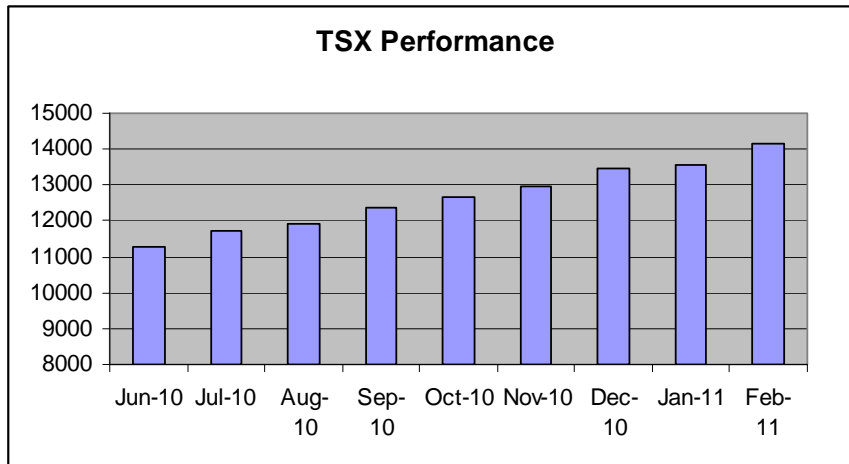




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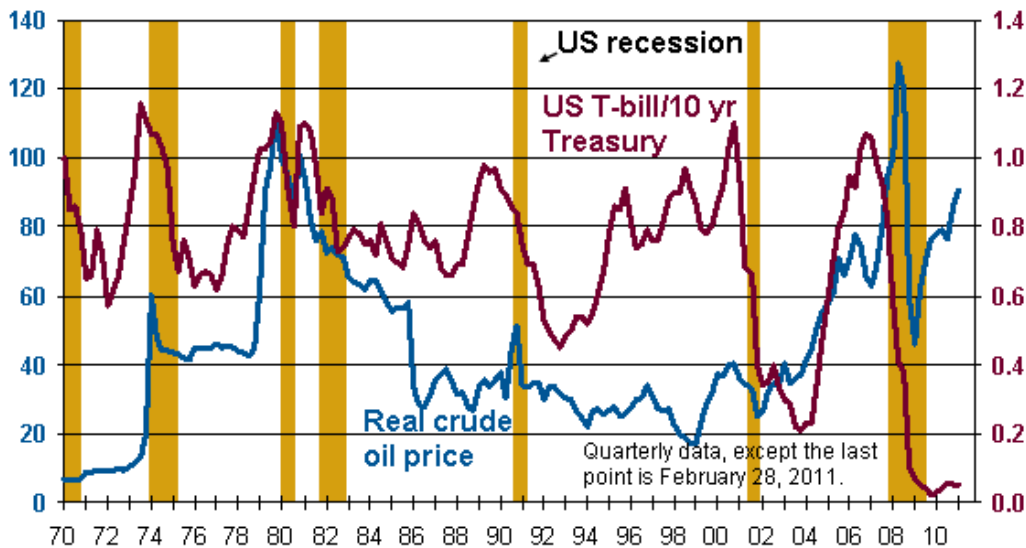
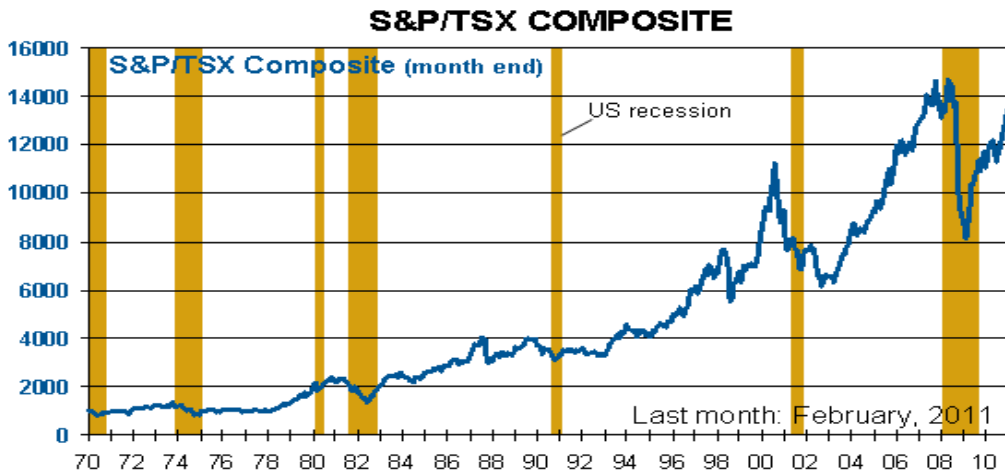
STOCK MARKET COMMENTARY

The month of March looks like it is going to be a negative one for the TSX. Unfortunately, this will break the nine-month consecutive gain of the stock market (see below). The question we ask ourselves is; is this a “normal” stock market correction in an ongoing secular (lasting several years) bull market or the start of a secular (several year) bear market? We find it difficult to argue the latter. We present our case below.



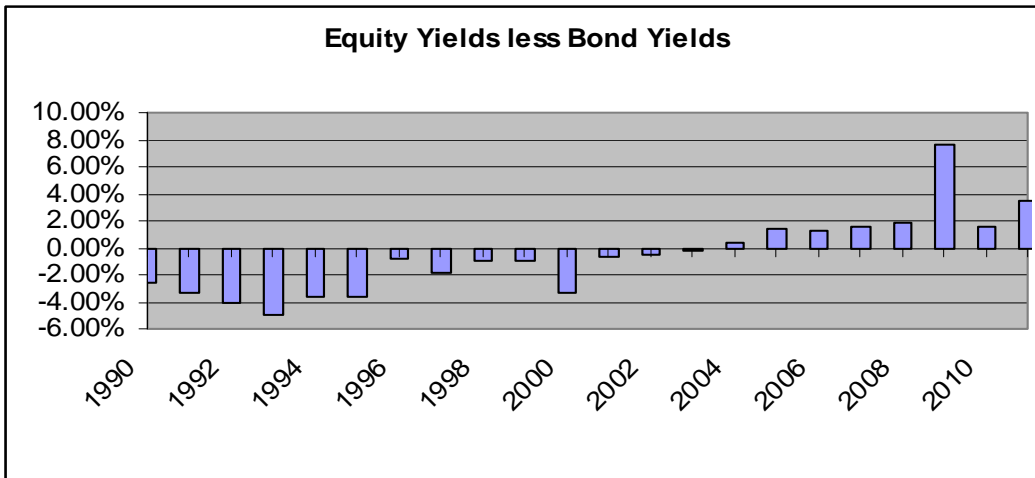
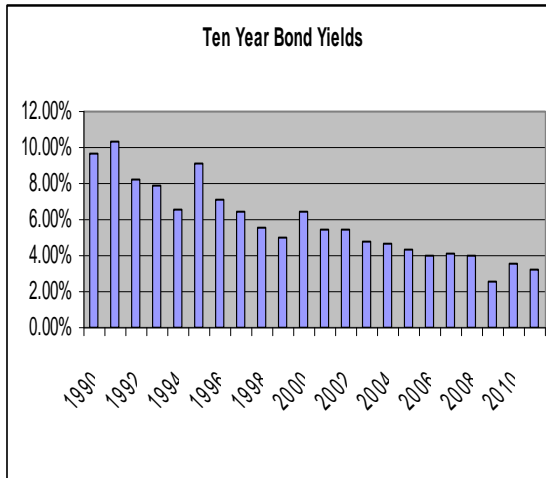
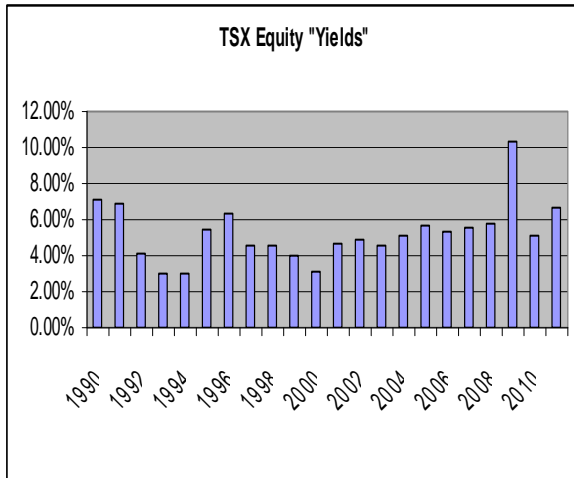
History shows that once the economic recession is over and stock markets move up they continue to move up (though not every month) and pass the previous stock market highs. Please refer to our first graph on the following page. Currently, we are still below the highs of the previous economic cycle. We do not believe this stock market cycle will prove to be any different.

There are few, if any, economists calling for a recession. The rise in oil prices will have a dampening impact on the rate of economic growth, but a recession, in our view, is very unlikely as the low interest rate environment even with higher energy prices is conducive for further economic expansion. We wrote about this in our last monthly commentary. The second graph below was taken from our last monthly comment. Oil prices have since declined slightly while the shape of the yield curve remains very steep (indicating economic growth is still intact). Only when we get a spike in oil prices and short-term interest rates are at or above long-term interest rates (an inversion in the yield curve) does a recession occur.



One way to judge if equities are still worth owning is comparing equities with alternative places to invest. For the vast majority of people, the alternative is bonds. The graph below illustrates the “yield” on equities and bonds. We define the yield on equities as the overall earnings (profits) of the TSX companies divided by the price of the overall stock market. This measure is the inverse of the commonly used price to earnings ratio. For bonds we use the Government of Canada ten-year bond yields. The final graph subtracts equity yields from bond yields.

As one can see, with the exception of 2009 during the credit crisis, equity yields have never been higher (and much higher than the 20-year average) than bond yields indicating the stock market is still a very attractive place to invest.



It is difficult to predict short-term movements in the equity markets as sentiment can play a large role, but we continue to believe equity markets will easily break through previous highs and in our judgment before the end of 2012. Profits by TSX corporations are at record high levels and climbing and interest rates are at close to record low levels, a recipe for continued stock market performance. Stay invested.

Important Disclosures

Company	Ticker	Disclosures
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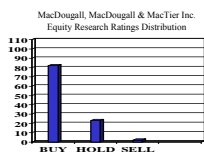
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Glossary of Terms:

EPS	Earnings per Share
P/E	Price to Earnings Ratio
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
Market Cap	Total Shares Outstanding multiplied by Shares Price
Enterprise Value	Fully Diluted Shares Outstanding
PEG	P/E Multiple Divided by Growth Rate
ADR	American Depository Receipt
WACC	Weighted Average Cost of Capital
Risk Free Rate	10 Year Treasury Bond
Yield	Dividend divided by Share Price
ASP	Average Price
DSOs	Days Sales Outstanding
Capex	Capital Expenditures
CPU	Cost per Unit
EVA	Economic value Added
EV / EBITDA	Enterprise Value / Earnings before Interest, Taxes, Depreciation and Amortization
DCF	Discounted Cash Flow
Holts DCF	Holts Discounted Cash Flow
DYT	Dividend Yield Target
Yield	Yield
BSOPM	Black Scholes Options Pricing Model
BETA	Quantitative measure of the volatility of a stock, mutual fund, or portfolio, relative to the overall market
MF	Mutual Fund

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