



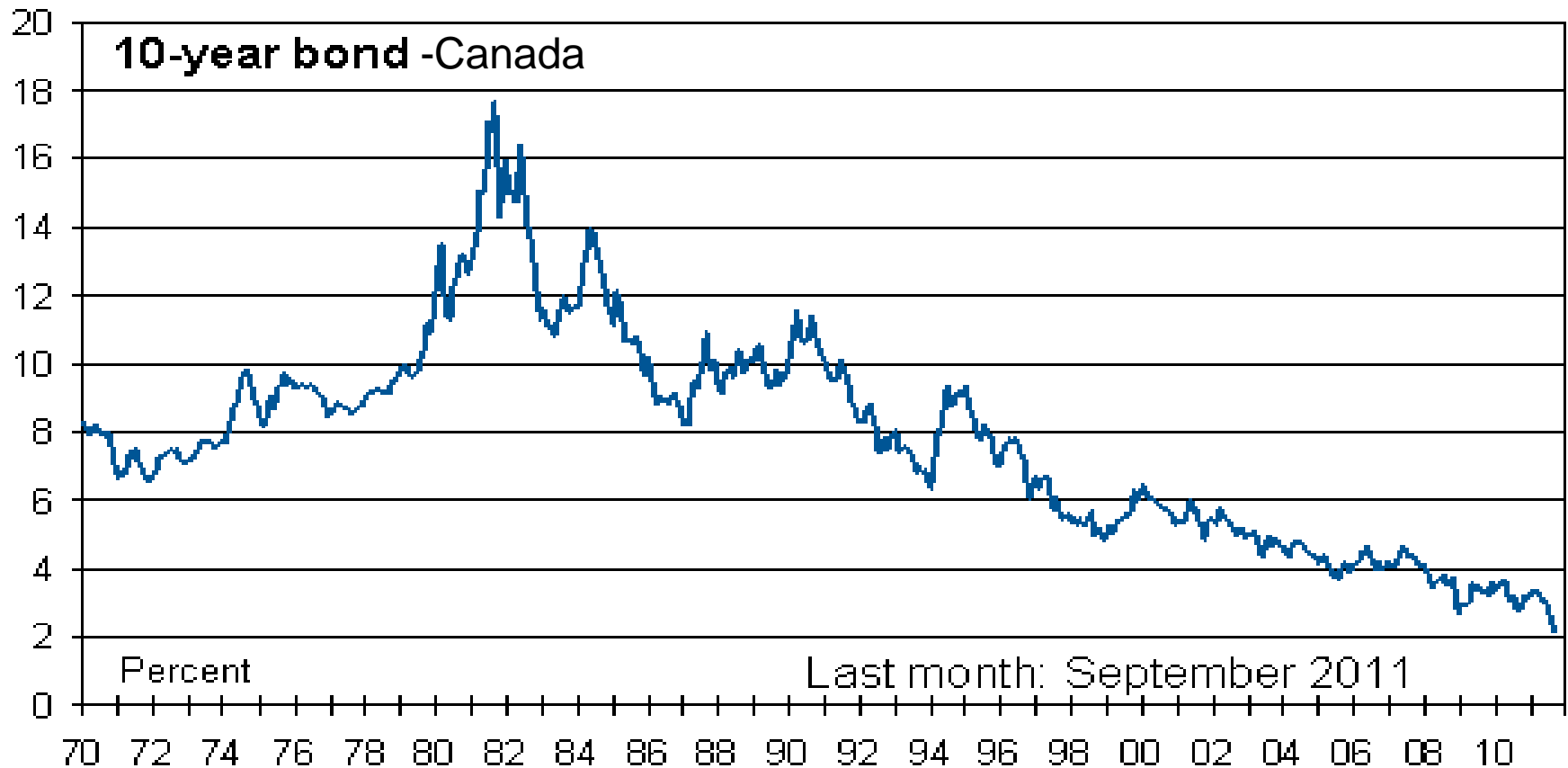
2012 Investment Outlook

Investing in a Low Interest Rate Environment

Ian Nakamoto
Director of Research



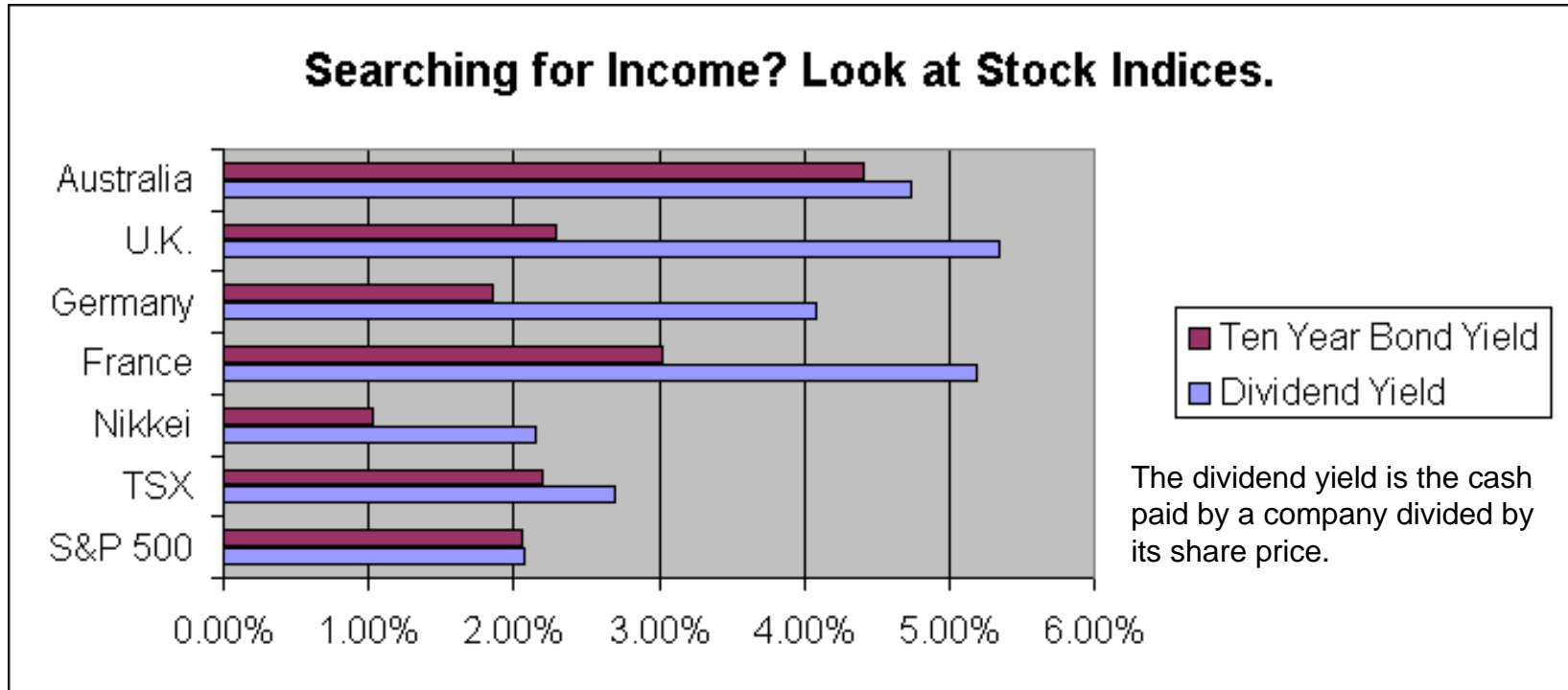
Interest Rates have been Declining for 30 Years



The dilemma for investors is how to obtain higher yields than those offered by traditional income bearing securities (GICs, CSBs).



Major Stock Markets have Attractive Yields



Source: Bloomberg and Morningstar. As at October 31, 2011

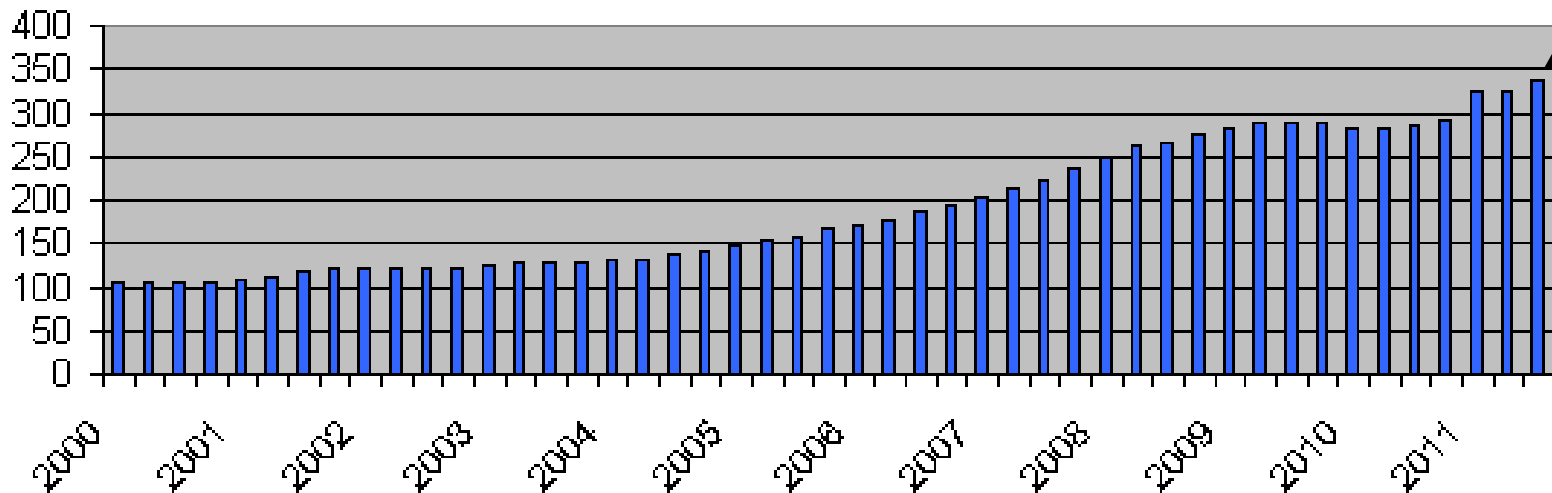
The TSX dividend yield has exceeded bond yields only once before in 30 years (1st Qtr. 2009). March 2009 was the “bottom” of the stock market.

With interest rates likely to stay low, the demand for high and secure yields is likely to intensify.



Income Ideas: The TSX Provides Steady Income

Dividend Growth of the TSX
Dividend Yield October 2011 is 2.7%



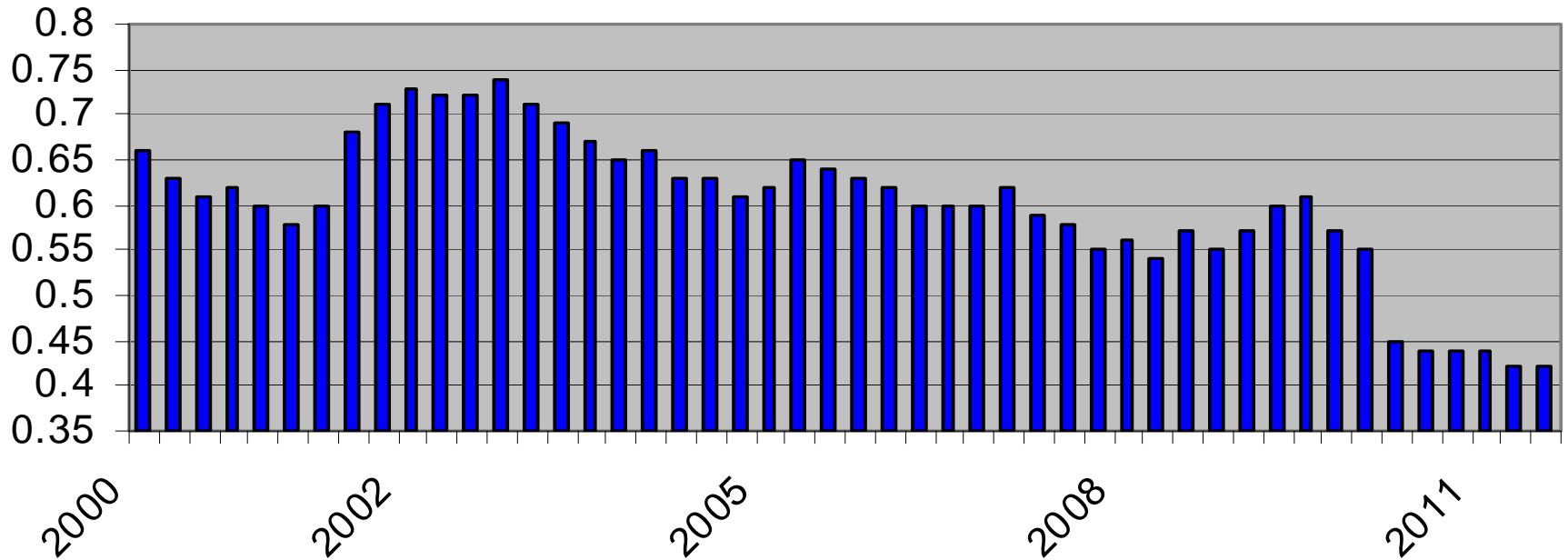
The current yield is 2.7%

The growth of dividends by Canadian companies listed on the Toronto Stock Exchange is impressive. The average company's dividend yield is 2.7%. We expect dividends to continue to grow.



How Safe are Dividends?

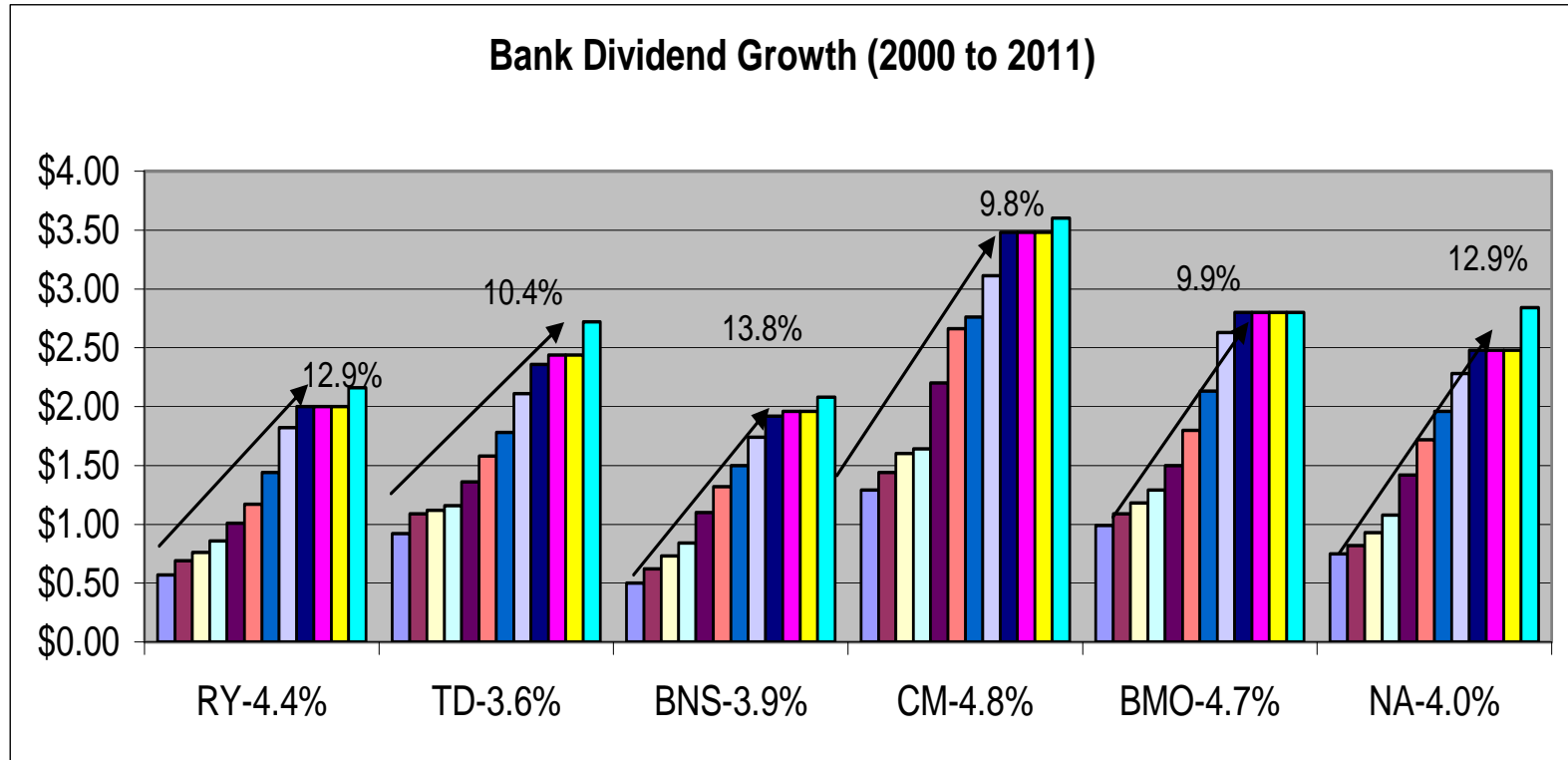
**Financial Position (TSX) Debt to Equity
(Lower is Better)**



Despite economic uncertainty, Canadian corporations are financially strong, indicating dividends are secure. Dividend growth should continue.



Sectors for Income: Canadian Banks

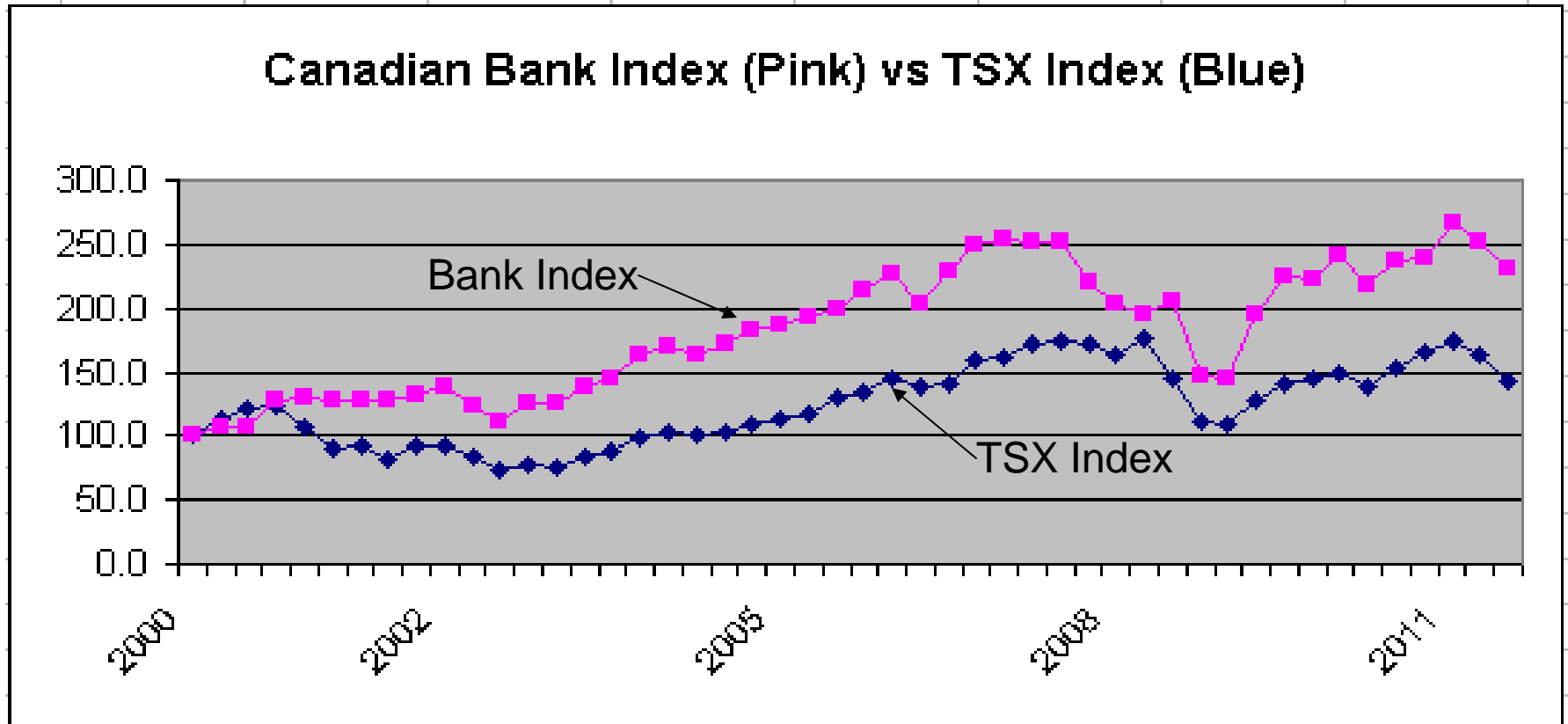


As at October 31, 2011

All big six Canadian bank stocks have a “yield” greater than Canadian Federal Government 10-year bond rate.



Stock Performance of Canadian Banks



Canadian banks have been voted as the world's strongest banks for four consecutive years.



Sectors for Income: Real Estate Investment Trusts (REITs) Current Yields are very Attractive (5%+)

A REIT is an investment vehicle that buys, sells, develops and manages income producing properties.

REITs can range from retail outlets, office properties, self-storage facilities to healthcare/assisted living centres.

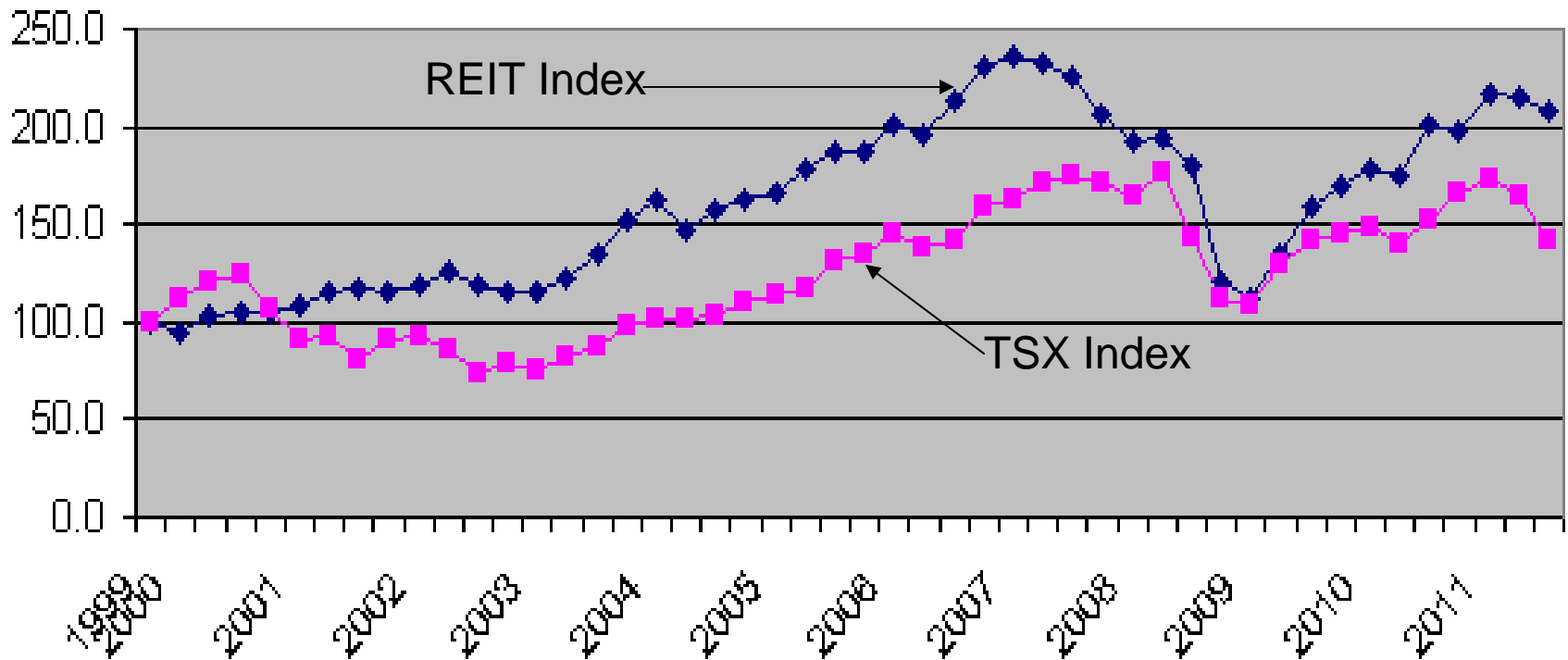
They all have one thing in common; they are exempt from corporate taxes. This allows them to “pay-out” more of their income than normal corporations.





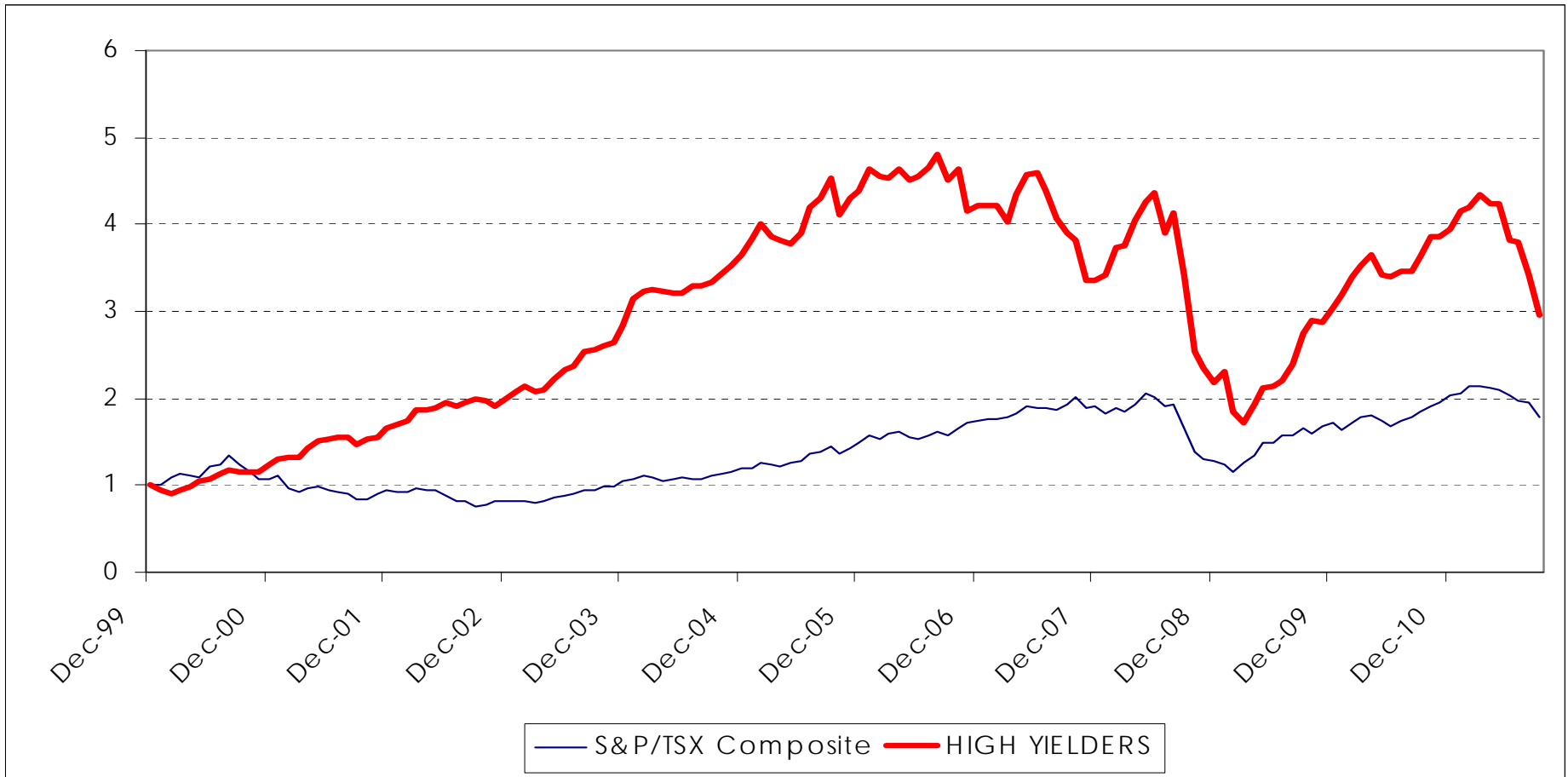
REITs Stock Performance has been Good

REIT Index (Blue) and TSX Index (Pink)





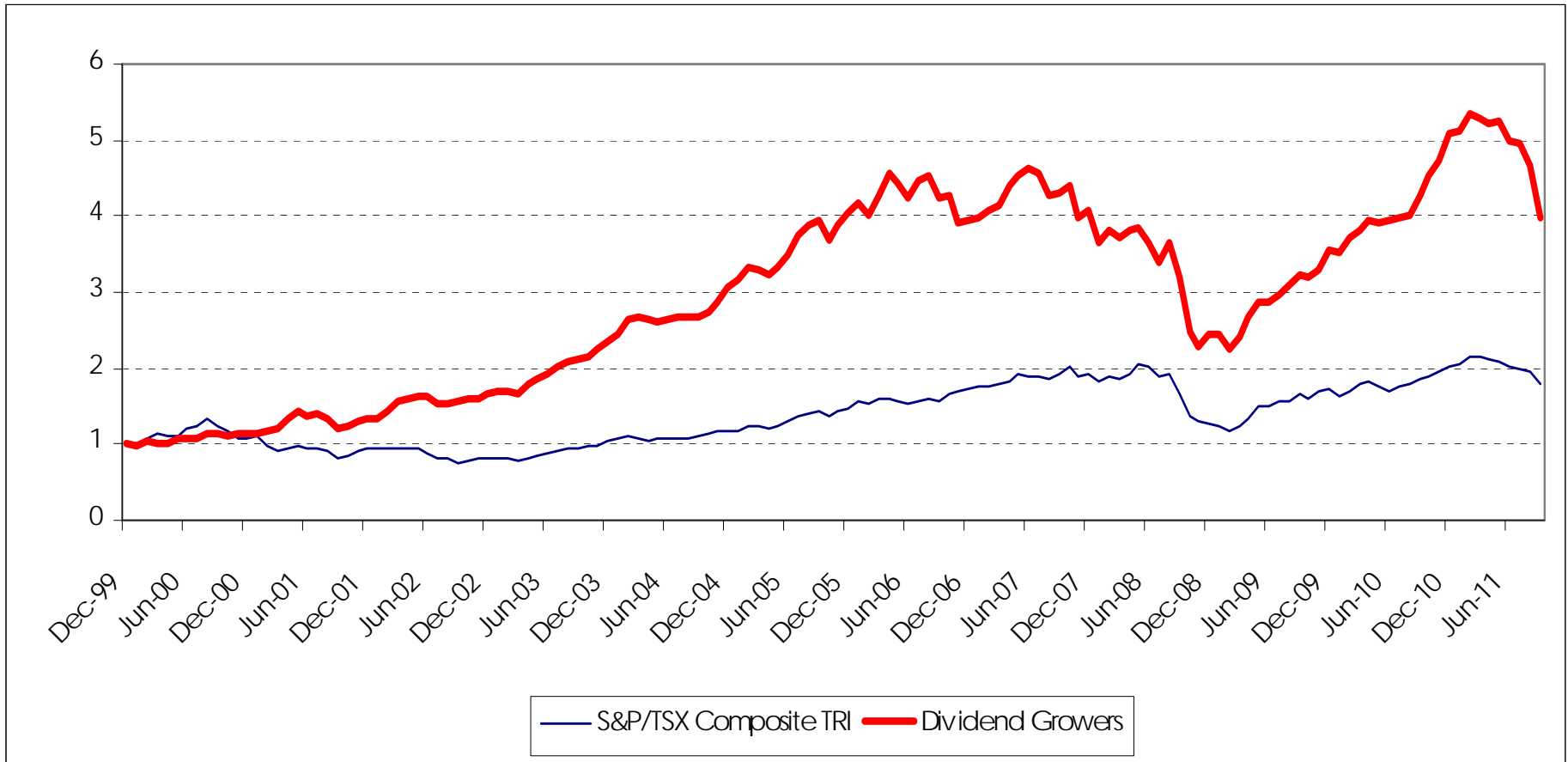
Dividend (Income) Strategies: The “High Yield” Approach



Buying the highest yielding stocks (20 of them) each year. We would advise being cautious on buying very high yields (what looks too good to be true, usually is).



Dividend (Income) Strategies: The “Dividend Growers” Approach



Buying the top dividend growers (% increase) in every year (top 20 companies) has been a successful strategy.



Other Income Ideas: Preferred Shares and Corporate Bonds

Preferred Shares: These are securities that typically provide a fixed amount of income for a period of time. These dividends are “safer” than common shares because preferred dividends are paid before common share dividends, but one does not participate in the growth of the company’s profits and future dividend increases. In addition, preferred share dividends are tax advantaged over interest income.

Corporate Bonds: These are securities that provide a fixed amount for a period of time. They are even “safer” than preferred and common shares as the interest on bonds is paid before preferred and common shares. Like preferred shares, they do not participate in the profit growth of a company.

Conclusion: Interest rates have been on a decline for 30 years. This trend is unlikely to reverse anytime soon, but there are “reasonable” solutions to increasing one’s income (yield).



MacDougall, MacDougall & MacTier Inc.

This research report has been prepared and circulated for general information only. It does not account for the specific investment objectives and financial situation of any person receiving this report. Investors should seek professional advice regarding the appropriateness of investing in any securities discussed or recommended in this report and should recognize that statements regarding future prospects may not be realized. This report is not to be construed as an offer to sell or as a solicitation for an offer to buy any securities.

The information presented in this report has been compiled from sources believed to be reliable but no guarantee is made as to its accuracy, completeness, or correctness. All opinions and estimates contained in this report are provided in good faith and are subject to change without notice. MacDougall, MacDougall MacTier Inc., its directors or employees including the author(s) of this report may own, purchase or sell the securities mentioned before and/or during the period when this report is in circulation.
