



Annual Returns to March 31 (%)	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	17.7	-3.6	5.6	-12.2	25.2	7.4	12.5	9.6	-2.0	-17.8
Annualized Returns to March 31, 2009 (%)	Qtr <sup>*</sup>	6 mo <sup>*</sup>	1 yr	2 yr	3 yr	4 yr	5 yr	6 yr	7 yr	10 yr
	-3.0	-9.8	-17.8	-10.2	-4.1	-0.2	1.3	5.0	2.3	3.5

**Top Cdn Equity Holdings (%)<sup>^</sup>**

Royal Bank of Canada	1.7
Toronto-Dominion Bank	1.5
Canadian Natural Resources Ltd.	1.4
EnCana Corp.	1.3
Talisman Energy Inc.	1.3

**Top U.S. Equity Holdings (%)<sup>^</sup>**

Occidental Petroleum Corp.	0.3
Bristol-Myers Squibb Co.	0.3
Verizon Communications Inc.	0.3
Wyeth	0.3
AT&T Inc.	0.3

**Top Int'l Equity Holdings (%)<sup>^</sup>**

Novartis AG	0.4
Royal Dutch Shell PLC	0.4
Nippon Tel. & Tel. Corp.	0.3
Sanofi-Aventis	0.3
France Telecom S.A.	0.3

<sup>†</sup> Growth is calculated based on compounded monthly returns.  
<sup>\*</sup> Performance for the quarter and 6 months to March 31 represent the actual total returns of the funds for the period, and are not annualized.  
<sup>^</sup> As a percentage of the total portfolio.

## Canadian Equities

### Highstreet Asset Management – Quantitative Core Manager

London, founded 1998, managing \$3.8 billion.

Investors' appetite for risk remained low during the first two months of 2009. While golds continued to offer support, this was offset by the decline in the other sectors, led by Financials and Energy, the S&P/TSX index declined by 15% to March 9th. In the latter part of the quarter, investor confidence was buoyed by further announcements of government co-ordination to address the economic downturn, marking a strong rebound in the markets. The rally was most pronounced in the Financial, Energy, and to a lesser extent, the Materials sectors. Overall, one out of three stocks advanced, as the S&P/TSX lost 2%.

The portfolio performed in line with the index over the quarter. Stock selection in Financials favoured diversified banks over insurance companies, and this benefited the portfolio. Conversely, stock selection within the Energy and Materials sectors detracted from the portfolio's performance, principally during the late-quarter rally that had stock prices recovering, as investor risk aversion subsided. The portfolio was better than the benchmark, as two out of every four stocks gained ground during the quarter.

Top contributors to the portfolio over the quarter were not holding Manulife Financial for the majority of the quarter, and holding Petro-Canada. Not holding Suncor or Canadian Oil Sands during the quarter hurt the portfolio.

The rebound late in the quarter took place despite declining corporate earnings, indicating a measured return of investor confidence in equity markets. While earnings are expected to continue to decline into the next quarter, this earnings season will be critical in determining whether government actions around the world are beginning to stabilize the economy. The direction of analyst estimates over the next several weeks will provide a better picture of where the markets are headed in the near future. Throughout the economic cycle, we adhere to our promises to provide a portfolio with superior growth, value, quality and risk.

### J. Zechner Associates – Top-Down Growth Manager

Toronto, founded 1993, managing \$1.7 billion.

Stock markets finally gave investors some good news in March, as the S&P/TSX Composite index rallied almost 20% in the 14 days after the lows reached on March 9th, and generated a total return of 7.8% for the month – the first monthly gain for the stock market since August of last year. For the first quarter though, the index still fell by 2.0% – the third

straight quarter of stock market losses. The leading sector in the index for the first quarter was the Basic Materials group, which showed a 7.7% gain on strength in base metals and gold stocks. Financials lagged with a quarterly decline of 7.4%.

Although we had an underweight to gold, our investment strategy benefitted from strength in the oil sector, as well as strong performance from metals and fertilizers and a timely purchase of financial stocks, as they hit their lows in early March. We have used the strength in the market to upgrade the quality of the portfolio by moving to larger, more liquid stocks.

In terms of stock exposures, we added to the Financial sector, where the strategy had previously been substantially underweight. Another focus in the portfolio continues to be on the resource stocks with overweight positions in the energy, base metal and agricultural stocks. Uranium continues to look like a great play in the commodities sector, as inventories are low, demand is increasing, and China has started to stockpile supplies for future expansion of nuclear energy. The growth sectors that currently look most attractive to us are in the wireless and high bandwidth sectors, including the telecom service providers and equipment and software vendors.

### Lincluden Management – Value Manager

Oakville, founded 1982, managing \$2.2 billion.

Canadian Equity markets were extremely turbulent in the quarter, declining precipitously in the first two months of the year, led by further uncertainty surrounding global bank liquidity. The subsequent announcement of a plan by the U.S. Treasury to help banks deal with bad loans saw global markets recover, and the S&P/TSX Index recover most of its losses by the end of March. The TSX ended in moderately negative territory as 8 out of 10 sectors declined in the quarter.

Relative performance of the portfolio versus the benchmark suffered, as the portfolio was underweight in gold and fertilizer stocks, which rebounded quite strongly in the quarter – following significant losses in the last half of 2008. Holdings in acquisition targets Petro Canada and Nova Chemicals appreciated quite strongly in the period, helping to cushion the impact of the underweight to gold and fertilizer.

In this environment, our investment discipline continues to identify solid industry-leading companies at valuation levels that have not been available for many years. While extreme volatility continues to make short-term stock results unpredictable, we are of the view that today's valuations will translate into exceptional results in the medium term.

See next page for U.S. and International Equity commentaries

## U.S. Equities

### Atlantic Trust – Growth Manager

Boston, MA., founded 1980, managing \$13.0 billion U.S.

While the final return in the first quarter of 2009 was -3.4% for the Russell Midcap Growth Index, it was quite a wild ride to get there. As of the first week in March, the index was down more than 15% year-to-date. A strong rally for the remainder of the month brought returns back to tolerably bad, up from unbelievably awful. Our performance had been ahead of the benchmark going into the March recovery. As is typical, we lag during short, sharp market rises where price gains tend to be relatively indiscriminant relative to company fundamentals. The largest contributors to performance were from the Consumer Discretionary and Energy sectors. Both areas showed good positive returns after being significantly oversold in the prior quarter. The worst sector by far was Health Care.

Currently, U.S. mid-cap growth valuations are at compelling low points. The asset class is now at a multi-decade low in normalized P/E ratios. Mid-cap growth is at a steeper discount to long-term average P/E than any other equity asset class. New purchase activity was noticeably lower in the quarter, as it remains a challenge to find companies whose growth prospects can withstand the overwhelming downturn. There isn't much of a cohesive theme to the purchases overall. We would note two of the recent additions to the portfolio (General Cable and URS) are heavily involved in infrastructure improvement, which we believe will be a strong theme in the year ahead.

### Barrow, Hanley, Mewhinney & Strauss – Value Manager

Dallas, TX., founded 1979, managing \$38.7 billion U.S.

U.S. equity prices suffered punishing declines throughout the first two months of the quarter, followed by a sharp rally in March, to close down over 10 per cent for the quarter in U.S. dollar terms. Value stocks lagged both growth stocks and the broad market, as measured by the S&P 500 significantly. Value benchmarks were hurt by their much larger weighting in financial stocks and limited exposure to the Technology sector.

Our focus remains on finding individual companies that offer an attractive valuation on potential earnings and companies that have the protection of a dividend yield. Our focus on dividends is based upon long-term results that show that dividend yield represents roughly half of an investor's return. Because our investment process requires that we remain fully invested and relatively concentrated, we focus less on the near-term valuation of the overall market, and more keenly on finding 40-50 individual companies that are attractively valued. While we have had our fair share of earnings disappointments over the past year, the earnings volatility witnessed last year benefits our investment style of bottom-up, active value over the longer term. First, we do not pay above-market multiples for anticipated growth. Second, our time horizon allows us the opportunity to buy solid companies at low earnings multiples and wait for the market to become more comfortable with earnings prospects.

## International Equities

### Acadian Asset Management – Value Manager

Boston, MA., founded 1978, managing \$37.5 billion U.S.

Global equity markets saw negative results in what was another highly volatile quarter. Dismal returns in January and February were mitigated by more favourable results in March after the U.S. initiated some well-received moves in economic policy – helping to restore investor confidence in the equity asset class.

Despite the March rally, Europe's collective performance for the full quarter was markedly negative. Germany's manufacturing sector continued to contract amid a sharp downturn in orders. France saw business confidence slump to its lowest level on record, while retail sales in Italy continued to languish. The U.K. saw further deterioration in consumer spending and investment as credit conditions remained tight.

Asia performed modestly better than Europe for the quarter, but was still negative. Japan's equity market was hurt by waning factory output and a sizeable drop in exports. Australia saw favourable data on the housing front assuage the effects of near-record low business sentiment, while reports of rising unemployment in Hong Kong was tempered by news that home values saw a moderate recovery year-to-date.

The U.S. realized negative returns for the quarter, as equities were battered by the announcement of dismal fourth-quarter earnings and massive layoffs at a number of large companies. Investors reacted favourably, however, after President Obama signed a \$787 billion economic stimulus plan into law and proposed a public-private partnership to absorb banks' toxic assets.

### Newton Capital Management – Global Thematic Core

London, England, founded 1978, managing \$59.8 billion U.S.

Investors' nerves remained frayed during the first quarter of 2009, with reports of persistent weakness in the global economy and evidence of deteriorating corporate earnings tending to overshadow attempts by hyperactive policy-makers to ease economic and financial-market strains. Fresh unease was derived from the worsening outlook for the emerging economies of Eastern Europe, whose currencies depreciated rapidly.

Governments, particularly in the U.S. and the UK, put in place a range of plans, including fiscal stimulus packages, asset purchase plans, and capital injections and guarantees for the banking sector. Central banks, meanwhile, cut interest rates sharply and, having all but exploited the scope of 'conventional' monetary policy, the Federal Reserve and the Bank of England implemented less orthodox measures to try to lower long-term interest rates.

The principal area of strength of the portfolio was once more the financials sector in which strong stock selection and the underweighting of developed-world banks were beneficial. Elsewhere, holdings in the energy and materials sectors were positive contributors to relative performance, with strong stock selection in the energy sector being especially favourable. Holdings in the utilities sector also performed well. The principal area of weakness was the consumer discretionary sector (the retailing sub-sector in particular), in which disappointing stock selection and underweight exposure combined to ill effect. Stock selection in the consumer staples sector also proved unfavourable.

*See next page for Fixed Income commentaries*

## Fixed Income

### **Lincluden Management – Credit Analysis & Yield Spreads**

Oakville, founded 1982, managing \$2.2 billion.

Canadian bonds posted modestly positive results as the Bank of Canada cut its target overnight rate by 1% to 0.5%, joining other major central banks in a co-ordinated effort to ease global monetary conditions. The Federal Reserve Bank left the target fed funds rate at 0.25%. The Canadian government yield curve showed little change in the quarter, although long yields increased marginally. Corporate spreads for most issuers narrowed considerably, although spreads for specific sectors, such as insurance companies, showed little improvement. In this environment, the portfolio performed well, benefiting from our strong position in corporate bonds.

### **State Street Global Advisors – Enhanced Core / Active Bond Manager**

Montreal, founded 1978, managing \$1.8 trillion.

The DEX Universe Bond Index posted a 1.52% total return for the first three months of 2009, while 10-year Government of Canada bonds ended the quarter yielding 2.78%. Lack of trust in the global financial system and coordinated central bank action, drove short-term government debt yields to lower levels with Canada 91-day T-bills ending the month yielding 0.39%.

In this relatively volatile market, the DEX Corporate Bond Index™ returned 3.48%, outperforming the DEX All-Governments Bond Index™ by 2.68% for the period. However, while corporate bonds did improve modestly over the quarter, outright spreads remain elevated and the corporate sector of the DEX Universe Bond Index™ remains the worst performing sector of the index over the last 10 years.