BMO CAPITAL MARKETS RESEARCH

Fixed Income Quarterly

SECOND
QUARTER
2014

BMO Capital Markets

BMO Capital Markets Fixed Income Research

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Outlook – April 2014

Credit Cycle

Current View: We maintain our position that with a backdrop of range-bound yields, corporate bonds in Canada represent a sensible investment vehicle and we expect money to continue flowing into the asset class. Since GoC rates remain at paltry levels, we believe the incentive to add spread and juice returns is quite a palpable goal. In the current environment, we advise investors to improve credit quality when possible. That is not to say we are suggesting investors avoid higher-beta sectors; quite the contrary, we currently have both REITs and Telecom rated Outperform. Within sectors, however, we believe investors should focus on their preferred issuers and look for opportunities where they can pick up bonds from those entities by trading out of issuers perceived to be less desirable. Of course, this strategy is almost of the "no-brainer" ilk, but with many investors indiscriminately throwing cash at corporates and spreads at multi-year lows, the opportunity to upgrade should be pursued. Similarly, trades that reduce duration at flat or modest gives in spread, or that reduce duration and improve quality should be considered. Again, the above suggestions are not the most sophisticated, but rather ideas that we believe are being overlooked in the race to add bonds, any bonds.

Economic Growth: BMO Capital Markets expects moderate GDP growth of 1.2% for Canada in Q1/14, modestly softer on weaker-than-expected data to start the year. The estimate for full-year 2014 growth of 2.3% is up from 2.0% in 2013 and suggests economic activity is expected to rise a touch throughout the year.

Equity Markets: The heightened spectre of geopolitical risk so far this year, along with questions about U.S. economic strength and concerns about growth in China, has weighed on equity market performance. In addition, after posting a decent rally during 2013, there is lingering caution about possible overvaluation and further corrective activity. Although the equity markets managed to charge through a temporary pull-back in late January, conviction remains tepid as building tensions in Europe and mixed economic data in the U.S. have left investors looking for more concrete signs of forward direction.

Default Rates: According to Moody's, the global speculative grade default rate was 2.4% at the end of February 2014, down from 2.6% in January. These levels compare with the historical average of 4.7% since 1983. Moody's expects the global speculative-grade default rate to be 2.1% by the end of 2014.

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New Issuance: We believe that last year's total of $106 billion represents the recent high-water mark, with levels expected to slip modestly in 2014. At present, we forecast new issuance of $90–95 billion for full-year 2014, although the primary market started slower than we expected largely due to the funding activities of the Big 6 Banks outside of Canada.

GoC Yields: Softening yields to start the year gave way to a consistent bid on the emergence of geopolitical risks and economic concerns, keeping yields range-bound, which is consistent with our expectation. Mixed messages from the U.S. Fed during March about the duration of its accommodative monetary policies placed some upward pressure on yields, but geopolitical tensions in Europe and mixed U.S. economic signals have kept traders reasonably disciplined. We expect modest credit curve flattening to continue as spreads remain range-bound and the long end remains a viable option to add duration risk and increase returns.

Relative Value

Sector View: We believe Telecom will outperform due to improved clarity over regulatory and competitive risks. We also rate the REIT sector Outperform, based on our view that the sector's solid fundamentals will remain intact in 2014 and offset another likely year of active new issuance. At the same time, we believe Retail will underperform due to heightened risks for competition and shareholder-friendly management decisions. In terms of the Utility sector, the basis for our Underperform rating is two-fold: 1) in a rising interest environment (even moderately) it will be very difficult for the total return of the utility sector to match the broader market given the sector's naturally long duration; and 2) we do not believe Utility spreads will tighten more than the broad market index, especially given long Utility spreads are beginning to break through their recent trading floor. We refer readers to each sector comment for a more detailed description of the recommendations and top picks.

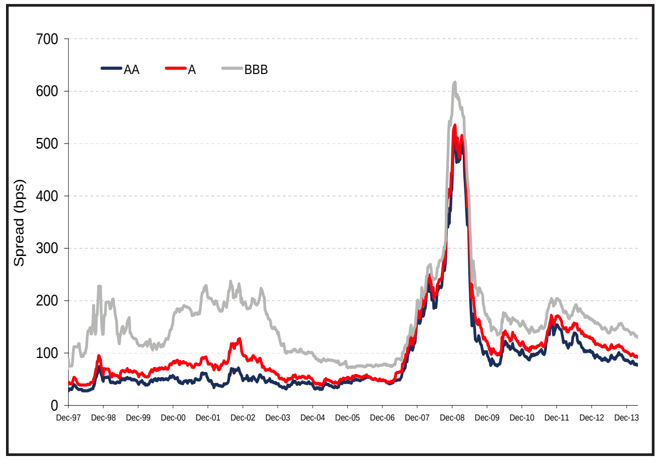
Spreads Marching to Their Own Drummer

After one of the slowest starts in several years, the corporate new issue market in Canada stepped it up a notch during March, posting the second busiest deal volume on record for that month, at $9.9 billion. March 2014 represented the most active month so far this year, and returned the primary market to monthly levels more consistent with those in 2013. However, the rise in primary market action during March 2014 should be taken with a grain of salt when determining whether ongoing monthly new issuance trends have finally ratcheted back up to year-ago levels.

To begin, the pace of deals in January and February this year was reasonably slow versus the previous few years in part due to the periodic interference of exogenous risk (e.g., geopolitical, economic and financial). As a result, a building number of new issues were progressively delayed into March, especially from February, which likely distorted the total transaction volume for last month to the upside. When examined on an average monthly basis, for example, there was roughly $6.8 billion brought to market in Q1/14. That figure is reasonably soft compared with the $8 billion, $7.4 billion, and $9.6 billion of average monthly issuance during the first quarter of 2013, 2012 and 2011, respectively. While the chasm of average monthly Q1 activity between 2014 and the previous several years does not in and of itself seem exceedingly monumental, there were other factors percolating beneath the surface that suggested a permanent return to the $8.8 billion of average monthly issuance in 2013 may be some time in coming.

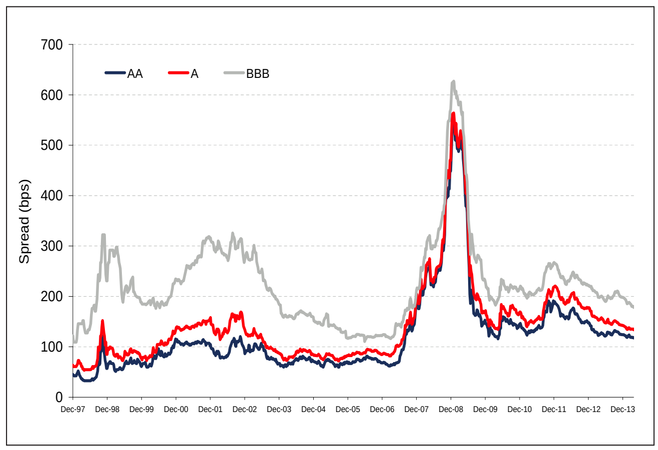
At the top of the list is a building tension between investors and issuers that simmered with growing ferocity as the weeks passed by to begin 2014. It did not take issuers long to realize that the relative paucity of deals in January and February was shifting the balance of pricing power in their favour. They were well aware of the considerable bounty of investor cash that remained on the sidelines and needed to be put to work, a fact that was no doubt pounded into their psyche by an incessant stream of investment banker calls about copious reverse inquiries. The minute amount of issuance, coupled with a strong purchasing of deposit notes and tightening spreads in December 2013, also pointed to the fact that investors were poised to kick off 2014 with a buying frenzy. When the pace of the primary market was fairly inert to start the year and spreads tightened further, investment bankers scrambled to convince issuers that the time was ripe to hit up investors for cash.

Chart 1: *5-Year Canadian Corporate Indicative Spreads*



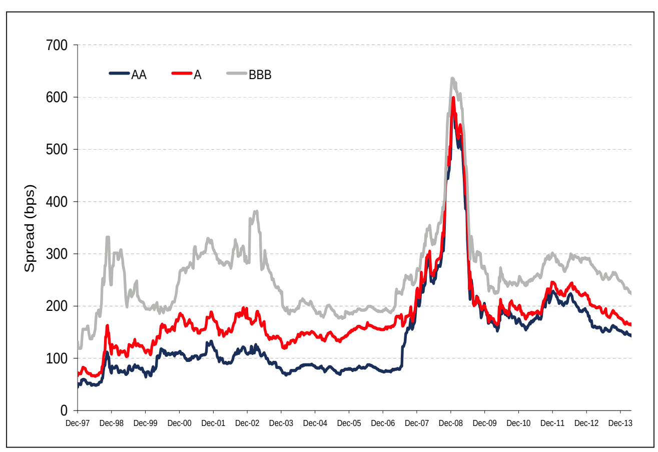
Source: BMO Capital Markets

Chart 2: *10-Year Canadian Corporate Indicative Spreads*



Source: BMO Capital Markets

Chart 3: *30-Year Canadian Corporate Indicative Spreads*



Source: BMO Capital Markets

However, issuers could plainly see that investors were pursuing corporate bonds of all sorts with seemingly indiscriminate fervour through the opening weeks of 2014. As the demand/supply imbalance became perceptibly exacerbated, issuers were increasingly incented to hold steadfast on pricing discipline and work new deal spread concessions to lower and lower levels, especially since tangible results were being achieved.

We have seen this dynamic surface a few times in the post-credit crisis environment, when either investors or issuers draw a proverbial collective line in the sand to enhance their bargaining position. Given the relatively small domestic corporate bond market, the ability of even small blocks of market participants (issuers or investors), whether purposeful or not, to influence deal outcomes is endemic to the natural to-and-fros of new issuance. While this dialectical posturing between issuers and investors at points has involved covenant structures, it has more often than not revolved around price, and in particular new issue spread concessions.

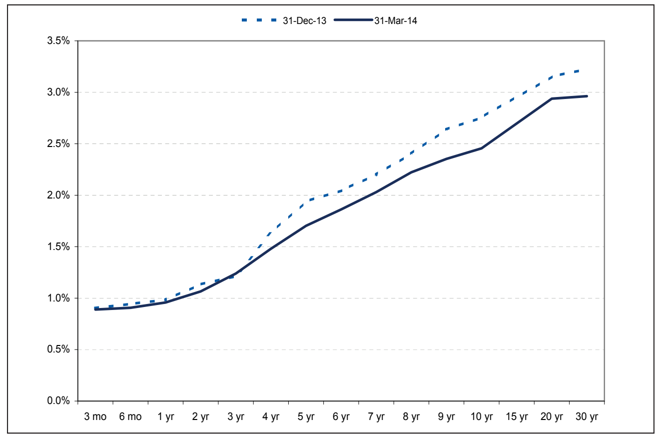
Numerous iterations of concession battles have occurred over the past several years, with the onset of exogenous risks, or the lack thereof, frequently functioning as the key catalyst for determining who gains the upper hand. When risk emerges, bargaining leverage favours investors. If risk remains placated, issuers claw back their cost of funds.

Ch-Ch-Ch-Ch-Changes

That dynamic changed at the beginning of 2014. The emergence of new participants in the Canadian corporate bond market during 2013, such as international investors and short-term bond funds, meaningfully exacerbated the demand/supply imbalance to the point where there has been a perpetual bid for corporate bonds ever since. Admittedly, we experienced points this year when exogenous risk temporarily delayed primary market activity, but investors continued to buy bonds in the secondary market regardless. Moreover, there may have been brief pauses in the narrowing of spreads, but the overall direction in 2014 has been decidedly inward.

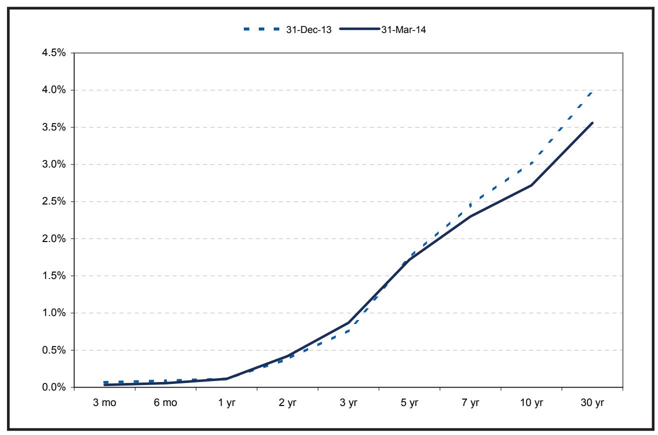
Unremitting demand for corporates induced several transformations in the functioning of the primary market so far in 2014. For instance, a number of higher-quality non-financial issuers were able to fragment the investor base and piece out deals in increments, securing $20 million here and $40 million there. In aggregate, the issuer ultimately achieved its targeted deal size, but by restricting access to its bonds the desired

Chart 4: *Canada Yield Curve*



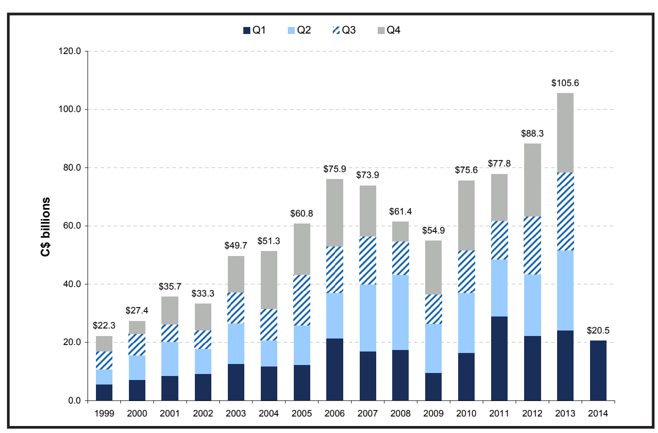
Source: BMO Capital Markets, Bloomberg

Chart 5: *U.S. Yield Curve*



Source: BMO Capital Markets, Bloomberg

Chart 6: *Canadian Corporate Debt Issuance 1999–YTD 2014*



Note: Includes All Corporates as at March 31, 2014 settlement date
Source: BMO Capital Markets

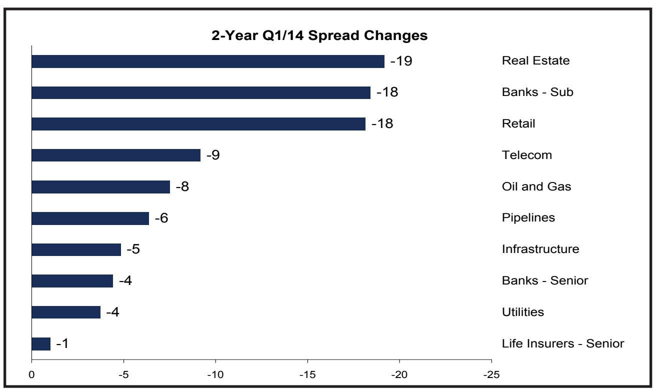
spread and term were also ensured. That strategy was driven by the reverse inquiry process, and saw a plethora of investors either tripping over themselves or relenting to issuer demands in order to simply obtain investable product.

Furthermore, the dearth of transactions from traditional financial issuers meant greater receptivity for lower-rated and infrequent issuers. Issuance from the Big 6 Banks is down almost $4.4 billion so far this year to $8.5 billion, while ABS is lower by $1.3 billion and Other Financials reduced by $1.7 billion to $2.4 billion. This pronounced decline in transaction volumes, combined with ongoing intrinsic demand for corporates, paved the way for issuance from sectors such as REITS (which has transacted $1.6 billion year to date).

Much of the demand exhibited by the troika of international investors, short-term bond funds and asset swappers resides largely in the realm of financials given their trade size requirements (i.e., $20+ million). With spreads from the financial sectors being bid to recent multi-year lows, more traditional investors were forced down the credit quality spectrum in order to find spread and any semblance of relative value. However, since almost all sectors are now at multi-year lows for spreads, the incentive of late has been more just to add spread (disregarding relative value) and to find any product at all. This process has been distorted by reluctance from investors to sell bonds since they are finding it hard to get them back, and by very thin inventory positions held at the dealer level, leading to more and more agency trading.

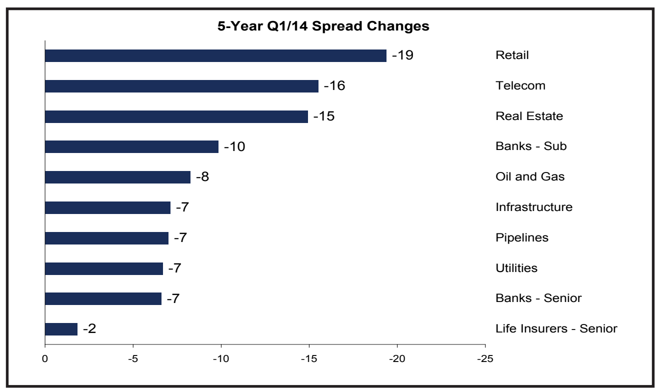
Still, investors who are not benchmarked, such as asset liability matchers, are endeavouring to be more disciplined in the current frenzied market, holding out for price and looking to hold credit in the form of provincial bonds and agencies. This strategy, which is underpinned by the luxury of being able to take a longer-term view, is not conducive to the current realities of the corporate market for most other investors, who are constantly being directly judged based on performance. As a consequence, most investors are feeling compelled to source

Chart 7: *2-Year Q1/14 Spread Changes*



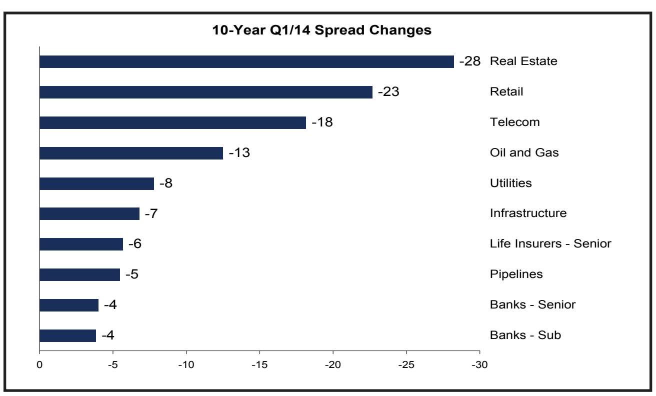
Source: BMO Capital Markets

Chart 8: *5-Year Q1/14 Spread Changes*



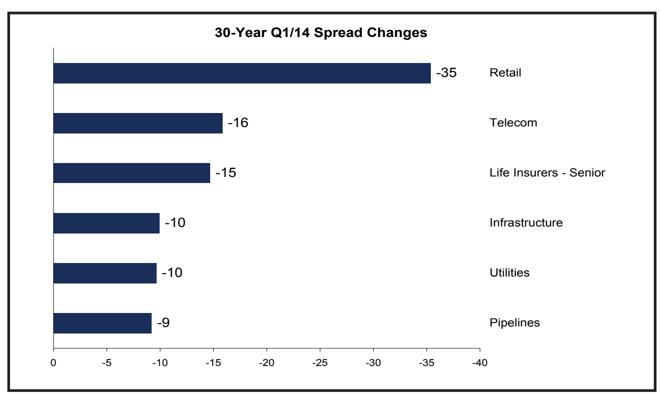
Source: BMO Capital Markets

Chart 9: *10-Year Q1/14 Spread Changes*



Source: BMO Capital Markets

Chart 10: *30-Year Q1/14 Spread Changes*



Source: BMO Capital Markets

bonds by any means possible, after witnessing external demand siphon significant corporate product from the market.

Managing a corporate bond fund generally entails buying corporate bonds, not money market instruments. Whether investors like it or not, the hard reality of the situation dictates that there is intensifying competition for corporate bonds. A multitude of investors need product: investable product that generates decent returns. In the competition for corporate bonds, some investors are willing to concede a few basis points in order to get the product. And that is where we are at right now. It should be to no one's surprise or consternation that issuers are taking advantage.

What to Do, What to Do?

First and foremost in the current environment, we advise investors to improve credit quality when possible. That is not to say we are suggesting investors avoid higher-beta sectors; quite the contrary, we currently have both REITs and Telecom rated Outperform. Within sectors, however, we believe investors should focus on their preferred issuers and look for opportunities where they can pick up bonds from those entities by trading out of issuers perceived to be less desirable. Of course, this strategy is almost of the "no-brainer" ilk, but with many investors indiscriminately throwing cash at corporates and spreads at multi-year lows, the opportunity to upgrade is something that should be pursued. Similarly, trades that reduce duration at flat or modest gives in spread, or that reduce duration and improve quality should be considered. Again, the above suggestions are not the most sophisticated, but rather ideas that we believe are being overlooked in the race to add bonds, any bonds.

We also observe that investors with the internal capacity to do so are adding U.S. bonds from cross-border issuers, sometimes on less favourable pricing just to add product in the size needed. Unfortunately, this option is not available to most investors, who are mandated to own Canadian bonds.

Interestingly, we are now seeing investors buy secondary bonds ahead of new issues since many primary market transactions are being priced with negative concessions. Oh how times have changed when anticipating new issues means buying bonds instead of selling; however, with negative concessions re-pricing entire curves and spreads narrowing further on the break, such a strategy has proved to be beneficial. The fact we are seeing negative concessions is profoundly indicative of the market distorting capabilities of the current demand/supply disequilibrium.

Has New Issuance Turned a Corner to the Upside?

It remains to be seen whether monthly new issuance volumes around the $8–9 billion level will continue into April and beyond. At this point, we are highly sceptical. There is very little in the pipeline on the road show calendar, and many investors have resigned themselves to expectations for a strong second half of the year. Furthermore, the volume of deals from non-financials so far in 2014, at almost $11 billion, is $3.3 billion ahead of last year's level, suggesting primary market activity for those sectors is running at full tilt, with little more upside possible.

At the same time, issuance from the financial sectors is down quite substantially from year-ago levels. Since a host of issuers from these sectors can easily come to market with a $500 million to $1+ billion deal, we believe the ability of the primary market in Canada to overcome a slow start to 2014 is meaningfully mitigated. Nevertheless, much of this decision making will be based on factors beyond the control of Canadian investors, such as swap spreads, or foreign demand for bonds from domestic financial issuers.

For full-year 2014, we reiterate our expectation of issuance between $90 billion and $95 billion.

Investors Getting Higher – Quality and Beta

Along with the indiscriminate buying noted above, it has been difficult to discern any sector trends in buying from a spread perspective. On a year-to-date basis, there has been material tightening for both high quality (e.g., Banks, Pipelines, Infrastructure) and high beta (e.g., Oil and Gas, Industrials). However, of the several sectors that have really knocked performance out of the park, all are from the high beta arena Real Estate, Retail and Telecom. What's more, these three sectors have also experienced material bull flattening, indicating investors, just like last year, are adding risk in terms of both credit and duration. Overall, the 2s-30s credit curve has flattened by about 6 bps so far this year, with spread narrowing by roughly 7–9 bps in the short end, 9 bps in mids and 13 bps in longs. Much like last year, demand for corporates is across all sectors and segments of the curve.

The current environment remains a seller's market, both in terms of the primary and secondary activity. The disruption to new deal flow has translated straight into a positive spread performance. Add in the traditional surge in risk-taking to start the year, and the buying interest has really been sprayed across the full spectrum of credit quality in Canada. We believe the rampant demand/supply disequilibrium in Canadian corporates, to a large degree, has insulated the domestic market from the short-term vagaries transpiring at the global level.

We believe the domestic corporate market will continue to be driven by conditions on the primary side of the equation. As noted above, investors are well positioned for supply, with market dynamics having adjusted accordingly (e.g., new meaningful players, a faster new issue approval process, greater risk tolerance and new conceptions of relative value). We believe any disruption to a steady flow of bonds no doubt will exacerbate the conditions of the current demand/supply disequilibrium.

We maintain our position that with a backdrop of range-bound yields, we believe corporate bonds in Canada represent a sensible investment vehicle and we expect money to continue flowing into the asset class. Since GoC rates remain at paltry levels, we believe the incentive to add spread and juice returns is quite a palpable goal.

Table 1: *Total Returns (March 2014)*

Sector	Short	Mid	Long	Broad
Composite	**-0.01%**	**-0.24%**	**-0.41%**	**-0.19%**
All Government	**-0.07%**	**-0.37%**	**-0.62%**	**-0.33%**
Canada	-0.05%	-0.29%	-0.43%	-0.20%
Agencies	-0.10%	-0.47%	-0.54%	-0.24%
Provincials	-0.07%	-0.39%	-0.72%	-0.48%
Municipals	-0.04%	-0.25%	-0.56%	-0.29%
All Corporates	**0.07%**	**0.11%**	**0.29%**	**0.13%**
Corporate AA	0.01%	0.02%	0.08%	0.01%
Corporate A	0.11%	-0.01%	0.11%	0.08%
Corporate BBB	0.17%	0.23%	0.65%	0.31%

Source: PC Bond, a business unit of TSX Inc.
As of March 31, 2014

Table 2: *Total Returns (Q1 2014)*

Sector	Short	Mid	Long	Broad
Composite	**1.06%**	**3.22%**	**5.12%**	**2.77%**
All Government	**0.86%**	**2.99%**	**4.84%**	**2.68%**
Canada	0.67%	2.99%	4.93%	2.24%
Agencies	0.94%	3.09%	5.18%	1.73%
Provincials	1.14%	2.97%	4.76%	3.42%
Municipals	1.34%	3.03%	5.37%	3.23%
All Corporates	**1.39%**	**3.85%**	**6.06%**	**2.95%**
Corporate AA	1.31%	3.60%	5.51%	1.58%
Corporate A	1.35%	3.52%	5.83%	3.35%
Corporate BBB	1.65%	4.16%	6.56%	3.80%

Source: PC Bond, a business unit of TSX Inc.
As of March 31, 2014

Table 3*: Total Returns (Month over Month)*

Sector	30-Apr-13	31-May-13	28-Jun-13	31-Jul-13	30-Aug-13	30-Sep-13	31-Oct-13	29-Nov-13	31-Dec-13	31-Jan-14	28-Feb-14	31-Mar-14
Broad												
Composite	**1.1%**	**-1.5%**	**-2.0%**	**0.2%**	**-0.6%**	**0.5%**	**1.1%**	**-0.2%**	**-0.4%**	**2.6%**	**0.3%**	**-0.2%**
All Government	**1.2%**	**-1.6%**	**-2.1%**	**0.1%**	**-0.6%**	**0.6%**	**1.0%**	**-0.3%**	**-0.5%**	**2.7%**	**0.3%**	**-0.3%**
Canada	1.0%	-1.7%	-1.7%	0.1%	-0.5%	0.4%	0.8%	-0.4%	-0.6%	2.3%	0.1%	-0.2%
Agencies	0.6%	-0.9%	-1.1%	0.3%	-0.2%	0.5%	0.9%	0.1%	-0.5%	1.8%	0.2%	-0.2%
Provincials	1.6%	-1.9%	-2.8%	0.0%	-0.9%	0.7%	1.2%	-0.5%	-0.4%	3.4%	0.5%	-0.5%
Municipals	1.4%	-1.5%	-2.3%	0.1%	-0.6%	0.7%	1.1%	-0.2%	-0.3%	3.0%	0.5%	-0.3%
All Corporates	**1.0%**	**-1.0%**	**-1.9%**	**0.5%**	**-0.5%**	**0.4%**	**1.2%**	**0.0%**	**-0.3%**	**2.4%**	**0.4%**	**0.1%**
Corporate AA	0.5%	-0.6%	-0.9%	0.6%	-0.2%	0.4%	0.8%	0.2%	-0.1%	1.2%	0.4%	0.0%
Corporate A	1.2%	-1.2%	-2.1%	0.4%	-0.6%	0.3%	1.2%	-0.2%	-0.3%	2.8%	0.4%	0.1%
Corporate BBB	1.3%	-1.1%	-2.5%	0.5%	-0.7%	0.5%	1.5%	0.0%	-0.4%	3.0%	0.5%	0.3%
Short												
Composite	**0.4%**	**-0.4%**	**-0.6%**	**0.4%**	**-0.1%**	**0.4%**	**0.6%**	**0.2%**	**-0.1%**	**0.9%**	**0.2%**	**0.0%**
All Government	**0.3%**	**-0.4%**	**-0.5%**	**0.3%**	**-0.1%**	**0.4%**	**0.6%**	**0.2%**	**-0.1%**	**0.8%**	**0.1%**	**-0.1%**
Canada	0.3%	-0.4%	-0.4%	0.3%	-0.1%	0.3%	0.4%	0.1%	-0.1%	0.7%	0.0%	0.0%
Agencies	0.3%	-0.4%	-0.5%	0.3%	-0.1%	0.4%	0.7%	0.2%	-0.2%	1.0%	0.1%	-0.1%
Provincials	0.5%	-0.4%	-0.6%	0.3%	0.0%	0.5%	0.7%	0.2%	-0.2%	1.1%	0.1%	-0.1%
Municipals	0.5%	-0.4%	-0.7%	0.4%	0.0%	0.5%	0.7%	0.3%	-0.2%	1.2%	0.2%	0.0%
All Corporates	**0.4%**	**-0.4%**	**-0.7%**	**0.5%**	**-0.1%**	**0.4%**	**0.7%**	**0.3%**	**0.0%**	**1.0%**	**0.3%**	**0.1%**
Corporate AA	0.4%	-0.5%	-0.7%	0.5%	-0.2%	0.3%	0.8%	0.3%	-0.1%	1.0%	0.3%	0.0%
Corporate A	0.4%	-0.3%	-0.7%	0.5%	-0.1%	0.3%	0.7%	0.3%	0.0%	1.0%	0.2%	0.1%
Corporate BBB	0.5%	-0.3%	-0.8%	0.5%	-0.1%	0.5%	0.8%	0.3%	0.0%	1.2%	0.3%	0.2%
Mid												
Composite	**1.2%**	**-1.8%**	**-2.3%**	**0.4%**	**-0.7%**	**0.8%**	**1.3%**	**-0.1%**	**-0.8%**	**3.0%**	**0.5%**	**-0.2%**
All Government	**1.2%**	**-1.9%**	**-2.3%**	**0.3%**	**-0.7%**	**0.8%**	**1.3%**	**-0.1%**	**-0.9%**	**2.9%**	**0.4%**	**-0.4%**
Canada	1.2%	-2.2%	-2.3%	0.2%	-0.7%	0.8%	1.1%	-0.4%	-1.1%	3.0%	0.3%	-0.3%
Agencies	1.1%	-2.0%	-2.2%	0.2%	-0.6%	0.8%	1.2%	0.1%	-1.0%	3.1%	0.5%	-0.5%
Provincials	1.3%	-1.7%	-2.3%	0.3%	-0.6%	0.8%	1.3%	0.0%	-0.8%	2.8%	0.5%	-0.4%
Municipals	1.2%	-1.5%	-1.9%	0.4%	-0.4%	0.9%	1.3%	0.2%	-0.7%	2.7%	0.5%	-0.3%
All Corporates	**1.3%**	**-1.5%**	**-2.4%**	**0.7%**	**-0.7%**	**0.6%**	**1.5%**	**0.0%**	**-0.6%**	**3.1%**	**0.6%**	**0.1%**
Corporate AA	1.2%	-1.7%	-2.2%	0.7%	-0.7%	0.6%	1.5%	0.1%	-0.6%	2.8%	0.7%	0.0%
Corporate A	1.2%	-1.6%	-2.2%	0.7%	-0.6%	0.5%	1.4%	0.1%	-0.6%	2.9%	0.6%	0.0%
Corporate BBB	1.3%	-1.4%	-2.7%	0.7%	-0.7%	0.7%	1.6%	0.0%	-0.7%	3.3%	0.6%	0.2%
Long												
Composite	**2.2%**	**-2.8%**	**-4.0%**	**-0.3%**	**-1.4%**	**0.6%**	**1.5%**	**-1.1%**	**-0.6%**	**5.0%**	**0.5%**	**-0.4%**
All Government	**2.2%**	**-3.0%**	**-4.0%**	**-0.4%**	**-1.4%**	**0.7%**	**1.3%**	**-1.3%**	**-0.5%**	**5.0%**	**0.5%**	**-0.6%**
Canada	2.4%	-3.8%	-4.0%	-0.5%	-1.4%	0.4%	1.4%	-1.7%	-1.4%	5.3%	0.1%	-0.4%
Agencies	2.2%	-2.7%	-3.1%	0.0%	-1.1%	0.9%	1.5%	-0.9%	-1.2%	5.5%	0.3%	-0.5%
Provincials	2.2%	-2.6%	-4.0%	-0.4%	-1.4%	0.8%	1.3%	-1.1%	-0.1%	4.8%	0.7%	-0.7%
Municipals	2.3%	-2.6%	-4.0%	-0.5%	-1.2%	0.7%	1.3%	-1.2%	0.0%	5.1%	0.8%	-0.6%
All Corporates	**2.2%**	**-2.0%**	**-4.3%**	**0.1%**	**-1.4%**	**0.3%**	**2.0%**	**-0.7%**	**-0.6%**	**5.2%**	**0.6%**	**0.3%**
Corporate AA	1.7%	-2.8%	-3.5%	0.4%	-1.0%	0.6%	1.4%	-0.7%	-1.1%	4.1%	1.3%	0.1%
Corporate A	2.2%	-2.2%	-4.0%	0.0%	-1.4%	0.2%	1.8%	-0.8%	-0.5%	5.2%	0.5%	0.1%
Corporate BBB	2.2%	-1.6%	-4.8%	0.2%	-1.3%	0.4%	2.3%	-0.4%	-0.7%	5.2%	0.6%	0.6%

Source: PCBond, a business unit of TSX Inc.
As of March 31, 2014

***Table 4**: Modified Duration Matrix*

Sector	30-Apr-13	31-May-13	28-Jun-13	31-Jul-13	30-Aug-13	30-Sep-13	31-Oct-13	29-Nov-13	31-Dec-13	31-Jan-14	28-Feb-14	31-Mar-14
Broad												
Composite	**6.91**	**6.80**	**6.82**	**6.74**	**6.67**	**6.68**	**6.67**	**6.60**	**6.72**	**6.83**	**6.87**	**6.84**
All Government	**7.30**	**7.19**	**7.29**	**7.18**	**7.13**	**7.15**	**7.12**	**7.05**	**7.25**	**7.34**	**7.41**	**7.39**
Canada	6.28	6.23	6.36	6.22	6.24	6.14	6.08	6.08	6.19	6.21	6.40	6.31
Agencies	4.14	4.10	4.24	4.15	4.12	4.24	4.18	4.16	4.72	4.71	4.69	4.77
Provincials	9.49	9.31	9.32	9.23	9.09	9.17	9.18	9.03	9.15	9.33	9.30	9.28
Municipals	7.92	7.87	7.92	7.90	7.87	7.89	7.92	7.74	7.93	8.07	8.16	8.06
All Corporates	**5.93**	**5.81**	**5.70**	**5.68**	**5.57**	**5.57**	**5.59**	**5.57**	**5.52**	**5.64**	**5.63**	**5.61**
Corporate AA	3.31	3.22	3.23	3.24	3.18	3.13	3.12	3.15	3.13	3.17	3.19	3.23
Corporate A	7.01	6.88	6.79	6.77	6.67	6.73	6.88	6.85	6.78	6.91	6.87	6.81
Corporate BBB	6.72	6.64	6.50	6.51	6.39	6.35	6.30	6.24	6.25	6.34	6.33	6.30
Short												
Composite	**2.67**	**2.64**	**2.78**	**2.72**	**2.69**	**2.71**	**2.66**	**2.65**	**2.78**	**2.72**	**2.71**	**2.72**
All Government	**2.56**	**2.51**	**2.73**	**2.64**	**2.61**	**2.67**	**2.60**	**2.57**	**2.77**	**2.70**	**2.70**	**2.72**
Canada	2.34	2.32	2.52	2.43	2.45	2.47	2.40	2.38	2.42	2.35	2.38	2.43
Agencies	2.70	2.61	2.92	2.83	2.75	2.81	2.74	2.66	3.08	3.01	2.93	2.97
Provincials	2.95	2.88	2.99	2.90	2.82	3.01	2.97	2.90	3.12	3.05	3.02	3.07
Municipals	2.99	2.95	3.18	3.10	3.02	2.97	2.94	2.98	3.26	3.20	3.13	3.04
All Corporates	**2.89**	**2.87**	**2.88**	**2.87**	**2.83**	**2.78**	**2.76**	**2.80**	**2.79**	**2.76**	**2.73**	**2.73**
Corporate AA	2.99	2.93	2.89	2.89	2.86	2.80	2.77	2.81	2.80	2.79	2.75	2.78
Corporate A	2.80	2.78	2.83	2.79	2.72	2.67	2.70	2.75	2.71	2.66	2.62	2.55
Corporate BBB	2.85	2.90	2.95	3.00	2.98	2.95	2.85	2.83	2.88	2.83	2.85	2.87
Mid												
Composite	**6.27**	**6.17**	**6.42**	**6.35**	**6.26**	**6.32**	**6.27**	**6.21**	**6.33**	**6.28**	**6.21**	**6.17**
All Government	**6.39**	**6.27**	**6.59**	**6.49**	**6.38**	**6.48**	**6.42**	**6.34**	**6.51**	**6.45**	**6.37**	**6.32**
Canada	6.21	6.06	6.80	6.64	6.49	6.61	6.54	6.39	6.38	6.28	6.15	6.23
Agencies	6.57	6.46	6.63	6.54	6.45	6.42	6.35	6.35	6.93	6.88	6.81	6.56
Provincials	6.44	6.34	6.50	6.42	6.34	6.46	6.41	6.33	6.47	6.43	6.38	6.31
Municipals	5.98	5.88	5.93	5.85	5.76	6.01	5.97	5.93	6.15	6.17	6.10	6.08
All Corporates	**5.91**	**5.87**	**5.90**	**5.91**	**5.88**	**5.84**	**5.83**	**5.80**	**5.80**	**5.81**	**5.79**	**5.77**
Corporate AA	5.47	5.72	6.00	5.85	5.86	5.79	5.87	5.79	5.77	5.80	5.75	5.64
Corporate A	5.92	5.82	5.85	5.93	5.87	5.79	5.76	5.78	5.78	5.78	5.77	5.74
Corporate BBB	5.96	5.94	5.93	5.90	5.89	5.90	5.88	5.81	5.82	5.83	5.82	5.83
Long												
Composite	**13.82**	**13.56**	**13.67**	**13.59**	**13.38**	**13.53**	**13.53**	**13.41**	**13.55**	**13.72**	**13.67**	**13.58**
All Government	**14.07**	**13.77**	**14.02**	**13.91**	**13.67**	**13.90**	**13.87**	**13.72**	**13.91**	**14.07**	**14.00**	**13.88**
Canada	14.22	13.91	14.61	14.52	14.23	14.15	13.99	13.88	13.99	14.14	14.01	13.92
Agencies	11.00	10.25	10.06	10.00	9.49	10.50	10.47	10.54	14.64	14.95	13.71	13.58
Provincials	14.05	13.79	13.88	13.74	13.57	13.85	13.89	13.71	13.85	14.00	14.02	13.88
Municipals	15.06	14.84	14.63	14.64	14.48	14.58	14.55	14.40	14.55	14.76	14.82	14.68
All Corporates	**12.95**	**12.80**	**12.49**	**12.52**	**12.41**	**12.34**	**12.44**	**12.41**	**12.37**	**12.57**	**12.54**	**12.57**
Corporate AA	8.97	8.81	8.68	8.66	8.55	8.56	8.50	8.40	8.33	8.41	8.35	8.42
Corporate A	13.19	13.05	12.78	12.86	12.71	12.59	12.70	12.69	12.66	12.88	12.88	12.91
Corporate BBB	12.91	12.74	12.35	12.29	12.25	12.23	12.32	12.24	12.19	12.37	12.31	12.32

Source: PCBond, a business unit of TSX Inc.
As of March 31, 2014

Canadian Corporate Debt Issuance

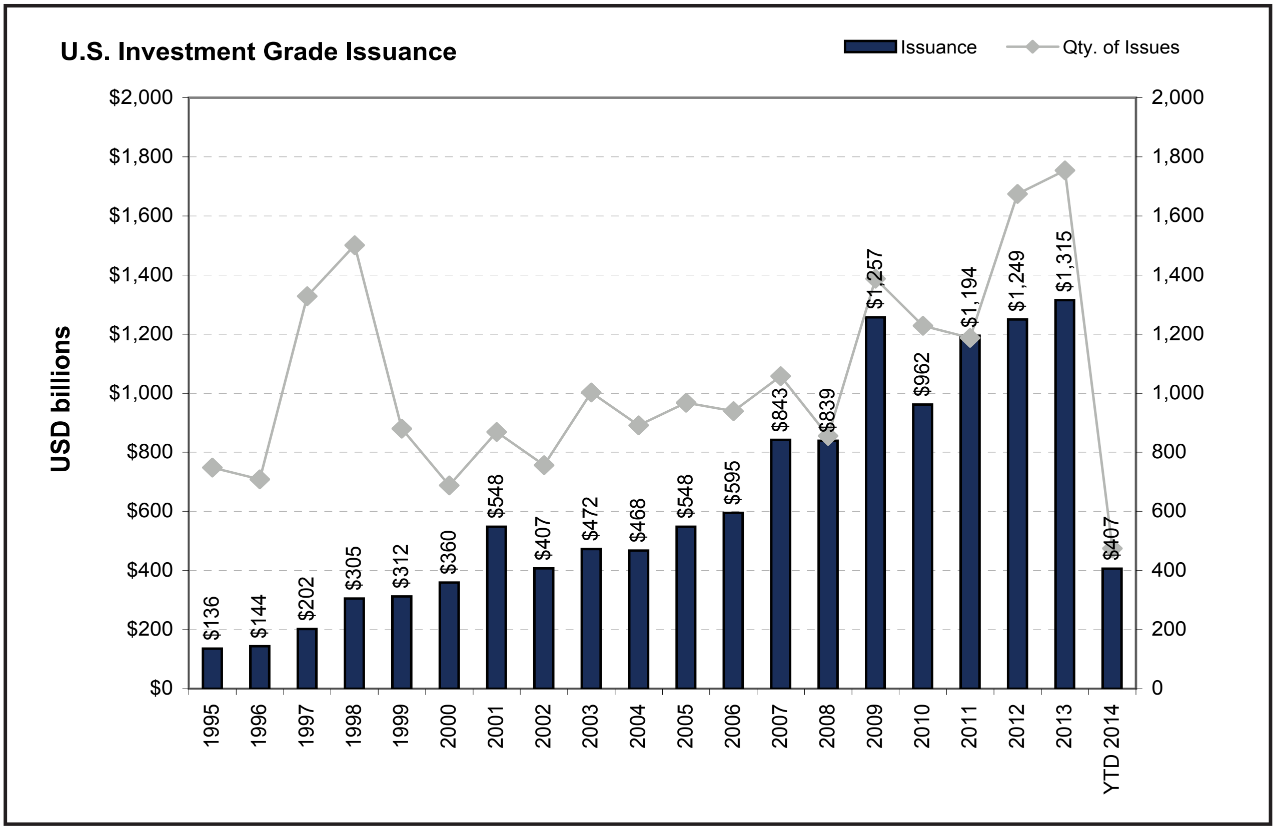
Table 1.1
Canadian Corporate New Issuance Activity – 3 Month Trailing

Issuer	Sector	Size (C$ mm)	Term	Spread [1]	Issue Date [2]	Coupon	Maturity	Instrument
Bank of Nova Scotia	BANK - Big 6	1,500	7	101.0	10-Jan-2014	3.27%	11-Jan-2021	Deposit Notes
AltaGas Ltd.	UTIL - Gas/Elec	100	30	195.0	13-Jan-2014	5.16%	13-Jan-2044	Medium Term Note
AltaGas Ltd.	UTIL - Gas/Elec	200	10	159.0	13-Jan-2014	4.40%	15-Mar-2024	Medium Term Note
Canadian Western Bank	FIN	300	5	112.0	14-Jan-2014	3.077%	14-Jan-2019	Deposit Notes
Manulife Bank of Canada	FIN	100	2	3M BA+40	14-Jan-2014	3M BA+40	18-Jan-2016	Senior Unsecured
Cominar Real Estate Investment Trust	REIT	100	7	275.0	16-Jan-2014	4.94%	27-Jul-2020	Senior Unsecured Debentures (Re-open)
Algonquin Power Co.	UTIL - Gas/Elec	200	8	230.0	17-Jan-2014	4.65%	15-Feb-2022	Senior Unsecured Debentures
John Deere Canada Funding Inc.	FIN	300	4	75.0	17-Jan-2014	2.3%	17-Jan-2018	Medium Term Note
First Capital Realty	REIT	150	11	207.0	20-Jan-2014	4.79%	30-Aug-2024	Senior Unsecured Debentures
National Bank of Canada	BANK - Big 6	750	3	73.0	20-Jan-2014	2.02%	13-Apr-2017	Deposit Notes
Dundee Real Estate Investment Trust	REIT	150	6	210.0	21-Jan-2014	4.07%	21-Jan-2020	Senior Unsecured Debentures
RioCan REIT	REIT	150	6	160.0	23-Jan-2014	3.62%	01-Jun-2020	Senior Unsecured Debentures
Brookfield Asset Management	IND	500	12	220.0	28-Jan-2014	4.82%	28-Jan-2026	Medium Term Notes
Hydro One Inc.	UTIL - Gas/Elec	50	50	132.0	29-Jan-2014	4.29%	29-Jan-2064	Medium Term Notes
Wells Fargo Canada Corp.	FIN	1,250	7	107.0	30-Jan-2014	3.04%	29-Jan-2021	Medium Term Notes
Shaw Communications Inc.	TEL	300	2	3M BA + 69	31-Jan-2014	3M BA + 69	01-Feb-2016	Sr Unsecured Note
Shaw Communications Inc.	TEL	500	10	185.0	31-Jan-2014	4.35%	31-Jan-2024	Sr Unsecured Note
LeisureWorld Senior Care LP	INFRA	322	7	150.3	03-Feb-2014	3.47%	03-Feb-2021	Senior Secured Debentures
West Edmonton Mall Property Inc.	REAL ESTATE	350	10	188.0	04-Feb-2014	4.31%	13-Feb-2024	1st Mortgage Bond
West Edmonton Mall Property Inc.	REAL ESTATE	550	10	183.0	04-Feb-2014	4.06%	13-Feb-2024	1st Mortgage Bond
Choice Properties Real Estate Investment Trust	REIT	250	7	160.0	06-Feb-2014	3.50%	08-Feb-2021	Senior Unsecured Debenture
Choice Properties Real Estate Investment Trust	REIT	200	10	190.0	06-Feb-2014	4.29%	08-Feb-2024	Senior Unsecured Debenture
Calloway REIT	REIT	150	7	175.0	11-Feb-2014	3.75%	11-Feb-2021	Senior Unsecured Debentures
Goldman Sachs Group, Inc.	MAPLE	600	7	162.0	12-Feb-2014	3.55%	12-Feb-2021	Maple Bond
First Capital Realty	REIT	75	11	205.0	18-Feb-2014	4.790%	30-Aug-2024	Senior Unsecured Debentures (Re-open)
Canadian National Railway Company	INFRA	250	7	82.0	18-Feb-2014	2.75%	18-Feb-2021	Senior Unsecured Notes
Ford Credit Canada Ltd.	AUTO	500	5	125.0	23-Dec-3724	2.94%	19-Feb-2019	Senior Unsecured Notes
Manufacturers Life Insurance Company	INS - Big 4	500	5+5	114.0	21-Feb-2014	2.81%	21-Feb-2024	Subordinated Fixed Floater
InPower BC General Partnership	UTIL - Gas/Elec	299	19	190.0	28-Feb-2014	4.47%	31-Mar-2033	Senior Secured Debentures
Bank of Montreal	BANK - Big 6	750	5	79.0	03-Mar-2014	2.43%	04-Mar-2019	Deposit Notes
Royal Bank of Canada	BANK - Big 6	1,750	7	97.0	04-Mar-2014	2.86%	04-Mar-2021	Deposit Notes
JP Morgan Chase & Co.	MAPLE	700	7	128.0	05-Mar-2014	3.19%	05-Mar-2021	Maple Bond
Crombie REIT	REIT	100	7	195.0	05-Mar-2014	3.96%	01-Jun-2021	Senior Unsecured Notes
Cogeco Inc.	TEL	50	6	n/a	05-Mar-2014	6.00%	05-Mar-2020	Senior Unsecured Notes
Cominar Real Estate Investment Trust	REIT	100	6	260.0	07-Mar-2014	4.94%	27-Jul-2020	Senior Unsecured Debentures (Re-open)
Rogers Communications Inc.	TEL	250	3	3M BA + 60	10-Mar-2014	3M BA + 60	13-Mar-2017	Senior Notes
Rogers Communications Inc.	TEL	400	5	120.0	10-Mar-2014	2.80%	13-Mar-2019	Senior Notes
Rogers Communications Inc.	TEL	600	10	165.0	10-Mar-2014	4.00%	13-Mar-2024	Senior Notes
MCAP Commercial LP	FIN	150	5	230.0	11-Mar-2014	3.96%	11-Mar-2019	Senior Secured Notes
First Capital Realty	REIT	75	10	184.0	11-Mar-2014	4.79%	30-Aug-2024	Senior Unsecured Debentures (Re-open)
Enbridge Inc.	PIPE	500	3	3M BA + 45	11-Mar-2014	3M BA + 45	13-Mar-2017	Medium Term Notes
Enbridge Inc.	PIPE	400	7	114.0	11-Mar-2014	3.16%	11-Mar-2021	Medium Term Notes
Enbridge Inc.	PIPE	500	30	155.0	11-Mar-2014	4.57%	11-Mar-2044	Medium Term Notes
Bank of Nova Scotia	BANK - Big 6	1,250	5	79.0	14-Mar-2014	2.46%	14-Mar-2019	Deposit Notes
Ford Credit Canada Ltd.	AUTO	350	2	3M BA + 55	18-Mar-2014	3M BA + 55	18-Mar-2016	Senior Unsecured Notes
Hydro One Inc.	UTIL - Gas/Elec	125	5	3M BA + 35	21-Mar-2014	3M BA + 35	21-Mar-2019	Medium Term Notes
Plenary Justice Okanagan LP	INFRA	115	32	170.0	21-Mar-2014	4.62%	31-Mar-2046	Senior Unsecured Notes
Daimler Canada Finance	AUTO	400	4	83.0	26-Mar-2014	2.27%	26-Mar-2018	Senior Unsecured
BMW Canada Inc.	AUTO	200	3	63.0	26-Mar-2014	1.73%	26-Sep-2016	Senior Unsecured
BMW Canada Inc.	AUTO	300	5	78.0	26-Mar-2014	2.33%	26-Sep-2018	Senior Unsecured
Artis Real Estate	REIT	125	5	200.0	27-Mar-2014	3.75%	27-Mar-2019	Senior Unsecured
Manulife Bank of Canada	FIN	125	3	3M BA + 40	27-Mar-2014	3M BA + 40	27-Mar-2017	Senior Unsecured
Enbridge Inc.	PIPE	130	50	160.0	28-Mar-2014	4.56%	28-Mar-2064	Medium Term Notes
Tim Hortons Inc.	RETAIL	450	5	115.0	28-Mar-2014	2.85%	01-Apr-2019	Senior Unsecured
Total		**$20,541**						

New issuance with settlement dates in Q1 2014
Notes: (1) Indicative spread versus curve; (2) First settlement date
Source: BMO Capital Markets, Bloomberg
Industry: ABS: Asset-Backed Security, AUTO: Auto, BANK: Bank, CABLE: Cable, FIN: Financial Services & Other Financials, IND: Industrial Products, INFRA: Infrastructure, INS: Insurance, MAPLE: Maple Issuer, M&M: Metals and Mining, O&G: Oil and Gas, OTHER: Other, PIPE: Pipeline, PFA: Pension Fund Agency, PP: Printing and Publishing, REAL ESTATE: Real Estate, RETAIL: Retailer, TEL: Telecom, UTIL: Gas/Elec: Gas and Electric Utility

U.S. Corporate Debt Issuance

Chart 1.1
U.S. Investment Grade Debt Offerings 1995 to YTD 2014



As at March 31, 2014
Source: BMO Capital Markets (NY)

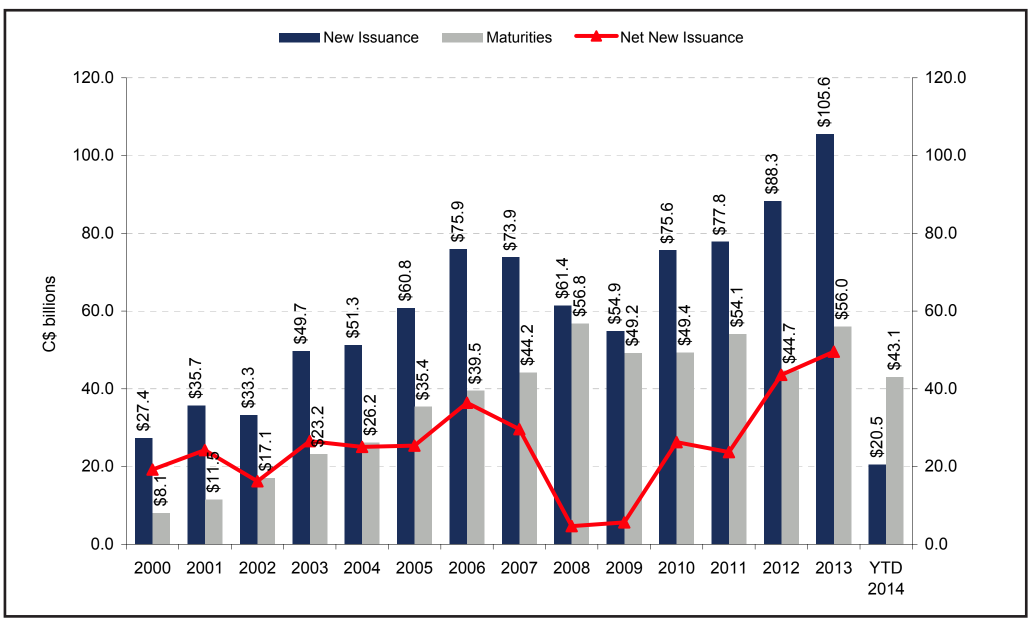
Canadian Corporate Debt Issuance

Table 1.2
Top 25 Canadian Corporate Issuers 1999 – YTD 2014

Issuer	Amount (C$ mm)
Bank of Nova Scotia	65,448
Royal Bank of Canada	58,918
Canadian Imperial Bank of Commerce	48,561
Bank of Montreal	46,426
Toronto-Dominion Bank	27,600
GE Capital Canada Funding Company	22,108
Citigroup Finance Canada Inc.	19,265
Bell Canada	17,610
HSBC Bank Canada	17,345
Wells Fargo Financial Canada Corp.	15,125
Hydro One Inc.	14,052
DaimlerChrysler Canada Finance	13,340
National Bank of Canada	12,657
Ford Credit Canada Limited	11,198
Greater Toronto Airports Authority	11,135
Capital Desjardins Inc.	10,810
407 International Inc.	10,177
TELUS Corporation	9,900
Manufacturers Life Insurance Company	9,800
Cards II Trust	9,536
Golden Credit Card Trust	8,434
Rogers Cable Inc.	8,350
Enbridge Inc.	7,680
Master Credit Card Trust	7,650
General Motors Acceptance Corp. of Canada	7,489

Note: Includes all Corporates with settlement date on or before March 31, 2014
Source: BMO Capital Markets

Chart 1.2
Annual Corporate Net Issuance



Note: Includes all Corporates with settlement date on or before March 31, 2014
Source: BMO Capital Markets, Bloomberg

Canadian Corporate Debt Issuance

Table 1.3
Maturity Schedule for Q2 2014

Issuer	April	Amount (C$ mm)		May	Amount (C$ mm)	Issuer	June	Amount (C$ mm)
BMW Canada Inc	04/01/2014	400	OMERS Realty CTT Holdings Two Inc	05/05/2014	180	Nova Gas Transmission Ltd	06/01/2014	53
Capital Desjardins Inc*	04/01/2014	500	Loblaw Cos Ltd	05/08/2014	350	GE Capital Canada Funding Co	06/01/2014	450
Daimler Canada Finance Inc	04/14/2014	500	Gloucester Credit Card Trust	05/15/2014	254	American International Group Inc	06/02/2014	400
Royal Bank of Canada	04/15/2014	275	Xplornet Communications Inc/CA*	05/15/2014	230	Manulife Financial Corp	06/02/2014	1,000
Bank of Nova Scotia*	04/15/2014	1,000	Xplornet Communications Inc/CA*	05/15/2014	75	Royal Bank of Canada	06/05/2014	750
NIF-T	04/23/2014	300	Glacier Credit Card Trust	05/20/2014	239	American Express Canada Credit Corp	06/06/2014	325
Nova Scotia Power Finance Corp	04/27/2014	200	Empire Life Insurance*	05/20/2014	200	Canadian Imperial Bank of Commerce	06/06/2014	1,300
Data & Audio Visual Enterprises Wireless Inc*	04/29/2014	195	Kellogg Canada Inc	05/22/2014	300	Manitoba Telecom Services Inc	06/10/2014	200
Bank of Montreal	04/30/2014	525	Savanna Energy Services Corp*	05/25/2014	125	Nederlandse Financierings	06/10/2014	100
			British Columbia Ferry Services Inc	05/27/2014	250	GE Capital Canada Funding Co	06/11/2014	200
			Pricoa Global Funding I	05/29/2014	400	Newfoundland & Labrador Hydro	06/15/2014	125
			TransAlta Corp	05/29/2014	200	Pembina Pipeline Corp	06/15/2014	175
						Metropolitan Life Global Funding I	06/17/2014	325
						Royal Bank of Canada	06/18/2014	600
						TransCanada PipeLines Ltd	06/20/2014	125
						Sirius XM Canada Holdings Inc*	06/21/2014	131
						John Deere Financial Inc	06/23/2014	150
						Industrial Alliance Insurance & Financial Services Inc*	06/30/2014	150
						TOTAL		13,255

*Call date falls within Quarter
Source: BMO Capital Markets, Bloomberg

Table 1.4
Maturity Schedule for Q3 2014

Issuer	July	Amount (C$ mm)	Issuer	August	Amount (C$ mm)	Issuer	September	Amount (C$ mm)
Canadian Imperial Bank of Commerce	07/11/2014	625	InnVest Real Estate Investment Trust	08/01/2014	70	Aimia Inc	09/02/2014	150
Bank of Nova Scotia	07/16/2014	1,250	Toronto-Dominion Bank/The	08/04/2014	150	Daimler Canada Finance Inc	09/12/2014	200
Veresen Inc	07/28/2014	200	National Bank of Canada	08/11/2014	100	Bank of Montreal	09/12/2014	355
			Plenary Properties LTAP LP	08/18/2014	167	FortisBC Holdings Inc	09/15/2014	125
						Trans Quebec & Maritimes Pipeline Inc	09/15/2014	75
						Bank of America Corp	09/17/2014	92
						Citigroup Finance Canada Inc	09/22/2014	350
						Enbridge Gas Distribution Inc	09/24/2014	200
						Aecon Group Inc	09/30/2014	173
						TOTAL		4,282

*Call date falls within Quarter
Source: BMO Capital Markets, Bloomberg

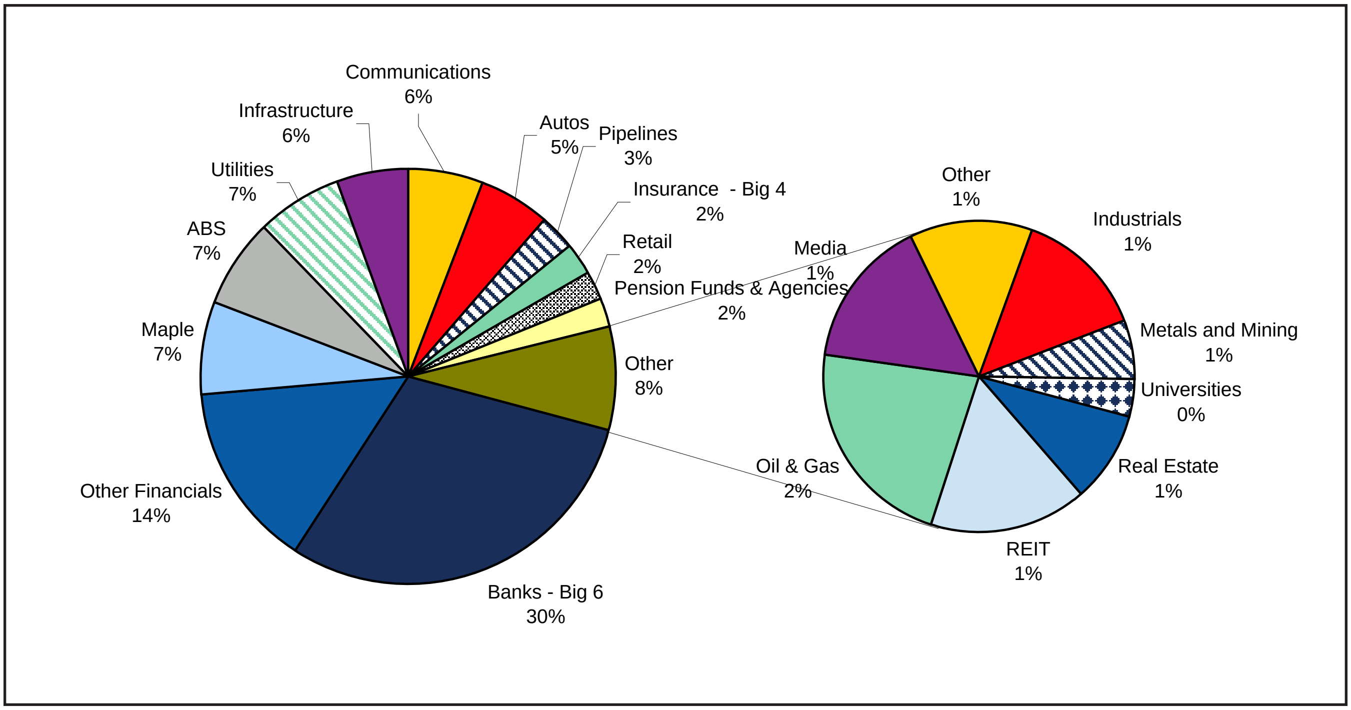
Table 1.5
Maturity Schedule for Q4 2014

Issuer	October	Amount (C$ mm)	Issuer	November	Amount (C$ mm)	Issuer	December	Amount (C$ mm)
Canadian Imperial Bank of Commerce	10/02/2014	190	Wells Fargo Canada Corp	11/03/2014	1,000	Thomson Reuters Corp	12/01/2014	600
American Express Canada Credit Corp	10/03/2014	800	Canadian Western Bank	11/04/2014	150	Cooperatieve Centrale Raiffeisen-Boerenleenbank BA	12/01/2014	75
North American Palladium Ltd	10/04/2014	70	Royal Bank of Canada	11/10/2014	750	Westpac Banking Corp	12/01/2014	675
Central 1 Credit Union*	10/09/2014	150	Bear Stearns Cos LLC/The	11/12/2014	400	First Place Tower Brookfield Properties Inc	12/01/2014	310
Bank of Montreal	10/10/2014	150	Royal Bank of Canada	11/14/2014	200	Manulife Bank of Canada	12/03/2014	250
Commonwealth Bank of Australia	10/14/2014	550	CU Inc	11/18/2014	100	Caisse Centrale Desjardins du Quebec	12/04/2014	500
John Deere Financial Inc	10/14/2014	200	Bank of Nova Scotia	11/18/2014	1,500	Maple Leaf Foods Inc	12/08/2014	105
Emera Inc	10/20/2014	250	Canadian Imperial Bank of Commerce	11/19/2014	1,000	CI Financial Corp	12/16/2014	200
GE Capital Canada Funding Co	10/22/2014	300	Hydro One Inc	11/19/2014	750	Royal Bank of Canada	12/22/2014	500
InterPipeline Ltd.	10/28/2014	289	Central 1 Credit Union	11/19/2014	270	Enbridge Income Fund	12/22/2014	90
First Capital Realty Inc	10/30/2014	100	Athabasca Oil Corp*	11/19/2014	550	Canadian Imperial Bank of Commerce	12/22/2014	700
Canadian Imperial Bank of Commerce	10/31/2014	250	FortisBC Inc	11/28/2014	140	National Bank of Canada*	12/22/2014	350
FortisAlberta Inc	10/31/2014	200	Enbridge Income Fund	11/28/2014	200	BMO Capital Trust*	12/31/2014	600
						TOTAL		15,464

*Call date falls within Quarter
Source: BMO Capital Markets, Bloomberg

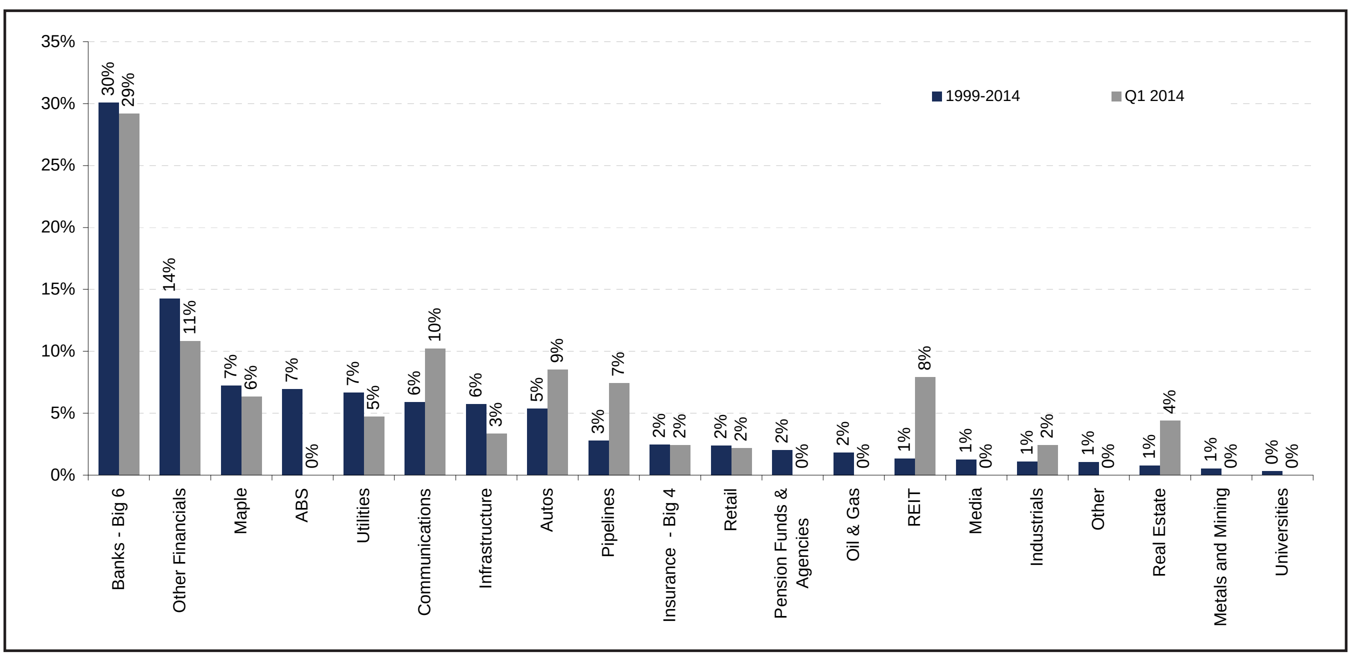
Canadian Corporate Debt Issuance

Chart 1.3
Issuance by Sector (1999 – YTD 2014)



Note: Includes all Corporates with settlement date on or before March 31, 2014
Source: BMO Capital Markets

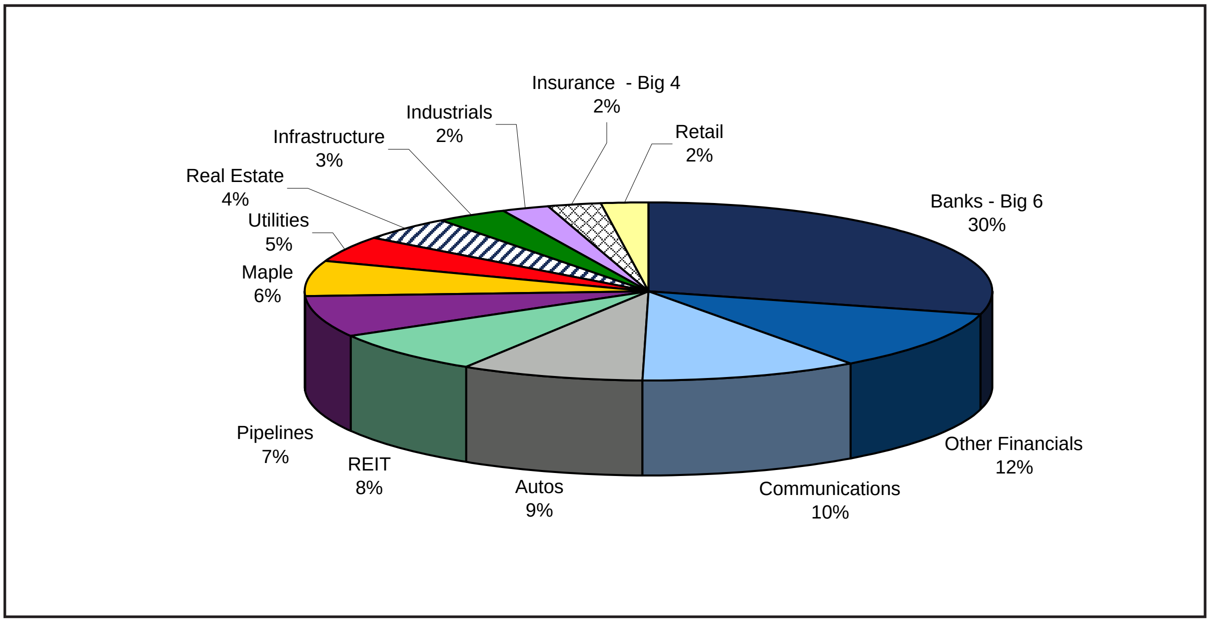
Chart 1.4
Issuance by Sector



Note: Includes all Corporates with settlement date on or before March 31, 2014
Source: BMO Capital Markets

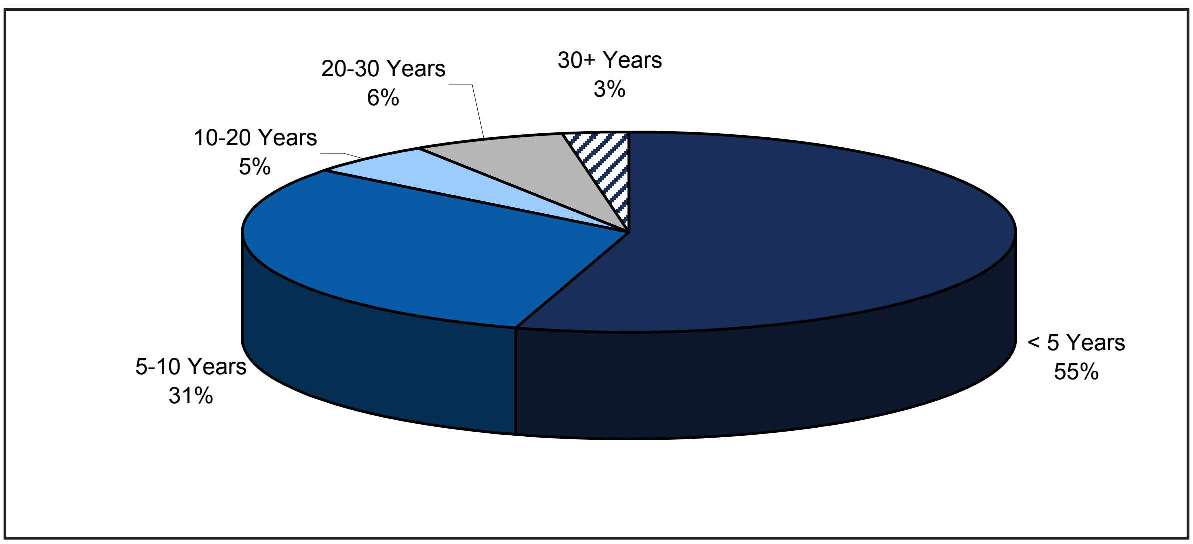
Canadian Corporate Debt Issuance

Chart 1.5
Issuance by Sector (Q1 2014)



Note: Includes all Corporates with settlement date on or before March 31, 2014
Source: BMO Capital Markets

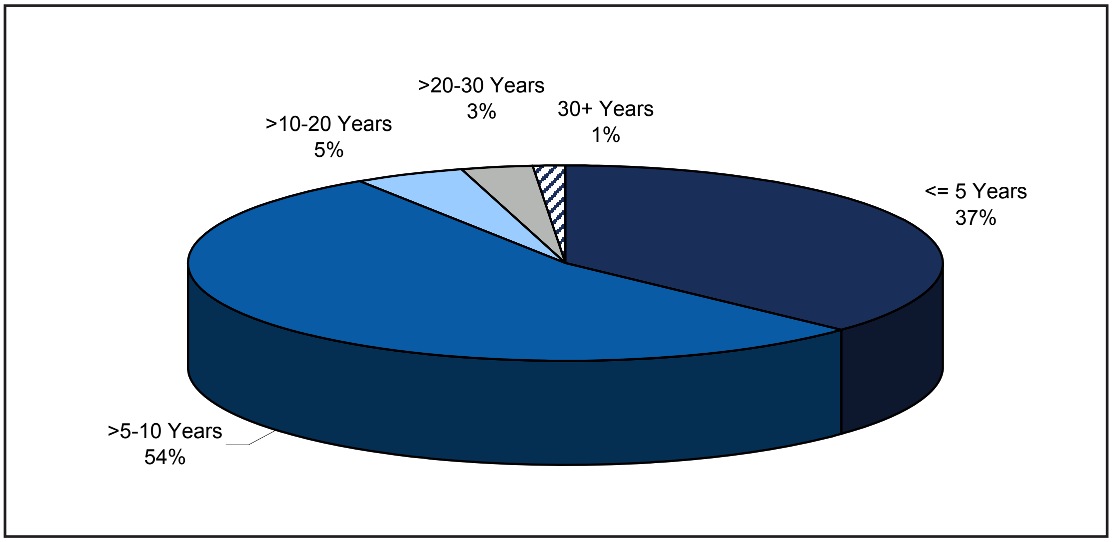
Chart 1.6
Issuance by Term (1999 – 2014 YTD)



Note: Includes all Corporates with settlement date on or before March 31, 2014
Source: BMO Capital Markets

Canadian Corporate Debt Issuance

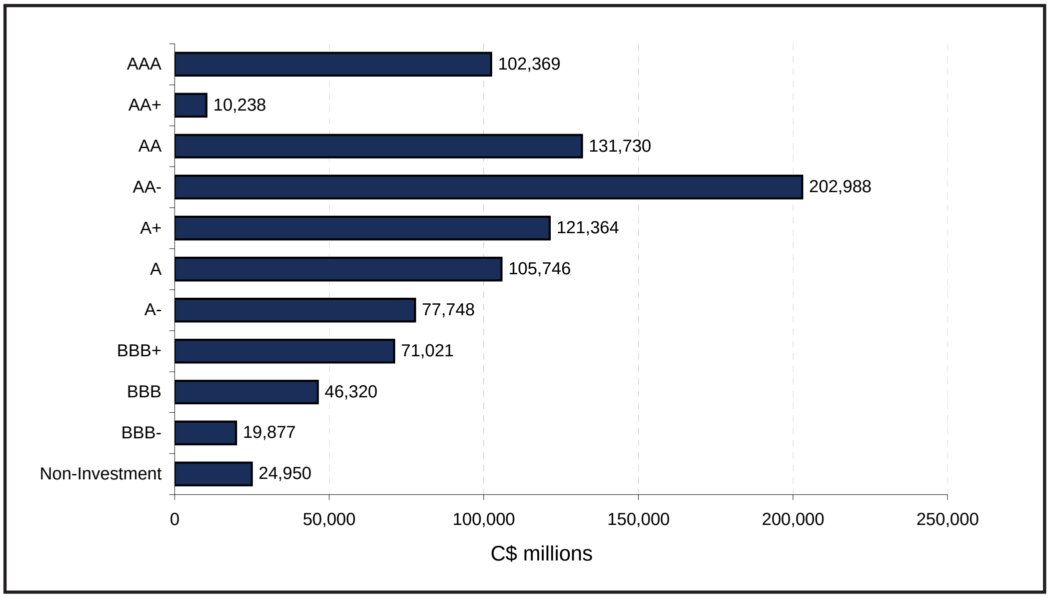
Chart 1.7
Issuance by Term (Q1 2014)



Note: Includes all Corporates with settlement date on or before March 31, 2014
Source: BMO Capital Markets

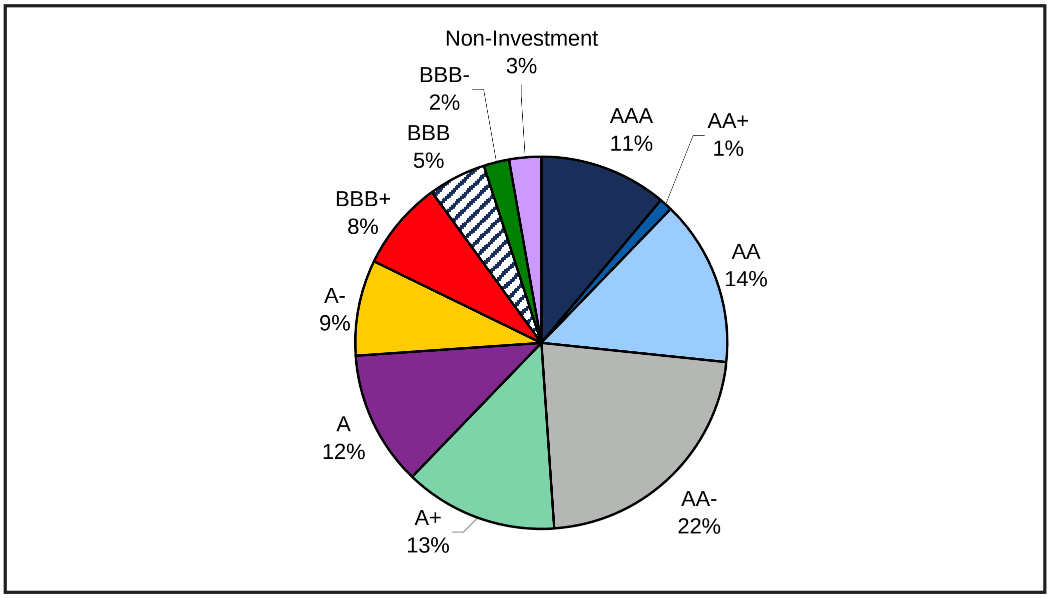
Canadian Corporate Debt Issuance

Chart 1.8a
Issuance by Ratings (1999 – 2014 YTD)



Note: Includes all Corporates with settlement date on or before March 31, 2014
Source: BMO Capital Markets

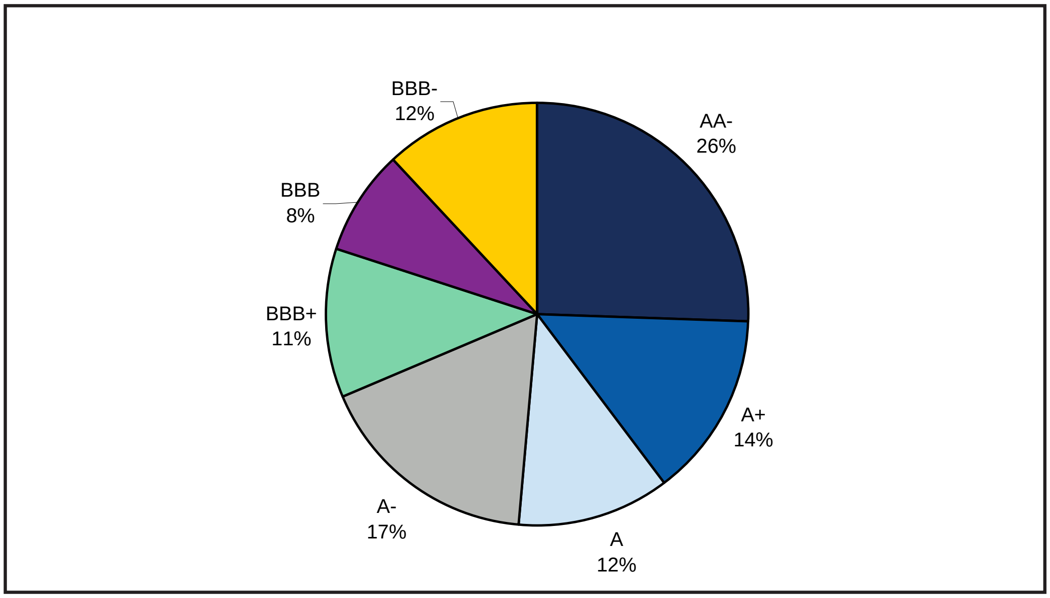
Chart 1.8b
Issuance by Rating (1999 – 2014 YTD)



Note: Includes all Corporates with settlement date on or before March 31, 2014
Source: BMO Capital Markets

Canadian Corporate Debt Issuance

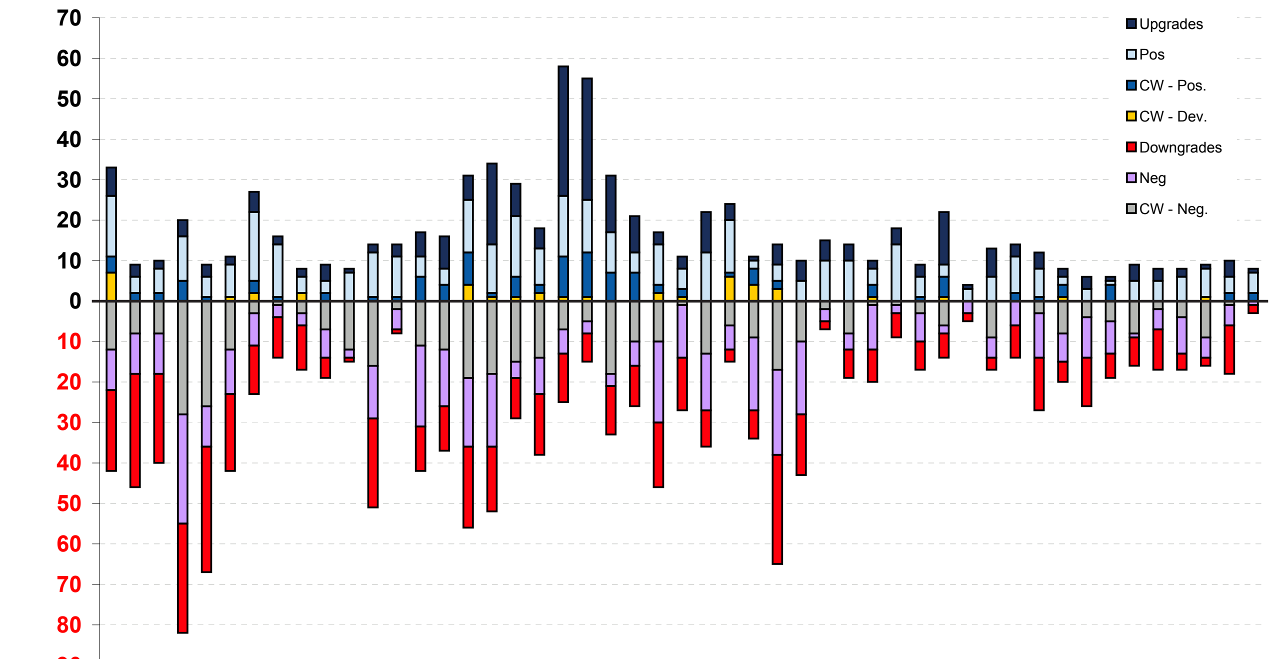
Chart 1.9
Issuance by Rating (Q1 2014)



Note: Includes all Corporates with settlement date on or before March 31, 2014
Source: BMO Capital Markets

Rating Agency Activity

Chart 2.1
Canadian Corporate Debt: Ratings Trends 2002 – YTD 2014



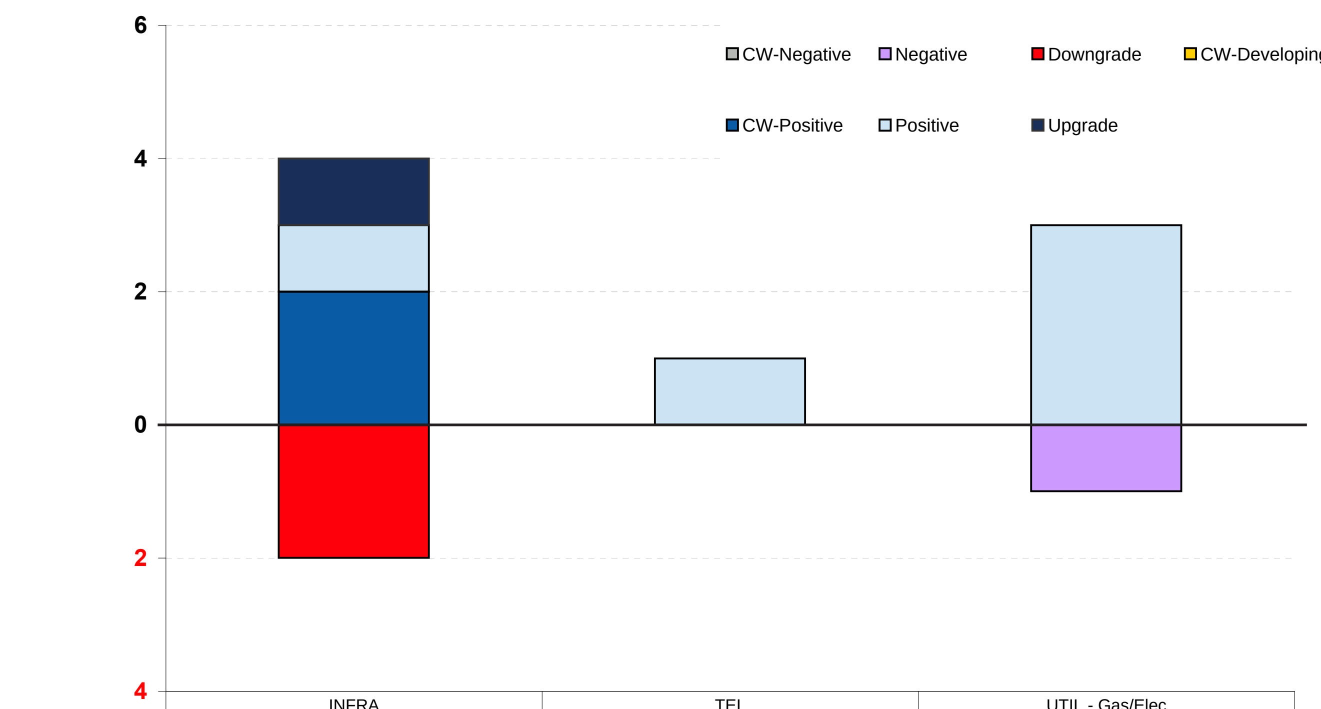
	Q1-02	Q2-02	Q3-02	Q4-02	Q1-03	Q2-03	Q3-03	Q4-03	Q1-04	Q2-04	Q3-04	Q4-04	Q1-05	Q2-05	Q3-05	Q4-05	Q1-06	Q2-06	Q3-06	Q4-06	Q1-07	Q2-07	Q3-07	Q4-07
Upgrades	7	3	2	4	3	2	5	2	2	4	1	2	3	6	8	6	20	8	5	32	30	14	9	3
Pos	15	4	6	11	5	8	17	13	4	3	7	11	10	5	4	13	12	15	9	15	13	10	5	10
CW - Pos.	4	2	2	5	1	0	3	1	0	2	0	1	1	6	4	8	1	5	2	10	11	7	7	2
CW - Dev.	7	0	0	0	0	1	2	0	2	0	0	0	0	0	0	4	1	1	2	1	1	0	0	2
Downgrades	20	28	22	27	31	19	12	10	11	5	1	22	1	11	11	20	16	10	15	12	7	12	10	16
Neg	10	10	10	27	10	11	8	3	3	7	2	13	5	20	14	17	18	4	9	6	3	3	6	20
CW - Neg.	12	8	8	28	26	12	3	1	3	7	12	16	2	11	12	19	18	15	14	7	5	18	10	10

	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14
Upgrades	3	10	4	1	5	5	5	4	2	4	3	13	1	7	3	4	2	3	1	4	3	2	1	4	1
Pos	5	12	13	2	4	5	10	10	4	14	5	3	3	6	9	7	2	3	1	5	5	6	7	4	5
CW - Pos.	2	0	1	4	2	0	0	0	3	0	1	5	0	0	2	1	3	0	4	0	0	0	0	2	2
CW - Dev.	1	0	6	4	3	0	0	0	1	0	0	1	0	0	0	0	1	0	0	0	0	0	1	0	0
Downgrades	13	9	3	7	27	15	2	7	8	6	7	6	2	3	8	13	5	12	6	7	10	4	2	12	2
Neg	13	14	6	18	21	18	3	4	11	2	7	2	3	5	6	11	7	10	8	1	5	9	5	5	1
CW - Neg.	1	13	6	9	17	10	2	8	1	1	3	6	0	9	0	3	8	4	5	8	2	4	9	1	0

Source: BMO Capital Markets, DBRS, S&P, Moody's
As at March 31, 2014

Rating Agency Activity

Chart 2.2
YTD 2014 Canadian Corporate Debt Rating Changes by Sector

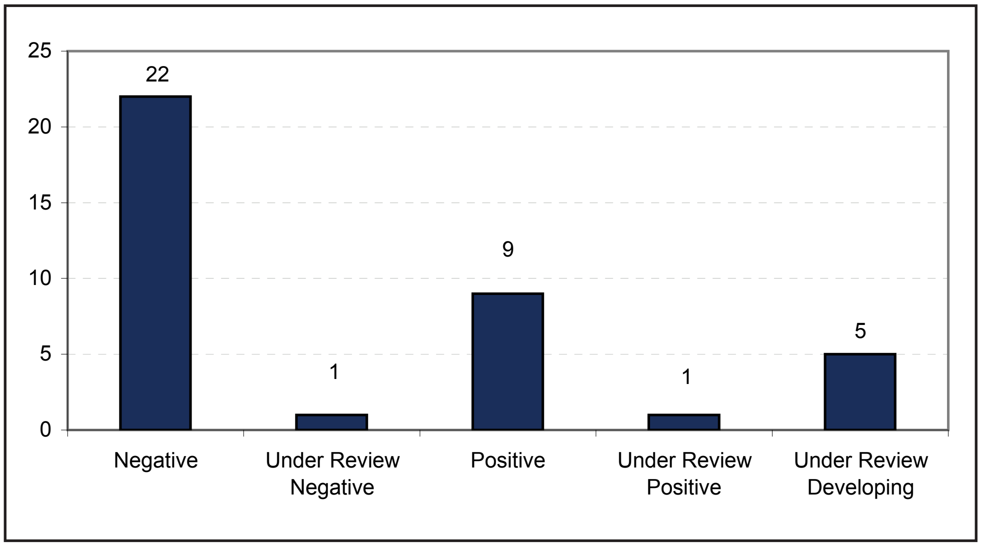


	INFRA	TEL	UTIL - Gas/Elec
Upgrade	1	0	0
Positive	1	1	3
CW-Positive	2	0	0
CW-Developing	0	0	0
Downgrade	2	0	0
Negative	0	0	1
CW-Negative	0	0	0

As at March 31, 2014
Source: BMO Capital Markets
Industry: ABS: Asset-Backed Security, AUTO: Auto, BANK: Bank, CABLE: Cable, FIN: Financial Services & Other Financials, IND: Industrial Products, INFRA: Infrastructure, INS: Insurance, M&M: Metals and Mining, O&G: Oil and Gas, OTHER: Other, PIPE: Pipeline, PFA: Pension Fund Agency, PP: Printing and Publishing, REAL ESTATE: Real Estate, RETAIL: Retailer, TEL: Telecom, UTIL: Gas/Elec: Gas and Electric Utility

Rating Agency Activity

Chart 2.3
Canadian Fixed Income Universe – Credits with Positive/Negative Outlooks



Note: Under Review also incorporates S&P CreditWatch trends
Source: BMO Capital Markets, DBRS, Standard and Poor's and Moody's
As at March 31, 2014

Rating Agency Activity

Table 2.1
Canadian CreditWatch List – Canadian Fixed Income Issuers

Issuer	Industry	DBRS		S&P		Moody's	
		Rating	Outlook	Rating	Outlook	Rating	Outlook
407 East Development Group General Partnership[1]	INFRA	AL	Negative	A-	Stable	nr	
BAC Canada Finance Company	BANK	AL	Stable	A-	Negative	Baa2	Stable
Brookfield Corporation (BAM)	REAL ESTATE	AL	Negative	A-	Stable	Baa2	Stable
Brookfield Office Properties	REAL ESTATE	BBB	Stable	BB+	CW-Developing	nr	
Brookfield Renewable Energy Partners LP	UTIL - Gas/Elec	BBBH	Stable	BBB	Positive	nr	
Canadian Natural Resources Ltd.	O&G	BBBH	UR-Developing	BBB+	Stable	Baa1	Stable
Canadian Pacific Railway Company	INFRA	BBBL	Positive	BBB-	CW-Positive	Baa3	UR-Positive
Citigroup Finance Canada	BANK	AL	Stable	A-	Negative	Baa2	Stable
Edmonton Regional Airports Authority[1]	INFRA	AH	Stable	A	Positive	A1	Stable
Emera Inc.	UTIL - Gas/Elec	BBBH	UR-Developing	BBB+	Negative	nr	
Encana Corporation	O&G	BBB	Stable	BBB	Negative	Baa2	Stable
EPCOR Utilities Inc.	UTIL - Gas/Elec	AL	Stable	BBB+	Positive	nr	
Fortis Inc.	UTIL - Gas/Elec	AL	UR-Developing	A-	Negative	nr	
FortisAlberta Inc.	UTIL - Gas/Elec	AL	Positive	A-	Negative	Baa1	Stable
FortisBC Energy Inc.	UTIL - Gas/Elec	A	Stable	nr		A3	Negative
FortisBC Holdings Inc.	UTIL - Gas/Elec	BBBH	Stable	nr		Baa2	Negative
FortisBC Inc.	UTIL - Gas/Elec	AL	Stable	nr		Baa1	Negative
Granite REIT	REAL ESTATE	BBB	Stable	nr		Baa3	Positive
HSBC Bank Canada	BANK	AAL	Stable	AA-	Negative	nr	
Hydro One Inc.	UTIL - Gas/Elec	AH	Stable	A+	Negative	A1	Stable
Laurentian Bank of Canada	BANK	BBBH	Positive	BBB	Stable	nr	
Leisureworld Senior Care LP[1]	INFRA	A	Stable	A-	Negative	nr	
Molson Coors Brewing Co.	RETAIL	BBB	Stable	BBB-	Positive	Baa2	Stable
Nova Scotia Power Inc.	UTIL - Gas/Elec	AL	Stable	BBB+	Negative	nr	
Ontario Power Generation	UTIL - Gas/Elec	AL	Stable	A-	Negative	nr	
Shaw Communications Inc.	CABLE	BBB	Stable	BBB-	Positive	Baa3	Stable
Shoppers Drug Mart Corp.[3]	RETAIL	AL	UR-Negative	BBB+	CW-Negative	nr	
SNC-Lavalin Group Inc.[4]	INFRA	BBB	Negative	BBB	Negative	nr	
Sobeys Inc.	RETAIL	BBBL	Stable	BBB-	Negative	nr	
Talisman Energy Inc.	O&G	BBBH	Stable	BBB	Negative	Baa2	Negative
Teranet Holdings LP[1]	INFRA	BBB	Stable	BBB+	Negative	nr	
TransAlta Corporation	UTIL - Gas/Elec	BBB	Stable	BBB-	Stable	Baa3	Negative
Viking Rideau[1]	REAL ESTATE	AH	UR-Developing	nr		nr	
Wells Fargo Canada Corporation	BANK	AA	Stable	A+	Negative	A2	Stable

As at March 31, 2014
Notes:
* Ratings are those of senior unsecured obligations or long-term corporate family rating
[1] Ratings are those of senior secured debt
[2] Ratings are those of subordinated debt
[3] Shoppers Drug Mart was downgraded by DBRS to BBB (Stable) on April 1, 2014 and by S&P to BBB (Stable) on April 3, 2014.
[4] SNC Lavalin Group was revised to Stable from Negative by S&P on April 1, 2014
Industry: ABS: Asset-Backed Security, AUTO: Auto, BANK: Bank, CABLE: Cable, FIN: Financial Services & Other Financials, IND: Industrial Products, INFRA: Infrastructure, INS: Insurance, M&M: Metals and Mining, O&G: Oil and Gas, OTHER: Other, PIPE: Pipeline, PFA: Pension Fund Agency, PP: Printing and Publishing, REAL ESTATE: Real Estate, RETAIL: Retailer, TEL: Telecom, UTIL: Gas/Elec: Gas and Electric Utility

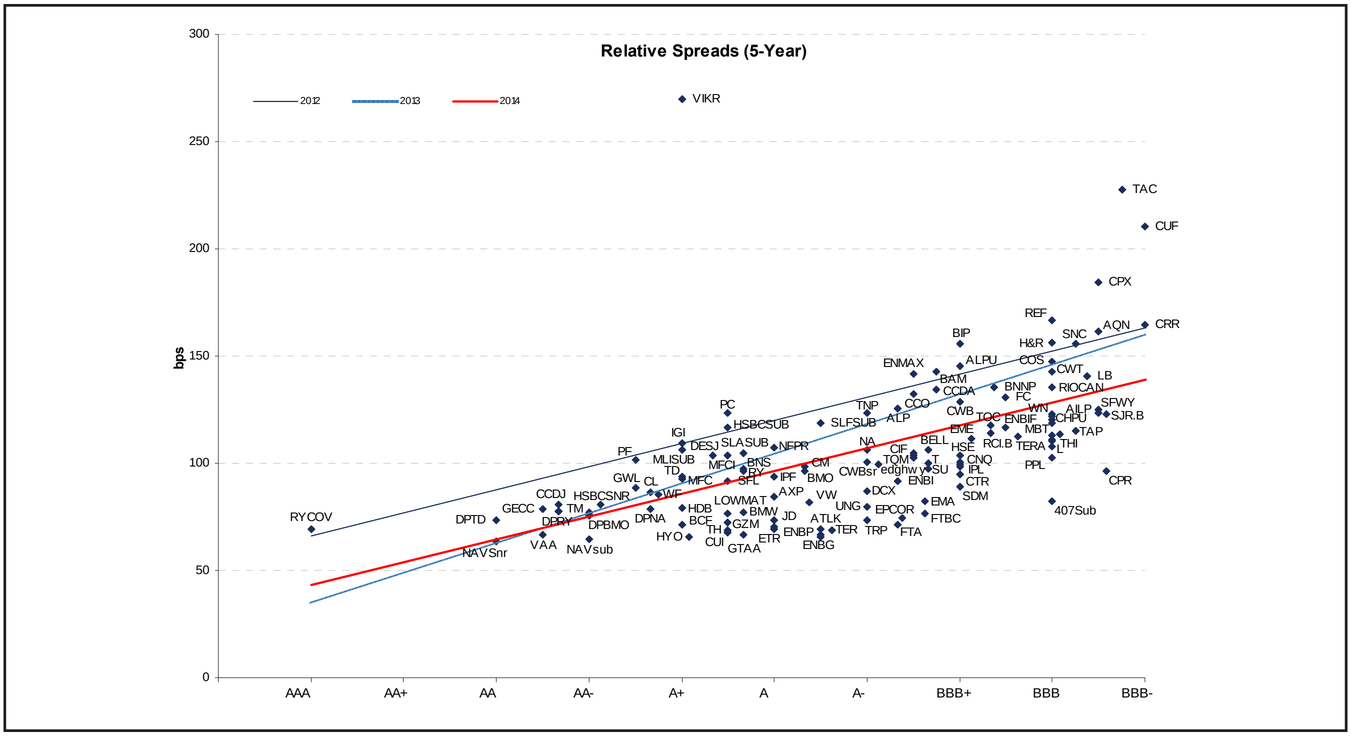
Table 2.2
Canadian Rating Actions (Q1 2014)

Issuer	Sector	Date	Rating Agency	Rating Action	New Rating		Former Rating	
					Rating	Outlook	Rating	Outlook
Winnipeg Airport Authority Inc.	INFRA	13-Jan-14	Moody's	Downgrade	A2	Stable	A1	Negative
AltaLink L.P.	UTIL - Gas/Elec	17-Jan-14	S&P	Outlook Change	A-	Stable	A-	Negative
British Columbia Ferry Services	INFRA	24-Jan-14	S&P	Outlook Change	A+	CW-Positive	A+	Stable
Shaw Communications Inc.	TEL	27-Jan-14	S&P	Outlook Change	BBB-	Positive	BBB-	Stable
Canadian Pacific Railway Company	INFRA	30-Jan-14	DBRS	Outlook Change	BBBL	Positive	BBBL	Stable
Canadian Natural Resources Ltd.	O&G	19-Feb-14	DBRS	Outlook Change	BBBH	UR-Developing	BBBH	Stable
TransAlta Corporation	UTIL - Gas/Elec	24-Feb-14	Moody's	Outlook Change	Baa3	Negative	Baa3	Stable
FortisAlberta Inc.	UTIL - Gas/Elec	24-Feb-14	DBRS	Outlook Change	AL	Positive	AL	Stable
Teranet Holdings LP	INFRA	11-Mar-14	DBRS	Downgrade	BBB	Stable	BBBH	Negative
Canadian Pacific Railway Company	INFRA	12-Mar-14	S&P	Outlook Change	BBB-	CW-Positive	BBB-	Stable
British Columbia Ferry Services	INFRA	17-Mar-14	S&P	Upgrade	AA-	Stable	A+	CW-Positive
Brookfield Renewable Energy Partners LP	UTIL - Gas/Elec	31-Mar-14	S&P	Outlook Change	BBB	Positive	BBB	Stable

As at March 31, 2014
Notes:
*Ratings are those of senior unsecured obligations or long-term corporate family rating
Industry: ABS: Asset-Backed Security, AUTO: Auto, BANK: Bank, CABLE: Cable, FIN: Financial Services & Other Financials, IND: Industrial Products, INFRA: Infrastructure, INS: Insurance, M&M: Metals and Mining, O&G: Oil and Gas, OTHER: Other, PIPE: Pipeline, PFA: Pension Fund Agency, PP: Printing and Publishing, REAL ESTATE: Real Estate, RETAIL: Retailer, TEL: Telecom, UTIL: Gas/Elec: Gas and Electric Utility

Relative Value

Chart 3.1
Relative Spread Graph for Selected 5-Year Indicative Spreads



Source: BMO Capital Markets
As at March 31, 2014

5 Year

AA Rated Issuer	Sector	Ratings	Spread
Bank of Montreal (Snr)	Banks	AA-	76
Bank of Nova Scotia (Snr)	Banks	AA-	78
CIBC (Snr)	Banks	AA-	76
GE Capital Canada	Diversified Financials	AA	79
Great West Lifeco	Diversified Financials	AA-	89
NAV CANADA (Snr)	Infrastructure	AA	64
Royal Bank of Canada (Snr)	Banks	AA-	78
Toronto Dominion Bank (Snr)	Banks	AA	74

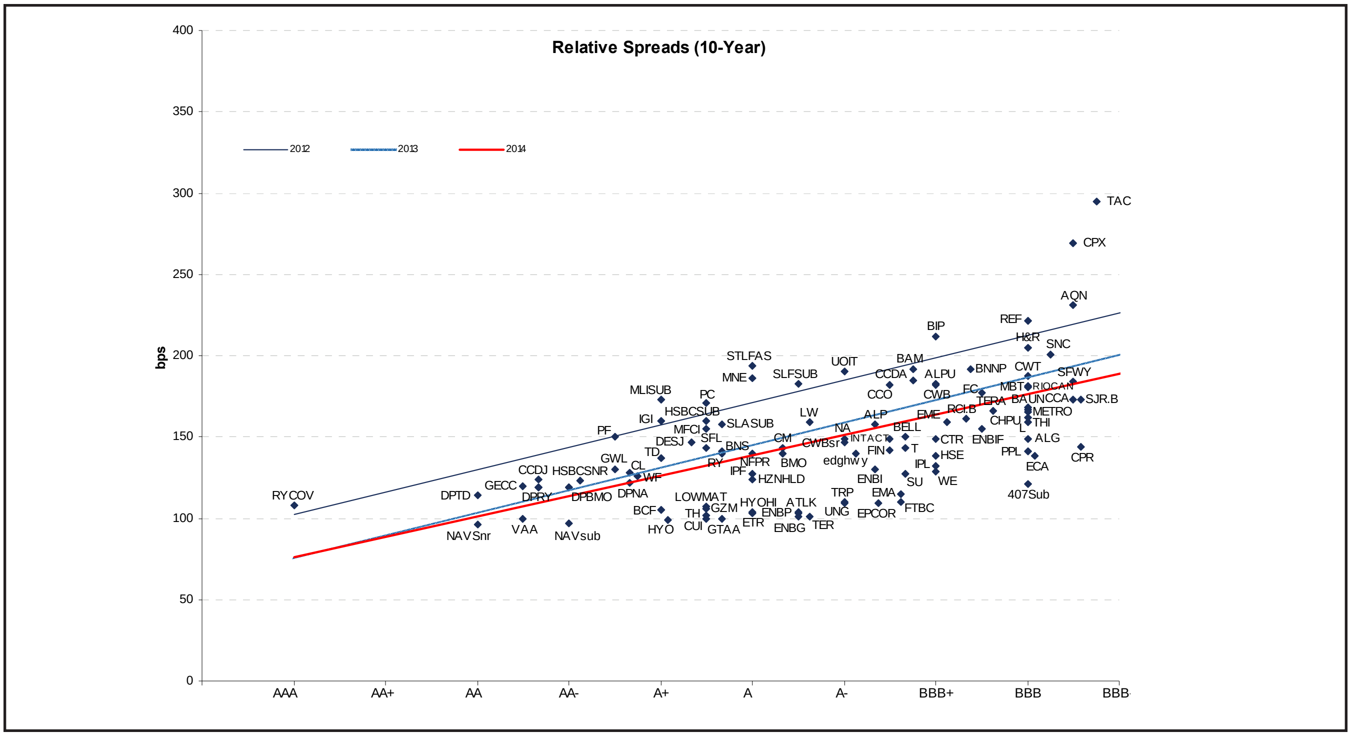
A Rated Issuer	Sector	Ratings	Spread
Alliance Pipeline	Pipelines	A-	126
Capital Desjardins	Banks	A+	104
CU Inc.	Utilities	A+	68
Enbridge Gas Distribution	Utilities	A	66
Enbridge Inc.	Pipelines	A-	92
FortisBC Energy Inc.	Utilities	A-	69
Gaz Metro	Utilities	A+	73
GTAA	Infrastructure	A	67
Hydro One	Utilities	A+	66
IGM Financial	Diversified Financials	A+	110
Manulife Financial	Diversified Financials	A+	104
National Bank (Snr)	Banks	A+	79
Sun Life	Diversified Financials	A+	92
TransCanada Pipelines	Pipelines	A-	74
Union Gas Ltd.	Utilities	A-	80
Wells Fargo	Banks	A+	86

BBB Rated Issuer	Sector	Ratings	Spread
407 International Inc. (Sub)	Infrastructure	BBB	83
Bell Aliant	Communications	BBB	122
Bell Canada	Communications	BBB+	106
Canadian Nat. Resources	Oil & Gas	BBB+	101
Canadian Tire	Retail	BBB+	95
EnCana Corp.	Oil & Gas	BBB	114
George Weston	Retail	BBB	123
Loblaw	Retail	BBB	108
Manitoba Telecom	Communications	BBB	119
Nova Scotia Power	Utilities	BBB+	83
Suncor	Oil & Gas	BBB+	98
TELUS Corp.	Communications	BBB+	100
Thomson Corp.	Media	BBB+	118
TransAlta Corp.	Utilities	BBB-	228

Source: BMO Capital Markets

Relative Value

Chart 3.2
Relative Spread Graph for Selected 10-Year Indicative Spreads



Source: BMO Capital Markets
As at March 31, 2014

10 Year

AA Rated			
Issuer	**Sector**	**Ratings**	**Spread**
Bank of Montreal (Snr)	Banks	AA-	119
Bank of Nova Scotia (Snr)	Banks	AA-	119
CIBC (Snr)	Banks	AA-	119
GE Capital Canada	Diversified Financials	AA	120
Great West Lifeco	Diversified Financials	AA-	130
NAV CANADA (Snr)	Infrastructure	AA	96
Royal Bank of Canada (Snr)	Banks	AA-	119
Toronto Dominion Bank (Snr)	Banks	AA	114

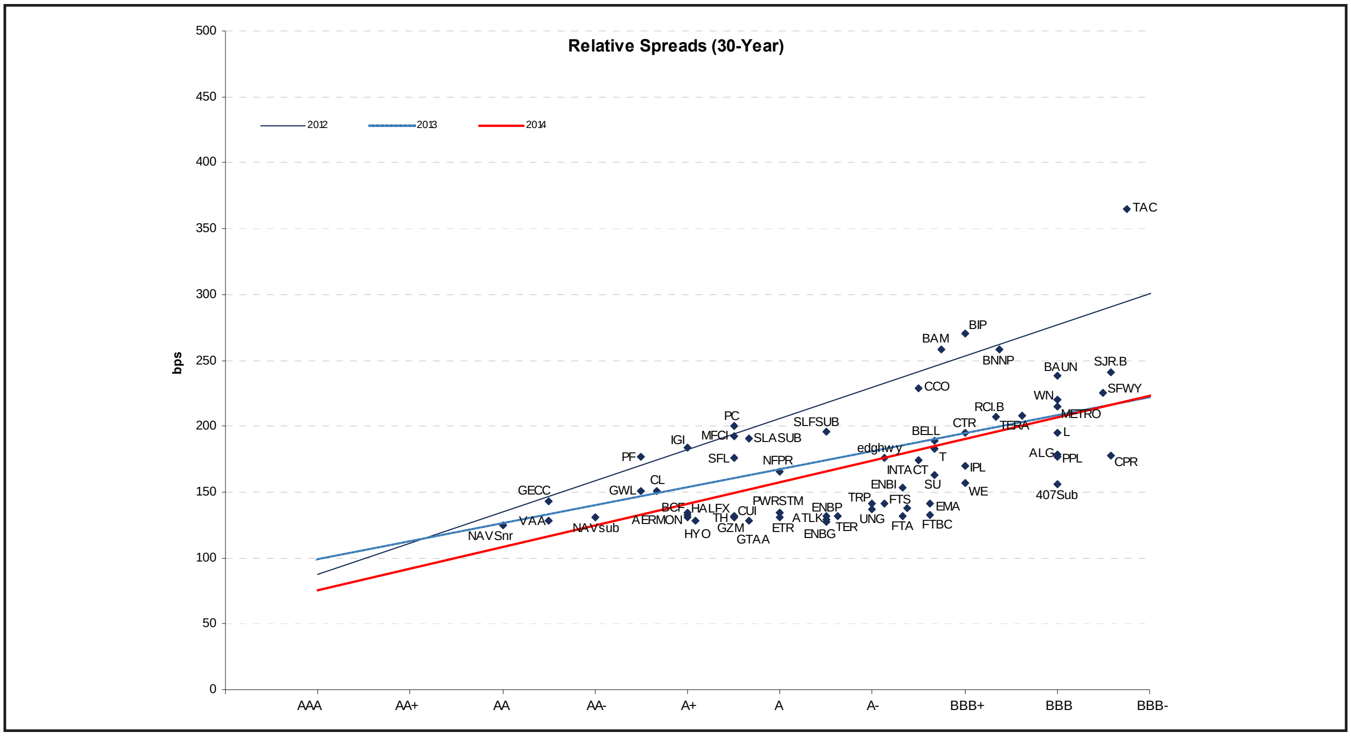
A Rated			
Issuer	**Sector**	**Ratings**	**Spread**
Alliance Pipeline	Pipelines	A-	158
Capital Desjardins	Banks	A+	147
CU Inc.	Utilities	A+	100
Enbridge Gas Distribution	Utilities	A	101
Enbridge Inc.	Pipelines	A-	130
FortisBC Energy Inc.	Utilities	A-	101
Gaz Metro	Utilities	A+	106
GTAA	Infrastructure	A	100
Hydro One	Utilities	A+	99
IGM Financial	Diversified Financials	A+	160
Manulife Financial	Diversified Financials	A+	155
National Bank (Snr)	Banks	A+	122
Sun Life	Diversified Financials	A+	143
TransCanada Pipelines	Pipelines	A-	110
Union Gas Ltd.	Utilities	A-	109
Wells Fargo	Banks	A+	126

BBB Rated			
Issuer	**Sector**	**Ratings**	**Spread**
407 International Inc. (Sub)	Infrastructure	BBB	121
Bell Aliant	Communications	BBB	168
Bell Canada	Communications	BBB+	150
Canadian Nat. Resources	Oil & Gas	BBB+	-
Canadian Tire	Retail	BBB+	149
EnCana Corp.	Oil & Gas	BBB	139
George Weston	Retail	BBB	-
Loblaw	Retail	BBB	159
Manitoba Telecom	Communications	BBB	181
Nova Scotia Power	Utilities	BBB+	115
Suncor	Oil & Gas	BBB+	128
TELUS Corp.	Communications	BBB+	143
Thomson Corp.	Media	BBB+	-
TransAlta Corp.	Utilities	BBB-	295

Source: BMO Capital Markets

Relative Value

Chart 3.3
Relative Spread Graph for Selected 30-Year Indicative Spreads



Source: BMO Capital Markets
As at March 31, 2014

30 Year

AA Rated			
Issuer	Sector	Ratings	Spread
Bank of Montreal (Snr)	Banks	AA-	-
Bank of Nova Scotia (Snr)	Banks	AA-	-
CIBC (Snr)	Banks	AA-	-
GE Capital Canada	Diversified Financials	AA	143
Great West Lifeco	Diversified Financials	AA-	151
NAV CANADA (Snr)	Infrastructure	AA	125
Royal Bank of Canada (Snr)	Banks	AA-	-
Toronto Dominion Bank (Snr)	Banks	AA	-

A Rated			
Issuer	Sector	Ratings	Spread
Alliance Pipeline	Pipelines	A-	-
Capital Desjardins	Banks	A+	-
CU Inc.	Utilities	A+	131
Enbridge Gas Distribution	Utilities	A	128
Enbridge Inc.	Pipelines	A-	154
FortisBC Energy Inc.	Utilities	A-	132
Gaz Metro	Utilities	A+	131
GTAA	Infrastructure	A	129
Hydro One	Utilities	A+	129
IGM Financial	Diversified Financials	A+	184
Manulife Financial	Diversified Financials	A+	192
National Bank (Snr)	Banks	A+	-
Sun Life	Diversified Financials	A+	176
TransCanada Pipelines	Pipelines	A-	142
Union Gas Ltd.	Utilities	A-	137
Wells Fargo	Banks	A+	-

BBB Rated			
Issuer	Sector	Ratings	Spread
407 International Inc. (Sub)	Infrastructure	BBB	156
Bell Aliant	Communications	BBB	238
Bell Canada	Communications	BBB+	189
Canadian Nat. Resources	Oil & Gas	BBB+	-
Canadian Tire	Retail	BBB+	195
EnCana Corp.	Oil & Gas	BBB	-
George Weston	Retail	BBB	220
Loblaw	Retail	BBB	195
Manitoba Telecom	Communications	BBB	-
Nova Scotia Power	Utilities	BBB+	142
Suncor	Oil & Gas	BBB+	163
TELUS Corp.	Communications	BBB+	183
Thomson Corp.	Media	BBB+	-
TransAlta Corp.	Utilities	BBB-	365

Source: BMO Capital Markets

Data Tables

Table 4.1
Indicative Spread Changes – Q1 2014

	Indicative 2-Year (bps)						Indicative 5-Year (bps)					
	31-Mar-14		Absolute Change		*Cash Thresholds**		31-Mar-14		Absolute Change		*Cash Thresholds**	
	Cash	BA	Cash	BA	*Lower*	*Upper*	Cash	BA	Cash	BA	*Lower*	*Upper*
Canada Yield	1.07%						1.70%					
Provinces												
Province of B.C.	-	-	-	-	-	-	31	-	4	-	12	59
Province of Ontario	-	-	-	-	-	-	50	-	9	-	13	63
Province of Quebec	-	-	-	-	-	-	53	-	10	-	19	66
ABS**												
Big Candian Banks Credit Card	62	31	(7)	(12)	28	143	71	37	(12)	(13)	28	135
Glacier Credit Card	69	38	(8)	(13)	68	293	79	45	(12)	(13)	30	174
Banks (Senior)												
BMO	59	28	(5)	(10)	25	136	76	42	(7)	(8)	35	163
CIBC	59	28	(5)	(10)	28	146	76	41	(8)	(9)	37	174
National Bank	62	31	(4)	(9)	24	184	79	44	(7)	(7)	39	220
Royal Bank	60	29	(4)	(9)	18	110	78	43	(8)	(8)	27	135
Scotiabank	61	30	(4)	(8)	18	110	78	43	(6)	(7)	28	134
TD Bank	55	24	(5)	(10)	25	126	74	39	(5)	(5)	35	150
Banks (Sub debt)												
BMO	77	46	(19)	(23)	24	153	97	62	(11)	(11)	36	185
CIBC	78	47	(19)	(23)	25	166	99	64	(11)	(11)	37	195
National Bank	82	51	(21)	(26)	30	187	107	72	(7)	(7)	43	216
Royal Bank	77	46	(19)	(23)	24	145	97	62	(11)	(11)	36	182
Scotiabank	77	46	(19)	(23)	24	144	98	63	(11)	(11)	36	182
TD Bank	74	43	(16)	(20)	25	145	94	59	(11)	(11)	37	182
Diversified Financials												
GE Capital	62	31	(4)	(9)	20	154	79	44	(8)	(8)	30	190
Great-West LifeCo.	59	28	(1)	(6)	26	147	89	54	(4)	(4)	38	173
IGM Financial	76	45	(1)	(6)	31	179	110	75	(3)	(3)	46	195
Manulife Financial	77	46	(1)	(6)	55	200	104	69	(2)	(2)	72	244
Sun Life Financial	69	38	(1)	(6)	32	195	92	57	(1)	(1)	44	238
Infrastructure												
407 International	53	22	0	(5)	23	99	70	35	(4)	(4)	35	120
GTAA	52	21	(1)	(6)	31	111	67	32	(8)	(8)	44	126
NAV Canada (Senior)	50	19	0	(5)	22	93	64	29	(3)	(3)	31	106
Oil & Gas												
Canadian Natural Resources	62	31	(16)	(20)	36	144	101	66	(9)	(9)	51	180
EnCana	93	62	9	4	28	144	114	79	(7)	(7)	40	175
Suncor	62	31	(12)	(16)	27	135	98	63	(12)	(12)	39	165
Pipelines												
Alliance Pipeline Limited Partnership	106	75	(8)	(13)	37	169	126	91	(5)	(5)	53	191
Enbridge Inc.	71	40	0	(5)	28	126	92	57	(7)	(7)	42	156
Enbridge Income Fund	96	65	5	0	92	258	117	82	3	2	53	252
Enbridge Pipelines	51	20	0	(5)	25	114	67	32	(5)	(5)	36	139
TransCanada Pipelines	56	25	(8)	(13)	26	120	74	39	(7)	(7)	38	150
Westcoast Energy	64	33	(9)	(14)	33	124	100	65	(12)	(12)	46	148
REITs												
Calloway REIT	93	62	(18)	(22)	102	242	143	108	(22)	(22)	156	289
First Capital Realty	81	50	(19)	(23)	89	242	131	96	(19)	(19)	115	525
H&R REIT	101	70	(26)	(30)	112	251	157	122	(25)	(25)	175	294
RioCan REIT	86	55	(17)	(21)	70	350	136	101	(17)	(17)	99	400
Retail												
Canadian Tire	65	34	(17)	(22)	69	220	95	61	(21)	(22)	101	256
Loblaw	78	47	(17)	(22)	74	270	108	74	(21)	(22)	106	315
METRO Inc.	-	-	-	-	-	-	113	79	(8)	(9)	102	300
Molson Coors	-	-	-	-	-	-	115	81	(19)	(20)	121	275
Telecom/Media												
Bell Canada	72	41	(5)	(10)	28	315	106	72	(18)	(19)	42	350
TELUS	72	41	(6)	(11)	40	185	100	66	(12)	(13)	60	207
Thomson	75	44	(16)	(21)	26	175	118	83	(8)	(8)	37	208
Utilities												
Brookfield Renewable Power	103	72	(10)	(15)	55	315	136	101	(1)	(1)	70	360
CU Inc.	50	19	(1)	(6)	23	92	68	33	(4)	(4)	33	109
Enbridge Gas Distribution	48	17	0	(5)	25	114	66	31	(2)	(2)	36	139
EPCOR Utilities	60	29	(1)	(6)	35	135	75	40	(4)	(4)	48	161
FortisAlberta	-	-	-	-	-	-	72	37	(5)	(5)	42	119
Gaz Metropolitan	55	24	(1)	(6)	24	101	73	38	(4)	(4)	33	118
Hydro One	50	19	(1)	(6)	20	86	66	31	(5)	(5)	30	98
Nova Scotia Power	62	31	(1)	(6)	35	119	83	48	(4)	(4)	50	139
TransAlta Corp.	166	135	(8)	(13)	51	282	228	193	(6)	(6)	66	306
Union Gas	58	27	(8)	(13)	29	115	80	45	(10)	(10)	41	130
Domestic Corporate Avg. (Excluding Maples)			**(7)**						**(9)**			

* Thresholds are based on the historical 10th (Lower) and 90th (Upper) percentile of daily spreads; ** ABS spreads are 3- and 5-Year.
R - Restricted
Source: BMO Capital Markets

Data Tables

Table 4.2
Indicative Spread Changes – Q1 2014

	Indicative 10-Year (bps)						Indicative 30-Year (bps)					
	31-Mar-14		Absolute Change		*Cash Thresholds**		31-Mar-14		Absolute Change		*Cash Thresholds**	
	Cash	BA	Cash	BA	*Lower*	*Upper*	Cash	BA	Cash	BA	*Lower*	*Upper*
Canada Yield	2.46%						2.96%					
Provinces												
Province of B.C.	65	-	4	-	21	88	79	-	2	-	33	96
Province of Ontario	82	-	3	-	28	99	93	-	1	-	46	104
Province of Quebec	92	-	5	-	38	110	107	-	3	-	56	119
Banks (Senior)												
BMO	119	81	(4)	0	50	181	-	-	-	-	-	-
CIBC	119	81	(4)	0	54	195	-	-	-	-	-	-
National Bank	122	84	(4)	0	62	256	-	-	-	-	-	-
Royal Bank	119	81	(4)	0	46	157	-	-	-	-	-	-
Scotiabank	119	81	(4)	0	47	158	-	-	-	-	-	-
TD Bank	114	76	(4)	0	50	168	-	-	-	-	-	-
Banks (Sub Debt)												
BMO	140	102	(4)	0	58	218	-	-	-	-	-	-
CIBC	143	105	(4)	0	60	228	-	-	-	-	-	-
National Bank	149	111	(3)	1	66	243	-	-	-	-	-	-
Royal Bank	140	102	(4)	0	57	215	-	-	-	-	-	-
Scotiabank	141	103	(4)	0	58	216	-	-	-	-	-	-
TD Bank	137	99	(4)	0	59	215	-	-	-	-	-	-
Diversified Financials												
GE Capital	120	82	(4)	0	47	238	143	100	(9)	(9)	87	288
Great-West LifeCo.	130	92	(6)	(2)	59	205	151	108	(13)	(13)	96	254
IGM Financial	160	122	(7)	(3)	72	237	184	141	(12)	(12)	115	281
Manulife Financial	155	117	(6)	(2)	93	303	192	149	(15)	(15)	123	341
Sun Life Financial	143	105	(5)	(1)	69	274	176	133	(16)	(16)	102	319
Infrastructure												
407 International	103	65	(3)	1	57	144	131	88	(6)	(6)	92	168
GTAA	100	62	(5)	(1)	68	152	129	85	(7)	(7)	117	180
NAV Canada (Senior)	96	58	(1)	3	48	125	125	81	(7)	(7)	73	156
Oil & Gas												
EnCana	139	101	(14)	(9)	67	220	-	-	-	-	-	-
Suncor Energy	128	90	(14)	(9)	65	205	163	119	(11)	(11)	116	245
Pipelines												
Alliance Pipeline Limited Partnership	158	120	(1)	3	76	239	-	-	-	-	-	-
Enbridge Inc.	130	92	(3)	1	68	195	154	110	(11)	(11)	123	231
Enbridge Pipelines	103	65	(1)	3	57	158	130	86	(4)	(4)	99	175
TransCanada Pipelines	110	72	(1)	3	61	182	142	98	(3)	(3)	115	215
Westcoast Energy	129	91	(12)	(8)	70	175	157	113	(9)	(9)	125	202
REITs												
Calloway REIT	188	150	(32)	(27)	212	384	-	-	-	-	-	-
First Capital Realty	178	140	(27)	(22)	193	322	-	-	-	-	-	-
H&R REIT	205	167	(33)	(28)	230	369	-	-	-	-	-	-
RioCan REIT	181	143	(27)	(22)	195	290	-	-	-	-	-	-
Retail												
Canadian Tire	149	111	(26)	(22)	158	321	195	152	(35)	(35)	234	390
Loblaw	159	121	(26)	(22)	163	375	195	152	(37)	(37)	237	420
METRO Inc.	167	129	(11)	(7)	160	365	215	172	(15)	(15)	230	430
Telecom/Media												
Bell Canada	150	112	(16)	(12)	71	400	189	146	(9)	(9)	131	415
TELUS	143	105	(13)	(9)	90	260	183	140	(10)	(10)	150	285
Utilities												
Brookfield Renewable Power	192	154	(10)	(6)	100	490	259	215	(27)	(27)	158	525
CU Inc.	100	62	(3)	1	52	131	131	87	(4)	(4)	86	158
Enbridge Gas Distribution	101	63	0	4	57	158	128	84	(4)	(4)	99	176
EPCOR Utilities	109	71	(3)	1	73	200	138	94	(8)	(8)	127	250
FortisAlberta	-	-	-	-	-	-	132	88	(10)	(10)	104	177
Gaz Metropolitan	106	68	(3)	1	51	145	131	87	(4)	(4)	89	170
Hydro One	99	61	(3)	1	47	123	129	85	(5)	(5)	79	154
Nova Scotia Power	115	77	(3)	1	77	167	142	98	(5)	(5)	130	204
TransAlta Corp.	295	257	(31)	(27)	100	400	365	322	(24)	(24)	171	471
Union Gas	109	71	(7)	(3)	62	159	137	93	(2)	(2)	114	178
Domestic Corporate Avg. (Excluding Maples)			**(9)**						**(14)**			

* Thresholds are based on the historical 10th (Lower) and 90th (Upper) percentile of daily spreads.
R - Restricted
Source: BMO Capital Markets

Data Tables

Table 4.3
Spread Changes by Sector – Quarterly (2s and 5s)

	2 Yr. Indicative Spreads					5 Yr. Indicative Spreads				
	Average Spread as of 31-Mar-14	Mean Absolute Change Q1/14	Mean Percentage Change Q1/14	Mean Lower Threshold	Mean Upper Threshold	Average Spread as of 31-Mar-14	Mean Absolute Change Q1/14	Mean Percentage Change Q1/14	Mean Lower Threshold	Mean Upper Threshold
Banks - Senior	59	-4	-7%	23	135	76	-7	-8%	33	163
Banks - Sub	77	-18	-19%	25	157	98	-10	-9%	37	190
Industrial	84	-5	-5%	40	168	104	-5	-4%	55	187
Infrastructure	77	-5	-6%	47	156	96	-7	-7%	59	187
Life Insurers - Senior	68	-1	-1%	38	180	95	-2	-2%	51	218
Oil and Gas	88	-8	-8%	32	148	104	-8	-7%	47	164
Pension Funds & Agencies	46	0	0%	37	108	65	-11	-14%	44	132
Pipelines	84	-6	-7%	55	146	103	-7	-6%	61	168
Real Estate	115	-19	-14%	105	259	198	-15	-7%	141	343
Retail	80	-18	-18%	73	206	111	-19	-15%	105	252
Telecom	80	-9	-10%	61	243	114	-16	-12%	89	284
Utilities	76	-4	-5%	46	163	101	-7	-6%	55	168

* Thresholds are based on the historical 10th (Lower) and 90th (Upper) percentile of daily spreads; ** ABS spreads are 3- and 5-Year
R - Restricted
Source: BMO Capital Markets

Table 4.4
Spread Changes by Sector – Quarterly (10s and 30s)

	10 Yr. Indicative Spreads					30 Yr. Indicative Spreads				
	Average Spread as of 31-Mar-14	Mean Absolute Change Q1/14	Mean Percentage Change Q1/14	Mean Lower Threshold	Mean Upper Threshold	Average Spread as of 31-Mar-14	Mean Absolute Change Q1/14	Mean Percentage Change Q1/14	Mean Lower Threshold	Mean Upper Threshold
Banks - Senior	119	-4	-3%	52	186	NA	NA	NA	NA	NA
Banks - Sub	142	-4	-3%	60	222	NA	NA	NA	NA	NA
Industrial	162	-9	-5%	85	220	NA	NA	NA	NA	NA
Infrastructure	149	-7	-4%	98	236	163	-10	-6%	130	240
Life Insurers - Senior	143	-6	-4%	74	261	173	-15	-8%	107	305
Oil and Gas	135	-13	-8%	76	202	NA	NA	NA	NA	NA
Pension Funds & Agencies	101	-7	-6%	63	165	NA	NA	NA	NA	NA
Pipelines	141	-5	-4%	88	206	155	-9	-6%	116	206
Real Estate	206	-28	-12%	200	320	NA	NA	NA	NA	NA
Retail	167	-23	-12%	162	313	214	-35	-14%	241	391
Telecom	164	-18	-10%	141	325	212	-16	-7%	195	367
Utilities	139	-8	-5%	77	200	155	-10	-6%	115	227

* Thresholds are based on the historical 10th (Lower) and 90th (Upper) percentile of daily spreads
R - Restricted
Source: BMO Capital Markets

Data Tables

Table 4.5
Curve Spreads by Company

	2s - 5s Curve				5s - 10s Curve				10s - 30s Curve			
	2s-5s spreads as of		**Historical Thresholds*		*5s-10s spreads as of*		**Historical Thresholds*		*10s-30s spreads as of*		**Historical Thresholds*	
	31-Mar-14	*31-Dec-13*	*Narrow*	*Wide*	*31-Mar-14*	*31-Dec-13*	*Narrow*	*Wide*	*31-Mar-14*	*31-Dec-13*	*Narrow*	*Wide*
Provinces												
Province of B.C.	-	-	-	-	34	34	7	38	14	16	-	16
Province of Ontario	-	-	-	-	32	38	10	41	12	13	-1	21
Province of Quebec	-	-	-	-	39	44	15	47	15	17	5	22
Banks (Senior)												
BMO	18	20	9	52	43	40	15	42	-	-	-	-
CIBC	17	20	9	50	44	40	15	43	-	-	-	-
National Bank	17	19	12	49	44	41	22	43	-	-	-	-
Royal Bank	18	21	8	46	42	38	15	41	-	-	-	-
Scotiabank	17	20	8	46	42	40	15	42	-	-	-	-
TD Bank	19	18	9	46	41	40	15	43	-	-	-	-
Banks (Sub Debt)												
BMO	20	12	10	42	44	37	20	47	-	-	-	-
CIBC	21	13	10	43	45	38	20	46	-	-	-	-
National Bank	25	11	11	42	43	39	20	48	-	-	-	-
Royal Bank	20	12	10	42	44	37	19	46	-	-	-	-
Scotiabank	21	13	10	43	44	37	19	46	-	-	-	-
TD Bank	20	15	10	42	44	37	19	47	-	-	-	-
Diversified Financials												
GE Capital	17	20	9	47	42	38	12	56	23	28	8	37
Great-West LifeCo.	30	32	10	37	42	44	19	50	21	28	18	51
IGM Financial	34	35	11	45	51	55	22	59	24	29	22	52
Manulife Financial	27	27	11	53	52	56	16	76	37	46	24	54
Sun Life Financial	23	22	11	41	52	56	20	56	33	44	16	72
Infrastructure												
407 International	17	20	10	33	34	33	19	37	28	31	14	40
GTAA	15	21	12	31	34	31	21	39	29	30	15	53
NAV Canada	14	16	7	31	33	31	13	35	29	34	16	44
Oil & Gas												
Canadian Natural Resources	39	32	13	41	-	-	28	56	-	-	30	61
EnCana	21	36	12	36	25	32	25	50	-	-	23	55
Suncor Inc.	36	36	11	36	30	32	23	50	35	32	25	55
Pipelines												
Alliance Pipeline Limited Partnership	20	16	11	30	33	29	22	45	-	-	-	-
Enbridge Inc.	21	27	11	34	39	35	25	43	24	31	30	65
Enbridge Income Fund	21	23	14	47	39	47	31	63	-	-	-	-
Enbridge Pipelines	16	20	9	33	37	33	17	37	27	29	18	44
TransCanada Pipelines	18	16	9	30	37	31	22	47	32	33	32	61
Westcoast Energy	36	38	10	32	30	30	20	38	28	24	21	57
REITs												
Calloway REIT	50	54	47	55	45	55	50	96	-	-	-	-
First Capital Realty	50	50	43	60	47	55	50	75	-	-	-	-
H&R REIT	56	55	43	58	48	56	50	75	-	-	-	-
RioCan REIT	50	50	29	56	45	55	50	60	-	-	-	-
Retail												
Canadian Tire	30	34	26	53	54	59	45	75	46	55	45	94
Loblaw	30	34	25	48	51	56	50	75	36	47	45	94
METRO Inc.	-	-	-	-	54	57	50	72	48	52	40	90
Telecom/Media												
Bell Canada	34	47	12	48	44	42	24	65	39	32	10	77
TELUS	28	34	15	42	43	44	30	65	40	37	20	75
Thomson Corp.	43	34	11	35	-	-	-	-	-	-	-	-
Utilities												
Brookfield Renewable Power	33	23	15	45	57	66	30	67	67	83	45	126
CU Inc.	18	20	8	31	33	32	15	34	31	31	21	40
Enbridge Gas Distribution	18	19	9	32	36	34	18	37	27	30	19	45
EPCOR Utilities	15	17	11	32	35	34	23	42	29	33	26	56
Gaz Metropolitan	18	20	7	34	34	33	15	37	25	25	20	43
Hydro One	16	19	7	30	34	32	14	35	30	31	21	40
Nova Scotia Power	21	23	11	32	33	32	22	37	27	28	25	56
FortisBC Energy Inc.	16	19	9	31	33	30	18	36	31	31	23	61
TransAlta Corp.	62	59	14	59	68	93	30	86	70	63	41	93
Union Gas	22	23	9	29	30	27	17	40	28	22	16	56
Simple Avg (ex-Provincials/Maples)	**26**	**28**	**15**	**42**	**43**	**44**	**26**	**52**	**35**	**40**	**28**	**66**

Note: Thresholds are based on the historical 10th (Lower) and 90th (Upper) percentile of daily spreads.
Source: BMO Capital Markets

Data Tables

Table 4.6
Curve Spreads by Sector

	2s - 5s Curve				5s - 10s Curve				10s - 30s Curve			
	2s-5s spreads as of		*Historical Thresholds**		*5s-10s spreads as of*		*Historical Thresholds**		*10s-30s spreads as of*		*Historical Thresholds**	
	31-Mar-14	*31-Dec-13*	*Narrow*	*Wide*	*31-Mar-14*	*31-Dec-13*	*Narrow*	*Wide*	*31-Mar-14*	*31-Dec-13*	*Narrow*	*Wide*
Banks - Senior	17	20	9	48	42	40	16	42	-	-	-	-
Banks - Sub	21	13	10	42	44	38	20	47	-	-	-	-
Infrastructure	22	24	12	37	41	41	24	46	37	41	23	61
Life Insurers - Senior	26	27	11	44	48	52	18	61	30	39	19	59
Oil and Gas	32	35	13	37	30	34	27	52	35	32	27	61
Pipelines	20	20	13	35	36	35	24	45	30	33	28	59
Real Estate	53	53	43	59	51	60	49	75	-	-	-	-
Retail	30	33	26	48	54	57	49	74	46	59	47	98
Telecom	34	40	20	61	49	52	21	78	53	50	33	92
Utilities	26	30	12	37	41	43	21	44	32	36	25	57
Corporate Avg (ex-Provincials/Maples)	**26**	**28**	**15**	**42**	**43**	**44**	**26**	**52**	**35**	**40**	**28**	**66**

Note: Thresholds are based on the historical 10th (Lower) and 90th (Upper) percentile of daily spreads.
Source: BMO Capital Markets

Data Tables

Table 5.1
Corporate Value Rankings

Sector Rating and Corporate Rankings	Average Credit Rating	Relative Value 5-Years: Technical: Indicative Spread for 31-Mar-14	Technical: Implied Spread for Rating Category	Technical: Implied Credit Rating From Indicative Spread	BMO View: Value within Sector	BMO View: Issuer Value on Credit Curve	Relative Value 10-Years: Technical: Indicative Spread for 31-Mar-14	Technical: Implied Spread for Rating Category	Technical: Implied Credit Rating From Indicative Spread	BMO View: Value within Sector	BMO View: Issuer Value on Credit Curve	Relative Value 30-Years: Technical: Indicative Spread for 31-Mar-14	Technical: Implied Spread for Rating Category	Technical: Implied Credit Rating From Indicative Spread	BMO View: Value within Sector	BMO View: Issuer Value on Credit Curve
		plus = Strong, blank = Average, minus = Weak														
Banks (Deposit Note spreads) - Market Perform		Market Perform					Market Perform					Market Perform				
TD Bank	AA	74	64	AA-	-	+	na	na	na	na	na	na	na	na	na	na
Royal Bank	AA-	78	75	AA-	+	+	119	113	AA-			na	na	na	na	na
Bank of Montreal	AA-	76	75	AA-	+	+	119	113	AA-			na	na	na	na	na
Scotiabank	AA-	78	75	AA-	+	+	na	na	na	na	na	na	na	na	na	na
National Bank	A+	79	86	AA-	+	+	na	na	na	na	na	na	na	na	na	na
CIBC	AA-	76	75	AA-	+	+	na	na	na	na	na	na	na	na	na	na
Banks (Sub Debt spreads) - Market Perform		Market Perform					Market Perform					Market Perform				
TD Bank	A+	94	86	A		+	na	na	na	na	na	na	na	na	na	na
Royal Bank	A	97	96	A		+	na	na	na	na	na	na	na	na	na	na
Bank of Montreal	A	97	96	A		+	na	na	na	na	na	na	na	na	na	na
Scotiabank	A	98	96	A		+	na	na	na	na	na	na	na	na	na	na
National Bank	A-	107	107	A-		+	na	na	na	na	na	na	na	na	na	na
CIBC	A	99	96	A		+	na	na	na	na	na	na	na	na	na	na
Communications - Outperform		Outperform					Market Perform					Outperform				
TELUS Corp.	BBB+	100	118	A	+		143	164	A			199	190	BBB		+
Bell Canada	BBB+	106	118	A-			150	164	A-			189	190	BBB+		+
Rogers Communications	BBB+	114	118	BBB+			161	164	BBB+			207	190	BBB		+
Cogeco Cable	BBB	na	na	na			173	176	BBB			na	na	na	na	na
Manitoba Telecom	BBB	119	128	BBB+			181	176	BBB			na	na	na	na	na
Shaw Communications	BBB-	123	139	BBB	+	+	173	189	BBB		+	241	223	BBB-		+
Bell Aliant	BBB	122	128	BBB+		+	168	176	BBB+		+	238	207	BBB-		+
Insurance - Market Perform		Market Perform					Market Perform					Market Perform				
Great-West LifeCo	AA-	89	75	A+			130	113	A+			151	125	A		
Manulife Financial	A+	104	86	A-	+	+	155	126	A-	+		na	na	na	na	na
Sun Life Financial	A+	92	86	A		+	143	126	A			na	na	na	na	na
Gas and Electric Utilities - Underperform		Underperform					Underperform					Underperform				
Hydro One	A+	66	86	AA	+		99	126	AA	+	+	129	141	AA-	+	
Enbridge Gas Distribution	A	66	96	AA	+		101	139	AA	+	+	128	157	AA-	+	
AltaLink LP	A	70	96	AA	+		104	139	AA	+	+	132	157	AA-	+	
CU Inc.	A+	68	86	AA			100	126	AA		+	131	141	AA-		
FortisAlberta	A-	72	107	AA-			na	na	na	na	na	132	174	AA-		+
Toronto Hydro	A+	69	86	AA			102	126	AA		+	132	141	AA-		
Union Gas	A-	80	107	AA-			109	151	AA-		+	137	174	A+		
Gaz Metro inc.	A+	73	86	AA-			106	126	AA		+	131	141	AA-		
Infrastructure - Market Perform		Market Perform					Market Perform					Market Perform				
GTAA	A	67	96	AA			100	139	AA			129	157	AA-	+	+
407 International	A	70	96	AA	+		103	139	AA	+		131	157	AA-		+
NAV CANADA (Senior)	AA	64	64	AA			96	101	AA			125	108	AA-		+
Pipelines - Market Perform		Market Perform					Market Perform					Market Perform				
Enbridge Pipelines	A	67	96	AA			103	139	AA		+	130	157	AA-		
Enbridge Inc.	A-	92	107	A	+		130	151	A+	+	+	154	174	A	+	
TransCanada PipeLines	A-	74	107	AA-			110	151	AA-		+	142	174	A+		
REITs - Outperform		Outperform					Outperform					NA				
Calloway REIT	BBB	143	128	BBB-			188	176	BBB-		+	na	na	na	na	na
First Capital Realty	BBB+	131	118	BBB	+		178	164	BBB	+	+	na	na	na	na	na
H&R REIT	BBB	157	128	BBB-			205	176	BBB-		+	na	na	na	na	na
RioCan REIT	BBB	136	128	BBB-	-		181	176	BBB	-	+	na	na	na	na	na
Retail - Underperform		Underperform					NA					Underperform				
Loblaw	BBB	108	128	A-	+		159	176	BBB+			195	207	BBB+	+	+
Metro	BBB	113	128	BBB+			na	na	na	na	na	215	207	BBB-		+
Canadian Tire	BBB+	95	118	A			na	na	na	na	na	195	190	BBB+		

Source: BMO Capital Markets

Data Tables

Table 5.2
Corporate Rankings and Credit Scorecard

Risks: plus = Low, blank = Average, minus = High
Credit Profile: plus = Improving, blank = Stable, minus = Weakening

Sector Rating and Corporate Rankings	Risks: M&A	External	Regulatory	New Issuance	Trading Liquidity	Other	Credit Profile: Financial	Fundamental	Credit Ratings
Banks - Market Perform			**-**	**-**	**+**				
TD Bank			-	-	+				
Royal Bank			-	-	+				
Bank of Montreal			-	-	+				
Scotiabank		-	-	-	+				
National Bank			-	-	+				
CIBC			-	-	+				
Communications - Outperform		**-**	**-**	**+**	**+**	**-**			
TELUS Corp.		-	-	+	+				
Bell Canada		-	-	+	+		+		
Rogers Communications		-	-	+	+		+		
Cogeco Cable	-	-	-	+	-	-	+		
Manitoba Telecom		-	-		-			+	
Shaw Communications		-	-	+	+		+		
Bell Aliant		-	-	+	-	-		-	-
Insurance - Market Perform		**-**	**-**	**+**			**+**	**+**	
Great-West LifeCo		-	-	+			+	+	
Manulife Financial		-	-	+			+	+	
Sunlife Financial		-	-	+			+	+	
Gas and Electric Utilities - Underperform	**+**		**+**	**-**				**+**	
Hydro One	+		+	-	+			+	
Enbridge Gas Distribution	+				+			+	
AltaLink LP	-	-	+	-	+			+	
CU Inc.	+		+	-	+			+	
FortisAlberta	+		+						
Toronto Hydro	+							+	
Union Gas	+								
Gaz Metro inc.	+								
Infrastructure - Market Perform	**+**	**-**				**-**			
Greater Toronto Airports Authority	+	-		+	+	-			
407 International	+	-				-			
NAV CANADA	+	-		+		-	-	-	-
Pipelines - Market Perform		**-**					**+**	**+**	
Enbridge Pipelines Inc.		-			+			+	
Enbridge Inc.		-		-	+			+	
TransCanada PipeLines		-		-	+			+	
REITs - Outperform				**-**	**-**				
Calloway REIT				-	-				
First Capital Realty				-	-	-			
H&R REIT				-	-				
RioCan REIT				-	-				
Retail - Underperform	**-**	**-**		**+**				**-**	
Loblaw		-			+		+	-	
Metro	-	-		-	-		-	-	
Canadian Tire	-	-		+	+	-	+	-	

Source: BMO Capital Markets

Dex Universe Corporate Bond Index

Table 6.1
Total Return and Spread Change: YTD 2014

Sector	Short				Mid				Long				Broad			
	Return		Spread (bps)		Return		Spread (bps)		Return		Spread (bps)		Return		Spread (bps)	
	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD
All Corporates	0.07%	1.39%	-1.90	-8.59	0.11%	3.85%	-4.99	-13.90	0.29%	6.06%	-3.31	-9.33	0.13%	2.95%	-2.98	-8.68
Communication - Media	0.15%	0.99%	-3.67	-14.23	0.24%	4.11%	-7.22	-17.11	1.75%	8.72%	-14.23	-28.20	0.52%	4.17%	-7.15	-17.24
Communication - Telecommunication	0.16%	1.42%	-4.98	-13.09	0.20%	4.05%	-5.16	-13.82	0.83%	6.48%	-7.34	-13.21	0.35%	3.75%	-6.13	-13.30
Energy - Distribution	0.04%	1.31%	-2.41	-4.69	-0.07%	3.56%	-1.12	-3.95	0.11%	5.97%	-2.20	-5.58	0.07%	4.92%	-2.60	-5.43
Energy - Exploration	0.15%	1.69%	-2.24	-9.89	0.25%	3.32%	-8.70	-12.56	0.33%	5.55%	-4.80	-4.49	0.22%	2.79%	-3.49	-8.28
Energy - Generation	0.23%	1.95%	-7.87	-9.15	0.19%	4.42%	-5.63	-18.17	-0.02%	5.32%	0.10	-14.29	0.11%	4.40%	-3.86	-16.97
Energy - Pipelines	0.11%	1.34%	-4.61	-4.10	0.00%	3.69%	-1.51	-5.01	0.21%	5.70%	-2.31	-7.18	0.10%	3.87%	-2.22	-5.69
Financial - Auto Finance	0.07%	1.50%	-3.53	-5.99		0.42%							0.07%	1.51%	-3.53	-5.99
Financial - Bank	0.03%	1.32%	-0.60	-8.07	0.01%	3.48%	-6.75	-22.01	0.35%	6.12%	-3.25	-12.81	0.04%	1.70%	-1.18	-8.06
Financial - Insurance	0.16%	1.55%	-5.74	-13.61	0.19%	3.73%	-6.67	-15.61	0.44%	6.21%	-5.08	-10.60	0.22%	3.05%	-5.86	-13.96
Financial - Services	0.08%	1.44%	-2.14	-8.11	0.09%	3.40%	-5.87	-10.31	0.57%	5.96%	-6.22	-8.55	0.13%	2.33%	-3.15	-7.20
Infrastructure - Health	0.20%	1.04%	-8.38	-12.89	-0.01%	0.39%	-4.45		0.12%	5.83%	-0.67	-11.48	0.12%	5.12%	-2.02	-6.56
Infrastructure - Transportation	0.05%	1.27%	-2.81	-8.15	-0.09%	3.23%	-3.26	-8.33	0.06%	5.42%	-0.71	-6.12	0.03%	4.22%	-1.65	-6.73
Infrastructure - Utility	0.07%	1.53%	-3.51	-6.87	-0.10%	3.83%	-1.92	-7.43	0.06%	6.15%	-1.87	-6.00	0.03%	4.83%	-2.22	-5.22
Other	0.17%	1.72%	-3.00	-15.15	0.31%	4.17%	-7.29	-18.69	0.76%	7.05%	0.62	-10.46	0.30%	3.60%	-9.75	-17.80
Real Estate	0.31%	2.31%	-12.72	-19.57	0.15%	4.37%	0.03	-6.50	-0.65%	4.82%	6.04	-4.14	0.15%	3.53%	-5.15	-8.98
Retail	0.18%	1.58%	-3.30	-12.39	0.47%	4.84%	-2.74	-14.43	1.10%	7.94%	-10.75	-26.26	0.54%	4.58%	-9.25	-20.22
Securitization	0.07%	1.10%	-2.31	-9.70									0.07%	1.10%	-2.31	-9.70

Bank Debt	Short				Mid				Long				Broad			
	Return		Spread (bps)		Return		Spread (bps)		Return		Spread (bps)		Return		Spread (bps)	
	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD
Bank - Covered	0.00%	1.43%	9.29	-0.24									0.00%	1.43%	9.29	-0.24
Bank - Senior	-0.01%	1.31%	0.34	-7.07	-0.02%	3.62%	-5.82	-12.09	0.15%	5.98%	-2.09	-15.79	0.00%	1.56%	-0.06	-6.17
Bank - Sub	0.13%	1.16%	-3.92	-12.88	0.00%	3.47%	-4.56	-17.03	0.25%	4.92%	-2.96	-8.82	0.11%	1.62%	-4.02	-13.46
Bank - Tier 1	0.06%	1.71%	-3.06	-9.88	0.05%	3.31%	-5.37	-15.60	0.52%	6.41%	-5.24	-12.89	0.13%	3.11%	-4.25	-11.69
Bank - Tier 2A	0.20%	1.50%	-6.97	-13.21									0.20%	1.50%	-6.97	-13.21

Source: PC Bond, a business unit of TSX Inc.
As at March 31, 2014

Provinces – April 2014

Alberta Leads the Pack…Again

After a challenging winter for the North American economy, all sights are now squarely on spring and an expected rebound in growth. The Canadian economy is expected to expand 2.3% this year, up from the 2.0% pace in 2013, and rise a further 2.5% in 2015. The potent one-two punch of a stronger U.S. economy and weaker loonie remain key themes shaping the provincial growth outlook, opening the door for improved relative performance in Central and Atlantic Canada.

Even so, **Alberta** is expected to remain head-and-shoulders above the pack in the coming year, with sturdy oil prices and a heavy dose of public-sector capital spending providing a boost—partly for post-flood rebuilding, but also because of the infrastructure demands created by a fast-growing population. Indeed, by many measures such as employment growth, retail sales and housing market performance, the province is in a league of its own. Real GDP growth is expected at 3.5% this year and 3.3% in 2015, the only province carrying 3-handles. These growth prospects, widening wage gaps and a low tax burden will continue to draw inward migration from other regions of the country.

The rest of the West is expected to perform closer to the national average in the year ahead. **British Columbia**'s housing market has balanced out after enduring a soft patch, but growth in China is softening and mining investment is downshifting. In **Saskatchewan**, the labour market remains healthy with the lowest jobless rate in Canada and a healthy oil industry, but uncertainty in the potash sector persists and spending growth is cooling. And, as in **Manitoba**, crop production is assumed to normalize after a bountiful year in 2013.

FISCAL SUMMARY
FY2014/15

	Budget Balance [1] ($ mlns)	% of GDP	Gross Financing Requirements [2] ($ blns)
British Columbia	184	0.1	5.2
Alberta	1,087	0.3	8.4
Saskatchewan	105.4	0.1	1.5
Manitoba	(357)	(0.6)	4.8
Ontario*	(10,100)	(1.4)	37.0
Quebec	(454)	(0.1)	21.6
New Brunswick	(391)	(1.2)	1.8
Nova Scotia*	18.3	0.0	0.5
PEI*	(35)	(0.6)	0.2
Nfld & Labrador	(538)	(1.4)	1.0
Total Provincial	(10,480)	(0.5)	82.0

[1] AB is chng in net assets. SK and QC before fund transfers.
[2] Includes provincial Crown corporations.
*Based on latest available update (FY14/15 budget pending).

	S&P	Moody's	DBRS
British Columbia	AAA	Aaa [2]	AA (high)
Alberta	AAA	Aaa	AAA
Saskatchewan	AAA	Aa1 [1]	AA
Manitoba	AA	Aa1	A (high)
Ontario	AA- [2]	Aa2	AA (low)
Quebec	A+	Aa2	A (high)
New Brunswick	A+	Aa2	A (high)
Nova Scotia	A+	Aa2	A (high)
PEI	A	Aa2	A (low)
Nfld & Labrador	A+	Aa2	A

Sources: Provinces, BMO Capital Markets, S&P, Moody's, DBRS
( ) = deficit   [1] = positive outlook   [2] = negative outlook

Central Canada should benefit proportionately more from the weaker dollar/stronger U.S. growth combination. Growth in **Ontario** is expected to improve to 2.3% this year, up from the subdued 1.4% average pace seen over the prior two years—net exports are poised to improve, and the housing market, while expected to moderate, should avoid a severe correction. Longer-term challenges such as labour costs in manufacturing will persist, but will get some reprieve thanks to the weaker currency. Meantime, **Quebec**'s economy should also benefit from stronger U.S. demand and a less aggressive focus on balancing the budget, but political uncertainty has been a dampener on business confidence. At time of publication, polls for the April 7th election remained volatile, and recent results from other provincial elections only reinforce that Election Day outcomes can easily surprise pollsters.

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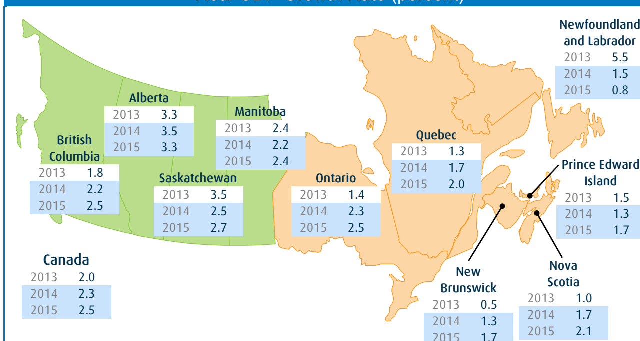
PROVINCIAL GDP
Real GDP Growth Rate (percent)



Sources: [2013-15] BMO Capital Markets forecasts

Atlantic Canada will remain comparatively sluggish, but growth in most of the region is expected to improve from stall-speed rates in 2013. **Nova Scotia** is poised to lead the pack at 1.7%, picking up to 2.1% in 2015 as work begins on the federal shipbuilding contract. **New Brunswick** and **PEI** continue to face stagnant population growth, but a weaker loonie should provide some boost to exports—look for 1.3% growth in both provinces this year. Finally, real GDP growth in **Newfoundland & Labrador** remains volatile due to offshore oil production and rig maintenance, with growth contract. **New Brunswick** and **PEI** continue to face stagnant population growth, but a weaker loonie should provide some boost to exports—look for 1.3% growth in both provinces this year. Finally, real GDP growth in **Newfoundland & Labrador** remains volatile due to offshore oil production and rig maintenance, with growth expected to slow to 1.5% in 2014 from 5.5% in 2013. While underlying trends remain healthy by historical standards and relative to its Atlantic-Canada peers, capital investment (both public and private) is expected to level off this year after four consecutive years of 20%-plus growth. A meaningful pickup in GDP growth is still a few years out, with Hebron expected to begin producing sometime around 2017.

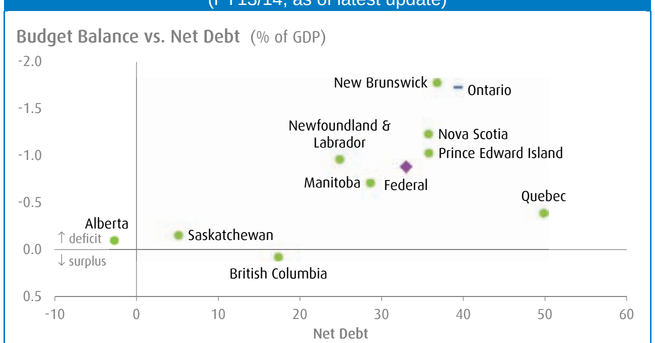
Budget Season Winding Down

The FY14/15 provincial budget season is winding down, with three still to table their documents: Ontario, PEI and Nova Scotia. Looking back at FY13/14, the combined deficit is now pegged at $15.3 billion, a modest deterioration from the $14.0 billion projected last spring. Quebec and Nova Scotia account for the bulk of the miss, with the former abandoning plans to the balance the books in favour of modest stimulus, and the latter succumbing to a weaker revenue growth environment, like most of Atlantic Canada. Indeed, overall provincial revenues are tracking roughly $1.1 billion below the budget plan (or $3.6 billion lower excluding Alberta), while total expenses are little changed.

Looking ahead to FY14/15, the combined deficit is pegged at $10.5 billion versus the $15.3 billion now estimated for FY13/14, or a relatively modest 0.5% of GDP (we've plugged in the most recent update for the three Provinces yet to table their budget). However, there is some downside risk as we await budgets from Ontario and Nova Scotia, both of which have hinted at deeper deficits for the new fiscal year. The year-over-year improvement elsewhere has largely been driven by Alberta and Quebec, even though the latter backtracked on prior plans to balance the budget this fiscal year. In fact, six of the seven provinces that have tabled their budget to date are expecting a year-over-year bottom line improvement.

On the policy front, major revenue measures have been sparse this year, netting out to a roughly $100 million net decrease, immaterial as share of GDP. That compares to last year's more aggressive moves that aimed to raise $1.1 billion in revenues through various tax increases, most notably in Manitoba, Quebec and New Brunswick. On the spending side, the provinces continue to hold the line, with most targeting spending growth at or below the combined rate of inflation and population growth. Of the provinces tabling their budgets so far, combined program spending growth is projected to rise 0.6% in FY14/15, or 2.5% excluding Alberta's hefty flood-related costs that were booked in FY13/14.

PROVINCIAL FISCAL LANDSCAPE
(FY13/14, as of latest update)



Sources: Provincial Budgets

FINANCES: A LOOK BACK
Budget Balance (FY13/14, $ mlns)

	Balance (budget)	Balance (latest)	(chng)	Change (% GDP)
BC	197	175	-22	0.0
AB [1]	-1,975	-335	1,640	0.5
SK [2]	64.8	127.8	-193	-0.2
MB	-518	-432	86	0.1
ON	-11,743	-11,741	2	0.0
QC [3]	1,039	-1,428	-2,467	-0.7
NB	-479	-564	-85	-0.3
NS	16.4	-481.7	-498	-1.3
PE	-59	-59	0	0.0
NL	-564	-349	215	0.6
Total	-14,021	-15,342	-1,322	-0.1

[1] change in net assets
[2] SK balance before GFSF transfers
[3] QC balance excludes GF transfers

FINANCES: A LOOK AHEAD
($ mlns)

	Budget FY13/14	Budget FY14/15	(chng)	Change (% GDP)
BC	175	184	9	0.0
AB [1]	-335	1,087	1,422	0.4
SK [2]	-128	105	233	0.3
MB	-432	-357	75	0.1
ON	**-11,741**	**-10,100**	**1,641**	**0.2**
QC [3]	-1,428	-454	974	0.3
NB	-564	-391	173	0.5
NS	**-482**	**18**	**500**	**1.2**
PE	**-59**	**-35**	**24**	**0.4**
NL	-349	-538	-189	-0.5
Total	-15,342	-10,480	-1,322	-0.2

[1] change in net assets (prior reporting period)
[2] SK balance before GFSF transfers
[3] QC balance excludes GF transfers
Bold = as of latest update
(FY14/15 budget still pending)

Source: Provincial Budgets/Fiscal Updates

Provincial Economic Summary

	BC	Alberta	Sask.	Manitoba	Ontario	Quebec	NB	NS	PEI	NL	Canada
Real GDP Growth (chain-weighted : year/year % change)											
2013 e	1.8	3.3	3.5	2.4	1.4	1.3	0.5	1.0	1.5	5.5	2.0
2014 f	2.2	3.5	2.5	2.2	2.3	1.7	1.3	1.7	1.3	1.5	2.3
2015 f	2.5	3.3	2.7	2.4	2.5	2.0	1.7	2.1	1.7	0.8	2.5
Employment Growth (y/y % chng)											
2013 e	-0.2	2.8	3.4	0.5	1.4	1.1	-0.2	-0.3	2.1	1.2	1.3
2014 f	0.6	3.2	1.4	0.4	0.9	0.7	0.4	0.2	-0.1	0.7	1.0
2015 f	1.2	2.2	1.6	1.3	1.3	0.8	0.3	1.0	0.4	0.4	1.3
Unemployment Rate (percent)											
2013 e	6.6	4.7	4.0	5.4	7.5	7.7	10.4	9.1	11.4	11.4	7.1
2014 f	6.5	4.2	4.0	5.3	7.4	7.7	10.0	8.7	11.3	11.0	6.9
2015 f	6.2	4.0	3.9	5.0	7.0	7.5	9.8	8.4	11.1	10.8	6.6
Housing Starts (thousands)											
2013 e	27.1	36.1	8.2	7.5	60.7	37.5	2.8	3.9	0.6	2.9	187.4
2014 f	24.5	40.0	7.1	6.0	55.0	38.0	2.6	3.2	0.7	3.1	180.1
2015 f	23.0	43.5	7.2	6.0	53.5	37.0	2.5	3.4	0.7	3.2	180.0
Consumer Prices (year/year % change)											
2013 e	-0.1	1.4	1.4	2.3	1.1	0.8	0.8	1.2	2.0	1.7	0.9
2014 f	0.9	2.2	2.1	1.7	1.7	1.3	1.7	2.0	2.1	1.9	1.6
2015 f	1.8	2.1	1.9	1.8	1.8	1.7	1.7	1.9	1.8	1.9	1.8

f = forecast
Source: BMO Capital Markets

Provincial Economic Indicators - (3-Month M.A., Year/Year % Change)

	BC	Alberta	Sask.	Manitoba	Ontario	Quebec	NB	NS	PEI	NL	Canada
Retail Sales											
Nov 13	4.6	7.2	2.8	2.6	2.0	1.6	0.9	2.0	0.8	1.9	3.0
Dec 13	3.1	7.8	0.5	-0.2	2.8	3.4	1.1	-0.1	-1.1	1.6	3.4
Jan 14	4.0	9.8	4.0	6.3	2.5	1.4	2.1	1.9	1.6	2.6	3.7
Manufacturing Shipments											
Nov 13	5.9	8.0	6.4	1.9	-0.2	-1.8	-2.2	-10.6	24.1	-6.6	0.7
Dec 13	5.7	3.9	9.0	0.6	4.6	1.5	2.7	-11.2	11.9	1.1	3.5
Jan 14	5.9	8.1	9.3	-1.4	1.6	6.9	4.6	-13.3	15.5	-19.7	3.7
Exports											
Nov 13	4.1	13.9	9.7	20.2	3.1	-6.4	-4.3	-0.7	24.4	7.1	4.7
Dec 13	16.8	14.5	-6.6	14.9	5.8	7.7	-13.9	16.2	46.7	-4.1	7.1
Jan 14	9.0	12.5	-1.0	6.3	-2.4	2.1	-2.9	10.6	48.9	13.5	3.2
Employment Growth											
Dec 13	0.0	3.1	2.3	-1.2	0.3	0.1	1.6	-0.2	-1.2	-0.6	0.6
Jan 14	0.7	3.2	1.0	-1.0	0.8	0.2	0.2	-0.7	0.8	-0.5	0.8
Feb 14	-0.3	3.8	0.9	-0.9	0.4	-0.1	0.0	-0.8	-0.9	-0.7	0.5

Source: BMO Capital Markets

History of Canadian Fiscal Balances ($ Millions)

	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14 e
BC	(2,621)	(1,342)	2,689	2,963	3,973	2,741	64	(1,810)	(241)	(1,840)	(1,146)	175
Alberta	2,133	4,136	5,175	8,551	8,510	4,581	(852)	(1,032)	(3,410)	(23)	(2,842)	(335)
Sask.	83	(210)	765	539	398	1,283	1,970	168	95	55	16	(128)
Manitoba	78	(579)	562	394	485	558	451	(200)	(179)	(999)	(580)	(432)
Ontario	117	(5,483)	(1,555)	298	2,269	600	(6,409)	(19,262)	(14,011)	(12,969)	(9,220)	(11,741)
Quebec	(694)	(358)	(664)	37	1,993	1,650	(1,258)	(2,940)	(2,390)	(1,788)	(2,515)	(1,428)
NB	(109)	(197)	221	226	275	240	(153)	(696)	(618)	(245)	(508)	(564)
NS	28	38	170	196	182	419	26	(269)	585	(259)	(302)	(482)
PEI	(55)	(125)	(34)	1	24	(4)	(31)	(74)	(63)	(78)	(79)	(59)
NL	(644)	(914)	(489)	199	154	1,421	2,350	(33)	594	883	(199)	(349)
Provinces	(1,684)	(5,034)	6,840	13,404	18,263	13,489	(3,842)	(26,148)	(19,638)	(17,263)	(17,375)	(15,342)
Federal	6,621	9,145	1,463	13,218	13,752	9,597	(5,755)	(55,598)	(33,372)	(26,279)	(18,929)	(16,600)
Total	4,937	4,111	8,303	26,622	32,015	23,086	(9,597)	(81,746)	(53,010)	(43,542)	(36,304)	(31,942)

f = forecast
Source: BMO Capital Markets

(% of GDP)

	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14 e
BC	(1.9)	(0.9)	1.7	1.7	2.1	1.4	0.0	(0.9)	(0.1)	(0.9)	(0.5)	0.1
Alberta	1.4	2.4	2.7	3.8	3.5	1.8	(0.3)	(0.4)	(1.3)	(0.0)	(0.9)	(0.1)
Sask.	0.2	(0.6)	1.8	1.2	0.9	2.5	2.9	0.3	0.1	0.1	0.0	(0.2)
Manitoba	0.2	(1.5)	1.4	0.9	1.1	1.1	0.9	(0.4)	(0.3)	(1.8)	(1.0)	(0.7)
Ontario	0.0	(1.1)	(0.3)	0.1	0.4	0.1	(1.1)	(3.2)	(2.2)	(2.0)	(1.4)	(1.7)
Quebec	(0.3)	(0.1)	(0.2)	0.0	0.7	0.5	(0.4)	(0.9)	(0.7)	(0.5)	(0.7)	(0.4)
NB	(0.5)	(0.9)	0.9	0.9	1.0	0.9	(0.5)	(2.4)	(2.1)	(0.8)	(1.6)	(1.8)
NS	0.1	0.1	0.5	0.6	0.6	1.2	0.1	(0.8)	1.6	(0.7)	(0.8)	(1.2)
PEI	(1.5)	(3.3)	(0.8)	0.0	0.5	(0.1)	(0.7)	(1.5)	(1.2)	(1.4)	(1.4)	(1.0)
NL	(3.9)	(5.0)	(2.5)	0.9	0.6	4.8	7.5	(0.1)	2.0	2.6	(0.6)	(1.0)
Provinces	(0.1)	(0.4)	0.5	1.0	1.2	0.9	(0.2)	(1.7)	(1.2)	(1.0)	(1.0)	(0.8)
Federal	0.6	0.7	0.1	0.9	0.9	0.6	(0.3)	(3.5)	(2.0)	(1.5)	(1.0)	(0.9)
Total	0.4	0.3	0.6	1.9	2.2	1.5	(0.6)	(5.2)	(3.2)	(2.5)	(2.0)	(1.7)

( ) = deficit e = estimate f = forecast
Source: BMO Capital Markets

Provincial Perspectives – April 2014

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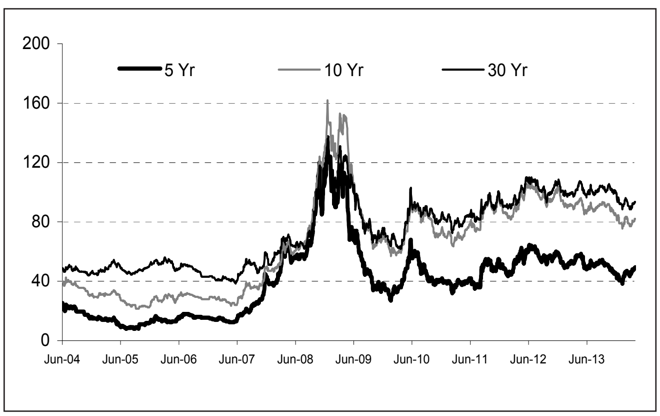
Duration Frustration

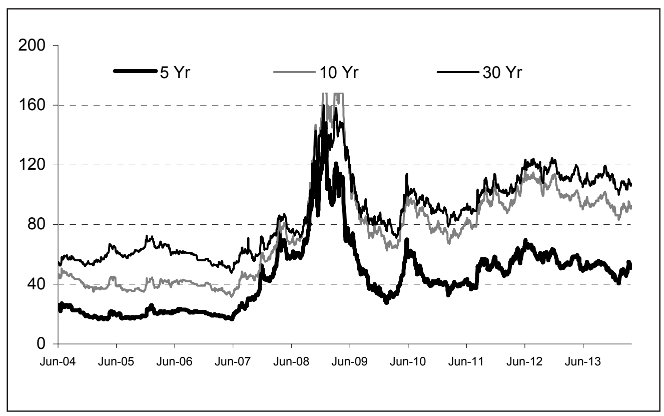
Despite surging to the top of the heap on a year-to-date basis in the FTSE TMX Canada Universe Bond Index during February, the total return for Broad Provincials gave up some ground in March, encountering the index's worst loss last month of -0.48%. The same factor that propelled the Provincial segment of the index to such success a month earlier was its biggest bane in March. A modest back up long Canada yields wreaked the most havoc on the overall performance of Provincials since it has the longest duration of any index component. Therefore, a -0.43% total return drubbing of long Canadas during March in large measure precipitated the loss of -0.72% for long Provincials and ultimately sowed the seeds of its overall weakness in the month. The total return for Broad Provincials underperformed the next closest index segment by almost 20 basis points. The poor showing in March also chipped away at the lead for Broad Provincials on a year-to-date basis relative to most other index segments. Its total return so far in 2014 fell to 3.42% and actually permitted Broad Corporate BBB to leapfrog it with a total return of 3.80% in Q1/14.

Chart 1: *Province of Ontario*



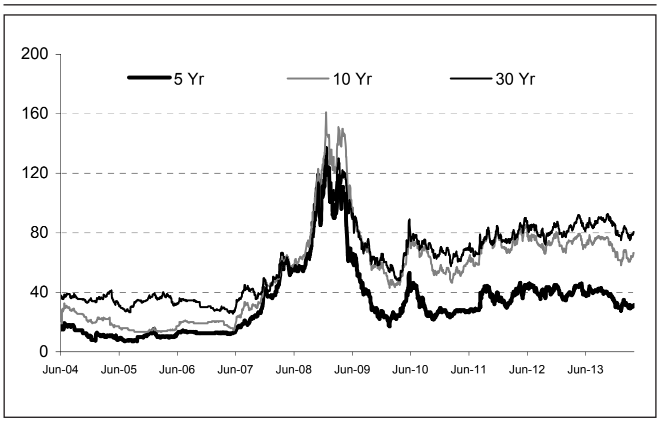
Source: BMO Capital Markets

Chart 2: *Province of Quebec*



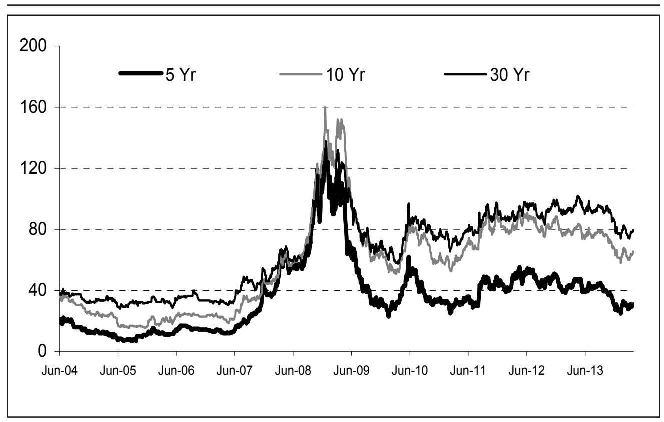
Source: BMO Capital Markets

Chart 3: *Province of Alberta*



Source: BMO Capital Markets

Chart 4: *Province of British Columbia*



Source: BMO Capital Markets

We have maintained our preference for corporate bonds over provincial bonds all year as we believe investors will prefer to add spread in a range-bound yield environment. The stronger performance of corporate bonds in January and March as yields backed up within their recent range underscores this investment thesis. Moreover, we believe yields may be under some pressure over the near term. Provincial issuers are coming back to the market following budget-related blackouts and investors await material coupon and maturity payments in June to reinvest in the market and rekindle yields. At the same time, we observe geopolitical risk is currently heightened in Europe and may place a serious bid behind fixed income should tensions escalate further. In such an event, we expect provies to outperform corporates.

While weakness in underlying Canadas was the main driver behind the total return underperformance of Broad Provincials during March, elevated political uncertainty in the form of an election call in Quebec weighed on spreads. All provinces traded heavier once the election announcement was made in early March, as would be expected whenever the prospect of a possible change in the political status quo emerges. After some initial softness, traditional buyers moved in to look for some relative value and also engage in the usual month-end buying and rebalancing action. This purchasing activity curtailed some of the early damage and, as a result, spreads for Broad Provincials widened by just 3 basis points by the end of March, with little difference in performance among all of the provinces. The reduction in volatility once news of the election settled-in caused spreads to quiet down a bit heading into April.

The modest gapping in March brought spreads for all the provinces into negative territory for the year. Of note, several of the eastern provinces (i.e. New Brunswick, Nova Scotia and Quebec) are leading the charge softer, moving out by roughly 5 basis points so far in 2014. Nevertheless, there is not too much difference between the various provinces in terms of their spread movements.

The fact that a number of provinces were in issuance blackouts related to the tabling of their budgets helped limit the spread damage during March since the amount of primary market supply from the provinces was restricted to just $2.7 billion. Supply in the month was also curbed by the fact that Provincial issuance in the year started so strong with $10.4 billion worth of deals in January as many provinces moved quick out the gate to secure funding ahead of their budgets.

Table 1: *Provincial Borrowing Calendar*

(C$ Millions)	2014/15 Budget Balance	2015/16 Budget Balance	Estimated Re-financings	Net New Borrowing	Total	Non-market/ Completed[6] Domestic	International	Remaining Borrowing to 31-Mar-15	% Funded
British Columbia	184	206	2,476	2,699	5,175	0	0	5,175	0%
Alberta[7]	1,087	941	1,814	6,559	8,373	250	0	8,123	3%
Saskatchewan	105	108	884	628	1,512	191	0	1,321	13%
Manitoba	(357)	(218)	2,764	2,003	4,766	0	0	4,766	0%
Ontario	(10,100)	(7,200)	22,000	15,000	37,000	2,753	0	34,248	7%
Québec [1]	(454)	1,642	12,258	7,368	19,626	3,885	0	15,741	20%
Hydro-Québec [2]	n/a	n/a	4,379	-2,379	2,000	0	0	2,000	0%
New Brunswick [3]	(391)	(262)	756	1,017	1,773	-23	0	1,796	-1%
Nova Scotia [4]	0	0	594	-39		346	0	210	62%
P.E.I.	(35)	1	100	100	200	0	0	200	0%
Nfld & Labrador [5]	(538)	29	575	425	1,000	0	0	1,000	0%
Prov'l Totals	**(10,499)**	**(4,754)**	**48,599**	**33,381**	**81,980**	**7,400**	**0**	**74,580**	**9%**

Notes:
1. Requirements include Financement Québec. Completed includes FY13/14 pre-funding
2. 2014 calendar year
3. Includes guaranteed NB Electric (0), NBMFC ($150 million), and remaining $23 million of 13-14 requirements
4. Includes NSMFC
5. Includes Newfoundland & Labrador Hydro
6. CAD equivalent
7. Change in net assets
As at April 2, 2014
Source: BMO Capital Markets

Some investors thought the dearth of supply during March may completely offset the election news in the month, but the tepid market sentiment was likely exacerbated by the weakness in underlying long Canadas, which is readily understood to have a disproportionately negative impact on the provincial segment of the index.

Curve Appeal

Although spreads for Broad Provincials were weaker during March, not all parts of the curve were out of favour. The Short bucket of the index for most provinces received a decent bid in part as investors rolled down the curve in an effort to minimize the damage being wrought by the backup in long Canadas, as well as to position themselves ahead of the upcoming election. They were also likely bumped in further by the ongoing narrowing of Short Corporates. Yet, some modest pressure in the short end for BC and Ontario caused the aggregate spread for Provincials in the Short bucket to be softer by half a basis point. With the exception of PEI, the modest tightening in March failed to bring year-to-date spreads into narrowing territory as levels have yet to fully recover from early year weakness.

By comparison, the greatest spread damage during March occurred in the Mid bucket, with levels wider by 4 basis points to 5 basis points. A general paucity of longer-dated spread product has left investors reticent to sell anything in the Long bucket for fear of not being able to get it back, thus leaving Mids as the prime candidate for any efforts to shorten duration. Having said that, there was good buying in the 8-year to 9-year segment of the provincial curve towards the end of the month. Investors moved in to take advantage of recently cheapened relative value opportunities, especially since spreads in the 5-year and under part of the curve are egregiously expensive.

Table 2: *Indicative Provincial Spreads*

February 28, 2014	**5-year**	**10-year**	**30-year**
Province of British Columbia	29	61	75
Province of Ontario	45	78	90
Province of Quebec	47	90	105
Province of Alberta	30	62	78
Average	**38**	**73**	**87**
March 31, 2014	**5-year**	**10-year**	**30-year**
Province of British Columbia	31	66	80
Province of Ontario	50	82	94
Province of Quebec	53	93	107
Province of Alberta	32	67	81
Average	**41**	**77**	**90**
Month over Month Change	**5-year**	**10-year**	**30-year**
Province of British Columbia	2	5	5
Province of Ontario	5	4	4
Province of Quebec	6	3	2
Province of Alberta	2	5	3
Average	**3**	**4**	**3**

Source: BMO Capital Markets

For example, spreads for all of the higher-rated (western) provinces are within a hair's breath of CMBs in the short end, but begin to splinter away from each other as one travels further out the curve, creating more credible trading prospects.

A number of historical relationships, such as Ontario versus Quebec, have come off their recent highs due to election uncertainty, but remain at the low end of the recent range. Investors are also less willing to add to positions in the western provinces since they appear expensive to Ontario.

The bias toward shorter duration in March caused a 2-basis-point bear steepening of the 5s-10s curve, while 10s-30s backed up by half a basis point. This move obviously runs counter

Table 3: *FTSE TMX Canada Provincial Bond Index Total Return and Spread*

Sector	Short				Mid				Long				Broad			
	Return		Spread (bps)		Return		Spread (bps)		Return		Spread (bps)		Return		Spread (bps)	
	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD
Provincials	-0.07%	1.14%	0.56	1.12	-0.39%	2.97%	2.74	5.14	-0.72%	4.76%	3.32	1.48	-0.48%	3.42%	2.92	3.59
Alberta	-0.05%	1.03%	-0.35	1.71	-0.47%	3.11%	3.59	5.00	-0.90%	4.77%	3.03	1.25	-0.44%	2.70%	2.80	3.97
British Columbia	-0.22%	1.78%	0.47	0.82	-0.46%	2.87%	5.02	7.29	-0.87%	4.69%	4.42	2.34	-0.65%	3.75%	3.25	3.22
Manitoba	-0.06%	1.11%	-0.37	0.39	-0.41%	2.89%	3.19	5.13	-0.76%	4.87%	3.58	0.89	-0.51%	3.40%	2.68	2.94
New Brunswick	-0.05%	0.94%	-0.33	0.11	-0.42%	2.72%	3.02	5.72	-0.83%	4.73%	4.52	1.56	-0.55%	3.24%	2.95	5.26
Newfoundland	-0.02%	0.79%	-0.59	1.66	-0.40%	2.55%	2.07	4.29	-0.81%	4.33%	4.61	2.67	-0.72%	3.90%	3.94	2.91
Nova Scotia	0.00%	0.47%	-0.38	4.67	-0.47%	2.49%	3.57	6.42	-0.90%	5.20%	3.80	1.38	-0.74%	4.12%	3.50	5.53
Ontario	-0.06%	1.13%	1.59	0.29	-0.41%	3.06%	2.72	3.81	-0.73%	4.85%	3.42	0.33	-0.48%	3.45%	3.88	2.94
Prince Edward Island	0.10%	0.49%	-2.90	-4.15	-0.34%	2.56%	2.38	3.80	-0.85%	4.95%	3.91	0.82	-0.72%	4.33%	3.29	1.33
Quebec	-0.08%	1.19%	-0.34	2.36	-0.32%	2.92%	1.55	5.92	-0.59%	4.62%	2.57	3.28	-0.39%	3.29%	1.52	4.71
Saskatchewan	-0.05%	0.70%	4.13	4.85	-0.36%	2.60%	2.05	4.61	-0.83%	4.72%	4.07	1.79	-0.73%	4.10%	2.12	1.68

Source: PC Bonds, a business unit of the TMX Group Inc., BMO Capital Markets to our 5s-10s flattening bias, which is offside by about 4 basis points in pure spread to start the year, despite having been a decent move on a total return basis. We find it difficult to overcome the fact that the short end remains perpetually expensive, assisted by shorter-term technical anomalies, like the election call in Quebec. Accordingly, we still believe 5s-10s provies is steep and recommend selling 5s to buy 10s at a pick up of over 100 basis points. Our 5s-10s flattening bias is also supported by ongoing relatively higher funding costs for most provinces in other jurisdictions, which may induce them to tap the domestic market in the short end.

In addition, the 20-year part of the curve remains attractive, in terms of both yield and spread. This value is largely a function of selling in the 20-year part of the curve to move out further along the curve since 20-years represent the shortest holdings of the long bucket. The 20-year part of the curve is also populated with a number of higher coupon bonds that a myriad of investors do not like to own due to price.

Corps vs. Provies

Given our expectation for yields to remain range-bound, we continue to favour corporates since we believe meaningful sums of new monies will be invested in the Canadian corporate bond market as investors prefer to add spread. We wrote in our most recent Monthly Relative Value report about the consistent influx of funds into corporate bonds from new sources such as international investors and short-term bond funds. We expect this flow of funds into corporates to continue for the foreseeable future.

From a relative value perspective, the graphs in Appendix A indicate that corporate bonds remain attractive in the long and short parts of the curve versus provincial bonds, while the provinces look reasonably inexpensive in the middle part of the curve. We appraise relative value based on spread as a percentage of underlying yield. We note that the two new significant buyers noted above have focused their activity in the short segment of the curve and thus we expect shorter-dated corporates to forge new ground by moving relatively closer to provincials.

Table 4: *Provincial / Crown /SSA USD New Issue Indications*

				USD Pricing - Libor Levels					CAD Pricing - Spread to GoC Curve (bid)				
Issuer	DBRS	Moody's	S&P	USD 2-yr	USD 3-yr	USD 5-yr	USD 7-yr	USD 10-yr	CAD 2-yr	CAD 3-yr	CAD 5-yr	CAD 7-yr	CAD 10-yr
Province of Ontario	AAL	Aa1	AA-	+11.0bps	+17.0bps	+25.0bps	+45.0bps	+60.0bps		+25.5bps	+49.0bps	+69.8bps	+81.0bps
Québec / Hydro-Québec	AH	Aa2	A+	+15.0bps	+22.0bps	+30.0bps	+60.0bps	+75.0bps		+27.0bps	+51.5bps	+74.3bps	+90.0bps
Canada Housing Trust	AAA	Aaa	AAA	-6.0bps	-2.0bps	+7.0bps	+18.0bps	+20.0bps		+16.0bps	+28.0bps	+41.0bps	+43.0bps
Export Development Canada	AAA	Aaa	AAA	-9.0bps	-6.0bps	+3.0bps	+15.0bps	+20.0bps		+16.0bps	+28.0bps	+41.0bps	+43.0bps
Province of British Columbia	AAH	Aaa	AAA	-5.0bps	+3.0bps	+7.0bps	+24.0bps	+40.0bps		+18.5bps	+30.5bps	+53.3bps	+64.5bps
Province of New Brunswick	AH	Aa2	AA-	+12.0bps	+17.0bps	+35.0bps	+55.0bps	+70.0bps		+26.5bps	+51.0bps	+72.8bps	+85.0bps
Province of Nova Scotia	A	Aa2	A+	+10.0bps	+23.0bps	+32.0bps	+63.0bps	+80.0bps		+25.5bps	+49.0bps	+69.8bps	+81.0bps
Province of Manitoba	AH	Aa1	AA	+1.0bps	+6.0bps	+15.0bps	+30.0bps	+49.0bps		+22.0bps	+42.0bps	+63.8bps	+75.0bps
Province of Saskatchewan	AA	Aa1	AA+	-1.0bps	+7.0bps	+15.0bps	+35.0bps	+50.0bps		+18.5bps	+30.5bps	+53.8bps	+65.0bps
Canada	AAA	Aaa	AAA	-10.0bps	-7.0bps	+1.0bps	+12.0bps	+18.0bps		0.0bps	0.0bps	0.0bps	0.0bps
Alberta	AAA	Aaa	AAA	-5.0bps	0.0bps	+6.0bps	+25.0bps	+40.0bps		+19.0bps	+31.0bps	+53.8bps	+65.5bps

Summary				USD Arbitrage vs. CAD (all-in)				
Issuer	DBRS	Moody's	S&P	USD 2-yr	USD 3-yr	USD 5-yr	USD 7-yr	USD 10-yr
Province of Ontario	AAL	Aa1	AA-		+19.2bps	+9.3bps	+17.0bps	+18.9bps
Québec / Hydro-Québec	AH	Aa2	A+		+21.8bps	+11.8bps	+27.9bps	+25.3bps
Canada Housing Trust	AAA	Aaa	AAA		+9.7bps	+13.4bps	+19.6bps	+18.7bps
Export Development Canada	AAA	Aaa	AAA		+5.7bps	+9.4bps	+16.6bps	+18.7bps
Province of British Columbia	AAH	Aaa	AAA		+8.7bps	+7.7bps	+10.9bps	+14.3bps
Province of New Brunswick	AH	Aa2	AA-		+15.6bps	+14.1bps	+22.0bps	+23.5bps
Province of Nova Scotia	A	Aa2	A+		+22.6bps	+13.1bps	+33.0bps	+37.5bps
Province of Manitoba	AH	Aa1	AA		+9.1bps	+3.1bps	+6.0bps	+12.5bps
Province of Saskatchewan	AA	Aa1	AA+		+13.6bps	+14.7bps	+21.0bps	+23.5bps
Canada	AAA	Aaa	AAA		+24.1bps	+38.6bps	+57.7bps	+62.7bps
Alberta	AAA	Aaa	AAA		+6.1bps	+7.3bps	+12.6bps	+14.2bps

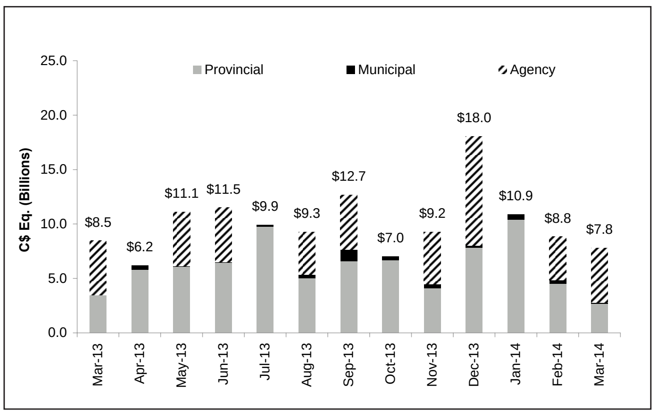
Note: Indicative Pricing Levels
As at April 2, 2014
Source: BMO Capital Markets

Primary Market Expectations

Despite recent spread weakening, we believe the Provincial market is on the precipice of breaking into new, lower spread ranges in the medium term. Over the near term, we expect some short-term pressure on spreads since the Provinces are able to come back to the primary market and grab some funds to begin their fiscal years. Following that anticipated pulse of issuance, however, we believe the Provincial market will settle back down in the May-June time frame and resume its trajectory towards establishing new, lower spread ranges. We are still a ways off from where Provincial spreads traded before the credit crisis, and thus expect ranges to continue moving down toward pre-credit crisis levels, absent any external risk of course. In particular, we believe investors remain interested in the extra carry that provincials offer, despite 10-years and 30-years both generally being towards the lower end of their recent ranges.

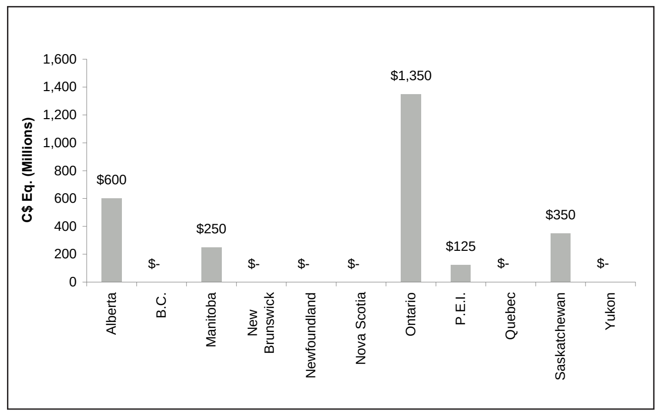
The emergence of issuers that have been out of the primary market for some time has given investors new opportunities to trade for relative value. Having said that, buyers of higher-quality provincial issuers are awaiting issuance from federally backed entities to see if any re-pricing occurs.

***Chart 5:** Government & Agency Monthly Issuance (All Currencies)*



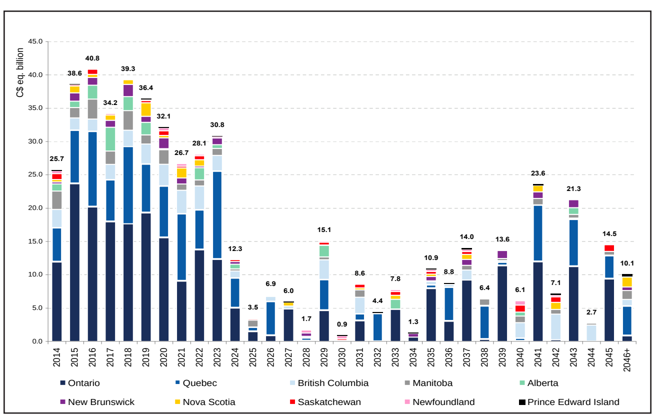
Source: BMO Capital Markets

***Chart 6:** March 2014 Issuance by Province (All Currencies)*



Source: BMO Capital Markets

***Chart 7:** Provincial Maturity Schedule*



Source: BMO Capital Markets

Another Bevy of Budgets

(*by Robert Kavcic*)

The FY14/15 provincial budget season is winding down, with three still to table their documents—Ontario, PEI and Nova Scotia. The combined deficit is pegged at $10.5 billion versus $15.3 billion now estimated for FY13/14, or a relatively modest 0.5% of GDP (we've plugged in the most recent update for the three Provinces yet to table their budget). However, there is some downside risk as we await budgets from Ontario and Nova Scotia, both of which have hinted at deeper deficits for this fiscal year. The improvement elsewhere has been largely driven by Alberta and Quebec, even though the latter backtracked on prior plans to balance the budget this fiscal year. In fact, 6 of 7 provinces who have tabled their budget to date are expecting a year-over-year bottom line improvement. On the policy front, major revenue measures have been sparse this year, netting out to a roughly $100 million net decrease, or less than 0.1% of GDP. That compares to last year's more aggressive moves that aimed to raise $1.1 billion in revenues through various tax increases. On the spending side, the provinces continue to hold the line, with most targeting spending growth at or below the combined rate of inflation and population growth. Here is a recap of the budgets tabled in March:

The **Province of Alberta** is projecting a $2.6 billion operational surplus for FY14/15, with the oil price environment much healthier than expected at this time last year. Surpluses are projected right through FY16/17, which will allow the Contingency Account to hit its $5 billion ceiling this coming fiscal year, and grow the Heritage Fund to $17.2 billion by FY16/17, from $15 billion this year. The change in net assets is pegged at $1.1 billion for FY14/15, or 0.3% of GDP, after a much better-than-expected showing in FY13/14—that would be the first consolidated surplus in seven years. There were no major tax-related measures in the budget, with new policy initiatives centred entirely on the spending side, including a heavy dose of capital investment in the coming years. Indeed, while operational spending control will remain in focus, at least in real per-capita terms, the bulk of new spending flows through the capital budget—think flood prevention and road/infrastructure building. Much of this will be funded through new borrowing. In a nutshell, a rapidly growing population is putting demand on infrastructure, and the Province is going to borrow at historically low rates to satisfy it.

The **Province of Saskatchewan** is projecting a $71.4 million surplus on a summary basis for FY14/15 (which includes the activities of government organizations and business enterprises), or a small 0.1% of GDP, down from $591 million expected in FY13/14—a drop in GBE net income accounts for much of the decline. On a General Revenue Fund basis, the surplus is pegged at $105.4 million (0.1% of GDP) in FY14/15 before transfers to the Growth and Financial Security Fund (GFSF), improved from the $127.8 million deficit expected in FY13/14. The latter is unchanged from the most recent update—recall that weaker-than-expected resource prices and sales forced the Province to cut its estimate from a $64.8 million surplus in the original budget plan. The Province is also projecting pre-transfer surpluses through the 4-year forecast horizon averaging just under $140 million per year, which will build up the GFSF to $706 million by the end of FY16/17 from $531 million at the end of FY13/14. As expected, there are no major revenue initiatives in this budget, and the Province is keeping spending growth in check.

The **Province of Manitoba** is projecting a $357 million budget deficit in FY14/15 (a very manageable 0.6% of GDP), a moderate improvement over the prior-year shortfall of $432 million, which is unchanged from the prior fiscal update. Overall, there is precious little change to the fiscal plan—and that's not a bad thing—with the Province still aiming for a balanced budget in FY16/17, a year ahead of Ontario and New Brunswick. Additionally, cumulative deficits between FY13/14 and FY16/17 are now just a touch smaller ($30 million) than they were forecasted to be at this time last year. After raising revenues in each of the prior two budgets—expanding the sales tax base, lifting the rate, and various other small tax/fee measures—taxpayers come out clean this year.

The **Province of Newfoundland and Labrador** is projecting a $538 million deficit (1.4% of GDP) in FY14/15, deeper than the $349 million shortfall now estimated for FY13/14. The latter, however, marks an improvement over the $451 million deficit expected in the Fall update, and the two-year (13/14 and 14/15) combined shortfall is now pegged at $887 million versus $1.2 billion in last year's budget. So, while the Province is slipping deeper into the red, the fiscal position is still slightly improved overall versus last year, at least for these two years. There are a few new tax measures in this budget, with reductions largely offset by an increase in tobacco taxes. On the spending side, this budget reverses the aggressive tack on spending restraint last year, when public-sector employment was cut in an effort to prevent an even larger deficit. This year, spending is again on the rise, with a particular focus on education. The Province is also sticking to, and is in year two of, its 10-year sustainability plan. As announced last year, years 1 and 2 focus on deficit elimination and a review of pension liabilities. Year 3 returns to surplus—a small $28.5 million surplus is expected in FY15/16. Years 4-10 focus on debt reduction and economic diversification.

Appendix – Spread Graphs

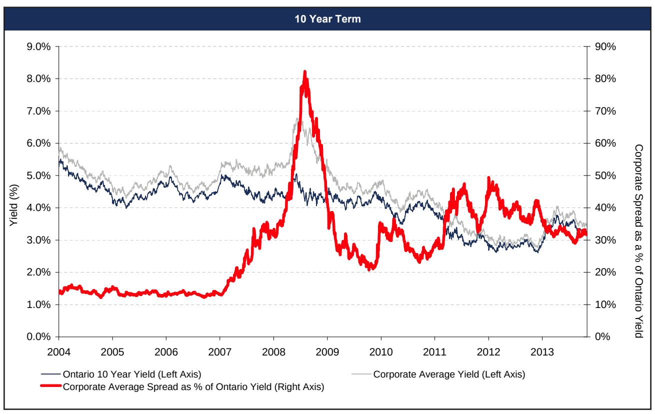
Chart A1: *Corporate Avg. Spread vs. Ontario Yield (5-Year)*

Corporate Average includes indicative spreads for GTAA 5-year, BMO Deposit Notes 5-Year and Hydro One 5-Year
Source: BMO Capital Markets

Chart A4: *Ontario Spread vs. Canada Yield (5-Year)*

Source: BMO Capital Markets

Chart A2: *Corporate Avg. Spread vs. Ontario Yield (10-Year)*



Corporate Average includes indicative spreads for GTAA 10-year, TransCanada PipeLines 10-Year and Hydro One 10-Year
Source: BMO Capital Markets

Chart A5: *Ontario Spread vs. Canada Yield (10-Year)*

Source: BMO Capital Markets

Chart A3: *Corporate Avg. Spread vs. Ontario Yield (30-Year)*

Corporate Average includes indicative spreads for GTAA 30-year, TransCanada PipeLines 30-Year and Hydro One 30-Year
Source: BMO Capital Markets

Chart A6: *Ontario Spread vs. Canada Yield (30-Year)*

Source: BMO Capital Markets

Benchmark Barometer – April 2014

Yields March Higher

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The FTSE TMX Canada (formerly DEX) Universe Bond Index returned -0.19% in March, chipping away at the near 3% return registered through the first two months of the year. The loss was led by Provincials (at -0.48%) and Longs at (-0.41%), with their intersection resulting in a sub-sector leading loss of 0.72% for Long Provincials. However, apart from the smallest of losses for the Mid-Corporate A subsector (-0.01%), the entire Corporate sector was a sea of positive returns, which sailed as high as +0.65% for Long BBB Corporates. Indeed, the return differential between the "riskiest" and "safest" long bonds was more than a percentage point (long Canadas were -0.43%), emphasizing the power of supply-demand dynamics to buck the return-sapping impact of rising yields. The paucity of corporate supply during the first two months of the year created sufficient pent-up demand to not only easily digest a hefty new issue docket in March, but also cause most credit spreads to compress.

Benchmark Government of Canada yields rose along the curve, topping 10 basis points in the 5- to 7-year segment. The move reflected an even more pronounced "bear bowing" in the U.S. Treasury market. South of the border, 3- to 5-year yield rises topped 20 basis points but, interestingly, U.S. long bonds managed to rally during the month (yields down 3 basis points). These moves reflected the shift in Fed policy on March 19.

The FOMC abandoned the thresholds for inflation and the unemployment rates and, in doing so, afforded itself increased policy flexibility on two fronts. First, there's the flexibility not to tighten if the jobless rate continues to fall. The Fed was already asserting this flexibility with respect to the 6.5% threshold but they now no longer have to explain why. Second, there's the flexibility to tighten even if inflation remains low. The latter was the reason why Minneapolis Fed President Kocherlakota dissented. Note that the FOMC's own projections for the fed funds target showed an additional 10 to 15 basis points of rate hikes in 2015 and an earlier start to tightening (all else equal), compared with December's polling. Then came Janet Yellen's press conference.

When questioned about what "considerable" meant in the FOMC's forward guidance (maintaining current rates "for a considerable time after the asset purchase program ends"), Ms. Yellen mused "something on the order of around six months or that type of thing." The market quickly set its countdown-to-liftoff clock. At the current $10-billion-per-meeting tapering pace, asset purchases would end in either October (if the final taper were upped to $15 billion, which is our base case) or December (if the final taper were left at $5 billion). This potentially set policy rate liftoff for either the April or June meeting, which was earlier than the market was initially contemplating.

***Table 1.1:** FTSE TMX Canada (formerly DEX) Universe Bond Index March 2014 Total Returns*

Sector	Short	Mid	Long	Broad
Composite	**-0.01%**	**-0.24%**	**-0.41%**	**-0.19%**
All Government	**-0.07%**	**-0.37%**	**-0.62%**	**-0.33%**
Canada	-0.05%	-0.29%	-0.43%	-0.20%
Agencies	-0.10%	-0.47%	-0.54%	-0.24%
Provincials	-0.07%	-0.39%	-0.72%	-0.48%
Municipals	-0.04%	-0.25%	-0.56%	-0.29%
All Corporates	**0.07%**	**0.11%**	**0.29%**	**0.13%**
Corporate AA	0.01%	0.02%	0.08%	0.01%
Corporate A	0.11%	-0.01%	0.11%	0.08%
Corporate BBB	0.17%	0.23%	0.65%	0.31%

Source: PC Bond, a business unit of TMX Group Inc.
As of March 31, 2014

***Table 1.2:** FTSE TMX Canada (formerly DEX) Universe Bond Index Year-to-Date Total Returns*

Sector	Short	Mid	Long	Broad
Composite	**1.06%**	**3.22%**	**5.12%**	**2.77%**
All Government	**0.86%**	**2.99%**	**4.84%**	**2.68%**
Canada	0.67%	2.99%	4.93%	2.24%
Agencies	0.94%	3.09%	5.18%	1.73%
Provincials	1.14%	2.97%	4.76%	3.42%
Municipals	1.34%	3.03%	5.37%	3.23%
All Corporates	**1.39%**	**3.85%**	**6.06%**	**2.95%**
Corporate AA	1.31%	3.60%	5.51%	1.58%
Corporate A	1.35%	3.52%	5.83%	3.35%
Corporate BBB	1.65%	4.16%	6.56%	3.80%

Source: PC Bond, a business unit of TMX Group Inc.
As of March 31, 2014

We look for the Fed to begin tightening rates around the middle of next year, reflecting a tightening labour market. Even if the seeds of a wage-price spiral won't be planted easily, and inflation on the ground and perhaps even in the FOMC's projections could still be running sub-2%, the Fed may still want to fire a warning salvo or two across the bow of inflation expectations to temper the latter, along with bolstering its own credibility. Indeed, the inaugural rate hikes could even take on "pre-emptive" characteristics. This is what likely buoyed long Treasuries (and their perennial inflation worry), despite the prospects for sooner liftoff.

Canada-U.S. yield spreads narrowed along most of the curve in March, by as much as 13 basis points at the 3-year node. However, they widened some 6 basis points for 30 years, emphasizing the power of inflation expectations in bucking front-end selloffs. The Canadian market might have done even better if not for the shift in the Bank of Canada's tone. In its March 5 policy announcement, the Bank said "the balance of risks remains within the zone for which the current stance of monetary policy is appropriate," emphasizing its neutral stance. In January, the Bank had omitted the "appropriate" reference—it was there in December—raising the risk of a rate cut in the market's mind. The Bank effectively shut the door on rate cuts, with Governor Poloz starting to reach for the locking key given recent comments (he's "a little more comfortable" about inflation).

Yields on both sides of the border look to continue drifting higher during the months ahead on the combination of continued tapering of Fed asset purchases (we judge QE will end by this Q4), sustained stronger U.S. economic performance that should eventually support the Canadian economy, and the prospects for policy rate hikes around the middle of next year (with a net risk the BoC could go before the Fed owing to the Canadian economy sporting a significantly smaller output gap than the U.S.).

More New Issues, but Still Not Enough

There were over $8 billion worth of additions and re-openings to the corporate segment of FTSE TMX Canada Universe Bond Index during March, but even that was not enough to curtail the torrent of buying activity that has taken place all year. It has mattered little about risk-on versus risk-off, or whether yields have been backing up or narrowing. Investors want corporate bonds of all shapes and sizes. As a result, the modest backup in underlying Canada yields during March did little to dampen enthusiasm for corporate bonds, propelling Broad Corporates to a total return of 0.13% in the month and making it the best-performing segment. By comparison, the Broad Composite incurred a negative total return of -0.19%, while Broad Government registered a total loss of -0.33%. Strong demand during March saw spreads for Broad Corporates draw narrower by three basis points.

We have spoken at some length in other reports about the factors creating the demand/supply imbalance in corporate bonds, the most prominent being the entry of significant new buyers (e.g., international investors and short-term corporate bond funds) over the past number of months. The slow start to the year for corporate new issuance exacerbated the impact of these new players, who last year catapulted the primary market for corporates into a new stratosphere. The disruption to that new issue flow has dragged corporate spreads to multi-year lows, with no let-up in sight. We expect demand for corporate bonds to remain strong over the near term and note that buying has been relatively indiscriminate across maturity and credit quality.

With regard to ratings buckets, Broad Corporate BBB was the best-performing segment during March, posting a total return of 0.31%. What's more, the total return of each corporate ratings bucket beat out each of the government segments in the index during the month, demonstrating that investors were interested in adding spread product. However, the desire to assume extra risk was not only apparent in terms of credit ratings, the move to add duration was also equally quite evident. While the total losses incurred by the government segment worsened as one moved out the maturity buckets, quite the opposite happened with corporates, with the strong total returns being recorded in the long end. In fact, the total return of 0.65% registered by long Corporate BBB was by far the best performance of all index segments in March. Fatter coupons and a scant availability of product helped to drive that outperformance. Indeed, investors have demonstrated a distinct reluctance to sell BBB bonds for fear of not being able to get them back given the disequilibrium in the market. This occurrence speaks to our assertions from last year that the BBB and high-yield portions of the corporate market have developed their own characteristics, separate from the dynamics in the higher-rated buckets.

On a year-to-date basis, the strong performance in March thrust the 2.95% total return of Broad Corporates ahead of both the Broad Composite (2.77%) and Broad Government (2.68%). Broad Corporate BBB in particular with a total return of 3.80% now ranks as the best performer so far in 2014. Yet, the strong early gains experienced by Provincials and Agencies to start the year, in large measure due to their longer duration, still have them following in second and fourth place, respectively. At this point then, it is not clear that adding credit risk has been fully justified from a risk/reward perspective. Nevertheless, our expectation for range-bound yields over the near term is supportive of Corporates over Provies. Overall, the demand for Broad Corporates during 2014 has brought its spreads in by nine basis points, indicative of the ongoing investor search to add yield. Also of note, the emergence of meaningful issuance from the banks toward the end of March did weigh on total returns for Broad Corporate AA, despite the fact that domestic primary market activity from the Big 6 banks is still low compared with last year.

We maintain our belief that the prospect of external risk remains elevated and advise investors to improve credit quality when possible through strategies such as buying preferred issuers within a sector, rather than indiscriminately adding sector exposure. We also believe cash will continue flowing into the Canadian corporate bond market largely due to the additional pickup offered over paltry GoC yields.

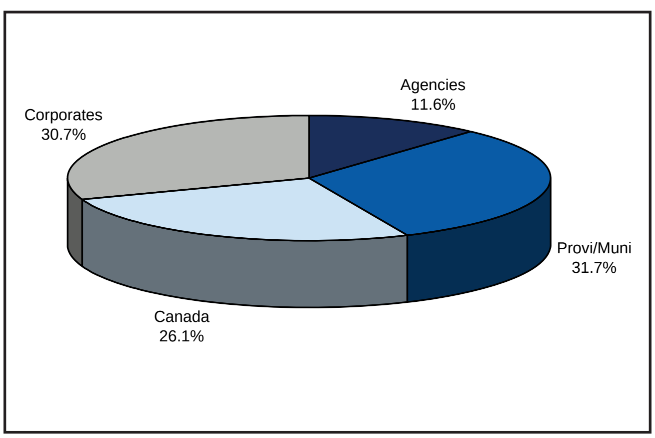
Table 2.1: *FTSE TMX Canada (formerly DEX) Universe Bond Index Modified Duration*

Sector	Short			Mid			Long			Broad		
	31-Mar-14	28-Feb-14	Change	31-Mar-14	28-Feb-14	Change	31-Mar-14	28-Feb-14	Change	31-Mar-14	28-Feb-14	Change
Composite	2.72	2.71	0.02	6.17	6.21	(0.04)	13.58	13.67	(0.09)	6.84	6.87	(0.03)
All Government	2.72	2.70	0.03	6.32	6.37	(0.04)	13.88	14.00	(0.12)	7.39	7.41	(0.03)
Canada	2.43	2.38	0.04	6.23	6.15	0.08	13.92	14.01	(0.09)	6.31	6.40	(0.09)
Agencies	2.97	2.93	0.04	6.56	6.81	(0.26)	13.58	13.71	(0.13)	4.77	4.69	0.08
Provincial	3.07	3.02	0.05	6.31	6.38	(0.07)	13.88	14.02	(0.14)	9.28	9.30	(0.01)
Municipal	3.04	3.13	(0.08)	6.08	6.10	(0.02)	14.68	14.82	(0.14)	8.06	8.16	(0.10)
All Corporate	2.73	2.73	(0.00)	5.77	5.79	(0.02)	12.57	12.54	0.03	5.61	5.63	(0.02)
Corporate AA	2.78	2.75	0.03	5.64	5.75	(0.11)	8.42	8.35	0.07	3.23	3.19	0.04
Corporate A	2.55	2.62	(0.06)	5.74	5.77	(0.03)	12.91	12.88	0.03	6.81	6.87	(0.06)
Corporate BBB	2.87	2.85	0.01	5.83	5.82	0.01	12.32	12.31	0.01	6.30	6.33	(0.04)

Source: PCBond, a business unit of TSX Inc.

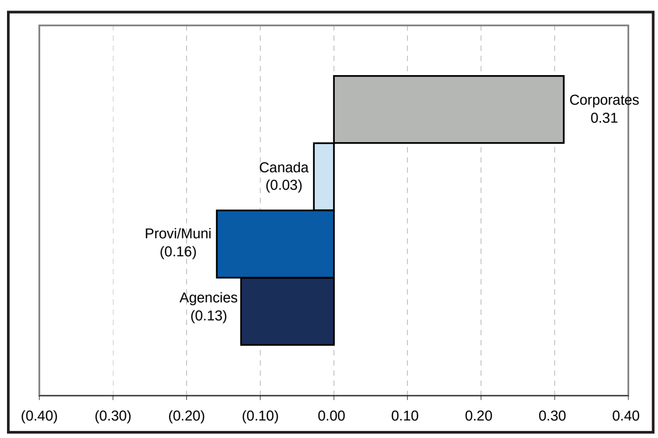
FTSE TMX Canada (formerly DEX) Universe Bond Index Weightings

Chart 2.1: *FTSE TMX Canada (formerly DEX) Universe Bond Index Weightings*



Source: PCBond, a business unit of TSX Inc.

Chart 2.2: *Change in FTSE TMX Canada (formerly DEX) Universe Bond Index Weightings*



Source: PCBond, a business unit of TSX Inc.

Duration and Weightings

Modified duration for the FTSE TMX Canada (formerly DEX) Universe Bond Index decreased by 0.3 during February as additions, re-openings and deletions were insufficient to offset the natural roll of the curve. During the month there were $13.7 billion of index additions and $6 billion of re-openings, along with $12.6 billion of deletions. With most ($9 billion) of the deletions taking place in the government segment of the index and over $8 billion of additions in the corporate space, the weighting for all corporates rose by 31 basis points during the month to 30.7%.

For April, the index's modified duration is forecast to drop 0.05 since deletions are relatively modest, at $4.2 billion, which is expected to be insufficient to offset the natural roll of the index. All of the deletions take place in the Corporate segment during April, which is projected to keep its modified duration relatively flat, while its weighting is forecast to drop by 30 basis points.

Table 3.1: *FTSE TMX Canada (formerly DEX) Universe Bond Index Modified Duration Projections*

Sector	31-Mar-14	30-Apr-14	Change
Broad			
Composite	6.81	6.76	(0.05)
All Government[1]	7.39	7.31	(0.08)
Canada	6.31	6.23	(0.08)
Agency	4.72	4.64	(0.08)
Provincial	9.31	9.24	(0.07)
Municipal	8.08	8.02	(0.06)
All Corporate	5.43	5.43	(0.01)
Short			
Composite	2.72	2.68	(0.05)
All Government[1]	2.72	2.64	(0.08)
Canada	2.43	2.35	(0.08)
Agency	2.97	2.89	(0.08)
Provincial	3.07	2.99	(0.08)
Municipal	3.04	3.06	0.02
All Corporate	2.73	2.73	0.00
Mid			
Composite	6.18	6.14	(0.04)
All Government[1]	6.33	6.26	(0.08)
Canada	6.23	6.15	(0.08)
Agency	6.58	6.51	(0.08)
Provincial	6.32	6.24	(0.08)
Municipal	6.08	6.10	0.02
All Corporate	5.78	5.82	0.04
Long			
Composite	13.81	13.77	(0.04)
All Government[1]	13.99	13.92	(0.07)
Canada	13.92	13.84	(0.08)
Agency	14.56	14.48	(0.08)
Provincial	14.01	13.94	(0.07)
Municipal	14.89	14.84	(0.06)
All Corporate	13.06	13.12	0.06

Note: [1] Supranationals category has not been broken out of All Government total [2] Duration figures exclude impact of amortizing securities.
Source: PCBond, a business unit of TSX Inc., BMO Capital Markets

Table 3.2: *FTSE TMX Canada (formerly DEX) Universe Bond Index Weightings Projections (%)*

Sector	31-Mar-14	30-Apr-14	Change
Broad			
Composite	100.00	100.00	0.00
All Government[1]	70.24	70.54	0.30
Canada	26.54	26.65	0.11
Agency	11.58	11.63	0.05
Provincial	30.15	30.29	0.14
Municipal	1.81	1.81	0.00
All Corporate	29.76	29.46	(0.30)
Short			
Composite	44.79	44.98	0.19
All Government[1]	27.90	28.04	0.14
Canada	13.90	13.95	0.05
Agency	7.48	7.51	0.03
Provincial	5.93	5.95	0.02
Municipal	0.57	0.60	0.04
All Corporate	16.88	16.94	0.05
Mid			
Composite	26.73	26.52	(0.21)
All Government[1]	19.52	19.57	0.05
Canada	5.48	5.50	0.02
Agency	3.43	3.44	0.01
Provincial	9.98	10.02	0.05
Municipal	0.64	0.60	(0.03)
All Corporate	7.21	6.95	(0.26)
Long			
Composite	28.48	28.51	0.02
All Government[1]	22.82	22.93	0.11
Canada	7.15	7.19	0.04
Agency	0.68	0.68	0.00
Provincial	14.25	14.32	0.07
Municipal	0.60	0.61	0.00
All Corporate	5.66	5.58	(0.09)

Note: [1] Supranationals category has not been broken out of All Government total [2] Duration figures exclude impact of amortizing securities.
Source: PCBond, a business unit of TSX Inc., BMO Capital Markets

Table 4.1: FTSE TMX Canada (formerly DEX) Universe Bond Index Changes in Composition (New Issues)

Issuer	Cusip	Coupon %	Maturity	Par Value ($mm)	Index Weight[1]	Curve Segment	Sector
Additions							
BMW Canada Inc.	05590HAK3	2.33	09/26/2018	300	0.02%	Short	Corporate Industrial
BMW Canada Inc.	05590HAL1	1.73	09/26/2016	200	0.02%	Short	Corporate Industrial
Crombie Real Est Inv Tr	227107AG4	3.96	06/01/2021	100	0.01%	Mid	Corporate Real Estate
Daimler Canada Finance	23384NAM9	2.27	03/26/2018	400	0.03%	Short	Corporate Financial
Enbridge Inc.	29251ZBF3	3.16	03/11/2021	400	0.03%	Mid	Corporate Energy
Alberta	013051DM6	3.10	06/01/2024	600	0.05%	Long	Government Provincial
Rogers Communication Inc.	775109BD2	2.80	03/13/2019	400	0.03%	Short	Corporate Communication
Genworth MI Canada Inc.	37252BAC6	4.24	04/01/2024	160	0.01%	Long	Corporate Financial
Artis REIT	04315LAH8	3.75	03/27/2019	125	0.01%	Short	Corporate Real Estate
Enbridge Inc.	29251ZBG1	4.57	03/11/2044	500	0.04%	Long	Corporate Energy
OMERS Realty Corp.	68214WAK4	2.97	04/05/2021	300	0.02%	Mid	Corporate Real Estate
Tim Hortons Inc.	88706MAD5	2.85	04/01/2019	450	0.04%	Mid	Corporate Industrial
Canada Housing Trust	13509PEG4	1.95	06/15/2019	5,000	0.39%	Mid	Government Federal
Bank of Nova Scotia	0641493J4	2.46	03/14/2019	1,250	0.10%	Short	Corporate Financial
Saskatchewan	803854JY5	1.95	03/01/2019	250	0.02%	Short	Government Provincial
Toronto-Dominion Bk	891145N42	2.45	04/02/2019	2,000	0.16%	Mid	Corporate Financial
Toronto-Dominion Bk	891145N34	1.82	04/03/2017	500	0.04%	Short	Corporate Financial
MCAP Commercial LP	55279QAA8	3.96	03/11/2019	150	0.01%	Short	Corporate Financial
Rogers Communication Inc.	775109BA8	4.00	03/13/2024	600	0.05%	Mid	Corporate Communication
				13,685	**1.07%**		
Deletions							
C.I.B.C.	13591Z5H9	3.10	03/02/2015	1,500	0.12%	Short	Corporate Financial
Ontario	683234WM6	4.50	03/08/2015	2,894	0.24%	Short	Government Provincial
Husky Energy Inc.	448055AG8	3.75	03/12/2015	300	0.02%	Short	Corporate Energy
Canada Housing Trust	13509PCF8	2.95	03/15/2015	6,000	0.48%	Short	Government Federal
Royal Bank of Cda Covered	780085J49	3.18	03/16/2015	850	0.07%	Short	Corporate Financial
Bank of Nova Scotia	064149A80	3.34	03/25/2015	1,000	0.08%	Short	Corporate Financial
Trans-Northern Pipelines Inc.	89328MAA7	4.74	03/31/2015	51	0.00%	Short	Corporate Energy
				12,595	**1.02%**		

Source: PCBond, a business unit of TMX Group Inc.

Table 4.2: FTSE TMX Canada (formerly DEX) Universe Bond Index Changes in Composition (Re-Openings)

Issuer	Coupon %	Maturity	Reissue Value ($mm)	Reissue Date	Sector
Re-Openings					
Cominar REIT	4.94	27-Jul-20	100	05-Mar-14	Corporate Real Estate REIT
Ontario	3.50	02-Jun-24	750	05-Mar-14	Government Provincial
Prince Edward Island	3.60	17-Jan-53	125	06-Mar-14	Government Provincial
First Capital Realty Inc.	4.79	30-Aug-24	75	07-Mar-14	Corporate Real Estate Non-REIT
Canada	1.00	01-May-16	3,300	20-Mar-14	Government Federal
Manitoba	4.05	05-Sep-45	250	21-Mar-14	Government Provincial
Ontario	3.45	02-Jun-45	600	24-Mar-14	Government Provincial
Ontario	3.50	02-Jun-24	750	31-Mar-14	Government Provincial
Total			**5,950**		

Source: PCBond, a business unit of TSX Inc.

Table 4.3: *March Index Rolls*

Issuer	Coupon %	Maturity	Par Value ($mm)	Weight (%)	Modified Duration	Sector
Long to Mid						
Canadian Utilities Inc.	6.22	6-Mar-24	120	0.01	7.66	Energy
Brookfield Asset Management Inc.	5.04	8-Mar-24	500	0.04	7.81	Industrial
Rogers Communication Inc.	4.00	13-Mar-24	600	0.05	8.13	Communication
AltaGas Ltd.	4.40	15-Mar-24	200	0.02	8.04	Energy
Total			**1,420**			
Mid to Short						
Canada	1.75	1-Mar-19	8,160	0.64	4.69	Federal
Saskatchewan	1.95	1-Mar-19	250	0.02	4.66	Provincial
British Columbia	2.25	1-Mar-19	1,100	0.09	4.63	Provincial
Bank of Montreal	2.43	4-Mar-19	750	0.06	4.61	Financial
BCIMC Realty Corp.	2.96	7-Mar-19	500	0.04	4.57	Real Estate
MCAP Commercial LP	3.96	11-Mar-19	150	0.01	4.44	Financial
Loblaw Companies Ltd.	3.75	12-Mar-19	800	0.07	4.50	Industrial
Rogers Communication Inc.	2.80	13-Mar-19	400	0.03	4.59	Communication
Bank of Nova Scotia	2.46	14-Mar-19	1,250	0.10	4.63	Financial
Reliance LP	5.19	15-Mar-19	325	0.03	4.37	Industrial
Artis REIT	3.75	27-Mar-19	125	0.01	4.51	Real Estate
Total			**13,810**			
Deletions						
C.I.B.C.	3.10	2-Mar-15	1,500	0.12	0.98	Financial
Ontario	4.50	8-Mar-15	2,894	0.24	0.97	Provincial
Husky Energy Inc.	3.75	12-Mar-15	300	0.02	0.97	Energy
Canada Housing Trust	2.95	15-Mar-15	6,000	0.48	0.98	Federal
Royal Bank of Cda Covered	3.18	16-Mar-15	850	0.07	0.98	Financial
Bank of Nova Scotia	3.34	25-Mar-15	1,000	0.08	0.97	Financial
Trans-Northern Pipelines Inc.	4.74	31-Mar-15	51	0.00	0.82	Energy
Total			**12,595**			

Source: PCBond, a business unit of TSX Inc.

Table 4.4: *April Index Rolls*

Issuer	Coupon %	Maturity	Par Value ($mm)	Weight (%)	Modified Duration	Sector
Long to Mid						
Genworth MI Canada Inc.	4.24	1-Apr-24	160	0.01	8.09	Financial
Telus Corp.	3.35	1-Apr-24	1,100	0.08	8.24	Communication
Total			**1,260**			
Mid to Short						
Tim Hortons Inc.	2.85	1-Apr-19	450	0.04	4.63	Industrial
Toronto-Dominion Bk	2.45	2-Apr-19	2,000	0.16	4.68	Financial
Manulife Financial Corp.	7.77	8-Apr-19	465	0.05	4.16	Financial
IGM Financial Inc.	7.35	8-Apr-19	364	0.04	4.18	Financial
Brookfield Asset Management Inc.	3.95	9-Apr-19	600	0.05	4.47	Industrial
Nav Canada	5.30	17-Apr-19	350	0.03	4.39	Infrastructure
Power Corporation of Cda	7.57	22-Apr-19	203	0.02	4.20	Financial
York Ont Regl Munic.	5.00	29-Apr-19	400	0.04	4.45	Municipal
Total			**4,831**			
Deletions						
Toronto-Dominion Bk	5.48	2-Apr-15	775	0.06	0.96	Financial
John Deere Credit Inc.	3.25	8-Apr-15	150	0.01	0.99	Financial
Telus Corp.	5.95	15-Apr-15	490	0.04	0.99	Communication
Bank of Montreal	4.87	22-Apr-15	238	0.02	1.02	Financial
Cdn Cr Card Tr 12-1	2.31	24-Apr-15	330	0.03	1.04	Securitization
Bank of Montreal	3.93	27-Apr-15	1,250	0.10	1.04	Financial
C.I.B.C.	4.11	30-Apr-15	975	0.08	1.04	Financial
Total			**4,207**			

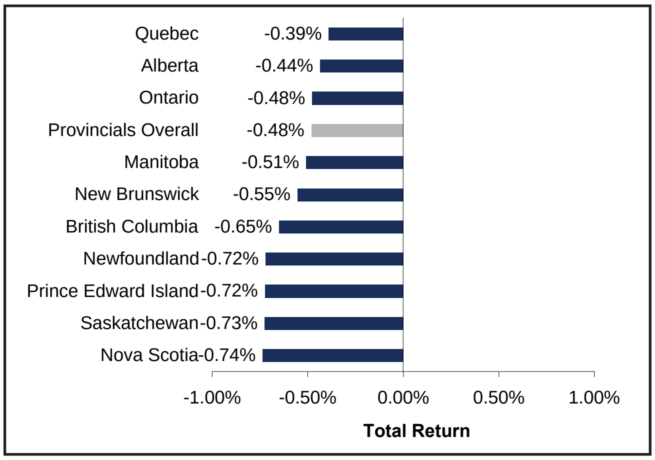
Source: PCBond, a business unit of TSX Inc.

Table 5.1: *FTSE TMX Canada (formerly DEX) Universe Bond Index Total Return and Spread – Provincials*

Sector	Short				Mid				Long				Broad			
	Return		Spread (bps)		Return		Spread (bps)		Return		Spread (bps)		Return		Spread (bps)	
	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD
Provincials	-0.07%	1.14%	0.56	1.12	-0.39%	2.97%	2.74	5.14	-0.72%	4.76%	3.32	1.48	-0.48%	3.42%	2.92	3.59
Alberta	-0.05%	1.03%	-0.35	1.71	-0.47%	3.11%	3.59	5.00	-0.90%	4.77%	3.03	1.25	-0.44%	2.70%	2.80	3.97
British Columbia	-0.22%	1.78%	0.47	0.82	-0.46%	2.87%	5.02	7.29	-0.87%	4.69%	4.42	2.34	-0.65%	3.75%	3.25	3.22
Manitoba	-0.06%	1.11%	-0.37	0.39	-0.41%	2.89%	3.19	5.13	-0.76%	4.87%	3.58	0.89	-0.51%	3.40%	2.68	2.94
New Brunswick	-0.05%	0.94%	-0.33	0.11	-0.42%	2.72%	3.02	5.72	-0.83%	4.73%	4.52	1.56	-0.55%	3.24%	2.95	5.26
Newfoundland	-0.02%	0.79%	-0.59	1.66	-0.40%	2.55%	2.07	4.29	-0.81%	4.33%	4.61	2.67	-0.72%	3.90%	3.94	2.91
Nova Scotia	0.00%	0.47%	-0.38	4.67	-0.47%	2.49%	3.57	6.42	-0.90%	5.20%	3.80	1.38	-0.74%	4.12%	3.50	5.53
Ontario	-0.06%	1.13%	1.59	0.29	-0.41%	3.06%	2.72	3.81	-0.73%	4.85%	3.42	0.33	-0.48%	3.45%	3.88	2.94
Prince Edward Island	0.10%	0.49%	-2.90	-4.15	-0.34%	2.56%	2.38	3.80	-0.85%	4.95%	3.91	0.82	-0.72%	4.33%	3.29	1.33
Quebec	-0.08%	1.19%	-0.34	2.36	-0.32%	2.92%	1.55	5.92	-0.59%	4.62%	2.57	3.28	-0.39%	3.29%	1.52	4.71
Saskatchewan	-0.05%	0.70%	4.13	4.85	-0.36%	2.60%	2.05	4.61	-0.83%	4.72%	4.07	1.79	-0.73%	4.10%	2.12	1.68

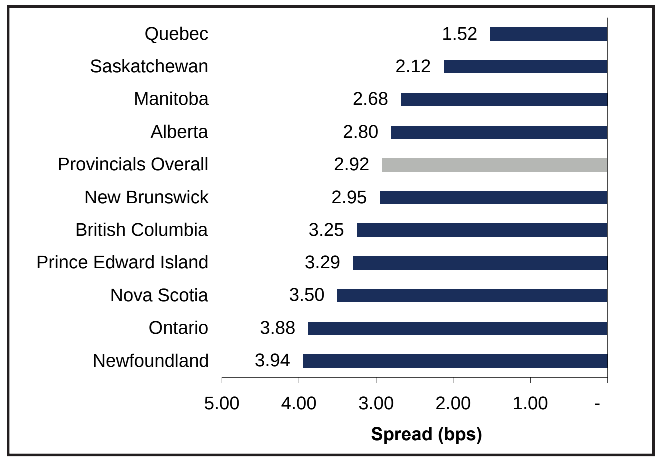
Source: PCBond, a business unit of TSX Inc., BMO Capital Markets

Chart 5.1: *FTSE TMX Canada (formerly DEX) Universe Bond Index Ranked Monthly Total Return – Provincials*



Source: PCBond, a business unit of TMX Group Inc., BMO Capital Markets

Chart 5.2: *FTSE TMX Canada (formerly DEX) Universe Bond Index Ranked Monthly Spread – Provincials*



Source: PCBond, a business unit of TMX Group Inc., BMO Capital Markets

Provies Don't Rebound After Ides of March

Despite encompassing a bevy of school-related holidays, March proved to be quite a busy month in the Provincial space, with budgets, new issuance and even an election call all affecting spreads to varying degrees. Without question, however, the biggest impact in the month was the election call in Quebec. Spreads for all provinces traded a little heavier in the wake of the announcement as investors naturally eschew any kind of uncertainty associated with an election, regardless of the province. Most provinces failed to rebound after the ides from this early month weakness and as a result the spread for Broad Provinces widened by 3 basis points during March.

More generally, there were movements in and out of bonds in March as geopolitical risk ebbed and flowed and the U.S. Fed waxed and waned about its intentions for monetary policy accommodation over the next couple of years. By month's end, GoC yields backed up a touch and Broad Provincials lost their pre-eminent position in the FTSE TMX Canada Universe Bond Index to Broad Corporates as a consequence. In fact, Broad Provincials was the worst-performing segment of the index at a loss of -0.48%. One of the biggest influences in this regards was the poor performance of underlying long Canadas and the longer duration of Broad Provincials.

However, the weakness in March was not sufficient to displace the lead of Broad Provincials on a year-to-date basis, with a total return of 3.42% after the strong rally in long Canadas during February. At the same time, it should be noted investor predilection toward corporates in the current environment propelled Broad Corporate BBB ahead of Broad Provincials during March, with a year-to-date return of 3.80%, while Broad Corporate A followed closely at 3.35%. We still prefer corporates over provincials, as we believe yields will remain range-bound and investors will gravitate toward greater spread as a result.

Table 6.1: *FTSE TMX Canada (formerly DEX) Universe Bond Index Total Return and Spread – Corporates*

Sector	Short				Mid				Long				Broad			
	Return		Spread (bps)		Return		Spread (bps)		Return		Spread (bps)		Return		Spread (bps)	
	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD
All Corporates	0.07%	1.39%	-1.90	-8.59	0.11%	3.85%	-4.99	-13.90	0.29%	6.06%	-3.31	-9.33	0.13%	2.95%	-2.98	-8.68
Communication - Media	0.15%	0.99%	-3.67	-14.23	0.24%	4.11%	-7.22	-17.11	1.75%	8.72%	-14.23	-28.20	0.52%	4.17%	-7.15	-17.24
Communication - Telecommunication	0.16%	1.42%	-4.98	-13.09	0.20%	4.05%	-5.16	-13.82	0.83%	6.48%	-7.34	-13.21	0.35%	3.75%	-6.13	-13.30
Energy - Distribution	0.04%	1.31%	-2.41	-4.69	-0.07%	3.56%	-1.12	-3.95	0.11%	5.97%	-2.20	-5.58	0.07%	4.92%	-2.60	-5.43
Energy - Exploration	0.15%	1.69%	-2.24	-9.89	0.25%	3.32%	-8.70	-12.56	0.33%	5.55%	-4.80	-4.49	0.22%	2.79%	-3.49	-8.28
Energy - Generation	0.23%	1.95%	-7.87	-9.15	0.19%	4.42%	-5.63	-18.17	-0.02%	5.32%	0.10	-14.29	0.11%	4.40%	-3.86	-16.97
Energy - Pipelines	0.11%	1.34%	-4.61	-4.10	0.00%	3.69%	-1.51	-5.01	0.21%	5.70%	-2.31	-7.18	0.10%	3.87%	-2.22	-5.69
Financial - Auto Finance	0.07%	1.50%	-3.53	-5.99		0.42%							0.07%	1.51%	-3.53	-5.99
Financial - Bank	0.03%	1.32%	-0.60	-8.07	0.01%	3.48%	-6.75	-22.01	0.35%	6.12%	-3.25	-12.81	0.04%	1.70%	-1.18	-8.06
Financial - Insurance	0.16%	1.55%	-5.74	-13.61	0.19%	3.73%	-6.67	-15.61	0.44%	6.21%	-5.08	-10.60	0.22%	3.05%	-5.86	-13.96
Financial - Services	0.08%	1.44%	-2.14	-8.11	0.09%	3.40%	-5.87	-10.31	0.57%	5.96%	-6.22	-8.55	0.13%	2.33%	-3.15	-7.20
Infrastructure - Health	0.20%	1.04%	-8.38	-12.89	-0.01%	0.39%	-4.45		0.12%	5.83%	-0.67	-11.48	0.12%	5.12%	-2.02	-6.56
Infrastructure - Transportation	0.05%	1.27%	-2.81	-8.15	-0.09%	3.23%	-3.26	-8.33	0.06%	5.42%	-0.71	-6.12	0.03%	4.22%	-1.65	-6.73
Infrastructure - Utility	0.07%	1.53%	-3.51	-6.87	-0.10%	3.83%	-1.92	-7.43	0.06%	6.15%	-1.87	-6.00	0.03%	4.83%	-2.22	-5.22
Other	0.17%	1.72%	-3.00	-15.15	0.31%	4.17%	-7.29	-18.69	0.76%	7.05%	0.62	-10.46	0.30%	3.60%	-9.75	-17.80
Real Estate	0.31%	2.31%	-12.72	-19.57	0.15%	4.37%	0.03	-6.50	-0.65%	4.82%	6.04	-4.14	0.15%	3.53%	-5.15	-8.98
Retail	0.18%	1.58%	-3.30	-12.39	0.47%	4.84%	-2.74	-14.43	1.10%	7.94%	-10.75	-26.26	0.54%	4.58%	-9.25	-20.22
Securitization	0.07%	1.10%	-2.31	-9.70									0.07%	1.10%	-2.31	-9.70

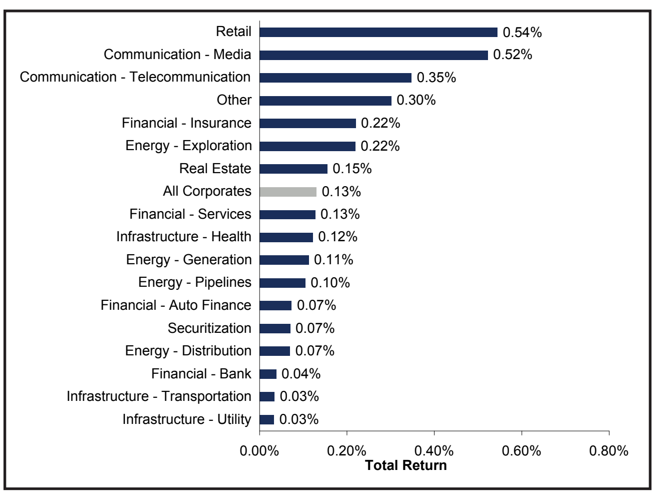
Source: PCBond, a business unit of TSX Inc., BMO Capital Markets

Table 6.2: *FTSE TMX Canada (formerly DEX) Universe Bond Index Total Return and Spread – Bank Debt*

Bank Debt	Short				Mid				Long				Broad			
	Return		Spread (bps)		Return		Spread (bps)		Return		Spread (bps)		Return		Spread (bps)	
	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD	MoM	YTD
Bank - Covered	0.00%	1.43%	9.29	-0.24									0.00%	1.43%	9.29	-0.24
Bank - Senior	-0.01%	1.31%	0.34	-7.07	-0.02%	3.62%	-5.82	-12.09	0.15%	5.98%	-2.09	-15.79	0.00%	1.56%	-0.06	-6.17
Bank - Sub	0.13%	1.16%	-3.92	-12.88	0.00%	3.47%	-4.56	-17.03	0.25%	4.92%	-2.96	-8.82	0.11%	1.62%	-4.02	-13.46
Bank - Tier 1	0.06%	1.71%	-3.06	-9.88	0.05%	3.31%	-5.37	-15.60	0.52%	6.41%	-5.24	-12.89	0.13%	3.11%	-4.25	-11.69
Bank - Tier 2A	0.20%	1.50%	-6.97	-13.21									0.20%	1.50%	-6.97	-13.21

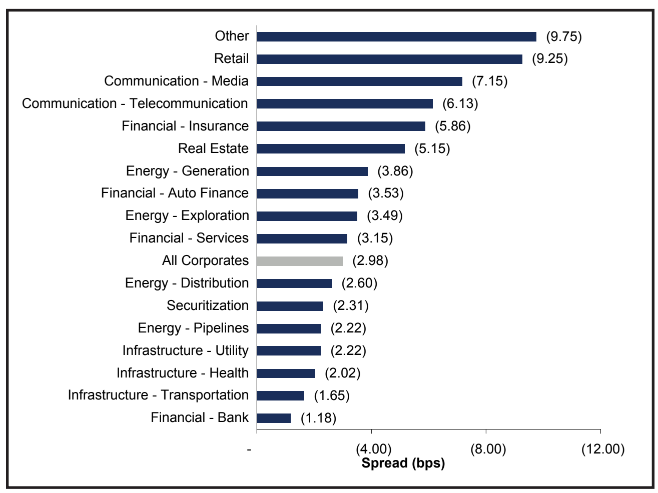
Source: PCBond, a business unit of TSX Inc., BMO Capital Markets

Chart 6.1: *FTSE TMX Canada (formerly DEX) Universe Bond Index Ranked Monthly Total Return – Corporates*



Source: PCBond, a business unit of TMX Group Inc., BMO Capital Markets

Chart 6.2: *FTSE TMX Canada (formerly DEX) Universe Bond Index Ranked Monthly Spread – Corporates*



Source: PCBond, a business unit of TMX Group Inc., BMO Capital Markets

More BBBs, Please

Corporate bonds were the mainstay of investor focus during March, tightening by another three basis points in the month. Unlike the start of the year, however, investor fancy for BBBs start to become more pronounced with sectors such as Media, Telecom, Real Estate, Retail and Insurance all experiencing the best spread moves inwards. While the high-quality sectors did trail, their performance was not too shabby either. We expect the strong start to last a little longer, which has been typical the past couple of years, along with higher beta receiving early investor favour. We still advise investors to remain selective in the current environment of heightened uncertainty, as event risk can emerge at any time.

Table 7.1: *Historical Total Return (Month Over Month)*

Sector	30-Apr-13	31-May-13	28-Jun-13	31-Jul-13	30-Aug-13	30-Sep-13	31-Oct-13	29-Nov-13	31-Dec-13	31-Jan-14	28-Feb-14	31-Mar-14
Broad												
Composite	**1.1%**	**-1.5%**	**-2.0%**	**0.2%**	**-0.6%**	**0.5%**	**1.1%**	**-0.2%**	**-0.4%**	**2.6%**	**0.3%**	**-0.2%**
All Government	**1.2%**	**-1.6%**	**-2.1%**	**0.1%**	**-0.6%**	**0.6%**	**1.0%**	**-0.3%**	**-0.5%**	**2.7%**	**0.3%**	**-0.3%**
Canada	1.0%	-1.7%	-1.7%	0.1%	-0.5%	0.4%	0.8%	-0.4%	-0.6%	2.3%	0.1%	-0.2%
Agencies	0.6%	-0.9%	-1.1%	0.3%	-0.2%	0.5%	0.9%	0.1%	-0.5%	1.8%	0.2%	-0.2%
Provincials	1.6%	-1.9%	-2.8%	0.0%	-0.9%	0.7%	1.2%	-0.5%	-0.4%	3.4%	0.5%	-0.5%
Municipals	1.4%	-1.5%	-2.3%	0.1%	-0.6%	0.7%	1.1%	-0.2%	-0.3%	3.0%	0.5%	-0.3%
All Corporates	**1.0%**	**-1.0%**	**-1.9%**	**0.5%**	**-0.5%**	**0.4%**	**1.2%**	**0.0%**	**-0.3%**	**2.4%**	**0.4%**	**0.1%**
Corporate AA	0.5%	-0.6%	-0.9%	0.6%	-0.2%	0.4%	0.8%	0.2%	-0.1%	1.2%	0.4%	0.0%
Corporate A	1.2%	-1.2%	-2.1%	0.4%	-0.6%	0.3%	1.2%	-0.2%	-0.3%	2.8%	0.4%	0.1%
Corporate BBB	1.3%	-1.1%	-2.5%	0.5%	-0.7%	0.5%	1.5%	0.0%	-0.4%	3.0%	0.5%	0.3%
Short												
Composite	**0.4%**	**-0.4%**	**-0.6%**	**0.4%**	**-0.1%**	**0.4%**	**0.6%**	**0.2%**	**-0.1%**	**0.9%**	**0.2%**	**0.0%**
All Government	**0.3%**	**-0.4%**	**-0.5%**	**0.3%**	**-0.1%**	**0.4%**	**0.6%**	**0.2%**	**-0.1%**	**0.8%**	**0.1%**	**-0.1%**
Canada	0.3%	-0.4%	-0.4%	0.3%	-0.1%	0.3%	0.4%	0.1%	-0.1%	0.7%	0.0%	0.0%
Agencies	0.3%	-0.4%	-0.5%	0.3%	-0.1%	0.4%	0.7%	0.2%	-0.2%	1.0%	0.1%	-0.1%
Provincials	0.5%	-0.4%	-0.6%	0.3%	0.0%	0.5%	0.7%	0.2%	-0.2%	1.1%	0.1%	-0.1%
Municipals	0.5%	-0.4%	-0.7%	0.4%	0.0%	0.5%	0.7%	0.3%	-0.2%	1.2%	0.2%	0.0%
All Corporates	**0.4%**	**-0.4%**	**-0.7%**	**0.5%**	**-0.1%**	**0.4%**	**0.7%**	**0.3%**	**0.0%**	**1.0%**	**0.3%**	**0.1%**
Corporate AA	0.4%	-0.5%	-0.7%	0.5%	-0.2%	0.3%	0.8%	0.3%	-0.1%	1.0%	0.3%	0.0%
Corporate A	0.4%	-0.3%	-0.7%	0.5%	-0.1%	0.3%	0.7%	0.3%	0.0%	1.0%	0.2%	0.1%
Corporate BBB	0.5%	-0.3%	-0.8%	0.5%	-0.1%	0.5%	0.8%	0.3%	0.0%	1.2%	0.3%	0.2%
Mid												
Composite	**1.2%**	**-1.8%**	**-2.3%**	**0.4%**	**-0.7%**	**0.8%**	**1.3%**	**-0.1%**	**-0.8%**	**3.0%**	**0.5%**	**-0.2%**
All Government	**1.2%**	**-1.9%**	**-2.3%**	**0.3%**	**-0.7%**	**0.8%**	**1.3%**	**-0.1%**	**-0.9%**	**2.9%**	**0.4%**	**-0.4%**
Canada	1.2%	-2.2%	-2.3%	0.2%	-0.7%	0.8%	1.1%	-0.4%	-1.1%	3.0%	0.3%	-0.3%
Agencies	1.1%	-2.0%	-2.2%	0.2%	-0.6%	0.8%	1.2%	0.1%	-1.0%	3.1%	0.5%	-0.5%
Provincials	1.3%	-1.7%	-2.3%	0.3%	-0.6%	0.8%	1.3%	0.0%	-0.8%	2.8%	0.5%	-0.4%
Municipals	1.2%	-1.5%	-1.9%	0.4%	-0.4%	0.9%	1.3%	0.2%	-0.7%	2.7%	0.5%	-0.3%
All Corporates	**1.3%**	**-1.5%**	**-2.4%**	**0.7%**	**-0.7%**	**0.6%**	**1.5%**	**0.0%**	**-0.6%**	**3.1%**	**0.6%**	**0.1%**
Corporate AA	1.2%	-1.7%	-2.2%	0.7%	-0.7%	0.6%	1.5%	0.1%	-0.6%	2.8%	0.7%	0.0%
Corporate A	1.2%	-1.6%	-2.2%	0.7%	-0.6%	0.5%	1.4%	0.1%	-0.6%	2.9%	0.6%	0.0%
Corporate BBB	1.3%	-1.4%	-2.7%	0.7%	-0.7%	0.7%	1.6%	0.0%	-0.7%	3.3%	0.6%	0.2%
Long												
Composite	**2.2%**	**-2.8%**	**-4.0%**	**-0.3%**	**-1.4%**	**0.6%**	**1.5%**	**-1.1%**	**-0.6%**	**5.0%**	**0.5%**	**-0.4%**
All Government	**2.2%**	**-3.0%**	**-4.0%**	**-0.4%**	**-1.4%**	**0.7%**	**1.3%**	**-1.3%**	**-0.5%**	**5.0%**	**0.5%**	**-0.6%**
Canada	2.4%	-3.8%	-4.0%	-0.5%	-1.4%	0.4%	1.4%	-1.7%	-1.4%	5.3%	0.1%	-0.4%
Agencies	2.2%	-2.7%	-3.1%	0.0%	-1.1%	0.9%	1.5%	-0.9%	-1.2%	5.5%	0.3%	-0.5%
Provincials	2.2%	-2.6%	-4.0%	-0.4%	-1.4%	0.8%	1.3%	-1.1%	-0.1%	4.8%	0.7%	-0.7%
Municipals	2.3%	-2.6%	-4.0%	-0.5%	-1.2%	0.7%	1.3%	-1.2%	0.0%	5.1%	0.8%	-0.6%
All Corporates	**2.2%**	**-2.0%**	**-4.3%**	**0.1%**	**-1.4%**	**0.3%**	**2.0%**	**-0.7%**	**-0.6%**	**5.2%**	**0.6%**	**0.3%**
Corporate AA	1.7%	-2.8%	-3.5%	0.4%	-1.0%	0.6%	1.4%	-0.7%	-1.1%	4.1%	1.3%	0.1%
Corporate A	2.2%	-2.2%	-4.0%	0.0%	-1.4%	0.2%	1.8%	-0.8%	-0.5%	5.2%	0.5%	0.1%
Corporate BBB	2.2%	-1.6%	-4.8%	0.2%	-1.3%	0.4%	2.3%	-0.4%	-0.7%	5.2%	0.6%	0.6%

Source: PCBond, a business unit of TSX Inc.

Table 8.1: *Historical Modified Duration*

Sector	30-Apr-13	31-May-13	28-Jun-13	31-Jul-13	30-Aug-13	30-Sep-13	31-Oct-13	29-Nov-13	31-Dec-13	31-Jan-14	28-Feb-14	31-Mar-14
Broad												
Composite	**6.91**	**6.80**	**6.82**	**6.74**	**6.67**	**6.68**	**6.67**	**6.60**	**6.72**	**6.83**	**6.87**	**6.84**
All Government	**7.30**	**7.19**	**7.29**	**7.18**	**7.13**	**7.15**	**7.12**	**7.05**	**7.25**	**7.34**	**7.41**	**7.39**
Canada	6.28	6.23	6.36	6.22	6.24	6.14	6.08	6.08	6.19	6.21	6.40	6.31
Agencies	4.14	4.10	4.24	4.15	4.12	4.24	4.18	4.16	4.72	4.71	4.69	4.77
Provincials	9.49	9.31	9.32	9.23	9.09	9.17	9.18	9.03	9.15	9.33	9.30	9.28
Municipals	7.92	7.87	7.92	7.90	7.87	7.89	7.92	7.74	7.93	8.07	8.16	8.06
All Corporates	**5.93**	**5.81**	**5.70**	**5.68**	**5.57**	**5.57**	**5.59**	**5.57**	**5.52**	**5.64**	**5.63**	**5.61**
Corporate AA	3.31	3.22	3.23	3.24	3.18	3.13	3.12	3.15	3.13	3.17	3.19	3.23
Corporate A	7.01	6.88	6.79	6.77	6.67	6.73	6.88	6.85	6.78	6.91	6.87	6.81
Corporate BBB	6.72	6.64	6.50	6.51	6.39	6.35	6.30	6.24	6.25	6.34	6.33	6.30
Short												
Composite	**2.67**	**2.64**	**2.78**	**2.72**	**2.69**	**2.71**	**2.66**	**2.65**	**2.78**	**2.72**	**2.71**	**2.72**
All Government	**2.56**	**2.51**	**2.73**	**2.64**	**2.61**	**2.67**	**2.60**	**2.57**	**2.77**	**2.70**	**2.70**	**2.72**
Canada	2.34	2.32	2.52	2.43	2.45	2.47	2.40	2.38	2.42	2.35	2.38	2.43
Agencies	2.70	2.61	2.92	2.83	2.75	2.81	2.74	2.66	3.08	3.01	2.93	2.97
Provincials	2.95	2.88	2.99	2.90	2.82	3.01	2.97	2.90	3.12	3.05	3.02	3.07
Municipals	2.99	2.95	3.18	3.10	3.02	2.97	2.94	2.98	3.26	3.20	3.13	3.04
All Corporates	**2.89**	**2.87**	**2.88**	**2.87**	**2.83**	**2.78**	**2.76**	**2.80**	**2.79**	**2.76**	**2.73**	**2.73**
Corporate AA	2.99	2.93	2.89	2.89	2.86	2.80	2.77	2.81	2.80	2.79	2.75	2.78
Corporate A	2.80	2.78	2.83	2.79	2.72	2.67	2.70	2.75	2.71	2.66	2.62	2.55
Corporate BBB	2.85	2.90	2.95	3.00	2.98	2.95	2.85	2.83	2.88	2.83	2.85	2.87
Mid												
Composite	**6.27**	**6.17**	**6.42**	**6.35**	**6.26**	**6.32**	**6.27**	**6.21**	**6.33**	**6.28**	**6.21**	**6.17**
All Government	**6.39**	**6.27**	**6.59**	**6.49**	**6.38**	**6.48**	**6.42**	**6.34**	**6.51**	**6.45**	**6.37**	**6.32**
Canada	6.21	6.06	6.80	6.64	6.49	6.61	6.54	6.39	6.38	6.28	6.15	6.23
Agencies	6.57	6.46	6.63	6.54	6.45	6.42	6.35	6.35	6.93	6.88	6.81	6.56
Provincials	6.44	6.34	6.50	6.42	6.34	6.46	6.41	6.33	6.47	6.43	6.38	6.31
Municipals	5.98	5.88	5.93	5.85	5.76	6.01	5.97	5.93	6.15	6.17	6.10	6.08
All Corporates	**5.91**	**5.87**	**5.90**	**5.91**	**5.88**	**5.84**	**5.83**	**5.80**	**5.80**	**5.81**	**5.79**	**5.77**
Corporate AA	5.47	5.72	6.00	5.85	5.86	5.79	5.87	5.79	5.77	5.80	5.75	5.64
Corporate A	5.92	5.82	5.85	5.93	5.87	5.79	5.76	5.78	5.78	5.78	5.77	5.74
Corporate BBB	5.96	5.94	5.93	5.90	5.89	5.90	5.88	5.81	5.82	5.83	5.82	5.83
Long												
Composite	**13.82**	**13.56**	**13.67**	**13.59**	**13.38**	**13.53**	**13.53**	**13.41**	**13.55**	**13.72**	**13.67**	**13.58**
All Government	**14.07**	**13.77**	**14.02**	**13.91**	**13.67**	**13.90**	**13.87**	**13.72**	**13.91**	**14.07**	**14.00**	**13.88**
Canada	14.22	13.91	14.61	14.52	14.23	14.15	13.99	13.88	13.99	14.14	14.01	13.92
Agencies	11.00	10.25	10.06	10.00	9.49	10.50	10.47	10.54	14.64	14.95	13.71	13.58
Provincials	14.05	13.79	13.88	13.74	13.57	13.85	13.89	13.71	13.85	14.00	14.02	13.88
Municipals	15.06	14.84	14.63	14.64	14.48	14.58	14.55	14.40	14.55	14.76	14.82	14.68
All Corporates	**12.95**	**12.80**	**12.49**	**12.52**	**12.41**	**12.34**	**12.44**	**12.41**	**12.37**	**12.57**	**12.54**	**12.57**
Corporate AA	8.97	8.81	8.68	8.66	8.55	8.56	8.50	8.40	8.33	8.41	8.35	8.42
Corporate A	13.19	13.05	12.78	12.86	12.71	12.59	12.70	12.69	12.66	12.88	12.88	12.91
Corporate BBB	12.91	12.74	12.35	12.29	12.25	12.23	12.32	12.24	12.19	12.37	12.31	12.32

Source: PCBond, a business unit of TSX Inc.

***Table 9.1:** Ten Best Short Performers – Ranked by Total Return*

	Issue	Coupon (%)	Maturity	Par Value	Interest Return	Price Return	Total Return
Monthly	Alberta CF Amrtzing Deb - 013051CR6	5.93	09/16/2016	127,853,952	0.43%	0.44%	0.87%
	Granite REIT Hld LP - 387427AA5	4.61	10/02/2018	200,000,000	0.33%	0.29%	0.61%
	Veresen Inc. - 92343ZAC9	3.95	03/14/2017	300,000,000	0.30%	0.31%	0.61%
	Calloway REIT - 131253AC0	5.37	10/12/2016	250,000,000	0.37%	0.19%	0.56%
	Algonquin Power Co. - 01585PAA3	5.50	07/25/2018	135,000,000	0.38%	0.15%	0.54%
	Aimia Inc - 00900QAB9	6.95	01/26/2017	167,400,000	0.47%	0.06%	0.53%
	MI Developments Inc. - 55304XAA2	6.05	12/22/2016	265,000,000	0.43%	0.07%	0.50%
	Genworth MI Canada Inc. - 37252BAB8	4.59	12/15/2015	150,000,000	0.33%	0.08%	0.42%
	Aimia Inc - 00900QAD5	4.35	01/22/2018	200,000,000	0.32%	0.08%	0.40%
	Manulife Fin. Delaware LP - 56502FAB7	4.45	12/15/2016	550,000,000	0.32%	0.01%	0.33%
YTD	Crombie Real Est Inv Tr - 227107AF6	3.99	10/31/2018	175,000,000	0.93%	3.29%	4.22%
	Capital Power L.P. - 14043ZAC6	4.85	02/21/2019	244,000,000	1.06%	2.93%	3.99%
	Granite REIT Hld LP - 387427AA5	4.61	10/02/2018	200,000,000	1.05%	2.83%	3.88%
	Algonquin Power Co. - 01585PAA3	5.50	07/25/2018	135,000,000	1.18%	2.49%	3.67%
	Aimia Inc - 00900QAD5	4.35	01/22/2018	200,000,000	0.98%	2.46%	3.45%
	Morguard - 617577AA9	4.10	12/10/2018	135,000,000	0.98%	2.30%	3.28%
	First Capital Realty Inc. - 31943BBD1	4.95	11/30/2018	100,000,000	1.11%	2.17%	3.27%
	H&R Real Estate Invest. Trust - 403925AR1	3.34	06/20/2018	175,000,000	0.81%	2.45%	3.26%
	Reliance LP - 759480AF3	5.19	03/15/2019	325,000,000	1.16%	2.08%	3.24%
	Loblaw Companies Ltd. - 539481AH4	3.75	03/12/2019	800,000,000	0.85%	2.29%	3.14%

Source: PCBond, a business unit of TSX Inc.

***Table 9.2:** Ten Worst Short Performers – Ranked by Total Return*

	Issue	Coupon (%)	Maturity	Par Value	Interest Return	Price Return	Total Return
Monthly	Canada Housing Trust - 13509PEA7	2.35	12/15/2018	10,345,000,000	0.18%	-0.57%	-0.40%
	British Columbia - 11070TAE8	2.25	03/01/2019	1,100,000,000	0.17%	-0.56%	-0.39%
	Canada Housing Trust - 13509PBN2	4.10	12/15/2018	7,403,400,000	0.29%	-0.67%	-0.38%
	Canada - 135087B86	1.75	03/01/2019	8,160,000,000	0.13%	-0.52%	-0.38%
	Quebec Finance Corp - 31739ZAS4	2.40	12/01/2018	1,500,000,000	0.18%	-0.54%	-0.36%
	B.C. MFA - 626209JM3	2.35	12/03/2018	320,000,000	0.18%	-0.52%	-0.34%
	Canada Housing Trust - 13509PDT7	1.75	06/15/2018	5,000,000,000	0.14%	-0.47%	-0.34%
	British Columbia - 110709FX5	4.65	12/18/2018	1,700,000,000	0.32%	-0.65%	-0.33%
	Quebec - 74814ZDU4	4.50	12/01/2018	4,500,000,000	0.31%	-0.64%	-0.33%
YTD	Daimler Canada Finance - 23384NAE7	3.02	01/07/2015	300,000,000	0.03%	0.00%	0.03%
	Nova Scotia - 669827FN2	4.70	01/14/2015	200,000,000	0.13%	-0.07%	0.06%
	Royal Bank Of Canada - 7800855Q5	2.05	01/13/2015	1,100,000,000	0.05%	0.04%	0.09%
	Canada - 135087ZX5	1.00	02/01/2015	12,380,000,000	0.08%	0.05%	0.13%
	New Brunswick - 642866FT9	4.50	02/04/2015	550,000,000	0.37%	-0.23%	0.14%
	BCIMC Realty Corp. - 07329VAG5	3.38	01/29/2015	200,000,000	0.23%	-0.08%	0.15%
	Terasen Pipelines Corridor - 88079VAB8	5.03	02/02/2015	150,000,000	0.40%	-0.23%	0.17%
	Nat Bank Of Canada - 633067UW1	2.23	01/30/2015	1,500,000,000	0.16%	0.02%	0.18%
	Hydro Ottawa Holding Inc. - 44882CAA2	4.93	02/09/2015	200,000,000	0.48%	-0.28%	0.20%

Source: PCBond, a business unit of TSX Inc.

***Table 9.3:** Ten Best Mid Performers – Ranked by Total Return*

	Issue	Coupon (%)	Maturity	Par Value	Interest Return	Price Return	Total Return
Monthly	AltaLink Invest L.P. - 02137PAC0	3.67	06/05/2019	200,000,000	0.27%	0.58%	0.84%
	Fairfax Finl Holdings Ltd - 303901AV4	5.84	10/14/2022	400,100,000	0.40%	0.42%	0.83%
	Algonquin Power Co. - 01585PAE5	4.65	02/15/2022	200,000,000	0.34%	0.41%	0.75%
	Calloway REIT - 131253AM8	3.99	05/30/2023	150,000,000	0.30%	0.43%	0.74%
	TMX Group Ltd - 87262KAB1	4.46	10/03/2023	250,000,000	0.32%	0.35%	0.67%
	Genworth MI Canada Inc. - 37252BAA0	5.68	06/15/2020	227,900,000	0.38%	0.26%	0.64%
	Fairfax Finl Holdings Ltd - 303901AR3	7.25	06/22/2020	200,240,000	0.47%	0.12%	0.59%
	Calloway REIT - 131253AL0	4.05	07/27/2020	150,000,000	0.30%	0.23%	0.53%
	RioCan REIT - 766910AW3	3.73	04/18/2023	200,000,000	0.29%	0.22%	0.51%
	First Capital Realty Inc. - 31943BBU3	3.90	10/30/2023	300,000,000	0.30%	0.20%	0.50%
YTD	Choice Properties REIT - 17039AAB2	4.90	07/05/2023	200,000,000	1.17%	5.77%	6.94%
	Fairfax Finl Holdings Ltd - 303901AV4	5.84	10/14/2022	400,100,000	1.30%	5.40%	6.71%
	RioCan REIT - 766910AW3	3.73	04/18/2023	200,000,000	0.92%	5.55%	6.46%
	Calloway REIT - 131253AM8	3.99	05/30/2023	150,000,000	1.00%	5.41%	6.41%
	First Capital Realty Inc. - 31943BBR0	3.95	12/05/2022	250,000,000	0.98%	5.38%	6.36%
	First Capital Realty Inc. - 31943BBU3	3.90	10/30/2023	300,000,000	0.96%	5.33%	6.29%
	Tim Hortons Inc. - 88706MAC7	4.52	12/01/2023	450,000,000	1.07%	5.05%	6.12%
	Sobeys Inc. - 833577AE9	4.70	08/08/2023	500,000,000	1.06%	4.88%	5.94%
	Cogeco Cable Inc - 19238VAJ4	4.18	05/26/2023	300,000,000	1.02%	4.89%	5.91%
	Loblaw Companies Ltd. - 539481AJ0	4.86	09/12/2023	800,000,000	1.06%	4.82%	5.88%

Source: PCBond, a business unit of TSX Inc.

***Table 9.4:** Ten Worst Mid Performers – Ranked by Total Return*

	Issue	Coupon (%)	Maturity	Par Value	Interest Return	Price Return	Total Return
Monthly	Nova Scotia Schools Tr. - 80927YAB3	7.31	09/17/2020	19,817,598	0.62%	-4.82%	-4.19%
	Farm Credit Corp. - 30766ZXG3	4.55	04/12/2021	240,956,200	0.32%	-1.73%	-1.40%
	Centre Street Trust - 156327AB4	3.69	06/14/2022	242,938,331	0.29%	-1.24%	-0.94%
	British Columbia - 110709GB2	2.70	12/18/2022	1,400,000,000	0.21%	-0.99%	-0.77%
	Alberta - 013051DG9	2.55	12/15/2022	1,820,000,000	0.20%	-0.96%	-0.75%
	New Brunswick - 642869AD3	3.35	12/03/2021	900,000,000	0.25%	-0.97%	-0.71%
	Alberta - 013051DL8	3.40	12/01/2023	500,000,000	0.26%	-0.97%	-0.71%
	Canada Housing Trust - 13509PCS0	3.80	06/15/2021	7,247,740,000	0.27%	-0.98%	-0.71%
	British Columbia - 110709GF3	3.30	12/18/2023	1,450,000,000	0.25%	-0.96%	-0.71%
	Farm Credit Corp. - 30766ZXM0	4.60	06/01/2021	70,813,000	0.31%	-1.01%	-0.70%
YTD	Nova Scotia Schools Tr. - 80927YAB3	7.31	09/17/2020	19,817,598	1.56%	-4.88%	-3.32%
	Maritime & NE Pipe - 57036QAC4	4.34	11/30/2019	126,900,000	1.00%	-0.26%	0.74%
	Maritime & NE Pipe - 57036QAB6	6.90	11/30/2019	156,000,000	1.46%	-0.72%	0.74%
	Milit-Air Amortizing - 599910AA4	5.75	06/30/2019	291,636,886	1.26%	-0.39%	0.86%
	Farm Credit Corp. - 30766ZXG3	4.55	04/12/2021	240,956,200	0.96%	0.78%	1.74%
	British Columbia - 11070ZAG9	9.00	06/17/2019	50,000,000	1.63%	0.18%	1.81%
	New Brunswick - 6428668Z3	4.40	06/03/2019	900,000,000	0.96%	0.92%	1.88%
	Viterra Inc. - 92849TAL2	6.41	02/16/2021	200,000,000	1.35%	0.54%	1.89%
	Ontario - 683234B80	4.40	06/02/2019	7,901,772,000	0.96%	0.96%	1.93%
	Nova Scotia Schools Tr. - 80927YAA5	6.22	07/13/2020	32,552,295	1.25%	0.69%	1.94%

Source: PCBond, a business unit of TSX Inc.

Table 9.5: *Ten Best Long Performers – Ranked by Total Return*

	Issue	Coupon (%)	Maturity	Par Value	Interest Return	Price Return	Total Return
Monthly	Weston Ltd. George - 96115ZAD4	7.10	02/05/2032	150,000,000	0.44%	2.65%	3.10%
	Bell Canada PRYDES - 078149DV0	7.65	12/30/2031	150,000,000	0.45%	1.63%	2.08%
	TransCanada PipeLines - 89353ZAY4	6.27	07/18/2028	106,900,000	0.41%	1.57%	1.98%
	Transalta Corporation - 89347ZAE7	6.90	11/15/2030	147,210,000	0.48%	1.32%	1.80%
	C.I.B.C. Capital Trust - 12544UAB7	10.25	06/30/2039	300,000,000	0.53%	1.20%	1.72%
	Shaw Communications Inc. - 82028KAQ4	6.75	11/09/2039	1,429,300,000	0.41%	1.29%	1.69%
	Loblaw Companies Ltd. - 53947ZAF4	6.50	01/22/2029	175,000,000	0.42%	1.24%	1.66%
	Loblaw Companies Ltd. - 53947ZAH0	6.45	03/01/2039	120,000,000	0.41%	1.14%	1.55%
	Loblaw Companies Ltd. - 53947ZAT4	6.54	02/17/2033	188,000,000	0.42%	1.05%	1.47%
	Cameco Corporation - 13321LAJ7	5.09	11/14/2042	100,000,000	0.37%	1.04%	1.41%
YTD	Cameco Corporation - 13321LAJ7	5.09	11/14/2042	100,000,000	1.26%	10.04%	11.29%
	Loblaw Companies Ltd. - 53947ZAH0	6.45	03/01/2039	120,000,000	1.28%	7.69%	8.98%
	Loblaw Companies Ltd. - 53947ZAY3	5.90	01/18/2036	300,000,000	1.24%	7.46%	8.71%
	Loblaw Companies Ltd. - 53947ZAX5	6.15	01/29/2035	200,000,000	1.23%	7.32%	8.54%
	Loblaw Companies Ltd. - 53947ZAU1	6.05	06/09/2034	200,000,000	1.34%	7.18%	8.53%
	Sobeys Inc. - 83357ZAL1	6.64	06/07/2040	150,000,000	1.40%	7.06%	8.46%
	Shaw Communications Inc. - 82028KAQ4	6.75	11/09/2039	1,429,300,000	1.38%	6.97%	8.35%
	Hydro One Inc. - 44810ZBG4	3.79	07/31/2062	310,000,000	0.93%	7.40%	8.34%
	Loblaw Companies Ltd. - 53947ZAT4	6.54	02/17/2033	188,000,000	1.30%	6.98%	8.28%
	Toronto Hydro Corp. - 89119ZAF0	3.96	04/09/2063	200,000,000	1.02%	7.18%	8.20%

Source: PCBond, a business unit of TSX Inc.

Table 9.6: *Ten Worst Long Performers – Ranked by Total Return*

	Issue	Coupon (%)	Maturity	Par Value	Interest Return	Price Return	Total Return
Monthly	University of B.C. - 914104AB0	4.82	07/26/2035	125,000,000	0.34%	-1.78%	-1.44%
	SEC LP & Arci Ltd - 784103AA1	5.19	08/29/2033	544,509,116	0.38%	-1.81%	-1.43%
	Canadian Utilities Inc. - 12657ZAZ6	3.83	09/11/2062	200,000,000	0.39%	-1.77%	-1.39%
	Ontario Infrastructure Projects Corp. - 683086AA0	4.70	06/01/2037	300,000,000	0.35%	-1.70%	-1.35%
	Alberta - 01306ZDC2	3.90	12/01/2033	1,215,000,000	0.30%	-1.52%	-1.23%
	Newfoundland - 651333FM3	5.60	10/17/2033	272,500,000	0.36%	-1.56%	-1.20%
	University of B.C. - 914104AA2	6.65	12/01/2031	125,000,000	0.40%	-1.59%	-1.20%
	New Brunswick - 642866FR3	5.50	01/27/2034	529,100,000	0.35%	-1.53%	-1.18%
	Prince Edward Island - 741666CL3	6.80	02/21/2030	80,000,000	0.38%	-1.56%	-1.18%
	TransLink - 83740TAC1	3.85	02/09/2052	250,000,000	0.32%	-1.49%	-1.17%
YTD	Can Pac Rail - 13645RAA2	6.91	10/01/2024	166,474,398	1.39%	-0.38%	1.01%
	Nova Gas Transmission Ltd - 66975ZAM6	6.05	07/16/2027	50,000,000	1.37%	0.00%	1.37%
	York Region District Sch. - 987049AB9	6.45	06/04/2024	84,690,710	1.32%	0.87%	2.19%
	York Region District Sch. - 987049AC7	5.30	06/03/2025	76,043,899	1.14%	1.05%	2.19%
	City of Toronto - 891288CZ3	5.34	07/18/2027	78,146,203	1.12%	1.32%	2.44%
	B.C. MFA - 626209HV5	4.98	04/06/2025	81,624,140	1.07%	1.41%	2.47%
	Pearson Intl Fuel Facilities - 70501YAA0	5.09	03/09/2032	91,544,670	1.22%	1.33%	2.55%
	On. Sch. Bd. Fin. Co. - 683244AE7	6.55	10/19/2026	219,075,911	1.31%	1.26%	2.57%
	On. Sch. Bd. Fin. Co. - 683244AP2	4.79	08/08/2030	96,005,424	1.05%	1.81%	2.87%
	On. Sch. Bd. Fin. Co. - 683244AA5	7.20	06/09/2025	134,236,865	1.42%	1.46%	2.88%

Source: PCBond, a business unit of TSX Inc.

Table 10.1: *Ten Best Performers Ranked by Total Return According to Macaulay Duration (1 to 4 years)*

	Issue	Coupon (%)	Maturity	Macaulay Duration	Modified Duration	Par Value	Interest Return	Price Return	Total Return
Monthly	Alberta CF Amrtzing Deb - 013051CR6	5.93	09/16/2016	1.4607	1.4511	127,853,952	0.43%	0.44%	0.87%
	Veresen Inc. - 92343ZAC9	3.95	03/14/2017	2.8241	2.7911	300,000,000	0.30%	0.31%	0.61%
	Calloway REIT - 131253AC0	5.37	10/12/2016	2.3623	2.3399	250,000,000	0.37%	0.19%	0.56%
	Algonquin Power Co. - 01585PAA3	5.50	07/25/2018	3.9017	3.8429	135,000,000	0.38%	0.15%	0.54%
	Aimia Inc - 00900QAB9	6.95	01/26/2017	2.6066	2.5723	167,400,000	0.47%	0.06%	0.53%
	MI Developments Inc. - 55304XAA2	6.05	12/22/2016	2.5336	2.4917	265,000,000	0.43%	0.07%	0.50%
	Genworth MI Canada Inc. - 37252BAB8	4.59	12/15/2015	1.6525	1.6352	150,000,000	0.33%	0.08%	0.42%
	Aimia Inc - 00900QAD5	4.35	01/22/2018	3.5431	3.4901	200,000,000	0.32%	0.08%	0.40%
	Manulife Fin. Delaware LP - 56502FAB7	4.45	12/15/2016	2.5646	2.5378	550,000,000	0.32%	0.01%	0.33%
	Great-West Lifeco Fin. (Delaware) LPII - 391385AA	7.13	06/26/2018	3.7330	3.6875	500,000,000	0.46%	-0.15%	0.30%
YTD	Algonquin Power Co. - 01585PAA3	5.50	07/25/2018	3.9017	3.8429	135,000,000	1.18%	2.49%	3.67%
	Aimia Inc - 00900QAD5	4.35	01/22/2018	3.5431	3.4901	200,000,000	0.98%	2.46%	3.45%
	H&R Real Estate Invest. Trust - 403925AR1	3.34	06/20/2018	3.9492	3.8928	175,000,000	0.81%	2.45%	3.26%
	Choice Properties REIT - 17039AAA4	3.55	07/05/2018	3.9788	3.9268	400,000,000	0.84%	2.20%	3.05%
	Great-West Lifeco Fin. (Delaware) LPII - 391385AA	7.13	06/26/2018	3.7330	3.6875	500,000,000	1.47%	1.52%	2.99%
	Holcim Finance Canada - 43474PAC5	3.65	04/10/2018	3.7341	3.6852	300,000,000	0.84%	2.06%	2.90%
	Calloway REIT - 131253AN6	3.39	12/01/2017	3.4570	3.4120	150,000,000	0.80%	1.98%	2.79%
	RioCan REIT - 766910AV5	2.87	03/05/2018	3.7458	3.6968	250,000,000	0.69%	1.99%	2.68%
	Borealis Infrastr Tr - 09972BAA8	6.35	12/01/2020	3.3116	3.2642	80,460,813	1.37%	1.30%	2.68%
	Aimia Inc - 00900QAB9	6.95	01/26/2017	2.6066	2.5723	167,400,000	1.46%	1.20%	2.66%

Source: PCBond, a business unit of TSX Inc.

Table 10.2: *Ten Worst Performers Ranked by Total Return According to Macaulay Duration (1 to 4 years)*

	Issue	Coupon (%)	Maturity	Macaulay Duration	Modified Duration	Par Value	Interest Return	Price Return	Total Return
Monthly	Nova Scotia Schools Tr. - 80927YAB3	7.31	09/17/2020	3.3626	3.3114	19,817,598	0.62%	-4.82%	-4.19%
	Ontario - 683234TQ1	5.50	06/02/2018	3.7656	3.7296	715,000,000	0.37%	-0.66%	-0.29%
	Manitoba - 563469FP5	4.25	03/05/2018	3.6729	3.6406	250,000,000	0.32%	-0.59%	-0.27%
	B.C. MFA - 626209JD3	4.60	04/23/2018	3.7118	3.6764	440,000,000	0.32%	-0.57%	-0.25%
	Canada - 135087YL2	4.25	06/01/2018	3.8453	3.8165	9,232,664,000	0.29%	-0.55%	-0.25%
	Alberta - 013051DH7	1.70	12/15/2017	3.6011	3.5714	1,250,000,000	0.13%	-0.38%	-0.25%
	Nova Scotia Schools Tr. - 80927YAA5	6.22	07/13/2020	3.2465	3.2237	32,552,295	0.41%	-0.66%	-0.25%
	British Columbia - 11070ZDE1	5.60	06/01/2018	3.7579	3.7237	200,000,000	0.37%	-0.62%	-0.25%
	Ontario - 683234ZQ4	4.20	03/08/2018	3.6833	3.6499	3,000,000,000	0.31%	-0.56%	-0.25%
YTD	Nova Scotia Schools Tr. - 80927YAB3	7.31	09/17/2020	3.3626	3.3114	19,817,598	1.56%	-4.88%	-3.32%
	Daimler Canada Finance - 23384NAE7	3.02	01/07/2015	0.9808	0.9735	300,000,000	0.03%	0.00%	0.03%
	Nova Scotia - 669827FN2	4.70	01/14/2015	0.9695	0.9645	200,000,000	0.13%	-0.07%	0.06%
	Royal Bank Of Canada - 7800855Q5	2.05	01/13/2015	0.9930	0.9867	1,100,000,000	0.05%	0.04%	0.09%
	Canada - 135087ZX5	1.00	02/01/2015	0.9953	0.9906	12,380,000,000	0.08%	0.05%	0.13%
	New Brunswick - 642866FT9	4.50	02/04/2015	0.9708	0.9658	550,000,000	0.37%	-0.23%	0.14%
	BCIMC Realty Corp. - 07329VAG5	3.38	01/29/2015	0.9783	0.9717	200,000,000	0.23%	-0.08%	0.15%
	Terasen Pipelines Corridor - 88079VAB8	5.03	02/02/2015	0.9697	0.9617	150,000,000	0.40%	-0.23%	0.17%
	Nat Bank Of Canada - 633067UW1	2.23	01/30/2015	0.9864	0.9799	1,500,000,000	0.16%	0.02%	0.18%

Source: PCBond, a business unit of TSX Inc.

Table 10.3: *Ten Best Performers Ranked by Total Return According to Macaulay Duration (4 to 8 years)*

	Issue	Coupon (%)	Maturity	Macaulay Duration	Modified Duration	Par Value	Interest Return	Price Return	Total Return
Monthly	AltaLink Invest L.P. - 02137PAC0	3.67	06/05/2019	4.7308	4.6638	200,000,000	0.27%	0.58%	0.84%
	Fairfax Finl Holdings Ltd - 303901AV4	5.84	10/14/2022	6.7491	6.5901	400,100,000	0.40%	0.42%	0.83%
	Algonquin Power Co. - 01585PAE5	4.65	02/15/2022	6.6845	6.5500	200,000,000	0.34%	0.41%	0.75%
	Calloway REIT - 131253AM8	3.99	05/30/2023	7.6619	7.5050	150,000,000	0.30%	0.43%	0.74%
	TMX Group Ltd - 87262KAB1	4.46	10/03/2023	7.7405	7.5936	250,000,000	0.32%	0.35%	0.67%
	Genworth MI Canada Inc. - 37252BAA0	5.68	06/15/2020	5.3137	5.2266	227,900,000	0.38%	0.26%	0.64%
	Granite REIT Hld LP - 387427AA5	4.61	10/02/2018	4.0501	3.9805	200,000,000	0.33%	0.29%	0.61%
	Fairfax Finl Holdings Ltd - 303901AR3	7.25	06/22/2020	5.1373	5.0300	200,240,000	0.47%	0.12%	0.59%
	Calloway REIT - 131253AL0	4.05	07/27/2020	5.6298	5.5353	150,000,000	0.30%	0.23%	0.53%
	RioCan REIT - 766910AW3	3.73	04/18/2023	7.6241	7.4733	200,000,000	0.29%	0.22%	0.51%
YTD	Choice Properties REIT - 17039AAB2	4.90	07/05/2023	7.5496	7.4002	200,000,000	1.17%	5.77%	6.94%
	Fairfax Finl Holdings Ltd - 303901AV4	5.84	10/14/2022	6.7491	6.5901	400,100,000	1.30%	5.40%	6.71%
	RioCan REIT - 766910AW3	3.73	04/18/2023	7.6241	7.4733	200,000,000	0.92%	5.55%	6.46%
	Calloway REIT - 131253AM8	3.99	05/30/2023	7.6619	7.5050	150,000,000	1.00%	5.41%	6.41%
	First Capital Realty Inc. - 31943BBR0	3.95	12/05/2022	7.3524	7.2109	250,000,000	0.98%	5.38%	6.36%
	First Capital Realty Inc. - 31943BBU3	3.90	10/30/2023	7.9528	7.7942	300,000,000	0.96%	5.33%	6.29%
	Tim Hortons Inc. - 88706MAC7	4.52	12/01/2023	7.8805	7.7276	450,000,000	1.07%	5.05%	6.12%
	Sobeys Inc. - 833577AE9	4.70	08/08/2023	7.6900	7.5380	500,000,000	1.06%	4.88%	5.94%
	Cogeco Cable Inc - 19238VAJ4	4.18	05/26/2023	7.6168	7.4682	300,000,000	1.02%	4.89%	5.91%
	Loblaw Companies Ltd. - 539481AJ0	4.86	09/12/2023	7.7520	7.6036	800,000,000	1.06%	4.82%	5.88%

Source: PCBond, a business unit of TSX Inc.

Table 10.4: *Ten Worst Performers Ranked by Total Return According to Macaulay Duration (4 to 8 years)*

	Issue	Coupon (%)	Maturity	Macaulay Duration	Modified Duration	Par Value	Interest Return	Price Return	Total Return
Monthly	Farm Credit Corp. - 30766ZXG3	4.55	04/12/2021	6.0617	5.9886	240,956,200	0.32%	-1.73%	-1.40%
	Centre Street Trust - 156327AB4	3.69	06/14/2022	6.4580	6.3340	242,938,331	0.29%	-1.24%	-0.94%
	British Columbia - 110709GB2	2.70	12/18/2022	7.7669	7.6566	1,400,000,000	0.21%	-0.99%	-0.77%
	Alberta - 013051DG9	2.55	12/15/2022	7.8009	7.6901	1,820,000,000	0.20%	-0.96%	-0.75%
	New Brunswick - 642869AD3	3.35	12/03/2021	6.7860	6.6895	900,000,000	0.25%	-0.97%	-0.71%
	Canada Housing Trust - 13509PCS0	3.80	06/15/2021	6.3611	6.2848	7,247,740,000	0.27%	-0.98%	-0.71%
	Farm Credit Corp. - 30766ZXM0	4.60	06/01/2021	6.1918	6.1175	70,813,000	0.31%	-1.01%	-0.70%
	British Columbia - 110709BJ0	3.25	12/18/2021	6.8552	6.7641	1,750,000,000	0.24%	-0.92%	-0.68%
	Ontario - 68323AAW4	3.15	06/02/2022	7.2135	7.1086	10,750,000,000	0.24%	-0.92%	-0.67%
	Business Dev Bank Canada - 12290ZGW0	4.35	02/28/2022	6.8449	6.7576	97,601,000	0.29%	-0.96%	-0.67%
YTD	Can Pac Rail - 13645RAA2	6.91	10/01/2024	4.9191	4.8360	166,474,398	1.39%	-0.38%	1.01%
	Canada Housing Trust - 13509PDT7	1.75	06/15/2018	4.0640	4.0281	5,000,000,000	0.43%	1.11%	1.54%
	Canada Housing Trust - 13509PDX8	2.05	06/15/2018	4.0400	4.0045	5,000,000,000	0.49%	1.06%	1.55%
	Alberta - 013051DJ3	1.60	06/15/2018	4.0760	4.0395	1,050,000,000	0.39%	1.32%	1.72%
	Farm Credit Corp. - 30766ZXG3	4.55	04/12/2021	6.0617	5.9886	240,956,200	0.96%	0.78%	1.74%
	Canada Housing Trust - 13509PBN2	4.10	12/15/2018	4.3137	4.2730	7,403,400,000	0.90%	0.87%	1.78%
	Quebec - 74814ZDU4	4.50	12/01/2018	4.2409	4.1966	4,500,000,000	0.98%	0.80%	1.78%
	British Columbia - 11070ZAG9	9.00	06/17/2019	4.3449	4.2973	50,000,000	1.63%	0.18%	1.81%
	Manitoba - 56344ZBB4	5.50	11/15/2018	4.1213	4.0804	445,000,000	1.15%	0.66%	1.81%
	Canada - 135087B37	1.25	09/01/2018	4.3153	4.2809	8,160,000,000	0.31%	1.52%	1.83%

Source: PCBond, a business unit of TSX Inc.

Table 10.5: *Ten Best Performers Ranked by Total Return According to Macaulay Duration (greater than 8 years)*

	Issue	Coupon (%)	Maturity	Macaulay Duration	Modified Duration	Par Value	Interest Return	Price Return	Total Return
Monthly	Weston Ltd. George - 96115ZAD4	7.10	02/05/2032	11.0544	10.7770	150,000,000	0.44%	2.65%	3.10%
	Bell Canada PRYDES - 078149DV0	7.65	12/30/2031	10.7062	10.4266	150,000,000	0.45%	1.63%	2.08%
	TransCanada PipeLines - 89353ZAY4	6.27	07/18/2028	9.7357	9.5335	106,900,000	0.41%	1.57%	1.98%
	Transalta Corporation - 89347ZAE7	6.90	11/15/2030	10.0405	9.7251	147,210,000	0.48%	1.32%	1.80%
	C.I.B.C. Capital Trust - 12544UAB7	10.25	06/30/2039	11.5293	11.1643	300,000,000	0.53%	1.20%	1.72%
	Shaw Communications Inc. - 82028KAQ4	6.75	11/09/2039	13.3531	13.0096	1,429,300,000	0.41%	1.29%	1.69%
	Loblaw Companies Ltd. - 53947ZAF4	6.50	01/22/2029	10.1063	9.8757	175,000,000	0.42%	1.24%	1.66%
	Loblaw Companies Ltd. - 53947ZAH0	6.45	03/01/2039	13.7087	13.3725	120,000,000	0.41%	1.14%	1.55%
	Loblaw Companies Ltd. - 53947ZAT4	6.54	02/17/2033	11.7219	11.4376	188,000,000	0.42%	1.05%	1.47%
	Cameco Corporation - 13321LAJ7	5.09	11/14/2042	15.1499	14.7783	100,000,000	0.37%	1.04%	1.41%
YTD	Cameco Corporation - 13321LAJ7	5.09	11/14/2042	15.1499	14.7783	100,000,000	1.26%	10.04%	11.29%
	Loblaw Companies Ltd. - 53947ZAH0	6.45	03/01/2039	13.7087	13.3725	120,000,000	1.28%	7.69%	8.98%
	Loblaw Companies Ltd. - 53947ZAY3	5.90	01/18/2036	12.9480	12.6334	300,000,000	1.24%	7.46%	8.71%
	Loblaw Companies Ltd. - 53947ZAX5	6.15	01/29/2035	12.5397	12.2357	200,000,000	1.23%	7.32%	8.54%
	Loblaw Companies Ltd. - 53947ZAU1	6.05	06/09/2034	12.2613	11.9634	200,000,000	1.34%	7.18%	8.53%
	Sobeys Inc. - 83357ZAL1	6.64	06/07/2040	13.6069	13.2574	150,000,000	1.40%	7.06%	8.46%
	Shaw Communications Inc. - 82028KAQ4	6.75	11/09/2039	13.3531	13.0096	1,429,300,000	1.38%	6.97%	8.35%
	Hydro One Inc. - 44810ZBG4	3.79	07/31/2062	21.1019	20.6598	310,000,000	0.93%	7.40%	8.34%
	Loblaw Companies Ltd. - 53947ZAT4	6.54	02/17/2033	11.7219	11.4376	188,000,000	1.30%	6.98%	8.28%
	Toronto Hydro Corp. - 89119ZAF0	3.96	04/09/2063	20.6171	20.1803	200,000,000	1.02%	7.18%	8.20%

Source: PCBond, a business unit of TSX Inc.

Table 10.6: *Ten Worst Performers Ranked by Total Return According to Macaulay Duration (greater than 8 years)*

	Issue	Coupon (%)	Maturity	Macaulay Duration	Modified Duration	Par Value	Interest Return	Price Return	Total Return
Monthly	University of B.C. - 914104AB0	4.82	07/26/2035	13.7643	13.4769	125,000,000	0.34%	-1.78%	-1.44%
	SEC LP & Arci Ltd - 784103AA1	5.19	08/29/2033	9.7573	9.5271	544,509,116	0.38%	-1.81%	-1.43%
	Canadian Utilities Inc. - 12657ZAZ6	3.83	09/11/2062	21.0566	20.6108	200,000,000	0.39%	-1.77%	-1.39%
	Ontario Infrastructure Projects Corp. - 683086AA0	4.70	06/01/2037	14.4439	14.1424	300,000,000	0.35%	-1.70%	-1.35%
	Alberta - 01306ZDC2	3.90	12/01/2033	13.8511	13.6012	1,215,000,000	0.30%	-1.52%	-1.23%
	Newfoundland - 651333FM3	5.60	10/17/2033	12.6915	12.4533	272,500,000	0.36%	-1.56%	-1.20%
	University of B.C. - 914104AA2	6.65	12/01/2031	11.4121	11.1809	125,000,000	0.40%	-1.59%	-1.20%
	New Brunswick - 642866FR3	5.50	01/27/2034	12.9793	12.7307	529,100,000	0.35%	-1.53%	-1.18%
	Prince Edward Island - 741666CL3	6.80	02/21/2030	10.8007	10.5986	80,000,000	0.38%	-1.56%	-1.18%
	TransLink - 83740TAC1	3.85	02/09/2052	19.5020	19.1002	250,000,000	0.32%	-1.49%	-1.17%
YTD	Nova Gas Transmission Ltd - 66975ZAM6	6.05	07/16/2027	9.2015	8.9828	50,000,000	1.37%	0.00%	1.37%
	Quebec - 748148PZ0	8.50	04/01/2026	8.3300	8.1835	1,191,022,945	1.37%	1.87%	3.24%
	University of Toronto - 383660AA5	6.78	07/18/2031	11.2348	10.9996	160,000,000	1.21%	2.04%	3.25%
	SEC LP & Arci Ltd - 784103AA1	5.19	08/29/2033	9.7573	9.5271	544,509,116	1.12%	2.33%	3.46%
	Nfld-Labrador Hydro - 651329AW4	8.40	02/27/2026	8.5136	8.3685	179,600,000	1.30%	2.17%	3.47%
	Aeroports De Montreal - 007863AD5	6.61	10/11/2033	9.0341	8.8373	146,329,182	1.31%	2.17%	3.48%
	Quebec - 74814ZDE0	5.35	06/01/2025	8.6577	8.5083	652,000,000	1.12%	2.39%	3.51%
	Investors Group - 46152HAB7	6.65	12/13/2027	9.4745	9.2566	125,000,000	1.36%	2.18%	3.55%
	Ontario - 683234JQ2	8.50	12/02/2025	8.2684	8.1303	756,471,853	1.39%	2.20%	3.59%
	Ontario - 683234KN7	8.00	12/02/2026	8.8752	8.7236	164,145,000	1.34%	2.30%	3.64%

Source: PCBond, a business unit of TSX Inc.

***Table 11.1:** Ten Best Short Performers – Ranked by Relative % Spread Change*

	Issue	Coupon (%)	Maturity	Par Value	Spread Change (bps)	Relative Spread Change (%)
Monthly	Calloway REIT - 131253AC0	5.37	10/12/2016	250,000,000	-23.59	-23.67%
	Alliance Pipelines Ltd - 01877PAA0	7.23	06/30/2015	30,464,400	-14.58	-22.36%
	Genworth MI Canada Inc. - 37252BAB8	4.59	12/15/2015	150,000,000	-21.57	-17.84%
	BMW Canada Inc. - 05590HAC1	3.15	04/01/2015	175,000,000	-7.61	-17.48%
	Veresen Inc. - 92343ZAC9	3.95	03/14/2017	300,000,000	-22.89	-17.19%
	Great-West Lifeco Fin. Delaware LPII - 391385AA9	7.13	06/26/2018	500,000,000	-16.45	-15.57%
	Plenary Health Humber LP - 72908WAA9	2.63	05/18/2015	482,389,000	-10.86	-15.43%
	GE Capital Cda Funding - 36158ZCA2	2.42	05/31/2018	1,000,000,000	-10.97	-14.65%
	Crombie Real Est Inv Tr - 227107AF6	3.99	10/31/2018	175,000,000	-25.69	-14.35%
	Cdn Cr Card Tr 12-1 - 13594ZAD9	2.31	04/24/2015	330,000,000	-5.56	-13.53%
YTD	Calloway REIT - 131253AC0	5.37	10/12/2016	250,000,000	-64.23	-45.78%
	Cdn Cr Card Tr 12-1 - 13594ZAD9	2.31	04/24/2015	330,000,000	-14.58	-29.09%
	Aimia Inc - 00900QAB9	6.95	01/26/2017	167,400,000	-59.53	-29.04%
	BMW Canada Inc. - 05590HAC1	3.15	04/01/2015	175,000,000	-14.36	-28.55%
	Great-West Lifeco Fin. Delaware LPII - 391385AA9	7.13	06/26/2018	500,000,000	-34.19	-27.71%
	Loblaw Companies Ltd. - 53947ZAR8	7.10	06/01/2016	236,400,000	-23.63	-26.09%
	Genworth MI Canada Inc. - 37252BAB8	4.59	12/15/2015	150,000,000	-33.11	-25.00%
	H&R Real Estate Invest. Trust - 403925AH3	4.78	07/27/2016	180,000,000	-32.26	-24.16%
	Aimia Inc - 00900QAD5	4.35	01/22/2018	200,000,000	-49.30	-23.89%
	Royal Bank of Cda Covered - 780085Y42	3.77	03/30/2018	1,100,000,000	-17.47	-23.76%

Source: PCBond, a business unit of TSX Inc., BMO Capital Markets

***Table 11.2:** Ten Worst Short Performers – Ranked by Relative % Spread Change*

	Issue	Coupon (%)	Maturity	Par Value	Spread Change (bps)	Relative Spread Change (%)
Monthly	Caisse Centrale Desj - 12801ZCC0	3.79	06/08/2015	500,000,000	3.52	8.84%
	Enbridge Pipelines Inc. - 29250ZAN8	2.93	09/08/2015	250,000,000	2.40	8.50%
	Caterpillar Fin. Ser. Corp - 14911ZAM3	2.20	06/01/2015	300,000,000	2.89	7.03%
	Bank of Nova Scotia - 064149Z59	2.10	11/08/2016	1,500,000,000	2.91	4.93%
	Vancouver Intl Air Auth - 921947AD9	5.02	11/13/2015	200,000,000	1.50	3.54%
	Telus Corp. - 87971MAH6	5.95	04/15/2015	490,000,000	2.08	3.50%
	HSBC Bank of Canada - 40427HSP9	2.57	11/23/2015	1,000,000,000	1.70	3.38%
	Bank of Nova Scotia - 064149T23	1.80	05/09/2016	1,300,000,000	1.62	2.96%
	Nat Bank Of Canada - 63306ZDL2	3.58	04/26/2016	750,000,000	1.55	2.71%
	Nat Bank Of Canada - 633067VX8	2.69	08/21/2017	750,000,000	1.75	2.63%
YTD	Enbridge Gas Distribution - 29290ZAG5	5.16	12/04/2017	200,000,000	2.05	3.64%
	Gaz Metropolitain - 368271AL6	10.45	10/31/2016	117,000,000	0.92	1.06%
	Union Gas - 906667AW0	9.70	11/06/2017	125,000,000	0.79	0.81%
	Trans Que & Maritime - 89332FAM0	4.25	09/15/2017	100,000,000	(0.30)	-0.30%
	First National Fin. Corp. - 33564PAA1	5.07	05/07/2015	175,000,000	(1.81)	-0.88%
	MI Developments Inc. - 55304XAA2	6.05	12/22/2016	265,000,000	(2.12)	-0.97%
	B.C. Gas Utility Ltd - 05534RAB0	10.30	09/30/2016	200,000,000	(1.09)	-1.14%
	Ford Credit Canada Ltd. - 34527ZXA8	7.50	08/18/2015	550,000,000	(1.70)	-1.46%
	Westcoast Energy Inc - 95751DAE2	8.50	09/04/2018	150,000,000	(3.12)	-2.35%
	Westcoast Energy Inc - 95751DAM4	8.50	11/23/2015	125,000,000	(2.68)	-2.73%

Source: PCBond, a business unit of TSX Inc., BMO Capital Markets

Table 11.3: *Ten Best Mid Performers – Ranked by Relative % Spread Change*

	Issue	Coupon (%)	Maturity	Par Value	Spread Change (bps)	Relative Spread Change (%)
Monthly	AltaLink Invest L.P. - 02137PAC0	3.67	06/05/2019	200,000,000	-30.17	-21.25%
	OMERS Realty Corp. - 68214WAJ7	3.20	07/24/2020	300,000,000	-13.68	-13.88%
	GE Capital Cda Funding - 36158ZBN5	5.68	09/10/2019	700,000,000	-11.19	-13.25%
	Brookfield Asset Management Inc. - 11257ZAB5	3.95	04/09/2019	600,000,000	-17.34	-11.90%
	Canadian Natural Res. Ltd - 13638ZCD5	3.05	06/19/2019	500,000,000	-13.05	-11.72%
	GE Capital Cda Funding - 36158ZBX3	3.55	06/11/2019	350,000,000	-9.62	-11.70%
	Nav Canada - 62895ZAJ9	5.30	04/17/2019	350,000,000	-7.32	-10.36%
	Genworth MI Canada Inc. - 37252BAA0	5.68	06/15/2020	227,900,000	-16.80	-10.25%
	Bell Canada - 07813ZBB9	3.35	06/18/2019	1,000,000,000	-10.39	-9.43%
	SNC Lavalin Group Inc. - 78460TAB1	6.19	07/03/2019	340,678,000	-15.02	-9.28%
YTD	AltaLink Invest L.P. - 02137PAC0	3.67	06/05/2019	200,000,000	-35.85	-24.28%
	Aimia Inc - 00900QAC7	5.60	05/17/2019	238,300,000	-51.52	-22.35%
	First Capital Realty Inc. - 31943BBF6	5.60	04/30/2020	175,000,000	-32.10	-18.72%
	Bell Canada - 07813ZBB9	3.35	06/18/2019	1,000,000,000	-22.86	-18.63%
	First Capital Realty Inc. - 31943BBE9	5.48	07/30/2019	150,000,000	-29.32	-18.31%
	OMERS Realty Corp. - 68214WAJ7	3.20	07/24/2020	300,000,000	-18.86	-18.18%
	Brookfield Asset Management Inc. - 11257ZAB5	3.95	04/09/2019	600,000,000	-28.12	-17.97%
	Genworth MI Canada Inc. - 37252BAA0	5.68	06/15/2020	227,900,000	-32.07	-17.89%
	Choice Properties REIT - 17039AAB2	4.90	07/05/2023	200,000,000	-36.73	-17.85%
	GE Capital Cda Funding - 36158ZBN5	5.68	09/10/2019	700,000,000	-15.44	-17.40%

Source: PCBond, a business unit of TSX Inc., BMO Capital Markets

Table 11.4: *Ten Worst Mid Performers – Ranked by Relative % Spread Change*

	Issue	Coupon (%)	Maturity	Par Value	Spread Change (bps)	Relative Spread Change (%)
Monthly	Maritime & NE Pipe - 57036QAC4	4.34	11/30/2019	126,900,000	5.34	7.50%
	Centre Street Trust - 156327AB4	3.69	06/14/2022	242,938,331	11.32	7.12%
	West Edmonton Mall B2 - 952637AC0	4.06	02/13/2024	550,000,000	7.57	5.13%
	Nfld Light & Power - 651350BG4	9.00	10/01/2020	37,200,000	6.88	4.84%
	Canadian Utilities Inc. - 12657ZAL7	4.80	11/22/2021	160,000,000	3.74	4.59%
	Alliance Pipelines Ltd - 01877ZAD2	5.55	12/31/2023	139,254,000	2.95	4.57%
	Nova Scotia Power Corp. - 669816AC4	9.75	08/02/2019	100,000,000	3.87	3.31%
	Canadian Utilities Ltd. - 136717AX3	9.40	05/01/2023	100,000,000	3.87	3.26%
	Alliance Pipelines Ltd - 01877ZAA8	7.18	06/30/2023	314,892,900	2.82	2.68%
	Capital Desjardins Inc. - 14006ZAF4	4.95	12/15/2021	463,000,000	2.80	2.43%
YTD	Maritime & NE Pipe - 57036QAB6	6.90	11/30/2019	156,000,000	26.79	90.75%
	Maritime & NE Pipe - 57036QAC4	4.34	11/30/2019	126,900,000	27.85	57.18%
	Viterra Inc. - 92849TAL2	6.41	02/16/2021	200,000,000	22.41	9.12%
	Co-Operators Financial Services Ltd - 18976JAB6	5.78	03/10/2020	150,000,000	17.60	8.36%
	Nfld Light & Power - 651350BG4	9.00	10/01/2020	37,200,000	5.27	3.66%
	IPL Energy Inc. - 46065DAA4	8.20	02/15/2024	200,000,000	3.53	2.96%
	Sp LP & Sp1 LP - 78468GAA3	3.21	06/15/2019	630,118,332	3.46	2.53%
	Alliance Pipelines Ltd - 01877ZAD2	5.55	12/31/2023	139,254,000	1.40	2.12%
	Alliance Pipelines Ltd - 01877ZAA8	7.18	06/30/2023	314,892,900	2.03	1.92%
	Centre Street Trust - 156327AA6	3.69	06/14/2021	250,000,000	0.62	0.33%

Source: PCBond, a business unit of TSX Inc., BMO Capital Markets

***Table 11.5:** Ten Best Long Performers – Ranked by Relative % Spread Change*

	Issue	Coupon (%)	Maturity	Par Value	Spread Change (bps)	Relative Spread Change (%)
Monthly	TransCanada PipeLines - 89353ZAY4	6.27	07/18/2028	106,900,000	-22.94	-13.91%
	Weston Ltd. George - 96115ZAD4	7.10	02/05/2032	150,000,000	-30.23	-11.43%
	Ottawa Airport - 689561AB4	6.97	05/25/2032	139,822,359	-12.96	-9.33%
	Loblaw Companies Ltd. - 53947ZAF4	6.50	01/22/2029	175,000,000	-18.87	-8.53%
	Bell Canada PRYDES - 078149DV0	7.65	12/30/2031	150,000,000	-21.52	-7.64%
	Loblaw Companies Ltd. - 53947ZAT4	6.54	02/17/2033	188,000,000	-16.39	-7.28%
	B.C. Gas Utility Ltd - 05534ZAF3	6.95	09/21/2029	150,000,000	-9.81	-6.98%
	InPower BC GP - 45780MAA0	4.47	03/31/2033	299,183,000	-11.57	-6.84%
	Grtr Tor Air Authority - 391906AG9	6.45	07/30/2029	393,562,079	-4.95	-6.64%
	Loblaw Companies Ltd. - 53947ZAH0	6.45	03/01/2039	120,000,000	-14.08	-6.46%
YTD	Grtr Tor Air Authority - 391906AG9	6.45	07/30/2029	393,562,079	-21.57	-23.66%
	Nav Canada - 628957AE2	7.56	03/01/2027	325,000,000	-9.40	-19.79%
	TransCanada PipeLines - 89353ZAP3	8.29	02/05/2026	238,100,000	-29.61	-18.34%
	TransCanada PipeLines - 89353ZAY4	6.27	07/18/2028	106,900,000	-31.27	-18.05%
	Integrated Team Solutions SJHC - 45824RAA7	5.95	11/30/2042	211,656,000	-30.32	-17.34%
	TransCanada PipeLines - 89353ZBA5	6.89	08/07/2028	173,000,000	-29.22	-17.00%
	Cameco Corporation - 13321LAJ7	5.09	11/14/2042	100,000,000	-40.38	-16.28%
	Loblaw Companies Ltd. - 53947ZAF4	6.50	01/22/2029	175,000,000	-38.77	-16.07%
	Clarica Life Ins. Co. - 627912AB4	6.30	05/15/2028	150,000,000	-29.56	-15.51%
	Royal Bank Of Canada - 780085N93	4.93	07/16/2025	800,000,000	-16.49	-14.54%

Source: PCBond, a business unit of TSX Inc., BMO Capital Markets

***Table 11.6:** Ten Worst Long Performers – Ranked by Relative % Spread Change*

	Issue	Coupon (%)	Maturity	Par Value	Spread Change (bps)	Relative Spread Change (%)
Monthly	Nav Canada - 628957AE2	7.56	03/01/2027	325,000,000	30.40	394.87%
	SEC LP & Arci Ltd - 784103AA1	5.19	08/29/2033	544,509,116	14.22	7.71%
	Transalta Corporation - 89347ZAC1	7.30	10/22/2029	82,000,000	19.93	5.39%
	Alliance Pipelines Ltd - 01877ZAC4	6.77	12/31/2025	274,080,000	4.19	3.96%
	Nova Gas Transmission Ltd - 66975ZAE4	8.90	05/27/2025	87,000,000	4.89	3.32%
	Winnipeg Airport Authority Inc. - 975014AC5	6.10	11/20/2040	168,178,292	4.89	2.89%
	Acces Recherche Mtl L.P. - 00434CAC3	7.07	12/31/2042	333,046,633	4.26	2.73%
	Gaz Metropolitain - 368271AQ5	9.00	05/16/2025	100,000,000	3.10	2.54%
	Alliance Pipelines Ltd - 01877ZAB6	7.22	12/31/2025	239,831,200	2.47	2.31%
	Plenary Health Hamilton LP - 72908UAC9	5.80	05/31/2043	254,754,000	3.17	2.18%
YTD	Can Pac Rail - 13645RAA2	6.91	10/01/2024	166,474,398	35.70	59.22%
	Nova Gas Transmission Ltd - 66975ZAM6	6.05	07/16/2027	50,000,000	33.27	17.47%
	Pearson Intl Fuel Facilities - 70501YAA0	5.09	03/09/2032	91,544,670	10.96	5.62%
	Investors Group - 46152HAB7	6.65	12/13/2027	125,000,000	7.32	3.68%
	Gaz Metropolitain - 368271AR3	7.20	11/19/2027	50,000,000	5.41	3.53%
	Nova Gas Transmission Ltd - 66975ZAL8	7.00	07/17/2028	100,000,000	3.90	2.27%
	Transalta Corporation - 89347ZAC1	7.30	10/22/2029	82,000,000	7.21	1.88%
	Vancouver Intl Air Auth - 921947AB3	7.38	12/07/2026	150,000,000	2.11	1.58%
	Nova Scotia Power Corp. - 66988ZAF6	8.85	05/19/2025	125,000,000	2.37	1.52%
	Nova Gas Transmission Ltd - 66975ZAR5	6.30	05/27/2030	100,000,000	2.67	1.44%

Source: PCBond, a business unit of TSX Inc., BMO Capital Markets

Monthly Money Trail: IFIC & International Fund Flows – April 2014

Lots of RSP Buying, but Little of It Canadian

Investors rang up an impressive tally for the last month of RSP season, with $9.3 billion of new purchasing activity reported by the IFIC data for February 2014. Similar to the trend that has been in place for the past number of months, little interest was exhibited for all sorts of domestic funds as both equity and fixed income incurred net redemptions, while international and global funds garnered the lion's share of investor cash. Within this general context, there remained considerable interest in fixed income assets during February, whether directly or indirectly, which continues to counter the notion that any sort of broad asset rotation is presently under way amongst Canadian investors.

The biggest beneficiaries of investor affection last month were balanced funds, which received net investments of $7.4 billion. As we have noted for some time, balanced funds generally have a significant fixed income component between 30% and 40% in total assets and present a more prudent investment option for those who are uncertain about the direction of the markets. Balanced funds by far have been the largest recipient of investor money over the past year, and more specifically global balanced funds, which in February experienced net investment of $5.8 billion. This pattern demonstrates that not only are investors pursuing a more cautious investment strategy, but also their predilection for international investments remains quite strong, especially given the relative underperformance of many domestic asset classes compared to international counterparts over the past couple of years.

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In terms of asset types, it thus appears investors are endeavouring to construct their portfolios on a more global basis, diversifying their geographic concentration risk. This trend is apparent in both balanced and equity funds, which have traditionally received material interest for investing in international assets, as well as fixed income directly.

Furthermore, there has been meaningful growth in demand for lower-rated fixed income product as investors seek to mitigate the adverse impact of paltry underlying GoC yields on portfolio returns. Accordingly, we expected investors to be particularly aggressive at adding higher-yielding assets to start the year since they have a longer time horizon to trade out of any underperforming positions. The strong showing for Global and High Yield Fixed Income in both January and February 2014

Table 1: *IFIC Statistical Overview by Asset Class*

($ thousands) Fund Type	Total Net Assets February-14	Net Sales[1] February-14	Net Sales[1] January-14	Net Sales[1] February-13
Equity Funds	**348,929,885**	**2,011,678**	**1,592,036**	**558,369**
Domestic Equity	187,675,516	(923)	(61,819)	(256,924)
Global and International Equity	94,334,671	1,124,962	656,513	416,346
U.S. Equity	51,903,579	929,404	855,643	670,628
Sector Equity	15,016,119	(41,766)	141,699	(271,682)
Balanced Funds	**505,715,009**	**7,399,616**	**4,722,719**	**7,127,980**
Domestic Balanced	233,626,921	1,628,797	754,301	2,014,084
Global Balanced	272,088,089	5,770,819	3,968,418	5,113,896
Bond Funds	**135,749,884**	**(228,364)**	**(566,987)**	**249,106**
Domestic Fixed Income	95,274,148	(860,637)	(1,395,906)	(802,129)
Global and High Yield Fixed Income	40,475,737	632,273	828,919	1,051,235
Specialty Funds	**27,760,431**	**470,799**	**502,912**	**267,208**
Long-Term Funds Total	**1,018,155,211**	**9,653,729**	**6,250,680**	**8,202,663**
Money Market Funds	**27,018,266**	**(388,125)**	**(608,607)**	**(567,778)**
Short-Term Funds Total	**27,018,266**	**(388,125)**	**(608,607)**	**(567,778)**
All Funds	**1,045,173,477**	**9,265,604**	**5,642,073**	**7,634,885**

(1) Net Sales Exclude Reinvested Distributions

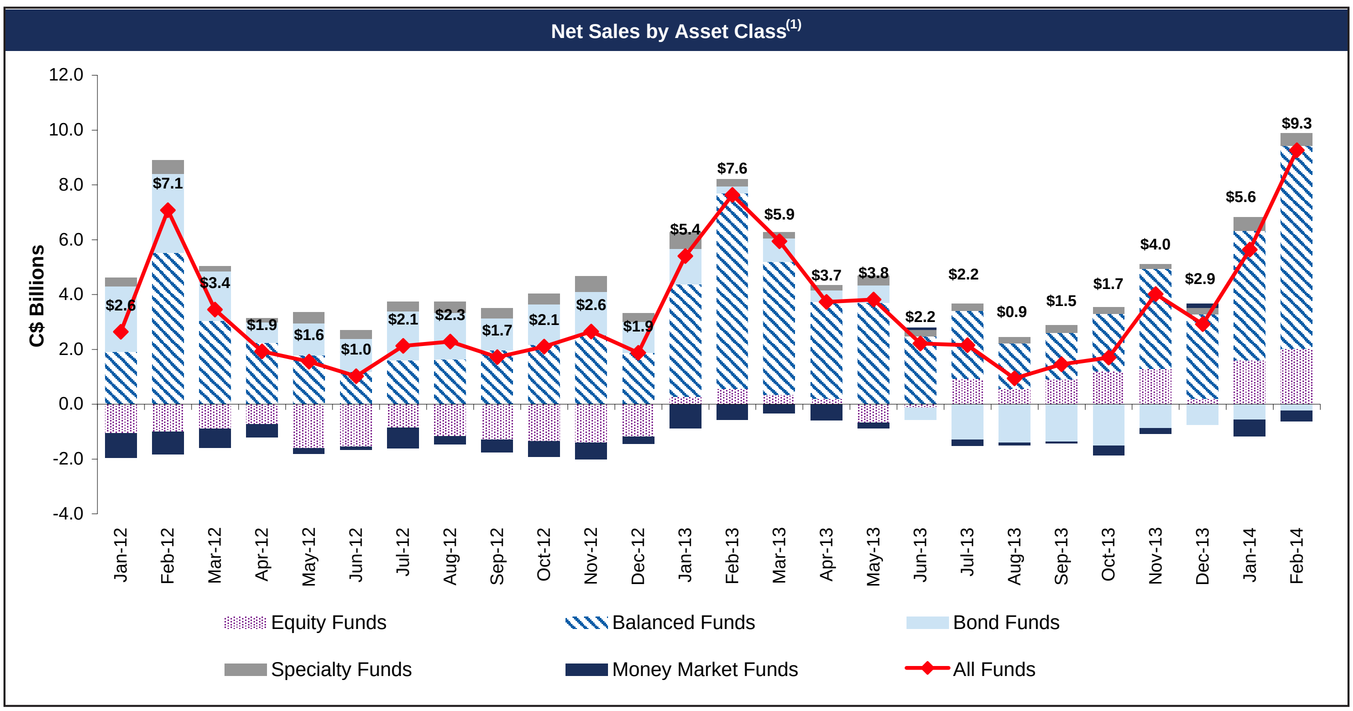
Source: Data is compiled from IFIC and other sources to comprehensively reflect the size and activity of the Canadian Retail Mutual Fund Industry. Aggregate totals provided by Investor Economics. BMO Capital Markets

is thus consistent with our expectations. The high yield component is rather self-explanatory, while the interest in global fixed income stems from the rather skimpy yields offered by GoC bonds versus many other jurisdictions.

We believe interest in corporate bonds will remain robust over the near term. Issuance has been reasonably slow to start 2014 compared to the previous few years, allowing spread performance to be quite decent. In addition, uncertainty over geopolitical risks and the pace of growth for the U.S., combined with emerging concerns about growth in China, has created a constant bid for fixed income product more generally to start the year, despite what the IFIC data shows in terms of net sales for domestic fixed income funds. Although retail investors are seeking fixed income exposure through balanced funds, at the institutional level demand for bonds remains reasonably steady, as suggested by the positive returns posted by the FTSE TMX Canada (formerly DEX) Universe Bond Index so far to start the year.

We also believe the prevailing demand/supply disequilibrium that has traditionally characterized the market will buttress corporate bonds. Admittedly, international investors were net sellers of Canadian corporate bonds to begin 2014 (as discussed below); however, we believe their interest will resume. We similarly expect demand from crossover equity investors, asset swappers and short-term bond funds will be maintained over the foreseeable future. We have lamented the failure of the IFIC data to differentiate corporate bond funds from government bond funds in terms of investment patterns, but believe the net selling incurred by domestic fixed income is reflective of reallocating fixed income exposure away from GoC bonds rather than from fixed income altogether.

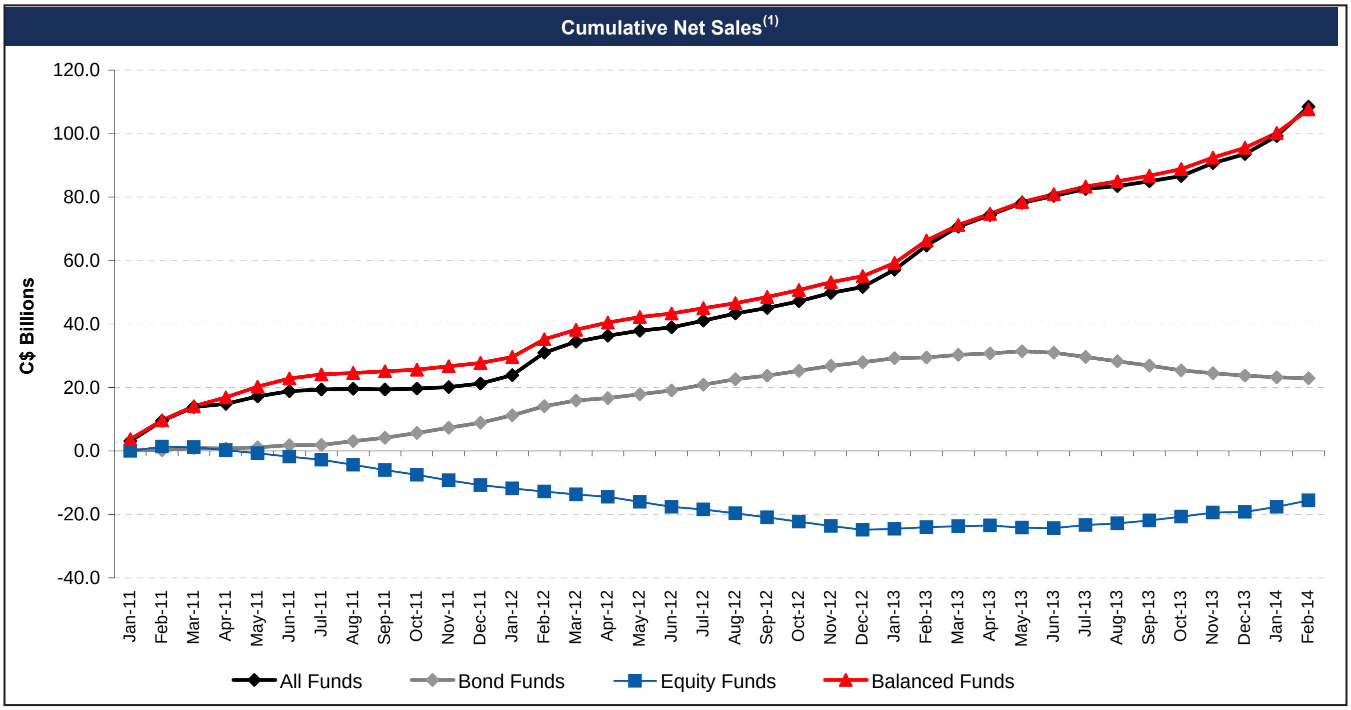
***Chart 1:** Monthly Net Sales by Asset Class*



(1) Net Sales Exclude Reinvested Distributions

Source: Data is compiled from IFIC and other sources to comprehensively reflect the size and activity of the Canadian Retail Mutual Fund Industry. Aggregate totals provided by Investor Economics. BMO Capital Markets

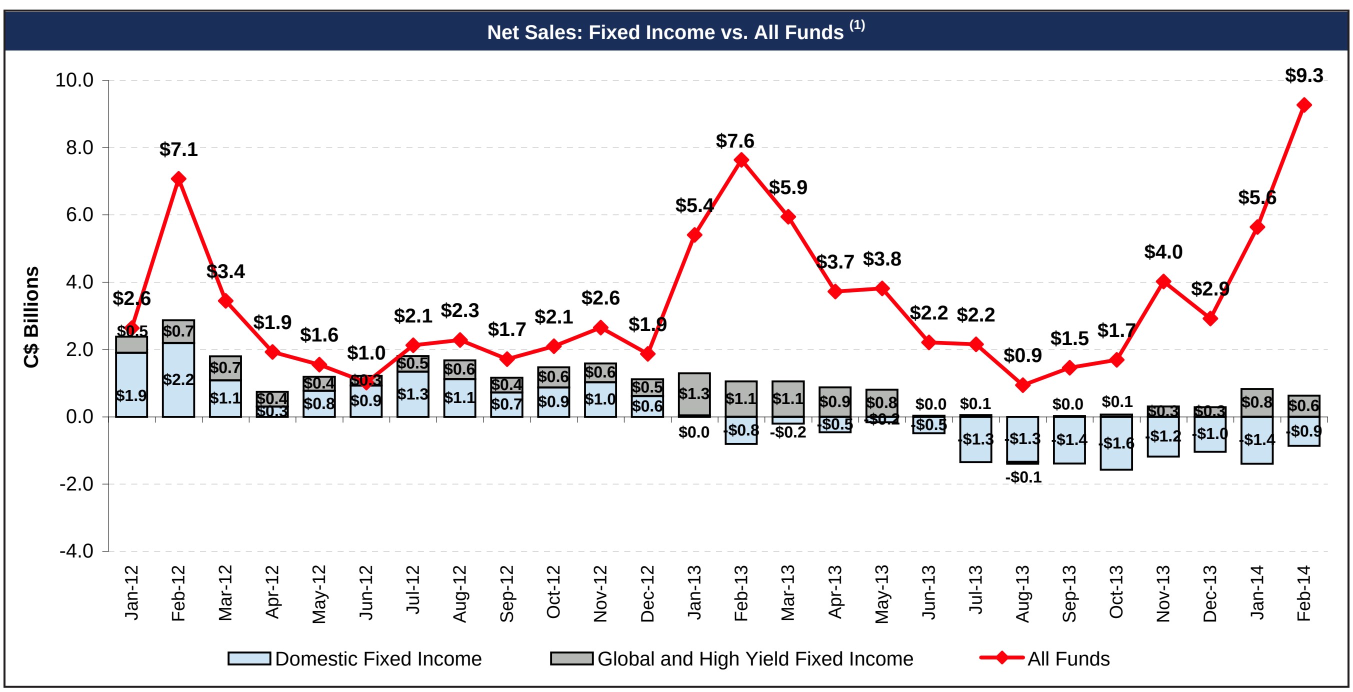
Chart 2: *Cumulative Net Sales (January 2011 – February 2014)*



(1) Net Sales Exclude Reinvested Distributions

Source: Data is compiled from IFIC and other sources to comprehensively reflect the size and activity of the Canadian Retail Mutual Fund Industry. Aggregate totals provided by Investor Economics. BMO Capital Markets

Chart 3: *Monthly Fixed Income Net Sales*



(1) Net Sales Exclude Reinvested Distributions

Source: Data is compiled from IFIC and other sources to comprehensively reflect the size and activity of the Canadian Retail Mutual Fund Industry. Aggregate totals provided by Investor Economics. BMO Capital Markets

International Fund Flows

Rude Reception

Debt Securities received a rather rude salutation from international investors to start 2014, incurring net redemptions of $1.8 billion. Much of the selling took place in the area of government money market instruments; however, it is likely some of those monies were directed toward agency bonds, which experienced net purchases of $2.3 billion in January.

Another interesting occurrence was a second month in a row of net selling by international investors for bonds issued by private corporations. As noted in our last report, corporate bonds had a tremendous year in 2013, with net purchases rising by $12.4 billion to just over $32 billion. This activity tailed off in the last month of the year as international investors divested a net position of $1.6 billion in corporates. At that time we asserted that such selling activity was part of any healthy market and thus did not express any concern.

We are similarly not worried about the net divestiture of $2.7 billion to start 2014, which matches up well with the $2.2 billion that was invested in money market instruments issued by private corporations. With new issuance activity beginning 2014 at a rather tepid pace, there was little product sloshing around in the secondary market for international investors to purchase. We have observed previously that much of the buying activity from international investors is restricted to shorter-dated bank paper in the secondary market, as well as shorter-dated bonds from cross-border issuers like Wells Fargo and GE Canada. In this regard, a number of traditional domestic buyers of corporates had purchased bank deposit notes heading into year-end 2013, using such investments as a quasi-cash position to be divested once the new issue market opened up at the start of 2013. However, since new issuance activity was slow to surface, the amount of deposit notes available in the secondary market was constricted, tightening spreads and leaving few bonds available for purchase, especially in the larger sizes that international buyers usually prefer to acquire. Compounding matters, the domestic banks were themselves slow out the gate for issuance, meaning fewer bonds were made available for trade in the secondary, exacerbated by an increasing number of investors that had to turn to the secondary market to satisfy their deposit note demand.

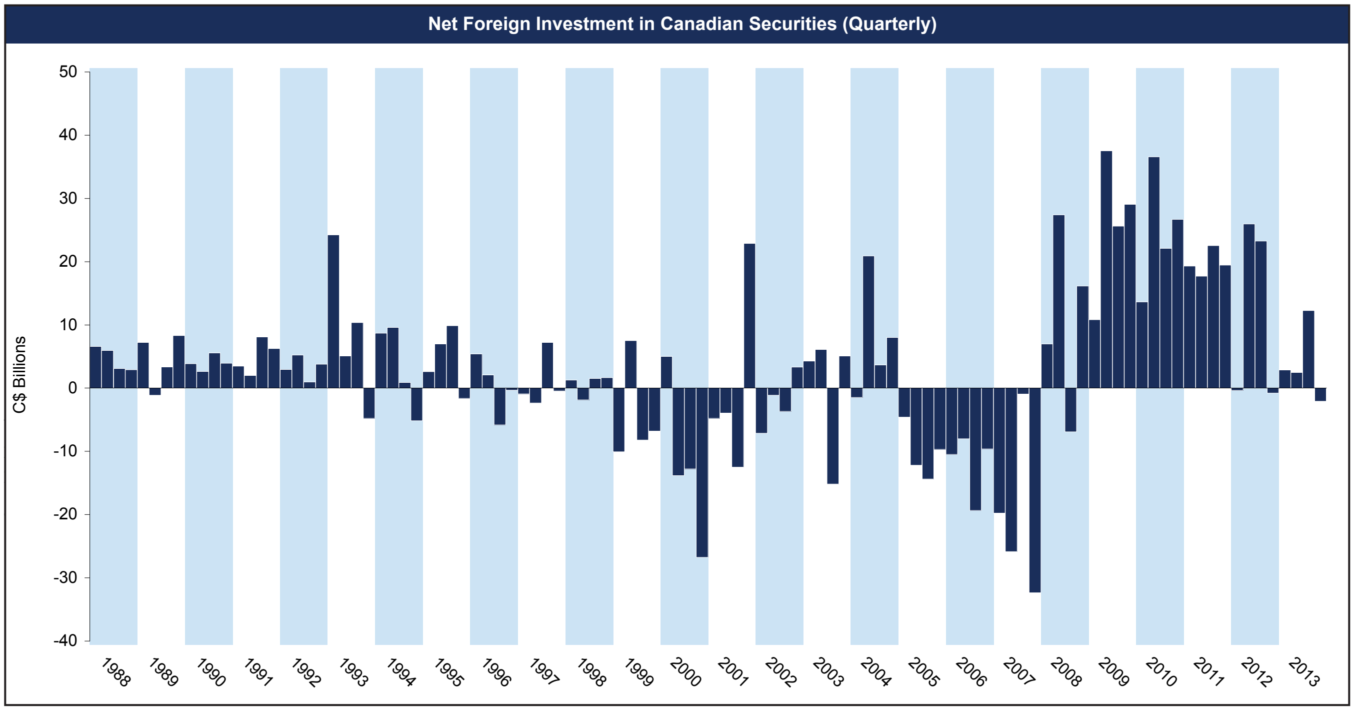
On the bright side, the fact that international investors ploughed in over $2 billion to money market instruments issued by private corporations suggests that money will eventually be making its way back into the domestic corporate bond market. Our trading desk has indicated that demand from international investors for corporate bonds remains quite strong, and that buying activity has been higher than normal. For much of 2013 we witnessed international investors selling government bonds and buying corporate bonds. We believe this trend will continue over the near term, but recognize that

***Table 2:** Canada's International Transactions in Securities*

(C$ millions)	November 2013	December 2013	January 2014	2012	2013
Foreign Investment in Canadian Securities	**9,081**	**-4,283**	**1,086**	**83,207**	**42,800**
Debt securities	3,854	-6,592	-1,750	82,235	23,903
Money market instruments	-7,128	4,322	-1,420	13,255	-2,521
Governments	-4,038	2,620	-3,549	3,478	-6,901
Federal government	-1,179	-2,146	-1,739	456	-10,015
Other governments	-2,859	4,767	-1,810	3,023	3,115
Corporations	-3,089	1,702	2,129	9,776	4,380
Government business enterprises	-1,373	269	-79	368	272
Private corporations	-1,716	1,432	2,207	9,404	4,107
Bonds	10,982	-10,914	-330	68,981	26,423
Governments	3,051	-7,976	80	46,527	-10,270
Federal government	2,535	-6,554	134	32,885	-7,160
Other governments	517	-1,422	-54	13,646	-3,105
Corporations	7,930	-2,938	-410	22,455	36,690
Government business enterprises	4,010	-1,311	2,319	2,789	4,635
Private corporations	3,921	-1,627	-2,728	19,665	32,058
Equity and investment fund shares	5,227	2,309	2,836	968	18,897
Canadian investment in foreign securities	**7,171**	**3,876**	**2,338**	**35,140**	**27,519**
Debt securities	7,016	3,417	751	11,933	23,009
Money market instruments	-482	287	-742	-1,616	1,586
Bonds	7,498	3,130	1,494	13,548	21,423
Equity and investment fund shares	155	459	1,587	23,206	4,511

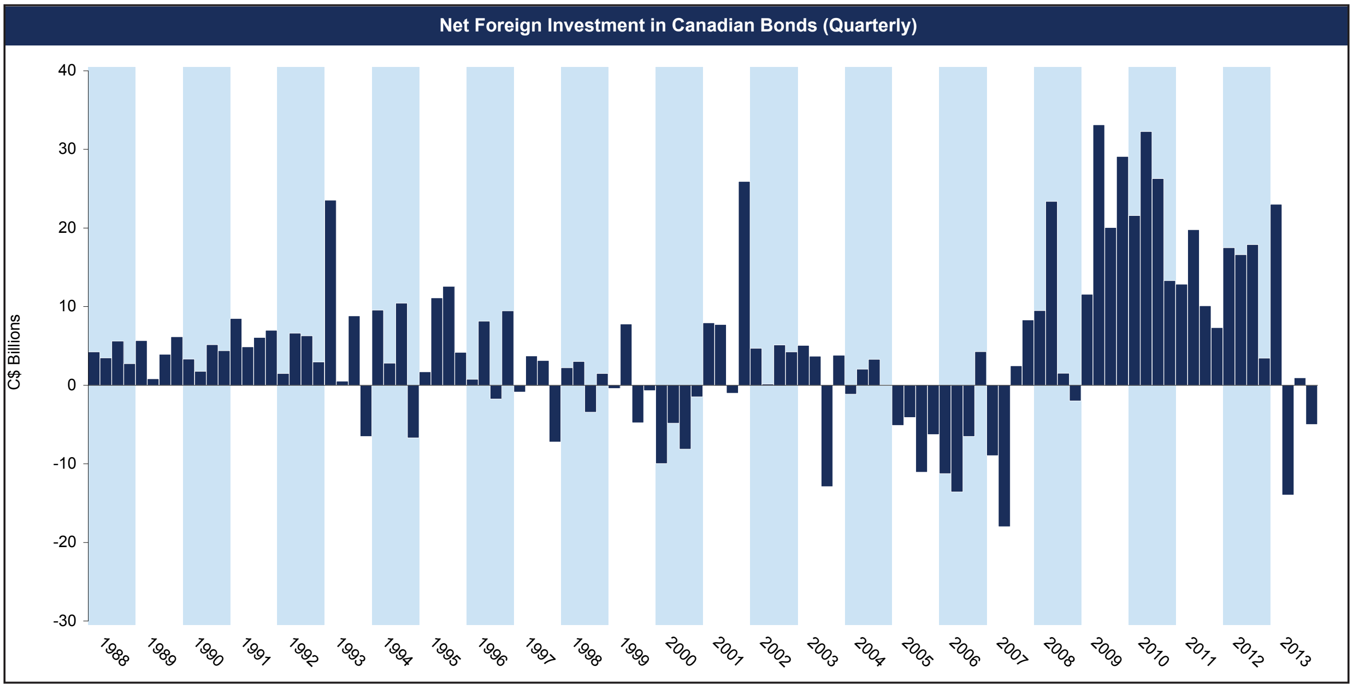
Source: Statistics Canada. Table 376-0131 – International transactions in securities, portfolio transactions in Canadian and foreign securities, by type of instrument and issuer, monthly (dollars). BMO Capital Markets deficient levels of primary supply are adversely impacting the flow of bank deposit notes in the secondary market, which is the main dietary source of international investors. Overall, we maintain our belief that numerous international investors have taken a longer-term view toward a greater weighting of the Canadian dollar and thus need to invest monies in Canadian assets.

Chart 4: *Net Foreign Investment in Canadian Securities (Quarterly)*



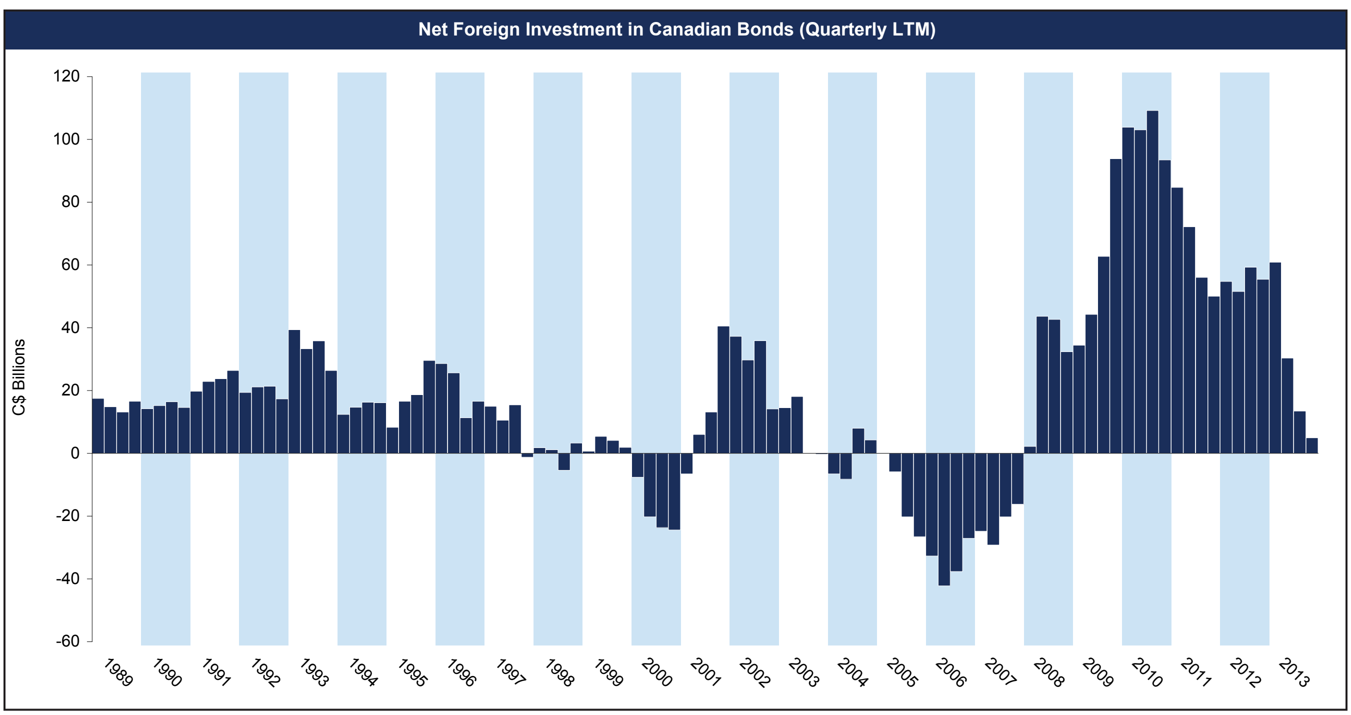
Source: Statistics Canada. Table 376-0132 – International transactions in securities, portfolio transactions in Canadian and foreign securities, by type of instrument and issuer, quarterly. BMO Capital Markets

***Chart 5:** Net Foreign Investment in Canadian Bonds (Quarterly)*



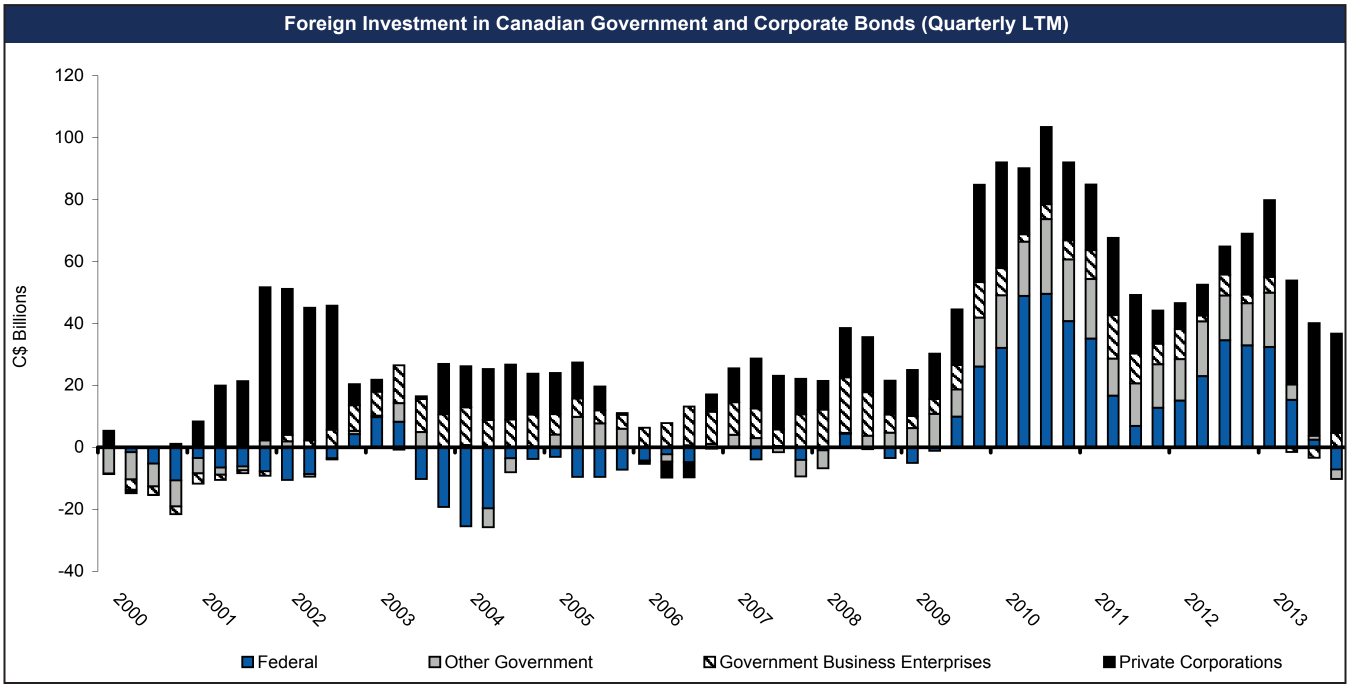
Source: Statistics Canada. Table 376-0132 – International transactions in securities, portfolio transactions in Canadian and foreign securities, by type of instrument and issuer, quarterly. BMO Capital Markets

***Chart 6:** Net Foreign Investment in Canadian Bonds (Last 12 Months by Quarter)*



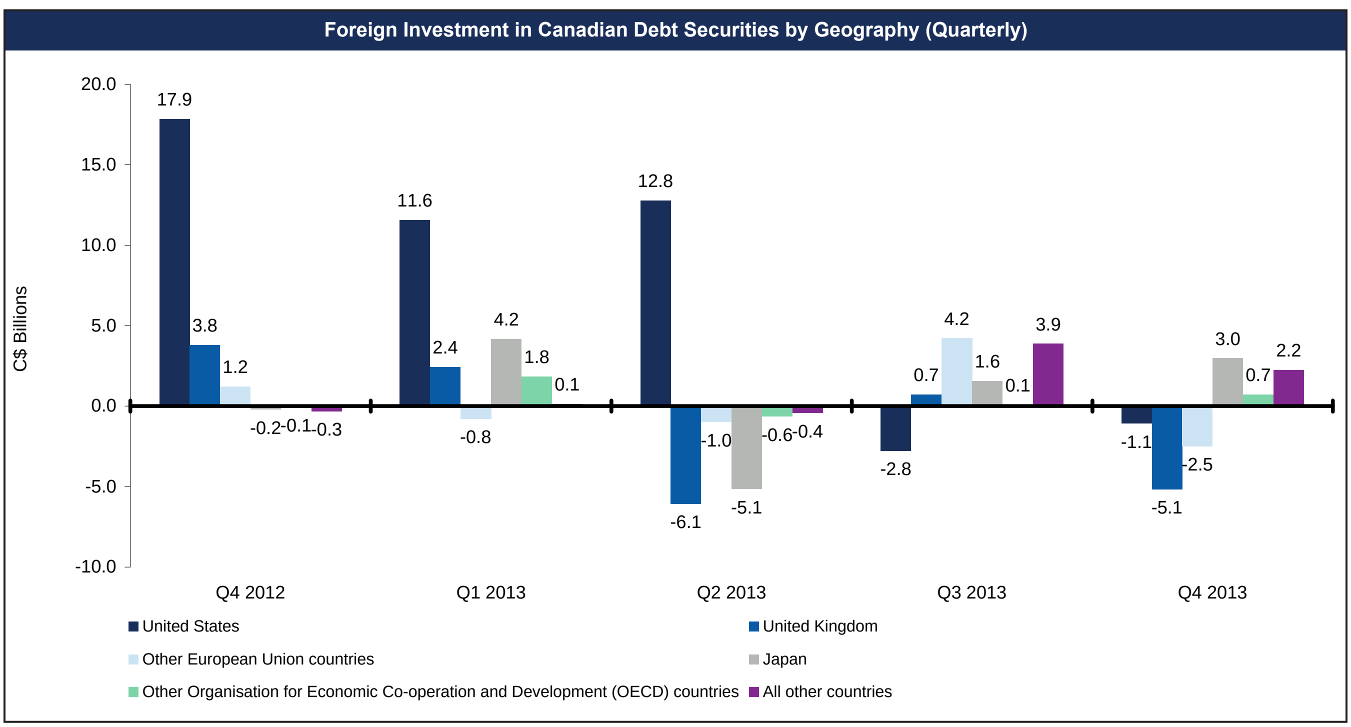
Source: Statistics Canada. Table 376-0132 – International transactions in securities, portfolio transactions in Canadian and foreign securities, by type of instrument and issuer, quarterly. BMO Capital Markets

Chart 7: *Foreign Investment in Canadian Government and Corporate Bonds (Last 12 Months by Quarter)*



Source: Statistics Canada. Table 376-0132 – International transactions in securities, portfolio transactions in Canadian and foreign securities, by type of instrument and issuer, quarterly. BMO Capital Markets

Chart 8: *Foreign Investment in Canadian Debt Securities by Geography (Quarterly)*



Source: Statistics Canada. Table 376-0133 – International transactions in securities, portfolio transactions in Canadian and foreign securities, by geographic area, quarterly. BMO Capital Markets

Banks – April 2014

Sector Rating: Market Perform

Relative Value

5-Year: Market Perform
10-Year: Market Perform
30-Year: Not Rated

Spread View – **Deposit Notes** – Deposit notes in the 5-year part of the curve moved in 7 bps to 77 bps in Q1/14 and are in an impressive 25 bps from our recommendation back in September 2013. We believe the tightening in deposit note spreads is due to the general tightening in corporate credit spreads over the past six months and the expectation for existing deposit notes to be grandfathered under the bail-in regime in Canada. Overall, we believe there remains some additional room for spreads to tighten if existing deposit notes are grandfathered; however, we believe the magnitude of the spread tightening will be more modest over the near term given the bail-in will not likely be implemented before 2015 and the banks are expected to be active in the wholesale term funding markets. Furthermore, we do not believe deposit notes should trade through covered bonds, which are currently at 70 bps in the 5-year part of the curve. **Subordinated Debt** – We believe the spread differential between sub debt and deposit notes is tight at 15–20 bps for new-style sub debt and 10–12 bps for vintage sub debt. This compares to ~40 bps for U.S. banks. The tight spread differential to senior debt is due primarily to scarcity value and the phase-out of all non-common equity capital without a non-viability contingent capital (NVCC) clause by Q1/22. That being said, the short end provides a more attractive pick-up of 25–30 bps. **Hybrids** – Tier 1 hybrids have experienced significant tightening and are now trading through their Canada call. The CIBC CoaTS 19s continue to offer an attractive ~20 bps pick-up relative to other bank hybrids.

Credit Curve – We believe the 2016 part of the deposit note curve looks attractive given the steep roll down.

Sector Value – We believe sub debt looks expensive relative to deposit notes. For example, the spread differential between BMO 6.17%/18-23 (sub debt) and BNS 2.242/18 (deposit notes) is back to pre-crisis levels of only 12 bps. Canadian bank sub debt also looks expensive relative to U.S. bank sub debt, which typically trades ~40 bps back of senior debt.

Recommendation

Top Pick – **TD** is one of our preferred credits from a fundamental perspective due to its defensive business mix, solid Canadian franchise, and strong risk management and capital ratios (Basel III CET 1 ratio of 8.9%). TD Bank is also less dependent on wholesale funding compared to its peers due to its strong deposit base.

Risks

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M&A – We do not expect any transformational acquisitions; however, we could see some tuck-in acquisitions in Wealth.

Trading Liquidity – Banks are on average the most liquid.

Regulatory – We believe bail-in debt will likely be implemented on a statutory versus contractual basis and will only apply to new issuance after a certain date. Overall, we believe bail-in will: (1) increase the cost of funding for banks; (2) put pressure on senior debt ratings to reflect lower uplift for government support; and (3) increase the use of secured funding such as covered bonds or NHA MBS.

New Issuance – The big 6 Canadian banks issued C$21.2 billion of wholesale funding across all currencies in YTD 2014 (deals greater than two years and greater than C$100 million) compared to C$23.0 billion in the year-ago period. That being said, deposit note issuance in the domestic market has declined ~34% to $8.5 billion in YTD 2014 compared to $12.9 billion in YTD 2013 given attractive funding alternatives outside of Canada, particularly covered bonds in Europe.

Credit Profile

Sector Financials – The big 6 Canadian banks reported cash operating earnings of $8.0 billion in Q1/14, up 7% Y/Y. The strong performance in the quarter was due primarily to solid Canadian P&C earnings, strong contribution from Wealth Management, better-than-expected trading revenues, high securities gains and lower loan loss provisions.

Sector Fundamentals – Credit fundamentals remain strong for the Canadian banks. Capital ratios exceed the minimum Basel III requirements with an average CET 1 ratio of 9.3%. In addition, we estimate the Canadian banks already meet the more onerous Basel III Tier 1 leverage ratio of 3%. Finally, we believe the risk of a housing correction is manageable due to the high percentage of the mortgage portfolio that is insured and the low LTV on the uninsured book.

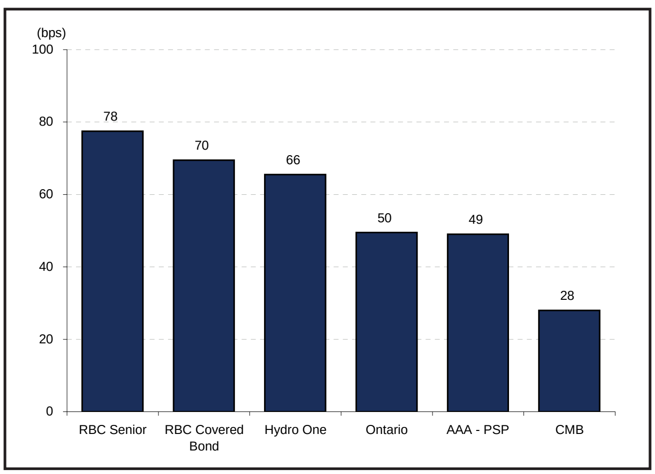
Credit Ratings – On February 6, 2014, S&P published a Request for Comment (RFC) on the proposed changes to the criteria for rating bank hybrid instruments. Under the proposed criteria, all Tier 1 instruments could be downgraded one notch to reflect the risk of partial or untimely payment if the capital buffers were breached.

Viewpoint

Canadian bank credit performed relatively in line with the FTSE TMX Corporate Canada index in the short end of the curve, but underperformed in the mid part of the curve with a 1.32% and 3.48% return, respectively, compared to the 1.39% and 3.85% return for the FTSE TMX Corporate Canada index. Overall, we are maintaining our Market Perform rating on the bank sector.

Deposit Notes – Deposit notes in the 5-year part of the curve moved in 7 bps to 77 bps in Q1/14 and are an impressive 25 bps from our recommendation back in September 2013. We believe the tightening in deposit note spreads is due to the general tightening in corporate credit spreads over the past six months and the expectation for existing deposit notes to be grandfathered under the bail-in regime in Canada. Overall, we believe there remains some additional room for spreads to tighten if existing deposit notes are grandfathered; however, we believe the magnitude of the spread tightening will be more modest over the near term given bail-in will not likely be implemented before 2015 and the banks are expected to be active in the wholesale term funding markets. Furthermore, we do not believe deposit notes should trade through covered bonds, which are currently at 70 bps.

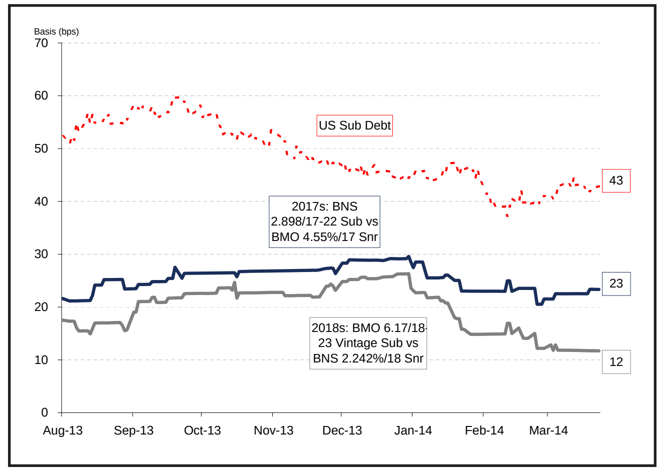
Chart 1: *5-Year Indicative Funding Costs (bps)*



As at March 31, 2014
Source: BMO Capital Markets

Subordinated Debt – We believe the spread differential between sub debt and deposit notes is tight at 15–20 bps for new-style sub debt and 10–15 bps for vintage sub debt. This compares to ~40 bps for U.S. banks. The tight spread differential to senior debt is due primarily to scarcity value and the phase-out of all non-common equity capital without a NVCC clause by Q1/22. That being said, we believe the short-end (RY 4.35/15-20) provides a more attractive pick-up of 25–30 bps. We believe extension risk is low for new style sub debt. However, if sub debt got extended, investors would receive a floating rate spread of 3M BAs+141 bps in the final five years, which is ~75 bps higher than the swapped equivalent on existing 5-year sub debt. Finally, we do not expect an NVCC sub debt deal until we get greater clarity around the bail-in regime in Canada.

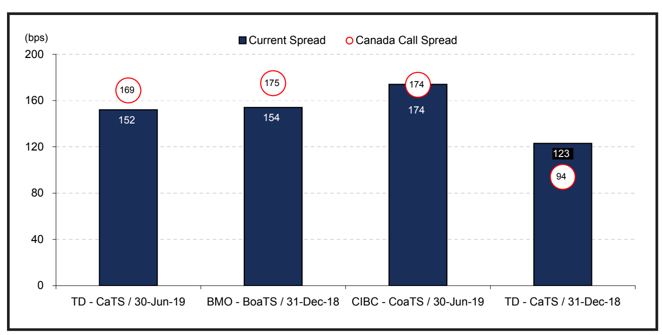
Chart 2: *Sub Debt vs. Deposit Note Differentials*



As at March 31, 2014
Source: BMO Capital Markets

Hybrids – Tier 1 hybrids have experienced significant tightening and are now trading through their Canada call. For example, the BMO 10.221%/18s are trading 21 bps through their Canada call. We do not recommend investors buy capital securities through their Canada call given the risk of early redemption. That being said, banks have not historically called capital securities early due to the P&L volatility. Furthermore, Tier 1 capital has high importance under the Basel III regime given the change in the leverage ratio.

Chart 3: *Canada Call on Tier 1 Hybrids*



As at March 31, 2014
Source: BMO Capital Markets

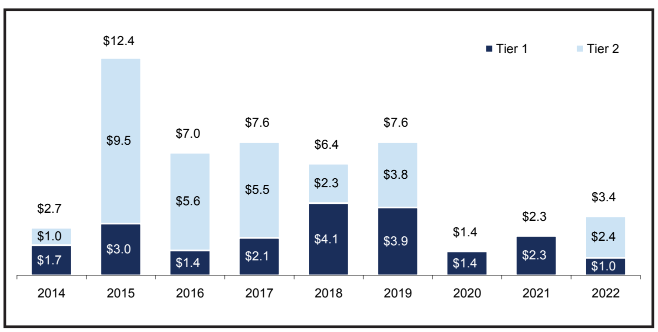
From a fundamental perspective, **TD** is one of our preferred credits due to its defensive business mix, solid Canadian franchise, and strong risk management and capital ratios (Basel III CET 1 ratio of 8.9%). TD Bank is also less dependent on wholesale funding compared to its peers due to its strong deposit base.

Key Themes

NVCC – After three long years, the non-viability contingent capital (NVCC) market became reality in Canada in 2014 with RBC, NA, CWB and LB issuing four preferred share deals totalling nearly $1.1 billion. The deals went very well as exhibited by the strong demand from investors. For a more detailed look at the NVCC structure, please see our comment titled, "NVCC Becomes Viable in Canada" published on February 10, 2014.

Overall, we are not surprised by the issuance of NVCC given the high amount of non-common equity capital redemptions expected over the next few years. Furthermore, OSFI announced in early January that it intends to replace the current Assets-to-Capital multiple (ACM) test with the Basel III Tier 1 leverage ratio in January 2015 compared to January 2018.

Chart 4: *Remaining Capital Phase-Out Schedule (C$ Equivalent – Billion)*



Note: Based on BMO Capital Markets assumption of capital redemptions
As at March 31, 2014
Source: Company Reports, Bloomberg, BMO Capital Markets

What About NVCC Sub Debt? – Sub debt is expected to have reduced importance under the Basel III regime compared to Basel II due to the focus on Common Equity Tier 1 capital (CET 1). In addition, the early implementation of the Basel III Tier 1 leverage ratio is expected to reduce the need for sub debt in the future.

That being said, we believe sub debt will likely still have a role under the Basel III regime. First, the Canadian banks may need to issue sub debt to manage their total capital ratio. Second, the bail-in rules in Canada could require domestic systemically important banks to hold a higher loss absorbency requirement similar to what is being considered in Europe and by U.S. regulators (e.g., 17–20% of risk-weighted assets). Finally, banks could look to issue sub debt to create a larger buffer for senior debt holders, which will help reduce the higher senior funding costs expected under bail-in.

Assuming banks hold a Tier 1 leverage ratio of 3.5%, we estimate the NVCC sub debt market could be as high as ~$23 billion. Not surprisingly, this is significantly lower than the ~$31 billion of Tier 2 capital that is currently outstanding. It should be noted that the size of the NVCC sub debt market is highly sensitive to the buffer that banks hold on the Tier 1 leverage ratio. For example, if banks hold a leverage ratio of 4% the need for sub debt decreases to $6 billion.

Table 1: *Potential Size of the NVCC Sub Debt Market*

Basel III Leverage	BMO	BNS	CM	NA	RY	TD	Total
3.25%	4,802	6,042	2,625	1,214	6,835	6,259	**27,776**
3.50%	4,802	6,042	1,422	661	4,636	5,576	**23,138**
3.75%	4,802	3,933	219	108	1,793	3,069	**13,923**
4.00%	4,014	1,577	0	0	0	561	**6,152**
4.25%	2,315	0	0	0	0	0	**2,315**
4.50%	615	0	0	0	0	0	**615**

As at January 31, 2014
Source: BMO Capital Markets

How Much Will NVCC Sub Debt Cost? – On March 10, 2014, Australia and New Zealand Banking Group Ltd. (ANZ) issued a US$800 million 10-year bullet Basel III NVCC sub debt at 180 bps back of U.S. Treasuries. We estimate the NVCC premium was ~30 bps relative to non-NVCC subordinated debt.

Table 2: *ANZ NVCC Pricing*

ANZ NVCC Subordinated Debt	USD
10-year US Treasury	2.7%
Indicative Non-NVCC Sub Debt	1.5%
NVCC Premium	0.3%
Cost of ANZ NVCC Sub Debt	**4.5%**

As at March 12, 2014 announcement date
Source: Bloomberg

Overall, we were surprised the NVCC premium for the ANZ deal was so tight at ~30 bps, particularly given the deal was sold to institutional investors and not retail investors. We believe the features of the ANZ NVCC subordinated debt deal are less investor friendly and more complex compared to the RBC NVCC preferred share deal issued in January. For example, the floor price was 20% of the share price at time of issue compared to

7% for RBC. In addition, the floor price would also be different for each NVCC instrument given it is based on the share price at time of issue compared to $5 for RBC. Finally, the ANZ instrument ranks behind all existing legacy subordinated debt instruments issued prior to January 1, 2013 upon a wind-up compared to ranking pari passu in Canada.

We estimate the ANZ subordinated debt deal would swap back to ~200 bps back of the 10-Year Government of Canada curve, which is ~60 bps back of indicative C$ 10-year subordinated debt without NVCC language. Based on the attractive pricing obtained by ANZ, we believe the Canadian banks may be able to issue NVCC subordinated debt at tighter levels than our original expectations of ~100 bps back of existing non-NVCC subordinated debt. That being said, we do not expect the first NVCC subordinated debt deal in Canada until we get clarity on the bail-in regime, which may be further delayed given the recent resignation of Jim Flaherty.

Bail-in Debt – The 2014 Federal Budget did not include any update on the bail-in regime in Canada. However, based on the developments outside of Canada, we envision senior bail-in debt will be implemented no earlier than 2015 and on statutory basis rather than contractual. We believe existing deposit notes could be grandfathered given the regulators' treatment towards existing capital securities. We also believe that certain securities, such as covered deposits and secured liabilities including covered bonds and credit card ABS, will be excluded from bail-in. Finally, we believe the Canadian banks could be required to hold a higher loss absorbency (HLA) requirement under the bail-in regime similar to what is being considered in Europe and by U.S. regulators. However, we believe this HLA requirement will be able to be met with additional common equity, NVCC Tier 1 or Tier 2 capital, or wholesale term funding.

Overall, we believe the adoption of a bail-in regime could have the following effects:

1. The use of bail-in senior debt would be a divergence from current practices and would likely increase the cost of funding for Canadian banks;

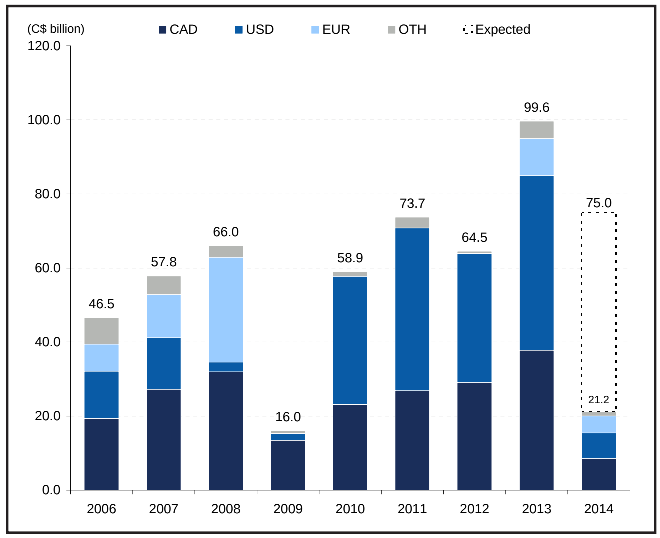
2. Ratings on senior debt could be pressured to reflect lower uplift for government support;

3. Existing deposit notes outstanding could benefit from scarcity value if the bail-in regime is adopted on a prospective basis; and

4. We could see a greater use of secured funding such as covered bonds and NHA MBS if these securities remain outside the range of liabilities covered under the bail-in powers.

New Issuance – The big six Canadian banks have been active on the issuance front with C$21.2 billion of wholesale funding across all currencies in YTD 2014 (deals greater than two years and greater than C$100 million) compared to C$23.0 billion in the year-ago period. However, domestic deposit note issuance is down 34% Y/Y to $8.5 billion compared to $12.9 billion in the year-ago period. We are not overly surprised by the decline in domestic issuance given the re-opening of the covered bond market in July 2013 and the attractive funding alternatives outside of Canada. Royal Bank and Scotiabank have been the most active in wholesale funding markets so far in 2014 with C$9.1 billion and C$6.4 billion of issuance, respectively. CIBC has been the least active with no wholesale term funding issued in 2014.

Chart 5: *Big Six Banks Issuance (All Currencies - C$ equivalent)*



Note: Excludes issues less than C$100 mm, less than 2 years and extendibles
As at April 9, 2014 settlement date
Source: BMO Capital Markets, Bloomberg

Overall, we are maintaining our new issuance estimate at approximately C$75 billion across all currencies. Similar to the prior four years, we believe a large portion of this funding, at C$30–35 billion (C$9.6 billion YTD), will be completed outside of Canada in the form of senior debt. In addition, we expect the banks will issue C$15 billion (C$3.0 billion YTD) in covered bonds across all currencies, although issuance over the near term will likely be concentrated in Europe given the attractive funding. Finally, we expect the Canadian banks will issue C$25-$30 billion (C$8.5 billion YTD) in the domestic market.

Table 3: *Wholesale Funding Maturities over the Next 12 Months*

(C$ mm)	BMO	BNS	CM	NA	RY	TD	Total
Senior unsecured medium-term notes	3,322	15,633	5,594	3,410	13,048	3,058	**44,065**
Mortgage securitization	1,597	6,794	5,534	1,368	5,254	12,012	**32,559**
Covered bonds	2,228	2,283	5,743	0	1,176	2,228	**13,658**
Asset-backed Securities	0	2	1,465	0	0	303	**1,770**
Subordinated liabilites	0	100	258	394	800	148	**1,700**
Total Unsecured	**3,322**	**15,633**	**5,594**	**3,410**	**13,048**	**3,058**	**44,065**
Total Secured	**3,825**	**9,179**	**13,000**	**1,762**	**7,230**	**14,691**	**49,687**
Total	**7,147**	**24,812**	**18,594**	**5,172**	**20,278**	**17,749**	**93,752**

As at January 31, 2014
Source: Company Reports, BMO Capital Markets

Credit Ratings – On February 6, 2014, S&P published a Request for Comment (RFC) on the proposed changes to the criteria for rating bank hybrid instruments. The RFC proposes to redefine the "standard notching" applied to all legacy hybrid capital instruments from two to three notches below the stand-alone credit profile (SACP). In addition, S&P proposes to deduct an additional notch from the SACP for Tier 1 hybrid instruments with a mandatory conversion or write-down clause (i.e., NVCC). The additional notching is intended to factor in the risk of Tier 1 instruments absorbing losses before the point of non-viability due to the ability to defer coupon payments if the capital conservation and countercyclical capital buffers are breached.

Scope – Applies to all existing and future Tier 1 instruments, including preferred shares and innovative Tier 1 hybrids. Existing subordinated debt will not be impacted as the coupon payments are non-deferrable.

Rating Impact – All existing non-NVCC Tier 1 hybrids and preferred shares could be downgraded one notch. In addition, NVCC Tier 1 hybrids and preferred shares could be sub-investment grade for BMO, CIBC, and National (Table 4).

Timing – Comments on the proposal were due by March 21, 2014. S&P indicated it will provide an update following the end of the comment period.

Table 4: *Potential Impact from S&P RFC on Tier 1 Capital*

Issuer	"Legacy" Innovative Tier 1 Hybrids			"Legacy" Preferred Shares			NVCC Preferred Shares		
Issuer	Current	Proposed	Notching	Current	Proposed	Notching	Current	Proposed	Notching
BMO	BBB	BBB-	-1	BBB	BBB-	-1	BBB-	BB+	-1
BNS	BBB+	BBB	-1	BBB+	BBB	-1	BBB	BBB-	-1
CM	BBB	BBB-	-1	BBB	BBB-	-1	BBB-	BB+	-1
NA	BBB	BBB-	-1	BBB	BBB-	-1	BBB-	BB+	-1
RY	A-	BBB+	-1	A-	BBB+	-1	BBB+	BBB	-1
TD	A-	BBB+	-1	A-	BBB+	-1	BBB+	BBB	-1

Source: BMO Capital Markets; S&P

***Table 5:** Potential NVCC Sub Debt Ratings*

	DBRS			S&P			Moody's		
Issuer	Current Tier 2B	NVCC Sub Debt	Notches from Current Rating	Issuer SACP	NVCC Sub Debt	Notches from SACP	Current Sub Debt	NVCC Sub Debt	Notches from Current Rating
BMO	AA (low)	A (low)	-3	a-	BBB	-2	A3	Baa1	-2
BNS	AA (low)	A (low)	-3	a	BBB+	-2	A2	A3	-2
CM	AA (low)	A (low)	-3	a-	BBB	-2	A3	Baa1	-2
NA	A (high)	BBB	-4	a-	BBB	-2	Baa1	Baa2	-2
RY	AA (low)	A (low)	-3	a+	A-	-2	A3	Baa1	-2
TD	AA (low)	A (low)	-3	a+	A-	-2	A1	A2	-2

As at March 31, 2014
Source: BMO Capital Markets; Rating Agencies

***Table 6:** Credit Ratings*

	Moody's			S&P			DBRS		
Issuer	Senior	Subordinated	Outlook	Senior	Subordinated	Outlook	Senior	Subordinated	Outlook
BMO	Aa3	A3	Stable	A+	BBB+	Stable	AA	AA (low)	Stable
BNS	Aa2	A2	Stable	A+	A-	Stable	AA	AA (low)	Stable
CM	Aa3	A3	Stable	A+	BBB+	Stable	AA	AA (low)	Stable
NA	Aa3	Baa1	Stable	A	BBB+	Stable	AA (low)	A (high)	Stable
RY	Aa3	A3	Stable	AA-	A	Stable	AA	AA (low)	Stable
TD	Aa1	A1	Stable	AA-	A	Stable	AA	AA (low)	Stable

As at March 31, 2014
Source: Rating Agencies

***Table 7:** Canadian Covered Bond Capacity (IFRS)*
Q1-14 (IFRS)

(C$ mm)	BMO	BNS	CM	NA	RY	TD	Total
Estimated Total Adjusted Assets	564,386	745,022	391,678	192,315	850,776	856,141	3,600,319
Covered Bond Capacity	22,575	29,801	15,667	7,693	34,031	34,246	144,013
Covered Bonds Outstanding	7,604	13,737	12,136	5,035	20,477	9,993	68,981
Remaining Capacity	**14,972**	**16,064**	**3,532**	**2,657**	**13,554**	**24,253**	**75,032**
CMHC Registration		✓	✓	✓	✓		
SEC Registration	✓	✓			✓		

Source: BMO Capital Markets, Bloomberg, Company Reports, SEDAR, EDGAR

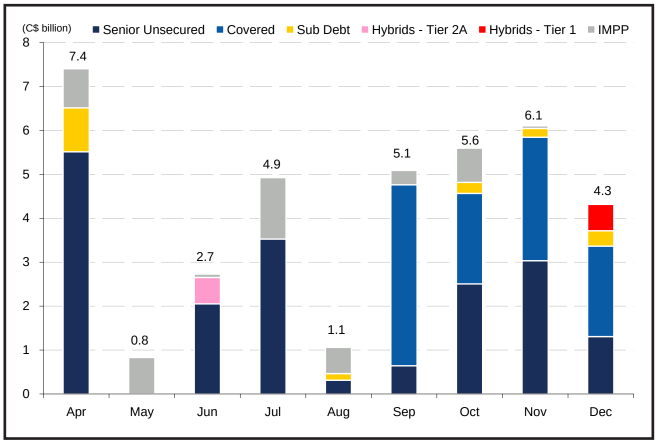
Table 8: Insured vs Uninsured Mortgages

Insured Mortgages			Uninsured Mortgages			Avg. LTV [1]	HELOCs	Total RESL Exposure				
(C$ billion)	Residential	Condo	(C$ billion)	Residential	Condo	%	31-Jan-14	Insured	%	Uninsured	%	Total
BMO	45.5	6.4	BMO	31.2	6.1	59%	26.4	51.9	45%	63.8	55%	115.7
BNS	92.9	10.4	BNS [2]	76.9	8.6	57%	18.6	103.3	50%	104.1	50%	207.4
CM	89.2	12.1	CM	40.5	4.5	60%	19.2	101.3	61%	64.2	39%	165.5
NA	18.9	2.2	NA [3]	9.4	1.1	58%	15.6	21.1	45%	26.1	55%	47.2
RY	68.7	6.8	RY	98.8	9.8	56%	43.1	75.4	33%	151.6	67%	227.1
TD	100.4	21.0	TD [4]	37.4	7.0	60%	60.6	147.5	65%	79.0	35%	226.4
Total	**415.6**	**58.9**	**Total / Avg.**	**294.3**	**37.1**	**58%**	**183.5**	**500.5**	**51%**	**488.8**	**49%**	**989.3**

1. Based on December 31, 2013 housing prices and is for entire uninsured portfolio
2. BNS $14 million of HELOCs is insured
3. NA LTV is for uninsured residential mortgages, LTV on HELOCs was 59%
4. TD $26.0B of HELOCs is insured

Source: Company Reports; As at January 31, 2014

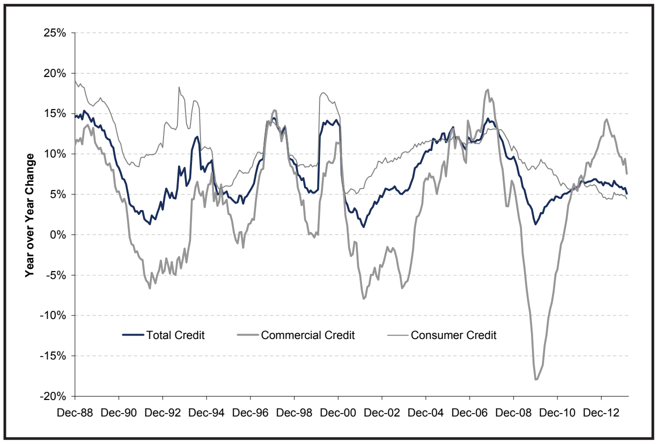
Chart 6: 2014 Maturity Profile by Month, Including IMPP (C$ Equivalent)



Note: Excludes issues less than C$100 mm, less than 2 years and extendibles; As at March 31, 2014

Source: BMO Capital Markets, Bloomberg

Chart 7: Canadian Banks: Year-Over-Year Loan Growth (In Canada)

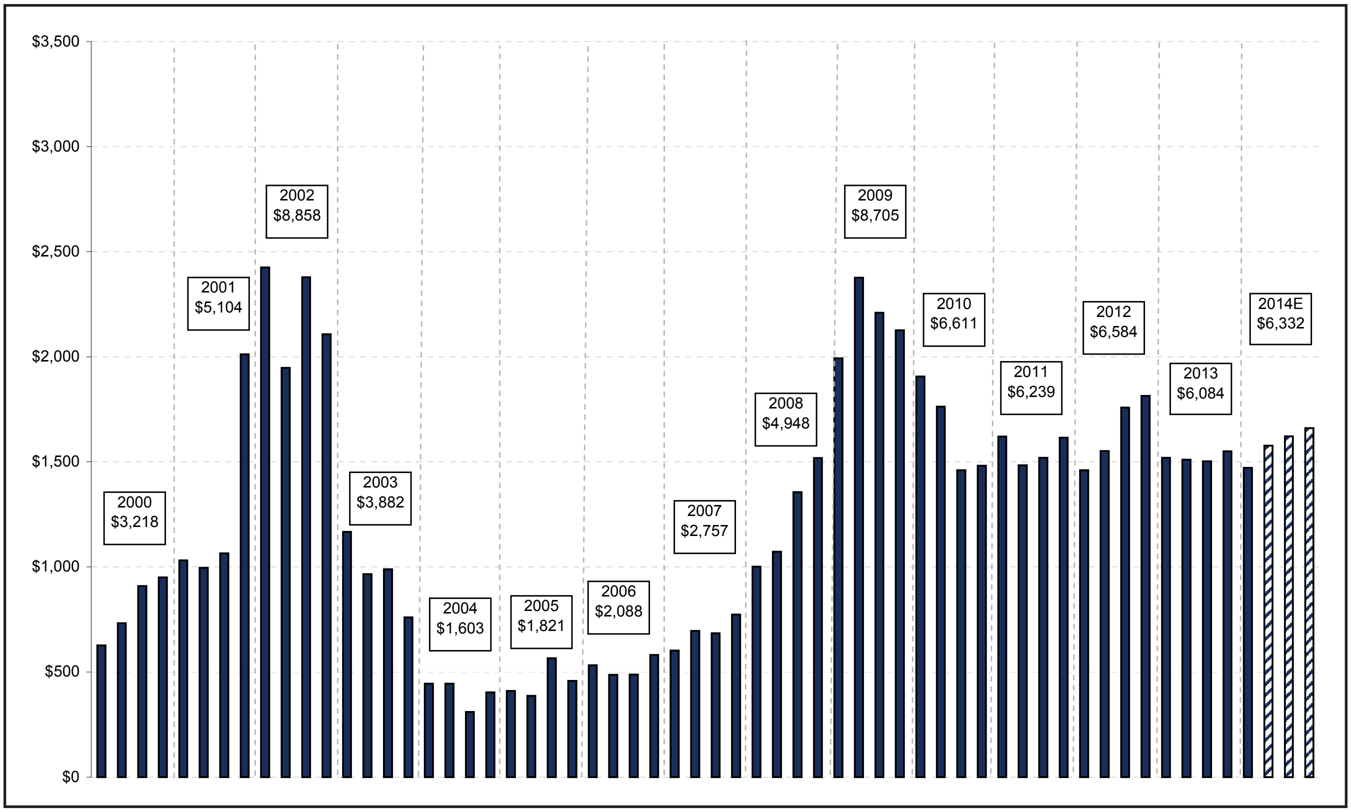


Note: Year-over-year percentage change includes securitization, Consumer Loans include Residential Mortgages as well as Consumer Lending, Total Credit sum of Commercial and Consumer Credit.

As at February 2014

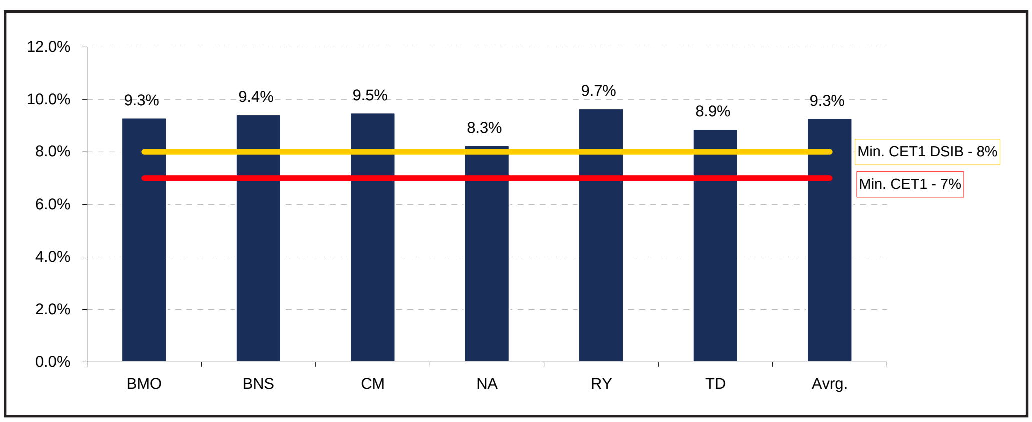
Source: Bank of Canada Banking and Financial Statistics

Chart 8: *Quarterly Specific Loan Loss Provisions of Canadian Banks (C$ mm)*



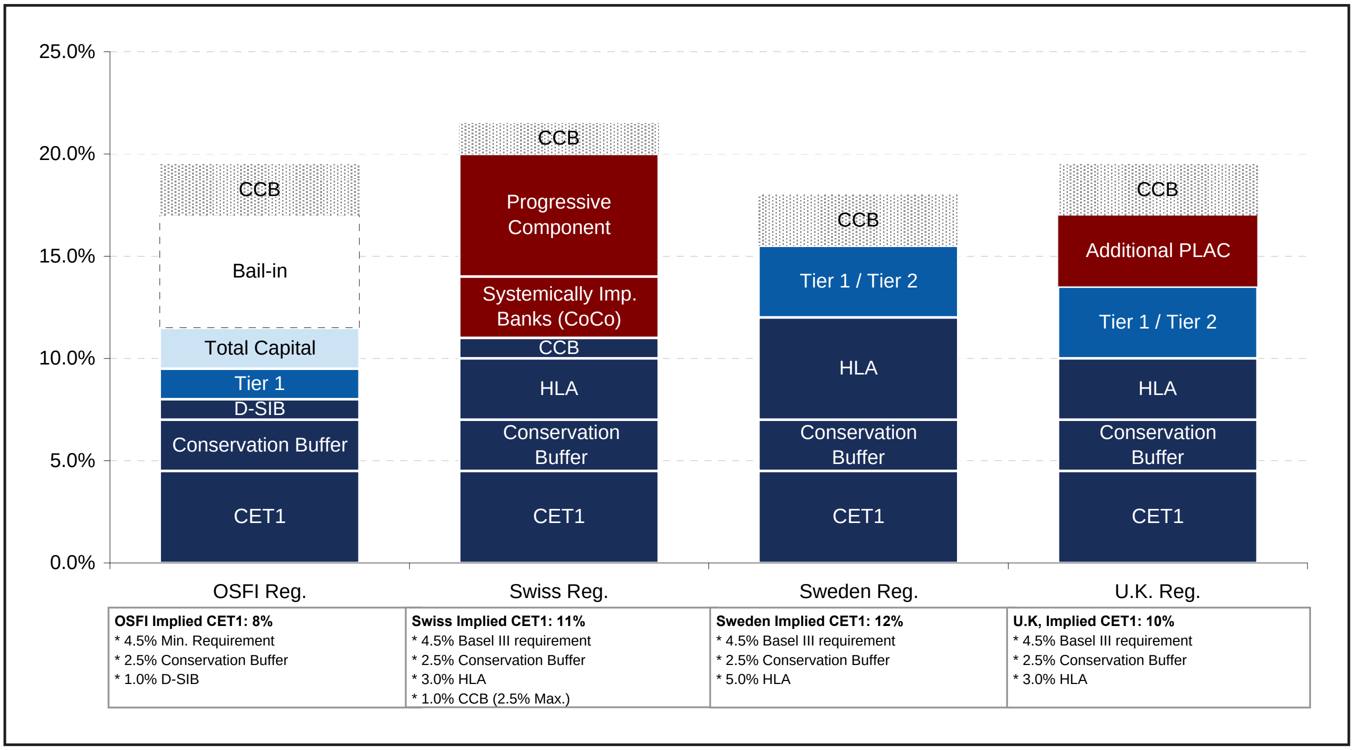
Note: Prior to 2011, specific loan losses only. Effective 2011, loan losses are on an IFRS basis and are on a total basis.
Source: Company Reports, BMO Capital Markets

Chart 9: *Q1/14 CET 1 Ratios Under Basel III*



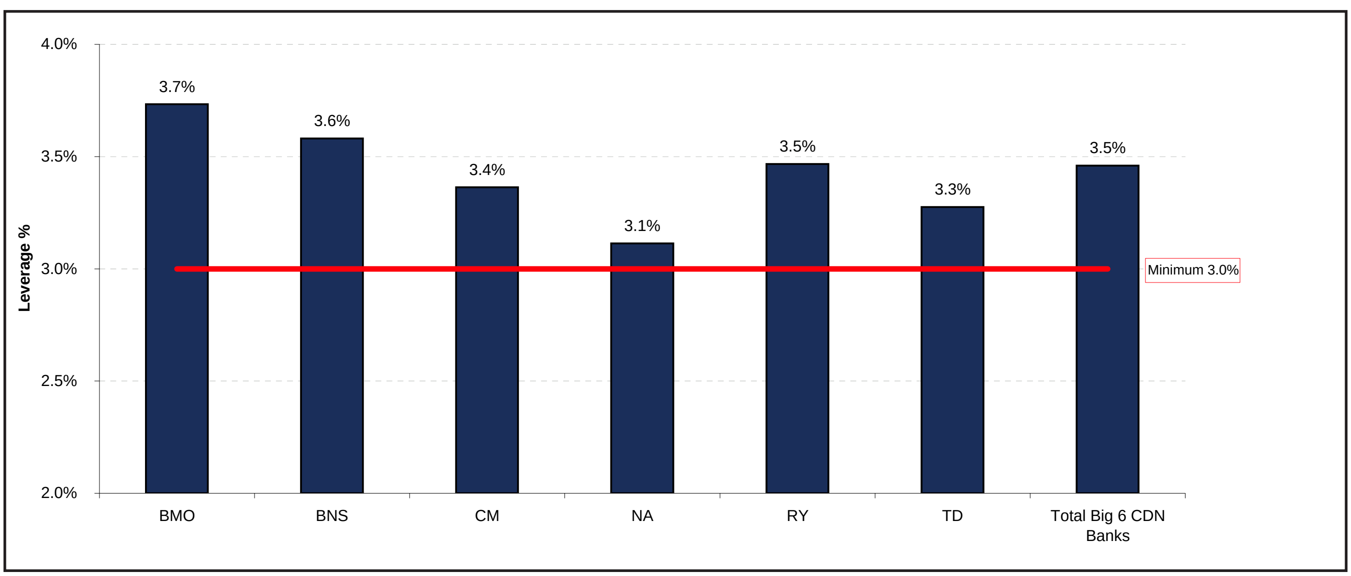
As at January 31, 2014
Source: Company Reports, BMO Capital Markets

***Chart 10:** Minimum Capital Requirements Comparison*



Note: HLA - Higher Loss Absorbency requirement imposed on systemically important banks; CCB - Counter Cyclical Buffer
Source: BIS, FINMA, OSFI, BMO Capital Markets

***Chart 11:** Estimated Basel III Leverage Ratios - Q1/14*



As at January 31, 2014
Source: Company Reports, BMO Capital Markets

Table 9: Canadian Banks – Capital Summary Q1/14

(C$ mm)	BMO	BNS	CM	NA	RY	TD
Capital Summary						
Common Equity Tier 1	22,340	28,499	13,347	5,336	32,998	27,803
Tier 1 Capital	25,382	33,742	16,189	6,885	39,414	32,852
Tier 2 Capital	4,271	7,069	3,701	1,904	6,564	8,474
Total Capital	**29,653**	**40,811**	**19,890**	**8,789**	**45,978**	**41,326**
Risk Weighted Assets (RWA)						
Credit Risk	198,803	253,200	118,548	52,030	253,799	263,971
Operational Risk	26,779	32,200	17,787	8,487	43,898	35,824
Market Risk	14,494	16,700	4,170	4,110	44,055	13,177
Total RWA	**240,076**	**302,100**	**140,505**	**64,627**	**341,752**	**312,972**
Total Balance Sheet Assets	**592,662**	**782,835**	**400,955**	**195,300**	**904,714**	**908,896**
Key Ratios						
CET 1 Ratio	9.3%	9.4%	9.5%	8.3%	9.7%	8.9%
Tier 1 Ratio	10.6%	11.2%	11.5%	10.7%	11.5%	10.5%
Total Capital Ratio	12.4%	13.5%	14.2%	13.6%	13.5%	13.2%
Estimated Basel III Leverage Ratio	3.7%	3.6%	3.4%	3.1%	3.5%	3.3%
Assets to Capital Multiple (ACM)	17.4x	17.4x	18.4x	20.0x	17.6x	19.4x

Source: Company reports, BMO Capital Markets

Table 10: Spread Changes

Historical Bank Indicative Spread Performance									
	31-Dec-09	31-Dec-10	30-Dec-11	31-Dec-12	31-Dec-13	Current	% Change QTD 2014	% Change 2013	5-Year Historical Avg. (Pre-Crisis)
Deposit Notes[1]									
5 Year	55	81	121	95	84	77	(9%)	(11%)	33
10 Year	88	122	152	136	123	119	(3%)	(10%)	52
Subordinated Debt[1]									
5 Year	82	125	189	116	108	97	(10%)	(7%)	42
10 Year	121	172	231	170	145	141	(3%)	(14%)	66
Province of Ontario									
5 Year	34	40	49	53	41	50	21%	(23%)	16
10 Year	65	70	87	95	79	82	4%	(16%)	30
Spread Differential (Senior vs. Sub)									
5 Year	27	45	68	21	24	21	(14%)	13%	9
10 Year	33	50	79	34	22	22	0%	(34%)	14
Spread Differential (Deposit Note vs. Ontario)									
5 Year	21	41	73	42	43	27	(37%)	3%	17
10 Year	23	52	66	42	44	37	(16%)	6%	22
Spread Differential (Sub Debt vs. Ontario)									
5 Year	48	85	140	63	67	47	(30%)	6%	26
10 Year	56	102	145	75	66	59	(11%)	(12%)	37

As at March 31, 2014
Note: December 31, 2010 onwards sub debt spreads are indicative of new sub debt
(1) Avg of five banks
Source: BMO Capital Markets

Insurance – April 2014

Sector Rating: Market Perform

Relative Value

5-Year: Market Perform
10-Year: Market Perform
30-Year: Market Perform

Spread View – Canadian insurance credit has performed relatively in line with the FTSE TMX Canada Corporate Universe in Q1/14 with returns of 1.55%, 3.73% and 6.21% in the short, mid and long ends of the curve, respectively, compared to 1.39%, 3.85% and 6.06% for the FTSE TMX Canada Universe Corporate Bond Index. However, life insurance credit has underperformed relative to Canadian bank credit in Q1/14, with the spread differential between 5-year average senior life insurance credit and bank sub debt widening to -3 bps compared to -11 bps at the end of 2013. While the fundamental backdrop has improved for the life insurers, we recommend a market weight position in life insurance credit given the significant outperformance over the past year. That being said, we do not expect the insurers to be active in the primary market in 2014, which should bode well for credit spreads.

Credit Curve – In Q1/14, the life insurer 2s-5s curve tightened 1 bp to 26 bps, the 5s-10s flattened 4 bps to 48 bps, and the 10s-30s curve flattened 9 bps to 30 bps. We recommend that investors position themselves in the mid part of the curve.

Sector Value – In terms of relative value, we believe the Sun Life senior fixed-floaters (4.80%/15-35) look attractive relative to the MFC 4.079%/15 at a pick up of ~40 bps. While these securities include a +20-year extension, we believe the risk of extension is very low given that the recent restructuring of their captive reinsurance arrangement eliminates the need for existing senior debentures and short-term letters of credit.

Recommendation

Top Pick – From a fundamental perspective, **Great-West** remains our top pick. The company has excellent market position, strong asset quality and solid capital. In addition, the company has the lowest sensitivity to equity markets, strong brand recognition and enhanced financial flexibility with excess capital sitting at the holding company. That being said, we believe the pension announcement in the 2014 U.K. budget is negative from a credit perspective given it is expected to significantly reduce sales and margins in its U.K. annuity business. We estimate this business represents ~7% of GWO's bottom line and approximately one-third of the company's U.K. earnings.

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Risks

External – The life insurers' sensitivity to equity markets and interest rates has declined given product repositioning, hedging and outright dispositions.

M&A – We believe M&A activity will be limited to small tuck-in acquisitions.

Regulatory – On November 12, 2013, OSFI released an update to its Life Insurance Regulatory Framework, originally published in September 2012. The update pushes back the implementation of the life insurance capital framework to 2018 from 2016. In addition, draft guidelines are now expected in 2015 and final guidelines in 2016.

New Issuance – The life insurers have not been active on the primary front in 2014, with only Manulife tapping the market with a $500 million 5+5 opco subordinated fixed-floater in February. Manulife also issued a $200 million rate reset preferred share in February. The proceeds from both these securities are expected to be used to refinance the $1 billion senior holdco maturity in June. Sun Life did not refinance its $500 million sub debt holdco maturity at the end of March; however, we are not surprised given the high amount of excess cash at the holding company level.

Credit Profile

Sector Financials – The Canadian lifecos reported solid core EPS growth in 2013 with GWO up 11% (8% excl. Irish Life), IAG up 10%, MFC up 17% and SLF up 13%. We expect earnings growth to continue in 2014 and 2015 given increased contributions from wealth management businesses, growth in insurance premiums and deposits, continued focus on reducing costs, and positive operating leverage.

Sector Fundamentals – The fundamental backdrop for the life insurers improved in 2013 due to the increase in equity markets and long-term interest rates. In addition, the insurers have built fortress capital positions that can withstand significant volatility. Finally, the insurers have been moving away from more capital-intensive life insurance businesses to less capital-intensive wealth management.

Credit Ratings – All three rating agencies have Stable outlooks for the Canadian Insurance sector.

Viewpoint

Canadian insurance credit has performed relatively in line with the FTSE TMX Canada Corporate Universe in Q1/14 with returns of 1.55%, 3.73% and 6.21% in the short, mid and long ends of the curve, respectively, compared to 1.39%, 3.85% and 6.06% for the FTSE TMX Canada Corporate Universe. However, life insurance credit has underperformed relative to Canadian bank credit in Q1/14, with the spread differential between 5-year average senior life insurance credit and bank sub debt widening to -3 bps compared to -11 bps at the end of 2013. While the fundamental backdrop has improved for the life insurers, we recommend a market weight position in life insurance credit given the significant outperformance over the past year. That being said, we do not expect the insurers to be active in the primary market in 2014, which should bode well for credit spreads.

In terms of relative value, we believe the Sun Life senior fixed-floaters (4.80%/15-35) look attractive relative to the MFC 4.079%/15 at a pick up of ~40 bps. While these securities include a +20-year extension, we believe the risk of extension is very low given that the recent restructuring of their captive reinsurance arrangement eliminates the need for existing senior debentures and short-term letters of credit.

From a fundamental perspective, Great-West remains our top pick. The company has excellent market position, strong asset quality and solid capital. In addition, the company has the lowest sensitivity to equity markets, strong brand recognition and enhanced financial flexibility with excess capital sitting at the holding company. That being said, we believe the pension announcement in the 2014 U.K. budget is negative from a credit perspective given it is expected to significantly reduce sales and margins in its U.K. annuity business. We estimate this business represents ~7% of GWO's bottom line and approximately one-third of the company's U.K. earnings.

Key Themes

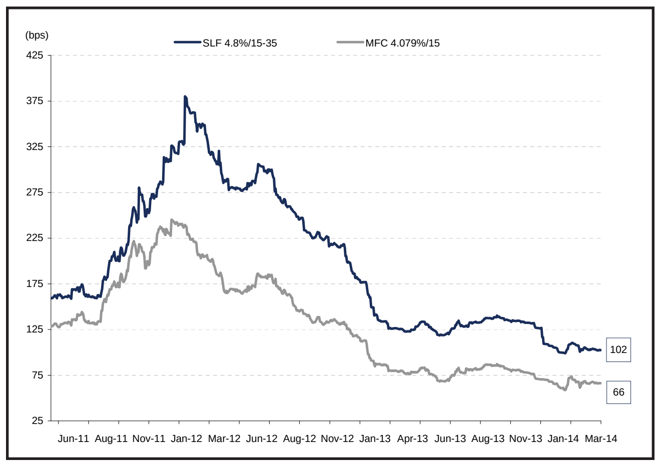
New Issuance – Similar to last year, the life insurers have not been active on the primary front in 2014, with only Manulife tapping the market with a $500 million 5+5 opco subordinated fixed-floater in February. Manulife also issued a $200 million rate reset preferred share in February. The proceeds from both these securities are expected to be used to refinance the $1 billion senior holdco maturity in June. Sun Life did not refinance its $500 million sub debt holdco maturity at the end of March; however, we are not surprised given the high amount of excess cash at the holding company level.

For the remainder of 2014, we believe Industrial Alliance could still tap the market to refinance the $150 million sub debt maturity in June. In addition, we believe Manulife could tap the preferred share market again.

Chart 1: *LifeCo Senior vs. Bank Sub Debt (5-Year)*

As at March 31, 2014
Source: BMO Capital Markets

Chart 2: *Sun Life Senior (4.80%/15-35) vs. Manulife Holdco Senior Debt (4.079%/15)*



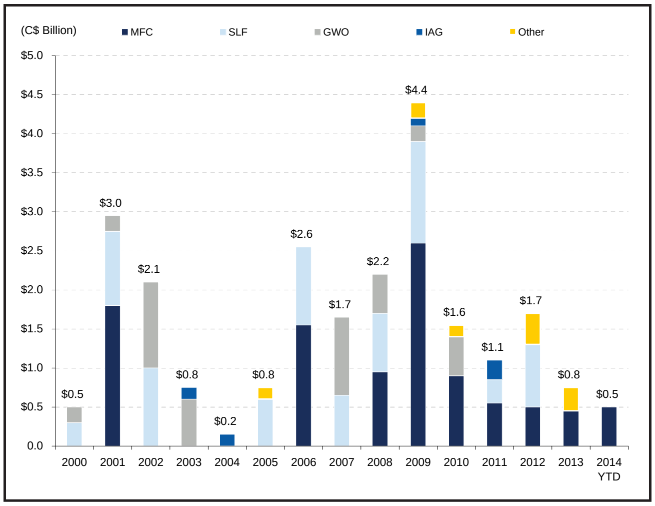
As at March 31, 2014
Source: BMO Capital Markets

Table 1: *FTSE TMX Canada Universe Bond Index Returns by Sector*

	Short	Mid	Long
Sector	YTD	YTD	YTD
All Corporates	1.39%	3.85%	6.06%
Financial - Bank	1.32%	3.48%	6.12%
Financial - Insurance	1.55%	3.73%	6.21%

As at March 31, 2014
Source: PCBond, a business unit of TSX Inc.

Chart 3: *Life Insurers Issuance*



As at March 31, 2014
Source: BMO Capital Markets

Potential Changes to the URR Calculation – On December 13, 2013, the Actuarial Standards Board (ASB) released the long-awaited exposure draft for revisions to the economic reinvestment assumptions and assumed investment strategies utilized for long-tail liability cash flows under the Canadian Asset Liability Method (CALM). The comment period ended on February 14, 2014, and final implementation is targeted for Q4/14.

Overall, we believe the exposure draft is positive for the industry, particularly for Manulife and Industrial Alliance, as it will likely result in less onerous URR charges going forward. That being said, the proposed changes to limits in non-fixed income assets could offset some of this benefit.

Table 2*: Life Insurers 2014 Financing Requirements*

C$ mm	2014 Uses of Cash		2014 Sources of Cash			
Issuer	Debt	Preferred Shares[1]	Debt	Preferred Shares	Common Shares	Remaining Financing Requirements
GWO	0	0	0	0	0	0
IAG	150	0	0	0	0	150
MFC[2]	1,000	800	750	200	0	850
SLF[3]	500	250	0	0	0	0
Total	**1,650**	**1,050**	**750**	**200**	**0**	**1,000**

1. Excluding preferred shares that we believe will not be redeemed
2. Includes $250 million of opco sub debt issued on November 29, 2013 to prefund 2014 maturities
3. SLF redeemed $500 million of sub debt on March 31, 2014

Source: BMO Capital Markets, Bloomberg

Regulatory Update – On November 12, 2013, OSFI released an update to its Life Insurance Regulatory Framework, originally published in September 2012. Some key developments include:

Corporate Governance – An updated corporate governance guideline was published in January 2013 and implemented in 2014. The goal of the guideline is to help the board of directors and senior management to identify and manage risks being undertaken by an institution. In addition, the guideline addresses the role of the risk committee at the Board for large and complex institutions and provides insight on the role of the chief risk officer.

Own Risk and Solvency Assessment – The final version of the Own Risk and Solvency Assessment (ORSA) Guideline was released in November 2013, with implementation starting January 2014. The primary objective of ORSA is to get the insurer to self-assess its risks and solvency requirements and employ appropriate processes that reflect the nature, scale and complexity of its own risks.

Segregated Funds – Work on developing an internal models framework for segregated funds has been halted to accelerate the development of the standardized approach for segregated funds. OSFI expects the work on the internal models framework will resume once the new standardized approach is completed.

Capital Framework – The implementation of the new life insurance capital framework was pushed out to 2018 from 2016. In addition, OSFI now plans on running another quantitative impact study in 2014, with draft guidelines expected in 2015, and final guidelines in 2016. OSFI did state that, "it continues to believe that, in aggregate, the industry currently has adequate financial resources (total assets) for its current risks."

Global Systemically Important Insurers (G-SII) – On July 18, 2013, the Financial Stability Board (FSB) published the first set of Global Systemically Important Insurers (G-SIIs) framework. In line with our expectations, no Canadian insurers were included on the initial list.

Global Insurance Capital Standard – The IAIS announced timelines in October 2013 for developing a global insurance capital standard for internationally active insurance groups (IAIGs) and simple backstop capital requirements for G-SIIs. The IAIS indicated that full implementation of the former will begin in 2019, while the latter is expected to be ready for implementation in late 2014.

Chart 4: *Updated Life Insurance Regulatory Framework Timeline*

Calendar Years	2013		2014				2015	2016	2017	2018
Work Streams	Q3	Q4	Q1	Q2	Q3	Q4				
Regulatory Framework										
ORSA		♦	▲							
Financial Condition Transparency							●	♦		▲
Regulatory Capital Framework – Standard Approach										
Definition of Capital						■	■●	♦		▲
Credit		■				■	■●	♦		▲
Market		■				■	■●	♦		▲
Insurance		■				■	■●	♦		▲
Operational		■				■	■●	♦		▲
Segregated Funds						■	■●	♦		▲
Risk Correlation		■				■	■●	♦		▲
Regulatory Capital Requirements – Internal Model Approach										
Segregated Funds										
Other Risks										

■ Quantitative Impact Study ● Guideline Public Consultation ♦ Final Guideline Issued ▲ Implementation Milestone

Project Time Frame Work has Not Commenced or in Abeyance

Source: OSFI

Table 3*: Changes in Equity Markets and Interest Rates*

Q1 2014 Performance							
Equity Markets Returns		**Treasuries - Change**		**Corporate A - Spread Change**		**Swap - Spread Change**	
TSX	5.2%	Canada 10-Year	(30) bps	Canada 10-Year	(13) bps	Canada 10-Year	(6) bps
S&P 500	1.3%	Canada 30-Year	(27) bps	Canada 30-Year	(4) bps	Canada 30-Year	(2) bps
TOPIX	(7.6%)	U.S. 10-Year	(31) bps	U.S. 10-Year	(12) bps	U.S. 10-Year	7 bps
EAFE	0.0%	U.S. 30-Year	(41) bps	U.S. 30-Year	(1) bps	U.S. 30-Year	2 bps

As at March 31, 2014
Source: Bloomberg

***Table 4**: Capital Summary*

(C$ mm)	Great-West				Industrial Alliance			
	Q4/13	Q3/13	Q2/13	Q1/13	Q4/13	Q3/13	Q2/13	Q1/13
Debt	5,740	5,503	5,166	4,483	499	499	499	608
Innovative Tier 1	118	118	118	118	0	0	0	150
Preferred Equity	2,314	2,544	2,544	2,544	575	675	675	675
Par Surplus	2,354	2,495	2,466	2,477	47	45	45	45
Common Equity	15,323	14,389	12,827	12,241	3,045	2,893	2,801	2,801
Total Capital	25,849	25,049	23,121	21,863	4,166	4,112	4,020	4,278
Debt+Pref+Hybrid / Total Capital	**32%**	**33%**	**34%**	**33%**	**26%**	**29%**	**29%**	**33%**
Total Available Capital	12,668	12,012	11,548	10,387	3,663	3,769	3,684	3,887
Required Capital	5,673	5,443	4,955	4,951	1,687	1,661	1,645	1,643
MCCSR	**223%**	**221%**	**233%**	**210%**	**217%**	**227%**	**224%**	**237%**
(C$ mm)	**Manulife**				**Sun Life**			
	Q4/13	Q3/13	Q2/13	Q1/13	Q4/13	Q3/13	Q2/13	Q1/13
Debt	7,816	7,511	7,546	7,490	2,403	2,398	2,400	2,744
Innovative Tier 1	1,000	1,000	1,000	1,000	696	696	696	696
Preferred Equity	3,037	3,037	3,037	2,841	2,503	2,503	2,503	2,503
Par Surplus	0	0	0	0	0	0	0	0
Common Equity	25,964	23,862	23,571	23,020	14,851	14,223	15,116	14,696
Total Capital	37,817	35,410	35,154	34,351	20,453	19,820	20,715	20,639
Debt+Pref+Hybrid / Total Capital	**31%**	**33%**	**33%**	**33%**	**27%**	**28%**	**27%**	**29%**
Total Available Capital	32,140	30,268	30,258	29,588	12,354	12,038	11,902	11,808
Required Capital	12,955	13,235	13,655	13,621	5,639	5,562	5,478	5,513
MCCSR	**248%**	**229%**	**222%**	**217%**	**219%**	**216%**	**217%**	**214%**

Source: Company reports

***Table 5**: Bond Portfolio*

	Great-West				Industrial Alliance			
Bond Portfolio Mix	**Q4/13**	**Q3/13**	**Q2/13**	**Q1/13**	**Q4/13**	**Q3/13**	**Q2/13**	**Q1/13**
AAA	31.4%	31.7%	31.7%	31.8%	2.8%	3.5%	5.5%	4.8%
AA	18.1%	17.6%	16.4%	16.8%	33.7%	30.9%	30.5%	26.4%
A	29.4%	29.6%	31.2%	31.0%	51.3%	53.7%	53.8%	58.6%
BBB	19.6%	19.6%	19.1%	18.7%	12.1%	11.8%	10.1%	10.1%
< BBB	1.4%	1.4%	1.7%	1.7%	0.2%	0.2%	0.2%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
AAA/ AA/ A	79.0%	79.0%	79.3%	79.7%	87.8%	88.0%	89.7%	89.8%
Total (C$ mm)	85,434	82,686	78,677	79,069	15,107	15,010	15,051	15,050
	Manulife				**Sun Life**			
Bond Portfolio Mix	**Q4/13**	**Q3/13**	**Q2/13**	**Q1/13**	**Q4/13**	**Q3/13**	**Q2/13**	**Q1/13**
AAA	26.4%	27.4%	28.0%	29.2%	16.5%	16.3%	16.8%	15.1%
AA	18.8%	18.8%	18.6%	18.2%	18.0%	19.0%	19.0%	19.7%
A	30.9%	30.2%	29.7%	29.1%	32.9%	32.9%	33.8%	34.7%
BBB	20.4%	19.3%	19.1%	18.7%	29.5%	28.8%	28.8%	28.7%
< BBB	3.5%	4.3%	4.6%	4.8%	3.0%	3.0%	1.6%	1.9%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
AAA/ AA/ A	76.1%	76.4%	76.3%	76.5%	67.5%	68.2%	69.6%	69.4%
Total (C$ mm)	135,972	135,231	138,333	140,928	54,813	54,813	54,813	54,813

Source: BMO Capital Markets, Company Reports

***Table 6**: LifeCo Spread Performance*

Historical LifeCo Indicative Spread Performance									
	31-Dec-09	31-Dec-10	30-Dec-11	31-Dec-12	31-Dec-13	Current	% Change YTD 2014	% Change 2013	5-Year Historical Avg. (Pre-Crisis)
Life Insurers Senior(1)									
5 Year	86	123	229	130	96	95	(2%)	(26%)	39
10 Year	151	169	272	192	148	143	(4%)	(23%)	63
30 Year	193	205	308	251	188	173	(8%)	(25%)	101
Bank Deposit Notes(2)									
5 Year	55	81	121	95	84	77	(9%)	(11%)	33
10 Year	88	122	152	136	123	119	(3%)	(10%)	52
Bank Subordinated Debt(2)									
5 Year	82	125	189	116	108	97	(10%)	(7%)	42
10 Year	121	172	231	170	145	141	(3%)	(14%)	66
Spread Differential (Lifeco Senior vs Bank Senior)									
5 Year	31	43	108	35	13	18	42%	(64%)	6
10 Year	62	47	120	56	25	24	(7%)	(55%)	11
Spread Differential (Lifeco Senior vs Bank Sub Debt)									
5 Year	4	(2)	41	14	(11)	(3)	nmf	(182%)	-3
10 Year	30	(3)	41	22	3	2	nmf	(85%)	-3

As at March 31, 2014
Note: December 31, 2010 onwards sub debt spreads are indicative of new sub debt
(1) Avg of three lifecos; (2) Avg of five banks
Source: BMO Capital Markets

***Table 7**: Credit Ratings*

	DBRS		S&P		Moody's	
Issuer	**Rating**	**Trend**	**Rating**	**Trend**	**Rating**	**Trend**
Great-West Lifeco	AA (low)	Stable	A+	Stable	Aa3 *	Stable
Industrial Alliance *,[1]	A	Stable	A	Stable	nr	
Manulife Financial	A (high)	Stable	A	Stable	A1 *	Stable
Sun Life Financial	A (high)	Stable	A	Stable	Aa3 *	Stable
Standard Life Assurance *	nr		A[1]	Stable	nr	

[1] Subordinated debt rating; * OpCo Ratings - Insurance Financial Strength rating
As at March 31, 2014
Source: Credit Rating Agencies

Real Estate/REITs – April 2014

Sector Rating: Outperform

Relative Value

5-Year: Outperform
10-Year: Outperform

Spread View – We view REIT/REOC sector spreads as generally attractive and anticipate the sectors' bonds will continue to outperform in 2014. The sector provides an attractive pick-up in spread over the telecom and retail sectors. The sector experienced a bout of primary market digestion issues in late 2013 but remained resilient and still managed to outperform the universe. The sector is also vulnerable to underperformance if investors' global risk tolerance deteriorates.

Credit Curve – The 5s-10s indicative curve for the real estate sector narrowed in Q1/14 to 51 bps from 60 bps at December 31, 2013. The curve is slightly steeper than Telecom (49 bps) but slightly flatter than Retail (54 bps).

Sector Value – REIT/REOC bonds are generally attractive, providing spread pick-up over telecom and retail bonds. We expect the sector to outperform in 2014 due to solid underlying asset quality and financial profiles, which we anticipate to remain intact in 2014, and we expect manageable primary market new issuance. The real estate sector average spread in the short end of the curve of 198 bps is the widest in the Canadian universe. Similarly in the mid-term the sector's average spread of 206 bps is the widest. The sector provides a pick-up of 88 bps over retail and 84 bps over telecom, which is attractive, although diminished as sector bonds continued to outperform in 2014. The Real Estate sector total return of 2.31% in the short end of the curve in Q1/14 outperformed the DEX universe return of 1.39%.

Recommendation

We rate the sector Outperform based on our view that the sector's solid fundamentals will remain intact in 2014 and offset another likely year of active new issuance. We like the real estate sector as it provides an attractive pick-up over other sectors and is supported by good underlying fundamentals. **First Capital Realty** is our favourite credit supported by its unencumbered assets, quality tenant portfolio, bond liquidity and relative value.

Risks

External – Canadian GDP is expected to pick-up modestly in 2014, although still at tepid levels. Increased funding costs could put property cap rates at risk. Nonetheless, the moderate pace of economic growth should continue to support demand for space across the real estate sector and yield increased rental revenues. High consumer debt levels is an area of vulnerability for the sector.

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Trading Liquidity – While liquidity is generally limited for REIT/REOC bonds, it has improved with recent new issue activity. Secondary trading volume tends to follow new issue flow and there is generally always a bid for bonds.

New Issuance – Year to date, the real estate sector has issued ~$1.6 billion, which compares to $705 million issued during the same period in 2013 (Table 1). We are looking for total sector new issuance to be in the range of $3 to $4 billion in 2014. We expect the sector to remain active issuing bonds in the future. While there is only one senior unsecured bond maturing in 2014 for $100 million, the maturity schedule for issuers in our universe picks up in 2015 and beyond and averages nearly $1 billion through 2019.

M&A – The sale of Bayview Village in late 2013 at a cap rate of sub 4% by BCIMC indicates the appetite for quality properties remains strong.

Credit Profile

Sector Financials – Revenues, EBITDA and AFFO are expected by BMOCM Equity Research to grow solidly in 2014, which generally supports moderately improved leverage.

Sector Fundamentals – Asset quality measures (occupancy and rents) are generally stable across the sector with some continuing to improve. REIT/REOCs have improved access to unsecured debt funding, which bolsters their liquidity and funding profiles. We anticipate that cap rates will eventually move higher in 2014 driven by gradually increasing interest rates. The trend by corporations to divest ownership of their real estate could indicate a peak in commercial real estate valuation.

Credit Ratings – Ratings are generally stable. A wrinkle for investors in this sector is that there are a number of single rated bond issuers.

***Table 1**: REITs Issuance Q1 2014*

Issuer	Size (C$ mm)	Issue Date	Coupon	Maturity
Cominar REIT	$100	16-Jan-2014	4.941%	27-Jul-2020
First Capital Realty	$150	20-Jan-2014	4.790%	30-Aug-2024
Dundee REIT	$150	21-Jan-2014	4.074%	21-Jan-2020
RioCan REIT	$150	23-Jan-2014	3.620%	01-Jun-2020
Choice Properties REIT	$250	06-Feb-2014	3.498%	08-Feb-2021
Choice Properties REIT	$200	06-Feb-2014	4.293%	08-Feb-2024
Calloway REIT	$150	11-Feb-2014	3.749%	11-Feb-2021
First Capital Realty	$75	18-Feb-2014	4.790%	30-Aug-2024
Crombie REIT	$100	05-Mar-2014	3.962%	01-Jun-2021
Cominar REIT	$100	07-Mar-2014	4.941%	27-Jul-2020
First Capital Realty	$75	11-Mar-2014	4.790%	30-Aug-2024
Artis Real Estate	$125	27-Mar-2014	3.753%	27-Mar-2019
Total Issuance	**$1,625**			

Note: Includes all REITs issuance with settlement dates in Q1/14.
Source: BMO Capital Markets

Asset-Backed Securities – April 2014

Sector Rating: Market Perform

Relative Value

3-Year: Market Perform
5-Year: Market Perform

Spread View – In Q1/14, large Canadian bankcard ABS has outperformed deposit notes in the five-year part of the curve as exhibited by the 12 bps (14.5%) tightening in credit card ABS spreads compared with the 7 bps (8.5%) tightening for bank deposit notes. Bankcard ABS currently trades ~6 bps through comparable deposit notes, which is the tightest level seen so far in 2014 but still off by ~5-6 bps from the levels seen early last year. We believe credit card ABS will continue to trade through deposit notes given the expectation for manageable ABS new issuance and for the Canadian banks to be active in the unsecured wholesale funding markets in 2014. Furthermore, we believe asset-backed securities will be outside the range of liabilities covered under the bail-in powers.

Credit Curve – Credit card ABS trades wider in the short end of the curve at ~1 bp back of deposit notes compared to ~6 bps through in the 5-year part of the curve.

Sector Value – We believe Glacier Credit Card Trust looks attractive in light of its announcement on August 8, 2013, that it intends to seek a financial partner for its $4.4 billion credit card portfolio. The Glacier 5-year indicative credit spreads are ~7 bps back of the large bank card programs, which could tighten if the Trust gets support from a large Canadian bank.

Recommendation

Top Pick – From a fundamental perspective, our top pick in credit card ABS is **Golden Credit Card Trust** (RBC sponsored) with its leading collateral performance (lowest charge-off level, second-highest excess spread, second-highest payment rate and best-in-class "capacity" measure as of January 2014) and solid bond liquidity.

Risks

Regulatory – In the 2014 Budget, the government announced that it will work with stakeholders to reduce credit card acceptance fees for merchants, while encouraging merchants to lower prices to consumers. We are not surprised by the government's intentions to reduce credit card acceptance fees for merchants given the Competition Tribunal argued that the proper solution to the concerns raised by the Commissioner of Competition is through a regulatory framework. We do not expect a resolution to this issue over the near term; however, a potential reduction in credit card acceptance fees would reduce portfolio yield.

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New Issuance – Total ABS issuance so far in 2014 is $1.7 billion compared to $3.1 billion in the same period last year. This consists of US$1.0 billion dual tranche (2014-1 & 2014-2) issue from Golden and $644 million 2014-R2 transaction from FAST. In 2014, we expect total term ABS issuance to decline to $6–7 billion across all currencies, which includes credit card ABS issuance of ~$4 billion, auto ABS of ~$1 billion and other ABS issuance (Hollis & Genesis) of $1–2 billion. That being said, we could see a greater use of ABS funding if these securities remain outside the range of liabilities covered under the bail-in powers.

External – Canadian light vehicle sales remain strong with sales up 1% y/y to 357.6k as of March 2014. Growth was driven mainly by Asian manufacturers with sales up +5.0% y/y. Meanwhile, North American automakers lagged slightly with combined sales down 2.4% y/y mainly due to Ford (-7.6%) and GM (-4.6%), and partially offset by Chrysler (+4.5%). BMO Economics forecasts sales to be ~1.71 million in 2014, down slightly from 1.74 million in 2013.

Trading Liquidity – Large Canadian bank credit card ABS continues to have the best secondary trading by virtue of their large amount of outstanding securities. Retail auto ABS has limited liquidity with only 11 deals totalling ~$2.7 billion.

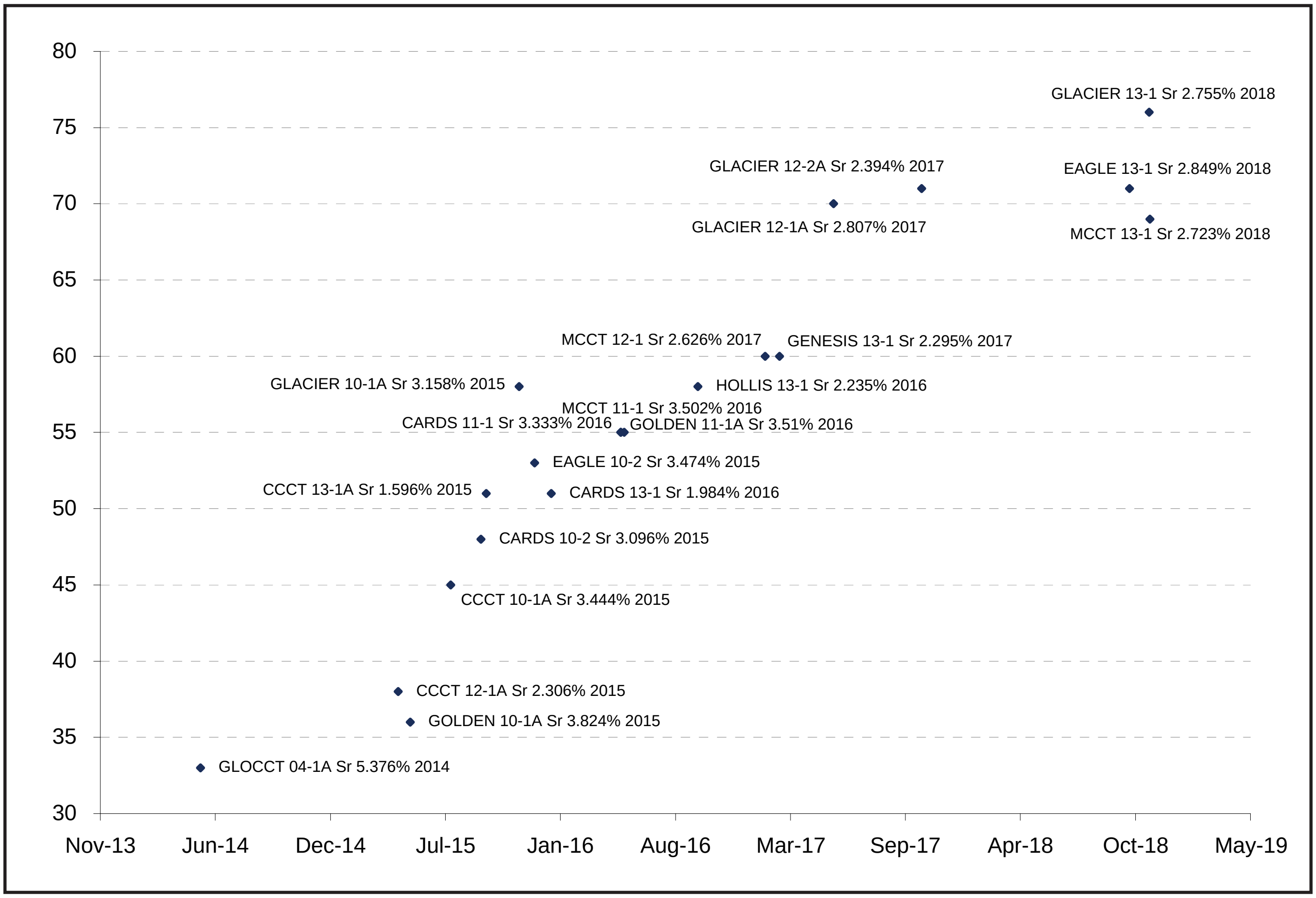
Credit Profile

Sector Collateral Performance – Credit card collateral performance remains strong heading into 2014. In January, payment rate declined slightly y/y to 35.09% from 35.53% in January 2013 primarily due to Cards II (-433 bps y/y). Meanwhile, charge-offs remained below 4% for the fifth consecutive month at 3.61%, the lowest level since 2007. We continue to expect charge-offs to remain low over the near term given stable delinquencies.

Sector Fundamentals – Consumer insolvencies have been relatively stable in the last 12 months as a 4.8% y/y rise in proposals was offset by a 4.1% y/y drop in bankruptcies. Finally, BMO Economics forecasts Canadian GDP to increase by 2.3% and the unemployment rate to fall to 6.9% in 2014, which we believe should keep bankruptcies and charge-offs low.

Credit Ratings – We do not expect any rating actions on existing Canadian credit card and retail auto loan ABS.

Chart 1: *Relative Value*



Source: BMO Capital Markets; As at March 31, 2014

Table 1*: Spread Performance - Credit Card ABS*

	3-year term					5-year term				
	Current	QTD Q1/14 Change		2013 Change		Current	QTD Q1/14 Change		2013 Change	
	bps	bps	%	bps	%	bps	bps	%	bps	%
Avrg. Depo Notes	66	(5)	(7.1%)	(6)	(7.2%)	77	(7)	(8.5%)	(11)	(11.4%)
Bankcard	62	(7)	(10.1%)	4	6.2%	71	(12)	(14.5%)	1	1.2%
Glacier	69	(8)	(10.4%)	4	5.5%	79	(12)	(13.2%)	(1)	(1.1%)

Source: BMO Capital Markets
As at March 31, 2014

***Table 2**: Spread Performance - Auto ABS*

	3-year term				
	Current	QTD Q1/14 Change		2013 Change	
	bps	bps	%	bps	%
RY deposit notes	66	(5)	(7.1%)	(6)	(7.2%)
Bankcard	62	(7)	(10.1%)	4	6.2%
Ford	65	(8)	(11.0%)	(10)	(12.0%)

Source: BMO Capital Markets
As at March 31, 2014

***Table 3**: Summary of Credit Card ABS New Issuance*

Issuer	Originator	Series	Tranche	Coupon (%)	Curr.	Amount (C$ mm)	Settlement Date	Expected Maturity	Credit Rating (sf) (DBRS/S&P/Moody's)	Asset Class	WAL to Call	Cusip
Credit Card ABS Issuance - 2014												
Golden	RBC	2014-1	Sr	3m LIBOR + 24 bps	USD	450	03/26/2014	03/15/2017	AAA/AAA/Aaa	Credit Card	na	380881CD2
Golden	RBC	2014-1	Sub	2.851	CAD	24	03/26/2014	03/15/2017	BBB(high)/--/Baa1	Credit Card	na	380881CE0
Golden	RBC	2014-2	Sr	1m LIBOR + 45 bps	USD	550	03/26/2014	03/15/2019	AAA/AAA/Aaa	Credit Card	na	380881CC4
Golden	RBC	2014-2	Sub	3.459	CAD	29	03/26/2014	03/15/2019	BBB(high)/--/Baa1	Credit Card	na	380881CF7
Total 2014 Credit Card ABS Issuance - C$						**53**						
Total 2014 Credit Card ABS Issuance - US$						**US 1,000**						
Credit Card ABS Issuance - 2013												
CARDS II	CIBC	2013-1	A	1.984	CAD	1,000	01/16/2013	01/15/2016	AAA/--/Aaa	Credit Card	na	14161ZBJ6
CARDS II	CIBC	2013-1	B	2.784	CAD	70	01/16/2013	01/15/2016	BBB/--/A3	Credit Card	na	14161ZBK3
CARDS II	CIBC	2013-2	A	1m CDOR + 15 bps	CAD	500	01/15/2013	01/15/2014	AAA/--/Aaa	Credit Card	na	Retained
CARDS II	CIBC	2013-2	B	1m CDOR + 65 bps	CAD	53	01/15/2013	01/15/2014	BBB/--/Baa1	Credit Card	na	Retained
Golden	RBC	2013-1	A	1m LIBOR + 25 bps	USD	500	02/28/2013	02/16/2016	AAA/AAA/Aaa	Credit Card	na	380881BX9
Golden	RBC	2013-1	B	3.087	CAD	24	02/28/2013	02/16/2016	BBB(high)/--/Baa1	Credit Card	na	na
CCCT	NBF	2013-1	A	1.596	CAD	400	04/02/2013	09/24/2015	AAA/AAA/--	Credit Card	na	13594ZAG2
CCCT	NBF	2013-1	B	2.106	CAD	15	04/02/2013	09/24/2015	A/A/--	Credit Card	na	13594ZAH0
CCCT	NBF	2013-1	C	2.756	CAD	12	04/02/2013	09/24/2015	BBB/BBB/--	Credit Card	na	13594ZAJ6
MCCT II	BMO	2013-1	A	1.432	CAD	724	04/26/2013	04/21/2014	AAA/--/--	Credit Card	na	Retained
MCCT II	BMO	2013-1	B	1.898	CAD	15	04/26/2013	04/21/2014	AA/--/A2	Credit Card	na	576339AE5
MCCT II	BMO	2013-1	C	2.196	CAD	27	04/26/2013	04/21/2014	BBB/--/Baa2	Credit Card	na	576339AF2
MCCT II	BMO	2013-2	A	1.423	CAD	724	04/26/2013	04/21/2015	AAA/--/--	Credit Card	na	Retained
MCCT II	BMO	2013-2	B	2.284	CAD	15	04/26/2013	04/21/2015	AA/--/A2	Credit Card	na	576339AH8
MCCT II	BMO	2013-2	C	2.581	CAD	27	04/26/2013	04/21/2015	BBB/--/Baa2	Credit Card	na	576339AJ4
MCCT II	BMO	2013-3	A	1m LIBOR + 43 bps	USD	500	07/31/2013	07/21/2016	AAA/--/Aaa	Credit Card	na	576339AK1
MCCT II	BMO	2013-3	B	1.640	USD	11	07/31/2013	07/21/2016	AA/--/A2	Credit Card	na	576339AL9
MCCT II	BMO	2013-3	C	2.280	USD	19	07/31/2013	07/21/2016	BBB/--/Baa2	Credit Card	na	576339AM7
Golden	RBC	2013-2	A	1m LIBOR + 43 bps	USD	600	09/24/2013	09/15/2016	AAA/AAA/Aaa	Credit Card	na	380881BZ4
Golden	RBC	2013-2	B	3.408	CAD	29	09/24/2013	09/15/2016	BBB(high)/--/Baa1	Credit Card	na	380881CB6
Eagle	PC Bank	2013-1	A	2.849	CAD	372	10/07/2013	10/17/2018	AAA/--/Aaa	Credit Card	na	26948ZAG7
Eagle	PC Bank	2013-1	B	3.469	CAD	14	10/07/2013	10/17/2018	A/--/A2	Credit Card	na	26948ZAH5
Eagle	PC Bank	2013-1	C	3.869	CAD	14	10/07/2013	10/17/2018	BBB/--/Aaa2	Credit Card	na	26948ZAJ1
MCCT II	BMO	2013-4	A	2.723	CAD	1,000	11/14/2013	11/21/2018	AAA/--/Aaa	Credit Card	na	57634ZAA4
MCCT II	BMO	2013-4	B	3.223	CAD	21	11/14/2013	11/21/2018	AA/--/A2	Credit Card	na	57634ZAB2
MCCT II	BMO	2013-4	C	3.623	CAD	37	11/14/2013	11/21/2018	BBB/--/Baa2	Credit Card	na	57634ZAC0
Glacier	CTC/C	2013-1	Sr	2.755	CAD	250	11/27/2013	11/20/2018	AAA/AAA/--	Credit Card	na	37638ZAS3
Glacier	CTC/C	2013-1	Sub	3.275	CAD	15	11/27/2013	11/20/2018	A/A/--	Credit Card	na	37638ZAT1
Total 2013 Credit Card ABS Issuance - C$						**5,357**						
Total 2013 Credit Card ABS Issuance - US$						**US 1,629**						

Source: SEDAR, BMO Capital Markets

Table 4: Summary of Auto ABS New Issuance

Issuer	Originator	Series	Tranche	Coupon (%)	Curr.	Amount (C$ mm)	Issue Date	Expected Maturity	Credit Rating (sf) (DBRS/Fitch/S&P/Moody's)	Asset Class	WAL to Call	Cusip
Auto ABS Issuance - 2014												
FAST	Ford Credit	2014-R2	A1	1.353	CAD	224	04/02/2014	09/27/2014	AAA/AAA	Retail Auto Loan	0.49 Y	345213EE8
FAST	Ford Credit	2014-R2	A2	1.593	CAD	247	04/02/2014	01/15/2016	AAA/AAA	Retail Auto Loan	1.79 Y	345213EG3
FAST	Ford Credit	2014-R2	A3	1.972	CAD	129	04/02/2014	07/02/2017	AAA/AAA	Retail Auto Loan	3.25 Y	345213EJ7
FAST	Ford Credit	2014-R2	B	2.409	CAD	19	04/02/2014	06/10/2018	AA(high)/AA+	Retail Auto Loan	4.19 Y	345213EL2
FAST	Ford Credit	2014-R2	C	2.602	CAD	13	04/02/2014	07/16/2018	AA/A+	Retail Auto Loan	4.29 Y	345213EN8
FAST	Ford Credit	2014-R2	D	2.800	CAD	13	04/02/2014	07/16/2018	A/BBB+	Retail Auto Loan	4.29 Y	345213EQ1
Total 2014 Auto ABS Issuance						**644**						
Auto ABS Issuance - 2013												
FAST	Ford Credit	2013-R1	A1	1.485	CAD	194	01/30/2013	07/31/2013	AAA/--/--/Aaa	Retail Auto Loan	0.50 Y	345213DE9
FAST	Ford Credit	2013-R1	A2	1.676	CAD	209	01/30/2013	11/18/2014	AAA/--/--/Aaa	Retail Auto Loan	1.80 Y	345213DG4
FAST	Ford Credit	2013-R1	A3	1.999	CAD	98	01/30/2013	04/15/2016	AAA/--/--/Aaa	Retail Auto Loan	3.21 Y	345213DJ8
FAST	Ford Credit	2013-R1	B	2.523	CAD	16	01/30/2013	01/15/2018	AA/--/--/Aa1	Retail Auto Loan	4.13 Y	345213DL3
FAST	Ford Credit	2013-R1	C	2.772	CAD	11	01/30/2013	05/15/2018	A/--/--/Aa2	Retail Auto Loan	4.51 Y	345213DN9
FAST	Ford Credit	2013-R1	D	3.118	CAD	11	01/30/2013	01/15/2019	BBB/--/--/A1	Retail Auto Loan	5.09 Y	345213DQ2
FAST	Ford Credit	2013-R4	A1	1.487	CAD	271	10/01/2013	04/01/2014	AAA/--/AAA/--	Retail Auto Loan	0.50 Y	345213DS8
FAST	Ford Credit	2013-R4	A2	1.824	CAD	270	10/01/2013	07/20/2015	AAA/--/AAA/--	Retail Auto Loan	1.80 Y	345213DU3
FAST	Ford Credit	2013-R4	A3	2.275	CAD	116	10/01/2013	01/18/2017	AAA/--/AAA/--	Retail Auto Loan	3.30 Y	345213DW9
FAST	Ford Credit	2013-R4	B	2.920	CAD	21	10/01/2013	12/20/2017	AA(high)/--/AA+/--	Retail Auto Loan	4.22 Y	345213DY5
FAST	Ford Credit	2013-R4	C	3.175	CAD	14	10/01/2013	01/14/2018	AA/--/AA/--	Retail Auto Loan	4.29 Y	345213EA6
FAST	Ford Credit	2013-R4	D	3.422	CAD	14	10/01/2013	01/14/2018	A/--/A+/--	Retail Auto Loan	4.29 Y	345213EC2
FFAST	Ford Credit	2013-F1	A	2.063	CAD	400	06/24/2013	06/15/2016	AAA/--/--/Aaa	Dealer Floorplan	3.00 Y	34528TAU2
FFAST	Ford Credit	2013-F1	B	2.383	CAD	18	06/24/2013	06/15/2016	AA/--/--/Aa1	Dealer Floorplan	3.00 Y	34528TAV0
FFAST	Ford Credit	2013-F1	C	2.633	CAD	26	06/24/2013	06/15/2016	A/--/--/Aa2	Dealer Floorplan	3.00 Y	34528TAW8
FFAST	Ford Credit	2013-F1	D	2.833	CAD	16	06/24/2013	06/15/2016	BBB/--/--/A1	Dealer Floorplan	3.00 Y	34528TAX6
Total 2013 Auto ABS Issuance						**1,703**						

Source: SEDAR, BMO Capital Markets

Table 5: Summary of Other ABS New Issuance

Issuer	Originator	Series	Tranche	Coupon (%)	Curr.	Amount (C$ mm)	Issue Date	Expected Maturity	Credit Rating (DBRS/Moody's)	Asset Class	WAL to Call	Cusip
Other ABS Issuance - 2013												
Hollis	Scotiabank	2013-1	A	2.235	CAD	500	10/02/2013	09/26/2016	AAA/Aaa	Line of Credit	na	43562ZAA0
Genesis	TD	2013-1	A	2.295	CAD	1,000	10/04/2013	02/15/2017	AAA/Aaa	Line of Credit	na	37185ZAA9
Total 2013 Other ABS Issuance						**1,500**						

Source: SEDAR, BMO Capital Markets

Table 6: Summary of Credit Card ABS 2014 Remaining Maturities (C$ mm, unless noted otherwise)

Issuer	Seller	Coupon %	Maturity	AAA	Sub	Series	Notes
Gloucester	TD (formerly MBNA Canada)	5.38%	05/15/2014	254	47	2004-1	
Glacier	Canadian Tire	4.41%	05/20/2014	239	14	2006-2	
Master	BMO	1.43%	05/21/2014	724	42	2013-1	*Snr Retained*
CARDS II	CIBC	Floating	07/15/2014	500	52	2012-3	*Retained*
CARDS II	CIBC	Floating	09/15/2014	US 1,000	68	2012-4	
			Total C$ Maturities	**1,716**	**223**		
			Total US$ Maturities	**US 1,000**			

Source: DBRS, BMO Capital Markets, Bloomberg

***Table 7**: Summary of Credit Card ABS 2015 Maturities (C$ mm, unless noted otherwise)*

Issuer	Seller	Coupon %	Maturity	AAA	Sub	Series	Notes
MCCT	BMO	1.42%	04/21/2015	724	42	2013-2	*Snr Retained*
CCCT	NBF	2.31%	04/24/2015	330	22	2012-1:	
Golden	RBC	3.82%	05/15/2015	900	42	2010-1:	
Golden	RBC	Floating	05/15/2015	325	15	2010-2:	
Golden	RBC	Floating	07/15/2015	US 650	31	2012-3:	
CCCT	NBF	3.44%	07/24/2015	550	37	2010-1:	
CARDS II	CIBC	3.10%	09/15/2015	600	47	2010-3:	*Sub Retained*
Golden	RBC	0.79%	09/15/2015	US 700	32	2012-5:	
CCCT	NBF	1.60%	09/24/2015	400	27	2013-1:	
MCCT	BMO	0.78%	10/21/2015	US 750	US 44	2012-2	*Cl. B Retained*
Glacier	CTC/C	3.16%	11/20/2015	250	15	2010-1:	
Eagle	PC	3.47%	12/17/2015	326	25	2010-2:	
			Total C$ Maturities	**4,404**	**334**		
			Total US$ Maturities	**US 2,100**	**US 44**		

Source: DBRS, BMO Capital Markets, Bloomberg

***Table 8**: Summary of Auto ABS Senior Notes Outstanding*

Issuer	Series	Tranche	Outstanding	Coupon	Estimated Expected Repayment	Remaining Average Life
FAST	2010-R1	A-3	$9,052,264	3.836%	May 2, 2014	0.08
	2010-R3	A-3	$65,660,192	2.714%	August 16, 2014	0.37
	2011-R1	A-3	$79,861,449	3.020%	October 13, 2014	0.53
	2011-R3	A-2	$23,155,620	1.960%	May 13, 2014	0.11
		A-3	$119,930,000	2.482%	March 19, 2015	0.96
	2012-R1	A-2	$109,641,869	2.017%	September 25, 2014	0.48
		A-3	$101,900,000	2.347%	November 8, 2015	1.60
	2013-R1	A-2	$203,069,362	1.676%	January 9, 2015	0.77
		A-3	$97,974,000	1.999%	June 14, 2016	2.20
	2013-R4	A-1	$133,307,605	1.487%	July 28, 2014	0.32
		A-2	$269,528,000	1.824%	September 14, 2015	1.45
		A-3	$115,732,000	2.275%	February 13, 2017	2.87
	2014-R2	A-1	$223,636,000	1.353%	September 27, 2014	0.49
		A-2	$247,175,000	1.593%	January 15, 2016	1.79
		A-3	$129,309,000	1.972%	July 2, 2017	3.25
CCARAT II	2011-1	A-3	$124,499,997	3.321%	October 2, 2014	0.50
	2011-2	A-3	$100,108,887	2.773%	December 18, 2014	0.71
	2012-1	A-2	$43,508,341	2.025%	June 29, 2014	0.24
		A-3	$115,140,000	2.384%	June 22, 2015	1.22
		2014 Maturities	**$912,432,225**			

Source: Servicer Reports, Bloomberg
As at March 31, 2014

***Table 9**: Summary of ABS New Issuance Room*

Issuer	Seller	Public ABS (C$ Equivalent mm)			Pool Balance	Minimum Seller's Interest	New Issuance Room
		CAD	USD	Total	31-Jan-14		(C$ mm)
CARDS II Trust	CIBC	3,133	2,002	5,134	9,719	7%	3,949
Golden Credit Card Trust	RBC	2,747	4,413	7,160	7,996	7%	312
Master Credit Card Trust II	BMO	4,932	1,330	6,262	7,083	8%	297
Gloucester Credit Card Trust	TD	300	0	300	1,726	5%	n/a
Glacier Credit Card Trust	Canadian Tire	1,417	0	1,417	3,879	7%	n/a
Canadian Credit Card Trust	NBF	1,365	0	1,365	1,583	7%	115
Eagle Credit Card Trust	Loblaw (PC Bank)	750	0	750	1,972	7%	n/a
Total		**14,644**	**7,745**	**22,388**	**33,958**		**4,672**

Note: n/a - with ABCP and/or private placements
Source: BMO Capital Markets, DBRS, Company Reports

***Table 10**: Performance Data - Canadian Credit Card ABS*

	31-Jan-13	28-Feb-13	31-Mar-13	30-Apr-13	31-May-13	30-Jun-13	31-Jul-13	31-Aug-13	30-Sep-13	31-Oct-13	30-Nov-13	31-Dec-13	31-Jan-14	3-month Average	Previous 3-months	LTM	2013	2012	Change		3-months Avg
																			m/m	y/y	m/m
PAYMENT RATE																					
Broadway	19.90%	17.18%	18.16%	19.74%	20.47%	18.66%	21.64%	19.39%	19.50%	21.07%	18.94%	20.08%	20.50%	19.84%	19.99%	19.61%	19.56%	18.32%	0.42%	0.60%	(0.15%)
Cards II	40.33%	33.99%	36.48%	40.68%	41.24%	37.17%	43.74%	39.29%	38.71%	42.19%	34.50%	38.51%	36.00%	36.34%	40.06%	38.54%	38.90%	39.17%	(2.51%)	(4.33%)	(3.73%)
CCCT	38.52%	32.70%	35.42%	41.69%	42.89%	36.89%	44.99%	38.54%	39.62%	40.86%	37.17%	43.46%	40.58%	40.40%	39.67%	39.57%	39.40%	36.91%	(2.88%)	2.06%	0.73%
Eagle	52.77%	44.75%	48.07%	54.22%	53.94%	47.91%	57.64%	51.12%	50.80%	54.31%	49.05%	58.28%	50.96%	52.76%	52.08%	51.75%	51.91%	51.83%	(7.32%)	(1.81%)	0.69%
Glacier	24.62%	20.38%	21.87%	23.83%	24.40%	22.38%	26.04%	23.12%	23.09%	24.72%	21.87%	24.17%	23.62%	23.22%	23.64%	23.29%	23.37%	24.83%	(0.55%)	(1.00%)	(0.42%)
Gloucester	21.74%	18.06%	18.69%	21.09%	21.00%	18.44%	21.96%	19.94%	19.82%	21.04%	19.48%	20.61%	20.33%	20.14%	20.27%	20.04%	20.16%	20.37%	(0.28%)	(1.41%)	(0.13%)
Golden	45.01%	39.43%	42.08%	47.81%	48.25%	43.73%	50.45%	45.58%	45.67%	47.26%	44.85%	49.91%	46.35%	47.04%	46.17%	45.95%	45.84%	44.25%	(3.56%)	1.34%	0.87%
MCCT	41.38%	35.10%	38.22%	42.69%	44.31%	39.10%	45.13%	42.32%	40.79%	44.23%	41.04%	44.03%	42.41%	42.49%	42.45%	41.61%	41.53%	39.81%	(1.62%)	1.03%	0.05%
PORTFOLIO YIELD																					
Broadway	19.54%	21.66%	17.91%	20.45%	19.67%	20.91%	20.00%	19.98%	20.71%	19.62%	20.77%	19.58%	20.00%	20.12%	20.10%	20.11%	20.07%	18.74%	0.42%	0.46%	0.01%
Cards II	21.78%	24.14%	21.78%	23.10%	22.45%	23.26%	22.11%	22.86%	22.93%	22.47%	22.60%	21.93%	21.50%	22.01%	22.75%	22.59%	22.62%	22.35%	(0.43%)	(0.28%)	(0.74%)
CCCT	22.20%	24.69%	21.59%	23.94%	23.63%	23.39%	23.90%	23.18%	23.73%	22.56%	23.77%	22.35%	22.81%	22.98%	23.16%	23.30%	23.24%	22.81%	0.46%	0.61%	(0.18%)
Eagle	23.75%	26.57%	23.31%	26.56%	25.08%	24.94%	25.33%	25.05%	25.34%	24.47%	25.57%	25.51%	24.25%	25.11%	24.95%	25.17%	25.12%	24.59%	(1.26%)	0.50%	0.16%
Glacier	21.70%	20.84%	19.63%	21.15%	21.01%	20.77%	20.94%	21.03%	21.04%	20.70%	21.07%	20.83%	20.64%	20.85%	20.92%	20.80%	20.89%	21.16%	(0.19%)	(1.06%)	(0.08%)
Gloucester	22.84%	17.96%	19.36%	17.20%	19.83%	17.15%	20.92%	19.14%	15.91%	13.66%	18.69%	19.25%	16.14%	18.03%	16.24%	17.93%	18.49%	18.65%	(3.11%)	(6.70%)	1.79%
Golden	20.16%	19.36%	20.66%	22.61%	22.60%	19.87%	23.04%	21.31%	21.48%	21.98%	21.43%	22.73%	21.03%	21.73%	21.59%	21.51%	21.44%	20.83%	(1.70%)	0.87%	0.14%
MCCT	22.69%	23.32%	22.92%	23.65%	23.22%	22.57%	23.24%	22.94%	23.25%	23.92%	22.66%	23.68%	23.39%	23.24%	23.37%	23.23%	23.17%	22.31%	(0.29%)	0.70%	(0.13%)
NET CHARGE OFFS																					
Broadway	5.85%	6.28%	6.06%	5.58%	6.54%	5.95%	5.18%	5.97%	4.93%	5.09%	4.94%	5.15%	4.48%	4.86%	5.33%	5.51%	5.63%	6.67%	(0.67%)	(1.37%)	(0.47%)
Cards II	3.53%	4.00%	3.73%	3.65%	3.66%	3.88%	3.30%	3.39%	3.21%	3.09%	3.77%	3.41%	4.26%	3.81%	3.23%	3.61%	3.55%	4.13%	0.85%	0.73%	0.58%
CCCT	3.98%	5.47%	4.12%	4.10%	4.09%	4.04%	3.90%	4.03%	3.72%	3.99%	4.41%	4.12%	3.37%	3.97%	3.91%	4.11%	4.16%	4.17%	(0.75%)	(0.61%)	0.05%
Eagle	3.66%	3.96%	3.87%	3.69%	4.21%	3.39%	3.59%	3.67%	3.49%	3.54%	3.70%	3.31%	3.12%	3.38%	3.57%	3.63%	3.67%	4.09%	(0.19%)	(0.54%)	(0.19%)
Glacier	5.47%	5.59%	6.19%	5.88%	5.92%	5.45%	5.47%	5.53%	5.64%	5.51%	5.84%	5.86%	5.51%	5.74%	5.56%	5.70%	5.70%	6.55%	(0.35%)	0.04%	0.18%
Gloucester	4.62%	4.57%	4.46%	3.79%	4.90%	4.61%	3.79%	4.25%	3.44%	2.45%	3.75%	3.94%	3.28%	3.66%	3.38%	3.94%	4.05%	5.17%	(0.66%)	(1.34%)	0.28%
Golden	2.22%	2.41%	2.35%	2.55%	2.42%	2.29%	2.07%	2.09%	2.20%	1.96%	2.19%	1.86%	2.00%	2.02%	2.08%	2.20%	2.22%	2.52%	0.14%	(0.22%)	(0.07%)
MCCT	3.84%	4.17%	3.51%	3.55%	3.43%	3.42%	3.24%	3.45%	3.09%	3.06%	2.83%	2.82%	2.89%	2.85%	3.20%	3.29%	3.37%	3.81%	0.07%	(0.95%)	(0.35%)
EXCESS SPREAD																					
Broadway	5.91%	6.18%	5.74%	5.78%	4.28%	7.32%	7.01%	6.98%	6.51%	5.25%	4.44%	2.13%	1.65%	2.74%	6.25%	5.27%	5.63%	4.66%	(0.48%)	(4.26%)	(3.51%)
Cards II	14.24%	13.90%	13.69%	13.37%	14.52%	14.73%	14.78%	14.95%	14.96%	15.06%	14.51%	14.26%	13.93%	14.23%	14.99%	14.39%	14.41%	13.60%	(0.33%)	(0.31%)	(0.76%)
CCCT	13.57%	13.35%	13.96%	14.68%	15.54%	16.17%	16.46%	16.40%	16.49%	16.02%	16.01%	15.74%	15.78%	15.84%	16.31%	15.55%	15.36%	13.64%	0.04%	2.20%	(0.47%)
Eagle	14.55%	14.44%	14.28%	15.60%	15.93%	15.83%	15.69%	15.42%	15.97%	15.57%	15.42%	16.31%	15.98%	15.90%	15.65%	15.54%	15.42%	14.43%	(0.33%)	1.43%	0.25%
Glacier	14.85%	12.05%	11.48%	11.58%	11.48%	12.16%	12.17%	12.28%	12.30%	12.18%	12.14%	12.06%	11.99%	12.07%	12.25%	11.99%	12.23%	10.47%	(0.07%)	(2.86%)	(0.19%)
Gloucester	12.60%	7.74%	9.53%	11.83%	10.59%	8.34%	12.95%	12.24%	10.29%	11.90%	10.51%	12.39%	11.90%	11.60%	11.48%	10.85%	10.91%	7.82%	(0.49%)	(0.70%)	0.12%
Golden	14.94%	13.61%	14.59%	17.77%	17.99%	15.42%	19.24%	18.15%	16.53%	17.26%	16.48%	18.11%	16.28%	16.96%	17.32%	16.79%	16.67%	15.12%	(1.83%)	1.34%	(0.36%)
MCCT	15.81%	16.11%	16.37%	17.07%	17.16%	16.51%	17.45%	16.94%	17.60%	18.31%	17.22%	18.25%	17.90%	17.79%	17.61%	17.24%	17.07%	14.91%	(0.36%)	2.08%	0.18%
DELINQUENCY																					
Broadway	1.88%	2.92%	2.88%	2.67%	2.48%	2.44%	2.49%	2.34%	2.31%	2.42%	2.41%	2.39%	2.43%	2.41%	2.36%	2.52%	2.47%	2.82%	0.04%	0.55%	0.05%
Cards II	2.30%	2.37%	2.34%	2.06%	1.89%	1.94%	1.93%	1.90%	1.90%	1.97%	2.11%	2.20%	2.23%	2.18%	1.92%	2.07%	2.08%	2.29%	0.03%	(0.07%)	0.26%
CCCT	1.88%	1.84%	1.93%	1.66%	1.40%	1.41%	1.38%	1.33%	1.63%	1.61%	1.59%	1.97%	1.87%	1.81%	1.52%	1.64%	1.64%	1.80%	(0.10%)	(0.01%)	0.29%
Eagle	1.78%	1.81%	1.80%	1.68%	1.56%	1.59%	1.60%	1.62%	1.65%	1.68%	1.65%	1.63%	1.81%	1.70%	1.65%	1.67%	1.67%	1.80%	0.18%	0.03%	0.05%
Glacier	3.01%	3.09%	2.98%	2.81%	2.61%	2.67%	2.61%	2.77%	2.80%	2.82%	2.85%	2.81%	3.01%	2.89%	2.80%	2.82%	2.82%	3.37%	0.20%	0.00%	0.09%
Gloucester	3.14%	3.21%	3.14%	2.92%	2.71%	2.62%	2.60%	2.67%	2.78%	2.73%	2.66%	2.79%	2.71%	2.72%	2.73%	2.80%	2.83%	3.46%	(0.08%)	(0.43%)	(0.01%)
Golden	2.38%	2.40%	2.33%	2.04%	1.77%	1.84%	1.79%	1.91%	1.94%	1.94%	2.00%	2.13%	2.29%	2.14%	1.93%	2.03%	2.04%	2.08%	0.16%	(0.09%)	0.21%
MCCT	3.46%	3.57%	3.57%	3.22%	2.79%	2.92%	2.91%	2.95%	3.14%	3.06%	2.96%	3.11%	3.23%	3.10%	3.05%	3.12%	3.14%	3.08%	0.12%	(0.23%)	0.05%
POOL BALANCE																					
Broadway	$1,124	$1,101	$1,074	$1,060	$1,043	$1,031	$1,012	$1,001	$990	$967	$961	$963	$934	$952	$986	$1,011	$1,027	$1,274	(2.97%)	(16.92%)	(3.44%)
Cards II	$12,994	$12,982	$12,865	$13,033	$13,152	$13,259	$13,063	$13,168	$13,352	$13,052	$9,939	$10,041	$9,719	$9,900	$13,191	$12,302	$12,575	$13,428	(3.21%)	(25.21%)	(24.95%)
CCCT	$1,581	$1,591	$1,584	$1,591	$1,609	$1,630	$1,609	$1,634	$1,619	$1,606	$1,657	$1,667	$1,583	$1,636	$1,620	$1,615	$1,615	$1,575	(5.03%)	0.17%	1.02%
Eagle	$1,807	$1,805	$1,793	$1,815	$1,844	$1,875	$1,841	$1,876	$1,889	$1,813	$1,855	$2,103	$1,972	$1,977	$1,860	$1,873	$1,860	$1,873	(6.22%)	9.18%	6.30%
Glacier	$3,920	$3,899	$3,898	$3,898	$3,955	$3,971	$3,950	$3,964	$3,960	$3,894	$3,936	$4,009	$3,879	$3,941	$3,939	$3,934	$3,938	$3,926	(3.25%)	(1.06%)	0.04%
Gloucester	$1,797	$1,784	$1,798	$1,775	$1,778	$1,801	$1,771	$1,772	$1,752	$1,748	$1,756	$1,762	$1,726	$1,748	$1,757	$1,769	$1,775	$1,973	(2.04%)	(3.95%)	(0.53%)
Golden	$8,300	$8,223	$8,129	$8,225	$8,296	$8,322	$8,255	$8,314	$8,336	$8,240	$8,279	$8,428	$7,996	$8,234	$8,297	$8,254	$8,279	$7,400	(5.13%)	(3.66%)	(0.75%)
MCCT	$6,912	$6,865	$6,757	$6,897	$7,090	$7,154	$7,031	$7,221	$7,190	$7,073	$7,291	$7,369	$7,083	$7,248	$7,161	$7,085	$7,071	$7,159	(3.87%)	2.47%	1.21%

Source: Issuer reports, DBRS

***Table 11**: Pre-payment Rate (1 month ABS) By Vintage (CCARAT II) Schedule*

Months:	6	12	18	24	28-Feb-14	Period
2011-1	0.45	0.75	1.24	1.01	1.14	37
2011-2	0.89	1.03	1.13	1.35	1.17	33
2012-1	0.88	0.87	1.29	1.09	1.19	27

Source: Servicer Report

***Table 12**: Cumulative Net Loss Rate By Vintage (CCARAT II) Schedule*

Months:	6	12	18	24	28-Feb-14	Period
2011-1	0.042%	0.109%	0.203%	0.290%	0.389%	37
2011-2	0.055%	0.099%	0.166%	0.190%	0.224%	33
2012-1	0.077%	0.147%	0.237%	0.314%	0.400%	27

Source: Servicer Report

***Table 13**: Pre-payment Rate (1 month ABS) By Vintage (FASTR) Schedule*

Months:	6	12	18	24	28-Feb-14	Period
2010-R1	0.93	0.76	1.02	1.10	1.14	50
2010-R3	0.60	1.17	0.94	1.17	0.97	42
2011-R1	0.72	0.98	1.41	1.21	1.12	37
2011-R3	0.82	1.08	0.93	1.36	1.17	30
2012-R1	1.40	1.51	1.40	NA	1.17	22
2013-R1	0.82	1.12	NA	NA	1.09	14
2013-R4	1.16	NA	NA	NA	1.16	6

Source: Servicer Report

***Table 13**: Cumulative Net Loss Rate By Vintage (FAST) Schedule*

Months:	6	12	18	24	28-Feb-14	Period
2010-R1	0.066%	0.237%	0.381%	0.468%	0.737%	50
2010-R3	0.065%	0.176%	0.304%	0.412%	0.601%	42
2011-R1	0.057%	0.196%	0.323%	0.494%	0.669%	37
2011-R3	0.062%	0.188%	0.366%	0.540%	0.637%	30
2012-R1	0.039%	0.200%	0.370%	NA	0.441%	22
2013-R1	0.050%	0.184%	NA	NA	0.238%	14
2013-R4	0.047%	NA	NA	NA	0.047%	6

Source: Servicer Report

Pipelines – April 2014

Sector Rating: Market Perform

Relative Value

5-Year: Market Perform
10-Year: Market Perform
30-Year: Market Perform

Spread View – During Q1/14, the Pipeline sector outperformed from a broad perspective as a result of a 26 bps tightening in long Canada's given the naturally long duration of the sector. The FTSE TMX Canada Universe Corporate Bond Index narrowed by 9 bps (2.95% total return), with the short, mid and long buckets moving in by 9 bps (1.39%), 14 bps (3.85%), and 9 bps (6.06%), respectively. By comparison, Energy – Pipelines narrowed by 6 bps (3.87%) from a broad perspective, moving in by 4 bps (1.34%) in the short bucket, 5 bps (3.69%) in mids, and 7 bps (5.70%) in longs. We are maintaining our Market Perform rating for the sector given the positive market signals for energy infrastructure as a result of commodity price dislocations. Underpinning these development initiatives is an overwhelming demand from producers for flexible energy transportation capacity, as evidenced by the current commercially secured project backlog, which is quickly approaching $100 billion and showing no signs of slowing down in 2014. In addition, we expect continued development with respect to LNG export initiatives in British Columbia and the corresponding pipeline/processing/power infrastructure required.

Credit Curve – During the year, the Pipeline 2s-5s curve flattened by 1 bp to 21 bps, the 5s-10s curve steepened by 1 bp to 36 bps, and the 10s-30s curve flattened by 9 bps to 32 bps. In light of the relative steepness, we see better value in the middle part of the curve.

Sector Value – We highlight the relative value opportunities available in owning the midstream/energy infrastructure issuers. 2013 was a pivotal year for the midstream entities in our coverage universe given the significant progress made with respect to de-risking development portfolios and securing commercial arrangements for additional infrastructure projects. At the heart of these initiatives is the focus on fee-for-service and cost-of-service cash flows, which bodes well for long-term industry fundamentals.

Recommendation

Top Picks – We believe **Enbridge Inc**. bonds look inexpensive relative to TransCanada, especially in the belly of the curve. In the midstream space our top pick is **Inter Pipeline Ltd**. We believe the company warrants a premium valuation relative to its peers given its business mix, underpinned by its cost-of-service oil sands transportation segment.

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Risks

External – Development of pipeline infrastructure is dependent upon government and aboriginal support, the long-term attractiveness of oil and natural gas prices and economic viability of resource plays.

M&A – We are not concerned with M&A risk (large-sized transactions) over the short term given the sheer size of the sector's organic growth initiatives.

Regulatory – The increasing use of negotiated settlements has reduced regulatory risk; however, permitting for large-scale pipelines has become a more arduous process.

Trading Liquidity – We believe the Pipeline sector exhibits average trading liquidity in the Canadian bond market. Enbridge Pipelines, Enbridge Inc. and TransCanada Pipelines provide the greatest liquidity.

New Issuance – During 2014, we estimate Canadian dollar issuance in the Pipeline sector will be approximately $5.6 billion vs. $2.7 billion of issuance in 2013.

Other – In order to achieve targeted growth rates, Pipeline issuers must deliver projects on time and on budget. Moreover, they must effectively mitigate cost pressures and continue to plan and solicit customer interest in new oil pipeline and natural gas processing and transmission opportunities.

Credit Profile

Sector Financials – As large-scale projects come on line, the Pipeline sector is on track to improve its key financial metrics, which should remain supportive of credit ratings.

Sector Fundamentals – Demand for pipeline and energy infrastructure continues to reach peak levels, especially for NGL infrastructure and crude oil transportation assets.

Credit Ratings – There were no rating changes in the pipeline sector in Q1/14.

Viewpoint

Over the past quarter, the Pipeline sector outperformed from a broad perspective as a result of a 26 bps tightening in long Canada's given the naturally long duration of the sector. During Q1/14, the FTSE TMX Canada Universe Corporate Bond Index narrowed by 9 bps (2.95% total return), with the short, mid and long buckets moving in by 9 bps (1.39%), 14 bps (3.85%), and 9 bps (6.06%), respectively. By comparison, Energy – Pipelines narrowed by 6 bps (3.87%) from a broad perspective, moving in by 4 bps (1.34%) in the short bucket, 5 bps (3.69%) in mids, and 7 bps (5.70%) in longs.

We are maintaining our Market Perform rating for the sector given the positive market signals for energy infrastructure as a result of commodity price dislocations. Underpinning these development initiatives is an overwhelming demand from producers for flexible energy transportation capacity, as evidenced by the current commercially secured project backlog, which is quickly approaching $100 billion and showing no signs of slowing down in 2014. In addition, we expect continued development with respect to LNG export initiatives in British Columbia and the corresponding pipeline/processing/power infrastructure required.

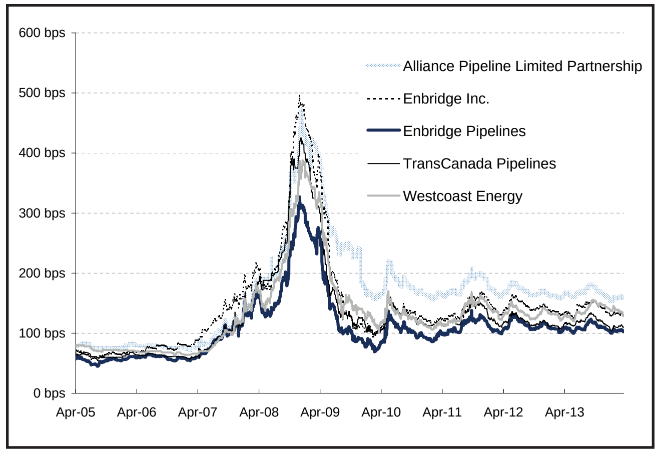
While we believe total returns for large Pipeline issuers could be hindered by a heavy issuance calendar in 2014 coupled with a rising interest rate environment, we highlight the relative value opportunities available in owning the midstream/energy infrastructure issuers. 2013 was a pivotal year for the midstream entities in our coverage universe given the significant progress made with respect to de-risking development portfolios and securing commercial arrangements for additional infrastructure projects. At the heart of these initiatives is the focus on fee-for-service and cost-of-service cash flows, which bodes well for long-term industry fundamentals.

Top Picks: From a relative value perspective, we believe **Enbridge Inc**. bonds look inexpensive relative to TransCanada, especially in the belly of the curve. In our view, Enbridge remains well positioned to build the pipeline infrastructure required to address ongoing crude oil transportation constraints and price differentials in North America. In addition, we take notice of the ongoing capital program, which will increase investments held at the Enbridge Inc. level.

Enbridge Pipelines is our top fundamental investment recommendation among the large Canadian Pipeline issuers due to the combination of strong cash flow generation, solid management team, and manageable financing needs in 2014.

In the midstream/energy infrastructure space our top pick is **Inter Pipeline Ltd**. We believe the company warrants a premium valuation relative to Pembina and AltaGas due to its business mix, underpinned by its cost-of-service oil sands transportation segment. For context, Inter Pipeline has recently traded

Chart 1: *10-Year Indicative Pipeline Spreads*



Source: BMO Capital Markets

as much as 20 bps through Pembina in the middle part of the credit curve vs. 9 bps currently.

Historically, we have recommended investors own other midstream/energy infrastructure issuers (AltaGas, Inter Pipeline, Pembina) over **Westcoast Energy**; however, we take notice of the substantial narrowing of Westcoast's premium valuation relative to peers. For example, on an indicative basis, Westcoast 10s now trade 3-20 bps through AltaGas, Inter Pipeline and Pembina, compared to 25-45 bps in early 2013.

We recommend holding a Market Weight position in **Enbridge Income Fund** bonds; however, we highlight the name as a great "higher beta" option amongst the midstream/energy infrastructure issuers. Going forward, we expect the fund to continue to diversify and grow, removing reliance on any particular assets (i.e., Alliance Pipeline). A majority of these growth opportunities will likely come from Enbridge Inc., which remains a majority owner and strong sponsor of the fund. In the event another drop-down transaction is completed in the near term (of similar size to years past), incremental debt issuance will be required. This will likely increase outstanding debt to approximately $2 billion, which should bode well for liquidity.

Key Themes

New Issuance – Enbridge Inc. was the only active domestic pipeline issuer during Q1/14, successfully issuing $1.53 billion of fixed and floating rate notes. Of note, Pembina wasted little time coming to the market in Q2/14 via its $600 million unsecured 30-year offering in early April. For 2014, we estimate the pipeline sector will issue approximately $5.6 billion (Table 2). The companies with the largest undertakings remaining in 2014 include TransCanada Pipelines, Inter Pipeline Ltd. and Enbridge Pipelines Inc. We estimate these entities will issue approximately $2.55 billion in public debt in 2014 (or approximately 63% of the $4.1 billion of total expected remaining issuance in the year – $3.5 billion if you include Pembina's recent $600 million 30-year notes). Our issuance expectations do not account for additional drop-down activities (and corresponding issuance) at Enbridge Income Fund, which we believe are highly probable.

Cash Flow Growth – The need for incremental pipeline infrastructure required to expand the geographical and pricing scope of Canada's vast natural resources bodes well for the Pipeline issuers in our coverage universe. All of the Pipeline issuers we cover – Alliance Pipeline, Enbridge Pipelines, Enbridge Inc., and TransCanada Pipelines appear well positioned to benefit from this need for further infrastructure. In addition, we believe the midstream/energy infrastructure issuers in our coverage universe, including AltaGas, Enbridge Income Fund, Inter Pipeline, Pembina, and Westcoast are well suited to provide regional support for oil sands, power generation, natural gas processing and LNG export initiatives.

Curve Steepness – During the year, the Pipeline 2s-5s curve flattened by 1 bp to 21 bps, the 5s-10s curve steepened by 1 bp to 36 bps, and the 10s-30s curve flattened by 9 bps to 32 bps. In light of the relative steepness, we see better value in the middle part of the curve.

Credit Ratings – There were no rating changes in Q1/14 in the pipeline sector.

Table 3 sets out the credit ratings for the Pipeline corporate credit universe.

Table 1: *Pipeline New Issuance Q1 2014*

Issuer	Size (C$ mm)	Issue Date	Coupon
Enbridge Inc.	$500	11-Mar-2014	3M BA + 45
Enbridge Inc.	$400	11-Mar-2014	3.160%
Enbridge Inc.	$500	11-Mar-2014	4.570%
Enbridge Inc.	$130	28-Mar-2014	4.560%
Total Issuance	**$1,530**		

Note: Includes all investment grade Pipeline issuance with settlement dates in Q1/14, excluding Maples
Source: BMO Capital Markets

Table 2: *Pipeline New Issuance - 2014E*

Issuer	Maturities ($mm)	Capex Funding ($mm)	2014 Expected Issuance ($mm)	YTD 2014 Issuance ($mm)	2014E Remaining Issuance ($mm)
Alliance Pipeline LP	$0.0	$0.0	$0.0	$0.0	$0.0
Enbridge Inc.	$0.0	$1,530.0	$1,530.0	$1,530.0	$0.0
Enbridge Income Fund	$290.0	$10.0	$300.0	$0.0	$300.0
Enbridge Pipelines Inc.	$0.0	$550.0	$550.0	$0.0	$550.0
Inter Pipeline Ltd.	$288.6	$711.4	$1,000.0	$0.0	$1,000.0
Inter Pipeline (Corridor) Inc.	$0.0	$0.0	$0.0	$0.0	$0.0
Maritimes & Northeast Pipeline	$0.0	$0.0	$0.0	$0.0	$0.0
Pembina Pipeline Corp.(1)	$175.0	$425.0	$600.0	$0.0	$600.0
TransCanada Pipelines	$875.0	$125.0	$1,000.0	$0.0	$1,000.0
TransQuebec and Maritimes Pipeline	$75.0	$0.0	$75.0	$0.0	$75.0
Veresen Inc.	$200.0	$0.0	$200.0	$0.0	$200.0
Westcoast Energy	$0.0	$350.0	$350.0	$0.0	$350.0
Total	**$1,903.6**	**$3,701.4**	**$5,605.0**	**$1,530.0**	**$4,075.0**

Source: BMO Capital Markets, Company Reports

Table 3: *Corporate Credit Ratings – Pipelines*

Senior Unsecured Credit Ratings - Pipelines Universe						
	DBRS		S&P		Moody's	
Issuer	Rating	Outlook	Rating	Outlook	Rating	Outlook
Alliance Pipeline Limited Partnership[1]	AL	Stable	BBB+	Stable	A3	Stable
Enbridge Inc.	AL	Stable	A-	Stable	Baa1	Stable
Enbridge Income Fund	BBBH	Stable	nr		Baa2	Stable
Enbridge Pipelines Inc.	A	Stable	A-	Stable	nr	
Inter Pipeline (Corridor) Inc.	A	Stable	A	Stable	A2	Stable
Inter Pipeline Ltd.	BBBH	Stable	BBB+	Stable	nr	
Maritimes & Northeast Pipeline L.P.[1]	A	Stable	A	Stable	A2	Stable
NOVA Gas Transmission Ltd.	AL	Stable	A-	Stable	A3	Stable
Pembina Pipeline Corp.	BBB	Stable	BBB	Stable	nr	
Trans Quebec & Maritime Pipeline Inc.	AL	Stable	BBB+	Stable	nr	
TransCanada PipeLines Ltd.	AL	Stable	A-	Stable	A3	Stable
Westcoast Energy Inc.	AL	Stable	BBB	Stable	nr	
Veresen Inc.	BBBH	Stable	BBB	Stable	nr	

As at March 31, 2014
Note: (1) Senior Secured
Source: DBRS, Standard and Poor's and Moody's

***Table 4**: Indicative Spread Changes*

	5 Yr. Indicative Spreads			10 Yr. Indicative Spreads			30 Yr. Indicative Spreads		
	Spread as of 31-Mar-14	*Absolute Change Q1/14*	*Percentage Change Q1/14*	*Spread as of 31-Mar-14*	*Absolute Change Q1/14*	*Percentage Change Q1/14*	*Spread as of 31-Mar-14*	*Absolute Change Q1/14*	*Percentage Change Q1/14*
Alliance Pipeline Limited Partnership	126	-5	-3%	158	-1	-1%	-	NA	NA
Enbridge Inc.	92	-7	-7%	130	-3	-2%	154	-11	-6%
Enbridge Income Fund	117	3	2%	155	-6	-4%	-	NA	NA
Enbridge Pipelines	67	-5	-6%	103	-1	-1%	130	-4	-3%
Inter Pipeline Ltd.	99	-8	-7%	132	-12	-8%	170	-19	-10%
Pembina Pipeline	103	-8	-7%	141	-8	-5%	177	-12	-6%
TransCanada Pipelines	74	-7	-8%	110	-1	-1%	142	-3	-2%
Westcoast Energy Inc.	100	-12	-10%	129	-12	-9%	157	-9	-5%
Pipelines Average	103	-7	-6%	141	-5	-4%	155	-9	-6%

As at March 31, 2014
Source: BMO Capital Markets

***Table 5**: Pipeline Credit Curve*

	2's - 5's Curve					5's - 10's Curve					10's - 30's Curve				
				Historical Thresholds					*Historical Thresholds*					*Historical Thresholds*	
	31-Mar-14	*31-Dec-13*	*31-Dec-12*	*Narrow*	*Wide*	*31-Mar-14*	*31-Dec-13*	*31-Dec-12*	*Narrow*	*Wide*	*31-Mar-14*	*31-Dec-13*	*31-Dec-12*	*Narrow*	*Wide*
Alliance Pipeline	20	16	26	11	30	33	29	33	22	45	32	33	38	32	61
Enbridge Inc.	21	27	29	11	34	39	35	43	25	43	24	31	35	30	65
Enbridge Income Fund	21	23	42	14	47	39	47	55	31	63	40	98	153	34	114
Enbridge Pipelines	16	20	32	9	33	37	33	40	17	37	27	29	30	18	44
Inter Pipeline Fund	18	18	32	19	38	34	38	50	24	48	38	44	45	34	54
Pembina Pipeline	18	19	26	19	43	39	39	36	26	40	36	39	67	35	72
TransCanada Pipelines	18	16	26	9	30	37	31	33	22	47	32	33	38	32	61
Westcoast Energy Inc.	36	38	21	10	32	30	30	42	20	38	28	24	30	21	57
Group Average	**21**	**22**	**29**	**13**	**36**	**36**	**35**	**42**	**23**	**45**	**32**	**41**	**54**	**29**	**66**

* Thresholds are based on the historical 10th (low) and 90th (high) percentile of weekly spreads.
Source: BMO Capital Markets
As at March 31, 2014

Gas & Electric Utilities – April 2014

Sector Rating: Underperform

Relative Value

5-Year: Underperform
10-Year: Underperform
30-Year: Underperform

Spread View – During Q1/14, performance in the Utility sector bested the FTSE TMX Canada Universe Corporate Bond Index, driven by the 26 bps tightening in long Canada's. Despite being on the wrong side of the call this quarter, our Underperform stance remains intact. The basis for our Underperform rating is twofold: (1) in a rising interest rate environment (even moderately) it will be very difficult for the total return of the utility sector to match the broader market given the sector's naturally long duration; and (2) we do not believe Utility spreads will tighten more than the broad market index, especially given long Utility spreads are beginning to break through their recent trading floor. Fundamentally, we remain optimistic on the sector given our expectation for improving ROEs over the medium term, supportive regulatory mechanisms during periods of above-average capex and a continued need for gas and electricity infrastructure development across the country.

Credit Curve – During the first quarter, the Utility 2s-5s credit curve flattened by 2 bps to 22 bps, the 5s-10s curve flattened by 2 bps to 36 bps, and the 10s-30s curve flattened by 1 bp to 32 bps (Table 5). In light of the relative steepness, we see better value in the middle part of the credit curve.

Sector Value – Using 30-year Hydro One spreads as a proxy, at 129 bps, long utilities are trading through the recent 130-150 bps trading range. We believe spreads will remain tight in Q2/14 given our expectation for minimal supply in the quarter; however, levels will likely widen slightly in H2/14 in conjunction with increased primary supply. We continue to favour liquid names that possess strong rate base growth, good cash flow visibility and favourable regulatory regimes.

Recommendation

Top Picks – **Hydro One** and **AltaLink, L.P.** remain our top picks in the Electric Utility corporate credit universe. In the Gas Utility space, our preferred issuer is **Enbridge Gas Distribution**.

Risks

External – Cost-of-service and performance-based regulation mitigates many external risks such as commodity price volatility and interest rate movements.

M&A – Save SNC's potential sale of AltaLink, we do not expect any material M&A activity in the near term. However, we believe utility and power companies are likely to complete "tuck-in" acquisitions in the U.S. given premium valuations in Canada.

Regulatory – We believe there will continue to be a productive regulatory environment in Canada for Utilities, including attractive ROEs and deemed equity thickness as well as the allowance for construction work-in-progress in rate base in selective jurisdictions.

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Trading Liquidity – The Utility sector exhibits average trading liquidity in the Canadian bond market. Enbridge Gas Distribution and Hydro One provide the greatest liquidity.

New Issuance – For 2014, we estimate the Utility sector will issue approximately $6.5 billion. In terms of timing, we expect regulated utility issuance levels will be stronger in H2/14, which should bode well for spread performance in the first half of the year given the expected lack of supply.

Credit Profile

Sector Financials – Elevated capex and financing needs will continue to pressure the sector's financial position in 2014; however, as we are nearing the peak of the current capital cycle, short-term balance sheet pressure should lead to future earnings and cash flow growth.

Sector Fundamentals – Ongoing rate base growth momentum in the context of a productive regulatory environment will have a positive long-term impact on credit fundamentals.

Credit Ratings – There were a number of rating actions during Q1/14: (1) S&P revised its outlook on A- rated AltaLink L.P. and AltaLink Investments L.P to Stable from Negative; (2) Moody's revised its outlook on TransAlta Corp. to Negative from Stable; (3) DBRS revised its outlook on FortisAlberta to Positive from Stable; and (4) S&P revised its outlook on Brookfield Renewable to Positive from Stable. We expect a number of outstanding rating actions to be resolved in 2014, including those affecting the Emera and Fortis-related entities.

Viewpoint

During Q1/14, Utilities outperformed from a broad perspective despite slightly underperforming in the short, mid and long buckets, reflecting the above-average duration of the sector. Within the FTSE TMX Canada Universe Corporate Bond Index, Broad Energy – Distribution generated a total return of 4.92%, which is above the 2.95% Broad All Corporates total return. More specifically, the short bucket return was 1.31% compared to the Short All Corporates return of 1.39%, mid-dated Energy - Distribution paper generated a return of 3.56% vs. 3.85% for Mid All Corporates, while longs came in at 5.97% vs. 6.06% for Long All Corporates.

Infrastructure – Utility generated a broad total return of 4.83%, which was above the Broad All Corporates total return of 2.95%. In the short bucket, Infrastructure – Utility generated a total return of 1.53%, above the Short All Corporates return of 1.39%. In the middle of the curve, Infrastructure – Utility generated a total return of 3.83% vs. 3.85% for the Mid All Corporates, while longs came in at 6.15% vs. 6.06% for the Long All Corporates.

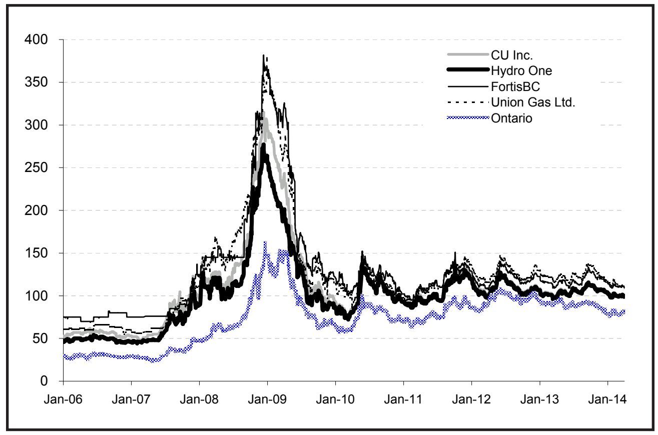
Energy – Generation outperformed from a broad perspective (4.40% vs. 2.95%). We note the outperformance from a total return perspective in the short (1.95% vs. 1.39% for the Short All Corporates) and middle (4.42% vs. 3.85% for the Mid All Corporates) and the underperformance in longs (5.32% vs. 6.06% for the Long All Corporates).

Broadly speaking, we are expecting continued strong results from the Canadian Utilities, largely driven by rate base additions due to the large capital expenditure programs currently in place (i.e., Hydro One, AltaLink and CU Inc.).

Recommendations: During Q1/14, performance in the Utility sector bested the FTSE TMX Canada Universe Corporate Bond Index, driven by the 26 bps tightening in long Canada's. Despite being on the wrong side of the call this quarter, our Underperform stance remains intact. The basis for our Underperform rating is twofold: (1) in a rising interest rate environment (even moderately) it will be very difficult for the total return of the Utility sector to match the broader market given the sector's naturally long duration; and (2) we do not believe Utility spreads will tighten more than the broad market index, especially given long Utility spreads are beginning to break through their recent trading floor. We stress that our Underperform recommendation is interest-rate-driven, as we remain optimistic on industry fundamentals. Underpinning this optimism is our expectation for improving ROEs over the medium term, supportive regulatory mechanisms during periods of above-average capex and a continued need for gas and electricity infrastructure development across the country.

Hydro One is our top pick fundamentally among the large Utility issuers. Looking ahead, we believe the company is well positioned to benefit from rate base growth as the Province of Ontario works to rebuild its aging infrastructure and to integrate renewable energy projects into the grid. While it is logical to expect Hydro One

Chart 1: *10-Year Indicative Utility Spreads*



Source: BMO Capital Markets

bonds to face relative weakness on the back of significant financing needs over the next few years, we believe the bonds should trade at a premium to its peer group given Hydro One's strong cash flow outlook, forecasted rate base growth, stable regulatory environment and above-average trading liquidity.

In the Gas Utility space, our preferred issuer is **Enbridge Gas Distribution** given the company's enviable franchise area, growth rate, liquidity and strong financial metrics. While Union Gas bonds appear to have an attractive valuation relative to Enbridge Gas Distribution, we believe technicals will continue to trump fundamentals in 2014. Our thesis is that Enbridge Gas Distribution bonds will continue to trade at a premium valuation given manageable supply expectations coupled with the myriad "BBB" options available at wider spread levels (relative to BBB+ rated Union Gas) that investors with credit rating constraints have to choose from.

We recommend an Overweight position in **AltaLink, L.P.** bonds and take notice of the current slate of electric transmission opportunities in Alberta, a regulatory environment that we continue to admire. Our thesis remains that the emergence of cash flows once projects are completed will begin to complement a regulated asset base over the next few years. In addition, for investors comfortable with the inherent risks of owning utility holdco paper, we highlight the likely scarcity value of owning **AltaLink Investments, L.P.** (AILP) given the reduced need for AILP issuance going forward (other than maturities), as AltaLink's capex needs are expected to decline significantly in 2015 and beyond.

We recommend holding a Market Weight position in **EPCOR Utilities Inc.** While we suspect S&P's Positive outlook will ultimately result in a rating upgrade to A-, we believe this is already priced in given the significant spread compression. EPCOR bonds are currently trading 9-10 bps wider across the curve relative to Hydro One, versus 34-37 bps wider at the beginning of 2013.

Following a detailed overview of the company's near-term outlook, we have revised our outlook on **TransAlta** bonds with a maturity date no later than 2020 to Market Perform from Underperform. We are maintaining our cautious outlook on the longer-dated bonds given the uncertainty surrounding replacement growth initiatives coupled with the credit rating implications of a changing business risk profile as contracted capacity declines.

We have an Underweight recommendation on the debt securities of Nova Scotia Power. Our recommendation is based upon our view of more near-term headwinds than tailwinds leading up to the resolution of S&P's current Negative outlook on the company's BBB+ rating. We expect the outlook to be resolved following the closing of the Maritime Link project financing.

Key Themes

Debt Issuance – Domestic Utility fixed and floating rate new issuance during Q1/14 totalled $675 million (Table 1), representing 3.3% of the $20.5 billion total corporate debt new issuance in the quarter. For 2014, we estimate the Utility sector will issue approximately $6.5 billion. The companies we expect to undertake the greatest issuance include Hydro One, AltaLink L.P. and CU Inc. In aggregate, we estimate these companies will issue approximately $3.0 billion of public debt in 2014 (or 46% of total 2014E Utility issuance). We note that our estimates exclude one-off bond project financings for power generation facilities (save Lower Mattagami Energy LP), for which $450 million of bonds have been issued year to date.

In terms of timing, we expect issuance levels will be stronger in H2/14 (similar to how things unfolded in 2013), which should bode well for spread performance in the first half of the year given the expected lack of supply. Of note, Hydro One was the only "pure play" Utility issuer to date, having completed two "niche" offerings: (1) a 50-year, $50 million offering in January; and (2) a $125 million, 5-year FRN in March. While we would never rule out the possibility of opportunistic financings, issuers finished off 2013 with minimal amounts drawn on credit facilities and, at times, healthy cash levels. However, as the year unfolds and the ongoing "above average" capital programs progress, we expect material issuance, especially from the regulated names.

***Table 1**: Utility New Issuance (2014)*

Issuer	Size (C$ mm)	Issue Date	Coupon	Maturity
AltaGas Ltd.	$100	13-Jan-2014	5.160%	13-Jan-2044
AltaGas Ltd.	$200	13-Jan-2014	4.400%	15-Mar-2024
Algonquin Power Co.	$200	17-Jan-2014	4.650%	15-Feb-2022
Hydro One Inc.	$50	29-Jan-2014	4.293%	29-Jan-2064
Hydro One Inc.	$125	21-Mar-2014	3M BA + 35	21-Mar-2019
Total Issuance	**$675**			

Note: Includes all fixed rate investment grade utility sector issuance with settlement date in Q1 2014, excluding Maples
Source: BMO Capital Markets

***Table 2**: 2014E Issuance*

Issuer	Maturities ($mm)	Capex Funding ($mm)	Adj. ($mm)	2014 Expected Issuance ($mm)	YTD 2014 Issuance ($mm)	2014E Remaining Issuance ($mm)
Algonquin Power	$0.0	$200.0	$0.0	$200.0	$200.0	$0.0
AltaGas Ltd.	$200.0	$100.0	$0.0	$300.0	$300.0	$0.0
AltaLink Investments, L.P.	$0.0	$200.0	$0.0	$200.0	$0.0	$200.0
AltaLink L.P.	$0.0	$1,000.0	$0.0	$1,000.0	$0.0	$1,000.0
BRP Finance ULC	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Canadian Utilities Ltd.	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Capital Power L.P.	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
CU Inc.	$100.0	$900.0	$0.0	$1,000.0	$0.0	$1,000.0
Emera Inc.	$250.0	$0.0	$0.0	$250.0	$0.0	$250.0
Enbridge Gas Distribution	$400.0	$0.0	$0.0	$400.0	$0.0	$400.0
ENMAX Corp.	$0.0	$0.0	$250.0	$250.0	$0.0	$250.0
EPCOR Utilities	$0.0	$200.0	$0.0	$200.0	$0.0	$200.0
FortisAlberta	$200.0	$125.0	$0.0	$325.0	$0.0	$325.0
FortisBC	$140.0	$60.0	$0.0	$200.0	$0.0	$200.0
FortisBC Energy Inc.	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Fortis Inc.	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Gaz Metro Inc.	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Hydro One Inc.	$750.0	$250.0	$0.0	$1,000.0	$175.0	$825.0
Hydro Ottawa Holding Inc.	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Lower Mattagami	$0.0	$450.0	$0.0	$450.0	$0.0	$450.0
Newfoundland Power	$29.4	$0.0	($29.4)	($0.0)	$0.0	$0.0
Nova Scotia Power	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
PowerStream	$0.0	$150.0	$0.0	$150.0	$0.0	$150.0
Toronto Hydro	$0.0	$300.0	$0.0	$300.0	$0.0	$300.0
TransAlta Corp.	$200.0	$0.0	($200.0)	$0.0	$0.0	$0.0
Union Gas	$150.0	$100.0	$0.0	$250.0	$0.0	$250.0
Windsor Canada Utilities Ltd.	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total	**$2,419.4**	**$4,035.0**	**$20.6**	**$6,475.0**	**$675.0**	**$5,800.0**

Source: BMO Capital Markets, Company Reports

Recent Regulatory Developments –

- The Alberta Utilities Commission (AUC) is expected to commence an oral hearing on May 26, 2014, for the 2013 and 2014 Generic Cost of Capital proceeding, which will include a full review of capital structure and return on equity (currently set at 8.75%).
- On March 25, 2014, the British Columbia Utilities Commission (BCUC) issued a decision on Stage 2 of its Generic Cost of Capital proceeding. Stage 1 established the allowed ROE and capital structure for FortisBC Energy at 8.75% and 38.5%, respectively, effective January 1, 2013, to December 31, 2015. Stage 2 effectively establishes cost of capital and deemed equity for:
  - FortisBC Electric – capital structure of 40% and an equity risk premium of 40 bps for an ROE of 9.15%;
  - Fortis BC (Vancouver Island) – capital structure of 41.5% and an equity risk premium of 50 bps for an ROE of 9.25%; and,
  - FortisBC Energy (Whistler) – capital structure of 41.5% and an equity risk premium of 75 bps for an ROE of 9.50%.
- On March 6, 2014, Emera announced that it had finalized the Federal Loan Guarantee for the $1.5 billion Maritime Link Project (subsea cable between Newfoundland and Nova Scotia). The company expects to put the project financing in place (up to $1.3 billion) during Q2/14.
- On February 27, 2014, FortisBC Energy Inc. announced that it had received approval from the BCUC to amalgamate FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc. (Moody's: A3), FortisBC Energy (Whistler) Inc., and Terasen Gas Holdings Inc. (DBRS: BBB (high), Moody's: Baa2). The BCUC determined that the amalgamation is "beneficial and in the public interest." The regulated natural gas utilities will amalgamate under one legal name, FortisBC Energy Inc., following consent from the Lieutenant Governor in Council and the receipt of all other necessary approvals.
- On January 17, 2014, the Alberta Electric System Operator (AESO) announced the five companies selected to compete for the opportunity to build, finance, own and operate the proposed $1.6 billion Fort McMurray West Transmission Project. Canadian Utilities Ltd., AltaLink, EPCOR, TransAlta and TransCanada were among the five proponent partnerships selected to bid. The project consists of a 500-kv transmission line from Edmonton to Fort McMurray designed to support increasing growth in northeastern Alberta. The AESO is expected to select the winning bid for the project, which will be determined based on the company that can undertake the lowest life-cycle cost, in December 2014.
- On January 17, 2014, ATCO Pipelines received approval from the AUC for its $600 million Urban Pipeline Replacement (UPR) application. Construction of the UPR project, which is designed to replace and relocate high-pressure natural gas pipelines in the Calgary and Edmonton areas into the surrounding transportation utility corridors, will be completed over the next five years.
- On December 19, 2013, Toronto Hydro received approval from the Ontario Energy Board for Phase II of its 2014 work program under the Incentive Regulation Mechanism/ Incremental Capital Module. Total approved capital expenditures in 2014, in addition to expenditures relating to the $194.9 million Copeland Transformer Station, amount to $398.8 million.

Curve Steepness – During the quarter, the Utility 2s-5s credit curve flattened by 2 bps to 22 bps, the 5s-10s curve flattened by 2 bps to 36 bps, and the 10s-30s curve flattened by 1 bps to 32 bps (Table 5). In light of the relative steepness, we see better value in the middle part of the credit curve.

Credit Ratings – On March 31, 2014, S&P revised its outlook on Brookfield Renewable Energy Partners L.P. to Positive from Stable and affirmed the rating at BBB. The Positive outlook reflects the agency's view of the partnership's improving level of parent-only cash flow (POCF) and modest amounts of debt at the holding company. An upgrade could occur if POCF-to-debt remains at or about 30% on a sustained basis.

On February 24, 2014, Moody's revised its outlook on TransAlta to Negative from Stable and affirmed the rating at Baa3. The Negative outlook was attributed to FY2013 results that failed to meet the agency's expectations: (1) FY2013 CFO pre-WC/debt came in at 13.9%, which was below the 19% CFO pre-WC/debt level Moody's associates with the Baa3 rating – Moody's 2014 forecasted range of 16–18% is still below this minimum level; and (2) FY2013 cash flow of approximately $700 million came in below the expectation of $800 million – TransAlta management is currently forecasting 2014 FFO guidance of $743–793 million. The agency views the recent initiatives to strengthen the balance sheet, including the 38% dividend cut and the sale of a non-core asset (CE Generation) for US$193.5 million, as positive; however, this may not be able to offset expected weakness embedded into cash flow generation forecasts. Moody's has indicated that it will resolve the Negative outlook in the next 12–18 months and has assigned a 1-in-3 probability of a one-notch downgrade. Conversely, the outlook could revert to Stable if the company achieves CFO pre-WC/ debt of about 19% on a sustainable basis.

On February 24, 2014, DBRS changed the trend on FortisAlberta Inc. to Positive from Stable and confirmed the rating at A (low). The Positive outlook is a result of DBRS's assessment that FortisAlberta's business and financial risk profile is reflective of an "A" rating based on the following factors:

(i) a supportive regulatory regime in Alberta, including the performance-based regulatory period that commenced January 2013; (ii) economies of scale due to the company's sizeable customer base, which increased to 518,000 in 2013 from 391,000 in 2003; (iii) the company's manageable volume risk and lack of commodity price risk; and (iv) continued support from parent company, Fortis Inc., amidst a large ongoing capex program. DBRS expects to upgrade the rating to "A" following a decision on the capital tracker application (assuming the decision does not materially impact the company's credit profile), which will be re-filed in May 2014. A final decision is expected by the end of 2014.

On January 27, 2014, S&P revised its outlook on AltaLink Investments L.P. (AILP) and its subsidiary AltaLink L.P. (ALP) to Stable from Negative. The agency also affirmed the ratings on the companies at BBB- and A-, respectively. S&P forecasts a decline in ALP's capital program over the next two years and expects a reduced reliance on SNC-Lavalin Group Inc. to provide equity injections. The agency also stated that *"although we continue to expect timely equity injections from SNC sufficient to maintain AILP's consolidated balance sheet, metrics are robust enough to maintain the aggressive financial risk profile without them."* S&P expects equity injections into AILP of approximately $300 million in 2014 and $60 million in 2015, with no required injections thereafter.

Table 3 sets out the credit ratings for the Utility corporate credit universe.

***Table 3**: Corporate Credit Ratings – Utilities*

Issuer Credit Ratings - Gas and Electric Utilities Universe

	DBRS		S&P		Moody's	
Issuer	**Rating**	**Outlook**	**Rating**	**Outlook**	**Rating**	**Outlook**
Algonquin Power Co.	BBBL	Stable	BBB	Stable	nr	
AltaGas Ltd.	BBB	Stable	BBB	Stable	nr	
AltaLink Investments, L.P.	BBB	Stable	BBB-	Stable	nr	
AltaLink, L.P.[1]	A	Stable	A-	Stable	nr	
ATCO Ltd.	AL	Stable	nr		nr	
Brookfield Renewable Energy Partners LP	BBBH	Stable	**BBB**	**Positive**	nr	
Canadian Utilities Ltd.	A	Stable	A	Stable	nr	
Capital Power L.P.	BBB	Stable	BBB-	Stable	nr	
CU Inc.	AH	Stable	A	Stable	nr	
Emera Inc.	**BBBH**	**UR-Developing**	**BBB+**	**Negative**	nr	
Enbridge Gas Distribution Inc.	A	Stable	A-	Stable	nr	
Enersource Corp.	A	Stable	A	Stable	nr	
EPCOR Utilities Inc.	AL	Stable	**BBB+**	**Positive**	nr	
Fortis Inc.	**AL**	**UR-Developing**	**A-**	**Negative**	nr	
FortisAlberta Inc.	**AL**	**Positive**	**A-**	**Negative**	Baa1	Stable
FortisBC Energy Inc.	A	Stable	nr		**A3**	**Negative**
FortisBC Inc.	AL	Stable	nr		**Baa1**	**Negative**
Gaz Metro Inc.[1]	A	Stable	A+	Stable	nr	
Hamilton Utilities Corporation	nr		nr		nr	
Hydro One Inc.	AH	Stable	**A+**	**Negative**	A1	Stable
Hydro Ottawa Holding Inc.	A	Stable	A	Stable	nr	
Maritime Electric Company, Limited[1]	nr		**A**	**Negative**	nr	
Newfoundland Power Inc.[1]	A	Stable	nr		A2	Stable
Nova Scotia Power Inc.	AL	Stable	**BBB+**	**Negative**	nr	
PowerStream Inc.	A	Stable	A	Stable	nr	
Toronto Hydro Corporation	AH	Stable	A	Stable	nr	
TransAlta Corporation	BBB	Stable	BBB-	Stable	**Baa3**	**Negative**
Union Gas Ltd.	A	Stable	BBB+	Stable	nr	
Windsor Canada Utilities Ltd.	nr		A	Stable	nr	

As at March 31, 2014
*Ratings are those of senior unsecured obligations or long-term corporate family rating
Notes: (1) Ratings are those of senior secured debt
Sources: DBRS, Standard and Poor's and Moody's.

***Table 4**: Indicative Spread Changes Q1/14*

	5 Yr. Indicative Spreads			10 Yr. Indicative Spreads			30 Yr. Indicative Spreads		
	Spread as of 31-Mar-14	*Absolute Change Q1/14*	*Percentage Change Q1/14*	*Spread as of 31-Mar-14*	*Absolute Change Q1/14*	*Percentage Change Q1/14*	*Spread as of 31-Mar-14*	*Absolute Change Q1/14*	*Percentage Change Q1/14*
AltaGas	111	-4	-3%	149	-7	-4%	179	-27	-13%
AltaLink LP	70	-9	-11%	104	-8	-7%	132	-5	-3%
CU Inc.	68	-4	-5%	100	-3	-3%	131	-4	-3%
Enbridge Gas Distribution	66	-2	-2%	101	0	0%	128	-4	-3%
EPCOR Utilities	75	-4	-4%	109	-3	-3%	138	-8	-5%
FortisAlberta	72	-5	-6%	-	NA	NA	132	-10	-7%
FortisBC Energy Inc.	69	-9	-11%	101	-6	-6%	132	-7	-5%
FortisBC	77	-5	-6%	110	-4	-4%	133	-14	-9%
Gaz Metropolitan Inc.	73	-4	-5%	106	-3	-3%	131	-4	-3%
Hydro One	66	-5	-6%	99	-3	-3%	129	-5	-3%
Nova Scotia Power	83	-4	-4%	115	-3	-3%	142	-5	-3%
PowerStream Inc.	-	NA	NA	-	NA	NA	135	-5	-3%
Toronto Hydro	69	-4	-5%	102	-3	-3%	132	-7	-5%
TransAlta Corp.	228	-6	-2%	295	-31	-10%	365	-24	-6%
Union Gas Ltd.	80	-10	-11%	109	-7	-6%	137	-2	-1%
Utilities Average	99	-6	-6%	139	-8	-5%	154	-10	-6%

Source: BMO Capital Markets

***Table 5**: Utility Credit Curve*

	2's - 5's Curve					5's - 10's Curve					10's - 30's Curve				
				Historical Thresholds					*Historical Thresholds*					*Historical Thresholds*	
	31-Mar-14	*31-Dec-13*	*31-Dec-12*	*Narrow*	*Wide*	*31-Mar-14*	*31-Dec-13*	*31-Dec-12*	*Narrow*	*Wide*	*31-Mar-14*	*31-Dec-13*	*31-Dec-12*	*Narrow*	*Wide*
AltaGas	30	27	27	15	43	38	41	47	30	66	30	50	45	NA	NA
AltaLink LP	18	23	31	7	31	35	34	35	15	34	28	24	35	20	41
CU Inc.	18	20	31	8	31	33	32	35	15	34	31	31	35	21	40
Enbridge Gas Distribution	18	19	32	9	32	36	34	40	18	37	27	30	30	19	45
EPCOR Utilities	15	17	27	11	32	35	34	36	23	42	29	33	34	26	56
FortisBC Energy Inc.	16	19	29	9	31	33	30	33	18	36	31	31	34	23	61
Gaz Metropolitan Inc.	18	20	35	7	34	34	33	38	15	37	25	25	38	20	43
Hydro One	16	19	29	7	30	34	32	35	14	35	30	31	37	21	40
Nova Scotia Power	21	23	28	11	32	33	32	35	22	37	27	28	34	25	56
Toronto Hydro	14	18	24	14	32	34	33	39	14	37	30	33	39	22	44
TransAlta Corp.	62	59	61	14	59	68	93	118	30	86	70	63	88	41	93
Union Gas Ltd.	22	23	26	9	29	30	27	46	17	40	28	22	24	16	56
Group Average	**22**	**24**	**32**	**10**	**35**	**36**	**38**	**45**	**19**	**43**	**32**	**33**	**39**	**23**	**52**

* Thresholds are based on the historical 10th (low) and 90th (high) percentile of weekly spreads.
Source: BMO Capital Markets

Infrastructure – April 2014

Sector Rating: Market Perform

Relative Value

5-Year: Market Perform
10-Year: Market Perform
30-Year: Market Perform

Spread View – We are maintaining our Market Perform sector recommendation for Infrastructure – Transportation given our expectation for range-bound yields over the near term and our belief that investors will prefer product with greater spread in that environment. So far during 2014, Infrastructure – Transportation performed roughly in line with the market on both a spread and total return basis in each of the three maturity buckets for the corporate segment of the FTSE TMX Canada Universe Bond Index, although sector spreads were relatively soft in the Mid and Long buckets.

On a broad basis, however, Infrastructure – Transportation actually outperformed the corporate component of the index by just over a full percentage point during Q1/14, posting a total return of 4.22%. This outperformance was entirely predicated upon the relatively longer duration of the Infrastructure – Transportation sector, which was more than sufficient to offset its more meagre performance in each segment of the curve. With modest upward pressure expected to persist on long-dated GoC yields now that the U.S. Fed has commenced tapering, the longer duration of the Infrastructure sector relative to the index will likely serve as somewhat of an albatross, even though we do believe yields will be relatively range-bound over the near term.

From a spread perspective, we expect that a paucity of new issue supply from the sector in the coming years will keep spreads reasonably well behaved. Following a decade of considerable primary market activity from the sector, there are relatively few projects currently under construction that require new financing. In addition, there is little in the way of refinancing requirements for 2014 and into 2015, unless some issuers decide to opportunistically take advantage of the market's historically low rates. Thus, although sector spreads trade tight on an absolute spread basis to provies, we believe there is room for further compression due to this lack of supply. Also, we believe it is possible spreads for some issuers in the Infrastructure sector may eventually trade on top of, or through, certain provinces.

Credit Curve – Despite relative steepness along the 2s-5s segment, which makes the short part of the Infrastructure curve look more attractive, we believe the long end of the Infrastructure curve is more likely to outperform due to the higher quality it offers versus other sectors in the current uncertain global environment, as well as demonstrated periodic investor skittishness towards higher beta in that part of the curve. We also believe lack of supply and demand for high quality long-dated product will play a role.

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Sector Value – Our preferred issuer in the Infrastructure sector remains 407 International, or more specifically, 407 bonds issued under the older covenant structure. Part of our justification is predicated upon relative valuation, wherein GTAA currently trades three basis points through 407 across the curve. Historically, this relationship has seen GTAA trade well back of 407. While we laud GTAA's annual traffic performance during 2013, the airport authority's compressing margins juxtapose starkly to 407. 407 has demonstrated the ability to generate strong and consistent revenue growth, despite a moderate traffic performance, due to annual toll rate increases and the high inelasticity of demand for the highway.

Recommendation

Top Pick – We prefer 407 International in the short and middle parts of the curve as GTAA spreads versus 407 are now at the tighter end of the historical range. In the longer area of the curve, however, we believe a predominance of 407 bonds with the newer covenant structure will weigh on performance, and thus expect GTAA to outperform.

Risks

External – Most issuers in the sector face above-average geopolitical risk, as well as the effect of currency risk on transborder traffic movements and health risks that lead to travel advisories. The impact of rising fuel costs shows commodity price risk.

M&A – We do not expect any ownership structure changes in the near term.

Regulatory – Stricter security at the U.S. border has dampened traffic. Also, most issuers are governed by federal or provincial legislation, which may be modified, but we do not expect changes that would materially alter their rate-setting ability.

New Issuance – We expect issuance in the sector to be modest again this year, which should support spreads. We still expect BC Ferries to refinance its upcoming maturity some time in the near future, while 407 will come to market to finance capex and GTAA may transact opportunistically.

Trading Liquidity – GTAA possesses above-average trading liquidity within the sector and relative to the market. Older vintage 407 bonds have become harder to purchase in size since the covenant change.

Other – Each issuer faces above-average headline risk.

Credit Profile

Sector Financials – We expect moderate economic conditions to weigh on financial results again in 2014, but note strong rate-setting capabilities will continue to help offset the impact of any ensuing sluggish traffic and allow sector financials to recover more meaningfully over the medium term.

Sector Fundamentals – We believe traffic growth will remain challenged in the near term due to escalated fuel costs and economic headwinds.

Credit Ratings – Although rating activity in the sector has been decidedly positive the past couple of years, we are cautious about NAV CANADA due to the solvency deficit in its pension plans, as well as the negative outlook currently in place for Leisureworld by S&P. Teranet also possesses a negative outlook from S&P due to challenging conditions for real estate activity in Ontario and was recently downgraded by DBRS.

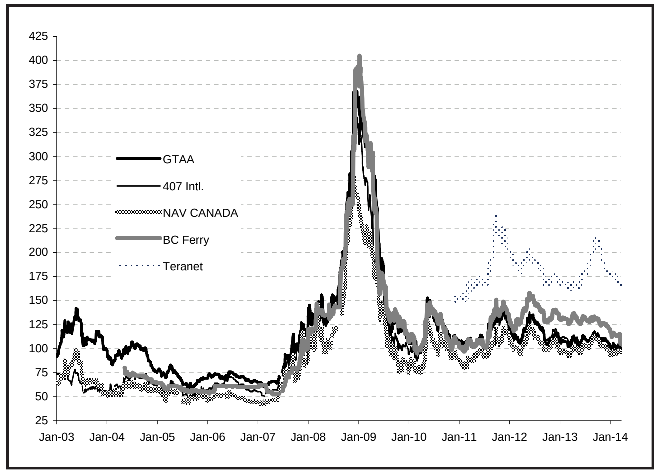
Viewpoint

Long Bonds Equal Big Gains in Q1/14

The topsy-turvy world of the fixed income market continued into 2014 as the year started with escalating yields on concerns the onset of tapering would take rates in a straight line upwards. However, mixed economic numbers across the globe, trepidation about growth in China and the emergence of geopolitical concerns in Eurasia together underpinned a meaningful rally in government bonds and a material bull flattening of the curve. This occurrence was consistent with our belief that yields would remain range-bound over the near to medium term and create a long-bottomed u-shape to the future movement of yields, rather than a v-shaped snap back after bouncing off the secular bottom in the first half 2013.

In this range-bound yield environment, we expected that the Infrastructure – Transportation sector would perform more in line with the market since we believed investor would be more inclined to add sectors with greater spread. And, for the most part, this is what transpired during Q1/14. The year-to-date total return of 1.27% for Infrastructure – Transportation in the Short bucket was within a few basis points of the

***Chart 1**: Infrastructure Sector 10-yr Indicative Spreads*



Source: BMO Capital Markets

corporate component of the FTSE TMX Canada Universe Bond Index, while its total returns of 3.23% and 5.42% in the Mid and Long buckets, respectively, were about 60 basis points below the index. Similarly, spreads for Infrastructure – Transportation were in line with the market in the Short bucket at a narrowing of 8 basis points. By comparison, sectors spreads underperformed by several basis points in Mids and Longs after tightening by 8 basis points and 6 basis points, respectively, during Q1/14.

On a broad basis, however, Infrastructure – Transportation actually outperformed the corporate component of the index by just over a full percentage point during Q1/14, posting a total return of 4.22%. This outperformance was entirely predicated upon the relatively longer duration of the Infrastructure – Transportation sector, which was more than sufficient to offset its more meagre performance in each segment of the curve. With modest upward pressure expected to persist on long-dated GoC yields now that the U.S. Fed has commenced tapering, the longer duration of the Infrastructure sector relative to the index will likely serve as somewhat of an albatross, even though we do believe yields will be relatively range-bound over the near term.

From a spread perspective, we expect that a paucity of new issue supply from the sector in the coming years will keep spreads reasonably well behaved. Following a decade of considerable primary market activity from the sector, there are relatively few projects currently under construction that require new financing. In addition, there is little in the way of refinancing requirements for 2014 and into 2015, unless some issuers decide to opportunistically take advantage of the market's historically low rates. Thus, although sector spreads trade tight on an absolute spread basis to provies, we believe there is room for further compression due to this lack of

__Table 1:__ Infrastructure Sector - Ratings Comparison

Senior Unsecured Credit Ratings - Infrastructure						
	DBRS		S&P		Moody's	
Issuer	Rating	Outlook	Rating	Outlook	Rating	Outlook
407 International Inc.[1]	A	Stable	A	Stable	nr	
Aeroports de Montreal[1]	AH	Stable	nr		A1	Stable
British Columbia Ferry Services Inc.[1]	A	Stable	AA-	Stable	nr	
Edmonton Regional Airports Authority[1]	AH	Stable	**A**	**Positive**	A1	Stable
Greater Toronto Airports Authority (GTAA)[1]	A	Stable	A	Stable	A1	Stable
Leisureworld Senior Care LP[1]	A	Stable	**A-**	**Negative**	nr	
NAV CANADA[1]	AA	Stable	AA	Stable	Aa2	Stable
Ottawa Macdonald-Cartier International Airport Authority[1]	AH	Stable	A+	Stable	Aa3	Stable
Teranet Holdings LP[1]	BBB	Stable	**BBB+**	**Negative**	nr	
Vancouver International Airport Authority	AAL	Stable	AA	Stable	nr	
Winnipeg Airports Authority Inc.[1]	nr		A	Stable	A2	Stable

As of March 31, 2014
[1] Ratings are those of senior secured debt
Source: DBRS, Moody's, S&P

supply. Also, we believe it is possible spreads for some issuers in the Infrastructure sector may eventually trade on top of, or through, certain provinces.

We are maintaining our Market Perform sector recommendation for Infrastructure – Transportation given our expectation for range-bound yields over the near term and our belief that investors will prefer product with greater spread in that environment.

Our preferred issuer in the Infrastructure sector remains 407 International, or more specifically 407 bonds issued under the older covenant structure. Part of our justification is predicated upon relative valuation, wherein GTAA currently trades three basis points through 407 across the curve. Historically, this relationship has seen GTAA trade well back of 407. While we laud GTAA's annual traffic performance during 2013, the airport authority's compressing margins juxtapose starkly to 407, which has demonstrated the ability to generate strong and consistent revenue growth, despite a moderate traffic performance, due to annual toll rate increases and the high inelasticity of demand for the highway.

Key Themes

Traffic Growth Remains Challenged – As a general rule, we expect traffic growth for most issuers in the Infrastructure sector to be roughly in line with GDP growth. We believe traffic growth will remain challenged over the near to medium term as sovereign risk in Europe and U.S. economic woes create headwinds for global economic growth. At the same time, key credit strengths of many Infrastructure issuers include an autonomous rate-setting ability and mandate to operate on a breakeven basis, which mitigate some of the financial impact of slower traffic growth.

During fiscal Q1/14, air traffic for NAV CANADA rose by 2.5%, which was roughly in line with its full-year guidance of 2.4%. As has been our position for some time, we believe air traffic growth for NAV CANADA will likely remain under pressure over the near term as discretionary spending is being hampered across the globe due to sovereign problems and ongoing austerity in Europe, as well as economic uncertainty in the U.S. and Asia. We also believe underlying geopolitical discord in the Middle East, despite several recent examples of entente in the region, may keep upward pressure on oil prices and hence stifle traffic growth.

Passenger traffic for GTAA continued to experience demonstrable improvement during Q4/13, posting its strongest quarterly growth rate of the year at 4.6% to 8.5 million, compared to increases of 4.1%, 3.9% and 1.0% through the first three quarters of 2013. What's more, the pace of improvement remained well above the airport authority's compound annual growth rate of 1.7% between 2000 and 2013.

Unlike the first three quarters of 2013, the pace of growth during Q4/13 was driven by the international segment, which expanded by 6.0% to 2.7 million. With growth of only 1% in Q4/12, the hurdle rate this year was less challenging; nevertheless, a 6% level represents a strong result and perhaps an early indication that the cancellation of international services and focus on load factors that plagued the 2012 results had fully run its course. For its part, GTAA noted that its long-term plan is to focus on international activity, building upon the strong growth it has experienced already to Asia, the Middle East and Latin America, which is driven by rising economic and cultural linkages. For example, during 2013, GTAA replaced its incentive programs with an air service incentive program that targeted the introduction of new international air carriers to Toronto Pearson.

Toward this end, the airport authority observed that, on a net basis, air carriers servicing Toronto Pearson increased service on nine routes, representing either completely new service or increased capacity on existing routes. The result for Q4/13 reaffirms our longstanding belief that ongoing diversity in the GTA's demographic and business profile will encourage a strong international component to the air traffic composition of Pearson.

For the full-year 2013, passenger traffic grew by 3.4% to 36.1 million. Although 2013 represented the third year in a row of declining growth, the level is still well above GTAA's compound historical annual growth rate of 1.7%, which in and of itself is a remarkable accomplishment in light of the solid growth experienced in the previous several years.

In contrast to passenger traffic growth, the amount of aircraft movements actually declined by 0.6% during 2013 to 431,300, which GTAA attributed to the ongoing trend of airlines adjusting their fleet mixes and flight schedules to improve financial performance, and hence a focus on load factors. The airport authority observed that the average load factor rose by 160 basis points during 2013 to 79.8%. The use of larger planes, for instance, resulted in a 1.1% rise in maximum takeoff weight (MTOW) to 14.3 million tonnes in 2013, and an expansion of 1.3% for arrived seats to 22.6 million.

We view GTAA's Q4/13 and full-year 2013 traffic results as positive. Passenger traffic experienced solid growth of 4.6% and 3.4% for the quarter and year, respectively. Although momentum slowed again for the third straight year, the results in and of themselves remain impressive, especially in a globally challenged economic environment. The fact that quarter after quarter and year after year a different segment of GTAA's passenger base steps forward to drive traffic performance speaks volumes to the growing economic and demographic diversification of the GTA, as well its importance to the airport itself.

Traffic for 407 International was relatively unchanged in Q4/13, with total trips increasing only slightly to 29.22 million, while average workday trips were up 0.6% to 387,121. VKT and average trip length were relatively flat y/y; however, unbillable traffic continues to improve, dipping a further 17 basis points in Q4/13 to 2.09% due mainly to improved readability of licence plates due to continuing enhancements to the company's tolling system and procedures. The transponder penetration rate of 82.3% rose slightly while the number of transponders in circulation grew 4.9% to 1,157,830.

Similar to the Q4/13 results, the total number of trips for the full-year 2013 was roughly unchanged, rising by 0.1% to 114.9 million. Average workday trips also increased a touch to 381,226. VKT was up 0.7% to 2,356 million as average trip length rose by a similar amount to 20.5 kilometres. Unbillable traffic declined by 11 bps to 2.28%.

We view the Q4/13 and full-year 2013 traffic results at 407 as neutral from a corporate debt perspective. Despite relatively high fuel costs and challenging economic conditions in the Ontario region, we believe the inelasticity of the highway remains well demonstrated and stems from a strong value proposition to customers with regard to time savings and reduced gas usage, coupled with superior safety. These factors have particular appeal to the portion of the local population that are in a socioeconomic position to readily absorb the annual toll rate increases implemented by the company and are willing to pay for a higher level of service. Furthermore, it is this inelasticity that underpins 407 International's consistently sound operating and financial performance.

Nonetheless, we do believe traffic performance will continue to be challenged over the medium term as fuel price pressures and economic challenges persist. We likewise believe exogenous risks, such as fiscal problems in the U.S. and Europe, are still a credible threat to global economic growth. Especially important to monitor are ongoing geopolitical forces in the Middle East, which at any time could put further upward pressures on fuel prices, despite the recent move toward entente by Iran.

During fiscal Q3/14, BC Ferries vehicle traffic increased by 0.8% to 1.7 million, while passenger traffic likewise improved by 1.0% to 4.3 million. Unlike the earlier couple of quarters in fiscal 2014 when traffic was adversely affected by the timing of holidays or inclement weather, the traffic improvement experienced during Q3/14 was across the board with both non-commercial and commercial traffic, including drop-trailer traffic, rising. While trying not to place too much stock in the results from one quarter, we are reasonably encouraged as the company is hopefully back on track to the decent traffic momentum that was building prior to the end of fiscal 2013, especially as commercial traffic, including drop trailer traffic, remained a stalwart of activity all throughout. For the full fiscal year 2014, BC Ferries expects its traffic levels to be roughly flat, but notes that it is undertaking planned terminal upgrades that will cause a temporary reduction in traffic on some of its routes later this year.

From an operating standpoint, BC Ferries delivered an on-time performance of 93.1% during Q3/14, up 40 bps versus fiscal Q3/13. Capacity utilization was flat at 46.3%. As we noted last quarter, working with the regulator and the province to reduce the number of sailings over the next few years will obviously enhance both operating efficiency and capacity utilization. Toward this end, the Province of British Columbia confirmed on February 5, 2014 a service level adjustment plan to achieve roughly $19 million in net savings over the remainder of performance term three, which ends March 31, 2016. The plan includes the elimination of 6,900 underutilized roundtrips over 15 routes.

On a segmented basis, vehicle traffic on BC Ferries' Major Routes expanded 1.7% to 1 million, while Other Routes declined 0.4% to 698,666 and Northern Routes rose by 6.1% to 4,676. With regard to passenger traffic, the Major Routes experienced an increase of 1.8% to 2.7 million, with Other Routes declining 0.6% to 1.5 million, and Northern Routes growing by 6% to 12,268. The company noted that vehicle traffic on its Major Routes was helped by growth in commercial traffic, with drop trailer traffic on two of its Major Routes expanding 15%.

We view BC Ferries' fiscal Q3/14 traffic performance as neutral. We acknowledge the improvement in the third quarter compared to traffic declines in the first two quarters of fiscal 2014 and thus are hopeful the company has resumed the positive momentum that was starting to build at the end of fiscal 2013. At the same time, we remain cautious as the ongoing, albeit improving, weak employment situation in the U.S. and other challenging economic conditions will continue to weigh on tourism to the region. We also believe challenged economic conditions in Canada and the U.S. over the near to medium term will likely weigh on commercial traffic, as will relatively high fuel prices.

As we have noted for a while, we expect economic growth in the B.C. region to recover over the longer term, particularly on the Major Routes. Likewise, we believe improving operating performance by BC Ferries will underpin modest traffic growth and that recent capital upgrades, including the launch of a number of new modern vessels and terminal refurbishments, will encourage revenue diversification (e.g., service upgrades, greater concessionary selections).

***Table 2**: Airport Authority Comp Sheet*

	Toronto		Vancouver		Montreal		Edmonton		Ottawa	
OPERATING FIGURES	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Passenger Statistics (in thousands)										
Domestic	13,646	13,079	9,171	8,875	5,334	5,226	5,110	4,814	3,454	3,429
Transborder	9,465	8,979	4,284	4,165	3,231	3,203	1,174	1,085	775	750
International	11,801	11,378	4,142	3,992	5,245	5,240	393	378	457	445
Total Passengers	**34,912**	**33,435**	**17,597**	**17,033**	**13,810**	**13,669**	**6,676**	**6,277**	**4,686**	**4,625**
Aircraft Movements (in thousands)	434.0	428.8	296.4	296.9	243.4	253.3	142.0	136.9	90.7	90.9
Air Cargo Volume (in thousand tonnes)[1]	NA	NA	227.9	223.9	185.0	189.3	36.3	35.7	NA	NA
FINANCIAL FIGURES ($millions)										
Revenues										
Aeronautical Fees	547.4	563.9	120.3	121.6	159.1	152.0	39.5	37.3	35.5	35.1
Airport Improvement Fees	304.3	299.3	107.1	89.7	142.0	141.9	71.1	54.0	39.4	37.7
Concessions & Car Parking	214.5	199.8	102.6	96.1	102.5	101.9	48.0	43.3	22.6	21.9
Other	71.5	73.1	73.6	61.8	31.9	31.2	11.8	9.7	8.4	8.3
Total Revenues	**1,137.6**	**1,136.0**	**403.6**	**369.3**	**435.5**	**427.0**	**170.4**	**144.3**	**105.8**	**103.1**
Expenses										
Ground Rent	130.5	131.0	39.1	34.8	44.2	43.4	13.9	11.3	7.6	7.3
Goods, Services, & Other	214.4	216.0	74.1	74.1	96.7	104.8	46.5	38.6	27.4	26.3
Salaries and Benefits	119.9	111.0	44.0	41.9	65.1	56.7	26.8	23.0	18.6	17.9
Payment in lieu of Municipal Taxes	27.6	27.6	22.6	19.7	40.2	40.3	NA	NA	5.0	4.8
Total Operating Expenses	**492.4**	**485.6**	**179.8**	**170.5**	**246.2**	**245.1**	**87.2**	**72.9**	**58.6**	**56.4**
EBITDA	**645.2**	**650.4**	**223.7**	**198.7**	**189.3**	**181.9**	**83.2**	**71.4**	**47.3**	**46.7**
Amortization	217.0	210.2	108.0	108.1	97.9	87.0	55.3	34.5	22.3	22.2
Interest Expense	414.0	457.3	31.5	31.6	85.7	89.5	38.2	22.5	19.7	18.8
Net Income (Surplus/(Deficiency)	14.3	(17.1)	84.2	59.0	5.6	5.4	(10.3)	14.3	5.3	5.7
Cash Flow from Operations b/f Working Capital	660.6	656.7	186.6	160.0	177.5	174.2	44.0	43.6	26.7	26.3
Capex	95.8	94.5	106.0	59.9	188.9	96.1	151.7	243.0	24.4	27.1
Free Cash Flow	564.7	562.2	80.7	100.1	(11.4)	78.1	(107.6)	(199.4)	2.3	(0.8)
Cash	201.1	475.3	142.2	66.6	156.8	125.8	76.0	97.2	0.0	0.0
Capital Assets	5,325.7	5,441.2	1,590.6	1,589.9	1,628.2	1,531.9	1,006.7	926.3	391.0	388.9
Total Debt	7,104.7	7,710.5	547.6	547.4	1,606.2	1,510.6	961.6	857.7	349.3	348.4
Less Debt Reserve Fund	528.2	593.4	NA	NA	49.2	48.7	32.2	21.4	10.7	10.6
Net Debt	6,577	7,117	548	547	1,557	1,462	929	836	339	338
Operating Statistics										
Debt per Enplaned Passenger	$407	$461	$62	$64	$233	$221	$288	$273	$149	$151
Net Debt per Enplaned Passenger	$377	$426	$62	$64	$225	$214	$278	$266	$144	$146
Total Revenue per Enplaned Passenger	$65	$68	$46	$43	$63	$62	$51	$46	$45	$45
Aeronautical Fees per Enplaned Passenger	$31	$34	$14	$14	$23	$22	$12	$12	$15	$15
Concession & Parking per Enplaned Passenger	$12	$12	$12	$11	$15	$15	$14	$14	$10	$9
Total Expenses per Enplaned Passenger	$64	$69	$36	$36	$62	$62	$54	$41	$43	$42
Operating Expenses per Enplaned Passenger	$28	$29	$20	$20	$36	$36	$26	$23	$25	$24
Debt to Total Revenues	624.5%	678.7%	135.7%	148.2%	368.9%	353.8%	564.4%	594.4%	330.0%	338.1%
EBITDA Margin	56.7%	57.3%	55.4%	53.8%	43.5%	42.6%	48.8%	49.5%	44.7%	45.3%
Interest Coverage (x)*	1.6	1.4	7.1	6.3	2.2	2.0	2.2	3.2	2.4	2.5
Cash Flow/Total Debt (%)	9.3%	8.5%	34.1%	29.2%	11.1%	11.5%	4.6%	5.1%	7.6%	7.6%

[1] The EAA figure includes only EIA cargo volume
*Includes capitalized interest.
As at December 31, 2012
Source: Company Reports

Telecom/Media/Cable – April 2014

Sector Rating: Outperform

Relative Value

5-Year: Outperform
10-Year: Market Perform
30-Year: Outperform

Spread View – We rate the sector Outperform based on solid industry fundamentals supported by generally growing revenue and EBITDA. We view ongoing regulatory issues as modestly negative but manageable for industry participants. Event risk appears low in the short term. New issue activity is expected to be manageable in 2014, which is a constructive factor for spreads. This high-beta sector remains sensitive to investor macro risk aversion.

Credit Curve – The 10s-30s curve continues to be one of the steepest in our universe. The sector's 10s-30s curve widened slightly in Q1/14 to ~49 bps from ~45 bps at December 31, 2013. The 5s-10s curve flattened to ~50 bps from ~52 bps in Q4/13. We think the long end of the curve is attractive. The nature of the long-term fundamental risks in the sector (technology, regulatory and M&A risks) likely deters some investors from extending further out the curve.

Sector Value – With average spreads of 114 bps in the 5-year term and 212 bps in the long end, the sector still offers a good pick-up in spread over other sectors, although not as attractive as in prior years. Spread of 164 bps in the 10-year term is rich relative to other sectors.

Recommendation

Top Pick – Our top pick is **TELUS** whose bonds are generally reasonably valued. The company has the best-in-class balance sheet and good earnings prospects led by its strong wireless segment.

Risks

External – Modest GDP and consumer spending growth forecasts still support telecom services. BMO Economics forecasts GDP to grow in the area of 2.3% in 2014 (2.0% 2013) and consumer spending growth to pick-up slightly to 2.5% (2.2% 2013). The 2009 recession demonstrated the resiliency of the sector, supported by the essential nature and affordability of communication services.

Trading Liquidity – Liquidity improved over the past three years with over ~$33 billion issuance. Bell Canada and TELUS are the most liquid.

New Issuance – We expect moderate new issuance in 2014 in the area of $5 billion. With year-to-date issuance of $3.8 billion, including U.S. dollar issuance, we anticipate another $1.0 to $1.3 billion of issuance in the remainder of 2014.

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Other – There is heightened regulatory risk as the government is focused on lowering wireless roaming fees, promoting a fourth wireless carrier and pursuing the unbundling of television channels.

Credit Profile

Sector Financials – Industry revenue and EBITDA are expected to grow at a low-single-digit rate, which supports positive free cash flow. Leverage has risen modestly for some issuers due to the spectrum auction and M&A activity, but remains in manageable levels. Management teams generally strive to grow dividends and return capital to shareholders while nurturing solid investment grade balance sheets.

Sector Fundamentals – Wireless sector fundamentals remain intact following the 700 MHz spectrum auction. However, regulatory risk has risen as the federal government plans to continue to aggressively pursue policies that ensure consumer interests are at the core of all government decisions. Wireline business conditions have shown some improvement but remain sensitive to cable competition, wireless substitution and the overall economy. Cost cutting remains important in light of declining voice revenues. The core cable business model is evolving from the sale and bundling of discrete products (video, data and voice) to the enabling of broadband.

Credit Ratings – We expect ratings to be generally stable in the near term. Rogers DBRS credit rating of BBB remains curiously at the same level as that of Bell Aliant, Manitoba Telecom and Shaw Communications.

Viewpoint

We maintain our Outperform rating on the sector. We expect Industry fundamentals to continue to be supported by the competitive oligopoly dynamics in Canada and look for modest revenue and earnings growth, driven mainly by consumers' insatiable demand for wireless data consumption as smartphone adoption continues to rise. The near-term visibility on event risk, or at least known event risk, is benign.

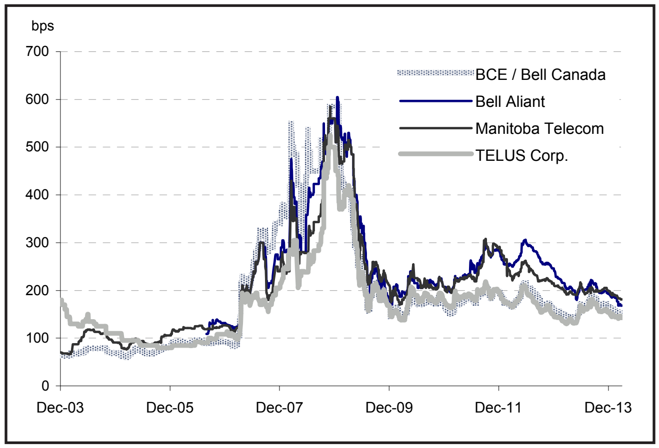
Near term, bonds will be driven largely by sector-specific issues (700 MHz network deployment, wireless competition, M&A, regulatory change, revenue mix shifts, technology evolution and increasing IPTV competition), which have become more significant influencing factors over the past year. Nonetheless, bonds remain vulnerable during periods of "risk-off" sentiment.

Outperformance in Q1/14: The high-beta "communications" sector's bonds outperformed the FTSE TMX Canada Universe Corporate Bond Index in the first quarter on a broad basis due to strength in the long end. In the short end, the sector's total return of 1.34% was in line with the FTSE TMX Canada Universe Corporate Bond Index total return of 1.39%. In the mid term, the sector's total return of 4.07% was slightly higher than the universe total return of 3.85%. In the long end, the sector's total return of 6.93% significantly outperformed the universe total return of 6.06%.

Mixed Performance in 2013: The sector's bonds slightly underperformed the FTSE TMX Canada Universe Corporate Bond Index in 2013 on a broad basis, which was largely attributable to the uncertainty during the "summer of Verizon" concerns. In the short end, a total return of 2.34% was slightly below the FTSE TMX Canada Universe Corporate Bond Index total return of 2.40%. In the mid term, the sector's total return of 0.26% underperformed the FTSE TMX Canada Universe Corporate Bond Index total return of 1.06%. However, in the long end, the sector's total return of negative 0.16% significantly outperformed the FTSE TMX Canada Universe Corporate Bond Index total return of negative 3.20%.

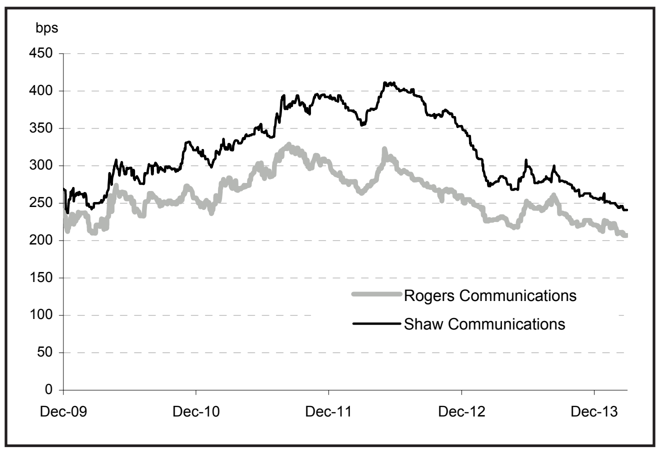
TELUS Our Favorite Carrier: TELUS has the strongest balance sheet, although we anticipate leverage will creep slightly higher in 2014 to ~2.3x from 2.1x (December 31, 2013) on the back of its $1.1 billion cash outlay for 700 MHz spectrum and its NCIB activity. The company is the best-in-class operator reflected by consistently leading financial performance. The wireless segment is expected to generate solid revenue and EBITDA growth in 2014, which supports consolidated revenue and EBITDA growth. TELUS has no scheduled bond maturities in 2014. On April 1, 2014 TELUS launched a two-tranche bond offering of $1 billion to help fund its wireless spectrum purchase.

***Chart 1:** Telecommunications: 10-Year Indicative Spreads*



Source: BMO Capital Markets
As at March 31, 2014

***Chart 2:** Cable: 10-Year Indicative Spreads*



Source: BMO Capital Markets
As at March 31, 2014

Key Themes

Spectrum Auction – Industry Canada's 700 MHz spectrum auction was completed in February 2014 and generated over $5 billion proceeds. Rogers spent the most, $3.3 billion, acquiring 22 paired licenses, and arguably gives the carrier a network advantage in terms of capacity and operating costs. TELUS spent $1.1 billion to acquire 16 paired block licenses and 14 unpaired block licenses. BCE spent $566 million to acquire 17 paired block licenses and 14 unpaired block licenses. Videotron acquired licenses in Quebec, southern Ontario, BC and Alberta; however, we do not anticipate the carrier will embark on an expansion of its wireless business, but instead hold the spectrum as an investment in the near term and evaluate the business case. The auction results did not alter the competitive oligopoly.

Increased Regulatory Risk – There continues to be heightened regulatory risk related to the government's actions to pursue unbundled television channels and lower roaming rates as well as promote a fourth wireless carrier in each region.

Product Convergence – The growth of triple-play offerings and quad-play offerings will eventually weigh on pricing, margins and free cash flow over the next several years and serve to result in the convergence in operating performance of telephone and cable.

Shareholder-Friendly Actions – We are sensitive to the potential for shareholder-friendly actions in this industry. Equity investors continue to pressure for increased returns of capital and higher increased dividends. We do not anticipate large borrowing to fund stock buybacks at this time because Canadian industry participants have clearly expressed their goal to maintain solid investment grade ratings; four companies have publicly articulated financial leverage targets (BCE, TELUS, Rogers and Shaw). However, we do see pressure on management teams to sustain high dividend payouts at the expense of higher leverage (Bell Aliant, MTS).

Manageable New Issuance Expected in 2014 – The sector's aggregate funding levels in 2013 returned to record level of over $9 billion (including U.S. dollar financings), which was comparable to borrowing activity in 2009. Canadian dollar new issuance totalled $6.2 billion and U.S. dollar issuance was $2.9 billion. Notably, ~$2.4 billion of 2014 Canadian dollar bond maturities were redeemed early in 2013.

As a result of early refinancing activity in 2013, the bond maturity schedule in 2014 is relatively light with only $800 million Canadian dollar bonds and $1.1 billion of U.S. dollar bonds scheduled to mature. Thomson Reuters has C$600 million bond maturing in 2014 as well.

Possible M&A remains the perennial wild card for the industry debt issuance in 2014. Issuers could also get a step ahead on their 2015 bond maturities and refinance early in 2014 (C$2.6 billion and ~US$1 billion).

Our original estimate for sector new issuance in 2014 was in the range of $3 to $4 billion (including Thomson Reuters). However, Rogers tapped the market for $2 billion (including US$750 million) to help fund its wireless spectrum purchase, which was higher than we anticipated. As such, our full year new issuance outlook is increased to the area of $5 billion. This level of new issuance should be readily absorbed into the market and remains constructive for secondary bond prices. Possible M&A and early redemption of 2015 bond maturities could pose a risk to our outlook.

Year-to-date 2014, there has been $3.8 billion new issuance from TELUS ($1 billion), Rogers ($2 billion) and Shaw ($800 million). We anticipate the pace of new issuance will slow in the remainder of the year with only MTS and Thomson expected to be issuing new bonds. We anticipate Thomson Reuters could issue in the range of $750 million to $1 billion and MTS in the range of $200 million to $250 million.

Subscription Video Services – The market is mature and growth is generally driven by population growth and household formation. IPTV launches by TELUS (Optik TV) and Bell (Fibe TV) will continue to gain traction. Heavy promotional activity is expected to continue to make gains. IPTV platforms reached over 50% of Canadian households in 2012 compared to 10% in 2008. In 2012, total industry IPTV subscribers reached over 1 million, which was up 53% y/y. IPTV subscribers represented 8.4% of total broadcast distribution subscribers, compared to 2.1% back in 2008 (CRTC Monitoring Report 2013). We believe the telecom companies are strategically incentivized to continue aggressively pursuing market share in video to build scale. BCE's IPTV customer base (FibeTV) nearly doubled to ~479K (~11% penetration of homes passed) at the end of Q4/13 as its rollout now covers ~4.3 million homes in Toronto and Montreal (targeting more than 5 million by the end of 2014 to ultimately reach 6 million households). While the current IPTV service offers a more compelling user interface for video compared to existing programming guides from cable, which are relatively dated, cable companies are beginning to respond with upgraded user interfaces.

Over-the-Top-Video ("OTT") – While some young people creating new households may be doing so without the traditional subscription TV services, North Americans still want and will still pay for the four pillars of subscription TV: live sports, news, reality TV and first-run drama and comedy, according to Deloitte Canada research. More than 99% of North American TV subscribers will continue to subscribe. If current conventional subscription TV service providers do not evolve with consumer behaviour and offer their own OTT services, the trends could be troubling in the longer term. We think the risk of disintermediation from over-the-top-video (a.k.a. cord cutting) services is manageable in the short term. More than 80% of Netflix Canadian customers also subscribe to cable or satellite services, according to Media Technology Monitor. In the short term, large vertically integrated broadcasting distributors will likely continue to have an advantage over pure-play OTT services in acquiring Canadian programming rights on all screens. The overall economic model of the media infrastructure is based on subscription and advertising platforms. Therefore, we believe content producers will be reluctant to move to an OTT or à la carte model to protect their ability to monetize their rights of new commercially successful product. We are mindful of the potential for a generational shift in consumer behaviour that could negatively impact the subscription video model. Over the longer term, we anticipate earnings mix shifting away from video subscription services to broadband services. Those carriers that offer both services have a natural hedge.

Consumer Choice in Programming Services – The CRTC is concerned that consolidation and vertical integration in the Canadian broadcasting industry could have a considerable negative impact on consumer choice. The CRTC expects firms to make "significant strides" to offer consumers more choices in their near-term future with respect to their BDU offerings. The federal cabinet directed the CRTC to study the unbundling of television channels and report its conclusions by April 30, 2014.

Wireless Roaming Fees – In December 2013, the federal government announced it would amend the Telecommunications Act to prevent wireless carriers from charging smaller carriers more than its own customers, even though CRTC work was far from completion.

Defined Benefit Pension Plans – Modest increases in interest rates expected in 2014 provide relief for industry balance sheets. BMO Economics forecasts 10-year government of Canada yields to increase to 3.15% in Q4/14 (2.46% March 2014) and 30-year government of Canada yields to increase to 3.68% in Q4/14 (2.96% March 2014).

***Table 1**: Senior Unsecured Debt Ratings*

	DBRS		S&P		Moody's	
Issuer:	**Rating**	**Outlook**	**Rating**	**Outlook**	**Rating**	**Outlook**
Bell Aliant	BBB	Stable	BBB	Stable	nr	
Bell Canada	AL	Stable	BBB+	Stable	Baa1	Stable
Cogeco	BBBL	Stable	BBB	Stable	nr	
MTS	BBB	Stable	BBB	Stable	nr	
Rogers	BBB	Stable	BBB+	Stable	Baa1	Stable
Shaw	BBB	Stable	BBB-	Positive	Baa3	Stable
TELUS	AL	Stable	BBB+	Stable	Baa1	Stable
Thomson Reuters	BBBH	Stable	BBB+	Stable	Baa2	Stable

Note: Cogeco Cable's rating is on Senior Secured Debt
Source: BMO Capital Markets, Credit rating agencies
As at March 31, 2014

Table 2: *Canadian Telecom Industry Operating Statistics*

Company		Local Access Lines (000)	High-Speed Internet Subs (000)	Wireless Subs (000)	Video Subs (000)	Total RGU's (000)
Bell Canada						
	2015E	4,585	2,305	8,193	2,578	17,661
	2014E	4,899	2,245	7,993	2,428	17,565
	FYE 2013	5,242	2,185	7,778	2,278	17,483
	FYE 2012	5,645	2,115	7,681	2,150	17,591
	FYE 2011	6,102	2,113	7,427	2,088	17,729
	FYE 2010	6,476	2,097	7,242	2,020	17,835
	FYE 2009	6,861	2,057	6,833	1,949	17,700
	FYE 2008	7,309	2,054	6,497	1,852	17,712
Bell Aliant Regional Communications						
	2015E	2,132	1,012	157	278	3,579
	2014E	2,225	982	152	228	3,587
	FYE 2013	2,353	952	147	178	3,630
	FYE 2012	2,491	918	144	123	3,677
	FYE 2011	2,629	896	136	77	3,738
	FYE 2010	2,776	869	125	49	3,819
	FYE 2009	2,916	808	121	33	3,878
	FYE 2008	3,092	762	114	0	3,968
Manitoba Telecom						
	2015E	440	218	506	111	1,275
	2014E	463	213	503	108	1,287
	FYE 2013	487	208	501	105	1,301
	FYE 2012	1,030	194	497	97	1,818
	FYE 2011	1,125	189	496	95	1,906
	FYE 2010	1,173	185	484	90	1,932
	FYE 2009	1,193	182	458	87	1,920
	FYE 2008	1,224	177	435	85	1,920
Rogers Communications Inc.						
	2015E	1,183	2,036	9,703	1,940	14,862
	2014E	1,168	2,011	9,603	2,021	14,803
	FYE 2013	1,153	1,961	9,503	2,127	14,744
	FYE 2012	1,074	1,858	9,433	2,214	14,579
	FYE 2011	1,052	1,793	9,335	2,297	14,477
	FYE 2010	1,003	1,686	8,977	2,305	13,971
	FYE 2009	937	1,619	8,494	2,296	13,346
	FYE 2008	840	1,571	7,942	2,320	12,673
Shaw Communications Inc.						
	2015E	1,400	1,931	0	1,870	6,089
	2014E	1,380	1,911	0	1,938	6,125
	Q1/14	1,361	1,893	0	2,011	6,159
	FYE 2013	1,360	1,891	0	2,040	6,194
	FYE 2012	1,345	1,896	0	2,190	6,341
	FYE 2011	1,233	1,877	0	2,290	6,309
	FYE 2010	1,097	1,823	0	2,333	6,159
	FYE 2009	830	1,678	0	2,290	5,699
	FYE 2008	612	1,566	0	2,248	5,319
TELUS Corp.						
	2015E	3,016	1,510	8,332	1,065	13,943
	2014E	3,127	1,460	8,072	945	13,629
	FYE 2013	3,254	1,395	7,807	815	13,296
	FYE 2012	3,406	1,326	7,670	678	13,113
	FYE 2011	3,593	1,242	7,340	509	12,729
	FYE 2010	3,739	1,167	6,971	314	12,254
	FYE 2009	3,966	1,128	6,524	170	11,876
	FYE 2008	4,246	1,096	6,129	78	11,674

Note: Shaw FYE 2012 results were restated; MTS FYE 2013 and future estimates exclude Allstream
Source: BMO Capital Markets estimates, company reports
As at March 31, 2014

Retailing/Consumer Products – April 2014

Sector Rating: Underperform

Relative Value

5-Year: Underperform
30-Year: Underperform

Spread View – We rate the sector Underperform, reflecting challenging conditions in grocery retail (intensifying competition, value-conscious consumer). The sector's underlying credit fundamentals deteriorated in the summer of 2013 as both Loblaw and Sobeys leveraged up their balance sheets to make significant acquisitions. New issuance has significantly surprised on the high side in 2013 due to M&A; however, we expect more modest issuance in 2014. The sector also remains vulnerable to underperformance if investors' global risk tolerance deteriorates.

Credit Curve – The 10s-30s indicative curve for the retail sector narrowed in Q1/14 to 47 bps from 61 bps at December 31, 2013, and is substantially narrower than 96 bps at December 31, 2012. We expect the sector to maintain a relatively steeper curve given the uncertainties the sector faces and lower credit quality.

Sector Value – The sector average spread in the long end of 214 bps is the widest amongst sectors. The 30-year basis to utilities narrowed significantly to 59 bps from 85 bps in Q4/13 and down substantially from 125 bps in December 31, 2012. The Retail sector's short total return in Q1/14 of 1.58% slightly outperformed the short bucket of the FTSE TMX Canada Universe Corporate Bond Index total return of 1.39%.

Recommendation

Top Pick – Our preferred credit is **Loblaw**. Same-store sales and margin continue to be supported by investment in customer proposition. While additional debt incurred to acquire **Shoppers** will raise leverage sharply, the acquisition is a strategic positive, in our view. There is a short-term trading opportunity in **Metro**'s two outstanding bonds as uncertainty over the grocer's strategy to maintain its market position and profitability weigh too heavily on spreads.

Risks

External – Consumer spending growth is expected to pick up in 2014 but remain at modest levels. Unemployment trends are encouraging, though we do not anticipate a significant change in consumer spending. Consumer insolvencies declined in January 2014 after increasing slightly in 2013. The consumer remains vulnerable owing to the high debt burden.

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Competition – Food price competition remains fierce and is expected to intensify. U.S. retailers are expected to continue expanding. Amazon has launched its Canadian e-commerce store.

Trading Liquidity – Secondary trading is relatively limited for certain names, with Loblaw and Canadian Tire the most liquid. REIT debt issues in the future are expected to replace traditional retail unsecured bond issuance.

New Issuance – After a busy year of M&A-driven bond issuance, we expect a more manageable pace of new issuance in 2014. Eagle Credit Card Trust (Loblaw) and Glacier Credit Card Trust (Canadian Tire) have demonstrated access to the ABS market.

Other – Shareholder activism was seen at Tim Hortons when a couple of hedge funds publicly argued for increased shareholder returns.

Credit Profile

Sector Financials – We generally expect low-single-digit growth in revenues, a range of EBITDA growth performance and positive free cash flows. Positive free cash flow is expected to be used to repay elevated debt levels at Loblaw and Sobeys.

Sector Fundamentals – We believe food retailers are a defensive play, as the consumer is still under pressure with unemployment at elevated levels and moderate economic growth expected in 2014. However, our view is tempered by an intensifying competitive landscape in grocery retail as Walmart and Target increase their competitive position. Industry retail square footage is expected to grow at a faster pace than domestic grocer store networks. Retail food price competition remains as intense as ever.

Credit Ratings – Ratings are generally stable after DBRS' downgrade of Sobeys and the Negative outlook by S&P. DBRS recently wrote that Metro and Sobeys are most at risk of negative credit rating pressure.

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Viewpoint

We rate the sector Underperform, reflecting challenging market conditions in light of intensifying competition in grocery retail, elevated financial risk following strategic M&A activity in 2013, and increasingly value-conscious consumer spending against the backdrop of high household debt. After a flurry of new issuance over the summer and fall, we expect a moderate amount of bond issuance in 2014. The "high beta" sector also remains vulnerable to underperformance if an industry price war breaks out and/or investors' global risk tolerance deteriorates.

Retail Outperforms in Q1/14: Retail sector bonds generated a total return of 1.58% in Q1/14 in the short end, which slightly outperformed the short bucket of the FTSE TMX Canada Universe Corporate Bond Index total return of 1.39%. In the mid-term, the sector's total return of 4.84% slightly outpaced the universe total return of 3.85%. In the long end, the sector's total return of 7.94% was better than the universe total return of 6.06%. For full-year 2013, the retail sector underperformed by 28 bps in the short term and 109 bps in the mid term. In the long end, the sector outperformed by ~400 bps, resulting in overall outperformance of 31 bps on a broad basis.

Loblaw bonds generally outperformed in Q1/14, illustrated by the 2023 bond tightening by 27 bps, or by 15%, compared to the Tim Hortons 2023 bond that tightened by 14% and Sobeys 2023 bond that tightened by 12% (measured by spread to curve).

The long Metro 2035 bond now trades ~13 bps wider than the Loblaw 2035 bond, which we believe signals market uncertainty about Metro's plans to restore its debt leverage to more normal levels in the 2.5x area (currently 2.0x December 31, 2013) and pursue growth opportunities to combat increasingly competitive grocery retail environment driven by the consolidation (Loblaw/Shoppers, Sobeys/Safeway) and Walmart's expansion in Quebec. We think there is a short-term trading opportunity, as we do not expect Metro's leverage will rise above Loblaw's leverage.

Key Themes

Canadian Economy to Pick-up Modestly in 2014 – BMO Economics expects Canadian economic growth to pick-up modestly to 2.3% in 2014 from 2.0% in 2013. Consumer spending growth is expected to remain modest in 2014, at 2.5% compared to 2.2% in 2013. Consumer insolvencies increased in 2013 for the first year since 2009 by 0.2% after the number of filings (bankruptcies + proposals) declined 3.7% in 2012. However, 2014 has started strong with a 5.6% y/y decline in consumer insolvency filings in January, which is an improvement from a 4.5% y/y increase in January 2013. The unemployment rate is expected to improved slightly in 2014 and decline below 7.0% to 6.9%, the lowest level since the credit crisis, but still higher than pre-credit crisis levels. While the trend in the unemployment rate is encouraging, we do not expect a strong recovery for Canadian consumer spending, and we expect consumers to maintain their preference to eat at home and continue to be focused on value.

Rising Indebtedness of Canada's Household Sector – The Bank of Canada and others continue to express concern regarding the high level of indebtedness of Canada's households. The Bank of Canada wrote in its December 2013 Financial System Review that the level of indebtedness is still elevated, and the Bank's stress tests suggest that households are vulnerable to adverse economic shocks. The central bank also notes housing valuations remain stretched, in certain markets, and there continue to be signs of overbuilding. These imbalances will take some time to correct since they were built over a long period of time. The Bank cautioned that while a gradual unwinding of imbalances is expected, there is a risk of a sharper correction.

Retail Food Inflation – Wholesale food inflation has accelerated at faster pace than the rate of growth in retail food inflation, which puts pressure on gross margins, all else equal. BMO Economics expects food price inflation to pick-up in 2014 to 1.5% compared to 1.2% for 2013, which is still lower than 2.4% in 2012. We remain cautious about grocers' ability to pass along price increases to consumers in light of intensifying competition in grocery retail, driven in part by the excess supply of selling space.

Increasing Competition – Food retailing is becoming more competitive with Walmart's continued expansion activity in Canada and its stated goal of being the fastest growing retailer in the region, as well as Target Canada's 2013 entry. Walmart Canada currently has 247 supercentres and 142 conventional stores in Canada (February 4, 2014). The company plans to complete 35 supercentre projects in fiscal 2015, as well as expand its distribution network and its e-commerce business. Eventually, Walmart plans to convert all Canadian stores to Supercentres. Target Corp. plans to add nine more stores to its current network of 124 stores (as of January 29, 2014). On October 31, 2013, Amazon unveiled its new grocery, health and beauty, and automotive e-commerce offering. In the quick-service restaurant sector, McDonalds has elevated the treatment of its coffee offering to a level just as critically important as it treats its iconic french fries.

Grocery Retail Square Footage – Industry square footage growth is a threat, as the growth in supply has continued to outpace demographic-driven demand. Over the last six years, industry square footage has grown 1.8% CAGR, which has exceeded annual population growth of 1.0% (DBRS), further intensifying competitive pressure in the industry.

E-commerce – On October 31, Amazon unveiled its new food, health and beauty, and automotive product offering on its amazon.ca website. On the surface, Amazon could be disruptive to food retailing in Canada as it has in music and videos since none of the major grocers has an online food offering. That said, prices on amazon.ca are not as low as consumers may expect, which likely will mute the impact of Amazon. In automotive, if Amazon can provide consumers with competitive prices, it could become a threat to Canadian Tire. Walmart plans to expand on its e-commerce offering walmart.ca in 2014.

Online retail sales have grown by over 30% since 2009 to over $20 billion in 2013. Online sales are expected to grow 65% over the next five years to over $33 billion (Forrester Research/DBRS).

Further Grocery Retail Industry Consolidation? – Now that Safeway Canada has been acquired by Sobeys, there is not much else remaining of size in the grocery industry for acquisition. Metro Inc. has historically signalled its willingness to make further acquisitions, but there is no obvious grocer available to acquire at this time.

Ethnic Retailing – We continue to expect ethnic food retailing growth to accelerate in the coming years. Those retailers that recognize and act on this trend should benefit. Loblaw acted early to enter the ethnic food segment with its purchase of T&T Supermarkets in 2009.

Retail Real Estate Strategy – Both Loblaw and Canadian Tire sold real estate into newly public real estate investment trusts with the aim to optimize their capital structures. As a result, we anticipate reduced new issuance out of the traditional retail entity (absent M&A transactions) as REIT structures begin to issue unsecured debt. We think the strategy is notionally negative for existing bondholders due to increased capital structure complexity, structural subordination of real estate assets and the beginning of a trend to monetize real estate holdings, which diminish asset coverage.

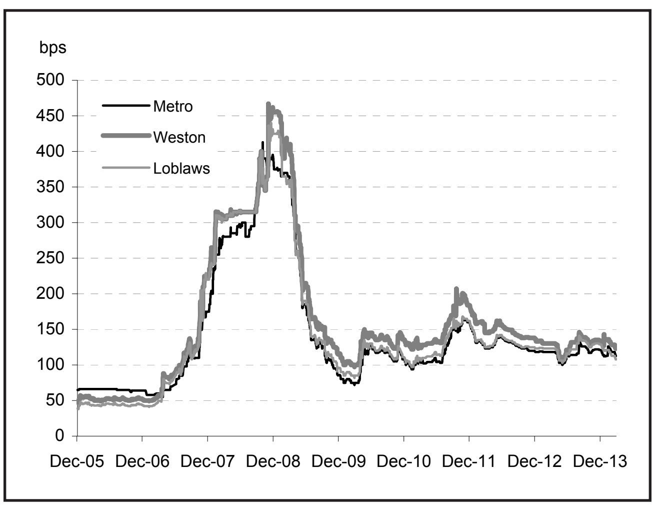
Shareholder Activism – Recent events at Tim Hortons in 2013 illustrate the emerging trend of shareholder activism to boost share price.

New Issuance – The retail sector primary new issuance returned to life in 2013, driven by M&A activity. Sobeys issued $1.0 billion in July 2013 to help fund its purchase of Canada Safeway. Loblaw issued $1.6 billion on September 5, 2013, to help fund its purchase of Shoppers Drug Mart. As well, Tim Hortons issued $450 million in November 2013 to help fund its share repurchase program.

Tim Hortons also issued $450 million in late March 2014 in the 5-year term to complete its funding for its planned share buyback activity.

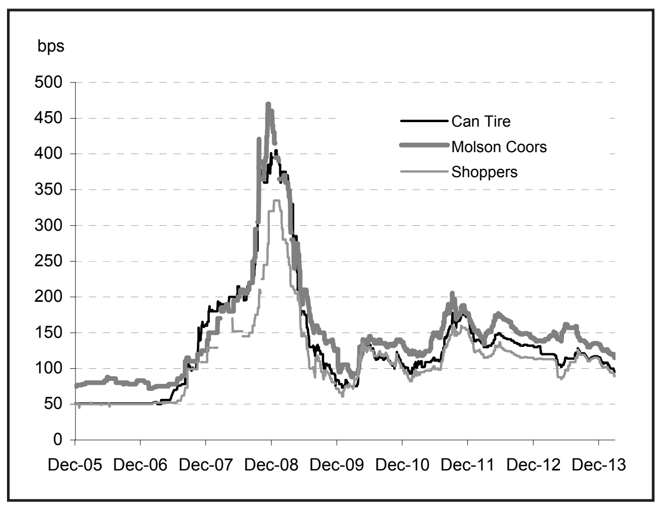
We expect that Metro Inc. will eventually return to the bond market in the near term as it strives to restore its leverage to more normal levels of ~2.5x from the current 2.0x level. The company has the capacity to add up to $350 million of debt to restore leverage to ~2.5x (S&P methodology), assuming a modest decline in EBITDA in 2014.

***Chart 1**: Food Retailers – 5-Year Indicative Spreads*



As at March 31, 2014
Source: BMO Capital Markets

***Chart 2**: Other Consumer Products/Retailers – 5-Year Indicative Spreads*



As at March 31, 2014
Source: BMO Capital Markets

***Table 1**: Canadian Retail Credit Ratings*

	DBRS		S&P		Moody's	
Issuer:	**Rating**	**Outlook**	**Rating**	**Outlook**	**Rating**	**Outlook**
Canadian Tire	BBBH	Stable	BBB+	Stable	nr	
George Weston	BBB	Stable	BBB	Stable	nr	
Loblaw	BBB	Stable	BBB	Stable	nr	
Metro	BBB	Stable	BBB	Stable	nr	
Shoppers Drug Mart [1]	AL	UR-Neg.	BBB+	CW-Neg.	nr	
Sobeys	BBBL	Stable	BBB-	Negative	nr	

1. Shoppers Drug Mart was downgraded by DBRS to BBB (Stable) on April 1, 2014 and by S&P to BBB (Stable) on April 3, 2014
As at March 31, 2014
Source: BMO Capital Markets, Credit Rating Agencies

Canadian Fixed Income Issuers

Issuer	Industry	DBRS Rating	DBRS Outlook	S&P Rating	S&P Outlook	Moody's Rating	Moody's Outlook
407 East Development Group General Partnership[1]	INFRA	AL	Negative	A-	Stable	nr	
407 International Inc.[1]	INFRA	A	Stable	A	Stable	nr	
Aeroports de Montreal[1]	INFRA	AH	Stable	nr		A1	Stable
Algonquin Power Co.	UTIL - Gas/Elec	BBBL	Stable	BBB	Stable	nr	
Alliance Pipeline Limited Partnership[1]	PIPE	AL	Stable	BBB+	Stable	A3	Stable
AltaGas Ltd.	UTIL - Gas/Elec	BBB	Stable	BBB	Stable	nr	
AltaLink Investments, L.P.	UTIL - Gas/Elec	BBB	Stable	BBB-	Stable	nr	
AltaLink, L.P.[1]	UTIL - Gas/Elec	A	Stable	A-	Stable	nr	
American Express Canada Credit Corp.	FIN	AH	Stable	A-	Stable	A2	Stable
BAC Canada Finance Company	BANK	AL	Stable	A-	Negative	Baa2	Stable
Bank of Montreal	BANK	AA	Stable	A+	Stable	Aa3	Stable
Bank of Nova Scotia	BANK	AA	Stable	A+	Stable	Aa2	Stable
Bell Aliant Regional Communications Limited Partnership	TEL	BBB	Stable	BBB	Stable	nr	
Bell Canada	TEL	AL	Stable	BBB+	Stable	Baa1	Stable
BMO Capital Trust	BANK	AL	Stable	BBB		Baa2	Stable
BMW Canada Inc.	AUTO	A	Stable	A+	Stable	A2	Stable
BNS Capital Trust (Scotiabank Capital Trust)	BANK	AL	Stable	BBB+		Baa1	Stable
British Columbia Ferry Services Inc.[1]	INFRA	A	Stable	AA-	Stable	nr	
Brookfield Corporation (BAM)	REAL ESTATE	AL	Negative	A-	Stable	Baa2	Stable
Brookfield Office Properties	REAL ESTATE	BBB	Stable	BB+	CW-Developing	nr	
Brookfield Renewable Energy Partners LP	UTIL - Gas/Elec	BBBH	Stable	BBB	Positive	nr	
Caisse Centrale Desjardins	BANK	AA	Stable	A+	Stable	Aa2	Stable
Calloway Real Estate Investment Trust	REAL ESTATE	BBB	Stable	nr		nr	
Canada Life Assurance Co.[2]	INS	AAL	Stable	AA-		A2	Stable
Canada Life Capital Trust	INS	AH	Stable	A+		nr	
Canadian Imperial Bank of Commerce	BANK	AA	Stable	A+	Stable	Aa3	Stable
Canadian Natural Resources Ltd.	O&G	BBBH	UR-Developing	BBB+	Stable	Baa1	Stable
Canadian Pacific Railway Company	INFRA	BBBL	Positive	BBB-	CW-Positive	Baa3	UR-Positive
Canadian Tire Corp., Limited	RETAIL	BBBH	Stable	BBB+	Stable	nr	
Canadian Utilities Ltd.	UTIL - Gas/Elec	A	Stable	A	Stable	nr	
Canadian Western Bank	BANK	AL	Stable	nr		nr	
Capital Desjardins Inc.	BANK	AAL	Stable	A	Stable	A2	Stable
Capital Power L.P.	UTIL - Gas/Elec	BBB	Stable	BBB-	Stable	nr	
Caterpillar Financial Services Ltd.	FIN	A	Stable	A	Stable	A2	Stable
Choice Properties REIT	REAL ESTATE	BBB	Stable	BBB	Stable	nr	
CI Financial Corp.	FIN	AL	Stable	BBB+	Stable	nr	
CIBC Capital Trust	BANK	AL	Stable	BBB		Baa2	Stable
Citigroup Finance Canada	BANK	AL	Stable	A-	Negative	Baa2	Stable
Cogeco Cable Inc.[1]	CABLE	BBBL	Stable	BBB	Stable	nr	
Cominar REIT	REAL ESTATE	BBBL	Stable	nr		nr	
CU Inc.	UTIL - Gas/Elec	AH	Stable	A	Stable	nr	
Edmonton Regional Airports Authority[1]	INFRA	AH	Stable	A	Positive	A1	Stable
Emera Inc.	UTIL - Gas/Elec	BBBH	UR-Developing	BBB+	Negative	nr	
Enbridge Gas Distribution Inc.	UTIL - Gas/Elec	A	Stable	A-	Stable	nr	
Enbridge Inc.	PIPE	AL	Stable	A-	Stable	Baa1	Stable
Enbridge Income Fund	PIPE	BBBH	Stable	nr		Baa2	Stable
Enbridge Pipelines Inc.	PIPE	A	Stable	A-	Stable	nr	
Encana Corporation	O&G	BBB	Stable	BBB	Negative	Baa2	Stable
Enersource Corp.	UTIL - Gas/Elec	A	Stable	A	Stable	nr	
ENMAX	UTIL - Gas/Elec	AL	Stable	BBB+	Stable	nr	
EPCOR Utilities Inc.	UTIL - Gas/Elec	AL	Stable	BBB+	Positive	nr	
Fairfax Financial Holdings	FIN	BBB	Stable	BBB-	Stable	Baa3	Stable
Finning International Inc.	IND	AL	Stable	BBB+	Stable	nr	
First Capital Realty Inc.	REAL ESTATE	BBBH	Stable	nr		Baa2	Stable
Fortis Inc.	UTIL - Gas/Elec	AL	UR-Developing	A-	Negative	nr	
FortisAlberta Inc.	UTIL - Gas/Elec	AL	Positive	A-	Negative	Baa1	Stable
FortisBC Energy Inc.	UTIL - Gas/Elec	A	Stable	nr		A3	Negative
FortisBC Holdings Inc.	UTIL - Gas/Elec	BBBH	Stable	nr		Baa2	Negative
FortisBC Inc.	UTIL - Gas/Elec	AL	Stable	nr		Baa1	Negative
Gaz Metro Inc.[1]	UTIL - Gas/Elec	A	Stable	A+	Stable	nr	
GE Capital Canada Funding Company	FIN	nr		AA+	Stable	A1	Stable
George Weston Ltd.	RETAIL	BBB	Stable	BBB	Stable	nr	
Granite REIT	REAL ESTATE	BBB	Stable	nr		Baa3	Positive
Greater Toronto Airports Authority (GTAA)[1]	INFRA	A	Stable	A	Stable	A1	Stable
Great-West Lifeco Inc.	INS	AAL	Stable	A+	Stable	nr	
H&R REIT	REAL ESTATE	BBB	Stable	nr		nr	
Honda Canada Finance Inc.	AUTO	AH	Stable	A+	Stable	A1	Stable
HSBC Bank Canada	BANK	AAL	Stable	AA-	Negative	nr	
Husky Energy Inc.	O&G	AL	Stable	BBB+	Stable	Baa2	Stable
Hydro One Inc.	UTIL - Gas/Elec	AH	Stable	A+	Negative	A1	Stable

As at March 31, 2014
Notes: * Ratings are those of senior unsecured obligations or long-term corporate family rating
[1] Ratings are those of senior secured debt
[2] Ratings are those of subordinated debt
Industry: ABS: Asset-Backed Security, AUTO: Auto, BANK: Bank, CABLE: Cable, FIN: Financial Services & Other Financials, IND: Industrial Products, INFRA: Infrastructure, INS: Insurance, M&M: Metals and Mining, O&G: Oil and Gas, OTHER: Other, PIPE: Pipeline, PFA: Pension Fund Agency, PP: Printing and Publishing, REAL ESTATE: Real Estate, RETAIL: Retailer, TEL: Telecom, UTIL: Gas/Elec: Gas and Electric Utility

Canadian Fixed Income Issuers (continued)

Issuer	Industry	DBRS		S&P		Moody's	
		Rating	Outlook	Rating	Outlook	Rating	Outlook
IGM Financial (formerly Investors Group)	FIN	AH	Stable	A+	Stable	nr	
Industrial Alliance Insurance and Financial Services Inc.[2]	INS	A	Stable	A	Stable	nr	
Intact Financial	FIN	AL	Stable	nr		Baa1	Stable
Inter Pipeline (Corridor) Inc.	PIPE	A	Stable	A	Stable	A2	Stable
Inter Pipeline Ltd.	PIPE	BBBH	Stable	BBB+	Stable	nr	
John Deere Canada Funding Inc.	FIN	A	Stable	A	Stable	A2	Stable
Laurentian Bank of Canada	BANK	BBBH	Positive	BBB	Stable	nr	
Leisureworld Senior Care LP[1]	INFRA	A	Stable	A-	Negative	nr	
Loblaw Companies Ltd.	RETAIL	BBB	Stable	BBB	Stable	nr	
Manitoba Telecom Services Inc.	TEL	BBB	Stable	BBB	Stable	nr	
Manufacturers Life Insurance Co.[2]	INS	AH	Stable	A+		nr	
Manulife Bank Canada	FIN	AH	Stable	A+	Stable	nr	
Manulife Financial Capital Trust	INS	A	Stable	A		nr	
Manulife Financial Corporation	INS	AH	Stable	A	Stable	nr	
Maritimes & Northeast Pipeline L.P.[1]	PIPE	A	Stable	A	Stable	A2	Stable
METRO Inc.	RETAIL	BBB	Stable	BBB	Stable	nr	
Molson Coors Brewing Co.	RETAIL	BBB	Stable	BBB-	Positive	Baa2	Stable
National Bank of Canada	BANK	AAL	Stable	A	Stable	Aa3	Stable
NBC Asset Trust	BANK	BBBH	Stable	BBB		Baa3	Stable
NAV CANADA[1]	INFRA	AA	Stable	AA	Stable	Aa2	Stable
Newfoundland Power Inc.[1]	UTIL - Gas/Elec	A	Stable	nr		A2	Stable
Nexen Inc.	O&G	AH	Stable	AA-	Stable	Aa3	Stable
NOVA Gas Transmission Ltd.	PIPE	AL	Stable	A-	Stable	A3	Stable
Nova Scotia Power Inc.	UTIL - Gas/Elec	AL	Stable	BBB+	Negative	nr	
Ontario Power Generation	UTIL - Gas/Elec	AL	Stable	A-	Negative	nr	
Ottawa Macdonald-Cartier International Airport Authority[1]	INFRA	AH	Stable	A+	Stable	Aa3	Stable
Pembina Pipeline Corp.	PIPE	BBB	Stable	BBB	Stable	nr	
Power Financial Corporation	FIN	AAL	Stable	A+	Stable	nr	
RBC Capital Trust	BANK	AL	Stable	A-		Baa2	Stable
RioCan REIT	REAL ESTATE	BBBH	Stable	BBB-	Stable	nr	
Rogers Communications Inc.	CABLE	BBB	Stable	BBB+	Stable	Baa1	Stable
Royal Bank of Canada	BANK	AA	Stable	AA-	Stable	Aa3	Stable
Shaw Communications Inc.	CABLE	BBB	Stable	BBB-	Positive	Baa3	Stable
Shoppers Drug Mart Corp.[3]	RETAIL	AL	UR-Negative	BBB+	CW-Negative	nr	
SNC-Lavalin Group Inc.[4]	INFRA	BBB	Negative	BBB	Negative	nr	
Sobeys Inc.	RETAIL	BBBL	Stable	BBB-	Negative	nr	
Sun Life Assurance Company of Canada[2]	INS	AH	Stable	A		A2	Stable
Sun Life Capital Trust	INS	A	Stable	A		A3	Stable
Sun Life Financial Inc.	INS	AH	Stable	A	Stable	nr	
Suncor Energy Inc.	O&G	AL	Stable	BBB+	Stable	Baa1	Stable
Talisman Energy Inc.	O&G	BBBH	Stable	BBB	Negative	Baa2	Negative
TD Capital Trust	BANK	AL	Stable	A-		A3	Stable
TELUS Corporation	TEL	AL	Stable	BBB+	Stable	Baa1	Stable
Teranet Holdings LP[1]	INFRA	BBB	Stable	BBB+	Negative	nr	
Thomson Reuters Corporation	PP	BBBH	Stable	BBB+	Stable	Baa2	Stable
Tim Hortons Inc.	RETAIL	BBB	Stable	nr		nr	
Toronto Hydro Corporation	UTIL - Gas/Elec	AH	Stable	A	Stable	nr	
Toronto-Dominion Bank	BANK	AA	Stable	AA-	Stable	Aa1	Stable
Trans Quebec & Maritime Pipeline Inc.	PIPE	AL	Stable	BBB+	Stable	nr	
TransAlta Corporation	UTIL - Gas/Elec	BBB	Stable	BBB-	Stable	Baa3	Negative
TransCanada PipeLines Ltd.	PIPE	AL	Stable	A-	Stable	A3	Stable
TransNorthern Pipe	PIPE	AL	Stable	nr		nr	
University of Ontario Institute of Technology	INFRA	BBBH	Stable	nr		A2	Stable
Union Gas Ltd.	UTIL - Gas/Elec	A	Stable	BBB+	Stable	nr	
Vancouver International Airport Authority	INFRA	AAL	Stable	AA	Stable	nr	
Veresen Inc.	PIPE	BBBH	Stable	BBB	Stable	nr	
Viking Rideau[1]	REAL ESTATE	AH	UR-Developing	nr		nr	
Wells Fargo Canada Corporation	BANK	AA	Stable	A+	Negative	A2	Stable
Westcoast Energy Inc.	PIPE	AL	Stable	BBB	Stable	nr	
Winnipeg Airports Authority Inc.[1]	INFRA	nr		A	Stable	A2	Stable

As at March 31, 2014
Notes: * Ratings are those of senior unsecured obligations or long-term corporate family rating
[1] Ratings are those of senior secured debt
[2] Ratings are those of subordinated debt
[3] Shoppers Drug Mart was downgraded by DBRS to BBB (Stable) on April 1, 2014 and by S&P to BBB (Stable) on April 3, 2014.
[4] SNC Lavalin Group's outlook was revised to Stable by S&P on April 1, 2014.
Industry: ABS: Asset-Backed Security, AUTO: Auto, BANK: Bank, CABLE: Cable, FIN: Financial Services & Other Financials, IND: Industrial Products, INFRA: Infrastructure, INS: Insurance, M&M: Metals and Mining, O&G: Oil and Gas, OTHER: Other, PIPE: Pipeline, PFA: Pension Fund Agency, PP: Printing and Publishing, REAL ESTATE: Real Estate, RETAIL: Retailer, TEL: Telecom, UTIL: Gas/Elec: Gas and Electric Utility

Appendix - Disclosure Statement and Analyst's Certification

IMPORTANT DISCLOSURES

Analyst's Certification

As to each company covered in this ebook, the analyst hereby certifies that the views expressed in this report accurately reflect the analyst's personal views about the subject securities or issuers. Each analyst also certifies that no part of his compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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Company Specific Disclosures

For Important Disclosures on the stocks discussed in this report, please go to http://researchglobal.bmocapitalmarkets.com/Public/Company_Disclosure_Public.aspx.

Company Specific Disclosure Key

1 - BMO Capital Markets has undertaken an underwriting liability with respect to this issuer within the past 12 months.

2 - BMO Capital Markets has provided investment banking services with respect to this issuer within the past 12 months.

3 - BMO Capital Markets has managed or co-managed a public offering of securities with respect to this issuer within the past 12 months.

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5 - BMO Capital Markets or an affiliate received compensation for products or services other than investment banking services within the past 12 months.

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7 - BMO Capital Markets or its affiliates expects to receive or intends to seek compensation for investment banking services from the company in the next 3 months.

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9 - BMO Capital Markets makes a market in this security.

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