

Gluskin Sheff + Associates Inc.

FOCUS ON THE FOREST, NOT THE TREES

David A. Rosenberg



Crisis? What Crisis?

WAS YOGI BERRA A “CLOSET” ECONOMIST?

10 Famous Quotes from the Legendary Baseball Player and Coach Yogi Berra

“A nickel ain't worth a dime anymore.”

“I wish I had an answer to that because I'm tired of answering that question.”

“When you come to a fork in the road, take it.”

“I don't want to make the wrong mistake.”

“I never said most of the things I said.”

“The future ain't what it used to be.”

“In theory there is no difference between theory and practice. In practice there is.”

“I always thought that record would stand until it was broken.”

“It's like déjà vu all over again.”

“It's tough making predictions, especially about the future.”

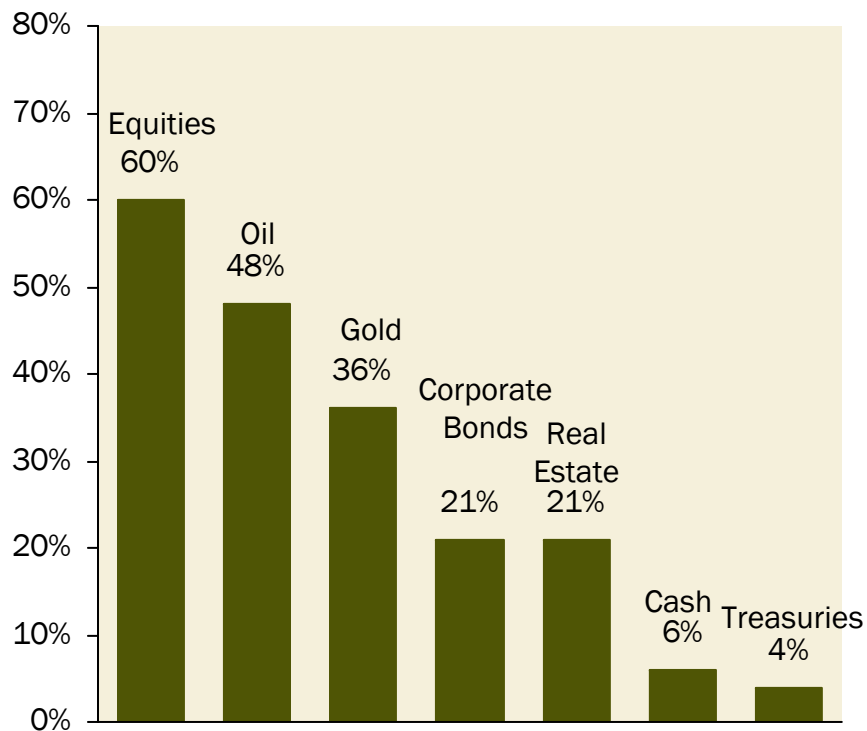
BOB FARRELL'S 10 MARKET RULES TO REMEMBER

- 1 Markets tend to return to the mean over time
 - 2 Excesses in one direction will lead to an opposite excess in the other direction
 - 3 There are no new eras – excesses are never permanent
 - 4 Exponential rapidly rising or falling markets usually go further than you think, but they do not correct by going sideways
 - 5 The public buys the most at the top and the least at the bottom
 - 6 Fear and greed are stronger than long-term resolve
 - 7 Markets are strongest when they are broad and weakest when they narrow to a handful of blue chip names
 - 8 Bear markets have three stages – i) sharp down, ii) reflexive rebound, and iii) a drawn-out fundamental downtrend
 - 9 When all the experts and forecasts agree, something else is going to happen
 - 10 Bull markets are more fun than bear markets
-

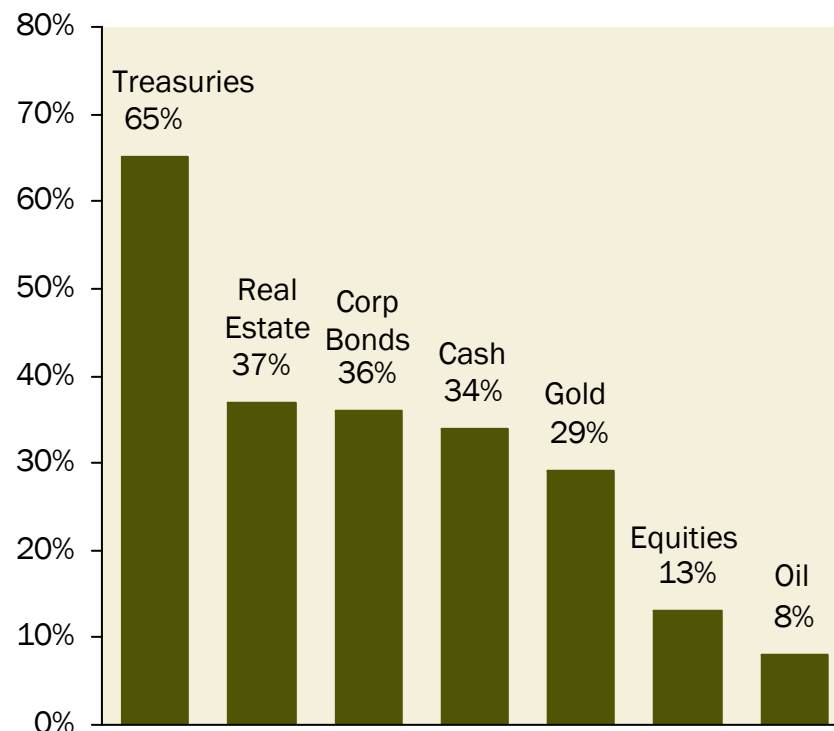
THE CONSENSUS VIEW

United States: Barron's Big Money Poll, Fall 2009

Percent Bullish



Percent Bearish



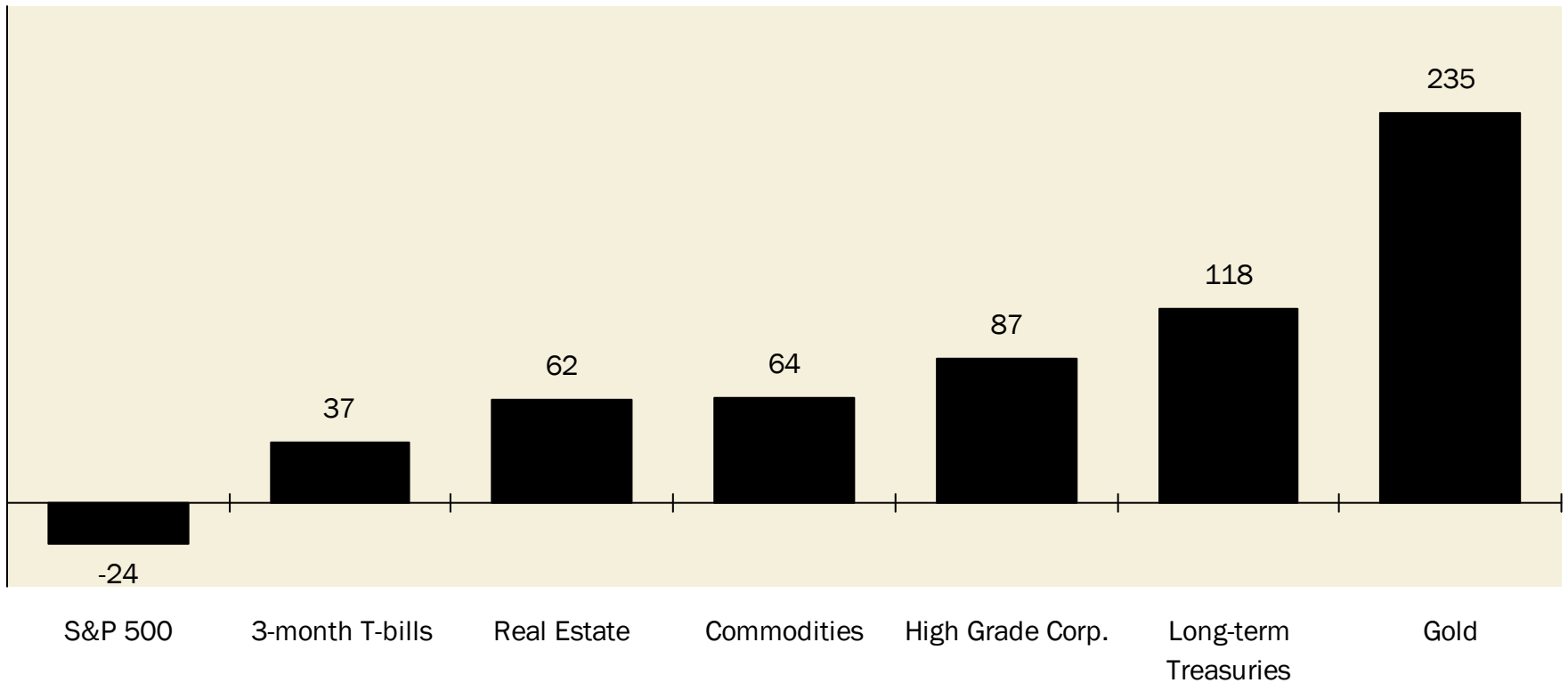
Note:

Source: Barron's

STOCKS FOR THE LONG RUN?

United States

(10-year returns by asset class: October 1999 to October 2009: percent change)

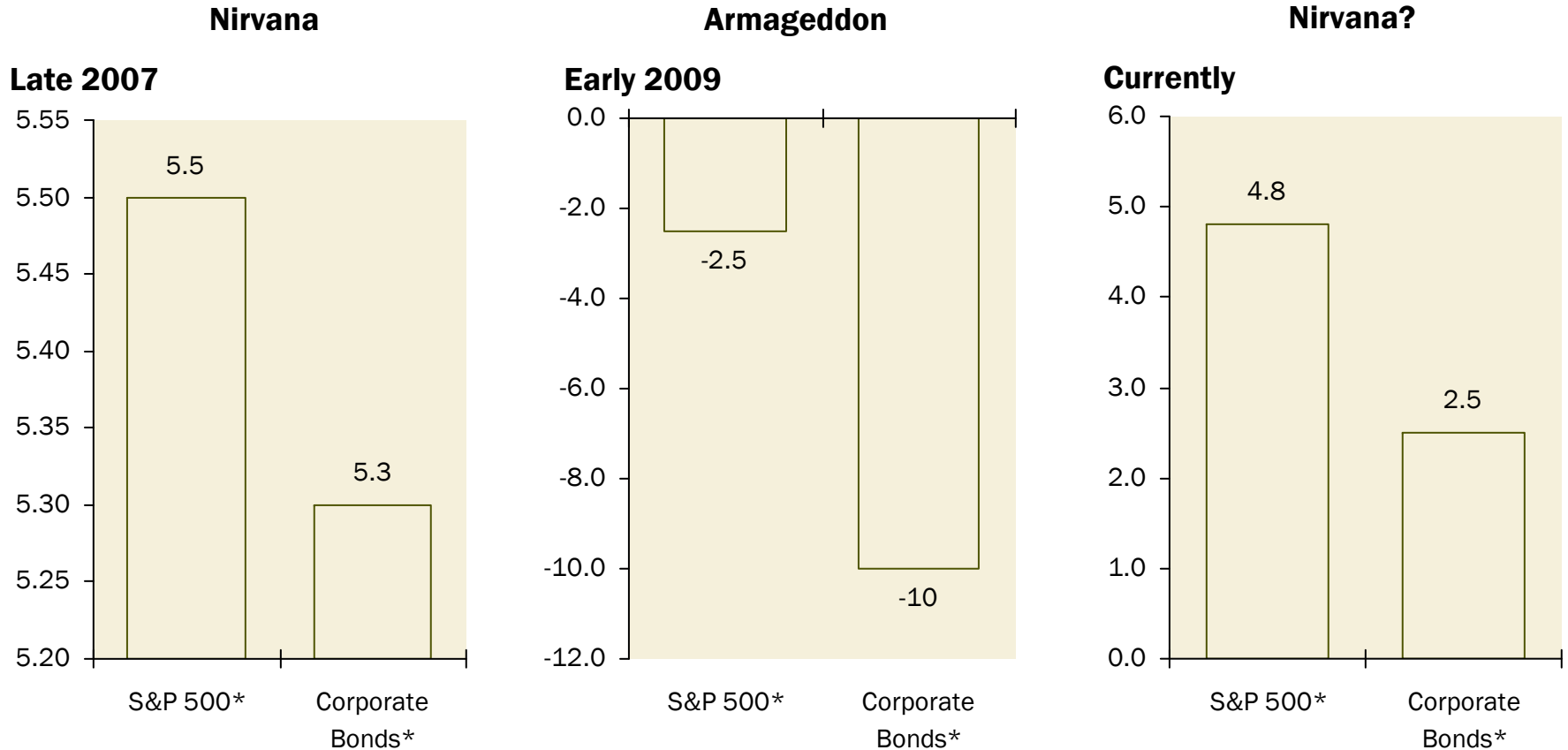


Note:

Source: Haver Analytics

WHAT IS PRICED IN?

United States: Real GDP Growth Being Discounted (annual percent change)

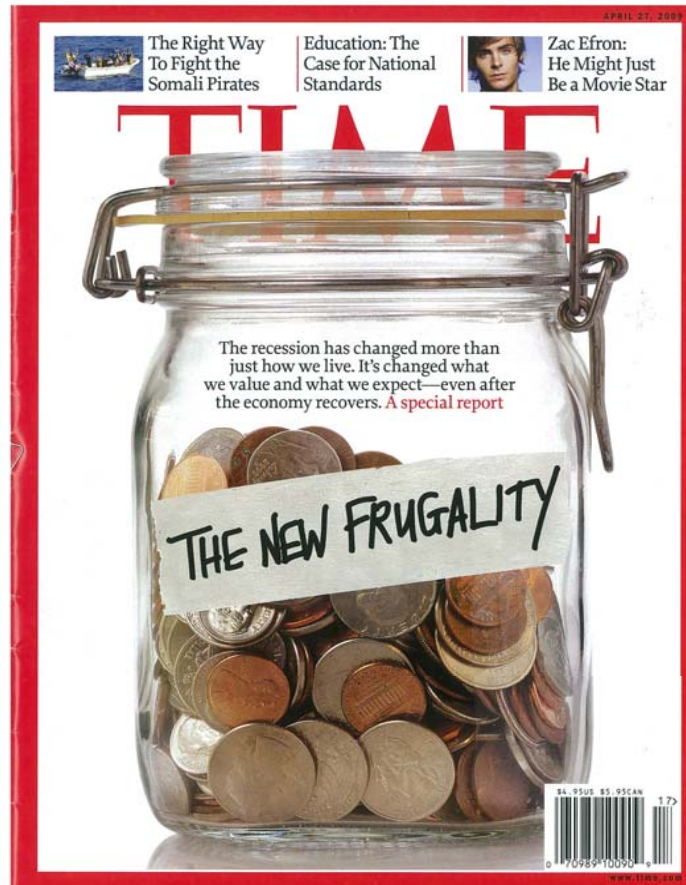


Notes:

*Looking at U.S. growth.

Source: Haver Analytics

THE NEW FRUGALITY



WHAT BANK OF AMERICA THINKS OF THE CREDIT BACKDROP

Mario Bartiromo: “What is the lending environment right now?”

Ken Lewis: “There is a dramatic decline in demand, with even some sociological implications – consumers wanting to save and not spend. I don’t know if that’s permanent or not.”

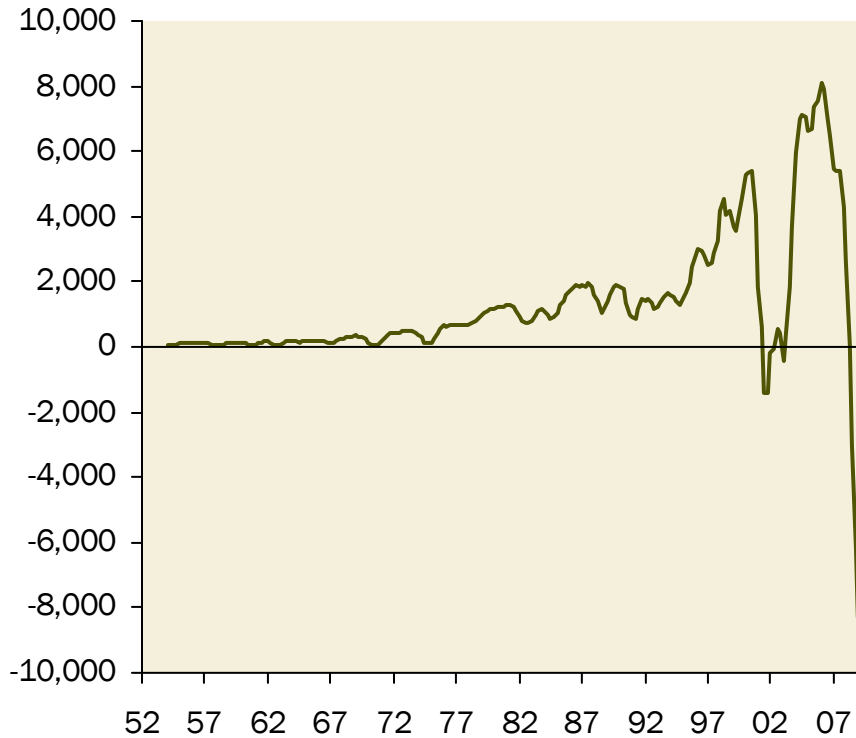
(BusinessWeek interview, May 4, 2009)

HOUSEHOLDS SHRINKING THEIR BALANCE SHEETS

United States: Total Household (US\$ billions)

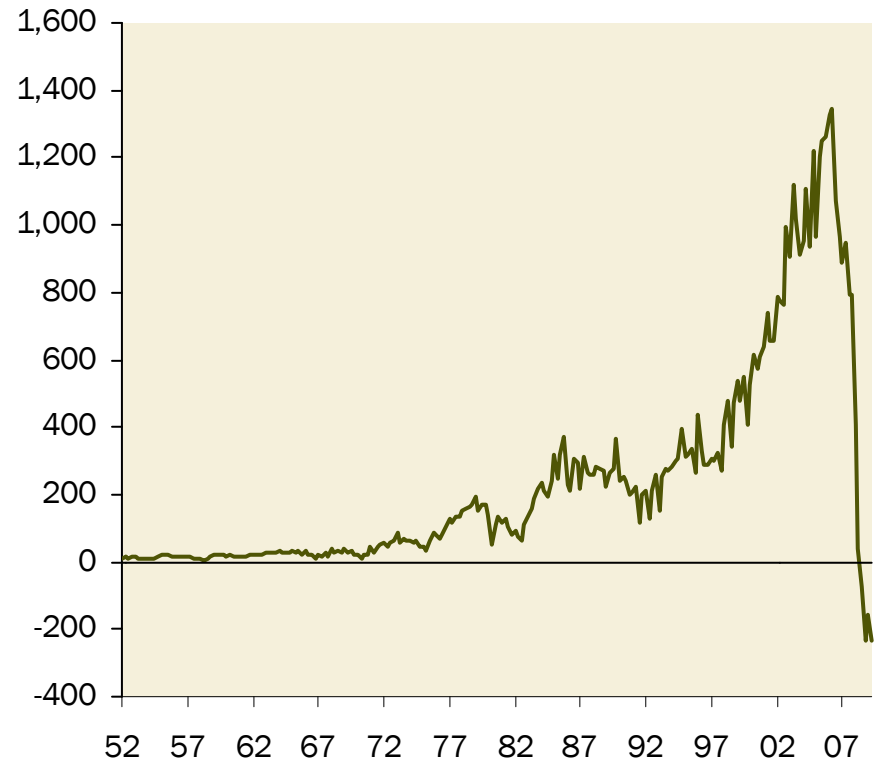
Assets

(four quarter moving average of the year-over-year change)



Credit Market Debt

(level)



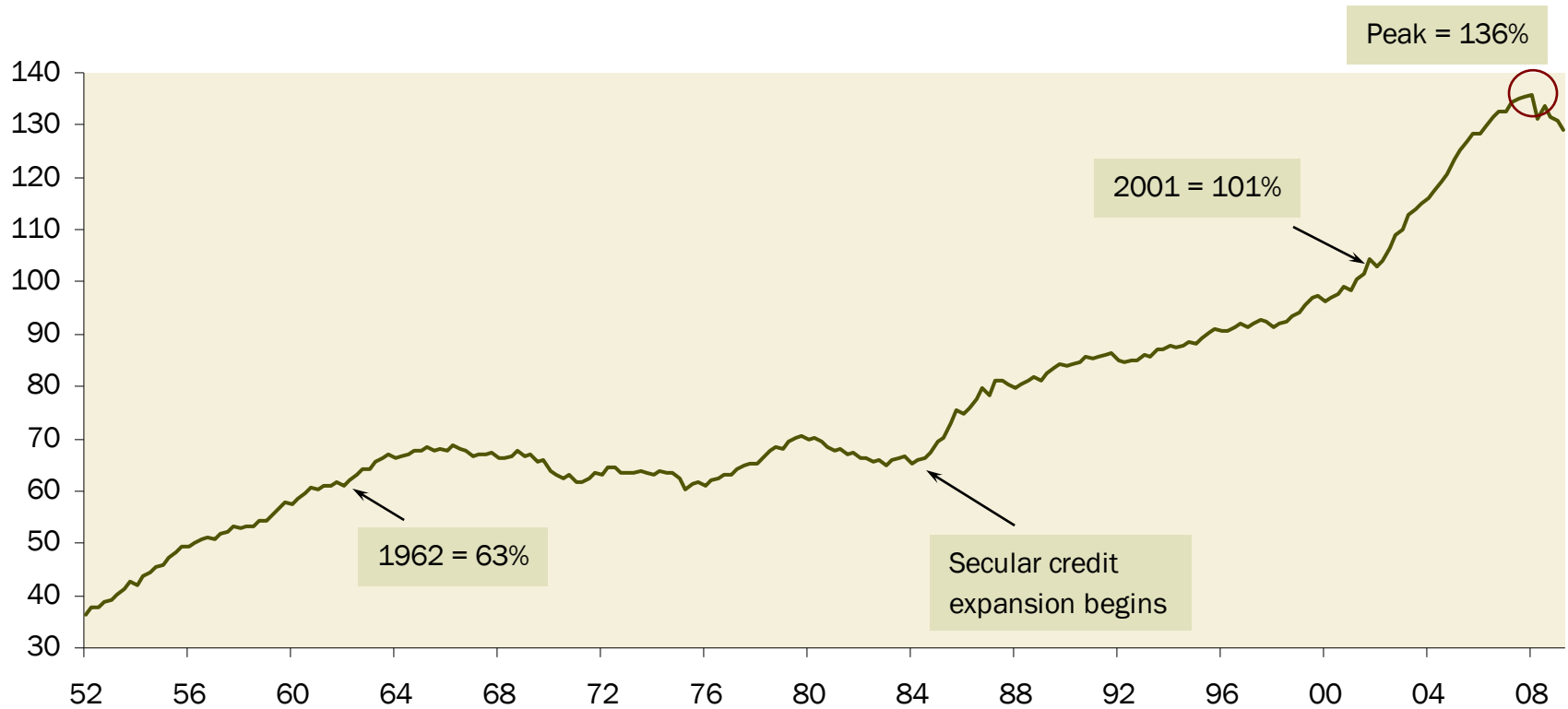
Note:

Source: Federal Reserve Board

DEBT-TO-INCOME RATIO ROSE AS MUCH IN THE PAST 7 YEARS AS IT DID IN THE PREVIOUS 39 YEARS

United States: Household Debt-to-Income Ratio

(percent)



Note:

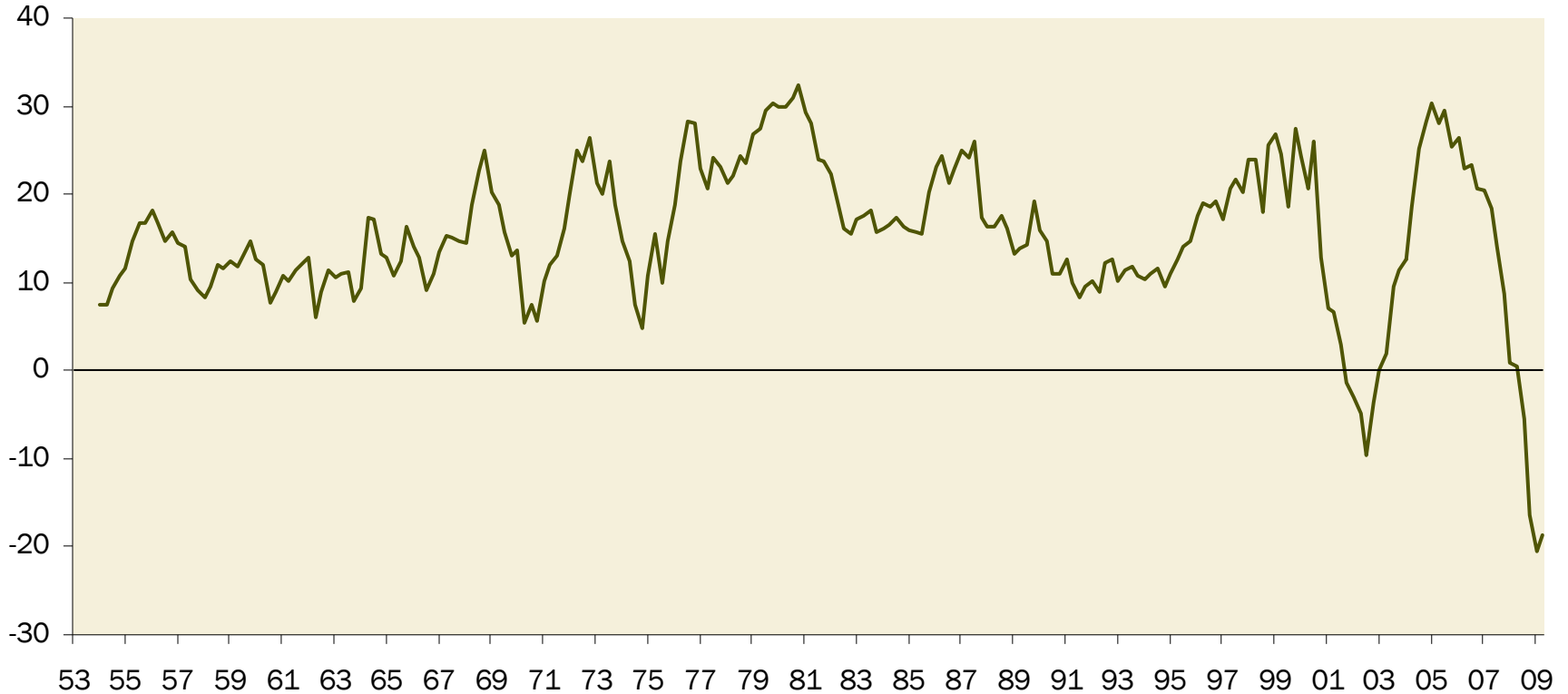
Source: Federal Reserve Board

Trauma Hits the U.S. Household Balance Sheet and the Income Statement

RECORD IMPLOSION IN HOUSEHOLD NET WORTH

United States: Household Net Worth

(two-year percent change)



Note:

Source: Federal Reserve Board

NOT AGED BUT STILL AGING

United States: Median Age of Baby Boomers



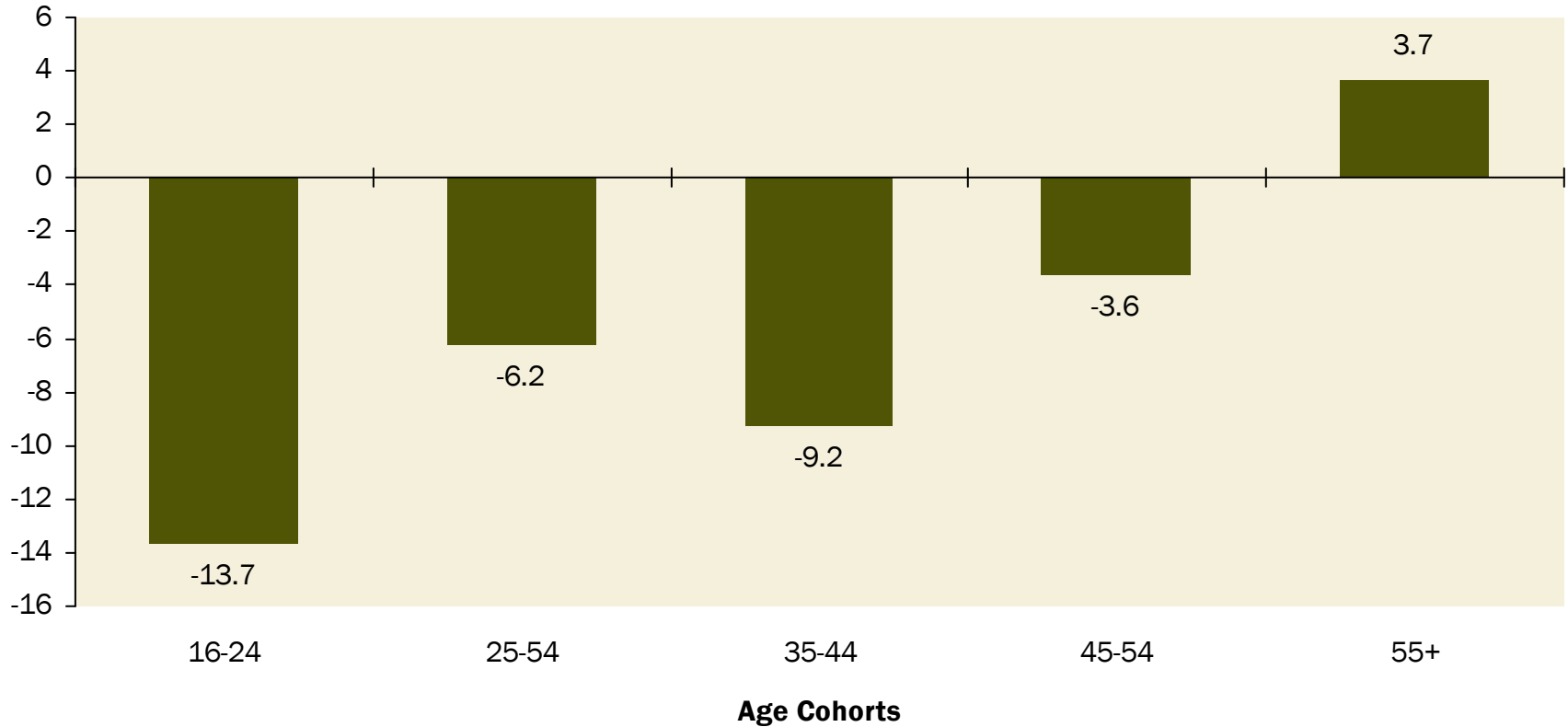
Note:

Source: Census Bureau

THE “LATE BOOMERS” ARE GRABBING THE JOBS

United States: Employment Growth by Age

(percent change from December 2007 to October 2009)



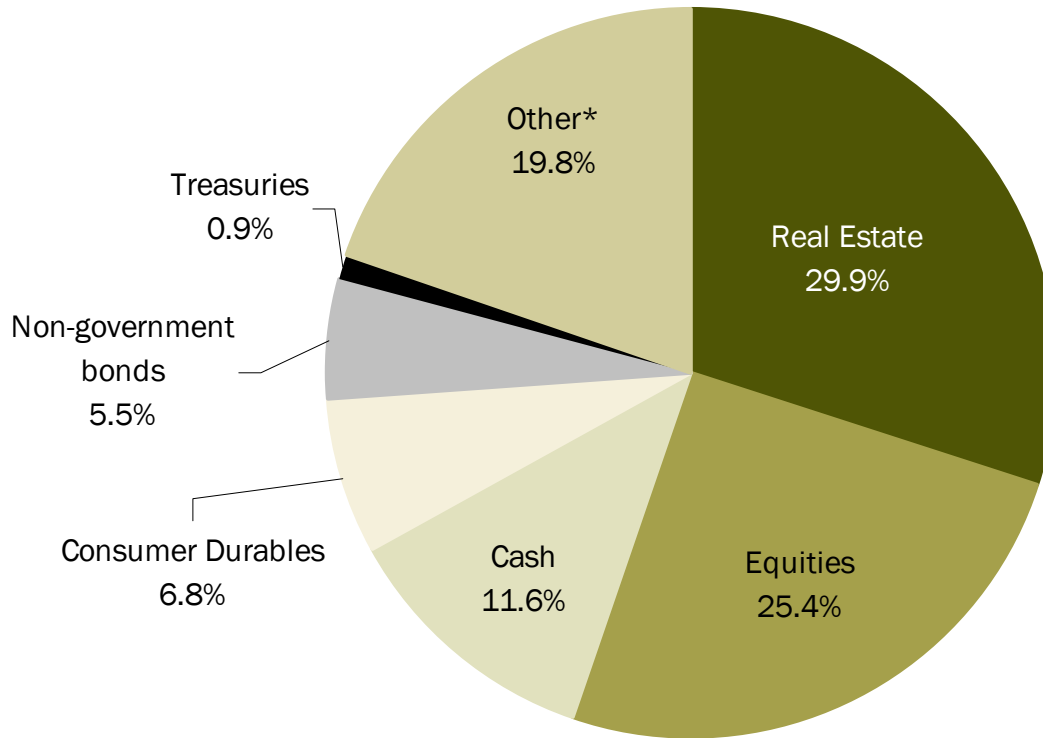
Note:

Source: Bureau of Labor Statistics

FIXED INCOME SECURITIES UNDERREPRESENTED IN THE HOUSEHOLD BALANCE SHEET

United States: Share of Household Assets

(percent, 2009 Q2)



Notes:

*Life insurance and pension reserves

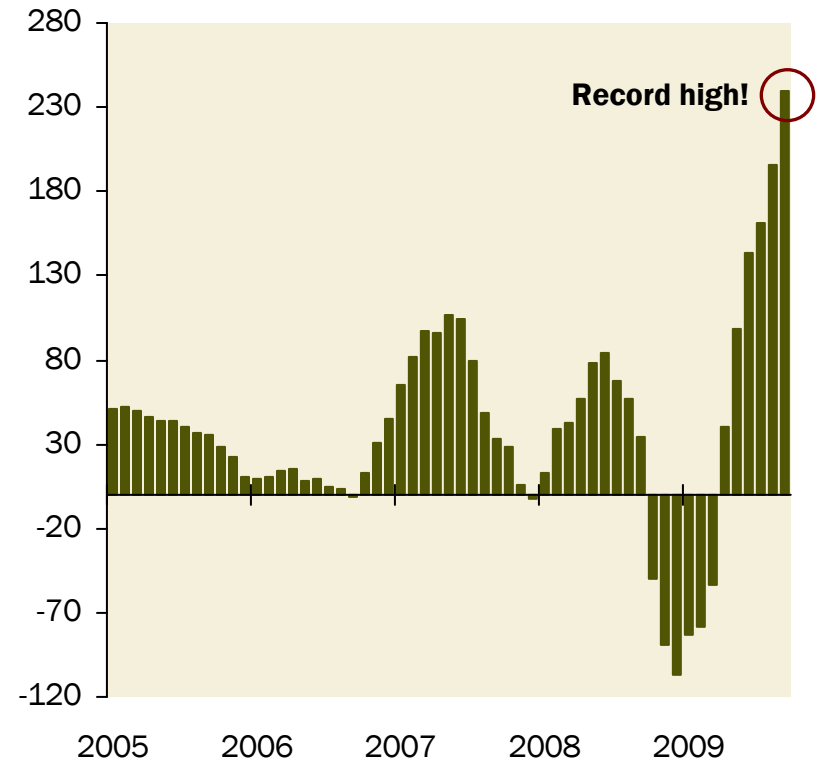
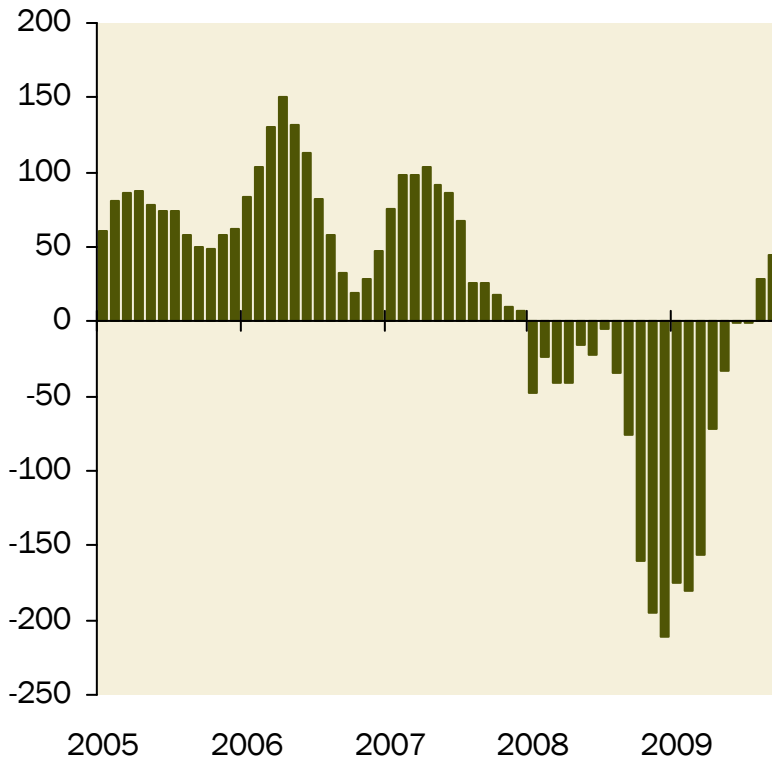
Source: Federal Reserve Board

RECORD FLOWS INTO INCOME GENERATING FUNDS

United States (6-month moving total: US\$ billions)

Equity Funds: Capital Appreciation Funds

Income Funds*



Notes:

*Sum of bond funds and hybrid funds

Source: Investment Company Institute (ICI)

The Loonie Flies Over The Eagle



FDR's MEMO IN 1933 TO DEVALUE THE U.S. DOLLAR

It is my thought that
a slight rise is advisable
& I suggest
3154 Treasury
FDR
The day Oct 26th
1933

approved
J.H.
C.B.M.
J.J.B.
F.H.T.
mi.

The initials on F.D.R.'s gold chit are those of R.F.C. Director's Jesse H. Jones, Carroll B. Merriam, John J. Blaine, Frederic H. Taber.

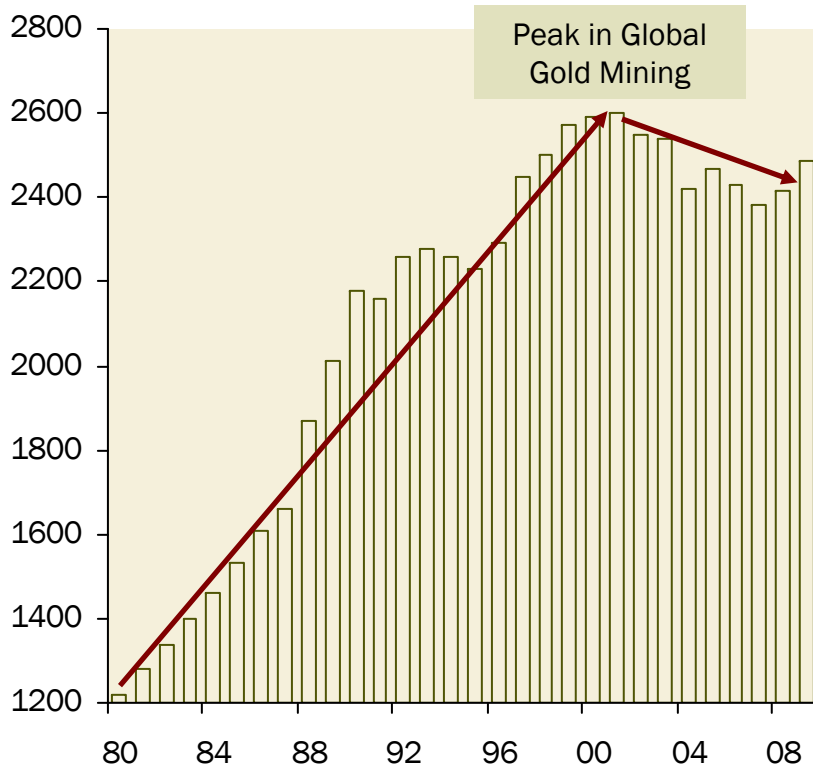
Note:

Source: Jones, Jesse H. "Fifty billion dollars: My thirteen years with the RFC", 1932-1945 (1951)

TWO REASONS TO BE BULLISH ON GOLD

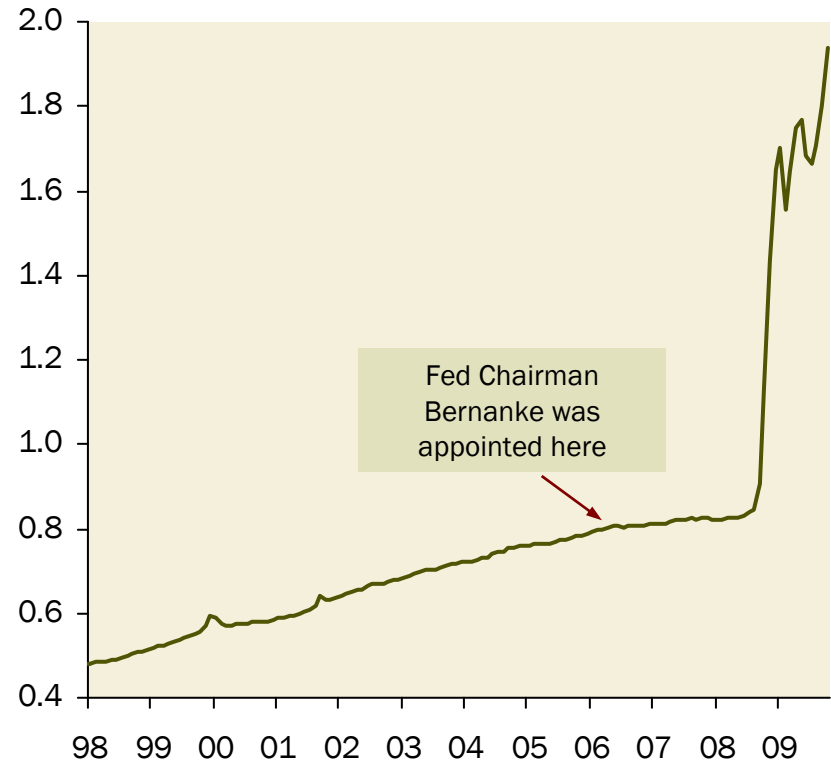
Annual Global Gold Mining Output

(tonnes)



U.S. Adjusted Monetary Base

(US\$ trillion)



Note:

Source: U.S. Geological Survey, World Gold Council, Haver Analytics, Gluskin Sheff

CANADIAN DOLLAR NOT JUST A USD STORY

Canadian Dollar

Against the U.S. Dollar

(US\$/C¢)



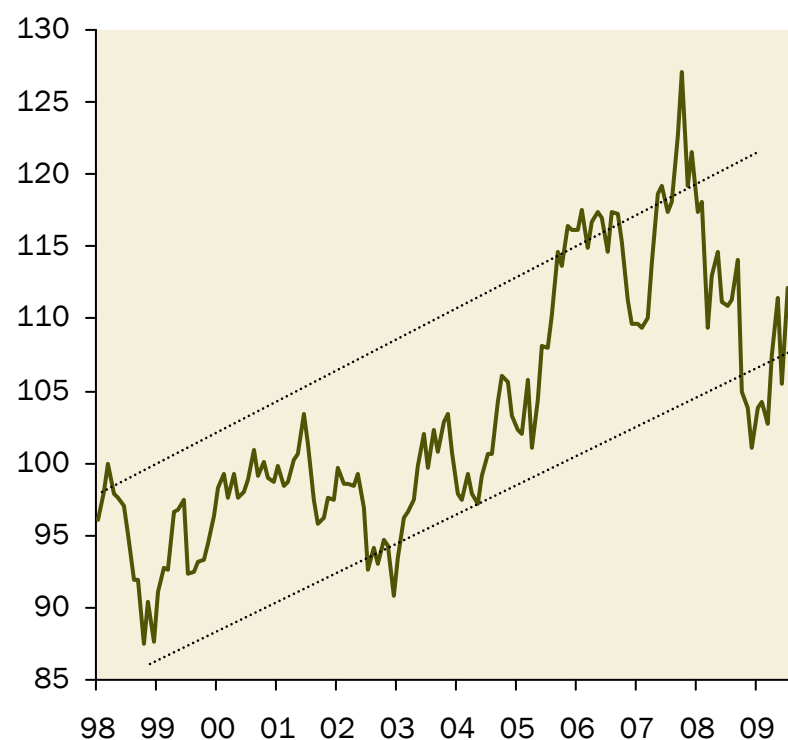
Notes:

*A weighted average of bilateral exchange rates for the Canadian dollar against the currencies of Canada's major trading partners. The six foreign currencies in the basket are the U.S. dollar, the Euro, the Japanese Yen, the U.K. Pound, the Chinese Yuan, and the Mexican Peso.

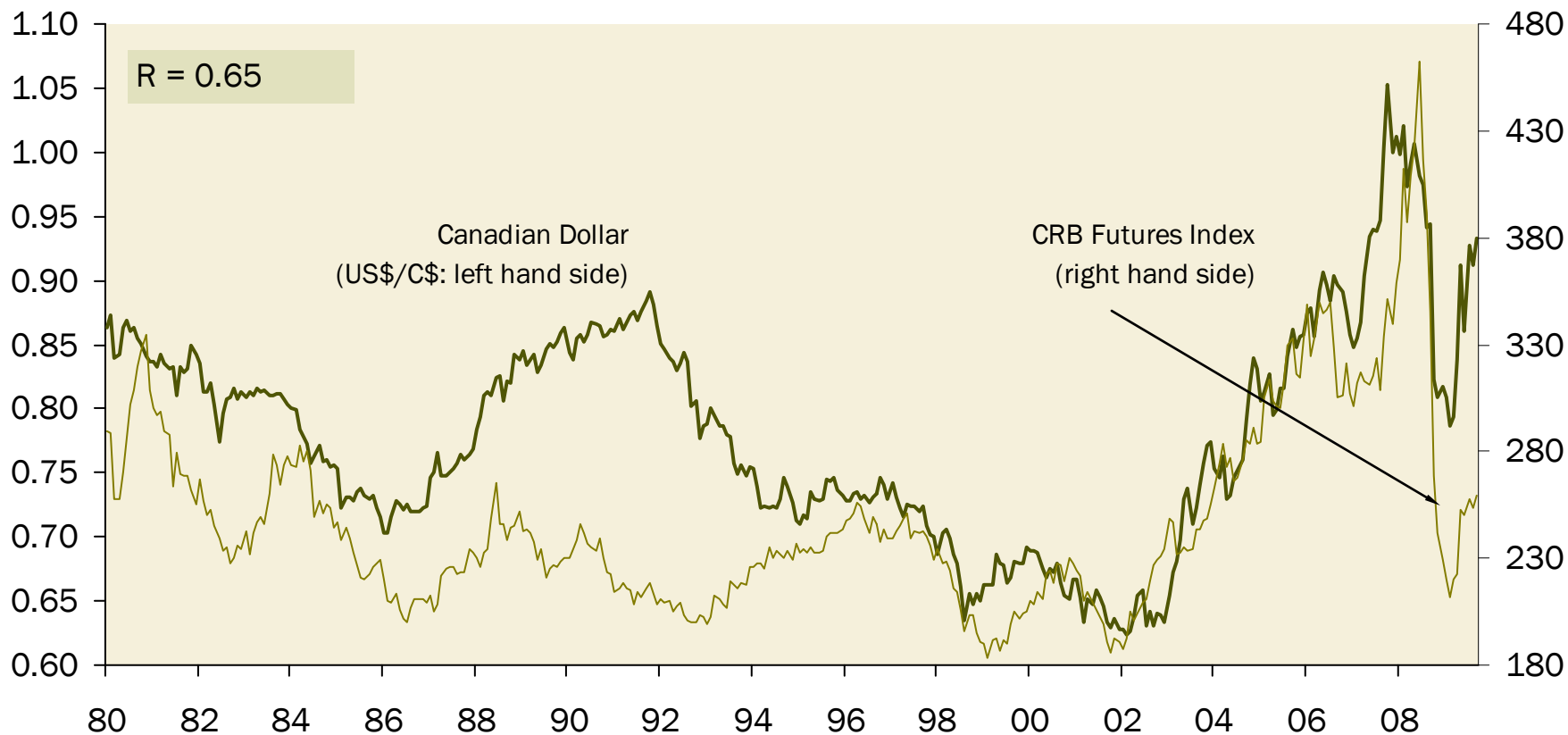
Source: Haver Analytics

Versus Six Major Currencies excluding USD*

(1992 = 100)



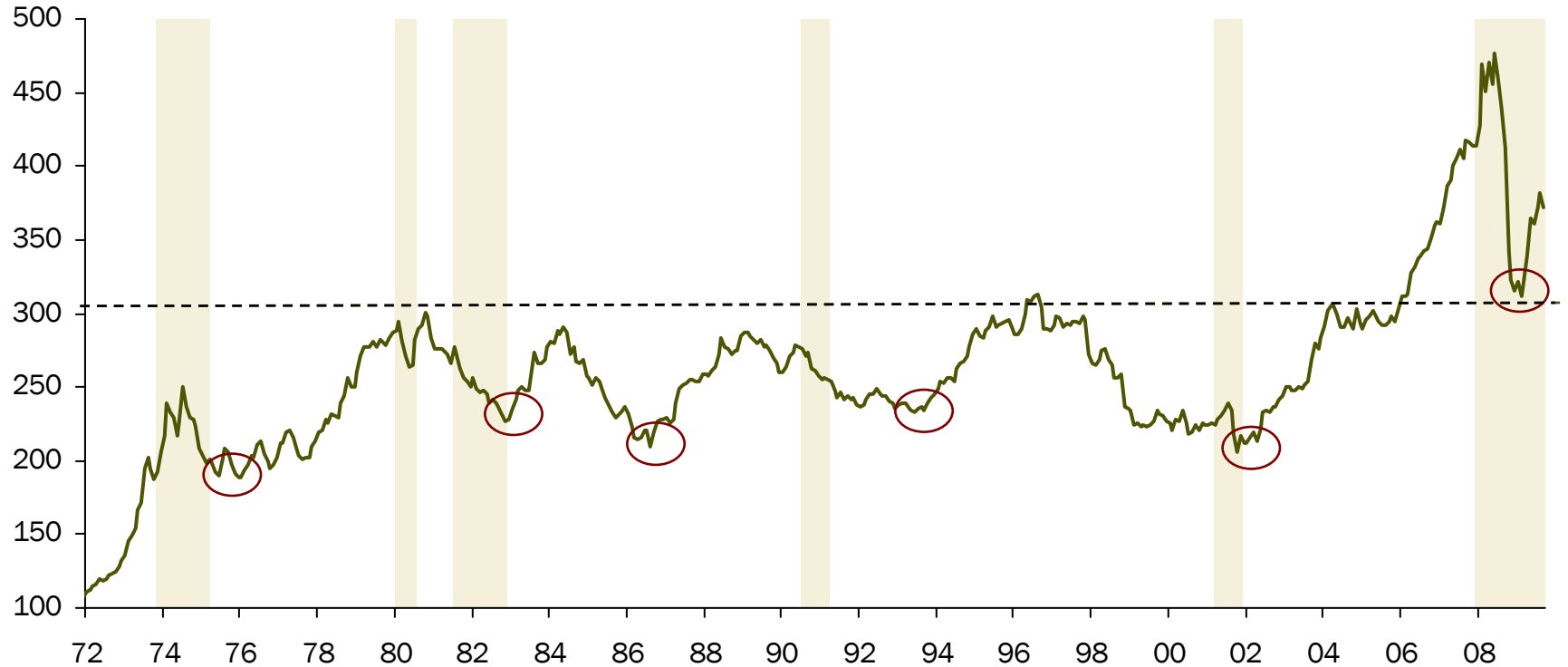
COMMODITY PRICES AND THE CANADIAN DOLLAR MOVE TOGETHER



Note:
Source: Haver Analytics

COMMODITY PRICES BOTTOMED AT PREVIOUS PEAKS

CRB Spot Index



Notes:

Shaded area represent periods of U.S. recession

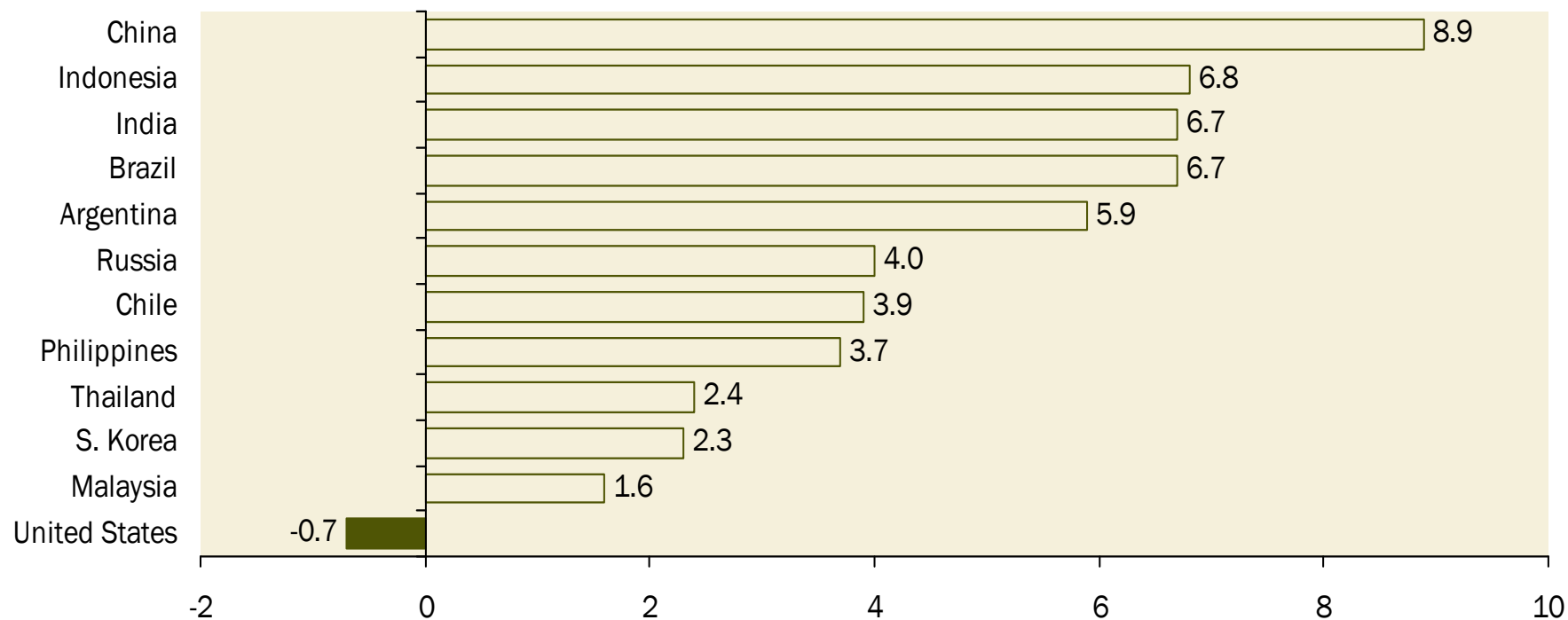
Source: Haver Analytics

Decoupling Was Working Until Lehman Collapsed

Real GDP

Pre-Lehman Recession

(3Q 2008/4Q 2007, percent change at an annual rate)



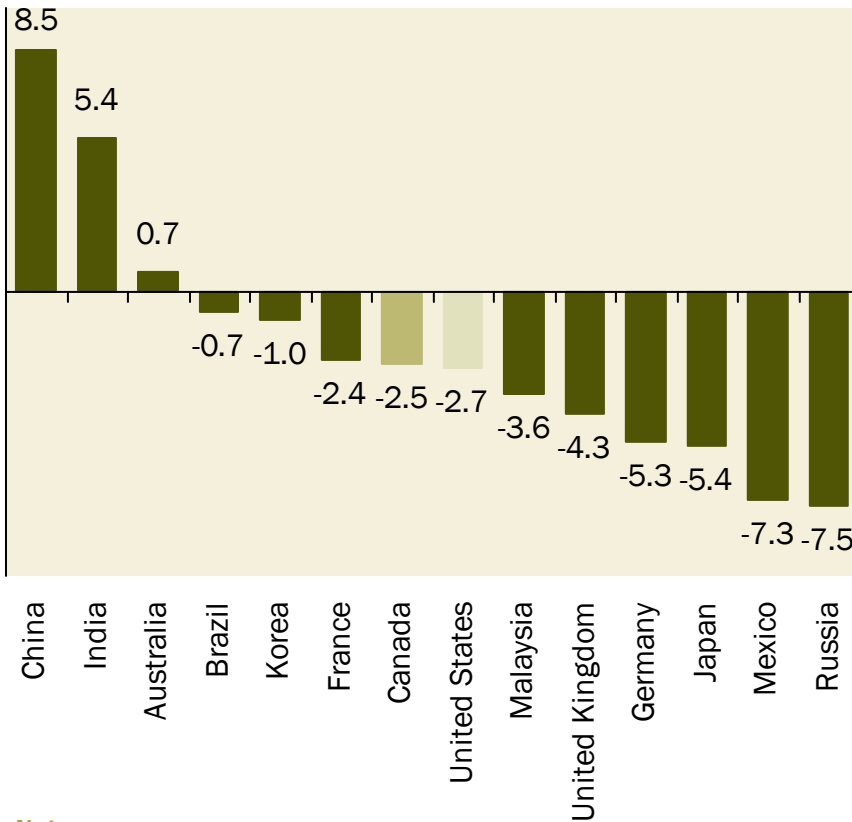
Note:

Source: Haver Analytics

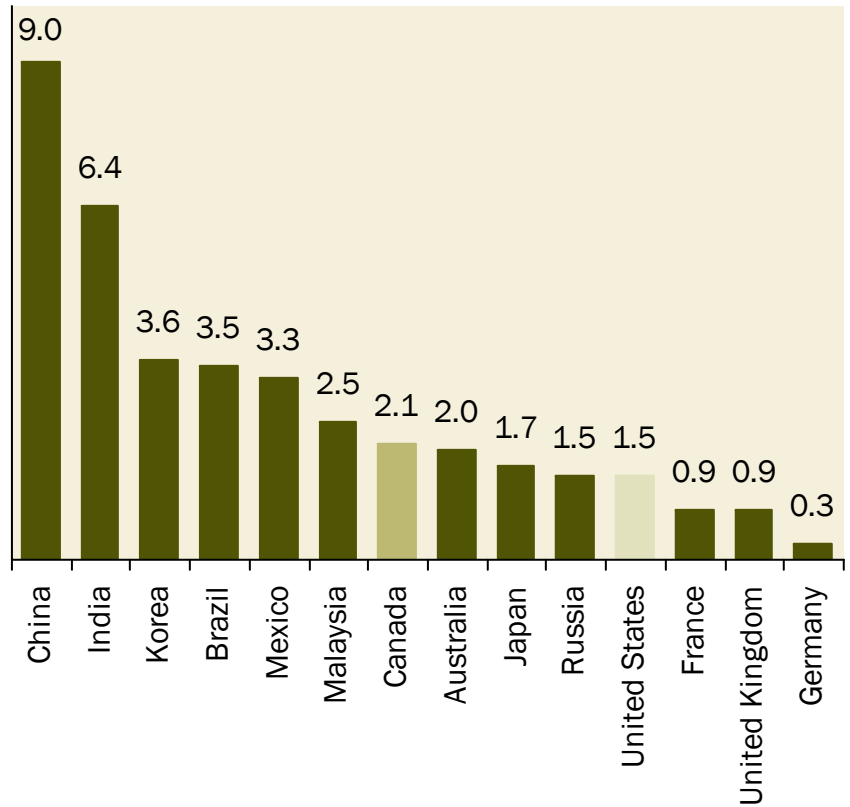
ASIA TO REMAIN THE GROWTH LEADER

Real GDP (annual percent change)

2009*



2010*

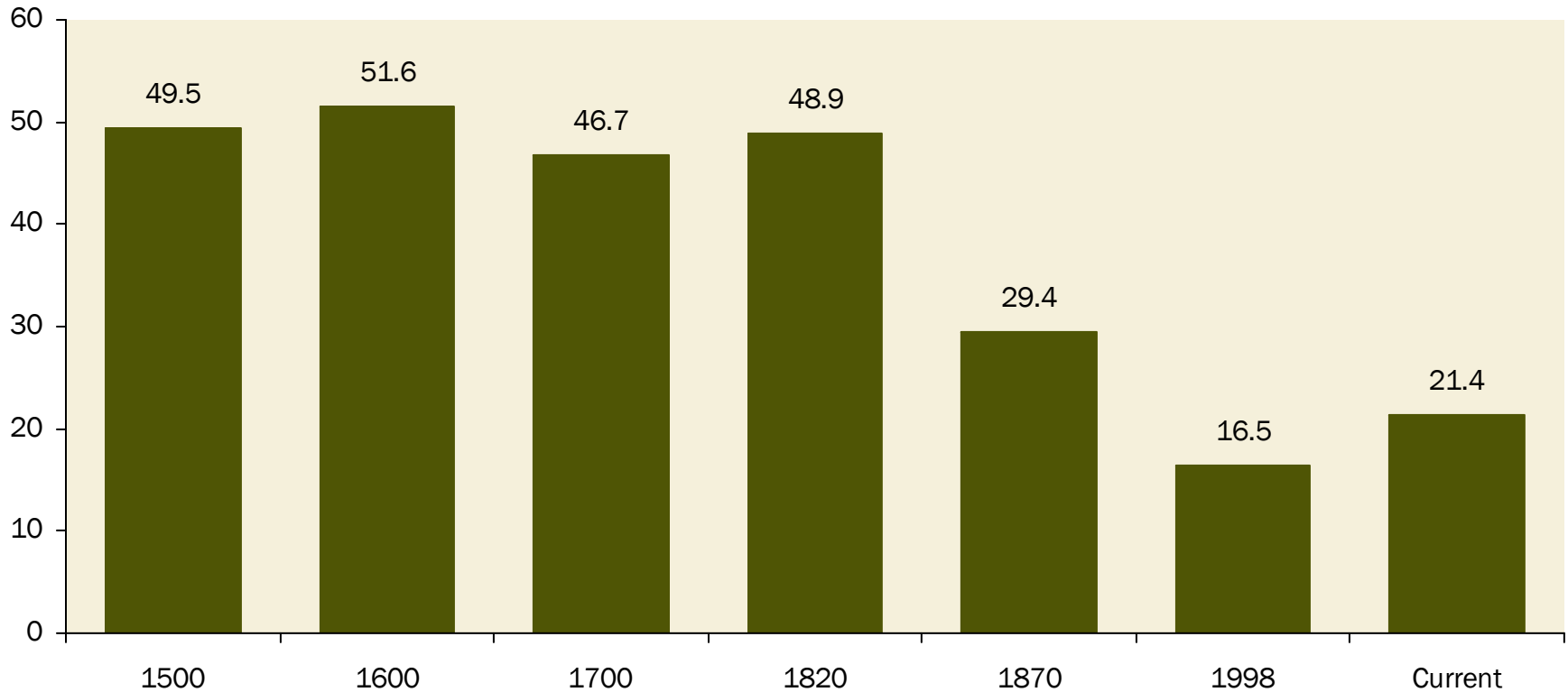


Note:
*IMF Forecast
Source: IMF

“CHINDIA” CAPTURING MARKET SHARE IN GLOBAL GDP

China-India Share of Global GDP

(percent)



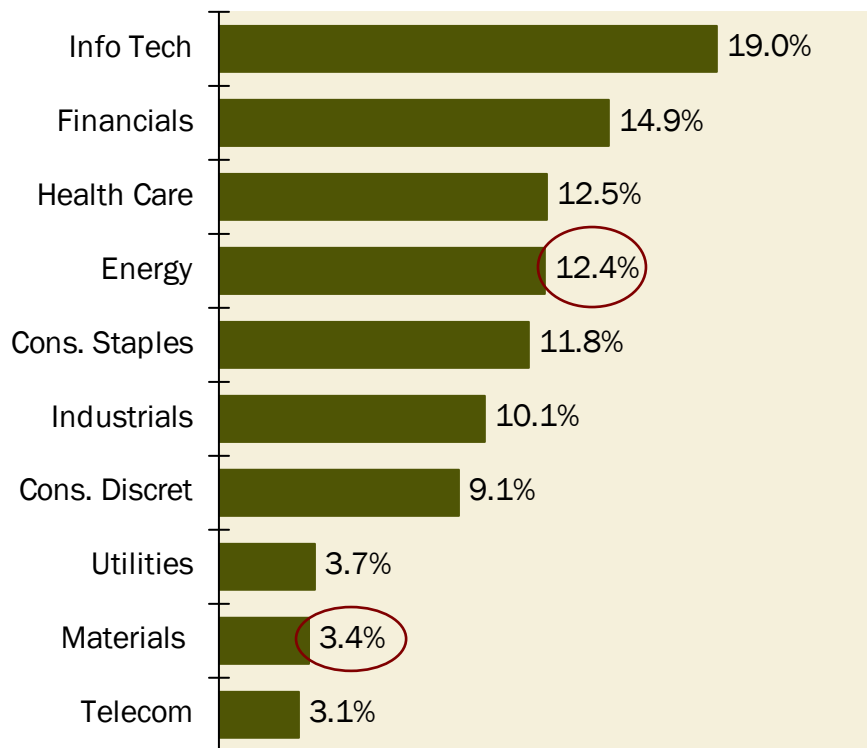
Note:

Source: Angus Maddison, *The World Economy: A Millennial Perspective*, OECD (2001), IMF, Morgan Stanley Research

CANADIAN MARKET GEARED MORE TOWARDS BASIC MATERIALS

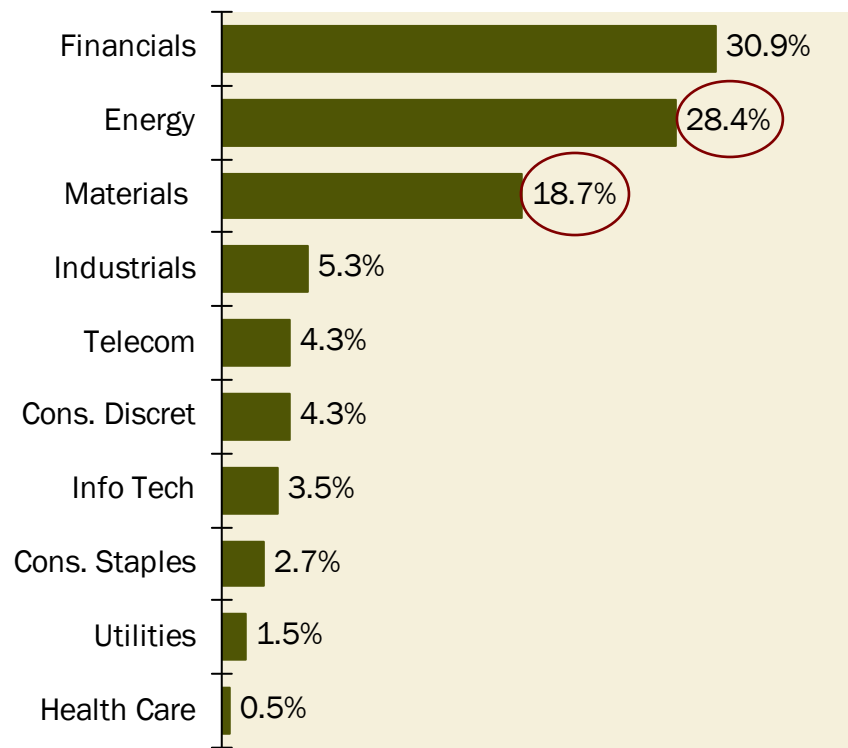
S&P 500 Composite Index

(percent, as of October 29, 2009)



TSX Composite Index

(percent, as of October 29, 2009)

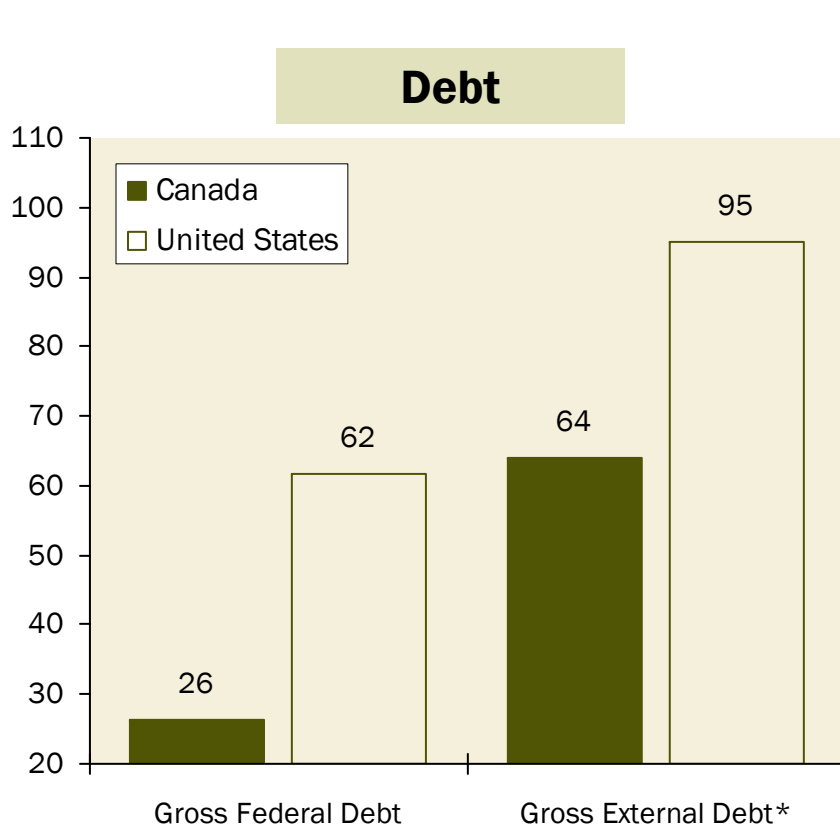


Note:

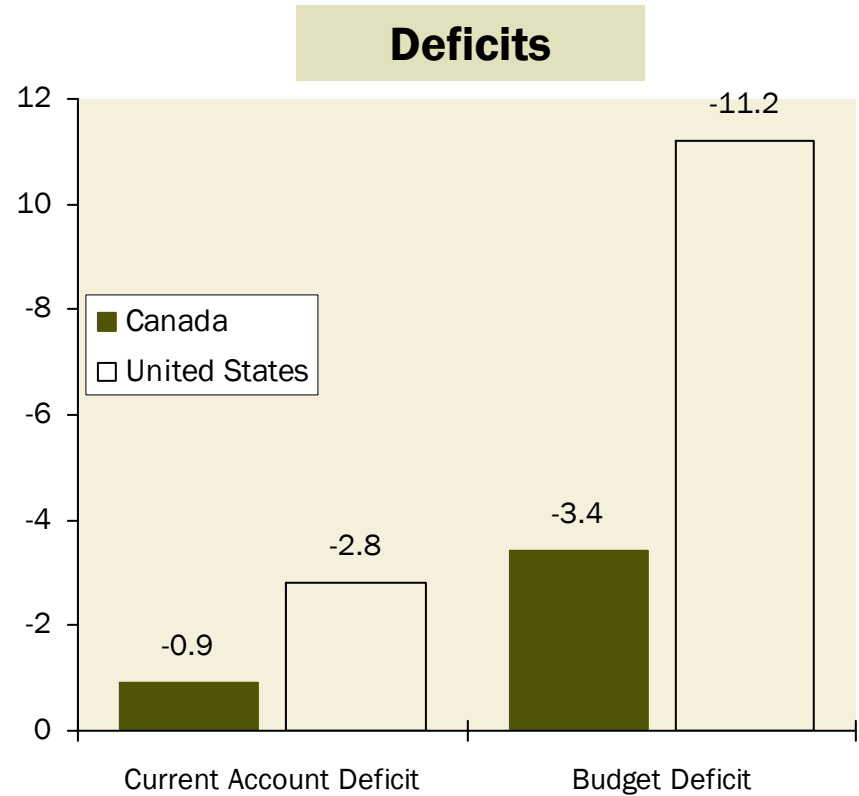
Source: Bloomberg

CANADA IN BETTER SHAPE THAN THE U.S.

(as a percent of GDP, 2009 forecast)



(inverted scale)



Notes:

*Using 1Q 2009 figures

Source: Haver Analytics, IMF forecast, Gluskin Sheff

CANADIAN BANKS ARE NUMBER 1

World Economic Forum, Global Competitiveness Report 2008-09

Banks ranked on a scale from 1 (may need government bailout) to 7 (sound)

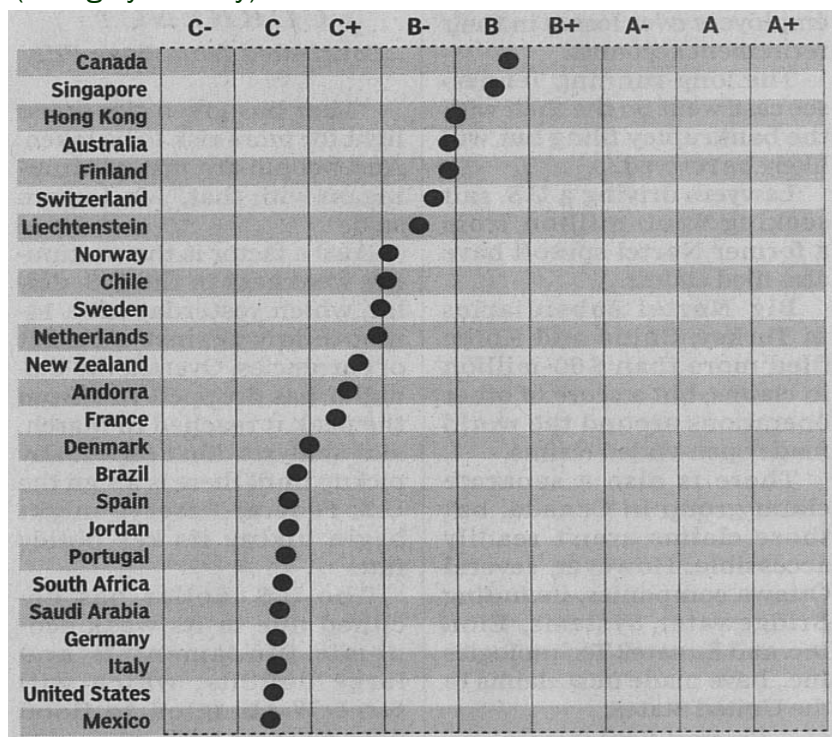
Rank	Country	Score
1	Canada	6.8
2	Sweden	6.7
3	Luxembourg	6.7
4	Australia	6.7
5	Denmark	6.7
6	Netherlands	6.7
7	Belgium	6.6
8	New Zealand	6.6
9	Ireland	6.6
10	Malta	6.6
40	United States	6.1

Note:

Source: World Economic Forum, Global Competitiveness Report 2008-09, National Post ("Moody's Rates Canada's Banks Tops", October 9, 2009)

Moody's Report, September 2009

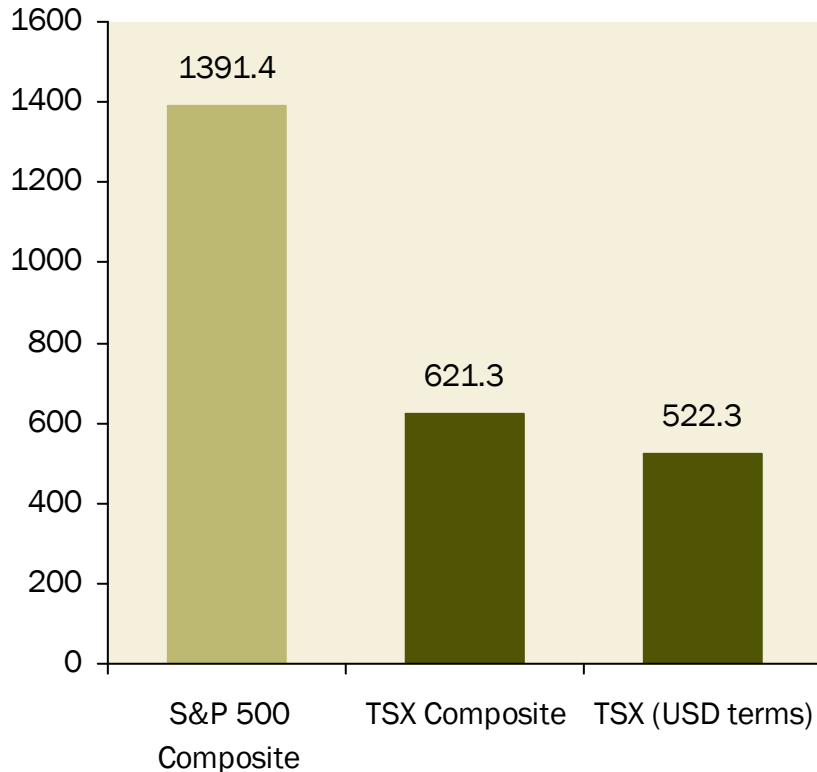
Average Bank Financial Strength (rating by country)



HALFWAY THROUGH THE CANADIAN STOCK MARKET OUTPERFORMANCE

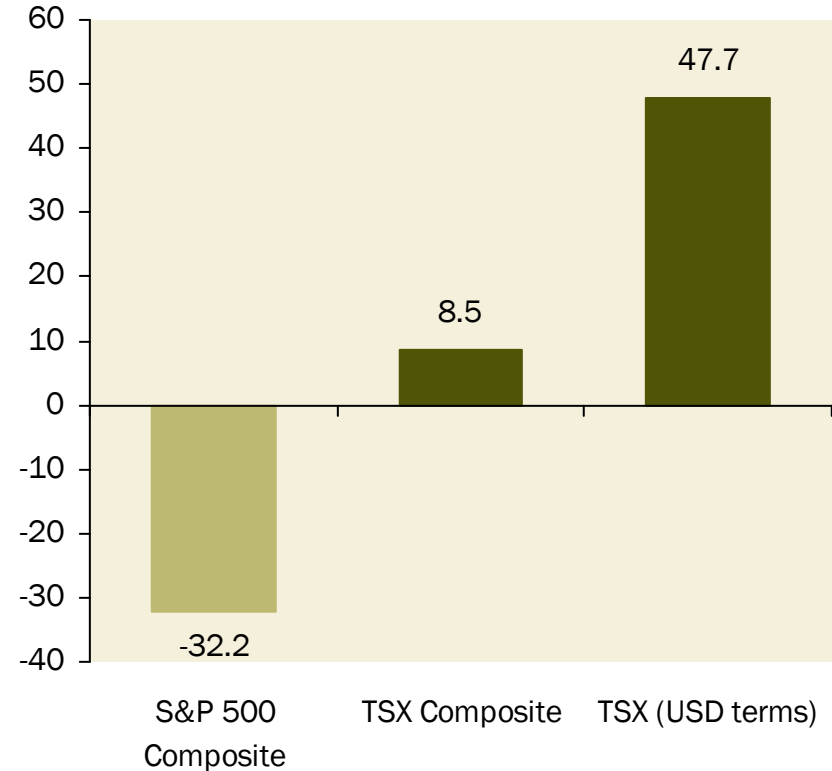
Then ...

August 12, 1982 – March 24, 2000*



... And Now

March 24, 2000 to October 29, 2009



Note:

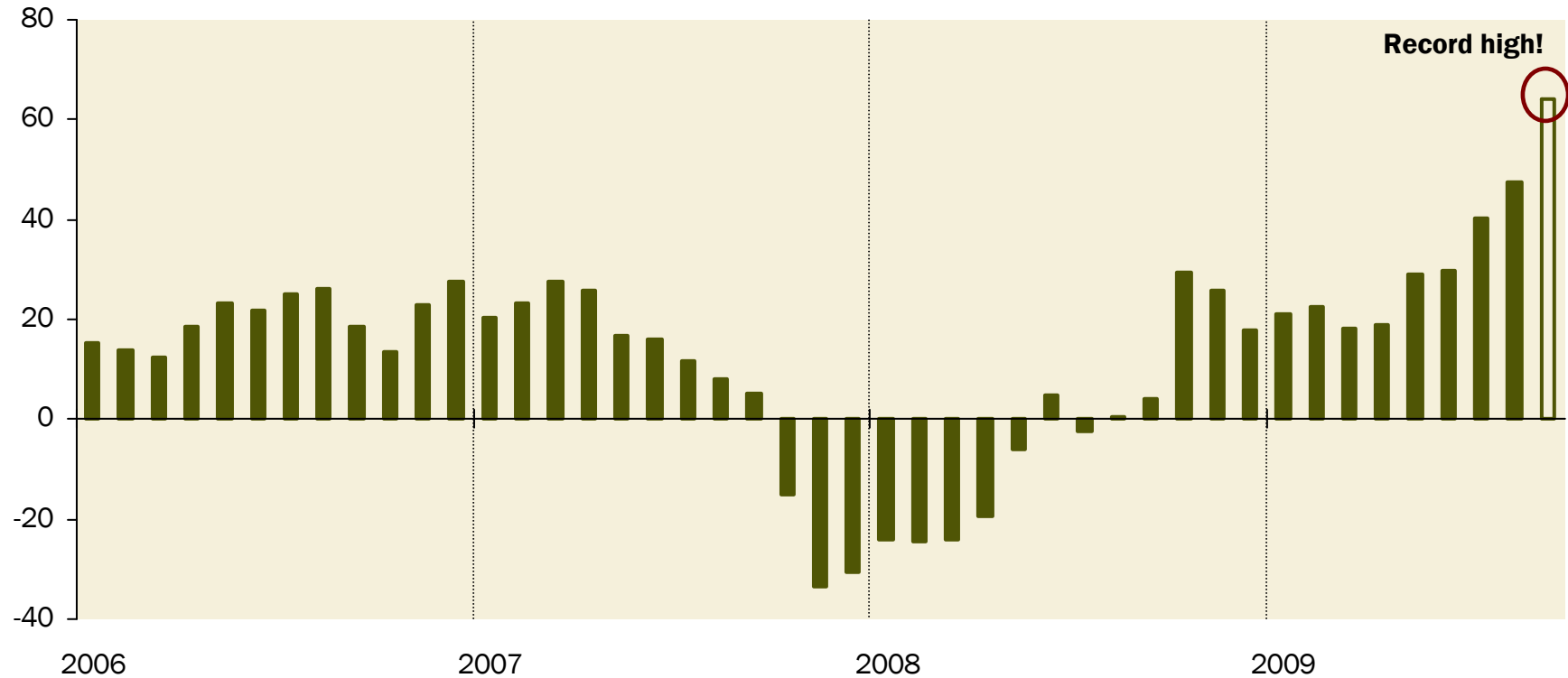
*Dates reflect the trough (August 12, 1982) and the peak (March 24, 2000) in the S&P 500 Composite Index

Source: Bloomberg, Haver Analytics

FOREIGN INVESTORS REDISCOVER CANADA

Canada: Net Foreign Purchases of Canadian Stocks and Bonds

(12-month total, C\$ billion)



Note:
Source: Statistics Canada

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