

Department Review

September 17, 2010
Toronto, Ontario

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BMO Nesbitt Burns Inc.
Co-Head of Equity Research

Measuring Our Performance: Fourth Quarter 2010

Our goal is to be the leading provider of Canadian investment research. BMO Capital Markets' research effort is the largest in Canada and reflects a long tradition of independence and innovation. Investors can expect us to:

- cover more Canadian companies than any other firm;
- provide a diversified research product including coverage of U.S. and international stocks;
- be the front-runner in publishing research;
- provide independent investment advice;
- measure the value-added of our recommendations;
- put forth creative/proprietary investment ideas; and
- continue to be innovative in our approach to research.

Our quarterly *Department Review* serves as a scorecard. We believe that investors are best served when their advisors provide clear disclosure regarding their approach to research and objective measurements of the value-added of their recommendations.

Coverage Universe

Our Q4/10 *Red Book* is our largest ever, containing coverage of 552 companies. Of our total coverage list, 378 are Canadian companies and 174 are key U.S. or international comparable companies. Our small- to mid-cap Canadian coverage list is broader than that of any other investment dealer. When the coverage of our U.S.-based analysts is included, the number of stocks covered rises to 970.

Table 1
Brendan Wood International 2009 Equity Research Rankings*

	Composite Score	Overall Research Ranking					
	2009	2009	2008	2007	2006	2005	2004
BMO Capital Markets	51	1	1	1	1	1	1
Second Place Firm	48	2	3	3=	4=	6	6
Third Place Firm	46	3	4=	3=	2=	4	3
Fourth Place Firm	44	4	2	2	4=	3	4
Fifth Place Firm	42=	5=	6	5	2=	5	5
Fifth Place Firm	42=	5=	4=	6	6	2	2

Note: Brendan Wood International has requested that we not disclose the names of the other firms.

* Source: Brendan Wood International – 2009 Canadian Institutional Equity Research, Sales & Trading Performance Report

However, breadth of coverage is not an end in itself; investors need high-quality research coverage. Brendan Wood International, an independent consulting firm, once again ranked BMO Capital Markets Research as the number-one Overall Research Team in its 2009 survey. We have been ranked first in research in every BWI survey since 1981, representing 29 consecutive years of commitment to being the leader in Canadian equity research. Table 1 summarizes our results.

In its 2009 Canadian Institutional Equity Research, Sales & Trading Performance Report, 210 investment executives at 95 institutional fund management companies were interviewed. Collectively, these “panelists” are responsible for managing over \$599 billion of total Canadian equities held by Canadian institutions.

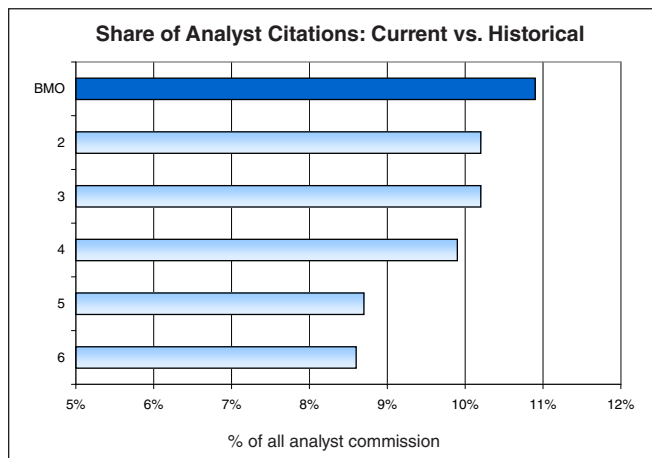
Our teams were ranked number one in six industry sectors. We had 12 all-star analyst teams (BMO Capital Markets was ranked first, second or third) in the 32 sectors evaluated. On average, there were 14 analysts ranked per sector.

The BWI Research Composite Score is used to rank each research department on an overall basis. It reflects research quality, the penetration of analysts with institutional investors, and the average share of commissions each analyst receives in a sector.

Chart 1 reflects the number of citations for analysts ranking first in their sector with Canadian investors. Once again, BMO Capital Markets analysts garnered the most citations by a wide margin. This chart essentially depicts how often Canadian money managers would turn to one of our analysts as their first call for research insight regarding a sector. We also ranked first for Penetration of Analysts (most citations).

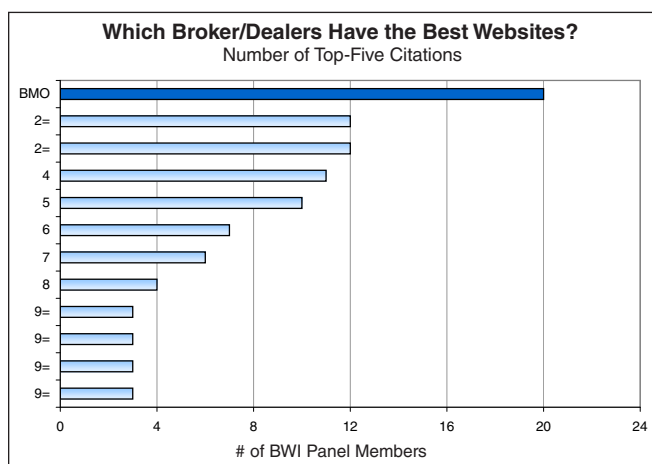
We also ranked first in terms of best research website. Chart 2 indicates the number of citations we received as a “top 5” website. Investors noted that, “It offers quality reports and web casts”; “The information is the easiest to find. Once you log in, the stocks are right there”; and “It is easy and it has the top reports.”

Chart 1



Source: Brendan Wood International (2009)

Chart 2



Source: Brendan Wood International (2009)

Publishing Leadership

Over the past 12 months, BMO Capital Markets has published:

- 4,500 research commentaries
- 1,113 research reports
- 3,921 brief research notes
- 1,050 economic commentaries
- 2,309 two-page company fact sheets

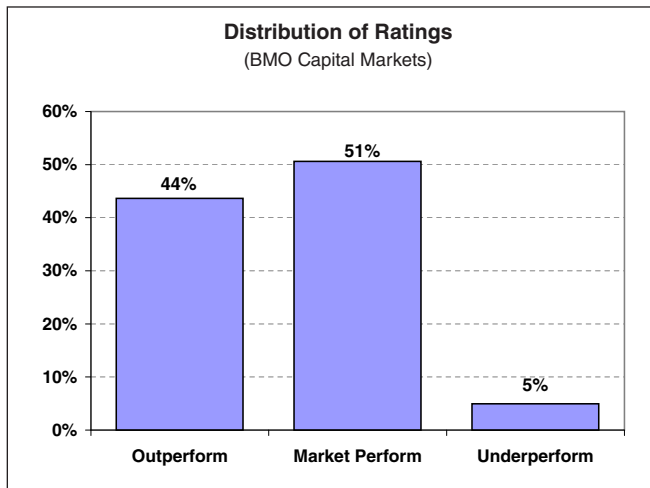
In addition, detailed financial models and comparable tables are available for most companies on our research website.

Independent Advice

Our rating system has three tiers: the top tier represents positive recommendations, Outperform, while the bottom two represent the neutral and negative recommendations, Market Perform and Underperform.

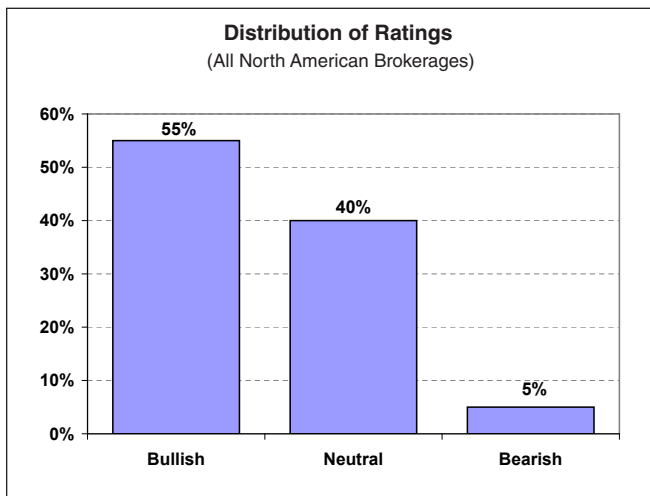
We currently maintain positive ratings on 44% of our coverage universe versus a North American average of 55%.

Chart 3



Source: BMO Capital Markets

Chart 4



Source: Starmine (September 2010)

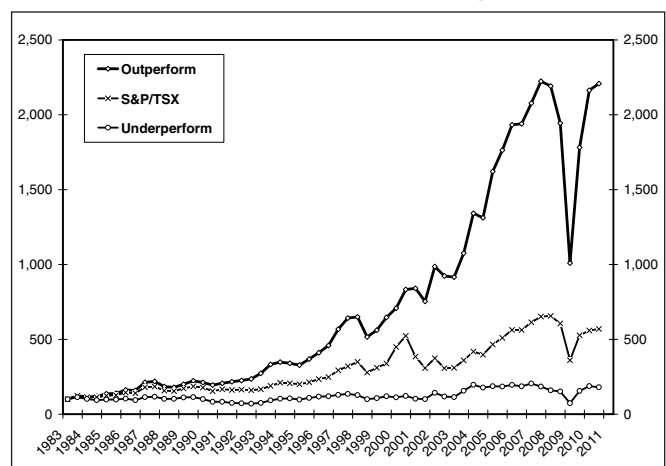
Track Record

While analysts add value in many ways beyond the recommendations they place on their companies, we want our analysts to strive to be good stock pickers. We measure the performance of each analyst’s recommendations and share this feedback with them on a regular basis. In addition, we track and report to investors the performance of the department as a whole.

For 27.5 years, BMO Capital Markets has measured the performance of our stock recommendations on a semi-annual basis. We track the performance of all Outperforms (5- and 4-rated stocks in our prior rating system) based on the ratings and prices in our September and March *Red Books*. This creates a transparent and verifiable database to measure the department’s value-added. This equal-weighted list of recommendations has outperformed the S&P/TSX Composite Index by 5.4% per annum since March 1983.

To add a greater degree of precision to the measurement of our research stock-picking skills, from January 2000 forward we calculate monthly indices. We have calculated equal-weighted indices of all of our Outperform-rated stocks. We have done the same for our Market Perform- and Underperform-rated stocks. These indices are calculated for individual research analysts (and are also used in the analysts’ performance reviews) and for the department as a whole.

Chart 5
Research Track Record
(Rebalanced Semi-Annually)

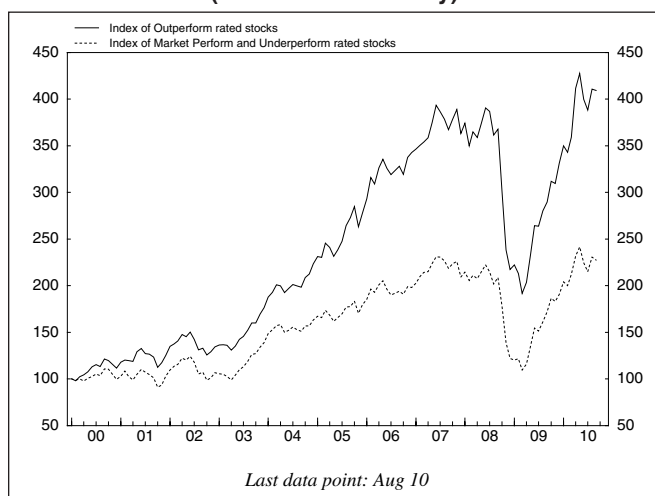


Note: To September 2010; Analysis performed semi-annually based on March and September *Red Book* pricing dates.

Source: BMO Capital Markets

Chart 6 illustrates the department’s track record. Since January 2000, our positive recommendations have risen by an annualized 14.1%, outpacing the S&P/TSX Composite Index, which rose 5.6%. In fact, a better benchmark to compare our equal-weighted index of positive recommendations is an index of the S&P/TSX Composite Index companies on an equal-weighted basis. This index has risen by 7.1%, implying that our Outperform-rated stocks outperformed by 7.0% per year since January 2000. Our index of Market Perform- and Underperform-rated stocks has risen by 8.0%. The spread between our positive recommendations and our neutral/negative ones has been 6.1% per annum.

Chart 6
Research Track Record (Total Return)
(Rebalanced Monthly)



Source: BMO Capital Markets

Investment Ideas

To provide a steady flow of investment ideas for investors with differing objectives, we provide investors with our best ideas through: (1) a portfolio format via our Large Cap and Small Cap model portfolios; and (2) our Top 15 lists illustrated on pages 5–6. The lists allow investors to quickly access the most relevant ideas for their investment circumstances. Four of these lists are published every Friday in our *Week in Review* publication: Top 15 Lists of Canadian and U.S. Large Cap stocks, and Canadian and U.S. Small Cap stocks.

We are also committed to placing our recommendations in a portfolio context and measuring these results against the market averages. We divide the Canadian equity marketplace into two segments: large capitalization and small capitalization companies.

Our Large Cap Model Portfolio highlights our best Canadian ideas that exceed our large cap cut-off, which is defined as 0.1% of the capitalization of the S&P/TSX Composite Index (\$1.51 billion). The portfolio currently holds 61 of 158 eligible companies. It has been published on a monthly basis since 1980. It demonstrates our commitment to addressing the needs of investors by identifying the 39% of Canada’s large cap stocks that our equity strategy committee recommends owning today.

While this “paper” portfolio’s performance should not be compared to the returns of multi-billion-dollar pension funds that face transaction costs and market impacts, it does objectively measure our value-added versus the S&P/TSX Composite Index, which is also a “paper” portfolio construct. Our research department focuses on adding value, and we have been successful. Our Large Cap portfolio has outperformed the S&P/TSX Composite Index by 2.9% over the last 12 months. Over the past 10 years, the positive spread over the S&P/TSX Composite Index has been 4.9% per annum.

Our Small Cap Model Portfolio covers the smaller end of Canada’s equity market. It has been published monthly since 1990. The 34 companies currently held in this portfolio are selected from the 220 Canadian small cap companies covered by BMO Capital Markets Research. Due to the illiquidity of the stocks involved, investors should not view the excellent long-term returns reported by this portfolio as being easy to capture once trading costs are incurred. Rather, the portfolio represents a disciplined process that identifies attractive small cap situations and compares them to an objective index benchmark. The portfolio has increased by 45.9% over the past year versus the BMO Small Cap Index’s gain of 34.3%, implying outperformance of 11.6% over the period. Over the past 10 years, our portfolio has outperformed by 8.8% per annum.

Table 2
Model Portfolio Performance to August 31, 2010

	1 Year	3 Years	10 Years
BMO Large Cap Portfolio	15.6%	0.2%	7.7%
S&P/TSX Composite Index	12.7%	-1.5%	2.8%
BMO Small Cap Portfolio	45.9%	6.0%	16.5%
BMO Small Cap Index (Wgt'd)	34.3%	-0.2%	7.7%

Source: BMO Capital Markets

Table 3
BMO Capital Markets Top 15 Large Cap and Small Cap Stocks Lists

<p>Top 15 U.S. Large Cap Stocks Selected from BMO Capital Markets Coverage Universe</p> <ul style="list-style-type: none"> • Archer Daniels Midland (ADM) • AT&T (TUSA) • Bucyrus International (BUCY) • Fifth Third Bancorp (FITB) • General Mills (GIS) • Health Care REIT (HCN) • Hewlett Packard (HPQ) • International Business Machines (IBM) • Merck (MRK) • Newmont Mining (NEMUS) • NextEra Energy (NEE) • Occidental Petroleum (OXY) • Omnicom Group (OMC) • Walt Disney (DIS) • Whole Foods Market (WFMI) 	<p>Top 15 U.S. Small Cap Stocks Selected from BMO Capital Markets Coverage Universe</p> <ul style="list-style-type: none"> • Actuant Corp (ATU) • Ancestry.com (ACOM) • Chicago Bridge and Iron (CBI) • Cinemark Holdings (CNK) • Diamond Foods (DMND) • LeapFrog (LF) • Mid-America Apartment Communities (MAA) • Monolithic Power Systems (MPWR) • Nektar Therapeutics (NKTR) • Nuvasive (NUVA) • Polycom (PLCM) • Ruddick (RDK) • Scott Miracle-Gro (SMG) • Southern Union Company (SUG) • Valassis (VCI)
<p>Top 15 Canadian Large Cap Stocks Selected from BMO Capital Markets Large Cap Coverage Universe</p> <ul style="list-style-type: none"> • CAE (CAE) • Canadian Natural Res. (CNQ) • Cenovus Energy (CVE) • Fortis (FTS) • Goldcorp (GG)* • Magna International (MGA) • National Bank (NA) • Power Corp. (POW) • Rogers Comm. (RCI.B) • Saputo (SAP) • Scotiabank (BNS) • SNC-Lavalin (SNC) • TD Bank (TD) • Thomson Reuters (TRI) • TransCanada (TRP) 	<p>Top 15 Canadian Small Cap Stocks Selected from BMO Capital Markets Small Cap Coverage Universe</p> <ul style="list-style-type: none"> • Bridgewater Systems (BWC) • Canam Group (CAM) • CCL Industries (CCL.B) • Chartwell Seniors Housing REIT (CSH.UN) • Cineplex Galaxy Income Fund (CGXUN) • Computer Modelling Group (CMG) • Copper Mountain Mining (CUM) • Crew Energy (CR) • Evertz Technologies (ET) • Home Capital Group (HCG) • Lake Shore Gold (LSG) • Leon's Furniture (LNF) • Midway Energy (MEL) • Theratechnologies (TH) • Wajax Income Fund (WJX.UN)

* Stock is currently restricted.
 Source: BMO Capital Markets

Table 4
BMO Capital Markets Top 15 Income, Quantitative, Growth and Value Stocks Lists

<p>Top 15 Income Stock Selections Selected from BMO Capital Markets Coverage Universe</p> <ul style="list-style-type: none"> • AT&T (T) • Brookfield Renewable Pwr Fund (BRC.UN) • CAP REIT (CAR.UN) • Cineplex Galaxy Income Fund (CGXUN) • Crescent Point Energy (CPG) • Eli Lilly (LLY) • Fortis (FTS) • Great-West LifeCo (GWO) • Health Care REIT (HCN) • National Bank (NA) • Scotiabank (BNS) • Shaw Communications (SJR.B) • TD Bank (TD) • TELUS (T) • TransCanada (TRP) 	<p>Top 15 Quantitative Stock Selections Top Composite Factor Model Stocks</p> <ul style="list-style-type: none"> • ATCO Limited (ACO.X) • Bank of Montreal (BMO) • BCE (BCE) • Canadian Western Bank (CWB) • Centerra Gold (CG) • Fairfax Financial Holdings (FFH) • First Quantum Minerals (FM) • Industrial Alliance (IAG) • Intact Financial (IFC) • Magna International (MGA) • Metro Inc. (MRU.A) • Quebecor (QBR.B) • Rogers Comm. (RCI.B) • Sherritt International (S) • TD Bank (TD)
<p>Top 15 Growth Stock Selections Selected from BMO Capital Markets Coverage Universe</p> <ul style="list-style-type: none"> • Bridgewater Systems (BWC) • Equinox Minerals (EQN) • Express Scripts (ESRX) • Gildan Activewear (GIL) • Home Capital Group (HCG) • MDA (MDA) • Pacific Rubiales Energy (PRE) • PetroBakken Energy (PBN) • Qualcomm (QCOM) • Red Back Mining (RBI)* • Research In Motion Ltd (RIMM) • Rogers Comm. (RCI.B) • Saputo (SAP) • Shaw Communications (SJR.B) • SNC-Lavalin (SNC) 	<p>Top 15 Value Stock Selections Selected from BMO Capital Markets Coverage Universe</p> <ul style="list-style-type: none"> • Cogeco Cable (CCA) • Dorel Industries (DII.B) • Empire Company (EMP.A) • IESI-BFC (BIN) • Intact Financial (IFC) • Lundin Mining (LUN) • Magna International (MGA) • Power Corp. (POW) • Suncor Energy (SU) • Talisman Energy (TLM) • TELUS (T) • Thomson Reuters (TRI) • TransForce (TFI) • Viterro (VT) • Yamana Gold (AUY)

* Stock is currently restricted.

Source: BMO Capital Markets

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I, Paul Campbell, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Distribution of Ratings (June 30, 2010)

Rating Category	BMO Rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	First Call Universe
Buy	Outperform	37.1%	13.7%	43.6%	40.9%	51.0%	54.4%
Hold	Market Perform	59.3%	10.4%	52.7%	54.8%	45.4%	40.2%
Sell	Underperform	3.6%	11.8%	3.6%	4.3%	3.6%	5.4%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

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*** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage of Investment Banking clients.

**** Reflects rating distribution of all companies covered by BMO Capital Markets equity research analysts.

***** Reflects rating distribution of all companies from which BMO Capital Markets has received compensation for Investment Banking services as percentage of Investment Banking clients.

Ratings and Sector Key

We use the following ratings system definitions:

OP = Outperform - Forecast to outperform the market;

Mkt = Market Perform - Forecast to perform roughly in line with the market;

Und = Underperform - Forecast to underperform the market;

(S) = speculative investment;

NR = No rating at this time;

R = Restricted – Dissemination of research is currently restricted.

Market performance is measured by a benchmark index such as the S&P/TSX Composite Index, S&P 500, Nasdaq Composite, as appropriate for each company. BMO Capital Markets eight Top 15 lists guide investors to our best ideas according to different objectives (Canadian large, small, growth, value, income, quantitative; and US large, US small) have replaced the Top Pick rating.

Other Important Disclosures

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Prior BMO Capital Markets Ratings Systems

http://research-us.bmocapitalmarkets.com/documents/2009/prior_rating_systems.pdf

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