



MONTHLY PERSPECTIVES June 2011

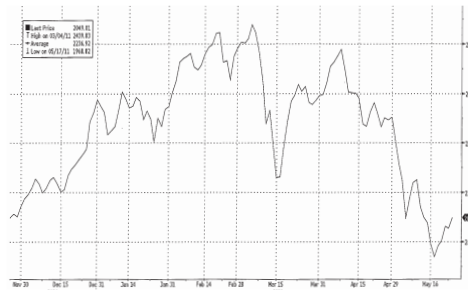
Data for charts as of trading close May 25, 2011

S&P / TSX



13,751.50 -1.13% month change

TSXV



2,049.01 -8.22% month change

DJIA



12,394.70 -1.59% month change

Market Indices

| Financials | May 25 | 30-day net change | Commodities | May 25 | 30-day net change | Markets | May 25 | 30-day % change |
|-------------------|--------|-------------------|-------------------|------------|-------------------|---------------------|-----------|-----------------|
| 3 Month T-Bill | 0.91% | -0.04 | Canadian \$ (US¢) | 102.29¢ | -2.79¢ | S&P 500 | 1,320.47 | -1.99 |
| Long Bond CDN | 3.50% | -0.18 | Gold (US) | \$1,525.50 | \$22.50 | FT-SE (U.K.) | 5,870.14 | -3.28 |
| 3 Month US T-Bill | 0.05% | -0.01 | Crude Oil (US) | \$101.08 | -\$11.13 | Nikkei (Tokyo) | 9,422.88 | -1.42 |
| Long Bond US | 4.28% | -0.11 | Silver (US) | \$37.64 | -\$7.41 | Hang Seng (H.Kong) | 22,747.28 | -5.25 |
| Bank Rate | 1.25% | 0.00 | Copper (US) | \$4.10 | -\$0.22 | Bolsa (Mexico) | 35,498.42 | -3.78 |
| Prime Rate | 3.00% | 0.00 | CRB Index | 344.44 | -21.75 | DAX Index (Germany) | 7,170.94 | -2.52 |
| PI Cash Account | 0.20% | 0.00 | Lumber (US) | \$231.50 | -\$0.90 | CAC-40 (France) | 3,928.99 | -2.87 |

Market Commentary

Equity markets well-supported despite high volatility

The global interest-rate cycle is an important factor in prospective market return. As long as monetary policy remains stimulative, equity markets will do well. In the last six months before a first Fed rate hike, the Basic Materials, Industrials and IT sectors have consistently led the market. The current environment has been prosperous for Gold lovers with gold prices having hit a new all time high this month and is trading around \$1500/oz. Even when translated into Canadian dollars gold prices have broken out into uncharted territory. However, as is usually the case in volatile markets, gold stocks have not kept up with the move in the underlying commodity. This said, we expect these to play catch as the current environment of negative real interest rates coupled with a declining U.S. dollar (which is back to a cyclical low) suggests more upside for the bullion. We continue to recommend holding an overweight position in this industry. Fertilizer demand is expected to surge in 2011 as the rising incomes of emerging countries transform global agriculture. The Food and Agricultural Policy Research Institute (FAPRI), in its recently released 2011 World Agricultural Outlook, sees global per-capita meat consumption rising 10 kg by 2025, to 63 kg. As the chart shows, the rise is driven by emerging countries such as China, whose per-capita meat consumption is on track to overtake Russia's within five years. The rise of demand for livestock translates into a sustained increase in demand for fertilizers to boost feed-grain production. Drawing on its newly developed fertilizer model, FAPRI expects world fertilizer use to jump 2.3% to 179 million tonnes in 2011-12 – the largest annual increase in its 15-year forecast period. The upshot is a favourable long-term outlook for fertilizer producers, several of whose market leaders are included in the S&P/TSX chemicals industry. Our sector mix continues to favour cyclicals, which are likely to remain well-supported by above-trend world GDP growth and a resulting favourable environment for commodity prices. At present our portfolio is very much aligned to benefit from the historical pattern of the six months preceding a first Fed rate hike, analysed above. We are over weighted in Materials and Industrials and under weighted in defensive sectors like Consumer Staples, Utilities and Telecoms.

Recent PI Research

Rocky Mountain Dealerships (T-RME) \$10.49
Q1 Results Announced Along with Management Changes (May 11)

Rating: BUY; Target: \$12.50;
Risk: ABOVE AVERAGE

Trican Well Service Ltd. (T-TCW) \$22.20
The Bar was Held High – TCW did not Disappoint (May 11)

Rating: BUY; Target: \$30.00 ▲; Risk: AVERAGE

Peer1 Networks Enterprises Inc. (T-PIX) \$1.65
Expansion Plans Materializing (May 12)

Rating: BUY; Target: \$2.50;
Risk: ABOVE AVERAGE

SunOpta Inc. (Q-STKL; T-SOY) US\$7.67/C\$7.48
Solid Growth to Start 2011 (May 12)

Rating: BUY; Target: US\$9.25;
Risk: AVERAGE

New Flyer Industries Inc. (T-NFI.UN) \$9.26
Investors Dislike Complexity & Uncertainty (May 16)

Rating: BUY; Target: \$12.50;
Risk: ABOVE AVERAGE

Strategic Oil & Gas Ltd. (V-SOG) \$1.00
Management Prepares for a Catalyst Filled Summer (May 13)

Rating: BUY; Target: \$1.80; Risk: SPECULATIVE

Bonds / Money Market

| Pricing as of May 25, 2011 | CDN | US |
|----------------------------|-------|-------|
| 30 day Bankers' Acceptance | 1.06% | 0.13% |
| 60 day Bankers' Acceptance | 1.10% | 0.15% |
| 90 day Bankers' Acceptance | 1.15% | 0.15% |
| 2 year Fed. Gov't Bond | 1.58% | 0.53% |
| 3 year Fed. Gov't Bond | 1.91% | 0.88% |
| 5 year Fed. Gov't Bond | 2.39% | 1.76% |
| 10 year Fed. Gov't Bond | 3.08% | 3.13% |
| 30 year Fed. Gov't Bond | 3.50% | 4.28% |

Bank of Canada to keep its policy unchanged

The Bank of Canada left its policy rate unchanged at 1% in April but has revised its assessment of the Canadian economy. It now projects 2011 GDP growth of 2.9%, 0.5 points more than in its January projection. For 2012, on the other hand, the Bank has downgraded its outlook slightly, to 2.6% from 2.8%. It projects that this growth will return the economy to capacity in mid-2012 and that core inflation will rise gradually to 2% over the next 15 months. In our view, the latest Monetary Policy Report sets the stage for the Bank of Canada to introduce a bias in its May outlook and resume normalization of its monetary stance in July. We see the Bank targeting an overnight rate of 2% by year end (cumulative rise of 1 point in 2011) and 2.75% in 2012. The latter rate would still be low by historical standards.

Excerpt from *Monthly Fixed Income Monitor* – May 2011

PI's Q211 Top Picks

| |
|--|
| Air Canada (TAC.A; AC.B) \$2.29 Recommendation: BUY; Target: \$5.50 |
| Cervus Equipment Corp. (T-CVL) \$13.55 Recommendation: BUY; Target: \$18.50 |
| Equal Energy Ltd. (T-EQU) \$7.15 Recommendation: BUY; Target: \$12.00 |
| Rocky Mountain Dealerships Inc. (T-RME) \$10.49 Recommendation: BUY; Target: \$12.50 |
| Premium Brands Holdings Corp. (T-PBH) \$16.90 Recommendation: BUY; Target: \$21.00 |
| Hemisphere GPS (T-HEM) \$1.23 Recommendation: BUY; Target: \$2.25 |
| Trican Well Service Ltd. (T-TCW) \$22.20 Recommendation: BUY; Target: \$30.00 |

Pricing, rating and target as of May 25, 2011

Latest NBF Research

| |
|--|
| Tourmaline Oil Corp. (T-TOU) \$28.27 Strategic acquisition of Cinch Energy (May 25) Recommendation: Outperform; Target: \$35.00; Risk: ABOVE AVERAGE |
| Legacy Oil + Gas Inc. (T-LEG) \$14.02 Q1 results generally in line (May 25) Recommendation: Outperform; Target: \$20.00; Risk: ABOVE AVERAGE |
| GENIVAR Inc. (T-GNV) \$27.95 Q1/2011 Earnings Review (May 25) Recommendation: Outperform; Target: \$33.00; Risk: AVERAGE |
| RuggedCom Inc. (T-RCM) \$21.45 Record Q3 Bookings Should Aid Q4 Results (May 25) Recommendation: Outperform; Target: \$28.00; Risk: ABOVE AVERAGE |
| Artis REIT (T-AX.UN) \$14.39 Q1 In Line, Equity Raise Anticipated (May 25) Recommendation: Sector Perform; Target: \$15.00; Risk: ABOVE AVERAGE |

Pricing as of May 25, 2011

NBF Action List

| Security/Symbol | May 24 | Target |
|-------------------------------|---------|---------|
| D-BOX Technologies Inc. (DBO) | \$0.59 | \$1.25 |
| Enbridge Inc. (ENB) | \$31.47 | \$33.50 |
| Open Range Energy Corp. (ONR) | \$5.10 | \$8.50 |
| Semafo Inc. (SMF) | \$7.77 | \$14.50 |
| Valeura Energy Inc. (VLE) | \$0.36 | \$0.80 |

As of May 24, 2011

Economic Commentary

Canada: Closer to the equilibrium

Real Canadian GDP expanded 0.5% in January, the same as in December. Thus the brisk clip of fourth-quarter growth is likely to accelerate in the first. The report for January extrapolates to quarterly growth in excess of 4% annualized, with a double-digit rise in manufacturing output.

In its latest Business Outlook Survey, the Bank of Canada reports that 43% of Canadian firms say they would have difficulty meeting an unexpected increase in demand. Even after the latest Monetary Policy Report, an output gap of approximately 1% seems inconsistent with the quarterly survey results. A reading higher than 40% usually calls for a rise in the policy rate. Moreover, the Bank of Canada expects the output gap to close just as core inflation reaches 2%. This again puts something of a question mark over the Bank's measure of the output gap, since no lag is forecasted between the point at which the economy reaches capacity and the point at which core inflation reaches the 2% target rate. Since we see inflation as the ultimate indicator of an economy's capacity utilization, we differ from the central bank view that the economy is in a state of "material excess supply." We see the pickup in inflation as consistent with an economic pace closer to capacity.

Excerpt from *NBF Economic News* – May 2011

News Release

Cdn Alpine Ski Team Veteran Britt Janyk Retires
VANCOUVER, BC – World Cup winner, Olympian and 15-time Canadian champion Britt Janyk announced her retirement from competitive ski racing on Tuesday.

The bubbly 30-year-old, from Whistler, B.C., has brought an end to her 15-year career with the Canadian Alpine Ski Team, during which time she established herself as a consistent force on the World Cup circuit.

"The decision was a very difficult one to make because I still really love the sport and I love ski racing," said Janyk, who grew up skiing on Whistler Mountain and made her Olympic debut at the 2010 Winter Games in Vancouver-Whistler.

"Our employees and clients across Canada have enjoyed being represented by Britt and following her races week after week," said Max Meier, chairman and chief executive officer of PI Financial Corp., Janyk's head-gear sponsor for the past four years.

Excerpt from *Alpine Canada* - May 17, 2011

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