

## Investment Objective

The ScotiaMcLeod U.S. Core Guided Portfolio is designed for growth oriented investors seeking consistent long-term rates of return from a portfolio of high quality American companies. This portfolio includes companies offering market leadership, unique franchises and a strong management team combined with an attractive trend in profitability. Diversification is achieved by investing in 15 to 20 companies broadly distributed across the four major sectors - interest sensitive, consumer, industrial and commodity/basic. The companies in the U.S. Strategy portfolio are for the most part selected from the S&P 500 although an appropriate company outside of this index can be included.

## Selection Criteria

Our selection process for companies to be included within this portfolio is based on both a top-down and bottom-up approach. Given the emphasis on diversification across a broad cross-section of industries, we review various economic and industry forces that result in an emphasis or de-emphasis of a specific sector. The weighting allocated to each sector will be monitored in accordance with this broad view and will be adjusted as fundamentals change. In order to qualify for inclusion in the U.S. Core Portfolio, specific companies must satisfy a variety of fundamental and quantitative investment criteria. The company must have a positive fundamental rating from our U.S. research providers as well as attractive relative earnings growth and valuation, and a strong (or improving) balance sheet. While not specifically required, at least a modest dividend policy is viewed favourably.

The tables below provide our current selections, portfolio composition, dividends, yields, earnings, price targets and return potential. Short profiles of each stock are also provided.

## Composition & Target Returns

Company Name	Sector	Rating *	Risk	Price 15JUN10	Div.	Target Price	Div. Yield	Target ROR
Freeport-mcmoran Copper & Gold Inc. (FCX)	Basic Materials	Outperform	Medium	U\$ 67.05	U\$ 0.60	U\$ 95.00	0.9 %	42.6 %
Mcdonalds Corp (MCD)	Consumer Discretionary	Outperform	Low	\$ 70.40	\$ 2.20	\$ 79.00	3.1 %	15.3 %
Nike Inc (NKE)	Consumer Discretionary	Outperform	Medium	\$ 73.98	\$ 1.08	\$ 85.00	1.5 %	16.4 %
Colgate Palmolive Co (CL)	Consumer Staples	Neutral	Low	\$ 80.81	\$ 2.12	\$ 87.00	2.6 %	10.3 %
Wal Mart Stores Inc (WMT)	Consumer Staples	Neutral	Low	\$ 51.64	\$ 1.09	\$ 58.00	2.1 %	14.4 %
Marathon Oil Corporation (MRO)	Energy	Outperform	Medium	U\$ 33.40	U\$ 1.00	U\$ 41.00	3.0 %	25.7 %
Occidental Pete Corp Del (OXY)	Energy	Outperform	Medium	\$ 86.74	\$ 1.32	\$ 93.00	1.5 %	8.7 %
Xto Energy Inc (XTO)	Energy	Neutral	Medium	\$ 44.23	\$ 0.50	\$ 51.00	1.1 %	16.4 %
Metlife Inc (MET)	Financials	Restricted	Low	\$ 41.68	\$ 0.74	n.a.	1.8 %	n.a.
State Str Corp (STT)	Financials	Outperform	Medium	\$ 38.49	\$ 0.04	\$ 52.00	0.1 %	35.2 %
Mckesson Corp (MCK)	Health Care	Outperform	Low	\$ 70.48	\$ 0.48	\$ 78.00	0.7 %	11.4 %
Pfizer Inc (PFE)	Health Care	Outperform	Low	\$ 15.52	\$ 0.72	\$ 22.00	4.6 %	46.4 %
Fluor Corp New (FLR)	Industrials	Outperform	Medium	\$ 47.30	\$ 0.50	\$ 56.00	1.1 %	19.5 %
United Technologies Corp (UTX)	Industrials	Outperform	Low	\$ 68.60	\$ 1.70	\$ 93.00	2.5 %	38.0 %
Waste Mgmt Inc Del (WM)	Industrials	Neutral	Low	\$ 33.61	\$ 1.21	\$ 33.00	3.6 %	1.8 %
Cisco Sys Inc (CSCO)	Technology	Outperform	Medium	\$ 23.33	\$ 0.00	\$ 35.00	0.0 %	50.0 %
Intel Corp (INTC)	Technology	Outperform	Low	\$ 21.48	\$ 0.63	\$ 32.00	2.9 %	51.9 %
Microsoft Corp (MSFT)	Technology	Outperform	Low	\$ 26.58	\$ 0.52	\$ 40.00	2.0 %	52.4 %
Oracle Corp (ORCL)	Technology	Outperform	Low	\$ 23.20	\$ 0.00	\$ 31.00	0.0 %	33.6 %
At&t Inc (T)	Telecommunication Services	Neutral	Medium	\$ 25.54	\$ 1.68	\$ 27.00	6.6 %	12.3 %
<b>Total Portfolio</b>							<b>2.1%</b>	<b>28.2%</b>

## Stocks at a Glance

AT&T Corp. is the leading telecommunications company in the U.S. with 50 million access lines mostly in the mid and western US, a 60% ownership interest in Cingular Wireless (a joint venture with BellSouth), and one of the world's most advanced and powerful global backbone networks. AT&T has participated in the recent consolidation trend in the U.S. telecommunications market. In November 2005 SBC Communications acquired AT&T and adopted the AT&T brand. In March 2006, the new company wasted no time in taking further steps to consolidate the industry making an all-stock offer to acquire BellSouth Corp. The breakdown of revenue attributable to each business segment consists of: wireline 57%, wireless 36%, advertising and publishing 7%.

Cisco Systems Inc. designs, manufactures, and sells Internet Protocol (IP)-based networking and other products relating to the communications and information technology industry worldwide. It provides products for transporting data, voice, and video within buildings, across campuses, and around the world. It offers routers, which interconnect computer networks; and switching systems, which offer connectivity to end users, workstations, and servers. The breakdown of revenue attributable to each business segment consists of: networking products 54%, advanced technologies 25%, service 16%, and other 5%.

Colgate-Palmolive Colgate-Palmolive (CL) is a diversified consumer products company that sells a broad range of oral care, personal care, home care, and pet food products in approximately 200 countries around the globe. CL has the highest exposure to emerging markets of any of the large household packaged-goods participants and is the dominant player in the oral care markets of Latin America and Asia. The company is the global market leader in toothpaste and toothbrushes, and also markets laundry products, liquid and bar soaps, deodorants, and dishwashing liquid under well known brand names that include: Colgate, Palmolive, Ajax, Javex, Mennen, Irish Spring, and Soft Soap. Pet nutrition is the second fastest growing category at 7.7% from the Hill's Science Diet and Prescription Diet brands. The breakdown of revenue attributable to each business segment consists of: oral, personal and health care 87%, and pet nutrition 13%.

Freeport-McMoRan Copper & Gold Freeport-McMoRan Copper & Gold Inc. (FCX) is a leading international mining company with headquarters in Phoenix, Arizona. FCX operates large, long-lived, geographically diverse assets with significant proven and probable reserves of copper, gold and molybdenum. Freeport acquired Phelps Dodge in early 2007 and in the process created the world's largest copper producer. Proved and probable reserves are about 75 billion pounds of copper, 41 million ounces of gold, and 1.9 million pounds of molybdenum. The addition of Freeport is based on our positive long-term view on the metals market driven by growing demand from China and India and potential supply constraints. The valuation remains attractive given the company's high quality reserve position, long-term organic growth prospects, and low cost production. The breakdown of revenue attributable to each business segment consists of: refined copper products 53%, copper in concentrates 27%, molybdenum 10%, and gold 10%.

Intel Corp. Intel Corp. (INTC) designs, manufactures, and sells computer components

and related products. The company's major products include integrated circuits including chips or microprocessors, embedded processors, flash memory products, graphic components, network and communications products, and digital imaging products. Intel is the top player in the semiconductor space with about 80% market share for processors used in desktop and notebook computers, as well as computer servers. Other markets served include communications, industrial automation, military, and other electronic equipment. As the economic recovery gains momentum there should be an uptick in capital spending, particularly in the area of enterprise spending on technology which is expected to drive growth in server demand. Intel represents an investment in a truly global company with a strong balance sheet and an excellent track record of generating significant free cash flow throughout the economic cycle.

Marathon Oil Corp. is an integrated international energy company with operations in the US, Canada, Africa, Europe, Equatorial Guinea, Libya and the North Sea. MRO's 2009 production of 435 Mboe/d was 63% weighted toward crude oil which includes its 20% interest in the Athabasca Oil Sands mining project; Shell Canada is the operator and owns 60%, while Chevron Canada owns the remaining 20%. Marathon is the 5th largest US refiner with 7 refineries sustaining a total refining capacity of 1,188 Mbbl/d located in the US Midwest and Gulf Coast regions. The company's retail gas station network encompasses 1,600 Speedway SuperAmerica and 4,600 Marathon-branded sites. The company's valuation has been discounted over recent years because of heavy exposure to refining which has been under pressure with the spike up in crude oil prices in 2008, and subsequent economic recession impacting gasoline demand. After several years of successful oil and gas exploration the company is in the process of transitioning from a company primarily leveraged to refining and marketing, to one increasingly focused on exploration and production which should lead to enhanced valuation parameters.

McDonald's Corporation is the leading global foodservice retailer with more than 31,400 local restaurants serving more than 58 million people in 118 countries every day. More than 75% of McDonald's restaurants worldwide are owned and operated by independent local franchisees and affiliates, the balance are company operated. McDonald's is a true multinational with foreign operations contributing about 65% of company sales and 50% of profits. Strong growth overseas as well as new product introductions have been driving results. The fast food giant and some analysts like to refer to the golden arches as recession resistant but an investment in MCD also provides leverage to an economic recovery as it will benefit from any increase in discretionary spending by consumers.

McKesson Corporation is the largest pharmaceuticals distributor in the United States, delivering prescription and generic drugs along with health and beauty products to retail and institutional pharmacies throughout the U.S. and Canada. The company is also a medical supplies wholesaler in North America, accounting for about 4% of revenues, providing medical and surgical equipment to alternate health care sites such as doctors' offices and surgery centres. As a result of a deliberate acquisition strategy McKesson has a growing health care technology solutions business that currently represents only 3% of revenues but close to 18% of operating income in the last fiscal year. About 7% of annual revenues are generated outside the U.S., mostly in Canada, but also in Israel and some European countries.

MCK is attractive as it represents a diversified way to play the defensive pharmaceutical space without specific drug development costs or regulatory risk.

MetLife, Inc. is a global financial services company providing insurance and investment products to both individual and institutional customers. The company offers individual and group insurance, annuity, retirement, and savings products and services. MetLife is one of the largest insurance companies in the U.S. with high brand recognition. The stock offers a steady earnings profile, a conservative balance sheet and an attractive valuation. The breakdown of revenue attributable to each business segment consists of: institutional 42%, individual 30%, reinsurance 11%, international 11%, and auto and home 6%. Microsoft Corp. was founded in 1975 and develops, manufactures, licenses, and supports software for various business and personal computing devices around the world. Microsoft has a unique asset in its customer base that includes over 1 billion Windows users providing a platform upon which to build and sell products and services for existing consumers. The company recently commenced deploying one of the strongest pipelines of new product releases in recent years that should generate revenue and earnings growth for the next few years. The stock is appropriate for conservative investors looking for technology exposure, consistent earnings growth, above average dividend yield and an attractive valuation. The breakdown of revenue attributable to each business segment consists of: business division 31%, client 28%, server and tools 22%, entertainment devices and division 14%, online services business 5%.

Nike Inc. was founded in 1964, but got its name with the introduction of athletic footwear called Nike, named after the Greek goddess of victory. The company has grown to become a \$16.3 Billion manufacturing, marketing, and sales organization that caters largely to the athletic market, and is now embarking on a specialty retail strategy that is targeted to leverage its world renowned iconic brand name. The breakdown of revenue attributable to each business segment consists of: footwear 52%, apparel 28%, other business 14%, and equipment 6%.

Oracle Corporation supplies software for enterprise information management. The Company offers databases and relational servers, application development and decision support tools, and enterprise business applications. Oracle's software runs on network computers, personal digital assistants, set-top devices, personal computers, workstations, minicomputers, mainframes, and massively parallel computers. Through organic growth and through a number of high-profile acquisitions, Oracle enlarged its share of the software market. By 2007 Oracle ranked third on the list of largest software companies in the world, after Microsoft and IBM. Subsequently it became larger than IBM after its acquisition of Hyperion and of BEA. The breakdown of revenue attributable to each business segment consists of: software 80%, and services 20%.

Occidental Petroleum is an international oil and gas exploration and production company with operations in the United States, Middle East/North Africa and Latin America regions. OXY is the fourth largest U.S. oil and gas company based on market capitalization. In the U.S, OXY is the largest oil producer in Texas, the largest natural gas producer in California, and has additional production in Kansas, Oklahoma and New Mexico. The company also operates in the Middle East and Latin America. In addition to their now-separate midstream energy business, Occidental

has a chemical operation (OxyChem) that manufactures vinyls and specialty chemical products.

Pfizer Inc. is the world's largest research-based biomedical and pharmaceutical company. With corporate headquarters in New York, the company has major research and development locations in the both the United States and U.K. and is in the business of discovering, developing, manufacturing, and selling prescription medicines for both humans and animals. Some of Pfizer's top-selling products include treatments for high blood pressure and heart failure, osteoarthritis and rheumatoid arthritis, Alzheimer's disease, infectious diseases, epilepsy, depression, and anxiety. On January 26, 2009, Pfizer announced that they have entered into a definitive merger agreement with Wyeth in which Pfizer will acquire Wyeth in a cash-and-stock transaction. The combined company will create one of the most diversified companies in the global health care industry, with product offerings in numerous growing therapeutic areas, a strong product pipeline, and leading scientific and manufacturing capabilities. This acquisition is accretive to earnings and strategically sound in that it addresses the fall off in revenue that PFE faces with the pending patent expiry of Lipitor and other remedies making them subject to generic competition. Lipitor is a cholesterol lowering medication that in 2006 became the best selling drug in pharmaceutical history. The acquisition also adds depth to the new product pipeline as well as merger synergies that PFE targets in the order of \$4 billion in annual cost savings.

State Street Corp. is one of the leading providers of institutional financial services ranging from custody to investment management. The company's core business provides mutual fund and pension fund back-office processing including accounting, foreign exchange, cash management, securities lending, as well as investment solutions for hedge funds, private equity, and other alternative risk products. STT is the third largest securities administrator in the world with more than \$11 trillion in assets under custody. In addition, the company also has a large asset management business that exceeds \$1.4 trillion in assets under management. The company has grown organically and also through acquisition. The business model for STT generates fee-based revenues by servicing client assets whether through delivering custody services or investment management through their asset management subsidiary State Street Global Advisors.

United Technologies Corp. is a diversified global industrial company. They provide high-technology products and support services to customers in the aerospace and building industries worldwide. More specifically, the company has leading market positions in six businesses: Carrier (world's largest maker of heating, ventilation, refrigeration, and air conditioning systems), Pratt & Whitney (one of the world's largest manufacturers of aircraft engines), Otis (the #1 elevator and escalator manufacturer), Hamilton Sundstrand (flight systems), UTC (Fire & Security), Sikorsky (helicopters). The breakdown of revenue attributable to each business segment consists of: carrier 27%, Pratt & Whitney 22%, Otis 21%, UTC Fire & Security 11%, Hamilton Sundstrand 10%, Sikorsky 9%.

Wal-Mart Stores Inc. is the world's largest retailer. Through its discount stores and supercenters, Wal-Mart offers merchandise such as apparel, housewares, small appliances, electronics, and hardware. Wal-Mart operates in the United States,

Canada, Argentina, Brazil, Germany, Mexico, Korea, the United Kingdom, and Puerto Rico. Wal-Mart is the largest grocery retailer in the United States, with an estimated 20% of the retail grocery and consumables business. It also owns and operates the North American company, Sam's Club. The breakdown of revenue attributable to each business segment consists of: Wal-Mart stores 63%, Wal-Mart International 24%, Sam's Club 12% and memberships 1%.

Waste Management Inc. is based in Houston, Texas and is the leading provider of comprehensive waste and environmental services in North America with services ranging from recycling and solid waste collection for both municipal, commercial, and large national industrial customers with hundreds of locations. With about 22,000 collection and transfer vehicles, the company has the largest trucking fleet in the waste industry and collects nearly 74 million tons of solid waste per year. With much of the waste collected by WMI going to its own landfills, a supporting network of transfer stations provides an important link for efficient disposal. WMI operates the largest network of landfills in its industry while managing the disposal of more than 116 million tons of waste per year. The weaker economic outlook in the U.S. suggests that earnings for more cyclically oriented industrial companies will be under pressure, thus making Waste companies relatively less vulnerable. As commercial and construction volumes are highly correlated to Industrial Production, WMI will likely experience some volume declines from industrial customers; however, residential volumes, which represent 33% of total volumes, should be less variable. The breakdown of revenue attributable to each business segment consists of: collection 56%, landfill 20%, transfer 11%, recycling 8% and wheelabrator 5%.

XTO Energy Inc. has grown from its inception in 1986 to one of the United States' largest independent oil and gas producers, involved in acquisition, development, exploration, and exploitation of predominantly natural gas properties. They have a proven growth strategy that has led to a domestic reserve base greater than 1.84 billion barrels of oil equivalent and a track record of increasing production and reserves, with a compound annual growth rate of about 24% and 30% respectively since going public in 1993. The company operates in various regions within Texas, as well as the mid-west and Rocky Mountain region. XTO's operations are highly levered to unconventional natural gas resource plays, including shale and coal bed methane gas plays in the U.S. including a large opportunity in the Bakken formation in Montana and North Dakota that is an extension of the same formation that many Canadian E&P companies have been pursuing in south east Saskatchewan. XTO was an aggressive acquirer of land and producing assets in 2008, substantially increasing their resource base in the process. They have a proven track record of adding incremental reserves to acquired properties through application of horizontal drilling techniques and operational expertise.

The ScotiaMcLeod Guided Portfolios are model portfolios of equity and fixed income securities designed for individual investors. Managed by the firm's Portfolio Advisory Group, the guided portfolios include Canadian and U.S. equity portfolios and Canadian fixed income portfolios. The objective of the equity portfolios is to provide individual investors with superior investment returns for various

investment objectives and levels of risk. The objective of the fixed income portfolios is to track the performance of the Scotia Capital Markets Bond Universe index and its components. For further information on the Guided Portfolios, please contact your ScotiaMcLeod Investment Executive.

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