June 2006

Chartbook

Securities Industry &
Capital Markets Developments

INVESTMENT INDUSTRY ASSOCIATION OF CANADA
ASSOCIATION CANADIENNE DU COMMERCE DES VALEURS MOBILIÉRES

Highlights:

- Total equity financings in Canada hit a record $48.9 billion in 2005, breaking the 2004 peak by 2.4 per cent. However, the spotlight remained on income trusts as high oil prices helped drive issuance to a record $20.2 billion in 2005 – up 18.6 per cent over 2004 levels despite a cool-off in the latter part of the year due to tax treatment uncertainty.
- Trading volume on the TSX totaled 64.1 billion shares in 2005, up 4.7 per cent year-over-year.
- Total 2005 debt financings were $155.1 billion, down 8.8 per cent year-over-year, due to a decline in financing by all levels of government. However, corporate financings hit a record $64.9 billion, breaking the previous record in 2004 by 6.4 per cent, and bond trading climbed 14.4 per cent over 2004 to $5.9 trillion.
- Canada's mergers and acquisitions market soared to a five-year high in 2005, helping drive the industry's investment banking revenue to a hefty $3.6 billion, an increase of 16 per cent from 2004
- Total adjusted operating revenue reaching a record $13.5 billion, up 12 per cent from 2004's lofty level. With adjusted operating expenses of $5.3 billion up only two per cent from 2004, total adjusted operating profit zoomed to a record $4.3 billion in 2005, breaking the previous all-time high of $3.6 billion in 2004 by 21 per cent.
- Return on equity (ROE) for the industry was 21 per cent in 2005, nicely topping the average 18 per cent ROE during the roller-coaster 1995-2004 decade.

The Investment Industry Association of Canada (IIAC) advances the position of the Canadian investment industry on regulatory and public policy issues. As the professional association for the industry, IIAC has a mandate to promote efficient, fair and competitive capital markets for Canada while helping its member firms across the country succeed in the industry.

Prepared by:

Jack Rando, CFA
Assistant Director,
Capital Markets

Sherry Hum
Financial Analyst

Barbara Amsden
Director,
Capital Markets

Charting progress – strong markets, strong firms

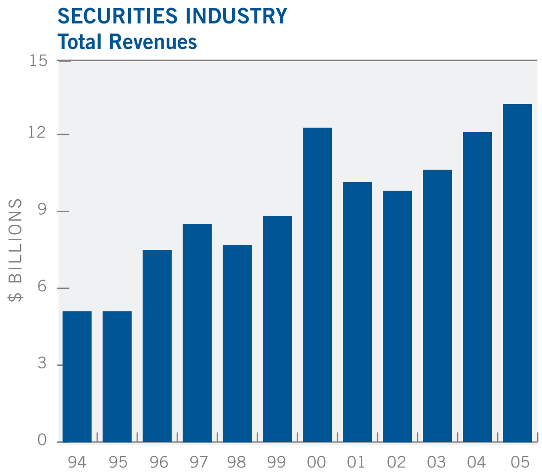
2005 was another blockbuster year for the Canadian capital markets. The securities industry delivered a third consecutive year of record profits as the major business segments – wealth management, financing and trading – benefited hugely from positive forces in play. Last year's surging oil and commodity prices, red-hot mergers and acquisitions market, low interest rates and strong loonie continued to fuel the markets, propelling industry revenues to record highs. One of the year's big stories was the explosion in the income trust and corporate bond markets, especially for Maple bonds (debt denominated in Canadian dollars, but issued by foreign companies), which spurred financings into record territory. Also key to the improved profit performance was the industry's excellent job of managing expenses as business expanded. Stellar revenues, coupled with effective cost containment, heralded another bottom-line banner year for the record books of the securities industry.

Chart-topping market and firm results, however, were not last year's only securities industry story. In December, 2005, Investment Dealers Association of Canada (IDA) members voted to separate the IDA into two distinct organizations: a self-regulatory organization and an industry association. Ninety years after the IDA was founded, the industry association, now known as the Investment Industry Association of Canada (IIAC), returned to its 1916 roots as an independent trade association.

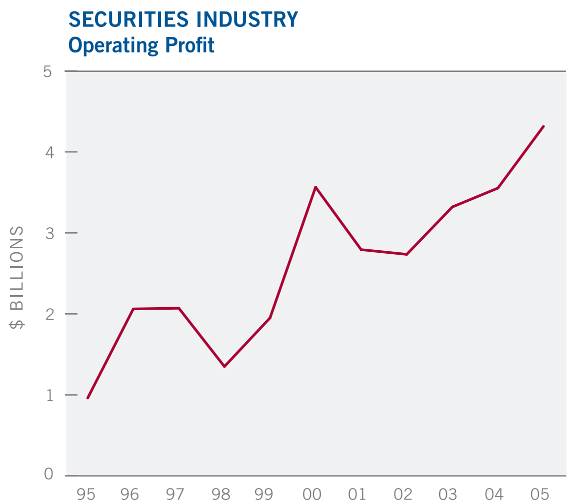
The IIAC's annual Chartbook is a graphic representation of the dynamics, global competitiveness and strength of Canada's investment industry.

Ian Russell
President & Chief Executive Office
Investment Industry Association of Canada

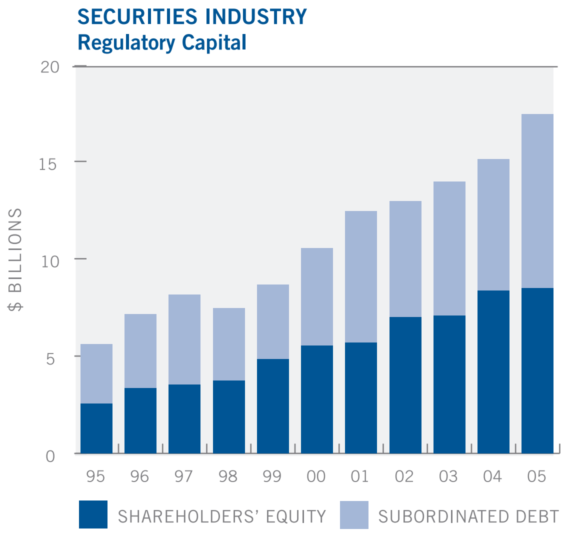
June 2006



TOTAL REVENUES Another year, another record! The Canadian securities industry posted its third consecutive year of record activity in 2005. Total revenues surged to an all-time high of $13.2 billion in 2005, beating the previous record of $12.1 billion in 2004 by a solid 12 per cent. The industry's good times kept rolling last year thanks to the highly conducive backdrop: chart-topping oil prices, red-hot merger and acquisition activity, explosive income trust market, strong loonie and low interest rates clearly played a huge role in boosting investor optimism and activity to lofty levels. In the end, the industry posted a raft of double-digit gains in revenue last year – most notably in investment banking, commissions and fee for-service income.



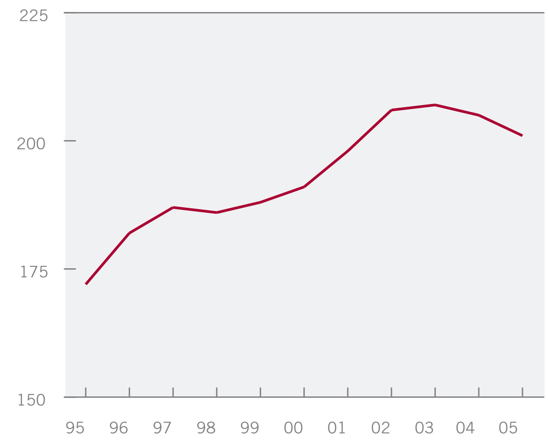
OPERATING PROFIT It was a record "three-peat" in profits for the industry in 2005: operating profit soared to a high of $4.3 billion in 2005, eclipsing the 2004 record of $3.6 billion by 21 per cent. Key to the record bottom line was both the industry's stellar revenue gains across major business segments – wealth management, investment banking and trading – and cost containment. The industry's revenue stream benefited immensely from the favourable forces in play last year: surging oil prices, low interest rates, strong loonie, sizzling M&A market and healthy corporate profits. Meanwhile, operating expenses were contained to an overall increase of just 2 per cent in 2005 compared to a 16 per cent increase in 2004. Adding it all up, the industry delivered another round of record profits. The spectacular back-to-back-to-back years of record-breaking profits in 2003-05 have made the "go-go 90s" seem tame in comparison. Indeed, the third time was a charm for Canada's securities industry.



REGULATORY CAPITAL With over 200 firms strong, the industry's regulatory capital reached a record $17.4 billion in 2005, an increase of 15 per cent over 2004 levels. Over the past decade, there has been a growing proportion of shareholders' equity relative to debt as investors take on a greater stake in firms. Regulatory capital was almost divided equally between equity and debt last year: shareholder's equity totaled $8.5 billion and subordinated debt was $9 billion. The industry's blockbuster performance in the last few years has clearly generated some handsome returns for investors. With an average return on equity of about 20 per cent in the last few years, investors did not have much to complain about.

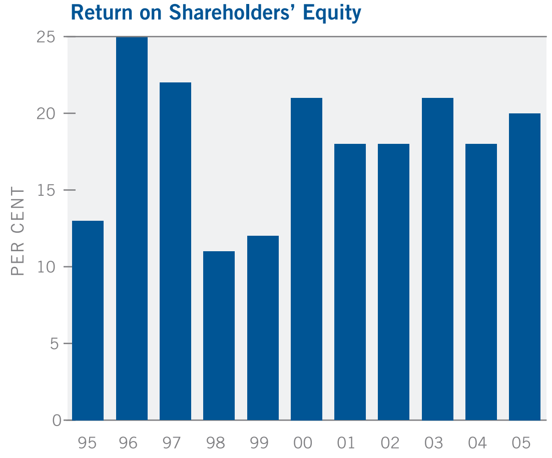
NUMBER OF FIRMS The flourishing markets over the past decade have been a magnet for industry growth, although the number of firms may have topped out. In 2005, there were 201 firms in the business last year, off from the 2003 peak of 207 firms, but the broad trend over the past decade has been positive in luring new entrants to the industry: the number of firms has expanded by 15 per cent since 1995. The majority of new entrants have targeted the retail client and the wealth management business where opportunities have been plentiful. However, the proliferation of firms – especially the boutique retail operations – on the scene has created a fiercely competitive marketplace. There is evidence that the industry is undergoing a crowding out of firms. In 2005, there were 5 per cent fewer full-service firms and 10 per cent fewer introducers in the industry from 2004.

SECURITIES INDUSTRY
Number of Firms



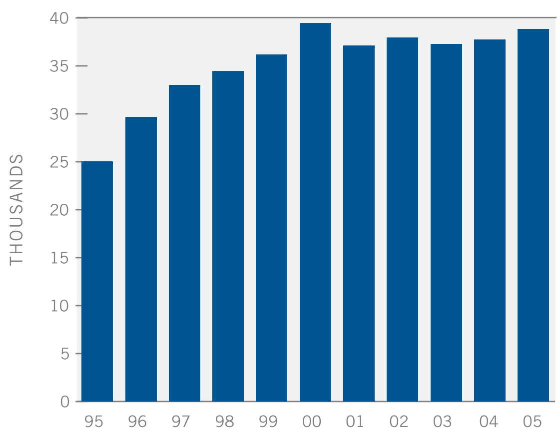
RETURN ON SHAREHOLDERS' EQUITY There's no doubt that the industry has done a fantastic job of delivering a handsome return to investors. Return on Equity (ROE) – a measure of the return on capital invested in the business – has been in the double-digits in the past ten years. Last year's ROE for the industry was an impressive 20 per cent – above the 18 per cent averaged during 1995-2005. What group is spearheading the returns pack? Not surprisingly, Canada's large, bank-owned firms continued to be the main driver behind the industry's impressive returns. In 2005, integrated return on equity was a whopping 31 per cent compared to a ROE of 7 per cent for the institutional firms and 11 per cent for the retail players.

SECURITIES INDUSTRY
Return on Shareholders' Equity

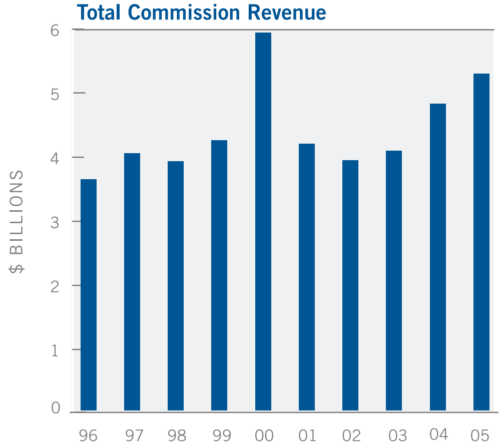


TOTAL EMPLOYMENT The number of firms in the industry may have peaked, but employment is still on an expansionary track. There were 39,174 individuals on the industry payroll last year, up 4 per cent from 2004 and a whisker below the 39,433 employed during the 2000 peak. Although the pace of job growth has moderated in recent years, employment has increased a hefty 56 per cent from 1995 levels. While the integrated firms remained the industry's largest employer, the fastest job growth has been in Canada's smaller players – the institutional and independent retail firms – in the last few years. The small firm's entrepreneurial environment, attractive incentive packages and opportunities have been major selling features in luring industry professionals over to the retail side.

SECURITIES INDUSTRY
Total Employment

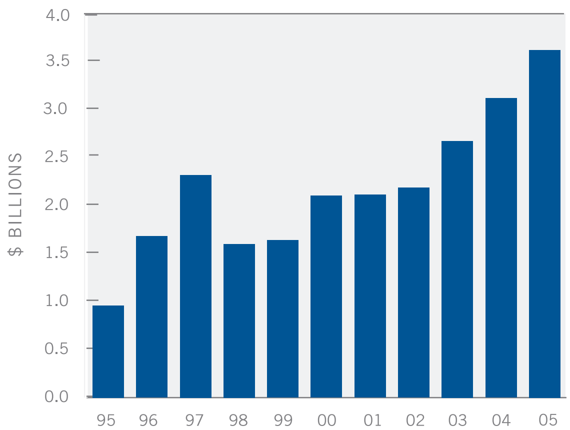


SECURITIES INDUSTRY
Total Commission Revenue



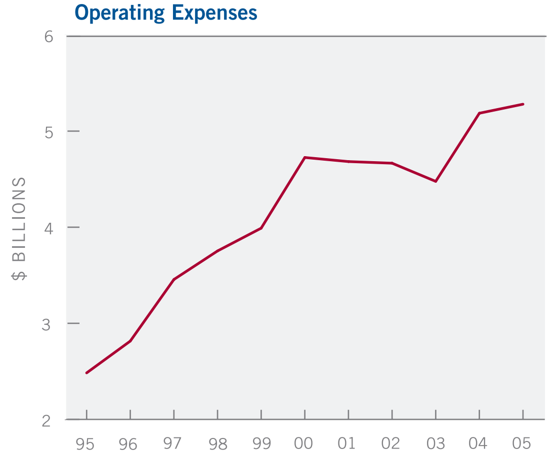
COMMISSION REVENUE Canada's equity market run has been a boon for the industry's bread and butter – commissions. The appreciating of the loonie, exploding energy prices and healthy corporate profits have bolstered Canada's stock market and trading activity since 2002. In particular, last year's chart-topping oil prices and equity frenzy – especially income trusts – helped fuel commission revenue in 2005 to $5.3 billion, an increase of 10 per cent over 2004 and approaching the $5.9 billion peak in 2000. While commissions continue to serve as the single largest revenue source for the industry, its contribution has decreased in recent years as other business segments gain traction. In 2005, commissions accounted for 32 per cent of industry revenue compared to almost 50 per cent in 2000.

SECURITIES INDUSTRY
Investment Banking Revenue



INVESTMENT BANKING REVENUE Bay Street's success in capitalizing on the M&A mania and attractive financing environment has been a major factor behind the industry's burgeoning coffers. Investment banking revenue climbed to an all-time high of $3.6 billion in 2005 – breaking the previous record in 2004 by 16 per cent. Last year, Canada's red-hot M&A market reached a five-year high as the takeover frenzy in natural resources, income trusts and cross-border activity hit fever pitch. Although equity financings continued to reap the lion's share of investment banking activity, momentum has also picked up for debt financings and corporate advisory fees – up 14 per cent and 39 per cent respectively from 2004. As the second largest revenue source, investment banking is a growing and vital income pillar for the Canadian securities industry.

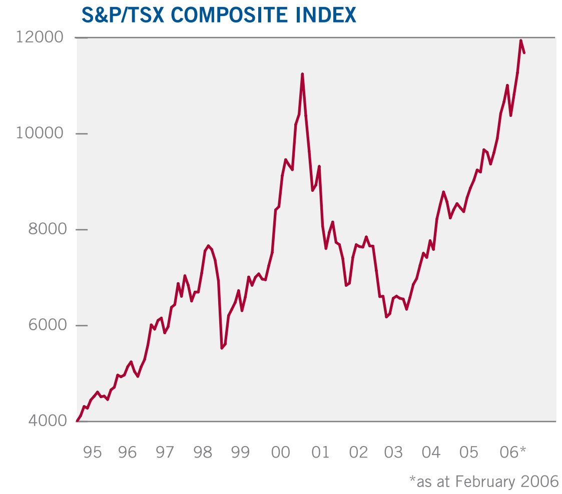
SECURITIES INDUSTRY
Operating Expenses



OPERATING EXPENSES The industry's phenomenal expansion over the last decade has also given way to a rise in operating costs. The increased operating expenses have come primarily from additional staffing requirements and other costs associated with the business boom. However, there has been some encouraging progress on keeping industry costs under control. Operating expenses edged up to $5.3 billion in 2005, a modest 2 per cent increase from 2004 – a sharp contrast to the hefty 16 per cent rise in costs in 2004 from 2003. The industry's welcome improvement on the expense front has been spearheaded by the superb cost-cutting from the integrated group, Canada's large, bank-owned firms. While other industry players posted increased costs last year, integrated operating expenses were actually down 2 per cent in 2005 despite their 4 per cent increase in employment! With higher employment and lower costs, the integrated group played a pivotal role in keeping a lid on the industry's costs last year.

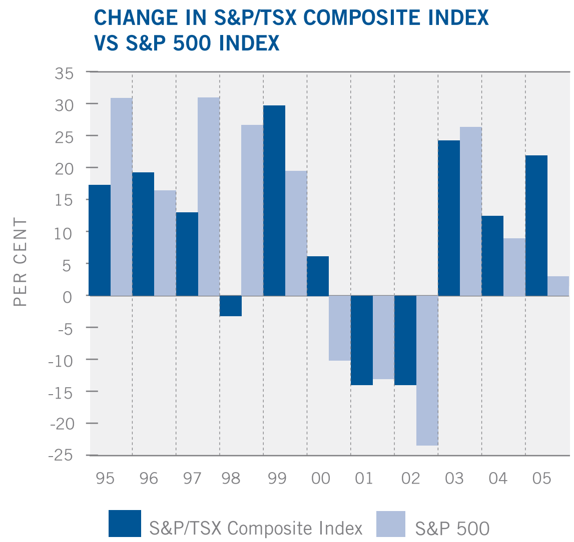
S&P/TSX COMPOSITE INDEX

Canada's largest stock market has clearly been lodged on a roller-coaster high on its ride to the 12,000 level. The energy-laden S&P/TSX Composite Index closed at a decade high of 11,272 in 2005, an impressive 22 per cent increase from 2004. The Canadian equity market's upward trajectory last year was definitely the envy of many U.S. and global bourses given their single-digit returns last year. The TSX was a prime beneficiary of the favourable forces in play in 2005 – particularly surging energy prices – which helped catapult Canada's equity market to record territory.



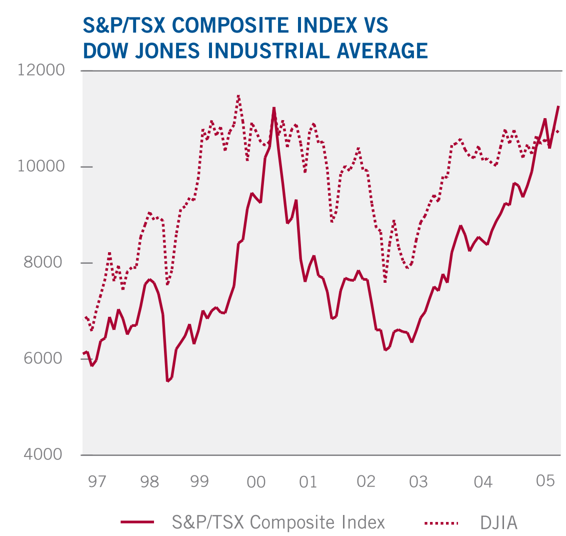
CHANGE IN S&P/TSX VS. S&P 500

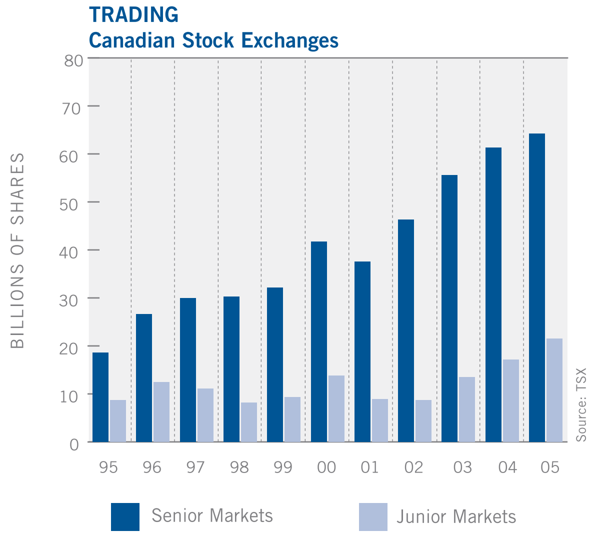
Investors looking for hot returns went north of the '49 parallel' last year as Canada's stock market was on fire. While the S&P/TSX and S&P 500 Indexes both delivered positive returns for investors, Canada's resource-heavy index was the runaway winner in the returns department. The S&P/TSX was up 22 per cent last year compared to the S&P 500's relatively meager 3 per cent rise. No surprise, chart-topping oil prices – which at its highest point rose above US$70 barrel – pushed the S&P/TSX capped energy index to the top performing sector of the S&P/TSX with a whopping 60 per cent return last year. Most constituent sectors in Canada's benchmark index also enjoyed double-digit gains last year, albeit at a less robust pace.



S&P/TSX VS DOW JONES INDUSTRIAL AVERAGE

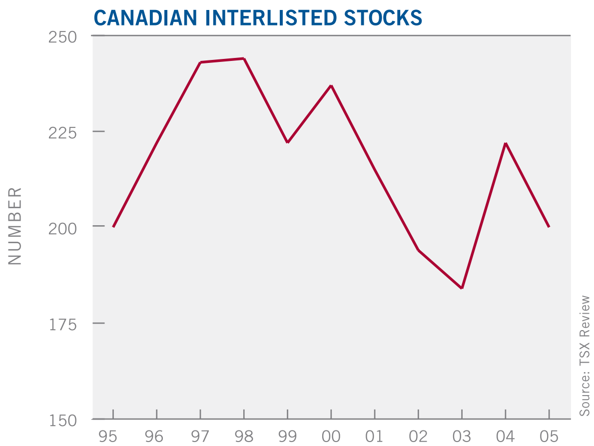
The S&P/TSX Composite also zoomed past another major U.S. benchmark last year, the Dow Jones Industrial Average (DJIA), which ended 2005 almost unchanged from 2004. A major reason behind the blue chip index's wide gap with the S&P/TSX lies with the index composition. Energy accounted for over 25 per cent weighting on the S&P/TSX compared to less than 10 per cent for the S&P 500 and DJIA. Against soaring oil and natural gas prices last year, the relatively large representation of energy in the S&P/TSX has proven to be a huge positive factor behind the index's runaway performance last year.





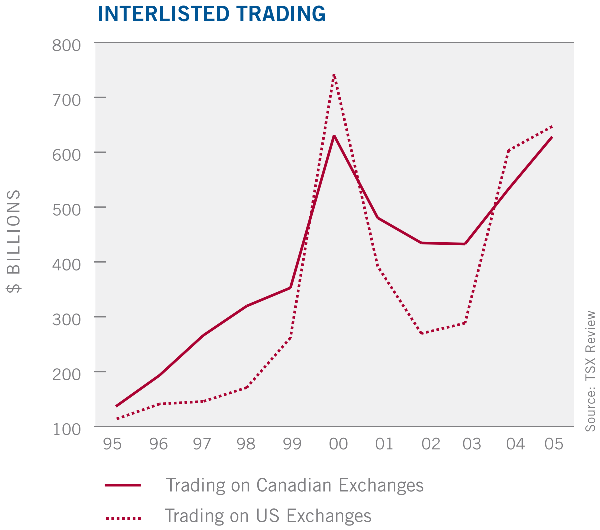
TRADING

Trading also blasted the record meter last year with trading volume at a new high. A record 64.6 billion shares were exchanged on the S&P/TSX in 2005, up 6 per cent from 2004. On a similar path, trading volume jumped to 21.5 billion on the TSX Venture in 2005, an increase of 26 per cent from the previous year. Since 1995, trading volume has expanded by more than 240 per cent for the TSX and 142 per cent for the smaller-cap market. The increased turnover activity highlighted the robust market over the past decade as domestic and foreign players in the retail, institutional and mutual fund market got in on the lucrative equity action.



CANADIAN INTERLISTED STOCKS

One step forward, two steps back? After reversing a three-year slide in 2004, the number of interlisted stocks was back on a downward path in 2005. Last year, there were just 200 Canadian firms stocks listed south of the border, a decrease of 10 per cent from the 222 firms' listed in 2004. Canadian firms were enticed to list at home given the strong appreciation and outlook for the Canadian dollar during the year and arguably due to the cost of compliance with the U.S. Sarbanes-Oxley Act. In addition, companies avoided the added cost of paying additional exchange-listing fees – another positive.



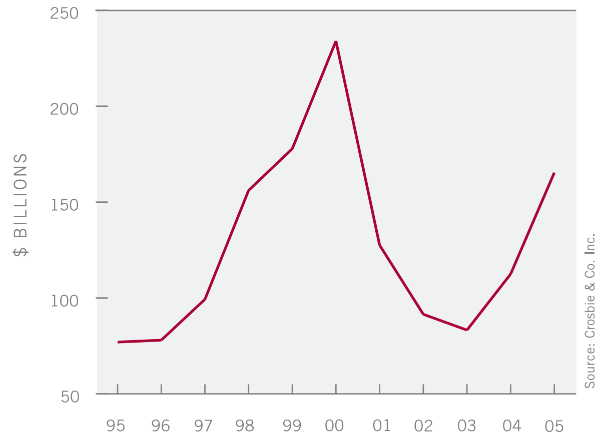
INTERLISTED TRADING

While the number of interlisted stocks was down last year, interlisted trading was definitely up. The number of interlisted stocks traded in Canada last year totaled a lofty $628 billion, up 17.8 per cent from 2004 and just below the all-time high of $630 billion in 2000. Meanwhile, interlisted trading in the U.S. stood at $647 billion last year, an increase of 7.3 per cent from 2004. While interlisted trading in the U.S. was up last year, activity was still well below the 2000 peak of $742.6 billion.

MERGERS AND ACQUISITIONS

Merger mania in Canada hit a five-year high last year with transactions valued at a staggering $166 billion in 2005, up 47 per cent from 2004. The M&A bonanza last year was reflective of the favourable market backdrop: low interest rates, a strong North American economy, strong balance sheets, and attractive valuations. While the pick-up in M&A activity was broad-based, the flurry of deals was concentrated in the natural resources sector, particularly oil and gas. Natural resources accounted for 33 per cent of the total deal volume and 49 per cent of total transaction value in Canada, including six of the ten largest deals last year. With robust demand for energy showing no signs of abating, Canada's M&A frenzy may continue in 2006.

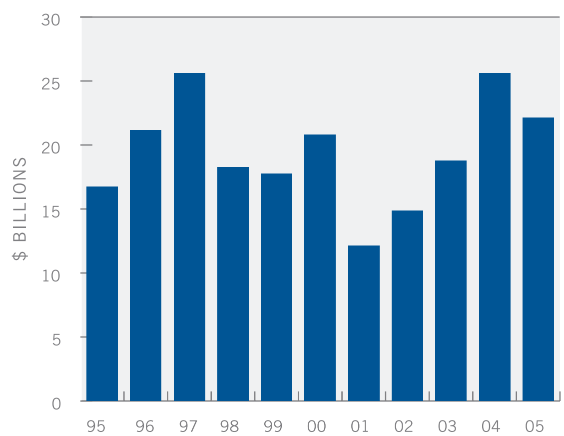
MERGERS AND ACQUISITIONS
Value of Transactions



COMMON EQUITY FINANCINGS

Historically, common equity has been the most popular financing vehicle for public issuers. However, the domination of common issuance lost some ground last year thanks to the explosion in the income trust market. Although common financings still led the issuance pack with $22 billion in offerings last year, activity was down 14.4 per cent from 2004. The common issuance downturn last year reflected the gravitation of investors towards the popular trust market. While common issuance was sluggish throughout much of 2005, financings spiked when the federal government announced that it wanted to review the income trust structure. Once again, resources accounted for the lion's share of equity issuance with 60 per cent of the total common financings in 2005.

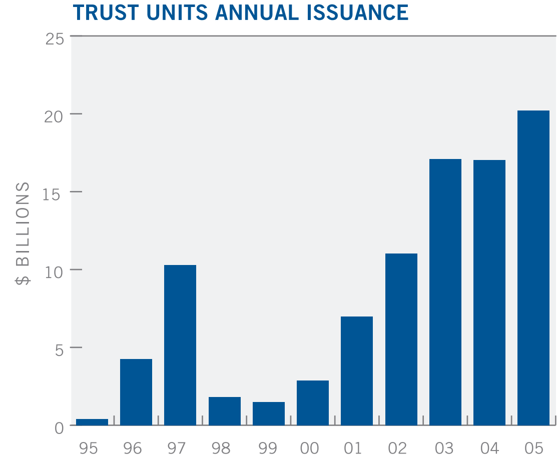
COMMON EQUITY FINANCINGS

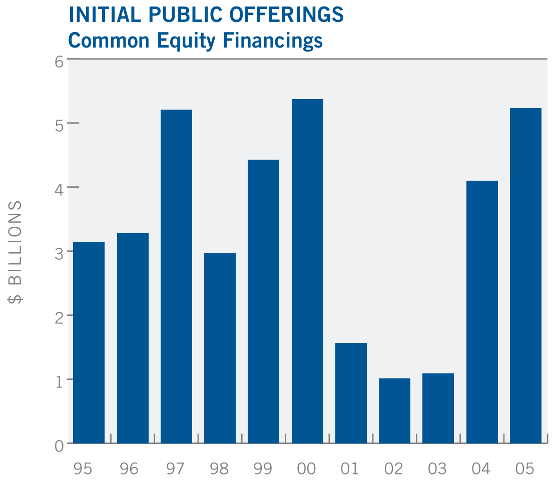


INCOME TRUST ISSUANCE

Put simply, 2005 was the "Year of the Income Trust". Trust issuance surged to a record $20.2 billion in 2005, up 18.6 per cent over 2004. The trust explosion last year accounted for 41.3 per cent of total equity financings in 2005 and underpinned another year of record financings for the industry. The catalyst for the trust boom? Exploding oil prices. With crude oil prices stuck between US$60-$70 per barrel throughout much of 2005, a prime beneficiary of these high energy costs was the income trust market – where many trust companies reside in oil and gas. While the trust market skyrocketed last year, a major setback came from Ottawa's announcement to reconsider its position on income trust taxation. While the government ultimately axed its original plan to tinker with the trust structure, the controversy resulted in a slide in trust financings in the final quarter last year.

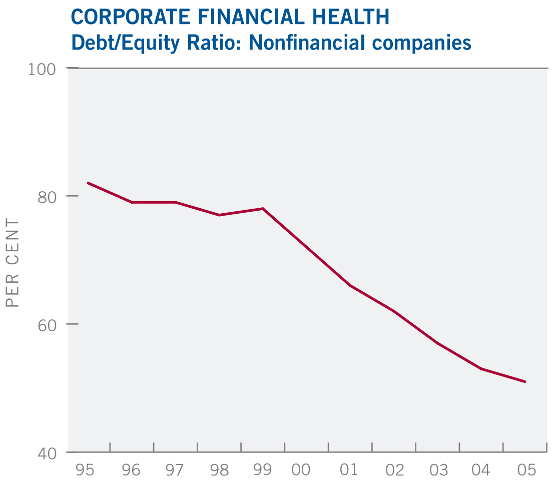
TRUST UNITS ANNUAL ISSUANCE





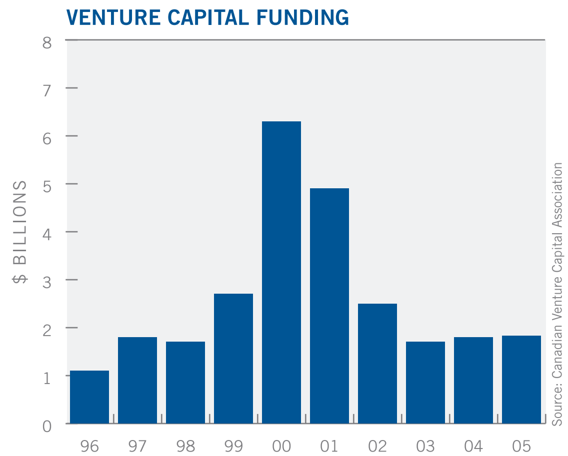
INITIAL PUBLIC OFFERING

The IPO craze almost set a new record in 2005 with IPO activity at a lofty $5.23 billion, up 28 per cent from 2004 and just below the 2000 peak of $5.37 billion. The IPO scene last year was characterized by fewer high profile deals. This was in sharp contrast to 2004 where several large offerings dominated headlines such as ING Canada's massive $907 million IPO – one of the largest Bay Street offerings. In 2005, the largest issue was a $550 million IPO from CanWest MediaWorks followed by Royster-Clark's $325 million IPO.



CORPORATE FINANCIAL HEALTH

It was another positive reading for Corporate Canada's financial health last year. The declining debt-equity ratio dropped to just 51 per cent in 2005 – the lowest level in two decades. Undoubtedly, the improving ratio is reflective of the healthier corporate state in Canada. Over the last few years, companies have made tremendous strides in delivering better balance sheets and stellar profits to investors. As a result, the need for companies to finance with long-term debt has declined despite the relatively low interest rate climate.

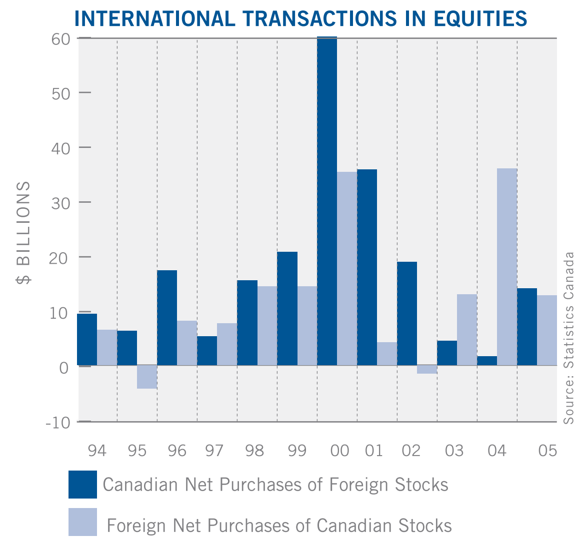


VENTURE CAPITAL FUNDING

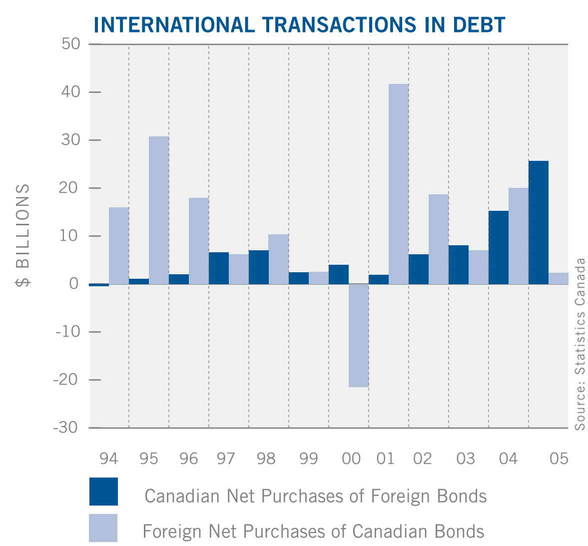
Canada's venture capital (VC) industry has been stagnant in the last few years. In 2005, venture capital investment was almost unchanged at $1.83 billion, up a meager 1.7 per cent from 2004. During 2002-05, venture capital investment totaled a combined $5.3 billion – a far cry from the $6.3 billion invested during the 2000 peak alone. Although VC investment did not decline last year, the industry clearly struggled to gain traction since the bursting of the "tech bubble".

EQUITY TRADING REVENUES A rare blemish to the industry's blockbuster performance last year was the decline in equity trading. Equity trading revenues totaled $554 million in 2005, down 14 per cent from 2004. The weaker proprietary trading results were a surprise given that firms should have benefited from the upward momentum in the Canadian markets last year. While the proprietary books were likely up for the industry, the revenue decline may be traced to trading losses related to the firms' market-making activities. Despite the slower pace last year, equity trading nonetheless remains at historically high levels.

INTERNATIONAL TRANSACTIONS IN EQUITIES Foreign holdings of Canadian equities totaled C$12.7 billion in 2005 compared to the record C$35.8 billion purchased in 2004. Have Canadian stocks lost their global appeal? While foreign investment in outstanding Canadian stocks remained relatively high last year, the reduced holdings was largely affected by special transactions associated with foreign takeovers of Canadian companies. The foreign acquisition of Canadian firms caused international portfolio shareholders to sell their Canadian shares for cash in 2005, thereby decreasing their stake in Canadian holdings. No surprise, foreigners targeted resource stocks in their Canadian equity purchases last year. Meanwhile, on the flip side, Canadians went on a foreign buying spree last year by snapping up a hefty C$13.9 billion in foreign stocks – a far cry from the meager C$1.6 billion purchased in 2004.

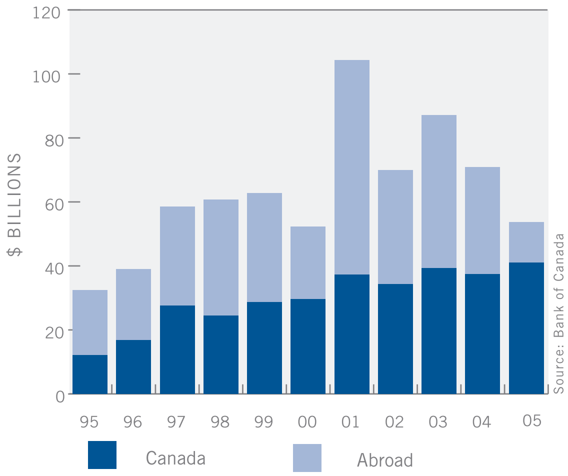


INTERNATIONAL TRANSACTIONS IN DEBT On the bond front, Canadians could not get enough foreign debt in 2005 with a record net purchase of $25.6 billion in international bonds last year, up 68 per cent from 2004. The appeal of foreign bonds to Canadians is largely reflective of the higher returns or yields offered in other foreign markets compared to Canada. Meanwhile, foreign net purchases of Canadian bonds dropped sharply to just $2.4 billion in 2005 from $20 billion in 2004. The main culprit behind the pronounced downturn was the significant level of net retirements of foreign-held Canadian bonds in 2005 compared to the previous year.



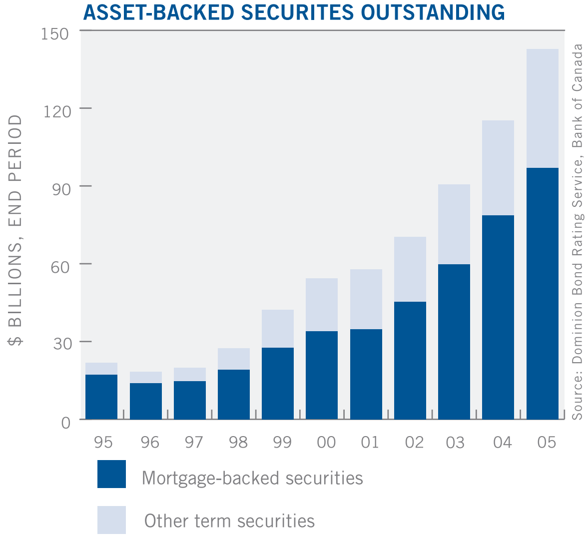
Fixed Income

CORPORATE DEBT FINANCINGS
CANADA AND ABROAD



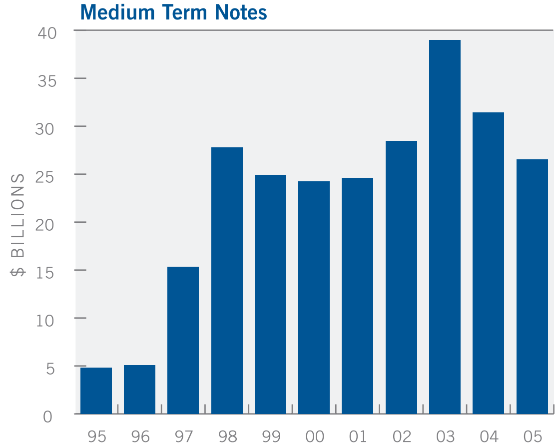
CORPORATE DEBT FINANCINGS CANADA AND ABROAD For a second year in a row, corporations reduced their reliance on the debt markets for financings. Gross debt issuance declined from $71 billion in 2004 to $54 billion in 2005, representing a 24 per cent drop. Corporations held back from issuing debt partly as a result of the general level of improved corporate profitability, opting to use internally generated sources of funding instead. Additionally, expectations of rising interest rates earlier in the decade spurred borrowing then, resulting in less need now. The level of debt financings abroad reached a low not seen in recent history as a strong Canadian dollar persuaded issuers to raise capital at home rather than elsewhere.

ASSET-BACKED SECURITES OUTSTANDING



ASSET BACKED SECURITIES OUTSTANDING The mortgage-backed securities (MBS) market continues to grow on the heels of a robust real estate market. MBSs outstanding at the end of 2005 stood at $97 billion, up 24% from 2004. MBS account for nearly 68% of total asset-backed securities outstanding. NHA MBS have been attractive to investors looking for an alternative fixed income investment that combines attractive yields with the added security of a government guarantee. Other forms of asset-backed securities are also becoming more popular with investors and issuers, reaching $46 billion in assets in 2005, up 28% from the previous year.

CORPORATE DEBT OFFERINGS
Medium Term Notes

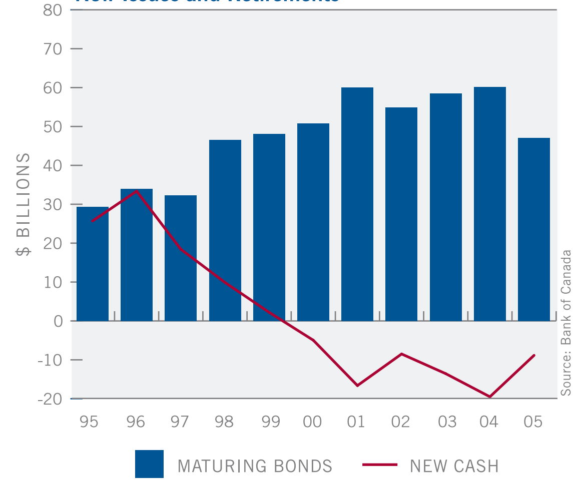


MEDIUM-TERM NOTES Following the peak achieved in 2003, issuance of medium- term notes (MTNs) declined for the second year in a row. 2005's issuance of $26.5 billion is down 15% from 2004 and 32% from 2003. MTN's have however grown increasingly popular over the last decade with both issuers and investors. MTN programs allow issuers to continuously access the marketplace in a timely manner. Investors benefit from the expanded list of fixed income securities from which to choose. The diverse industries and profiles of the issuers also give investors the ability to further diversify their portfolios.

NEW ISSUES AND RETIREMENTS

The government continues with its strategy of gradually reducing the fixed-rate portion of market debt. Once again in 2005 we saw maturing Government of Canada bonds exceed new issues, which resulted in net redemptions of nearly $9 billion. Since 2000, this brings the total Government of Canada net redemptions to $72 billion. According to the Department of Finance's 2006-07 Debt Strategy, the stock of marketable domestic bonds is expected to decline from an estimated $237 billion at the end of 2005-06 to about $231 billion as a result of maturities and continued cash management buyback operations.

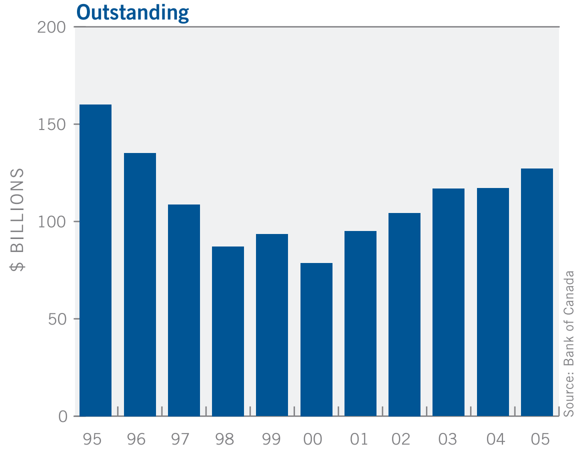
GOVERNMENT OF CANADA BONDS
New Issues and Retirements

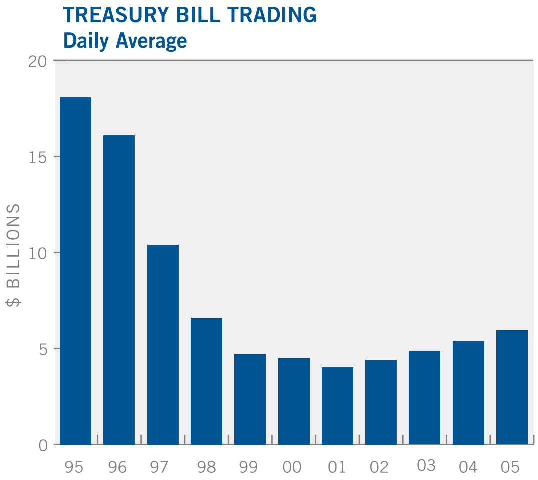


CANADA TREASURY BILLS OUTSTANDING

The amount of treasury bills outstanding increased to $127 billion in 2005, up $10 billion from the previous year. This increase falls in line with projections made in last year's Debt Management Strategy issued by the Department of Finance. In the 2006-2007 Debt Strategy, Finance announced the outstanding amount of treasury bills will increase to a range of $135 billion to $140 billion by the end of 2006 -07 as part of their strategy to increase the share of short-term securities in total debt to 40% by 2007-08. This strategy is designed to reduce overall borrowing costs by taking advantage of relatively lower short-term interest rates.

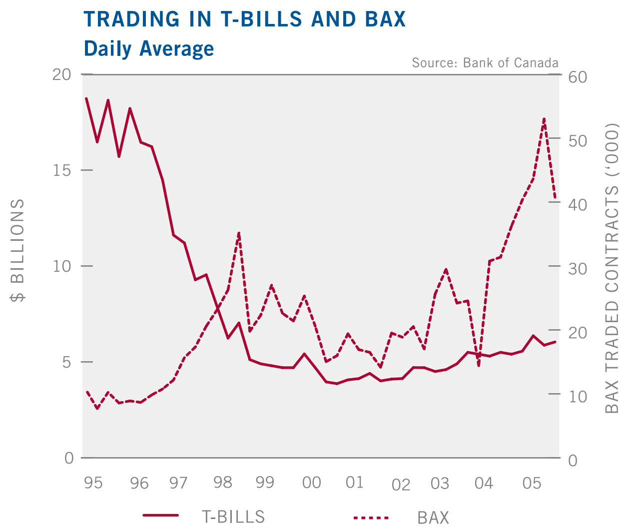
CANADA TREASURY BILLS
Outstanding





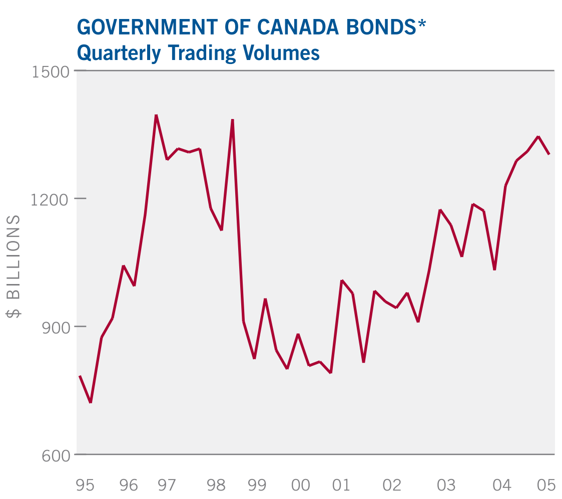
TREASURY BILLS TRADING

The daily average volume of treasury bills traded continues to inch higher over the last four years but is still considerably off the levels reached in the mid 1990s. An average of $5.96 billion traded each day in 2005, up 10% from 2004. This compares to daily levels of $18 billion in 1995. Despite the increase in treasury bills outstanding over the last several years, pursuant to the Department of Finance's strategy, historically low interest rates have dampened trading activity.



TRADING IN T-BILLS AND BAX

Despite a sharp drop-off in the fourth quarter, annual trading in three-months bankers' acceptances futures (BAX) was up significantly from the previous year. BAX have become increasingly popular amongst investors as a way of managing short-term interest rate risk. BAX trading has trended upward since the second half of 2004 when the Bank of Canada reversed direction and began raising short-term rates. Unexpected changes in the direction of short-term rates tends to increase BAX trading as more investors look at implementing hedging strategies.



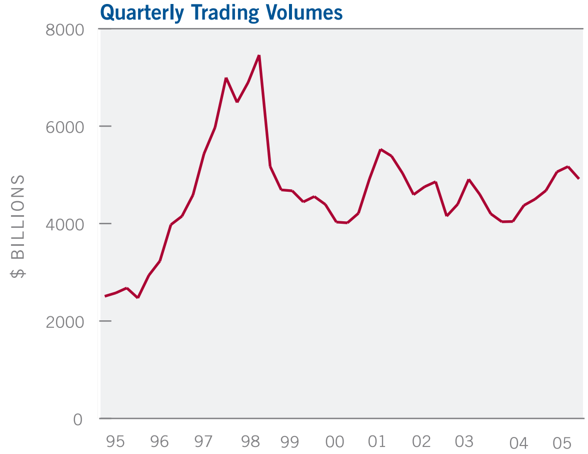
*excluding crown corporations

GOVERNMENT OF CANADA BONDS* TRADING

During 2005, trading in Canada bonds increased from the previous year. Average quarterly trading volume in 2005 was $1.31 trillion, compared to $1.15 trillion in 2004. Trading increased amidst falling longer-term yields. The average yield for the benchmark 10-year Government of Canada bond was 4.08% in 2005, declining from the 4.60% average yield in 2004. On the short end of the curve, yields increased in 2005 as the Bank of Canada continued tightening monetary policy. The average yield for the benchmark two year Government of Canada bond was 3.26% in 2005, up from the 2.96% recorded during 2004.

GOVERNMENT OF CANADA BOND REPOS TRADING Quarterly trading in Canada bond repos in 2005 picked up from the previous year, with a quarterly average of $4.96 trillion traded in 2005 compared to $4.24 trillion in 2004. For the first time since 2001, quarterly repo trading broke past the narrow $4-$5 trillion range with over $5 trillion traded in both the second and third quarters of the year before retrenching back slightly in Q4. Levels of repo trading, however, continue to be significantly off those reached in the 97 – 98 period.

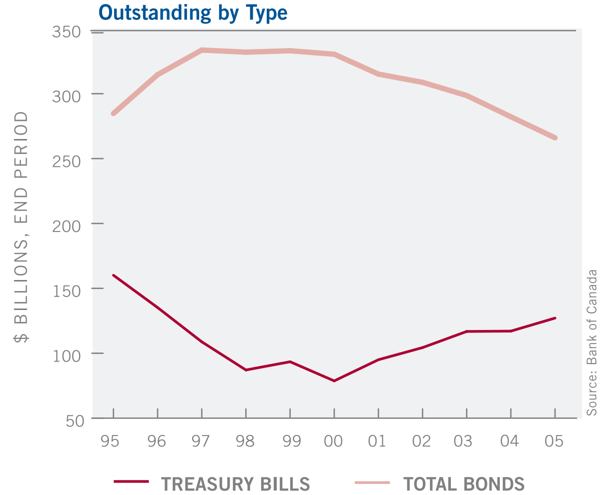
GOVERNMENT OF CANADA BOND REPOS
Quarterly Trading Volumes



GOVERNMENT OF CANADA SECURITIES OUTSTANDING BY TYPE

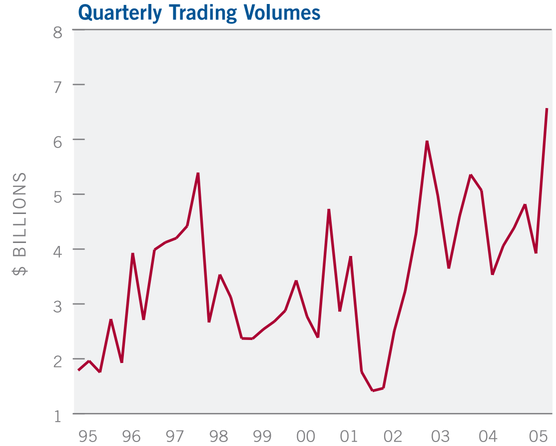
Levels of outstanding government bonds and treasury bills continued to converge as the government pursued its strategy of reducing its fixed-rate share of debt from two-thirds in 2002-03 to a target of 60 per cent in 2007-08. To accommodate the shift to a lower fixed-rate debt structure, the government, in consultation with market participants, announced in its 2006-2007 strategy that it will introduce some design changes to its bond program. For example, the issuance of two and five year bonds will be reduced. In 2005-06, the government also began to reduce the size of the bond buyback program. This reduction will continue in 2006-07, with a planned amount of buybacks in the order of $7 billion to $8 billion, approximately $1 billion less than in 2005-06.

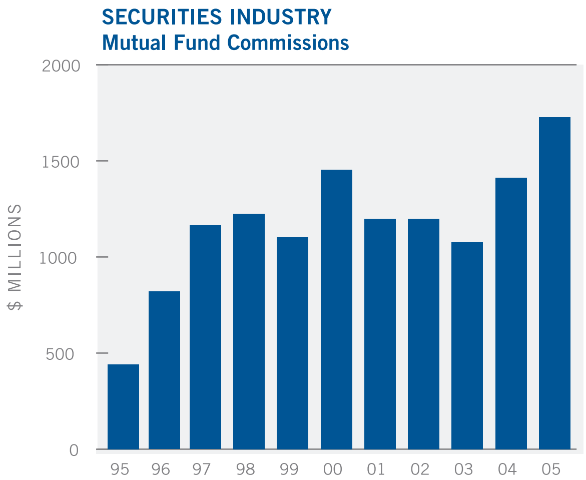
GOVERNMENT OF CANADA SECURITIES
Outstanding by Type



REAL RETURN BONDS QUARTERLY TRADING Quarterly trading in real return bonds (RRBs) hit a new high in the fourth quarter of 2005, topping $ 6.5 billion. Interest in RRBs has heightened over the last couple years as investors look to hedge against inflation. RRBs still, however, only represent a small fraction (approximately 6%) of government market debt. The 2006-07 Debt Management Strategy calls for a modest increase in long-term RRB issuance to about $1.6 billion. Issuance is being increased in view of increased demand, despite the government's broader strategy of reducing gross bond issuance.

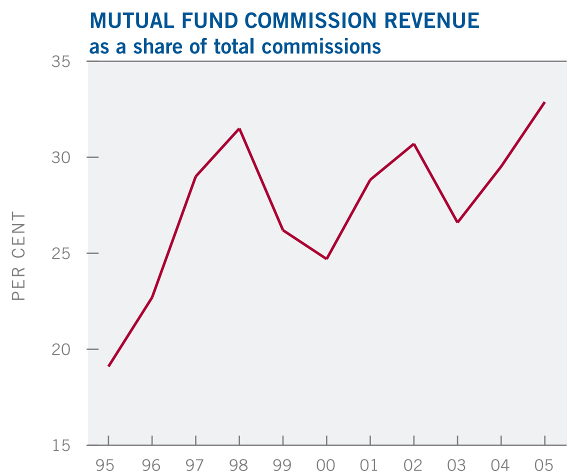
REAL RETURN BONDS
Quarterly Trading Volumes





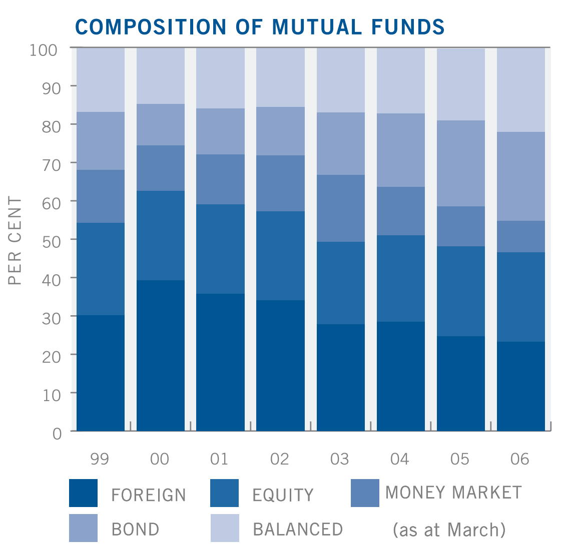
MUTUAL FUND COMMISSIONS

Commissions and trailers our Members derived from mutual funds hit $1.73 billion in 2005, a 21% increase from the previous year and setting a new high for our industry. Mutual fund commissions and trailers represented 12.8% of total industry revenue in 2005 as compared to 11.7% in 2004. Despite the proliferation of competing products such as exchange-traded funds (ETFs), managed accounts, and various structured products over the last several years, these revenue figures show that conventional mutual funds have not gone the way of the dinosaur. A healthy equities and resources market, combined with competitive fee structures and innovative product offerings at the fund companies contributed to the fund industry's success in 2005.



SHARE OF TOTAL COMMISSION

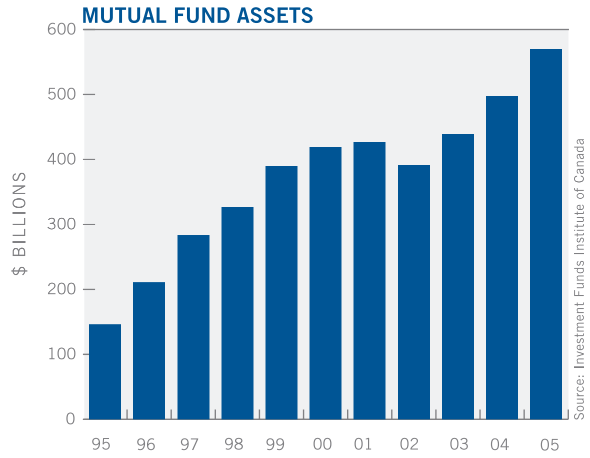
Mutual funds accounted for 32.9% of total commission revenue in 2005, up from 29.5% the previous year and topping the previous high of 31.5% hit in 1998. Appetite for mutual funds last year increased mainly as a result of investors choosing to increase exposure to strong performing equities, commodities, and resources markets. Advisors and investors continue to realize the merits of using mutual funds as an effective means of diversifying exposure to a desired sector or marketplace. In 2005 the industry also continued to witness some innovative fund products come to market.



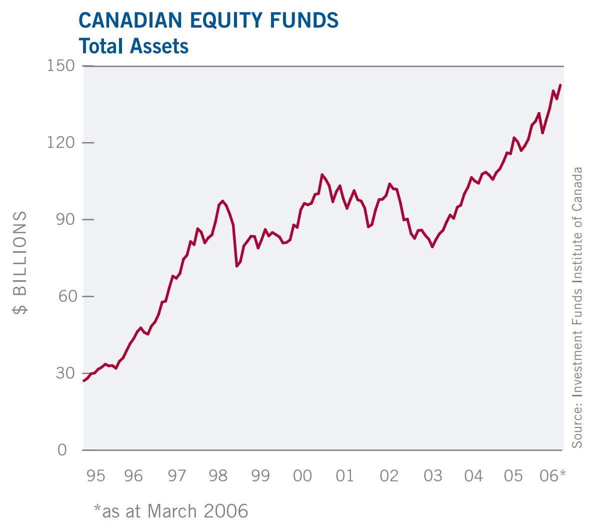
COMPOSITION OF MUTUAL FUNDS

Money market mutual funds' share of total fund assets continued to fall as investors' confidence in the markets strengthened. Money market funds comprised 8.1% of fund assets as at March 2006 down from 10.5% one year prior and down from 17.4% in 2003. Balanced funds and income funds have been the biggest beneficiaries of improving investor confidence. Collectively income and balanced funds account for approximately 45% of fund assets, compared to just 28% in 2002. In the wake of the sound performance of the Canadian economy, markets and currency, investors have demanded less exposure to foreign funds. This is despite the removal of the foreign property rule in 2005. In 2000, foreign funds comprised 39.3% of mutual fund assets and currently they represent 23.2%.

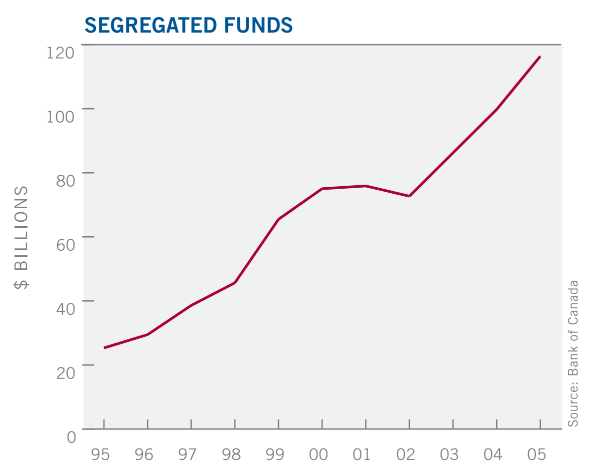
MUTUAL FUND ASSETS $570 billion in assets were held in mutual funds at the end of 2005, a 15% increase from the $497 billion held the previous year. Alhough much of this growth can be attributed to the market value appreciation in many of the funds, over $23 billion of growth was the result of net new mutual fund sales (excluding reinvested distributions). This is a strong continuation from 2004 where nearly $15 billion of net new mutual fund sales were witnessed. Both 2004 and 2005 are in stark contrast to 2003 when the fund industry witnessed net redemptions of $600 million. This signaled positive investor sentiment toward the fund industry and expected market conditions generally.



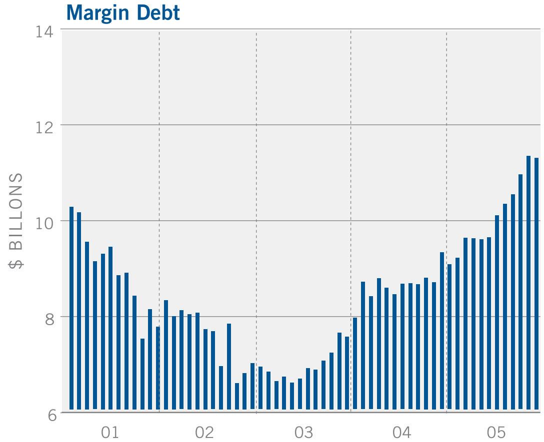
CANADIAN EQUITY FUNDS' TOTAL ASSETS Assets held in Canadian equity funds continued their upward trajectory in 2005 and through the first part of 2006. Over $142 billion in assets were held in Canadian equity funds as at March 2006, up from $120 billion in March 2005. Equity funds, however, continue to be plagued with net redemptions. In 2005, $2.5 billion of net redemptions were incurred by Canadian equity funds, up from the $1.5 billion redeemed in 2004. A similar story lies with American and foreign equity funds. The growth in assets held in equity funds continues to stem from market value appreciation and not investor appetite for these funds. The biggest beneficiaries of these net equity fund redemptions were balanced and income funds which attracted billions of dollars of net new purchases.



SEGREGATED FUNDS' TOTAL ASSETS
Assets held in segregated funds continued to increase in 2005, topping the $116 billion mark. Many segregated funds benefited in 2005 from underlying positions that gave them exposure to the Canadian equity market, which turned in another solid performance. The growth in segregated funds over the past five years, however, also stems from increased investor demand. Investors concerned with preserving their principal, but still wanting to participate in the growth opportunities within the equities markets, continue to be attracted to seg funds due to the downside protection they offer in the form of a principal guarantee.



SECURITIES INDUSTRY
Margin Debt

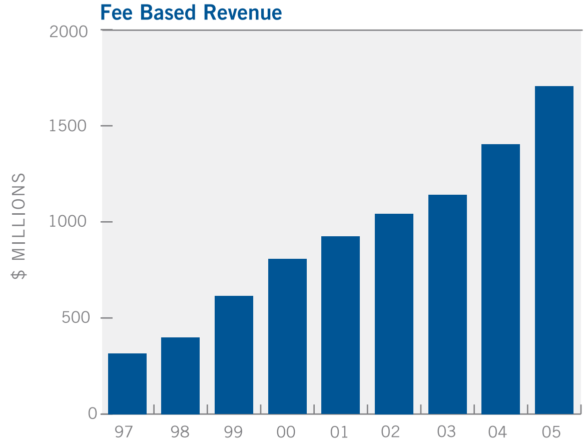


MARGIN DEBT The level of debt outstanding in client margin accounts at the end of 2005 stood at $11.6 billion, up 22% from 2004 and nearly double the levels witnessed during the market doldrums of early 2003. In fact, current margin debt levels are on par with those seen during the tech market boom of 2000. Investors' increasing use of margin in their portfolios signals their comfort with additional risk-taking in their pursuit of returns. Part of the increase may, however, also be attributed to the good job the securities industry has generally done in attracting clients and assets over the last couple of years.

SECURITIES INDUSTRY
Client Free Credits

CLIENT FREE CREDITS $23 billion dollars in cash was held in client accounts at the end of 2005, up slightly from 2004. Despite two years of exceptional performance from the Canadian equities markets and the Canadian economy appearing to be running on all cylinders, investors are still holding a significant cash position. This may be the result of investor diversification strategies, anticipation of big ticket purchase items in the near future, or a more tentative approach to investing. In 2005, these cash balances partly contributed to the $1.2 billion in net interest income earned by the securities industry.

SECURITIES INDUSTRY
Fee Based Revenue



FEE BASED REVENUE $1.7 billion in fee-for-service revenues were generated by industry firms in 2005, up 21% from the previous year, once again setting a new high for the industry. Fee revenues again this year were on par with revenues derived from conventional mutual fund sales, accounting for 12% of total operating revenues. Fee based revenues have nearly tripled since 1999 as more and more advisors have adopted a fee-for-service based business model for their book of business. Investors also see benefits to choosing fee-for-service accounts or wrap programs: benefits include the enhanced tax reporting and automatic rebalancing features of may of these programs.