June 2007

Chartbook

Securities Industry &
Capital Markets Developments

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

Highlights:

- The stock market rallied to new highs and trading volume on the S&P/TSX totaled a record 82.0 billion shares – a 27.0 per cent increase from 2005.
- Equity financings remained lofty, but Canada's string of three consecutive years of record issuance was finally broken: equity financings totaled $45.0 billion in 2006, down 8.6 per cent from the record issuance of $49.2 billion in 2005. The income trust slump last year was a main drag on the financing market.
- Debt financings ratcheted up to a record high of $185.2 billion in 2006, an increase of 18.5 per cent from 2005 that surpassed the former high of $166.1 billion in 2004 by 11.5 per cent. Corporate debt, spearheaded by Maple bonds, underpinned the record issuance.
- Canada's merger and acquisition (M&A) market sizzled to a new high of $257 billion in 2006, up 55.0 per cent from 2005. The 2006 activity toppled the previous record of $234 billion set during the peak of the 2000 technology boom by a full 10.0 per cent.
- Total operating revenue for the Canadian securities industry surged to a record $15.9 billion in 2006, up 17.8 per cent from the previous peak of $13.5 billion in 2005. Although operating expenses climbed 8.2 per cent to $5.7 billion last year, operating profit still totaled a record $5.8 billion in 2006, shattering the former high of $4.3 billion in 2005 by a solid 33.6 per cent.
- Return on equity (ROE) for the industry was 22.7 per cent, up 2.4 per cent from the previous year.

The Investment Industry Association of Canada (IIAC), formerly the industry association arm of the Investment Dealers Association of Canada (IDA), advances the position of the Canadian investment industry on regulatory and public policy issues. As the professional association for the industry, the 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.

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Sounds like an unbroken record

The Canadian securities industry enjoyed a spectacular fourth consecutive year of records. For the industry, the buoyant market translated into strong equity trading, commissions and corporate advisory fee revenues. Unprecedented performances were seen in virtually all corners of the business, leading to a new high in operating profit in 2006. In fact, there was hardly a record that was not broken: both debt and equity markets saw areas of new heights due to surging energy prices, the M&A boom, a low interest rate environment and solid economic fundamentals that helped power activity to new highs.

There were several notable developments in the markets in 2006. On the fixed-income front, an explosion in Maple bonds (foreign issuer debt denominated in Canadian dollars) catapulted Canada's debt issuance to stratospheric heights last year. Meanwhile, rising resource and energy prices also pushed the Canadian equity and M&A markets into new territory. This was all the more impressive in view of, first, the slowdown in the income trust market as changes to dividend taxes put shares on a more equal footing with income trusts and, second, the abrupt fall-off in income trust issuance with the federal government's Hallowe'en trick curtailing trust's preferential tax treatment.

Strong Canadian capital markets, strong intermediaries and solid returns for investors meant good news all round. Employment in the industry reached new heights and all this good news has a multiplier effect on the overall Canadian economy.

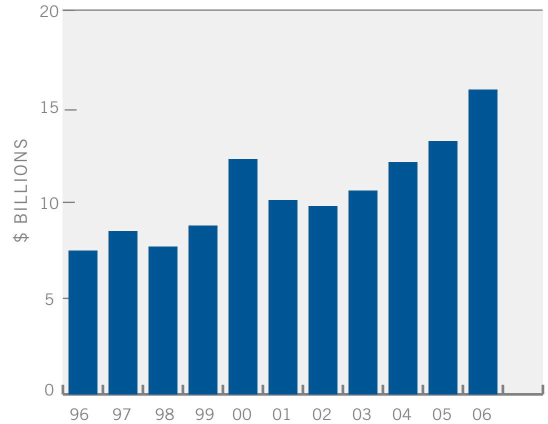
This *Chartbook* is the definitive summary of the year that was and how far we have come in the past decade. Can markets and intermediaries keep it up? Will what goes around in 2006 come around again in 2007? Stay tuned.

Ian C.W. Russell, FCSI
President and Chief Executive Officer
Investment Industry Association of Canada

June 2007

1 Industry

SECURITIES INDUSTRY
Total Revenues



TOTAL REVENUES

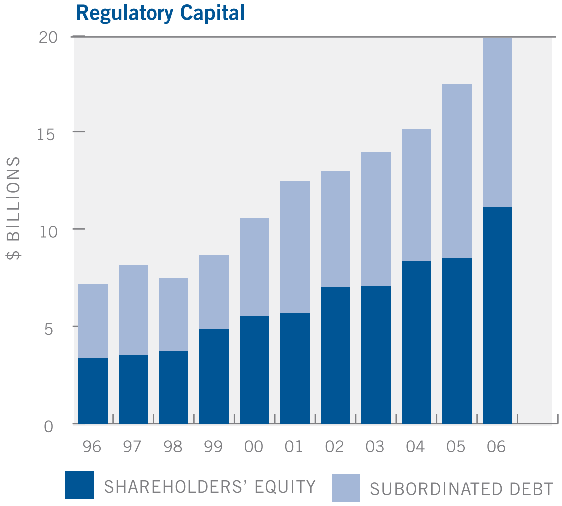
The Canadian securities industry continued to fire on all cyclinders in every corner of the business last year: total operating revenue soared to a record $15.9 billion in 2006, up 17.8 per cent from the previous high of $13.5 billion in 2005. The steady climb in revenues over the last few years has reflected several positive forces at play: record equity markets, low interest rates, high resource and oil prices, firming Canadian dollar, healthier corporate profits and a hot M&A market. For the industry, last year's record revenue was clearly the result of double- and triple-digit gains in most business segments last year – notably investment banking, trading-related income and wealth management.

SECURITIES INDUSTRY
Operating Profit

OPERATING PROFIT

Four times the charm? The Canadian securities industry posted its fourth consecutive year of record operating profit in 2006. Total operating profit for the year was a record $5.8 billion, shattering the former high of $4.3 billion in 2005 by a solid 33.6 per cent. This four-peat was no small feat – operating profit has more than doubled from the $2.7 billion level back in 2002. Canada's stock market boom, sizzling M&A activity and rising resource prices helped propel the industry's revenue to lofty territory. On the other side of the profit equation, the industry also contained costs well amid the business expansion. Despite mixed progress among firms, overall operating expenses were up just 8.2 per cent over the previous year.

SECURITIES INDUSTRY
Regulatory Capital



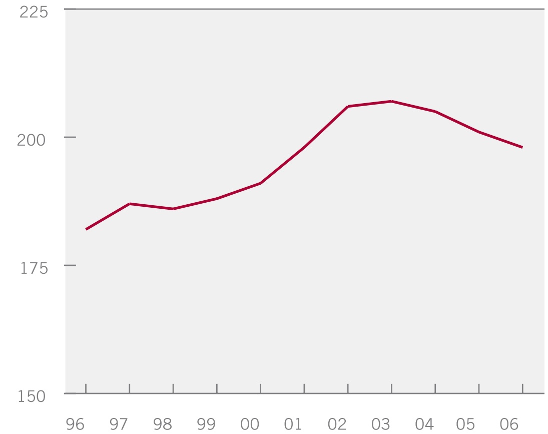
REGULATORY CAPITAL

The industry's regulatory capital grew to a record $19.6 billion in 2006, an increase of 13.8 per cent over 2005 levels. The growing trend of increased shareholders' equity relative to debt is well reflected in the numbers in the past decade. In fact, shareholders' equity actually exceeded debt in 2006 – shareholders' equity totaling $11.1 billion topped subordinated debt at $8.7 billion.

NUMBER OF FIRMS

The run-up in new firms entering the Canadian securities industry over the past decade has topped out. In 2006, there were 198 firms in the business compared to a peak of 207 in 2003. Despite the recent decline in the number of firms, the number of new entrants in the industry has expanded by a solid 8.8 per cent from 1996. The majority of new entrants have been geared towards the retail client and wealth management business given the attractive and flourishing opportunities that prevailed in these areas. Although the industry's contraction has come primarily from the retail area, the downturn has slowed down. The number of retail firms totaled 122 in 2006 – down only 2.4 per cent from 2005. Encouragingly, most of the downturn last year was due to consolidation in the retail introducers as opposed to a crowding out of firms as was the case in the 8.8 per cent decline in firms between 2005 and 2004.

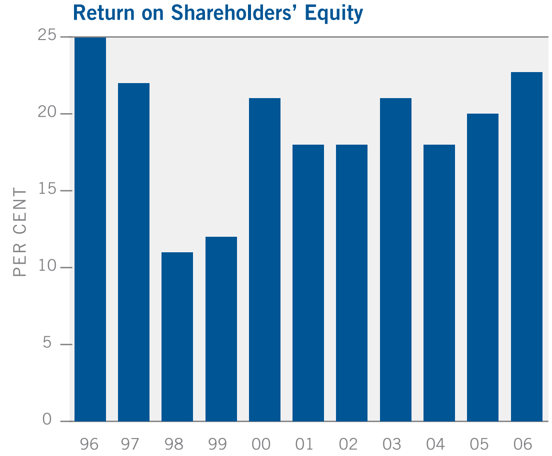
SECURITIES INDUSTRY
Number of Firms



RETURN ON SHAREHOLDERS' EQUITY

ROE – a measure of the return on capital invested in the business – has been another area of good news for investors over the last few years. The industry delivered a handsome 22.7 per cent ROE for investors in 2006, up 2.4 per cent from the 20.3 per cent return in 2005. Among firm types, the integrated group has been the leader in the returns department. Integrated firms' ROE was 27.5 per cent in 2006, compared to 16.2 per cent for the institutional group and 12.1 per cent for the retail firms.

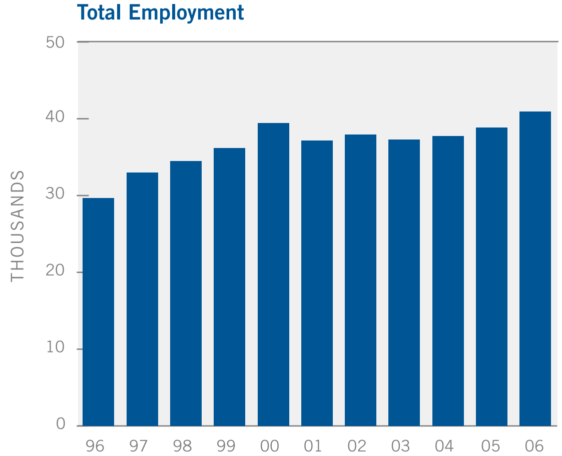
SECURITIES INDUSTRY
Return on Shareholders' Equity

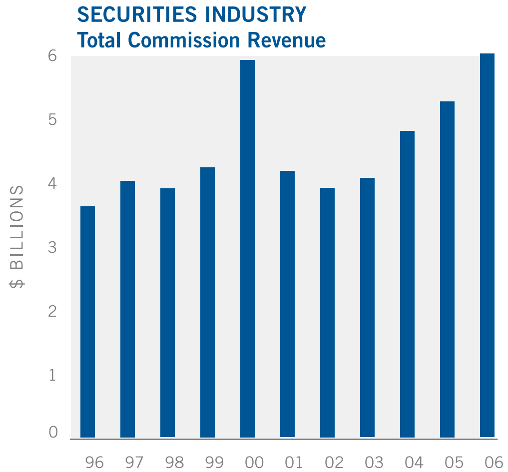


TOTAL EMPLOYMENT

The rapid business boom in the last few years has translated into increased payrolls for the industry. The number employed in the Canadian securities industry climbed to a record high of 40,919 in 2006 – an increase of 4.5 per cent from 2005 that surpassed the previous employment high of 39,433 in 2000 by 3.8 per cent. Put into perspective, the record employment last year – up 38.1 per cent from a decade ago – was even more striking given that there were three fewer firms in the industry in 2006 as compared to 2005. The integrated group accounted for 65 per cent of total employment in 2006. The fastest job growth came from the institutional firms with a 10.5 per cent employment increase from 2005 levels.

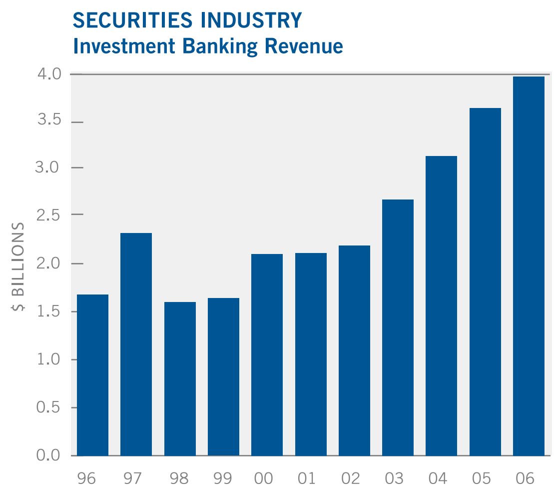
SECURITIES INDUSTRY
Total Employment





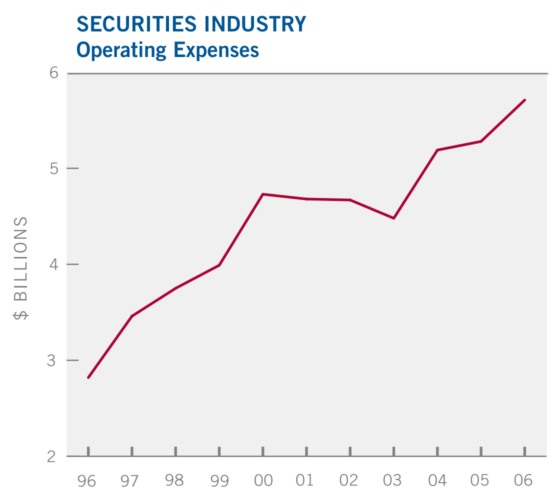
COMMISSION REVENUE

Canada's record-breaking stock market was a major driver behind the industry's chart-topping commissions. The strengthening Canadian dollar, exploding resource and energy prices and upbeat corporate earnings helped fuel investors' appetite for equities last year. Commission revenue was at a record $6.0 billion in 2006 – up 14.1 per cent from 2005 and edging past the previous high of $5.9 billion in 2000. Although commissions remain the bread-and-butter revenue for the industry, their contribution has decreased in recent years as other business activities gain momentum. In 2006, commissions accounted for 37.1 per cent of the industry's total revenue compared to 48.0 per cent back in 1996.



INVESTMENT BANKING REVENUE

It's no surprise that the record M&A activity in Canada last year resulted in record investment banking activity for Bay Street. Investment banking revenue soared to a record $3.9 billion in 2006, an increase of 9.1 per cent from 2005. According to Financial Post Crosbie, Canada's M&A market last year hit a record $256 billion – beating the previous high in 2000 by 15.3 per cent. For the industry, M&A mania was a big boost to investment banking revenue, particularly on the corporate advisory front. Corporate advisory fees in 2006 were at a record $1.1 billion, a whopping 83.8 per cent over 2005 levels.

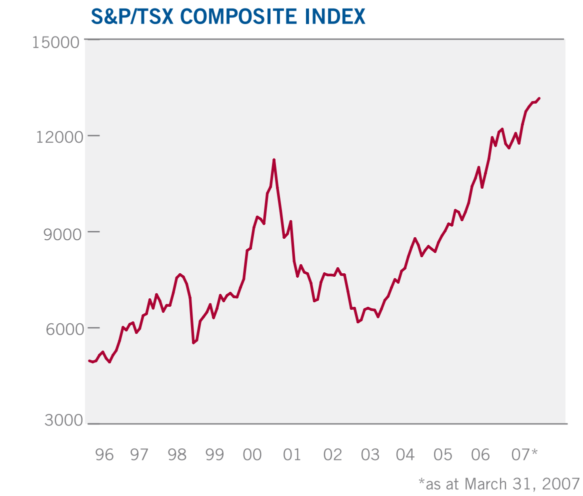


OPERATING EXPENSES

With the record run-up in business over the last few years, the industry's operating expenses have also been on an uptrend. Operating expenses totaled $5.7 billion in 2006, an increase of 8.2 per cent from 2005. While costs have climbed, revenues have clearly outpaced expenses by a comfortable margin. Within the industry, the integrated firms did the best job at containing costs in 2006: integrated expenses were up just 5.5 per cent compared to the 21.5 per cent increase for the institutional firms and 9.5 per cent cost increase from the retail group.

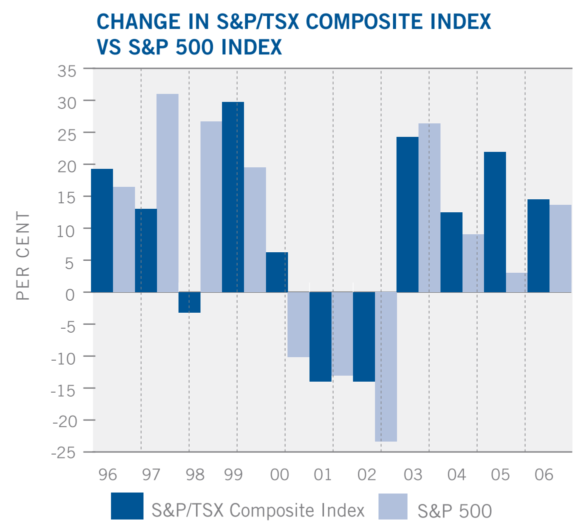
S&P/TSX COMPOSITE INDEX

It was another stand-out year for the Canadian equity market. The benchmark S&P/TSX Composite closed at 12,908 in 2006 – just below the record high of 13,021 set in mid-December. The growth in the resource-laden S&P/TSX Composite Index was fueled in part by the sharp rise in base metals and oil prices and continued strength in the global economy – particularly in China. These factors helped catapult the Index to record territory last year. All in all, the Index's strong performance delivered a return of 14.5 per cent in the year. The advance was broadly based with all ten industry sectors posting positive returns. Financials, mining and minerals, and oil and gas carry relatively larger weightings in the Index.



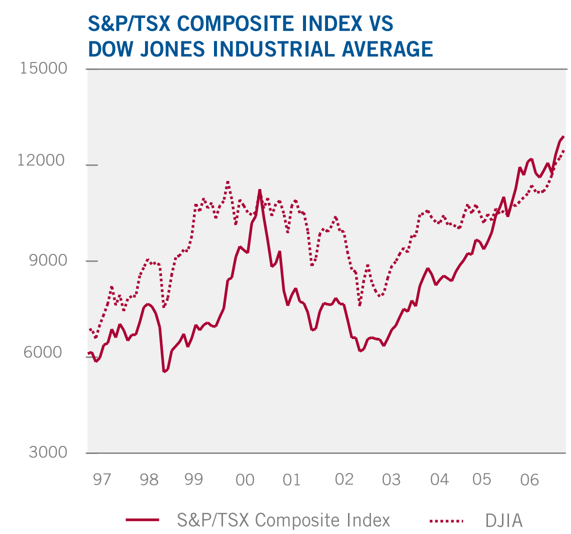
CHANGE IN S&P/TSX VS. S&P 500

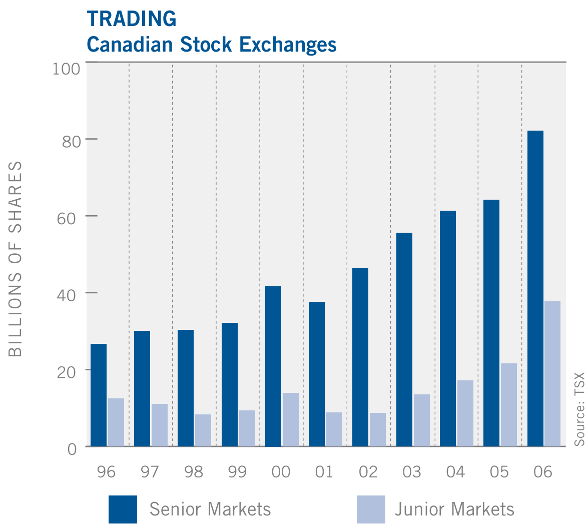
The stock market was robust on both sides of the border, but Canada's equity market provided slightly higher returns than the broad U.S. market index, the S&P 500. Canada's S&P/TSX Composite Index delivered a return of 14.5 per cent for the year compared to the 13.6 per cent return on the S&P 500 in the U.S. A factor behind the Canadian out-performance was the composition of the indices. Last year's sharp run-up in oil prices clearly benefited the heavily resource-weighted Canadian Index more than the more diversified U.S. market index.



S&P/TSX VS DOW JONES INDUSTRIAL AVERAGE

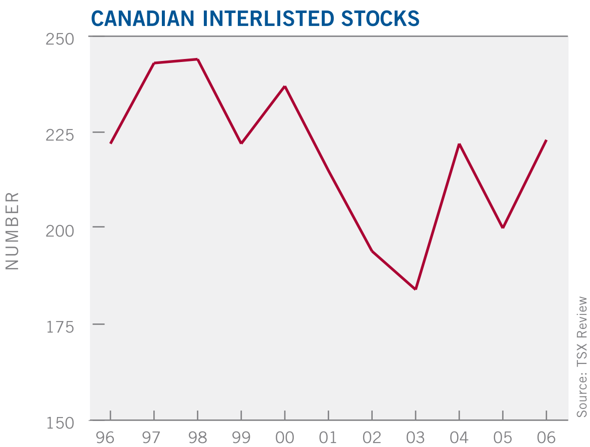
When compared to the U.S. blue chip index, the Dow Jones Industrial Average (DJIA), Canada's equity market took a bit of a back seat in the returns department. The DJIA – consisting of 30 stocks representing U.S. industry leaders – delivered an impressive 19.0 per cent return in 2006. The index's strong performance may be indicative of a flight to quality by many U.S and international investors in light of mixed economic signals south of the border and continued geo-political concerns globally.





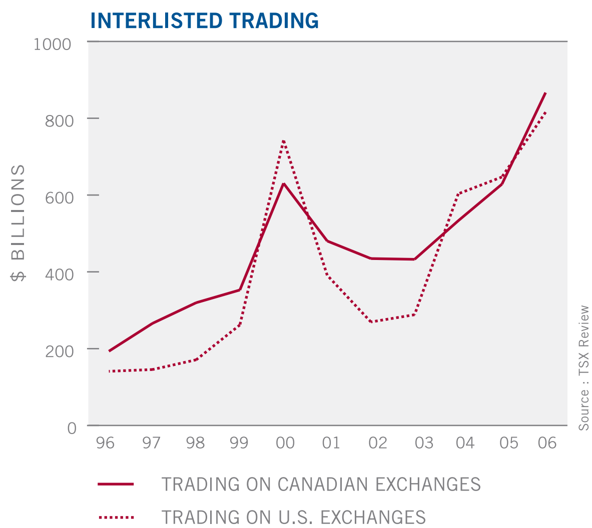
TRADING

Trading on the Canadian exchanges skyrocketed into astral territory last year. A record 82.0 billion shares were exchanged on the senior market – the TSX – an increase of 27.0 per cent from 2005. On a similar trajectory, trading on Canada's smaller cap TSX Venture Exchange exploded to 37.7 billion last year, a whopping increase of 75.2 per cent from 2005. In the past decade, trading volume has more than tripled from 39.1 billion shares in 1996. The dramatic surge underscores the heightened popularity of Canada's stock market among foreign and domestic investors.



CANADIAN INTERLISTED STOCKS

The number of Canadian stocks listed on the U.S. exchanges bounced back up in 2006 to 223 from 200 in 2005. Interlisting is a popular means by which Canadian corporations can diversify their investor base while simultaneously gaining access to the world's largest capital market. In the minds of many Canadian companies, these two benefits outweigh the additional costs and complexities of interlisting in the U.S.



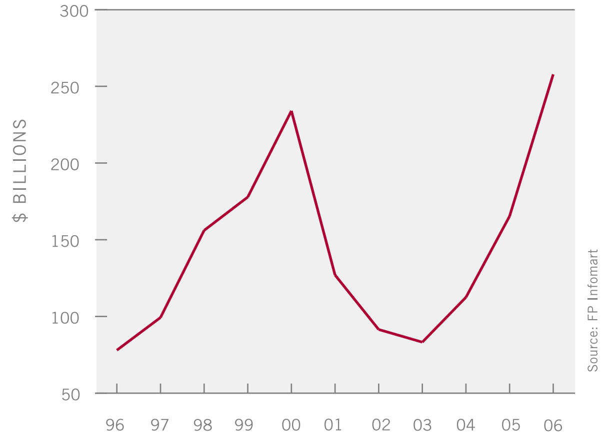
INTERLISTED TRADING

The increase in the number of interlisted stocks contributed to the increase in interlisted trading in 2006 and helped establish new highs. $867 billion worth of interlisted stocks traded in Canada last year, up 38 per cent from the previous year. Meanwhile, interlisted trading in the U.S stood at $816 billion in 2006, a 26 per cent increase from 2005.

MERGERS AND ACQUISITIONS

Canada's M&A frenzy soared to new highs in 2006: the dollar value of transactions totaled a record $257 billion, up 55 per cent from $165 billion in 2005. The newest record shatters the previous one of $234 billion set during the peak of the technology boom in 2000 by a full 10 per cent. While M&A activity was broad-based, there was notable pick-up in cross-border, resource-based transactions as well as deals valued in the mid-market segment – transactions between $1 million and $100 million – and transactions valued over $1 billion. Not surprisingly, the oil and gas sector was the strongest sector with total deals worth $56.9 billion, up 32.0 per cent from $43.1 billion in 2005.

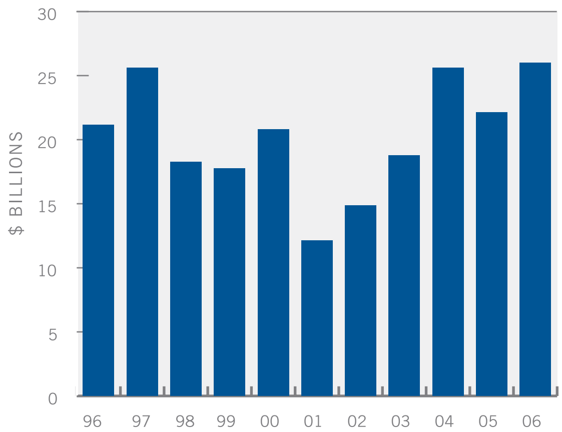
MERGERS AND ACQUISITIONS
Value of Transactions



COMMON EQUITY FINANCINGS

As demand and market conditions for trust unit issuance softened and then plummeted during the year, investors turned their attention to common shares. Total common equity financings were $25.8 billion for the year, up 16.2 per cent in value over 2005. After losing the spotlight to trusts over the preceding few years, common equity was back in vogue among investors over the last 12 months. Common issuance captured over 57.0 per cent of the total equity financing market compared to a 45.0 per cent share in 2005. Also noteworthy was the increased number of larger-valued common deals last year. The average common issuance in 2006 was $12.6 million compared to $9.0 million in 2005.

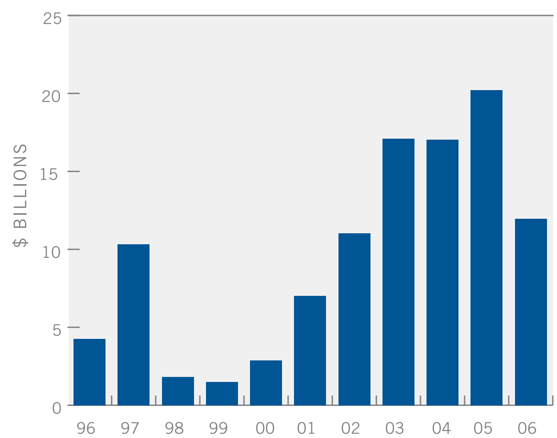
COMMON EQUITY FINANCINGS

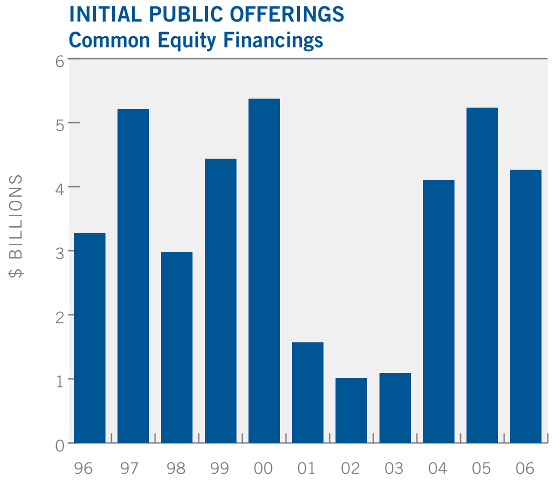


INCOME TRUST ISSUANCE

What a difference a year can make! The income trust craze that swept from Bay Street to Main Street in 2005 clearly fizzled in 2006. Income trust financings dropped to a four-year low of $12.0 billion in 2006 – down 40.8 per cent from the record $20.2 billion issuance in 2005. Ottawa's surprise Hallowe'en announcement that it would levy a tax on trusts - to stem the proliferation of trust conversions and loss of federal and provincial tax revenues – only added to an already-struggling trust market's woes. Prior to the government's announcement, trusts were feeling the squeeze from rising interest rates, commodity corrections and the effects of a reduced corporate dividend tax rate. The diminishing appeal of trusts will likely cause investors and companies to hunt for alternative opportunities in the debt market and among dividend-paying shares.

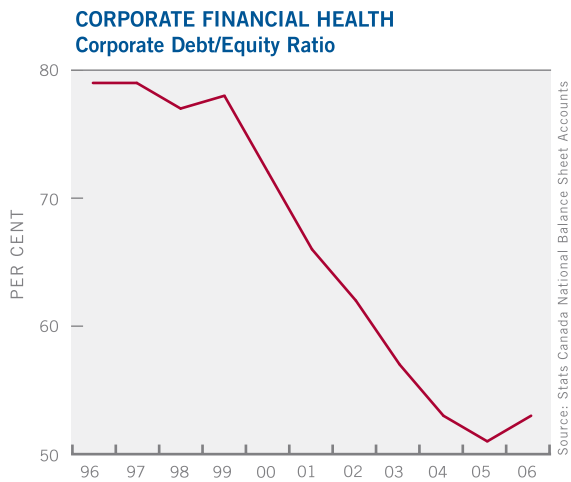
TRUST UNITS ANNUAL ISSUANCE





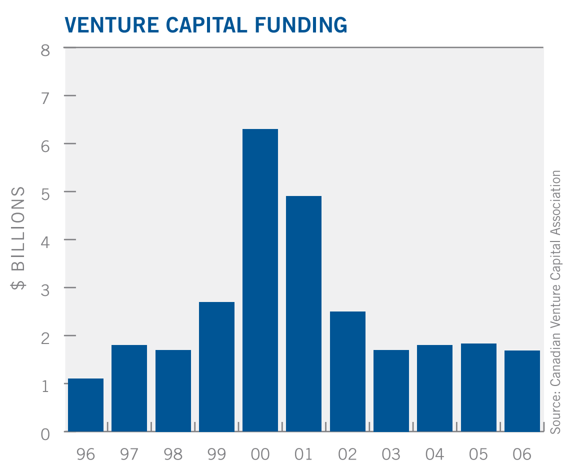
INITIAL PUBLIC OFFERING

The run-up in initial public offerings (IPOs) to record levels in 2005 lost some steam in 2006. IPO activity totaled $4.3 billion in 2006, a decline of 20.6 per cent from the record $5.4 billion in 2005. The absence of high profile deals last year was a main drag on the reduced IPO activity last year. The $525 million IPO by Air Canada was the largest issue in the past 12 months compared to the massive $907 million IPO from ING Canada in 2005.



CORPORATE FINANCIAL HEALTH

Corporate debt levels edged up slightly in 2006 as demand for borrowed funds increased in response to stronger capital investment by Canadian corporations. Overall, corporate balance sheets continue to remain on healthy ground, thanks in large part to improved profitability, which has reduced the need for companies to finance with long-term debt. The low debt levels however may also indicate that Canadian corporations are not fully utilizing the interest tax shield.

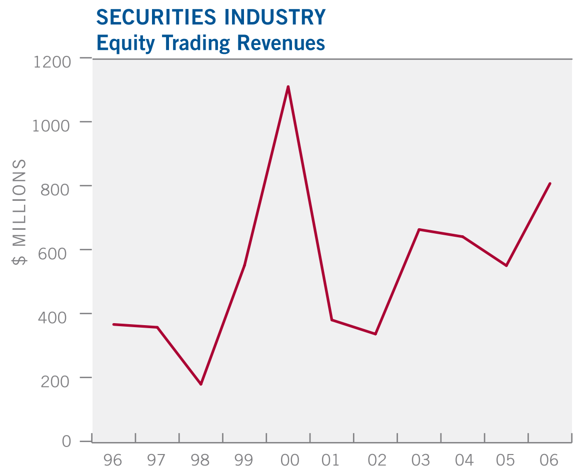


VENTURE CAPITAL FUNDING

The venture capital market in Canada has been challenged since the bursting of the technology bubble in 2001. In 2006, venture capital investment slipped to $1.7 billion, down 7.7 per cent from the $1.8 billion in 2005. In the post-tech-bubble era, the total amount of venture capital in 2002-06 totaled $9.5 billion compared to the peak of $6.3 billion in 2000 alone. Venture capital is critical to financing the start-ups of today that will become the stars of tomorrow.

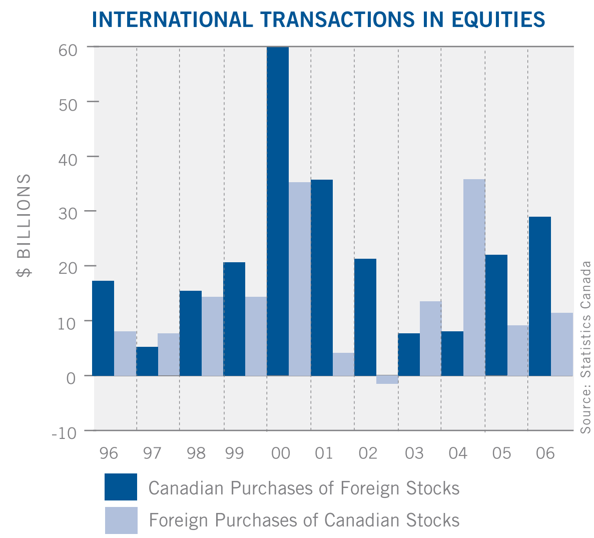
EQUITY TRADING REVENUES

Proprietary equity trading totaled $811 million last year, an increase of 46.4 per cent from $554 million in 2005. In 2006, equity trading represented 5.0 per cent of industry revenues compared to 4.0 per cent in 2005. The trading upturn was definitely welcome news after the industry turned in relatively weaker trading revenues from market-making activities in 2005. Amid the record equity market last year, the industry clearly fared well.



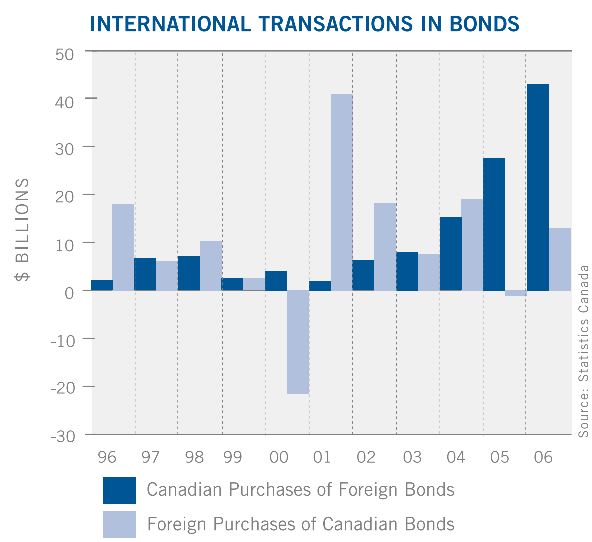
INTERNATIONAL TRANSACTIONS IN EQUITIES

Canadians investment in foreign securities reached a record $78.3 billion in 2006. Of this amount, $28.9 billion was directed to foreign equities, a 32.0 per cent increase from the previous year and setting a five-year high. On the flip side, non-residents invested $28.2 billion in Canadian securities in 2006. This is up over three-fold from the previous year but down nearly 50 per cent from 2004. Equities accounted for 40 per cent of the Canadian securities acquired by non-residents and totaled $11.4 billion, a 25.0 per cent increase from 2005.

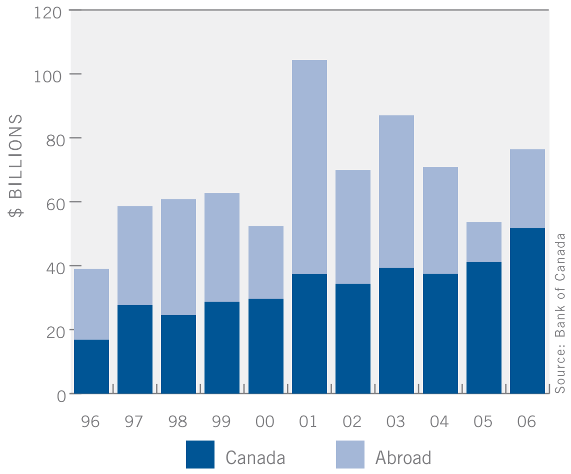


INTERNATIONAL TRANSACTIONS IN BONDS

In 2006, the second year since the removal of the foreign property rule which limited Canadians' investment abroad, Canadians continued their heavy purchase of foreign bonds. $43 billion worth of foreign bonds were acquired during the year, up 55 per cent from 2005 and setting a new high. Maple bonds – Canadian-dollar-denominated bonds issued by non-Canadian domiciled entities – were the key driver behind the explosive growth in foreign bond acquisitions. Investment in Maples totaled almost $27 billion in 2006, accounting for two-thirds of investment in foreign bonds.



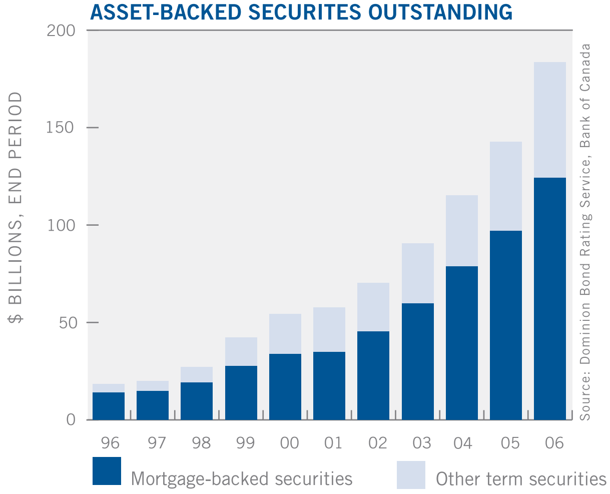
CORPORATE DEBT FINANCINGS
CANADA AND ABROAD



CORPORATE DEBT FINANCINGS CANADA AND ABROAD

Corporate debt financings picked up after two consecutive years of decline as issuance increased both in Canada and abroad. Active corporate spending plans, historically low interest rates and a healthy Canadian dollar were the drivers for the surge in capital raised. The amount of debt financings delivered abroad doubled on a year-over-year basis to $24.6 billion, representing 32 per cent of all new corporate debt financings. At home, a record $51.7 billion of capital was issued to satisfy strong investor appetite for better returns.

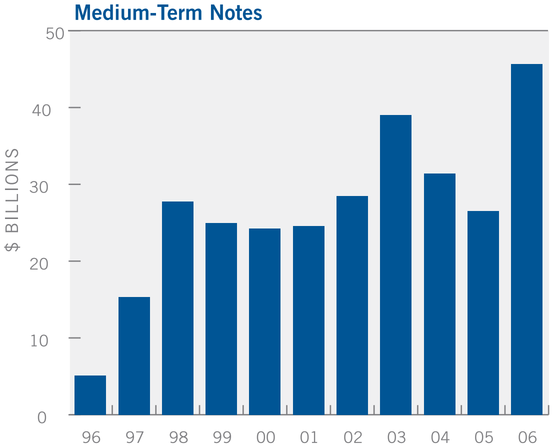
ASSET-BACKED SECURITES OUTSTANDING



ASSET-BACKED SECURITIES OUTSTANDING

The Canadian asset-backed securities (ABS) market strengthened in 2006, topping $183 billion, a 29 per cent increase from the previous period. The growth was led by the mortgage-backed securities (MBS) sector, representing two-thirds of total financings. Thanks to a booming real estate market, MBSs reached another new high for the tenth consecutive year. A wide array of debt securitization products helped catapult the growth to new highs, in particular, in the area of auto-backed loan securitization despite the credit challenges facing that industry sector.

CORPORATE DEBT OFFERINGS
Medium-Term Notes



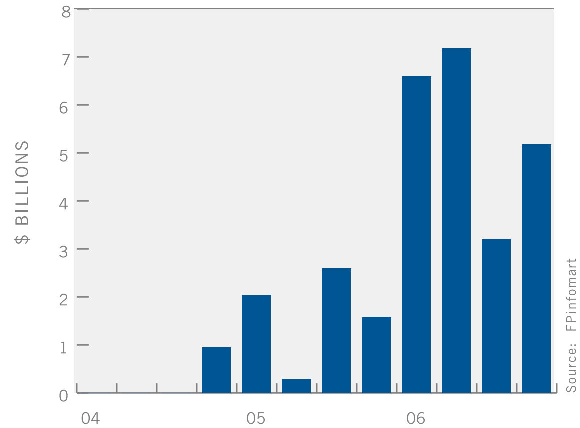
MEDIUM-TERM NOTES

One of the fastest growing segments of the debt markets have been medium-term notes (MTNs). Issuance in 2006 zoomed to $45.6 billion, a 72.0 per cent increase from the previous year – a level almost eight times the financings completed a decade ago. Contributing to the growth of MTN financings is the surging Maple bond market. The creation of Maple bonds was spurred by the federal government's 2005 removal of certain limitations on foreign investments by Canadian investors.

MAPLE BONDS

Investor and issuer interest in Maple bonds – debt issued by foreign borrowers into the Canadian market. – has soared from almost nothing in 2004 to 12.0 per cent of total debt issuance at the end of 2006. Investors have been attracted to Maples for their security – almost all issuers to date have been double- or triple-A rated – their favourable yields and portfolio risk diversification. The Maple market still faces challenges: Maples have been issued to date as private placements, letting issuers use regulatory filings from their home market to keep costs low while Canadian investors reap the benefits of more investing options. Some provinces levy inordinately high issuance fees on Maple private placements compared to their risk and some Canadian regulators demand more due diligence, capital and reporting on private placements. Without these barriers, there is no telling what heights this market may reach.

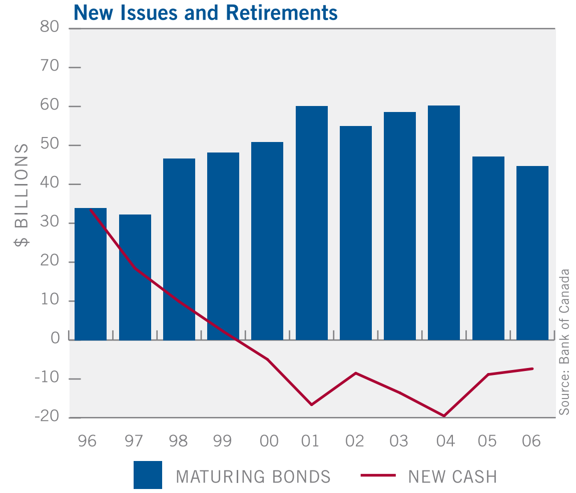
MAPLE BOND ISSUANCE



NEW ISSUES AND RETIREMENTS

For the seventh year in a row, maturing Government of Canada bonds continued to exceed new government issues, in line with the government's decision to reduce its fixed-rate share of market debt. Last year's net redemptions totaled nearly $7 billion, bringing the total Government of Canada net redemptions since 2000 to $79 billion. According to the 2007-08 Debt Management Strategy released by the Department of Finance, and in a bid to reduce the overall borrowing costs and support a well-functioning bond market, the lending needs of several Crown corporations will be funded under the Government's consolidated debt operations going forward.

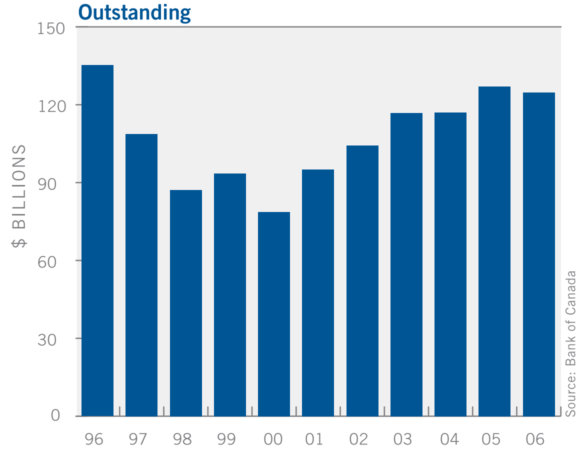
GOVERNMENT OF CANADA BONDS
New Issues and Retirements

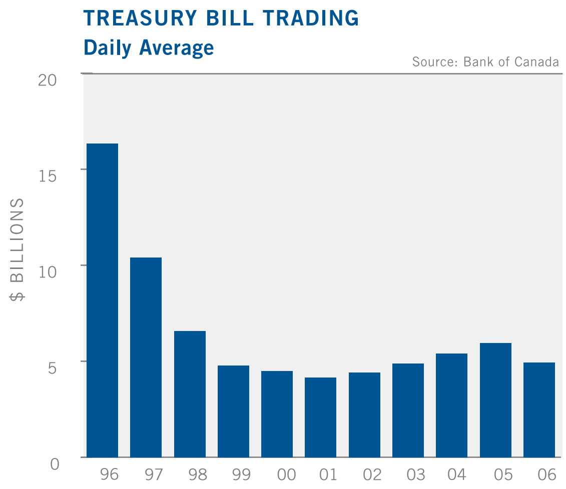


CANADA TREASURY BILLS OUTSTANDING

The amount of Treasury bills (T-bills) outstanding remained relatively level in 2006. While at $125 billion, there was a slight decline from the previous year, it was the second highest in a decade. The low interest rate environment helped to manage the Government's cash requirements in an efficient manner, by reducing overall borrowing costs. The government will continue, as projected in the Department of Finance's Debt Management Strategy, issuing three-, six-, and 12-month maturities. Also in the government's 2007-08 debt strategy, the T-bill stock is expected to stretch to an estimated level of $138 billion.

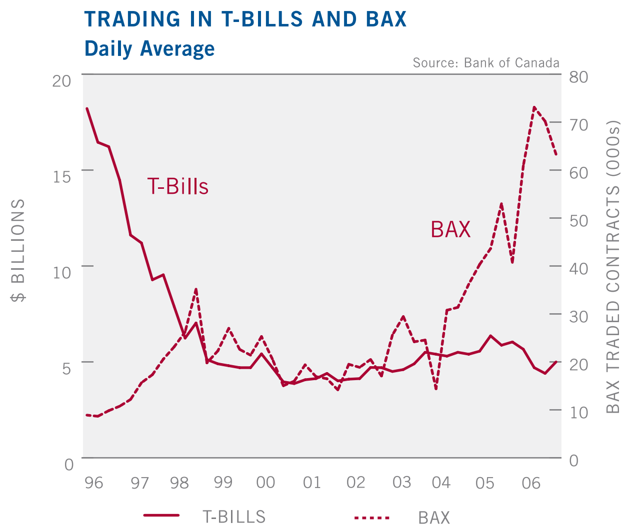
CANADA TREASURY BILLS
Outstanding





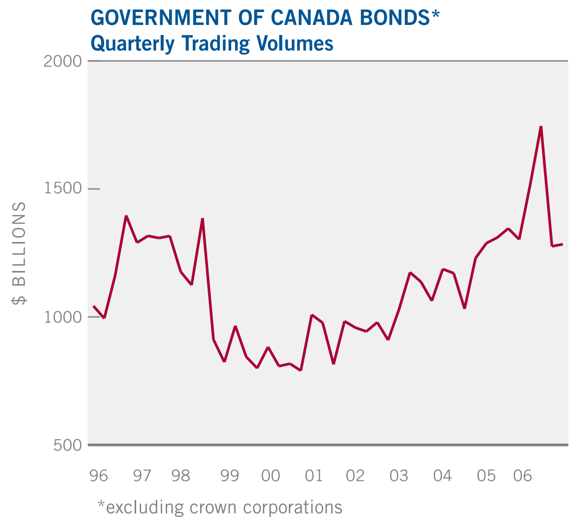
TREASURY BILL TRADING

The daily average T-bill trading volume dipped last year, snapping four years of consecutive gains. Low yields in this money market instrument, and a decline in the amount of T-bills outstanding, pushed levels below the $5 billion mark, down 17.2 per cent from 2005. The government's debt strategy calls for an increase in T-bill issuance in 2007 and a measure was introduced to promote greater participation in this market. The call for tenders is being released earlier, so that it will not coincide with the timing of the release of key economic indicators.



TRADING IN T-BILLS AND BAX

Annual trading in three-month bankers' acceptance futures (BAX) was up sharply from the previous year, as the shift from T-bills continued. Fourth quarter trading registered an increase of 55.4 per cent year over year, reaching an average daily volume of 63,300 contracts. On the other hand, T-bill trading declined 17.2 per cent over the same period, becoming the least popular of the short-term money market instruments as investors look for higher-yielding alternatives. Yields on BAX contracts relative to the central bank rate have risen, suggesting that investors were speculating that the central bank would step in and raise the 4.25 per cent benchmark rate.



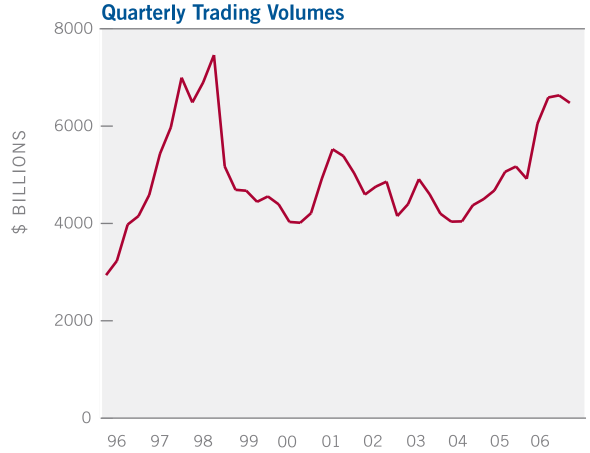
GOVERNMENT OF CANADA BOND TRADING

Investors continued to gravitate towards Government of Canada bonds with average quarterly trading volume in 2006 reaching $1.5 trillion. That compares with $1.3 trillion in 2005, an increase of 11.0 per cent year over year. Trading sustained its upward trend despite increasing longer-term yields and declining government issuance. The average yield for the benchmark 10-year Government of Canada bond was 4.22 per cent, up slightly from 4.08 per cent in 2005. The average yield increased to 4.05 per cent in 2006 for the benchmark two-year bond as the Bank of Canada continued tightening monetary policy, flattening the yield curve.

GOVERNMENT OF CANADA BOND REPO TRADING

Quarterly trading in Canada bond repurchase agreements (repos) surged in 2006, closing at the historic peak of $6.5 trillion reached in 1998. The quarterly average of $6.4 trillion traded, compared to $4.96 trillion traded in 2005, amounts to a 23.0 per cent jump year over year. Mounting needs for Government of Canada securities for collateral purposes, and the strong growth and popularity in hedge funds, have been catalysts for a dynamic trading environment in the repo market.

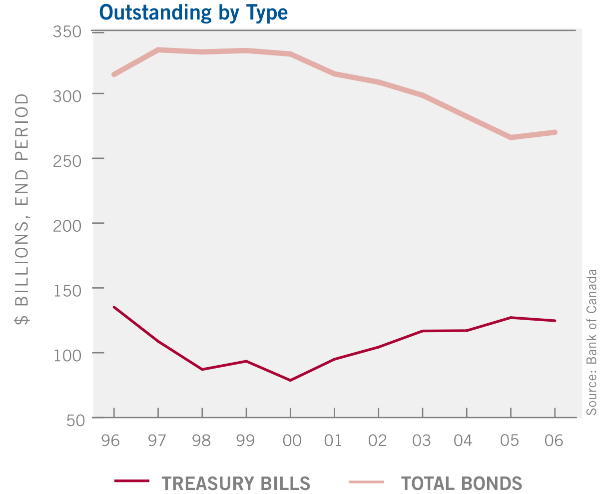
GOVERNMENT OF CANADA BOND REPOS
Quarterly Trading Volumes



GOVERNMENT OF CANADA SECURITIES OUTSTANDING BY TYPE

The convergence of outstanding government bonds and T-bills came to a halt in 2006 with both levels stabilizing. That comes amid the gradual trimming of the fixed-rate portion of government debt to 60.0 per cent in the coming year. As announced in the government's 2007-08 *Debt Management Strategy*, one two-year and one five-year auction that are fungible with outstanding bonds will be foregone. At the same time, T-bill issuance is expected to rise to $138 billion.

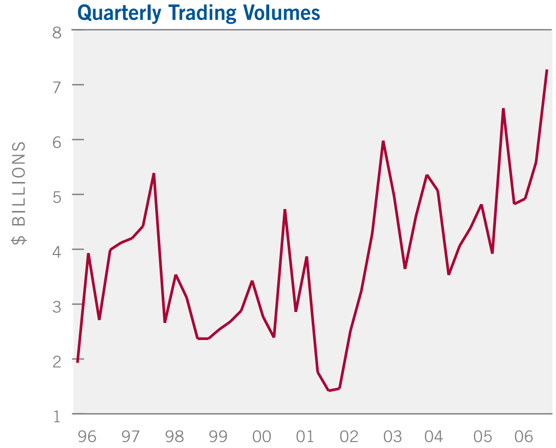
GOVERNMENT OF CANADA SECURITIES
Outstanding by Type

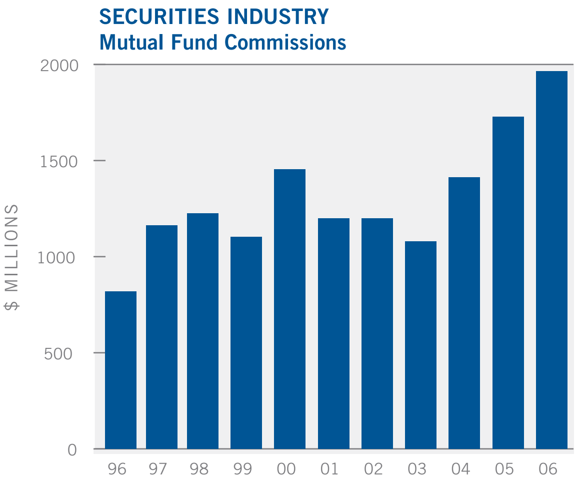


REAL RETURN BONDS QUARTERLY TRADING

Trading in real return bonds (RRBs) was strong in the fourth quarter of 2006, reaching $7.2 billion. RRBs – bonds bearing interest adjusted to the consumer price index (CPI) – still only represent a small fraction of government market debt. In recognition of high demand for these long-dated securities, long-term Government of Canada bond issuance numbers will get a boost by some $1 billion, raising RRB issuance to slightly over $2 billion according to the 2007-08 *Debt Management Strategy.*

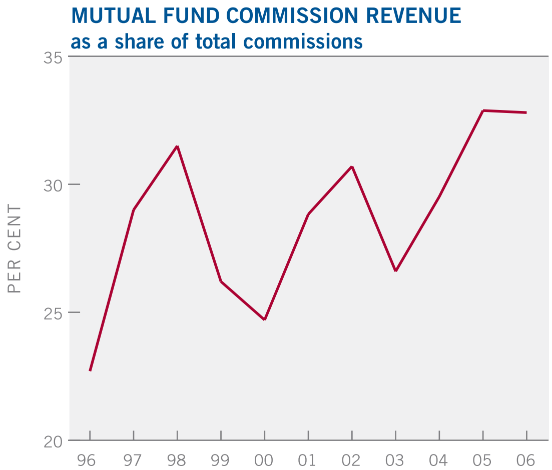
REAL RETURN BONDS
Quarterly Trading Volumes





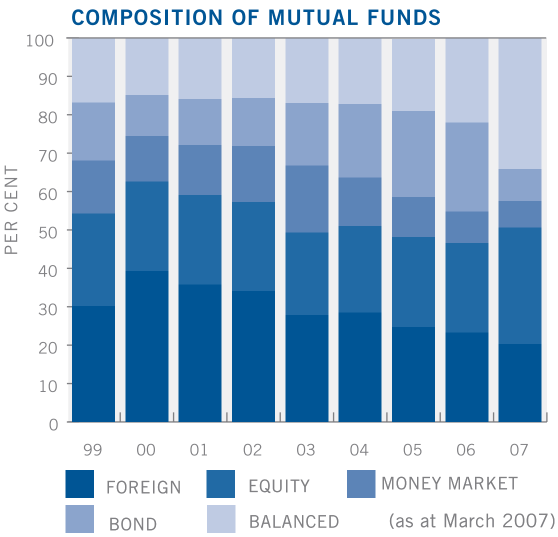
MUTUAL FUND COMMISSIONS

Investment dealers generated $1.97 billion in commission and trailer revenue from mutual funds in 2006. This represents a 14.0 per cent jump from 2005 and sets a new record high for the industry for the second consecutive year. Despite record-setting levels, mutual funds accounted for only 12.4 per cent of total industry revenues in 2006, down from in previous years. This signals that industry members are doing a good job of expanding their revenue base and diversifying their business lines.



SHARE OF TOTAL COMMISSIONS

Mutual funds accounted for one-third of total industry commission revenues in 2006, similar to the level hit the previous year. Investor appetite for mutual funds persisted in 2006 as investors continued to demand exposure to equity, resource and commodity markets. Although mutual fund sales have come under increased pressure in recent years from competing products, such as exchange-traded funds, principal-protected notes and various wrap programs, they continue to be a popular investment vehicle for investors and advisors and a key revenue generator for the industry.

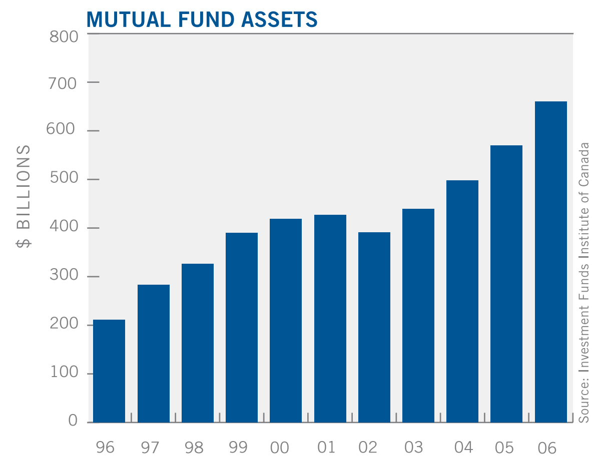


COMPOSITION OF MUTUAL FUNDS

Investors continued to reduce their holdings in money market mutual funds in 2006 and the early part of 2007. Money market funds totaled only 6.9 per cent of fund assets as of March 2007, as compared to 8.1 per cent one year prior. Balanced funds and Canadian equity funds control the lion's share of the market with approximately 64.0 per cent of mutual fund assets falling within these two categories of funds. Holdings in foreign equity funds continue their downward slide. Only 20.0 per cent of mutual fund assets are held in foreign equity funds, down 3.0 per cent from last year and representing only half the level reached during the height of the tech bubble.

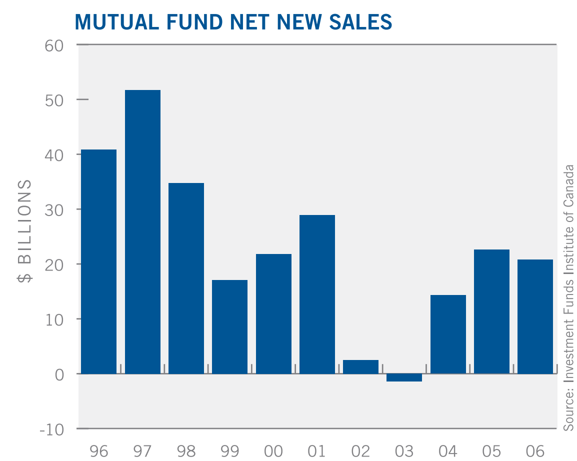
MUTUAL FUND ASSETS

$660 billion in assets were held in mutual funds at the end of 2006, a 16 per cent increase from the previous year and more than triple the amount held in 1996. Long-term mutual fund assets were up by almost $90 billion, with $22 billion due to net new sales and $68 billion in estimated market appreciation. Equity funds make up the largest of the asset classes. $245 billion or 35.0 per cent of mutual fund assets were held in Canadian or foreign equity funds in 2006. It was the balanced fund category, however, that experienced the greatest growth over the period. $174 billion was invested in balanced funds at the end of 2006, a 41.0 per cent increase from 2005. Balanced funds now comprise over one quarter of fund industry assets. This signals that mutual fund investors may be taking less aggressive investment strategies, possibly due to questions about the U.S. housing market and potential knock-on effects on the U.S. and Canadian economy.



MUTUAL FUND NET NEW SALES

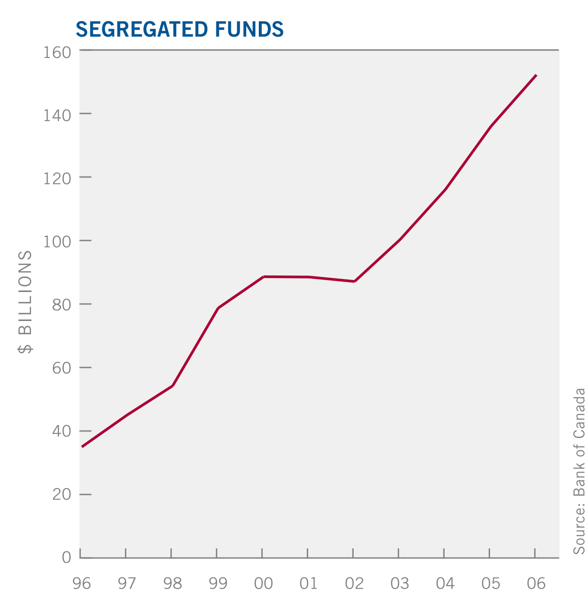
During 2006, the mutual fund industry witnessed $21 billion in net sales, excluding reinvested distributions. The strong sales – a continuation from 2004 and 2005 - are an indication of the general improvement in investor confidence over the period as a result of a healthy domestic economy and the stabilization of global markets in the aftermath of the technology market collapse. $13 billion or 60.0 per cent of net new sales went into balanced funds and another $10 billion went into bond, dividend or income funds. Canadian equity funds witnessed a net redemption of over $7 billion. These figures once again indicate that mutual fund investors may still be taking a more cautions investment approach.



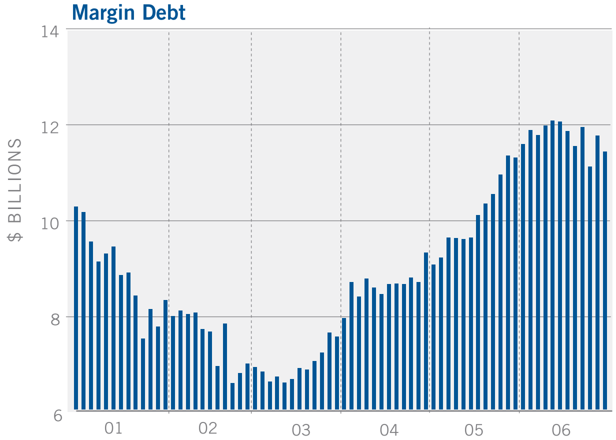
* Figures exclude reinvested distributions

SEGREGATED FUNDS

Policy holders had over $150 billion invested in segregated funds at the end of 2006 as compared to $135 billion at the end of the previous year. The number of dual-licensed advisors in the securities industry – those registered to deal in both securities and insurance products – has seen an increase over the past decade. As a result, industry revenues from insurance-based products have also risen.



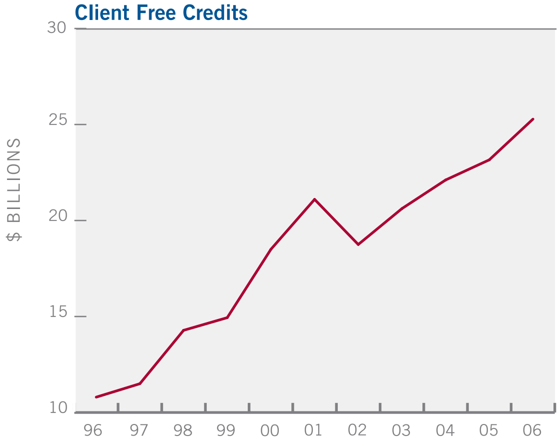
SECURITIES INDUSTRY
Margin Debt



MARGIN DEBT

At the end of 2006, the level of debt outstanding in client margin accounts stood at $11.7 billion, virtually unchanged from the end of the previous year but down from the record high of $12.4 billion hit earlier during the year. Margin debt levels are more than double the levels witnessed in 2002 and 2003 following the tech market collapse. The rising level in margin debt over the last three years may be a function of improved investor confidence, but also corresponds with the overall increase in client assets in the industry, alleviating serious concerns with the level of debt.

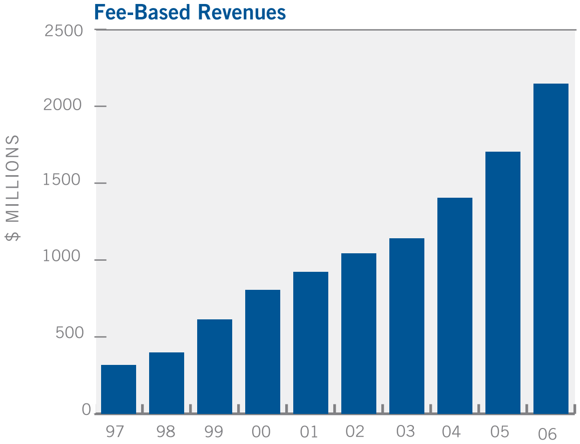
SECURITIES INDUSTRY
Client Free Credits



CLIENT FREE CREDITS

$25.3 billion in cash was held in client accounts at the end of 2006, up 9.0 per cent from the previous year. Client cash holdings continue to increase despite sound performance from the Canadian economy and capital markets in general. The increase may be attributed to the overall increase in client assets in the industry. Added diversification, anticipation of big-ticket purchase items or a more tentative approach to investing due to concerns regarding the U.S. economy are also possible explanations for the increase in cash balances. In 2006, these client cash balances helped contribute to nearly $1.6 billion in net interest revenues for the industry.

SECURITIES INDUSTRY
Fee-Based Revenues



FEE-BASED REVENUE

Industry fee-based revenues continue to reach new heights. At $2.1 billion, fee-based revenues grew by 25.0 per cent over the previous year and represented 13.0 per cent of total industry revenues. To add an additional perspective, fee-based revenues in 2006 exceeded revenues derived from mutual fund commissions. Advisory fees levied on proprietary and external managed accounts or wrap programs continue to constitute a major component of this revenue segment. The increase in fee-based revenues underlies a significant shift in the industry as it continues to place less reliance on the traditional transaction-based revenue model, although commission revenue continues to be the largest revenue source for the industry.

Facts about the securities industry

Helping Canadians save

- Investment dealers help manage $800 billion for Canadians.
- 40 per cent of all household discretionary financial assets in Canada are held in accounts managed by investment dealers – an increase of 10 per cent over five years ago.
- Of the $800 billion held with investment dealers, Canadians hold:
  - $200 billion in registered retirement savings plans (RRSPs) – approximately half of the value of all RRSPs in Canada.
  - Over $50 billion in registered retirement income funds (RRIFs).
  - $2 billion in registered education savings plans (RESPs), up from virtually nothing five years ago.
- Over the past decade, the number of investment dealer firms have increased by 16 per cent to 198, creating more competition and offering a wider range of products to investors. During this same period of time, the number of registered investment professionals has increased by 30 per cent to almost 30,000 individuals.

Helping Canadian businesses

- Over the past five years, savings entrusted by Canadians to their brokers increased by 50 per cent from $520 billion to over $800 billion. Investment dealers transform these savings into a source of productive capital for Canadian companies.
- In 2006, our members helped approximately 350 small-to-medium-sized companies launch offerings on Canada's stock exchanges to raise capital to expand their businesses; each of these companies, in turn, generated new opportunities for other firms in the economy.
- In 2006, investment dealers helped:
  - Finance over $104 billion in federal, provincial, municipal and Crown corporation bonds, close to double what was financed a decade ago – the money raised for governments was used to fund new capital projects and infrastructure upgrades that serve all Canadians.
  - Raise more than $110 billion in debt and equity financings for companies – money used to develop new business ideas, create new products, open new markets for Canadian goods and expand our economy.

Securities broker/dealers in the economy

- People employed by investment dealers increased by 60 per cent in number over the past ten years to 41,000, bringing spin-off benefits in their communities across the country.
- Investment dealers spent an estimated $3.5 billion on goods and services to run their businesses in 2006; this spending helps generate further jobs and taxes for the economy.
- Investment dealers expect to pay more than $1 billion in taxes for 2006; brokers and other firms in the financial sector are taxed at rates that are equal to or higher than those levied on manufacturing and non-financial companies.
- Investment dealers paid over $120 million in regulatory fees.
- Investment dealers gave more than $40 million in charitable donations (excluding employee contributions) as well as provided time and other resources to charitable organizations in their communities.

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