

Global Investment Conference

April 7, 2010

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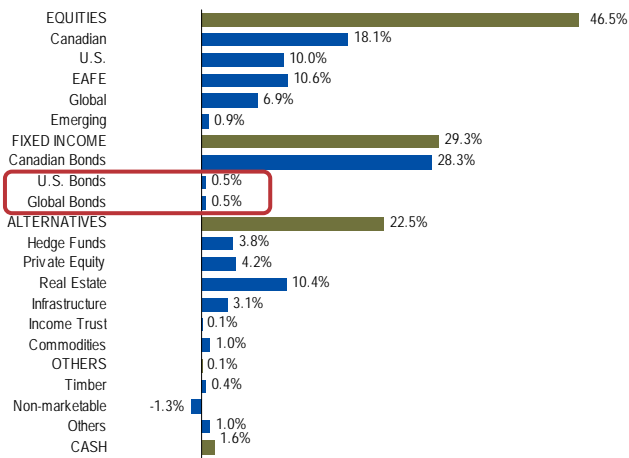
GLOBAL FIXED INCOME IN TODAY'S CANADIAN PENSION PLANS



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Canadian Pension Plans Missing out on Global Fixed Income

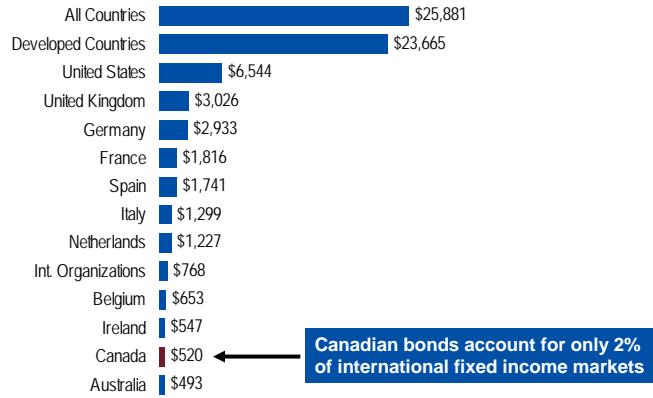
Average Asset Allocation of Pension Plans



Source: 2008 Canadian Pension Fund Overview, Canadian Institutional Investment Network

A Very Large International Market

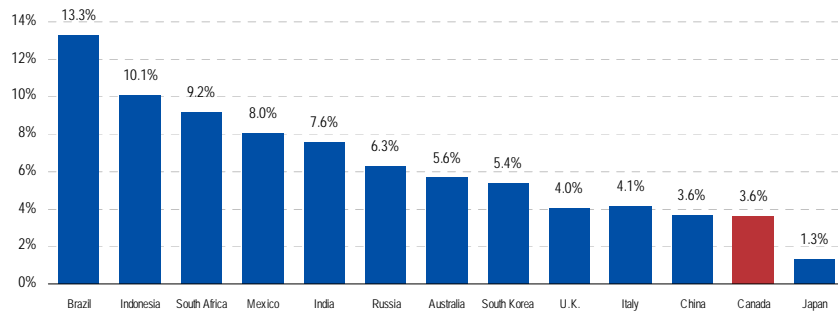
International debt securities by residence of issuer
As of June 30, 2009, billion USD



Source: Bank for International Settlements, as of June 30, 2009

Better Yields Available Outside Canada

10 - Year Government Bond Yields



Source: Bloomberg as of December 31, 2009

Global Fixed Income: An Expanding Investment Opportunity Set

More participants:

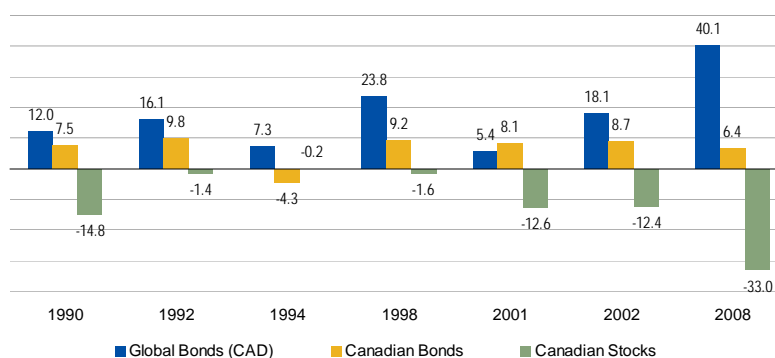
- More countries are opening to foreign investment
- Local bond markets are building out yield curves with liquidity
- Over 100 countries have partially or fully functioning capital markets

More ways to participate:

Decade	Focus	Fixed Income Securities	Role
1980s	Lesser portion of a 60/40 balanced portfolio	Treasuries, agencies, corporates	Dampen equity volatility, liquidity, income, alpha
1990s	From core to core-plus, moving the efficient frontier	Add: MBS, ABS, TIPS, high yield, non-U.S. sovereigns, emerging markets, currencies	Greater emphasis on diversification and return-seeking
2000s	Absolute returns, opportunistic investing, LDI	Add: bank loans, CLO, CDS, leverage, other derivative and structured products	Diversification, total return, hedging liabilities

When Equities Are Down, Global Bonds Can Reduce Risk

12-month returns (%) during negative years for Canadian stocks

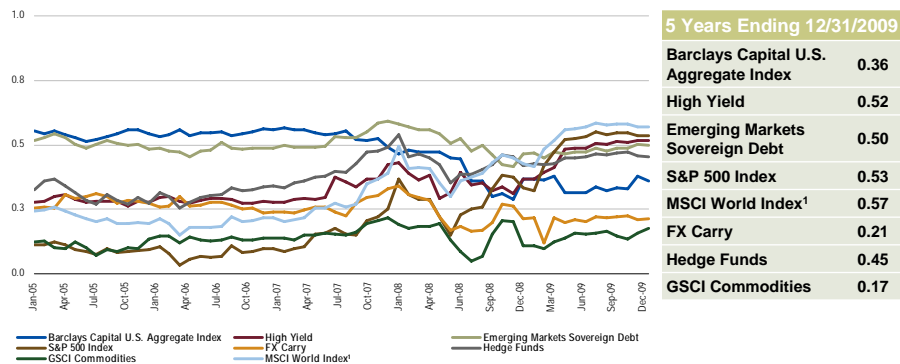


Source: Morningstar Research, as of September 30, 2009: Global bonds, JP Morgan Global Bond Index (CAD); Canadian bonds, DEX Universe Bond Index; Canadian Stocks, S&P/TSX Composite TRI.

Relatively Low Correlations Historically to Other Asset Classes

5-Year Rolling Correlations

Period Ending December 31, 2009



Historically Resilient Returns with Relatively Low Volatility Compared to Other Asset Classes

- Even in the very difficult environment seen during the recent recession, global bonds not only provided relatively strong returns, they did so without the extreme volatility observed across many asset classes. This resilience did not come at the expense of long-term performance.

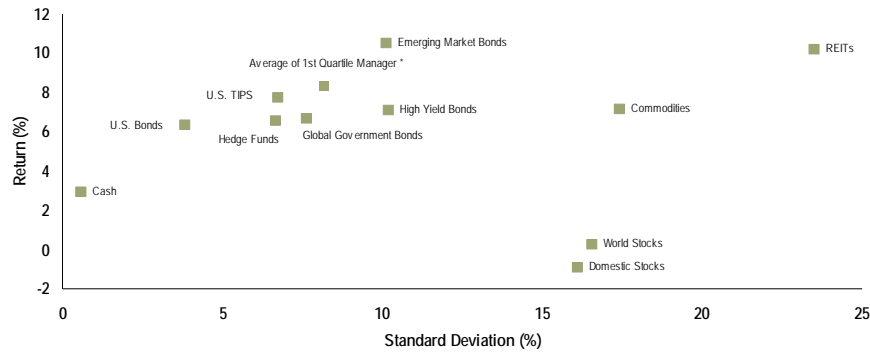
	Recession Period December 2007–June 2009		10 Years (December 31, 2009)	
	Returns (%)	Volatility (%)	Returns (%)	Volatility (%)
Average of 1st Quartile Manager *	6.27	9.25	8.38	8.15
Global Government Bonds	5.39	10.26	6.63	7.63
U.S. Bonds	4.70	4.99	6.33	3.83
U.S. TIPS	2.23	11.21	7.70	6.75
Emerging Market Bonds	1.69	16.39	10.52	10.14
High Yield Bonds	-3.85	20.33	7.07	10.19
Hedge Funds	-8.33	9.50	6.57	6.67
Commodities	-19.85	30.29	7.13	17.42
REITs	-32.54	46.29	10.18	23.52
Domestic Stocks	-24.16	24.02	-0.95	16.13
World Stocks	-25.37	26.81	0.23	16.58
Cash	1.51	0.45	2.92	0.59

Source: © 2010 Morningstar, as of December 31, 2009. Global Government Bonds are represented by the Citigroup World Government Bond Index. U.S. Bonds are represented by the Barclays Capital U.S. Aggregate Bond Index. U.S. TIPS represented by the Barclays U.S. Treasury TIPS Index. Emerging Market Bonds are represented by the JP Morgan Emerging Markets Bond Index Global. High Yield Bonds are represented by the Citigroup High Yield Index. Commodities are represented by the DJ US Commodity Index. REITs are represented by the FTSE NAREIT All REITs. Domestic Stocks are represented by the S&P 500 Index. World Stocks are represented by the MSCI World Index. Hedge funds represented by the Credit Suisse Treatment Hedge Fund Index. Cash represented by the P&R 90-Day U.S. Treasury Index. * Based on Morningstar US OE World Bond average. Indexes are unmanaged, and one cannot invest directly in an index.
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Volatility as measured by annualized standard deviation.
Past performance does not guarantee future results and may differ over future time periods.

Strong, Long-Term Performance Record

- This relative short-term stability, however, has not come at the expense of longer-term performance. The flexibility and variety of opportunities allow for performance potential in a wide variety of market environments.

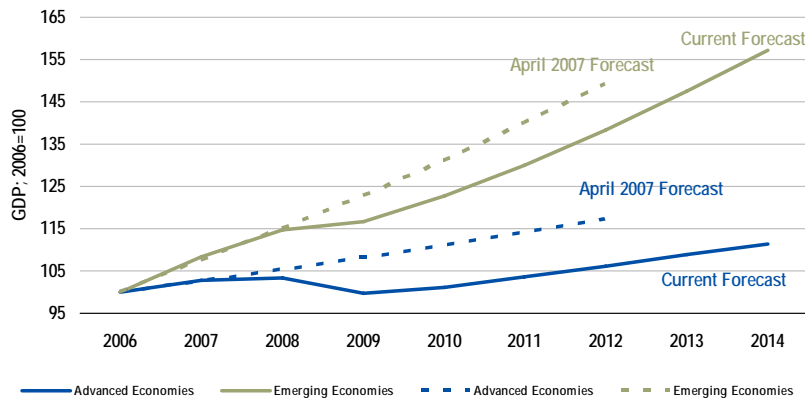
10-Year Period – As of December 2009



Source: © 2010 Morningstar. Hedge funds represented by the Credit Suisse Tremont Hedge Fund Index. Domestic Bonds represented by the BarCap U.S. Aggregate Bond Index. U.S. TIPS represented by the BarCap U.S. Treasury TIPS Index. Global Bonds represented by the Citigroup World Global Government Bond Index. Commodities represented by the DJ UBS Commodity Index. Real Estate represented by the FTSE NAREIT All REITs Index. World Stocks represented by the MSCI World Index. Domestic Stocks represented by the S&P 500 Index. Cash represented by the PAR 90-Day U.S. Treasury Index. High Yield represented by the Credit Suisse HY Index. Emerging Market bonds represented by the JP Morgan Emerging Market Bond Index Government (EMBIG). * Based on Morningstar US OE World Bond average. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results and may differ over future time periods.

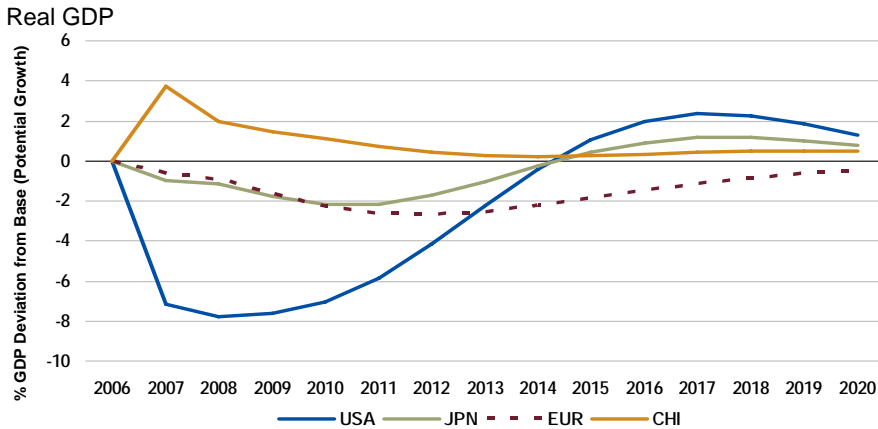
Financial Crisis Lowered Growth Everywhere, but Growth in Emerging Markets Should be Less Impacted Long-Term

Growth Differing Between Emerging & Advanced Economies (October 2009)



There is no assurance that any projection, estimate or forecast will be realized. Source: © 2009 International Monetary Fund, World Economic Outlook, October 2009. For Presentation Use Only. Not for Distribution Outside the Company.

Hypothetical Scenario Analysis: Capital Flow to Offset Decline in Trade on the Back of a U.S. Shock

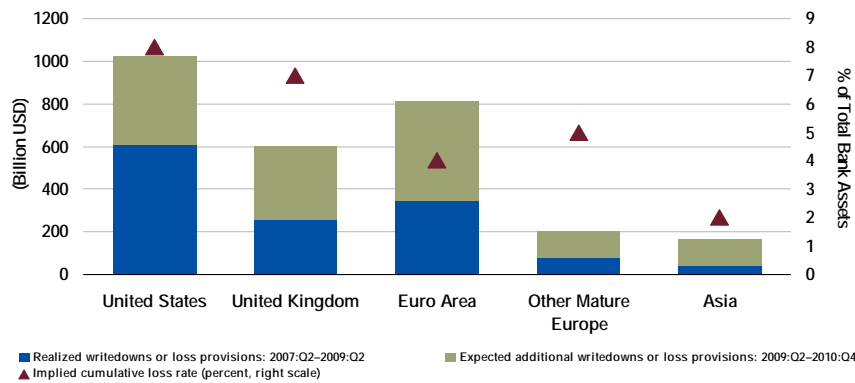


This is a hypothetical situation only used for illustrative purposes. There is no assurance that any projection, estimate or forecast will be realized.
 Sources: McKibbin's Software Group G-Cubed model MSG3V85A, FT Investments, DataStream.
 Housing bubble basis: Shocks are a permanent 100bps increase in the risk premium for housing capital in the U.S. and an increase in the equity risk premium starting at 800bps and falling 100bps each year to 0 in the developed world.
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Deleveraging Continues; Varies Significantly between Economies

U.S. banks have completed about 60% of write downs whereas U.K. and euro area banks have recognized about 40%. Of the \$2.8 trillion in total losses expected, only \$1.3 trillion have been recognized already.

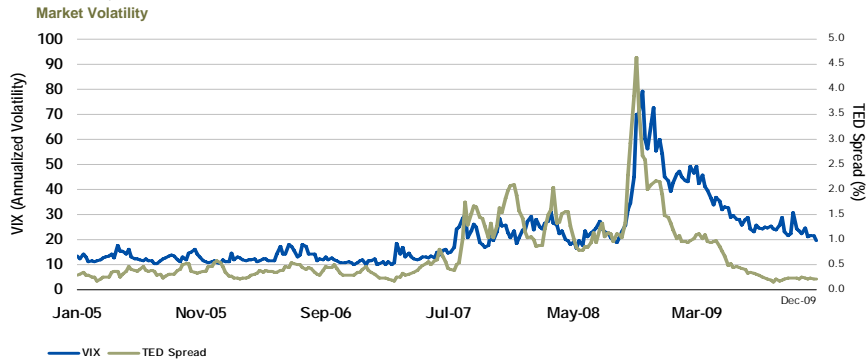
Bank Writedowns



There is no assurance that any projection, estimate or forecast will be realized.
 Source: © 2009 International Monetary Fund, Global Financial Stability Report, October 2009. Other mature Europe is Denmark, Iceland, Norway, Sweden, and Switzerland. Asia is Australia, Hong Kong, Japan, New Zealand, and Singapore.
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Credit Markets Have Been Gradually Normalizing

- The extensive policy response has started to unfreeze credit markets, pushing volatility and credit spreads back towards pre-crisis levels.

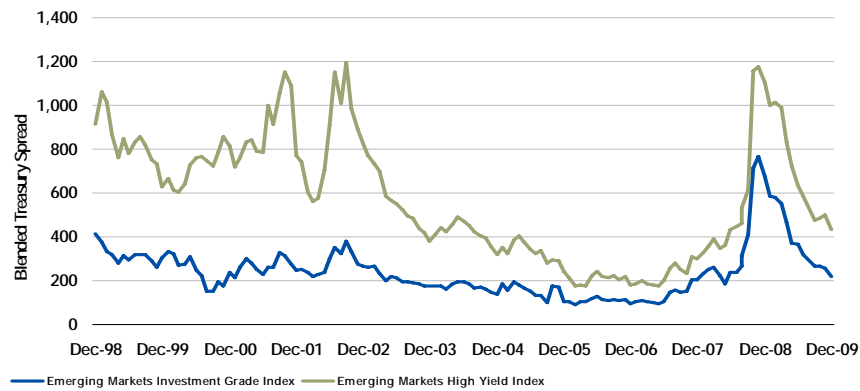


- **VIX:** The Chicago Board Options Exchange SPX Volatility Index reflects a market estimate of future volatility of the S&P 500.
- **TED Spread:** The difference between the 3-month LIBOR rate and the yield on the 3-month T-bill. Measures the premium banks have to pay over treasuries.

Source: British Bankers Association, Chicago Board Options Exchange, Federal Reserve, December 25, 2009.
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Long-Term Sovereign Opportunities

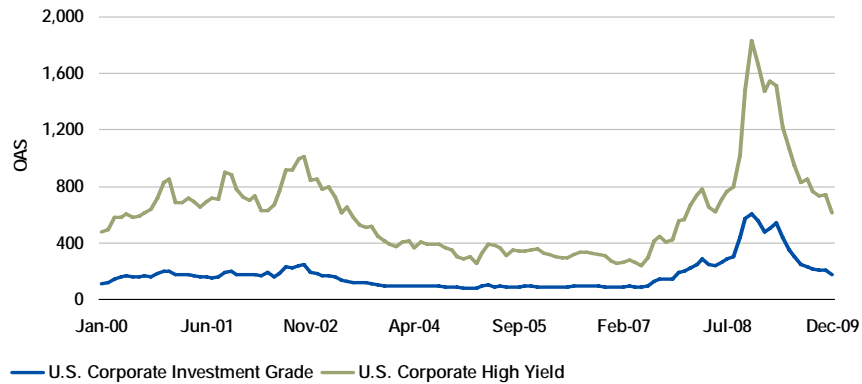
- While spreads have broadly compressed from the distressed levels seen at the height of the crisis, we believe that select opportunities persist.
- Emerging Market USD Government Bonds as of 12/31/09



Source: Barclays Capital, as of December 31, 2009. Sovereign valuations are represented by blended Treasury spread.
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Long-Term Corporate Opportunities

- While spreads have generally compressed since November 28, 2008, we are still seeing what we consider to be long-term opportunities.
- U.S. Corporate Bonds as of 12/31/09



Source: Barclays Capital, as of December 31, 2009. Spreads are represented by option-adjusted spread (OAS).
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Why Diversify Bond Portfolios? Because Winners Rotate

Top World Bond Markets
Calendar Year Return, 10 Year Period Ended December 31, 2009

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Japan 15.53%	U.S. 13.48%	Poland 30.38%	Norway 40.90%	Australia 37.35%	Poland 35.96%	Mexico 21.29%	Poland 17.96%	Canada 23.83%	Japan 27.82%	Indonesia 40.06%
Canada 4.29%	Poland 9.64%	U.S. 6.73%	New Zealand 37.01%	New Zealand 33.66%	Norway 18.02%	Canada 9.77%	Sweden 17.24%	Poland 19.90%	Switzerland 15.92%	Russia 39.71%
Australia 4.07%	Canada 6.77%	Norway 3.93%	Switzerland 35.07%	Canada 29.11%	Sweden 17.45%	Malaysia 4.85%	South Korea 15.80%	Norway 18.90%	U.S. 13.89%	New Zealand 25.89%
New Zealand -1.83%	Switzerland 2.57%	Switzerland 1.32%	Sweden 31.15%	Sweden 26.98%	Eurozone 16.00%	U.S. 2.80%	U.K. 14.57%	Australia 15.51%	Taiwan 8.72%	Australia 25.64%
U.S. -2.45%	Singapore 2.35%	Canada 1.15%	Denmark 29.18%	Denmark 25.05%	New Zealand 15.89%	Taiwan 2.34%	Malaysia 13.00%	New Zealand 13.41%	Singapore 7.12%	Norway 24.58%
Norway -2.70%	U.K. 1.02%	Denmark 0.71%	Euro zone 29.09%	Eurozone 24.98%	Denmark 15.68%	New Zealand 1.13%	Singapore 12.45%	Denmark 13.13%	Denmark 5.50%	S. Africa 24.40%
U.K. -4.30%	Eurozone 0.40%	Eurozone 0.64%	Poland 23.68%	Norway 15.67%	Canada 15.42%	Poland 0.63%	Denmark 11.62%	Eurozone 12.86%	Eurozone 3.96%	Turkey 21.80%
Sweden -7.50%	Denmark 0.11%	U.K. 0.43%	U.K. 21.09%	U.K. 13.52%	Switzerland 14.74%	South Korea 0.37%	Eurozone 11.32%	Singapore 12.31%	Malaysia 3.31%	Canada 15.74%
Denmark -14.90%	Sweden -0.74%	New Zealand -1.59%	Australia 20.50%	Switzerland 12.81%	U.K. 14.34%	Australia -1.06%	Mexico 10.70%	Malaysia 9.87%	Thailand 1.69%	U.K. 15.09%
Switzerland -16.33%	Norway -2.98%	Singapore -2.04%	Singapore 17.35%	Japan 9.92%	Australia 11.60%	Singapore -2.65%	Australia 9.66%	Japan 9.47%	Australia -4.56%	Brazil 11.23%

Source: Morningstar Research, Citigroup, as of December 31, 2009. All country and eurozone returns are from the Citigroup World Government Bond Index (WGBI) and Citigroup WGBI's Additional Markets data. Performance calculated in U.S. dollar terms (unhedged). Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results and results may differ over future time periods.

Capitalizing on Country and Currency Return Opportunities

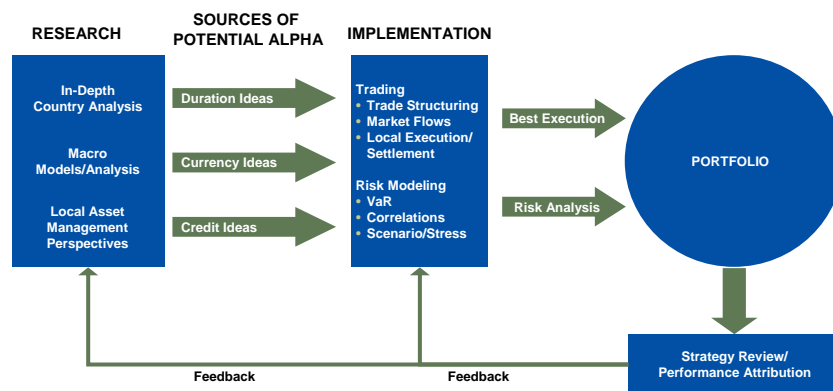
12-Month Returns as of September 30, 2009¹

Country	A. Local Currency Bond Return %	B. Currency Return in CAD (%)	A + B
Indonesia	30.3%	-1.2%	29.1%
Brazil	21.1%	8.3%	29.4%
India	13.1%	1.8%	14.9%
Mexico	11.8%	-18.6%	-6.8%
United Kingdom	11.8%	-9.8%	2.0%
Euro Area	10.7%	4.4%	15.1%
South Korea	8.9%	3.4%	12.3%
South Africa	8.4%	10.8%	19.2%
Sweden	7.6%	-0.2%	7.4%
Canada	7.6%	0.0%	7.6%
New Zealand	7.2%	8.5%	15.6%
Malaysia	7.1%	-0.2%	6.9%
Poland	6.9%	-15.7%	-8.8%
Norway	6.8%	2.0%	8.8%
Singapore	6.5%	2.3%	8.7%
United States	6.4%	0.5%	6.9%
Switzerland	6.2%	8.8%	15.0%
Australia	5.8%	11.9%	17.7%
Japan	3.2%	18.9%	22.1%

Source: Bloomberg, as of September 30, 2009

Generating Alpha from Global Fixed Income

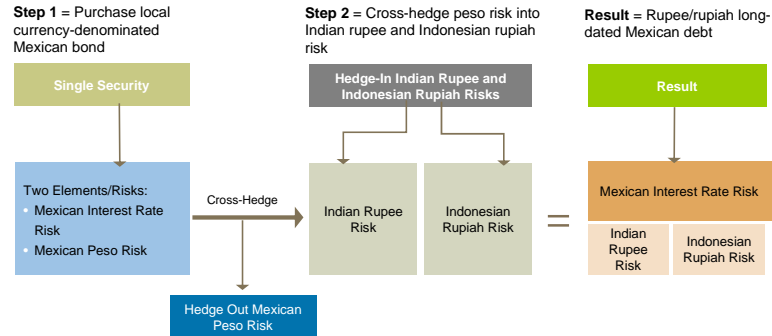
- Fixed income opportunities: Currency realignments, changing credit fundamentals and interest rate differentials
- Uneven pace of economic recovery across the globe:
- Significant threat of inflation in the medium term from massive stimulus packages



The above chart is for illustrative and discussion purposes only.

The Power to Focus on Desired Exposures

- Total local currency-denominated debt is comprised of two main risks: interest rate (duration) risk and currency risk
- If there is an attractive price in the local currency-denominated debt markets where the currency is unattractive, currency risk can be removed by cross-hedging currency risk into an attractive currency
- Example: Local peso-denominated Mexican debt



For illustrative purposes only

Investment Themes

- **Investment Themes**
 - Apply a fundamental, research-driven approach focused on identifying potential sources of total return (current income and capital appreciation) worldwide and seek to capitalize on global interest rates and currency trends provides the best potential for solid risk-adjusted returns.
 - Run the strategy independently of its benchmark, allow the manager to hold only the positions it believes have the best potential to maximize risk-adjusted returns.
 - Focus on seeking a high alpha strategy that invests globally and may include allocations to both developed and emerging markets.

Of course, there can be no assurance that the investment objective will be achieved.

Conclusion

Why add global fixed income to Canadian Pension Plan portfolios?

- Source of diversification
 - Low correlation to other asset classes
- Source of alpha
 - Capitalize on currencies, duration and spreads around the world
 - Hedge extreme economic environments and isolate desired interactions
- Source of better yields

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