



# J. Zechner Associates Inc.

**IN COLLABORATION WITH**

**NEXGEN FINANCIAL LIMITED PARTNERSHIP**

April 21, 2009

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# Stock Market Outlook

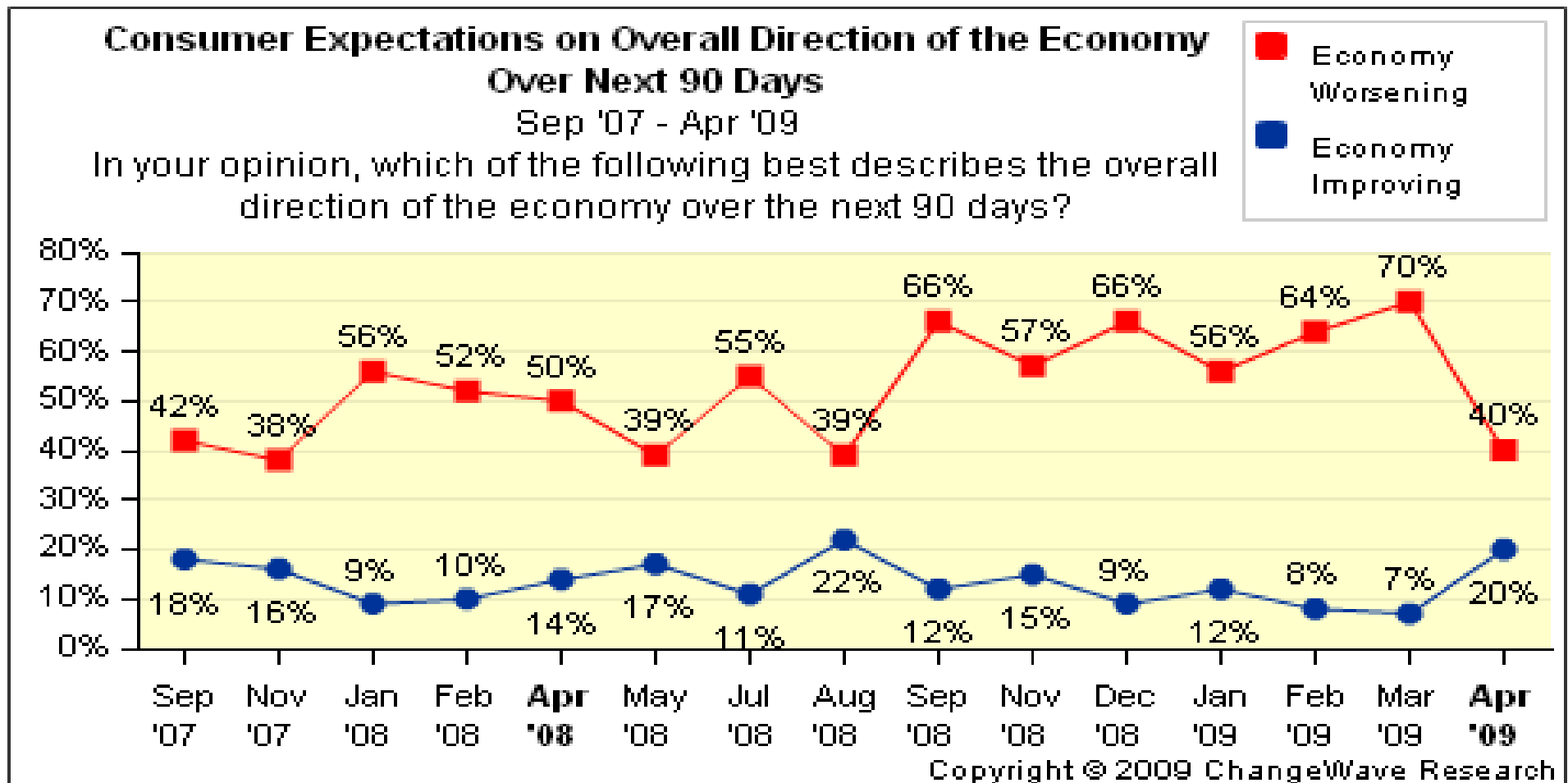
## Positive Facts

- Stock market is still under-valued on the basis of current earnings and interest rates
- Investor sentiment is extremely bearish, cash levels are at record levels and stock market's internal technical indicators have improved dramatically in the last month's rally
- Anecdotal evidence of economic recovery are starting to appear in some US data while China has stepped back into the commodities market in a substantial way.
- Unprecedented levels and co-operation on global monetary and fiscal stimulus are expected to reflate the global economy and help to pull it out of recession

## Negative Facts

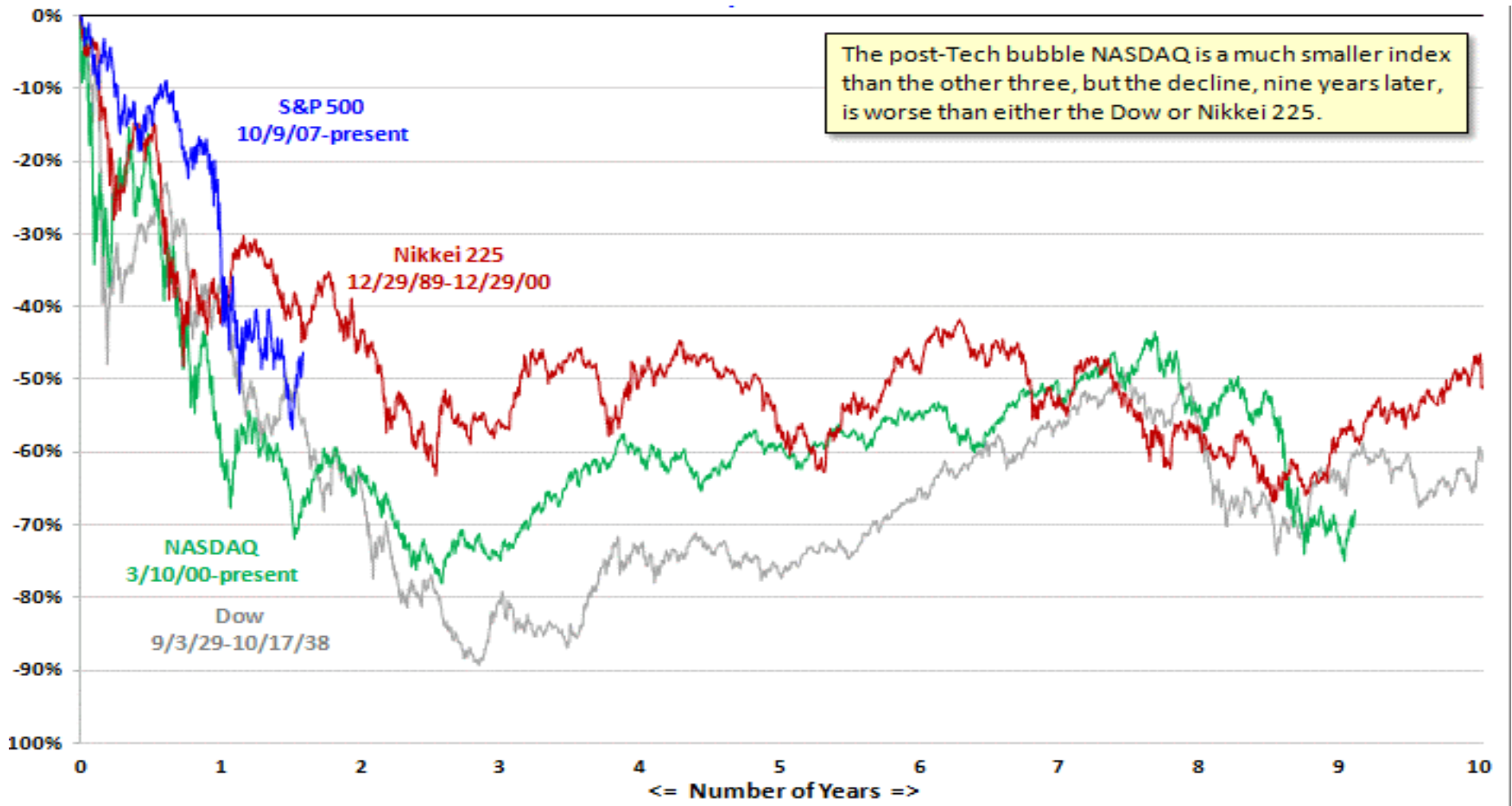
- Global economy still in recession which will end up being the worst since at least the 1980-82 downturn
- Consumer debt levels remain high and more de-levering of the financial system also still needs to occur
- Earnings down for last 6 quarters and the outlook for the rest of 2009 remains weak
- China is currently the only engine of economic growth as they replenish commodity supplies and increase spending but will need global growth to recover to sustain the need for their exports
- Risk in the financial system remains due to the substantial funds that have to be raised for the stimulus programs and the 'stress tests' that financial institutions still need to endure.

# US Consumers Getting Less Pessimistic



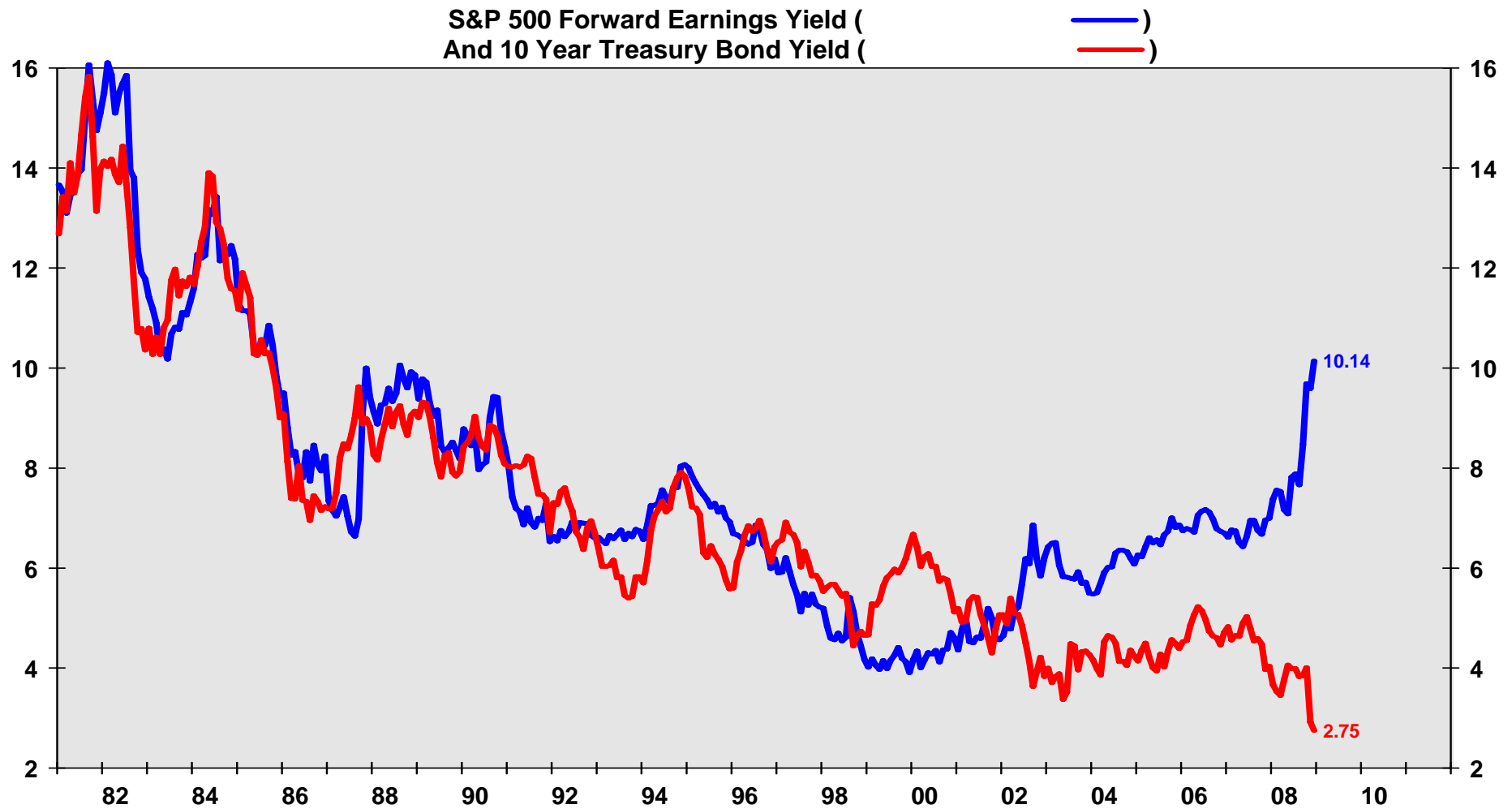
- US consumers have gotten surprisingly more optimistic in the past month. It could be the stock market rally or the stimulus programs starting to impact opinions or it might just be that the rate of economic deterioration has started to moderate.

# Current Market Still Mimicking Worst Prior Downturns



- Although this downturn has matched the worst prior stock markets of the past century (Tech Bubble, Japan 1990s, US 1930s), the economic, valuation and market data has yet to become as bad as those periods.

# Stocks Most Under-Valued Compared to Bonds



M1107

The IBES model .. called the "Fed model" after Greenspan referred to it in July 97 HH report

DEC 2008

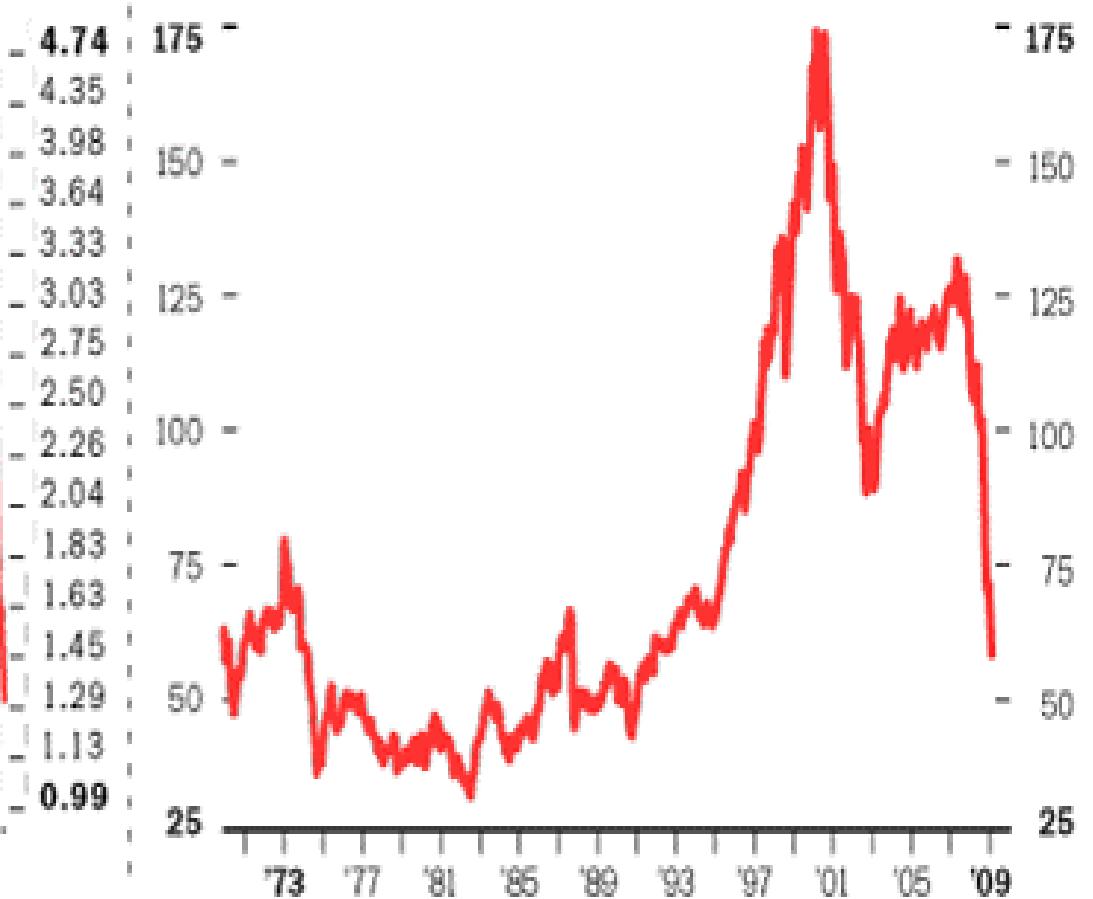
Earning Yield on Stocks (blue line) has risen substantially above the Bond Yield (red line) after moving mostly in line over the 40-year period

# More Indications of an Under-Valued Stock Market

STANDARD & POOR'S 500 PRICE/BOOK RATIO



U.S. STOCK MARKET VALUE AS % OF GDP

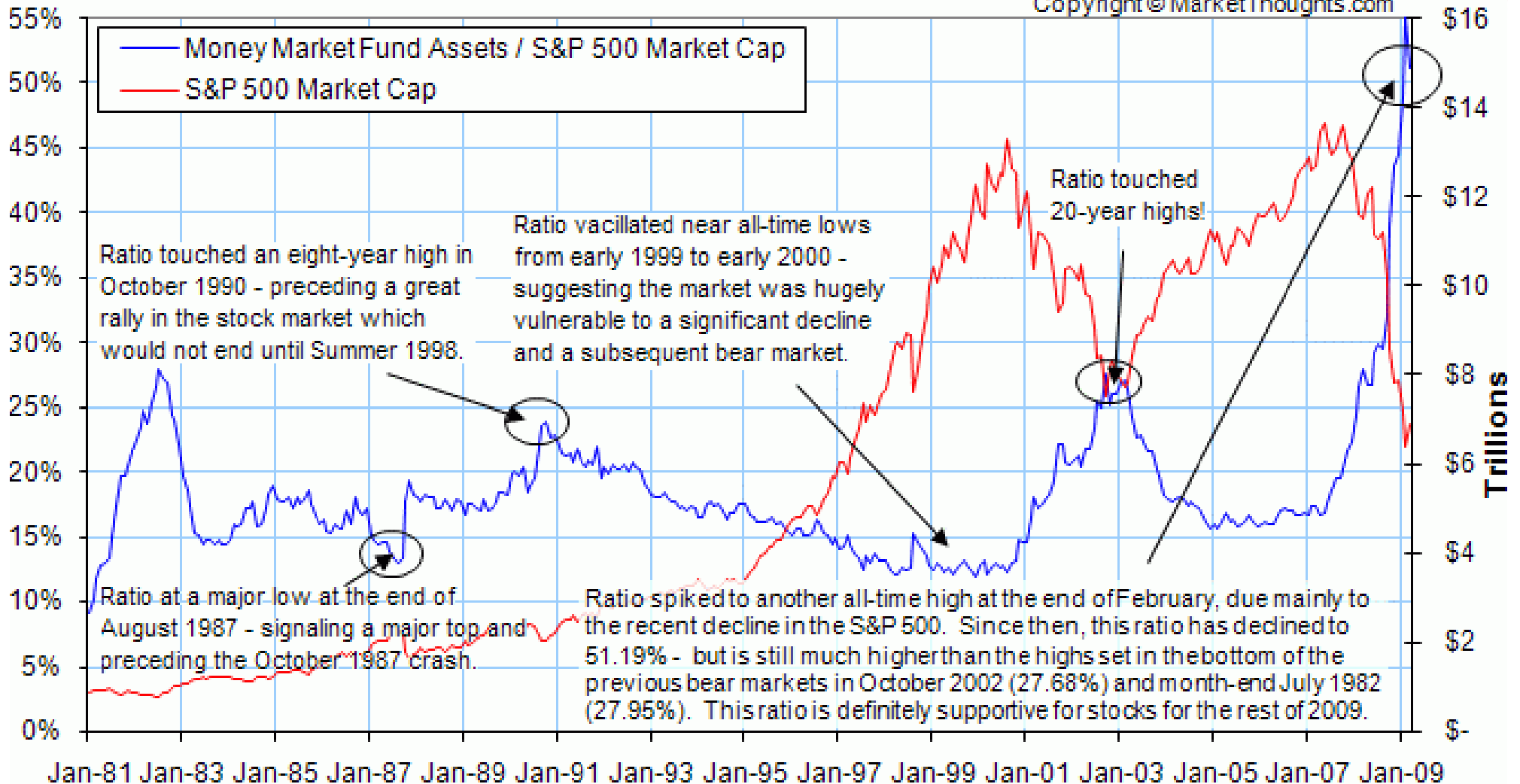


Source: Ned Davis Research

- Whether measured by price-to-book ratio (left) or as a percentage of gross domestic product (right), the stock market's valuation has plummeted almost straight down to cheap levels not seen in decades.

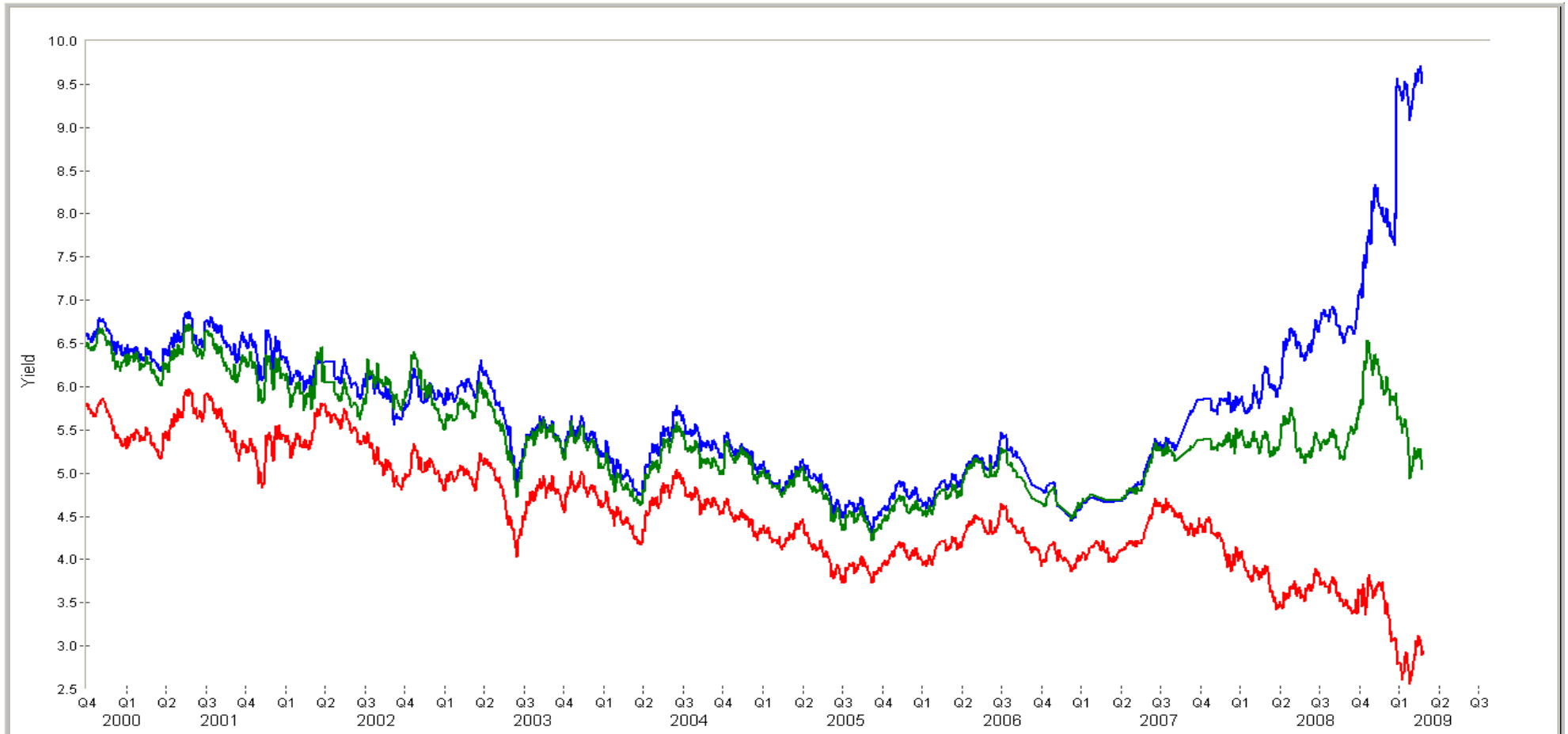
# High Cash Levels Coincide with Market Lows

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- At over 50%, the ratio of Money Market Funds to the Market Value of the S&P500 Index remains near an all-time high suggesting lots of cash is still available to fund further rises in stock prices, particularly if economic data begins to improve.

# Wide Yield Spreads Make Corporate Bonds a Tremendous Risk-Reward Opportunity



**A Corporates**    **10 Yr Canada's**    **AA Corporates**

# NexGen Canadian Balanced Growth Funds

## Sectors of interest:

- Cyclical groups have lead the advance
  - Remain overweight Basic Materials and Technology
  - Moved to market weight in Energy and slight underweight in Financials.
  - Remain underweight defensives and consumer stocks and have moved back up to slight overweight in Golds

## Asset allocation decisions:

- Have raised some cash in the past week
  - But remain slightly overweight on Equities still with a focus on Canadian cyclical stocks, US multinationals and Emerging Markets.

## Names of interest:

- Largest positions relative to index include Nexen, PetroCan, Talisman, Agrium, Anvil Mining, Yamana, Aecon, Manulife, RIM, Deere, Pfizer, Cisco, IBM and Intel.

# NexGen North American Growth Funds

## Sectors of interest:

- Remain overweight the cyclical stock sectors including Basic Materials in Canada and Technology in the US
- Moved to underweight in Financials in both markets on recent strength and moved back to overweight in Golds in Canada.

## Asset allocation decisions:

- Have raised some cash on recent strength.
  - Was 99.8% invested in early March but now have approximately 12% cash in the Fund

## Names of interest:

- **Canada:** Encana, Nexen, Talisman and Petrocan in Energy; Agnico-Eagle, Agrium, Yamana and Uranium Corp in Basic Materials; Manulife and CIBC in Financials and RIM in Technology.
- **US:** Financial iShares, Pfizer, Disney, Caterpillar, Deere, Apple, Cisco, IBM, Intel and Microsoft

# NexGen Canadian Balanced Growth Funds - Performance

## Fund Facts

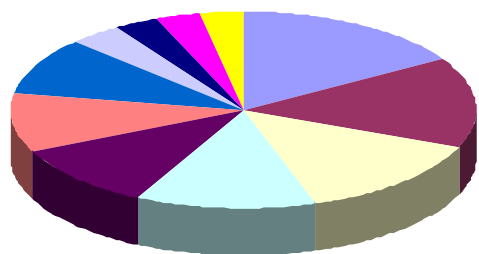
Inception Date: Sept. 5, 2006  
 Funds' Assets (all series): \$15,577,131  
 Management Fee (FE): 2.00%



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## Sector Allocation



ENERGY 16.4%  
 MATERIALS 13.8%  
 FINANCIALS 10.5%  
 INFORMATION TECHNOLOGY 9.2%  
 TELECOMMUNICATION SERVICES 3.2%  
 OTHER 3%  
 CASH & CASH EQUIVALENTS 14.7%  
 CORPORATE BONDS 12.7%  
 PROVINCIAL BONDS 9.8%  
 INDEX FUNDS 3.6%  
 INDUSTRIALS 3.1%

## Performance (Quartile) to March 31, 2009

Fund	1 mth	3 mth	6 mth	CYTD	1 Year	2 Year	Since Inception
Registered	7.3% (1)	1% (1)	-7.6% (1)	1% (1)	-11.1% (1)	-4.3% (1)	-1.8%
Tax Managed*	7.3% (1)	1.1% (1)	-7.8% (1)	1.1% (1)	-11.4% (1)	-4.6% (1)	-2.0%

\* Tax Managed Returns are Compound Growth class

## Top Holdings

Name	Country	Sector	% of total Portfolio Assets
Cash & Cash Equivalents	Canada	Cash & Cash Equivalents	14.7%
Province Of Ontario 4.40% Mar 08/16	Canada	Provincial Bonds	4.6%
Research In Motion Ltd	Canada	Information Technology	3.2%
Petro Canada	Canada	Energy	3.2%
Canadian Natural Resources Ltd	Canada	Energy	2.6%
Toronto Dominion Bank	Canada	Financials	2.5%
Talisman Energy Inc	Canada	Energy	2.4%
Cibc	Canada	Financials	2.4%
Bank Of Montreal	Canada	Financials	2.3%
Manulife Financial Corp	Canada	Financials	2.3%

# NexGen North American Growth Funds Performance

## Fund Facts

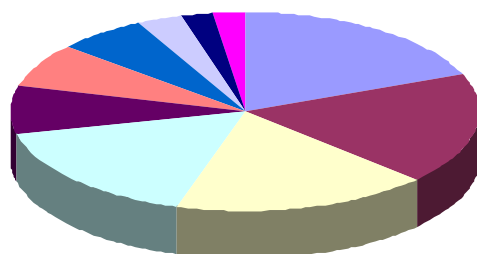
Inception Date: Sept. 5, 2006  
 Funds' Assets (all series): \$1,135,877  
 Management Fee (FE): 2.00%



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Sector Allocation



■ INFORMATION TECHNOLOGY 18.8% ■ FINANCIALS 18.2%  
 ■ MATERIALS 17.7% ■ ENERGY 16.8%  
 ■ CASH & CASH EQUIVALENTS 7.8% ■ INDEX FUNDS 7.1%  
 ■ INDUSTRIALS 6.2% ■ TELECOMMUNICATION SERVICES 3%  
 ■ HEALTH CARE 2.3% ■ CONSUMER DISCRETIONARY 2.1%

## Performance (Quartile) to March 31, 2009

Fund	1 mth	3 mth	6 mth	CYTD	1 Year	2 Year	Since Inception
Registered	10.1% (1)	-3.6% (3)	-24.1% (2)	-3.6% (3)	-40.5% (2)	-26.5% (2)	-19.1%
Tax Managed*	10.3% (1)	-3.4% (3)	-24.3% (3)	-3.4% (3)	-40.5% (2)	-26.6% (3)	-19.2%

\* Tax Managed Returns are Compound Growth class

## Top Holdings

Name	Country	Sector	% of total Portfolio Assets
Cash & Cash Equivalents	Canada	Cash & Cash Equivalents	7.8%
Select Sector Spdr Trust - Financial	United States	Index Funds	7.1%
Spdr Trust Series 1	United States	Financials	6.0%
Research In Motion Ltd	Canada	Information Technology	4.0%
Manulife Financial Corp	Canada	Financials	3.9%
Cibc	Canada	Financials	3.3%
Microsoft Corp	United States	Information Technology	3.2%
Petro Canada	Canada	Energy	3.1%
Encana Corp	Canada	Energy	3.1%
Bank Of Montreal	Canada	Financials	3.0%