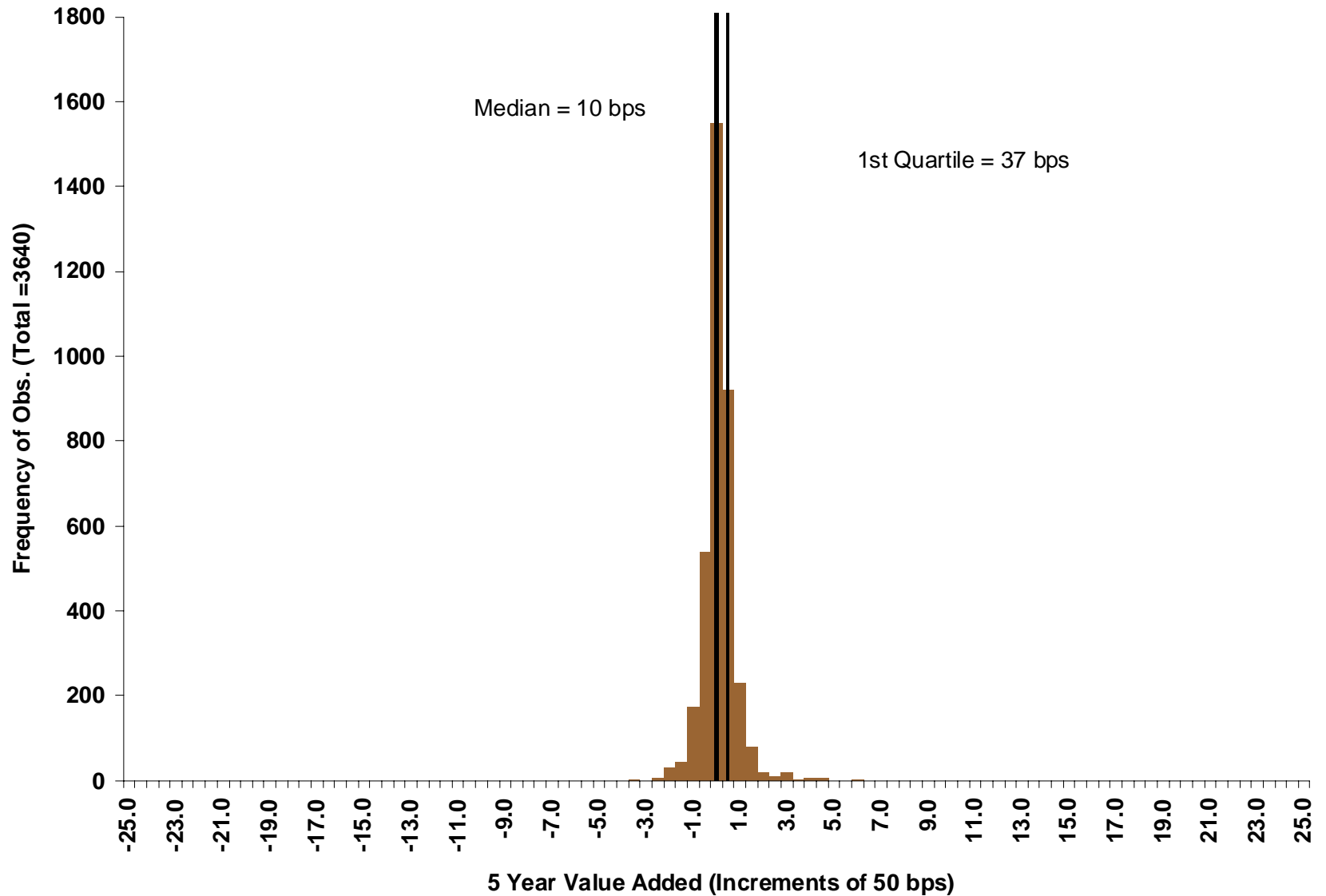
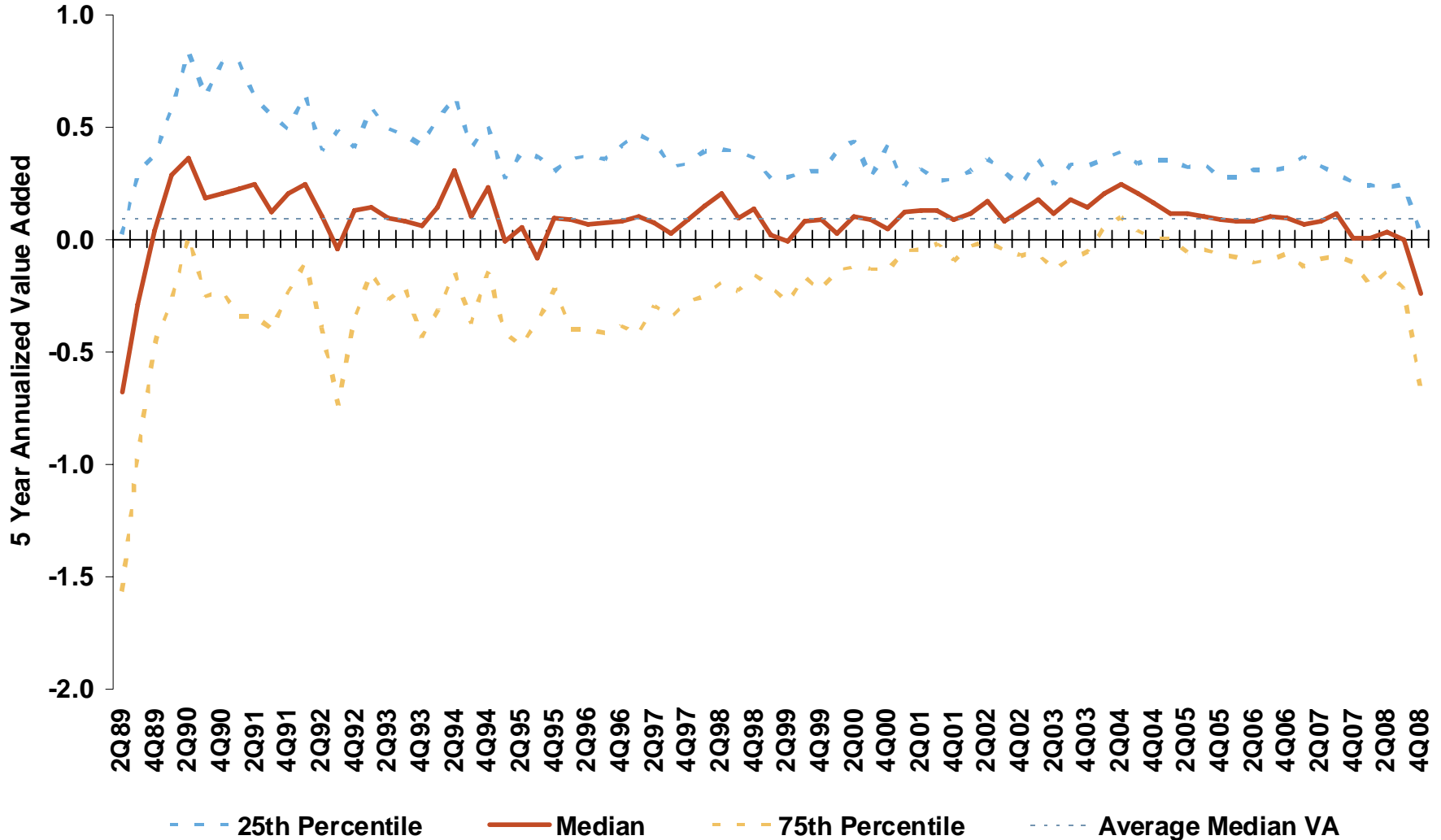


# Canadian Bond Managers vs. DEX Universe Bond 5 Year Value Added Distribution 2Q89-4Q08

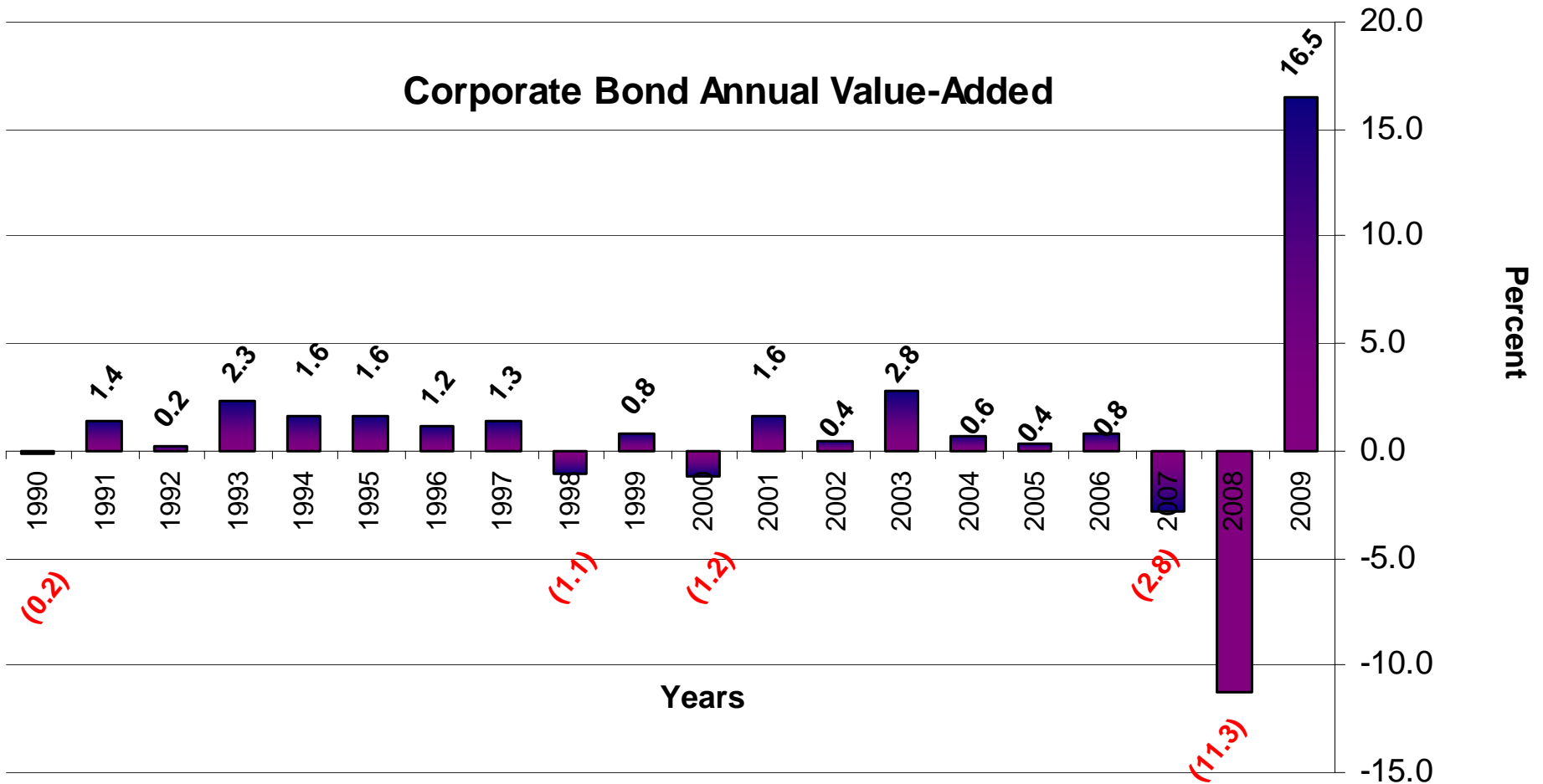


# Quarterly Rolling 5 Year Value Added (2Q89-4Q08) Canadian Bond Manager Universe vs. DEX Universe Bond



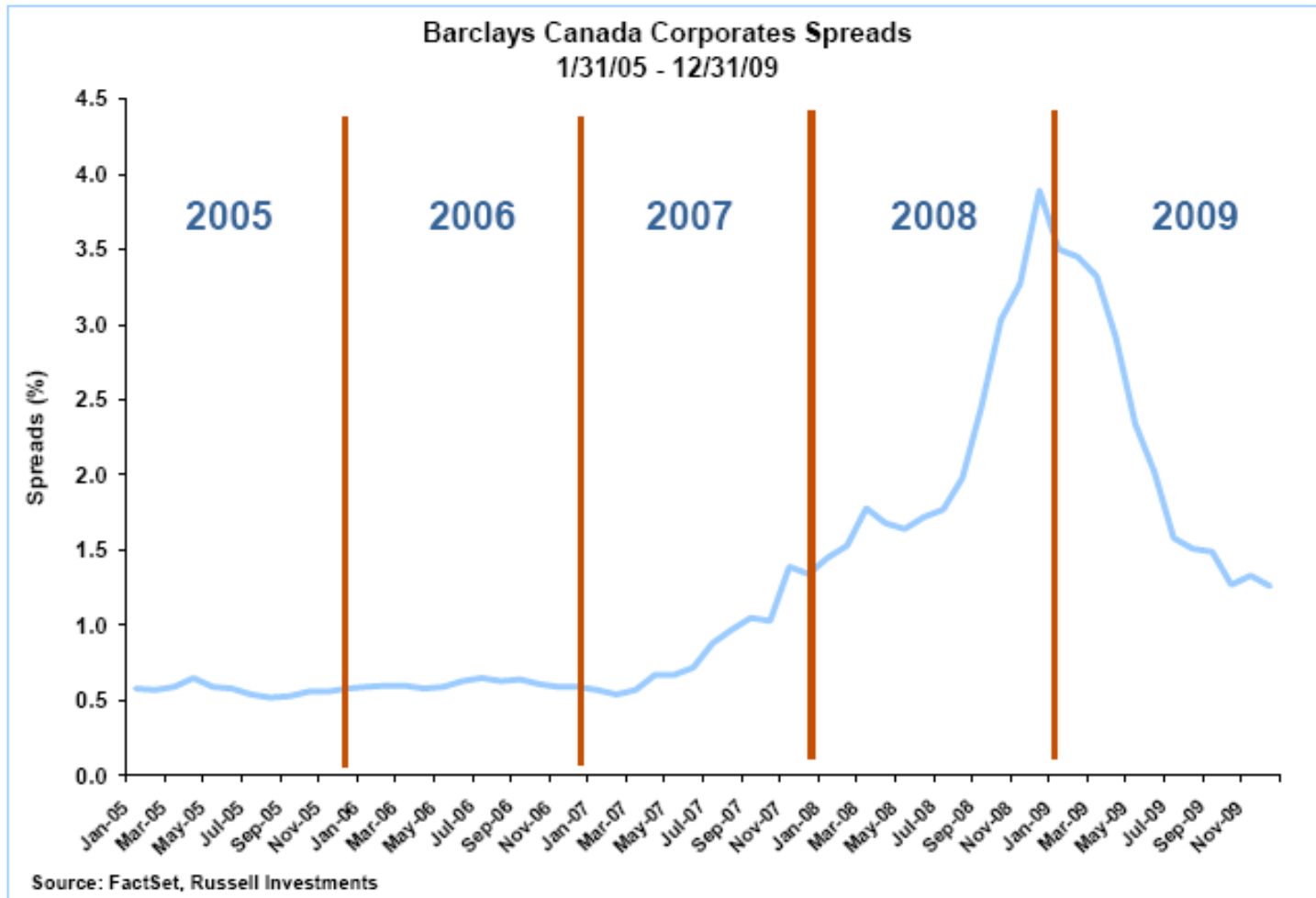
# Corporate bonds' reversal in 2009

Corporate Bond Annual Value-Added

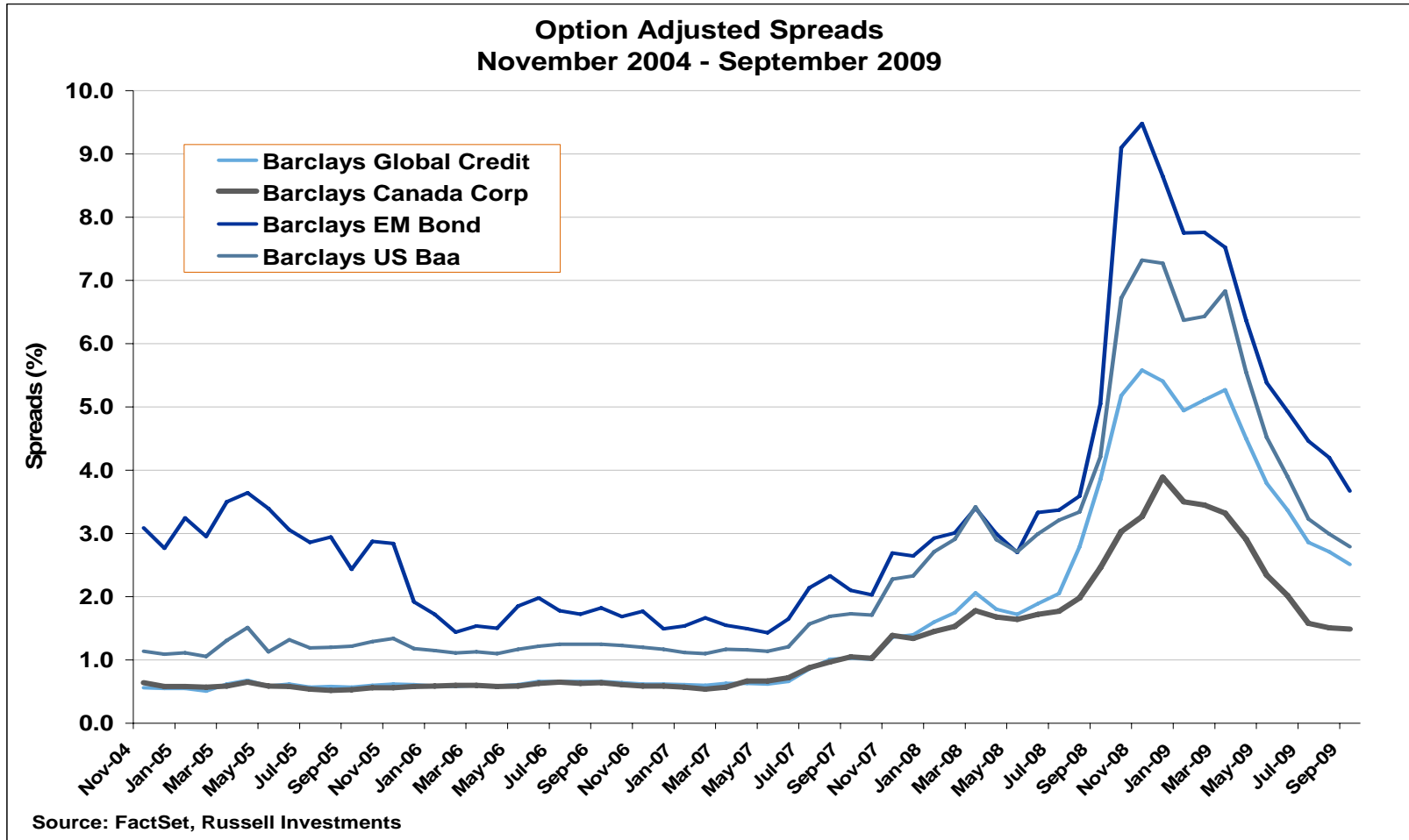


(DEX Corporate Bond Index less DEX Federal Index)

# Cdn IG Corporate Spreads Still Wide on a Historical Basis



# Cdn corp bonds offer less value



# Results for periods ending Dec. 31, 2009

## Canadian Fixed Income

| Fund                           | Q4           | 1 yr        | 3 yr        | 5 yr        | Incep       |
|--------------------------------|--------------|-------------|-------------|-------------|-------------|
| RGF Canadian Fixed Income Fund | 0.04         | 9.56        | 6.46        | 6.05        | 7.07        |
| <u>DEX Universe Bond Index</u> | <u>-0.16</u> | <u>5.41</u> | <u>5.16</u> | <u>5.21</u> | <u>6.42</u> |
| Excess Return                  | 0.20         | 4.15        | 1.30        | 0.84        | 0.65        |

| Pool*                          | Q4           | 1 yr        | 3 yr        | 5 yr        | 10 yr       |
|--------------------------------|--------------|-------------|-------------|-------------|-------------|
| Russell Fixed Income Pool      | 0.17         | 11.45       | 6.90        | 6.38        | 7.52        |
| <u>DEX Universe Bond Index</u> | <u>-0.16</u> | <u>5.41</u> | <u>5.16</u> | <u>5.21</u> | <u>6.66</u> |
| Excess Return                  | 0.33         | 6.04        | 1.74        | 1.17        | 0.86        |

### What Worked in Q4

- **Corporates and Provincials O/W**
  - Stayed o/w spread sectors - specifically the Corporate Sector.
- **Security Selection**
  - Being OW high quality long duration Corporates and select HY
- **Non-Index (Global Bond) Strategies - PIMCO**
  - US Financials
- **Russell PM decisions**
  - Kept Canso o/w, and kept the higher Beutel corp limit

### What Didn't Work in Q4

- **Yield Curve Positioning**
  - Our slight yield curve flattening position was a detractor.

\* Returns are Series A, gross of fees Source: Russell

# Fund positioning

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## How is the fund positioned currently?

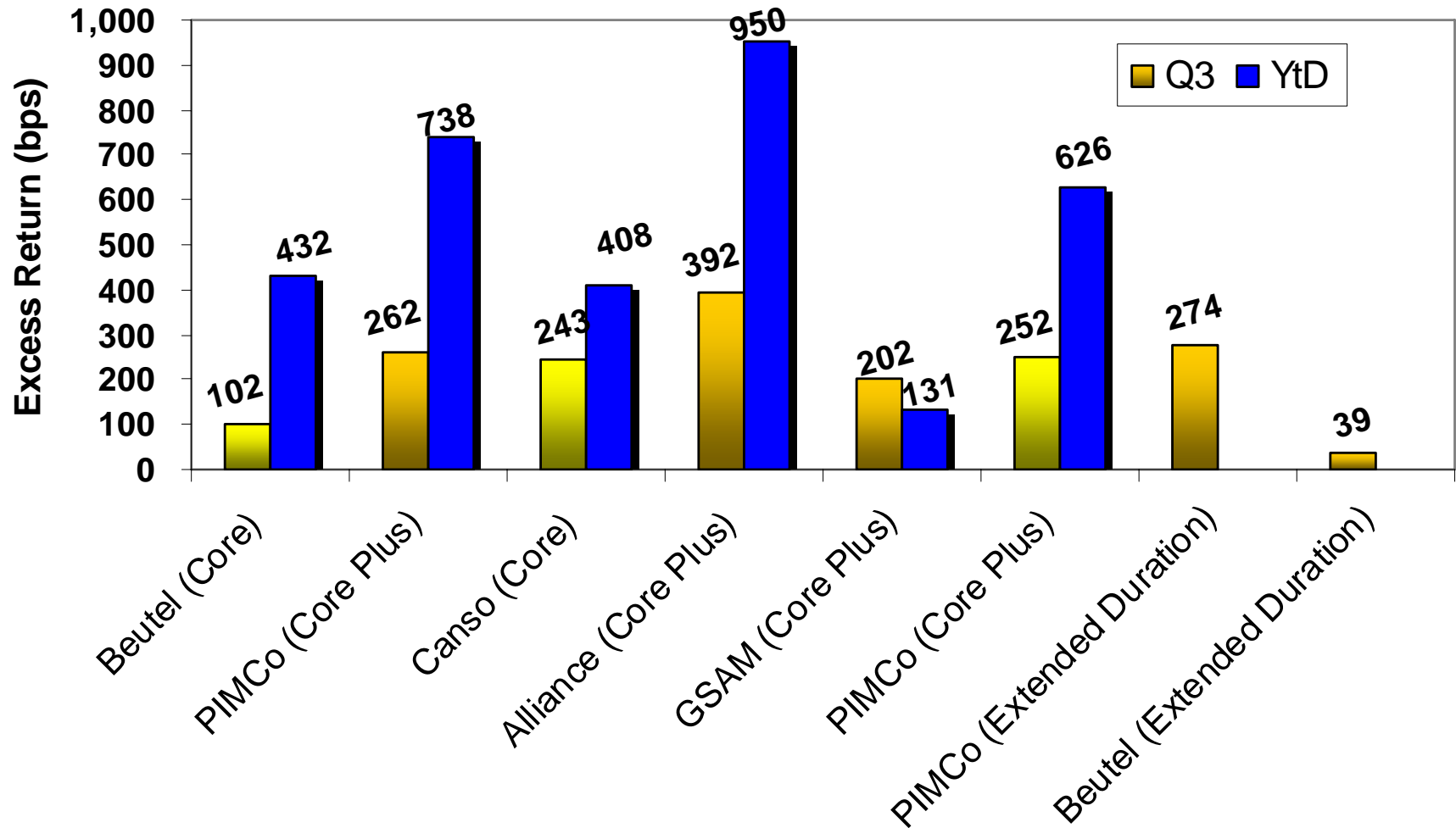
- **Positioned for a low growth, low interest rate and low inflation environment.**
- **The consensus view among our managers is that it is time to modestly reduce the risks in the portfolios.**
- **Not aggressive in the area of interest rate strategies. Moving from a longer to more neutral duration. Small yield curve flattening strategy in place.**
- **Reducing Canadian corporate exposure, but still maintaining o/w (*especially non-Cdn corporates, and longer duration corporates*).**

## What are the major risks to the fund?

- **A resumption of recessionary economic levels would erode confidence, and push credit spreads back wider.**
- **A quick return to strong positive economic growth, and inflation, would erode value in the bond market.**

# Manager Q3 scorecard

## Relative to Own Benchmarks

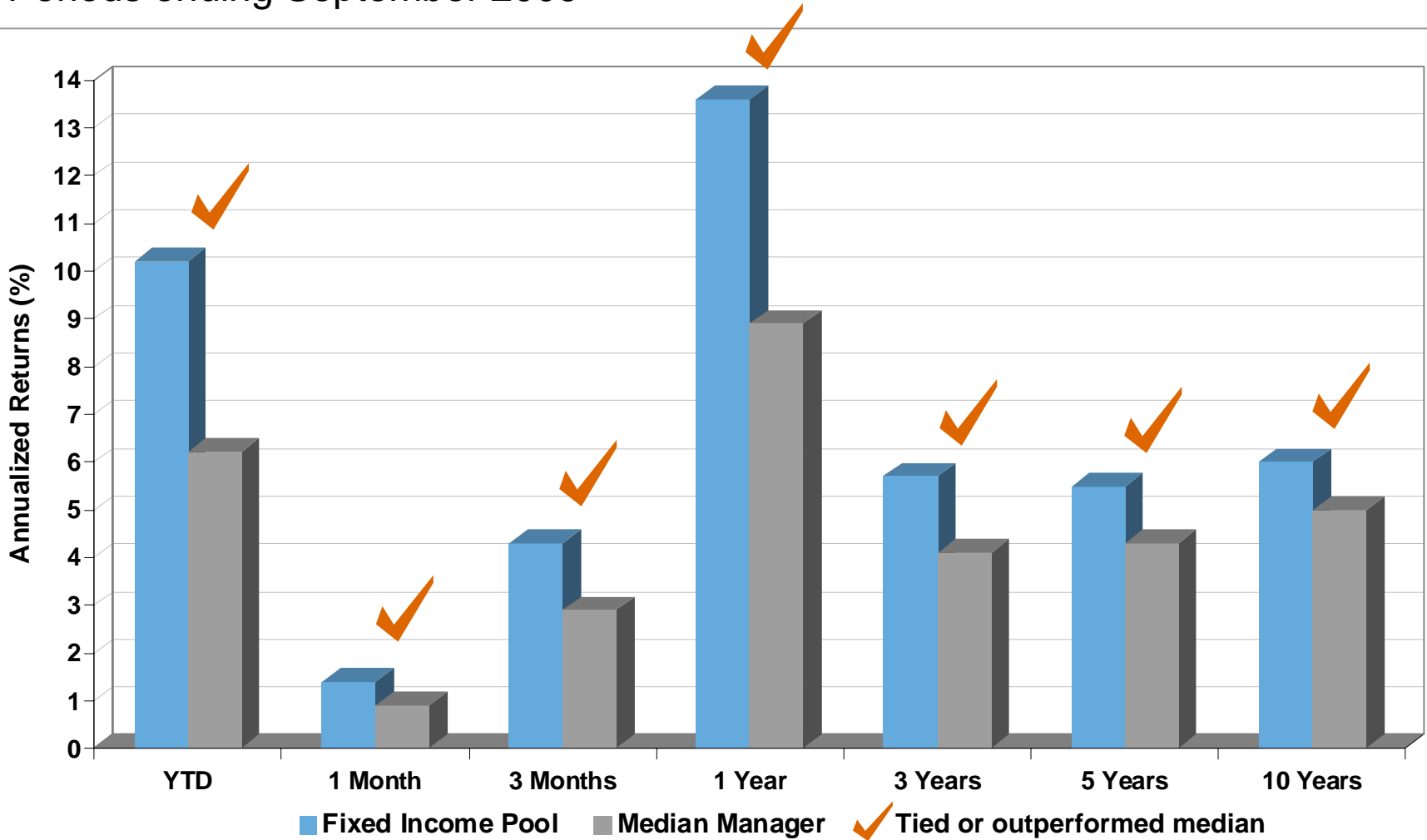


Source: Manager supplied data, gross of fee returns



# Russell Fixed Income Pool

Annualized performance vs. Canadian Fixed Income median manager  
Periods ending September 2009



Management fee for the Fixed Income Pool was 1.25% from 1994-1999.

Source: Russell Investments Canada Limited; Morningstar Research

Please see the performance disclaimer page, which provides further details on this comparison.