



Asset Mix Change Prepares for Growing Uncertainty

MAY 19, 2006

We are implementing a change to our global asset allocation mandates:

- We are selling Canadian equity and buying U.S. equity.
- This eliminates our Canadian equity overweight relative to our U.S. equity underweight, reducing the total deviation relative to the benchmark for both of these asset classes.

Growing Uncertainty in North American Markets

For the last two months, market and economic data has shown that economic growth in the U.S. remains stronger than expected while inflation reports have come in higher than consensus forecasts. These trends introduce a higher degree of uncertainty regarding the course of monetary policy that the U.S. Federal Reserve will pursue over the coming months. The uncertainty is increased by the fact that we have a new Federal Reserve Chairman in Ben Bernanke, who has a limited track record so far. If the central bank was to tighten too aggressively, the risk of a more pronounced economic slowdown would be detrimental to cyclical assets and commodity prices.

Selling Canadian Equity

Because of the huge run-up in metal prices since the start of the year, the Canadian equity market is most at risk due to its large exposure to the commodity complex. We believe some profit taking makes sense at this stage.

We also believe that the Canadian dollar could be weak relative to the U.S. dollar in the coming months, further reducing the relative attractiveness of Canadian assets compared to U.S. assets. The Canadian economy is growing tired. Despite strong external demand, industrial production has stagnated for six months and export volumes have been falling since the middle of 2005. Commodity prices have risen to speculative levels. Slowing global demand should act as a catalyst for a downward price correction, a negative for our currency.

Buying U.S. Equity

The U.S. equity market should fair better due to its low commodity exposure. Also, following the latest quarterly earnings reports, U.S. corporations continue to surprise with good earnings growth.

We continue to believe in our global rebalancing scenario over the next 12 months, calling for a mild economic slowdown combined with a benign inflation outlook. With this scenario we continue to expect growth in corporate earnings and well contained inflationary expectations.

Disclaimer: This document has been prepared for the general information of our clients and does not constitute an offer or solicitation to buy or sell any securities, products or services and should not be construed as specific investment advice. The information contained in this document has been obtained from sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied upon as such. All opinions and estimates expressed in this document are as of the time of its publication and are subject to change.

CIBC Global Asset Management Inc. uses multiple investment styles for its various investment platforms. The views expressed in this publication are the views of the Global Asset Allocation team and may differ from the views of other teams within our integrated investment platform.

©2006 CIBC Global Asset Management Inc. operates under the brand name CIBC Asset Management and is a member of the CIBC Group of Companies.