
2013 INVESTMENT STRATEGY: LAURENTIAN BANK FOCUSES ON THE YEAR AHEAD

Montréal, February 21, 2013 – In order to help investors get a better grasp of market evolution, Laurentian Bank is presenting the forecasts for 2013 of its Vice-President and Strategist, Mr. Sylvain Ratelle. Drawn from the document entitled, *Investment Strategy*, which was prepared jointly with Laurentian Bank Securities' Economic Research Department, this information will be particularly valuable for investors wishing to review the positions of their RRSP portfolios.

Recommending a New Balance: More Stock... Fewer Bonds

The year 2013 should continue to put distance between us and the financial collapse of 2008-2009, even if political uncertainty could muddy the waters to some degree. The global economic environment is gradually making way for more sustainable growth of real GDP. South of the border, the modest upswing of economic conditions in the U.S. will prove to be vital for other industrialized and emerging nations. The improvement of public finances in Washington awaits completion, but the American private sector has started to see some light. On the other side of the Atlantic, we are anticipating a little less agitation in Europe this year, despite the persistent recession in the euro zone.

We are also expecting the principal central banks to be more proactive this year, which should serve to reinstate the appetite for risk a bit. All of these elements will contribute to reinforcing still fragile economic and financial stability. This reinforcement should not be accompanied by high global inflation, which makes for an ideal scenario for stock markets that will not need to be bothered by a pronounced rise in interest rates.

"In view of the overall economic and financial picture, we are recommending a rebalancing of portfolios," underlines Sylvain Ratelle. "Thus, we are favouring overweighting of the stock portion and, in parallel, underweighting of the bond component." This positioning will avoid the adoption of an overly conservative investment strategy so as to benefit from the positive momentum of stocks. "At the same time, we believe it would be too hasty to consider the other extreme — that of taking maximum risk, commonly known as *the big turnaround* in financial markets jargon."

What the Markets Have in Store for Us in Canada

With Canada being a net exporter of natural resources, the trend of the Canadian dollar is to closely follow that of the raw material indices. Furthermore, the dollar appears to be overweighted, recently starting on a new, slightly downward trend. According to Sylvain Ratelle, "we recommend taking advantage of the Loonie's current level in order to diversify a majority portion of share assets — approximately two-thirds — toward American and international markets, while respecting individual profiles." The Canadian bond market is likely to lose some of its lustre later in 2013 and 2014, as investors will be less and less inclined to take risks in light of improving economic conditions, particularly in Europe. Thus, we could well see a much less vigorous influx of international capital. "Consequently," maintains Mr. Ratelle, "we suggest reducing the weighting of the bond market in portfolios, as well as the duration of the bond portfolio, so as to diminish the impact of expected interest rate increases on the value of bonds."

Weak but Constant Recovery in the United States

The American stock market, represented by the S&P 100 index, is among those that saw the highest returns in 2012. In fact, the S&P 100 index has recovered almost all of the losses of 2007-2009. According to the consensus among analysts, the anticipated growth of profits for the next two years, combined with an evaluation below the historic average and the appetite for risk among investors, are all now making for a positive market trend. As Sylvain Ratelle pointed out earlier, the time is right for overweighting in American and other foreign securities.



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The euro zone continues to be fragile, although that fragility should attenuate somewhat during 2013 if financial conditions continue to improve and the economy gets back on track. In emerging countries, most of 2012 was marked by a deceleration of growth. The year 2013 should be the opposite. The improvement of economic conditions in the U.S. will progressively benefit the external sector of emerging economies. Moreover, an improvement in Chinese exports has already been observed at the end of 2012. However, the relative performance of emerging markets should not be as spectacular as during the last periods of market recovery.

About Laurentian Bank

Laurentian Bank of Canada is a pan-Canadian banking institution that has nearly \$35 billion in balance sheet assets and \$33 billion in assets under administration. Founded in 1846, Laurentian Bank was selected in 2012 as one of the 10 winners of the Canada's Passion Capitalists program in recognition of its sustained success through the promotion of passion within its ranks. The Bank employs more than 4,200 people.

Recognized for its excellent service, proximity and simplicity, Laurentian Bank serves more than one million clients in market segments in which it holds an enviable position. In addition to occupying a choice position among consumers in Québec, where it operates the third largest branch network, the Bank has built a solid reputation across Canada in the area of real estate and commercial financing thanks to its teams working out of more than 35 offices in Ontario, Québec, Alberta and British Columbia. Its subsidiary, B2B Bank, is a Canadian leader in providing banking products as well as investment accounts and services to financial advisors and brokers, while Laurentian Bank Securities is an integrated broker, widely recognized for its expertise and effectiveness nationwide.

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