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All values in U.S. dollars unless otherwise noted.

Priced as of June 30, 2010, market close (unless otherwise stated).

For Important Disclosures, see pages 6-7.

The Monthly Scorecard

No Celebration for Investors

The equity markets were not kind to investors for the month of June—or for the second quarter in general. The markets endured their first “correction” (defined as a decline of greater than 10%) since the bull market began in March of 2009. The S&P 500 peaked at 1217.28 on April 23 and closed the quarter at 1030.71 on June 30¹ for a correction of just over 15%.

What Happened? There are numerous factors, in our opinion, that have contributed to the decline in share prices. Among them:

- **European Sovereign Debt Issues.** Concern that the “Greek Tragedy” and the sovereign debt issues for the “PIIGS” (Portugal, Ireland, Italy, Greece, and Spain) will lead to broader debt issues. There is no question that there is major impact for the Eurozone, which will lead to fiscal austerity. We view the issues as an “After Shock” and not a brand new financial crisis. U.S. exposure to the PIIGS is fairly limited at less than 5% of U.S. financial institutions’ debt, but the issues in Europe have highlighted the debt issues we face in the United States.
- **“Sell now and ask questions later.”** With the memory of 2008 fresh in our minds, the first reaction from investors has been to “sell first,” an understandable reaction.
- **Weakening economic statistics.** After the initial recovery that began in the summer of 2009, many economic statistics have stalled or, in some cases, have rolled over. Leading Economic Indicators, such as ISM and the Conference Board Leading Economic Indicator, appear to have “rolled over,” placing current EPS estimates for 2010 and 2011 in question. Housing numbers, once buoyed by the government’s first-time home buyers’ credit, have dropped back considerably. Consumer spending is now growing more slowly than labor income—a clear moderating trend from the pent-up demand seen in late 2009 and the beginning of 2010.
- **Concerns about higher taxes (both federal and state).**
- **Fully Invested.** many institutions entered the April /May period “fully invested” with very low levels of cash—leaving them with few choices
- **The economic and psychological impact of the BP oil spill in the Gulf of Mexico.**
- **Financial Regulatory Reform.**
- **Contraction in Excess Liquidity.**

These concerns have led to talk of a “double dip” in the U.S. Economy. At this time we are not forecasting a double dip and would point out that they are very rare from a historical perspective. We do expect mixed economic data for some months to come, which reinforces our forecast of a “half-speed recovery” with bumps along the way.

For the month, the Dow Jones Industrial Average declined 3.6%, the S&P 500 5.4%, and the Nasdaq Composite 6.6%. For the quarter, the Dow ended down 1082.61 points (or 10% at 9774.02), its first quarterly decline since the first quarter of 2009. The S&P 500 declined 11.9% and fell for 13 of the 22 trading days in June, and only once during the entire month did the S&P close above its year-end 2009 level. All of the 10 economic sectors were in negative territory for the month with Telecommunications Services the only sector close to even with a 0.39% decline and Consumer Discretionary taking the biggest hit with a close to 10% decline for the month. For the quarter, the S&P 500 was off 11.9%, and all 10 sectors were in negative territory led by Material, Financial, Energy, and Information Technology, with Telecommunications Services and Utilities among the better relative performers (although still negative).

Index and Sector Performance (Price Performance % Change)

Index	Price 6/30/2010	One Month	Three Months	YTD	One Year	Two Years
Dow Jones Industrial Average	9,774.02	-3.58%	-9.97%	-6.27%	15.71%	-13.89%
S&P 500	1,030.71	-5.39%	-11.86%	-7.57%	12.12%	-19.48%
S&P Industrials	1,328.19	-5.40%	-11.86%	-8.32%	11.69%	-16.96%
NASDAQ Composite	2,109.24	-6.55%	-12.04%	-7.05%	14.94%	-8.01%
Russell 2000	609.49	-7.88%	-10.19%	-2.54%	19.91%	-11.62%
S&P TSX Composite	11,294.42	-3.23%	-6.17%	-3.85%	8.86%	-21.93%
FTSE 100	4,916.87	-5.23%	-13.43%	-9.16%	15.71%	-12.60%
HDax	5,965.52	0.33%	-3.06%	0.14%	24.06%	-7.05%
Hang Seng	20,128.99	1.83%	-5.23%	-7.97%	9.52%	-8.93%
Morgan Stanley EAFE	1,348.11	-1.38%	-14.91%	-14.72%	3.13%	-31.47%
Nikkei 225	9,382.64	-3.90%	-15.40%	-11.04%	-5.78%	-30.40%

Sector	Price 6/30/2010	One Month	Three Months	YTD	One Year	Two Years
Consumer Discretionary	229.71	-9.80%	-11.20%	-2.28%	26.11%	2.75%
Consumer Staples	262.64	-2.80%	-8.85%	-4.25%	10.27%	-4.14%
Energy	373.36	-5.79%	-13.23%	-13.16%	-0.13%	-42.74%
Financials	185.64	-5.97%	-13.56%	-4.20%	15.47%	-31.49%
Health Care	326.88	-1.86%	-12.29%	-9.76%	6.67%	-7.80%
Industrials	238.29	-7.09%	-12.79%	-1.94%	24.57%	-21.27%
Information Technology	329.93	-6.22%	-12.46%	-11.00%	14.71%	-7.41%
Materials	172.46	-7.10%	-15.72%	-13.69%	11.64%	-33.75%
Telecommunications	102.04	-0.39%	-5.65%	-10.99%	-2.05%	-25.22%
Utilities	143.44	-1.02%	-4.82%	-9.21%	1.08%	-30.62%

Note: All returns are simple price appreciation. Figures shown exclude any contribution from dividends.
Source: FactSet

The S&P 500 and ISM



Source: Bloomberg, RBC Wealth Management, data through June 30, 2010

Prevailing Over the Aftershocks

An excerpt from our Quarterly Strategy Report dated June 23, 2010

Following the earthquake that struck financial markets in late 2008 and early 2009, initially economic growth surged and stock markets soared.

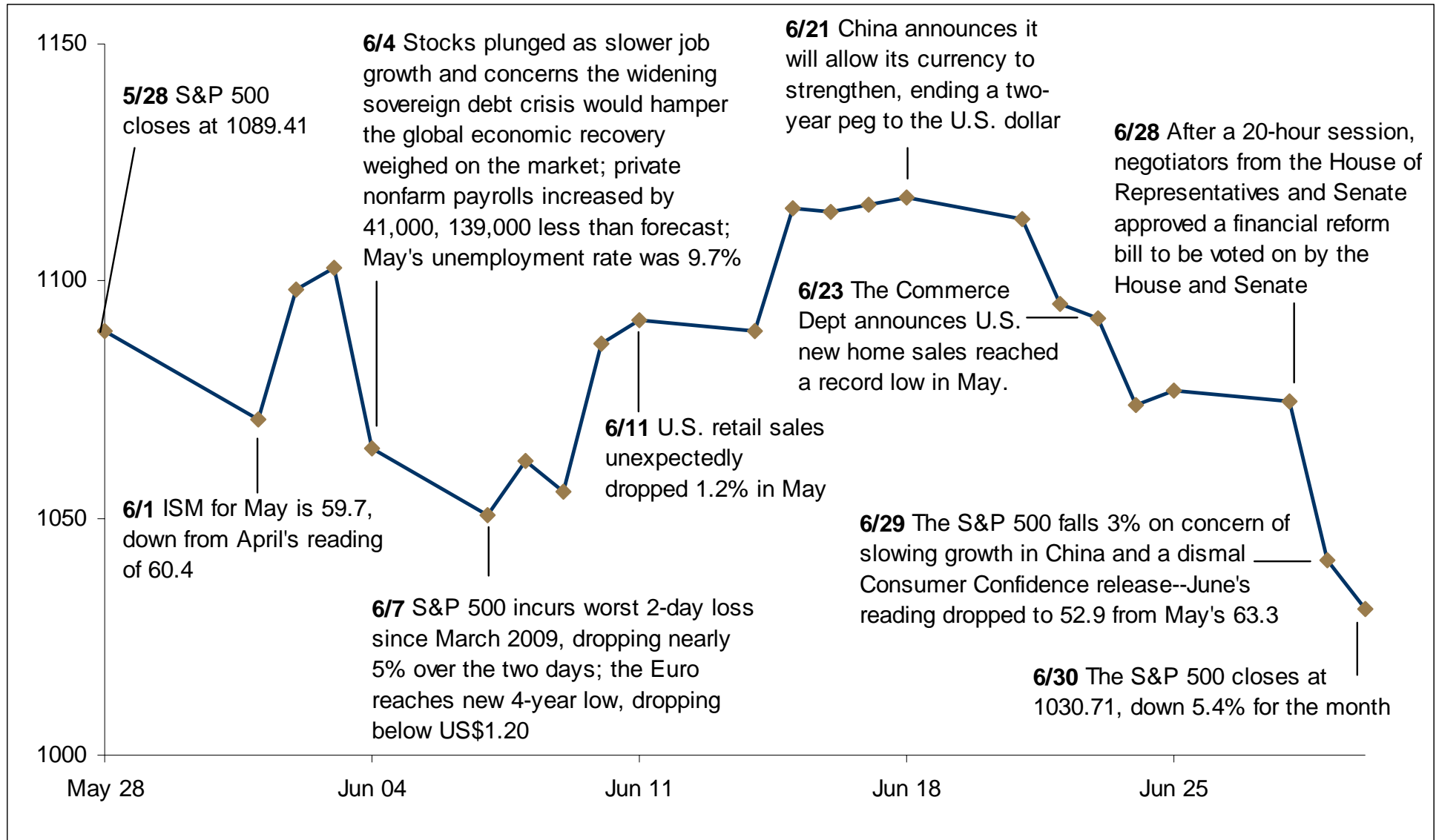
However, after an earthquake occurs, aftershocks tend to roll though the landscape. Recently, financial markets have experienced the first meaningful aftershock since the big earthquake. Risks associated with Europe's debt crisis jolted global equity markets in May. The U.S. stock market fell 8.2% that month, as measured by the S&P 500 Index.

Europe's fiscal challenges have the potential to create more volatility for the stock market and other aftershocks could surface if the U.S. economy weakens.

At this stage of the cycle, we believe investors can more effectively prevail over additional aftershocks if equity allocations are defensively positioned.

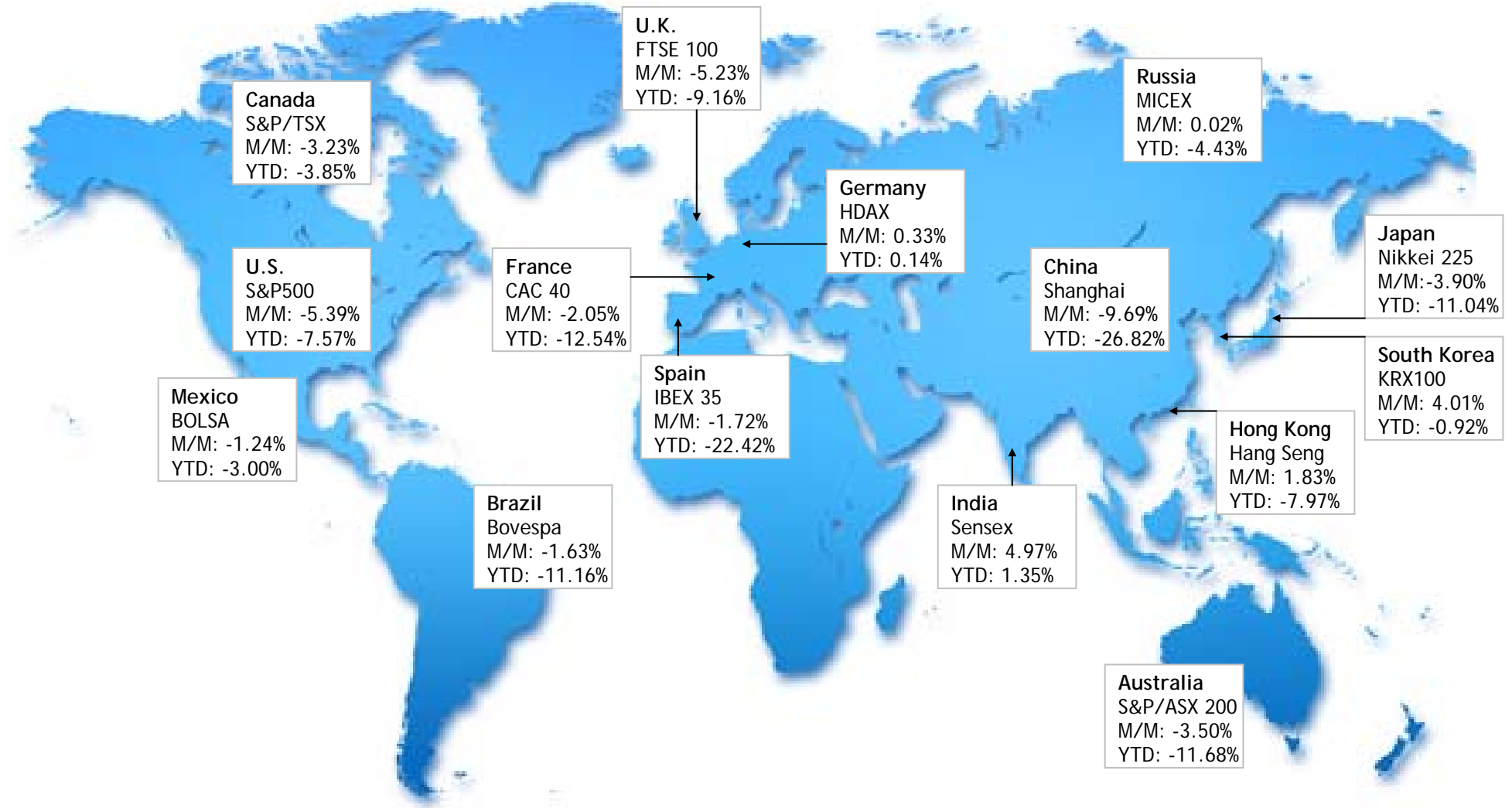
Please contact your Financial Consultant for a copy of the full report.

June at-a-Glance



Source: Bloomberg and RBC Wealth Management

World Markets – June 2010



Source: FactSet

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			Count	%
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Sell (U)	55	4.39	8	14.55

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