

*And Now for Something Completely
Different...*

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Agenda

Financial/Economic Crisis



Root Cause

Effects



Economy



Capital Markets

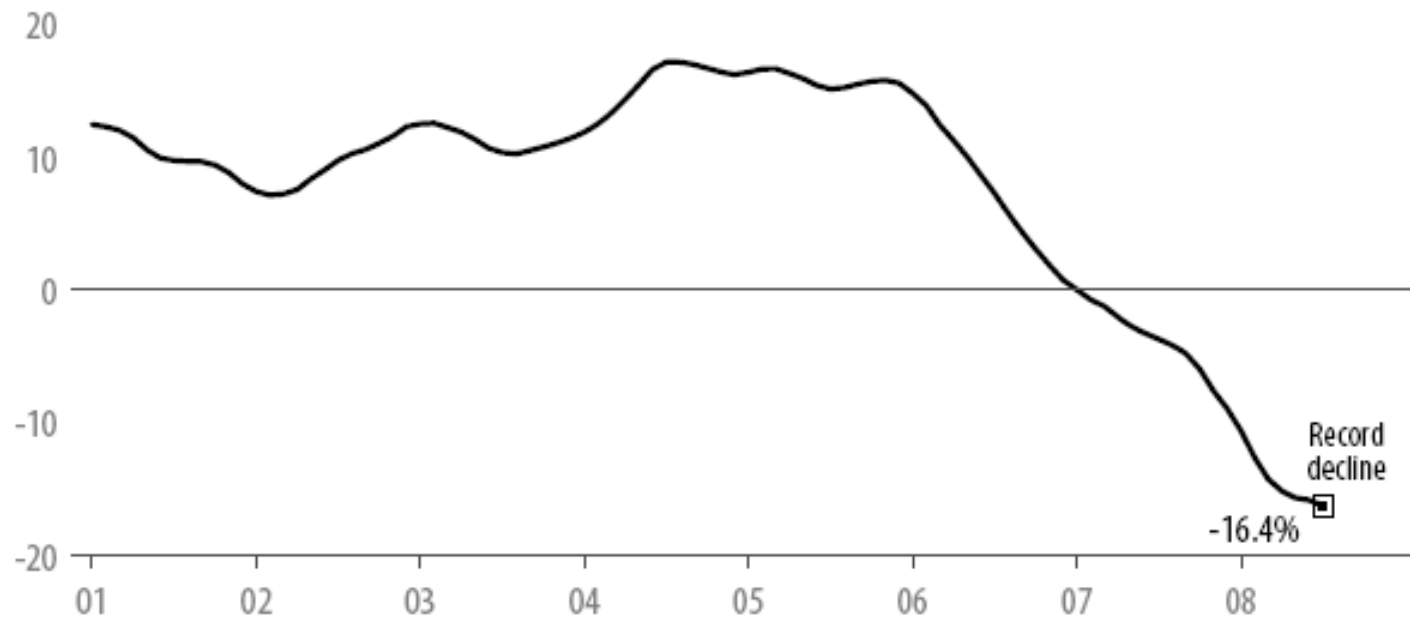


Communities & Charitable Organizations

US house prices continue their descent

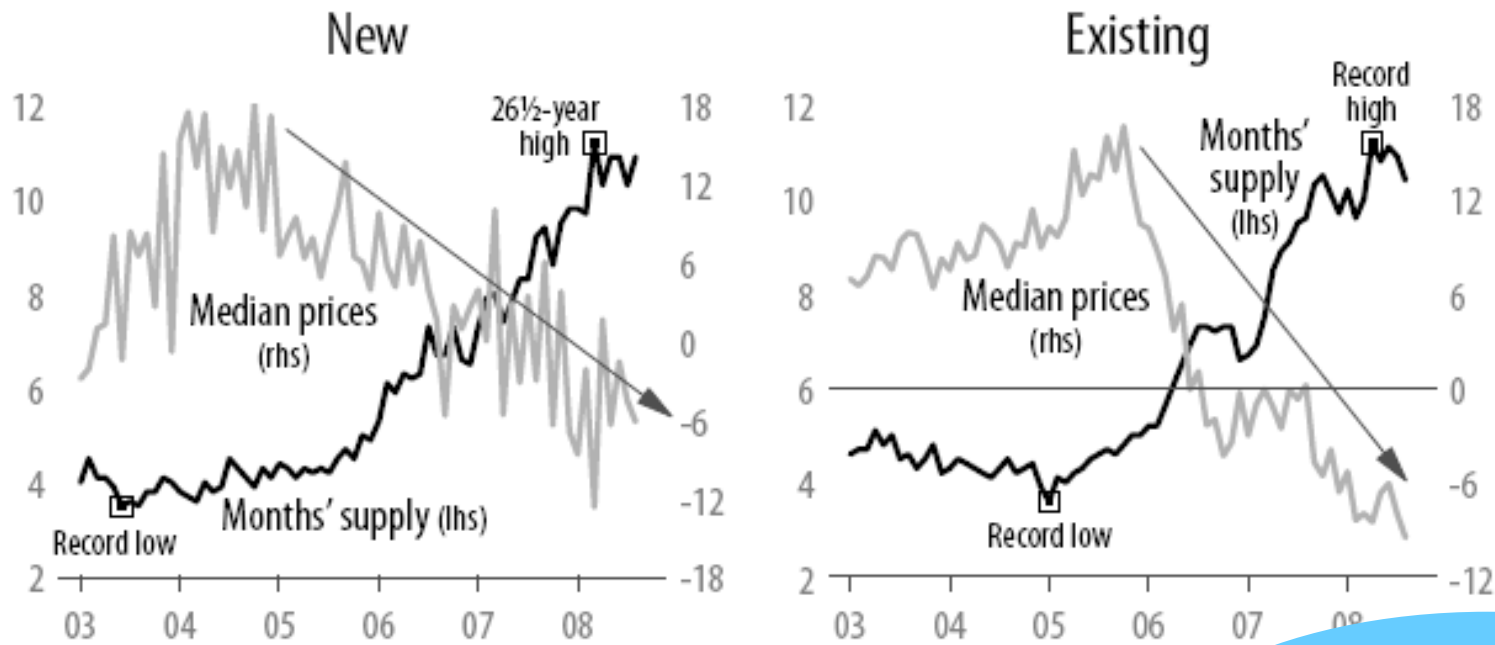
United States (y/y % chng)

S&P/Case-Shiller 20 cities index



Massive overhang of unsold homes

Home sales – United States



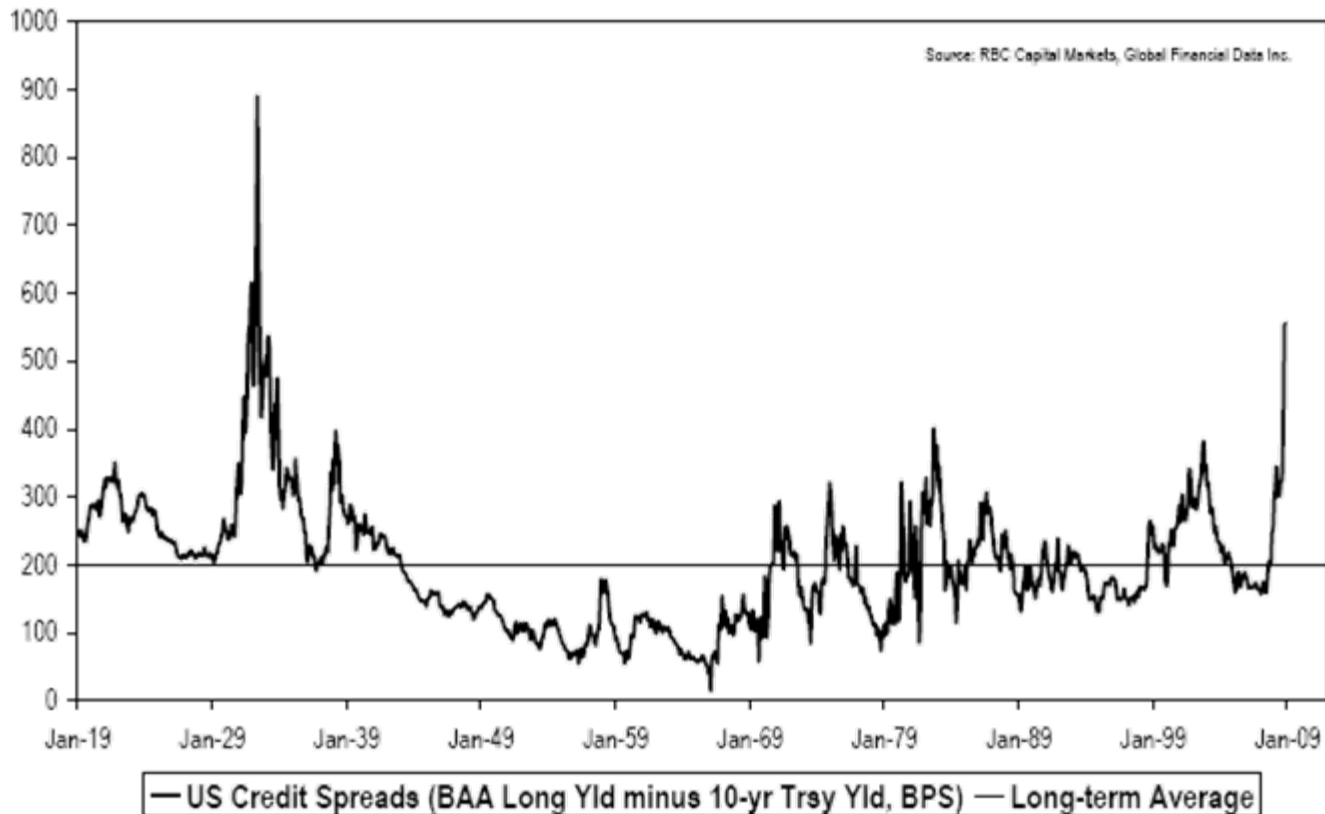
Negative equity ⇒ Walkaways

Months' supply = (ratio) Median prices = (y/y % chng)

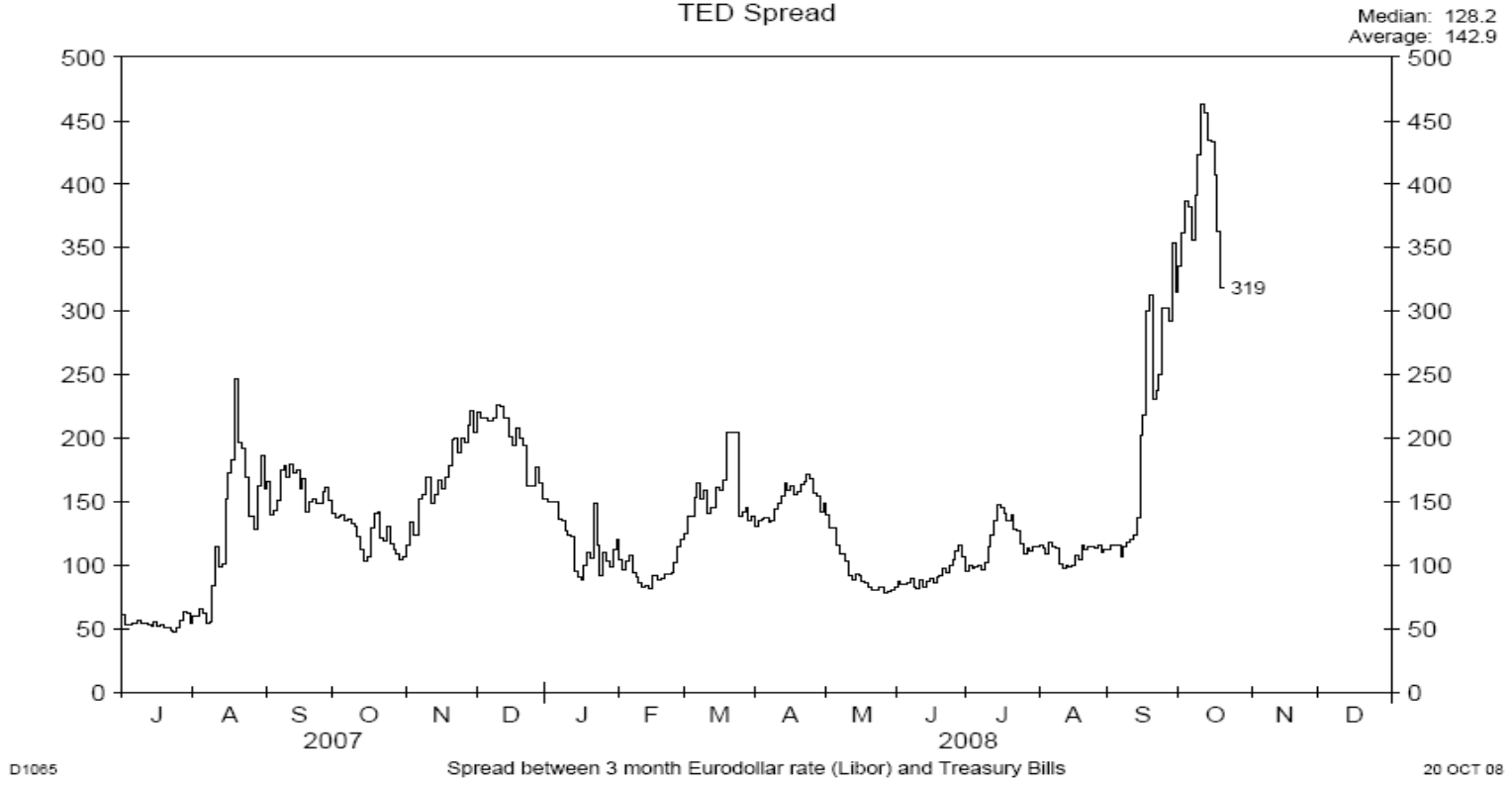
Existing home sales rose 5.5% in September as housing inventory fell to 9.9 months supply; still above normal but moving in the right direction.

Source: The National Association of Realtors

Concerted credit support is (slowly) pushing credit costs lower



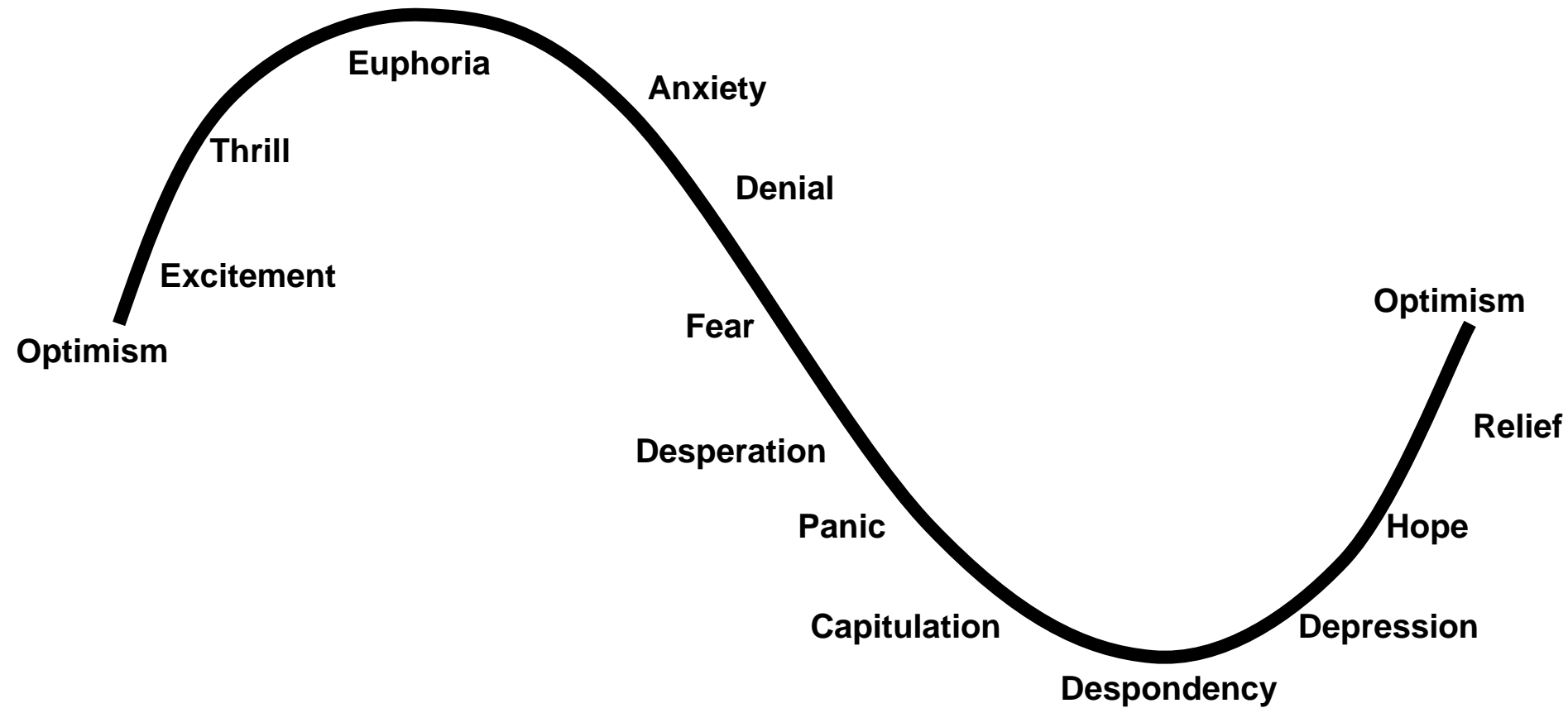
Ted Spread



The Recent Pace of Market Events

Date	Point Change S&P/TSX	
2-Sep-08	-472	September 7: U.S. government seizes control of mortgage giants Freddie Mac and Fannie Mae
3-Sep-08	-162	September 15: Lehman Brothers makes Chapter 11 bankruptcy filing, Bank of America agrees to buy Merrill Lynch, and AIG reportedly seeks financing from the Federal Reserve
4-Sep-08	-324	September 16: The Federal Reserve authorizes the Federal Reserve Bank of New York to loan up to \$85 billion to AIG with the U.S. government taking a 79.9% stake
5-Sep-08	2	September 17: TSX enters bear market territory
8-Sep-08	-182	September 18: The Federal Reserve, in conjunction with some of the world's largest central banks, injected \$180 billion into the markets in an attempt to improve liquidity
9-Sep-08	-488	September 19: The U.S. Securities and Exchange Commission prohibits short selling with limits
10-Sep-08	350	September 20: The Treasury submits legislation to the Congress requesting authority to purchase troubled assets up to \$700 billion from financial institutions in order to promote market stability
11-Sep-08	116	September 21: The Fed allows Goldman Sachs and Morgan Stanley to convert to bank holding companies from investment banks
12-Sep-08	157	September 23: Berkshire Hathaway, run by billionaire Warren Buffett, plans to invest \$5 billion in Goldman Sachs
15-Sep-08	-516	September 25: Bailout talks stall; Washington Mutual fails, biggest bank failure in U.S. history.
16-Sep-08	-27	September 28: Lawmakers in the U.S. agree on bailout package
17-Sep-08	-349	September 29: Citigroup acquires the banking assets of Wachovia; U.S. House of Representatives votes against the bailout package
18-Sep-08	187	October 1: U.S. Senate votes in favour of a revised bailout package; SEC extends short selling ban on financial companies
19-Sep-08	848	October 3: On its second attempt, the U.S. House votes in favour of the revised bailout package; Bush signs the bill into law shortly thereafter. Earlier in the day, Wachovia and Wells Fargo unveiled plans to merge just days after Citigroup said it would acquire Wachovia's banking assets
22-Sep-08	-275	
23-Sep-08	-105	
24-Sep-08	-19	
25-Sep-08	33	
26-Sep-08	-421	
29-Sep-08	-841	
30-Sep-08	468	
1-Oct-08	-38	
2-Oct-08	-814	
3-Oct-08	-97	

Investor's emotional cycle . . . is a 'cycle'



The equity bear market, as measured by the S&P 500, is down 39% from its October 2007 peak

Ranking the Bears
S&P 500 - Peak to Trough Decline

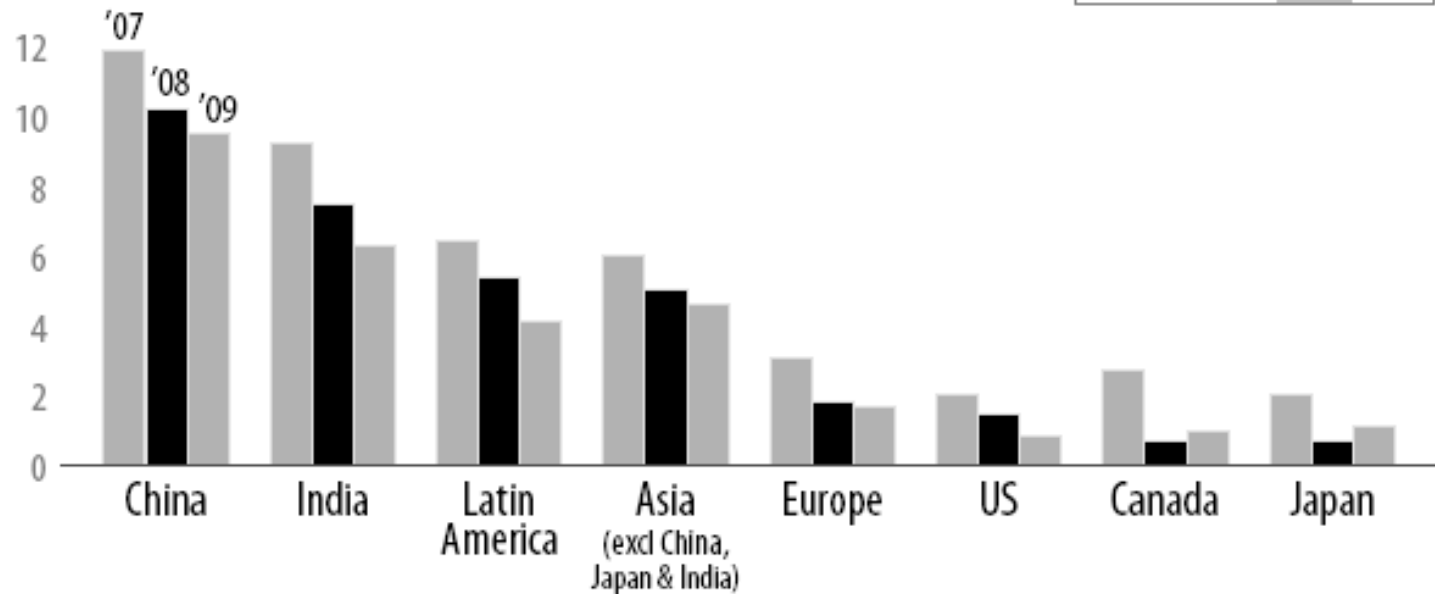
Year	Decline* (percent)	Duration (months)
1974	-46%	22
2001	-40%	23
2008	-39% (as at OCT31)	12
1970	-33%	19
1982	-24%	20
1957	-19%	17
1990	-16%	5
1953	-12%	8
1960	-12%	15

*calculation based on month-end

Global growth slower

(ann % chng)

Real GDP



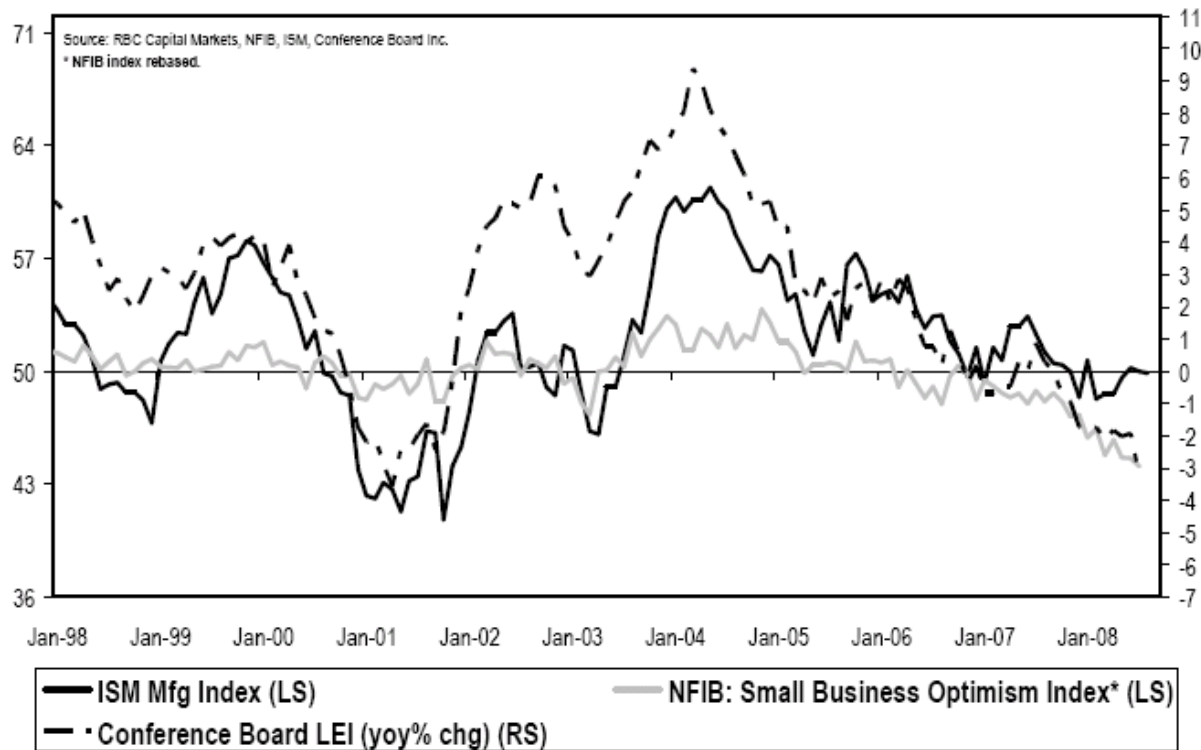
	07	08	09
World	4.9	4.0	3.6

...But supported by emerging markets

Ranked by '08

Source: [2008 & 2009] BMO Capital Markets forecasts

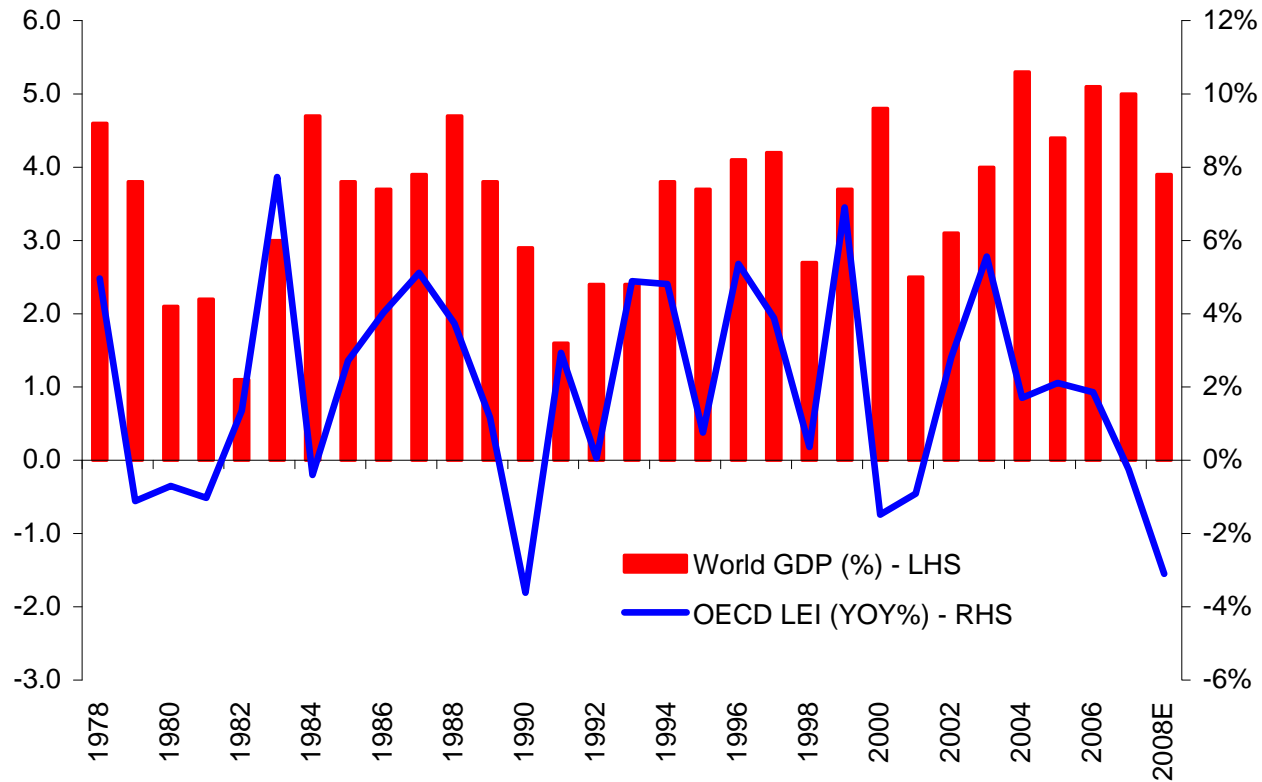
Leading Economic Indicators



Indicators of a weakening economy

OECD Leading Indicators Pointing Towards Weakest Period Since Early '90s

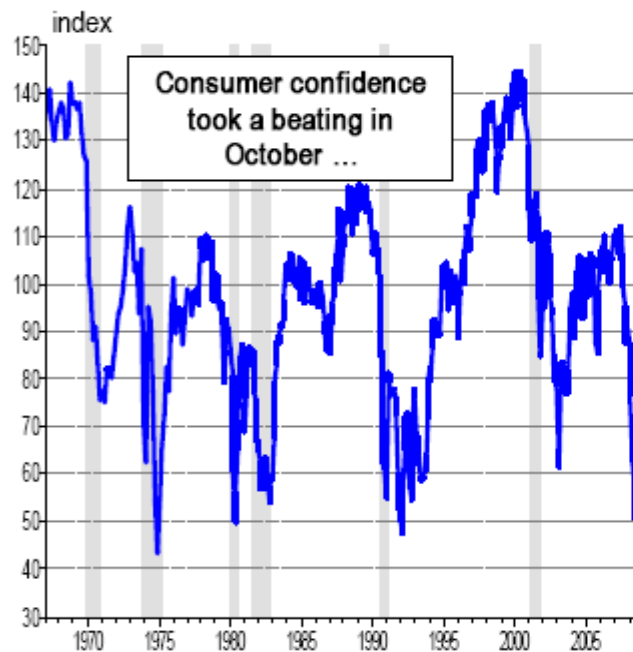
World GDP & OECD LEI (YOY%)



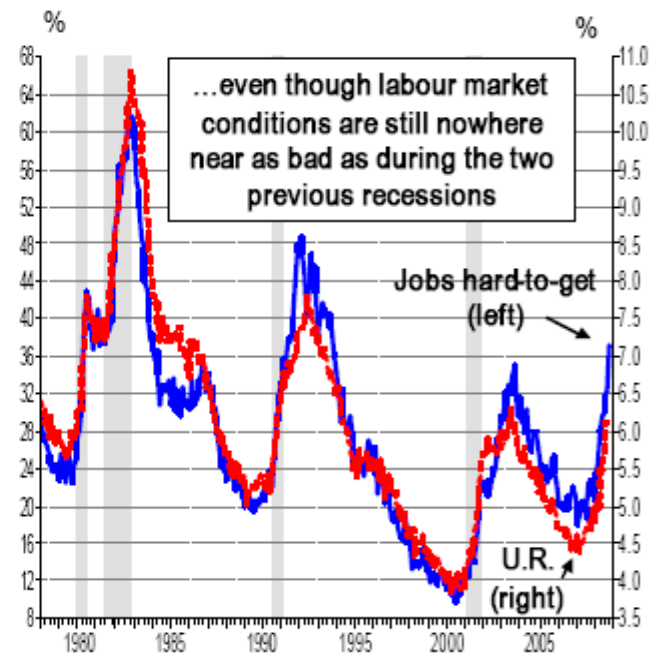
Source: Scotia Capital, IMF

Consumer sentiment down again in October

Consumer confidence



% of survey respondents that report jobs hard-to-get vs. actual unemployment rate



NBF Economy & Strategy (data via Global Insight)

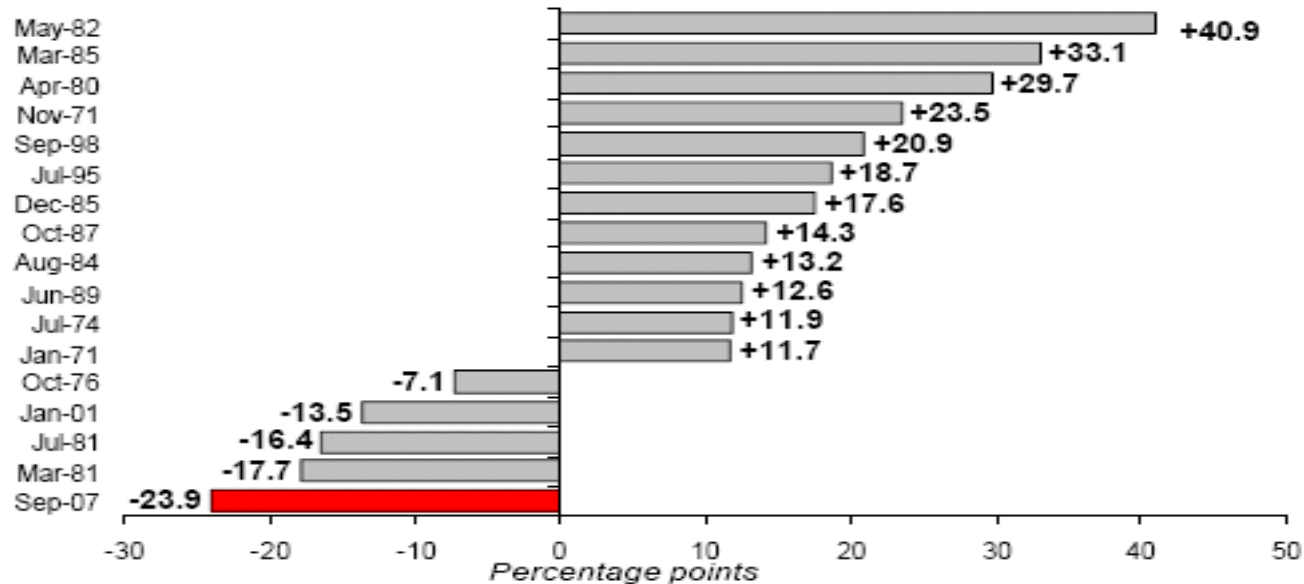
Deleveraging Process



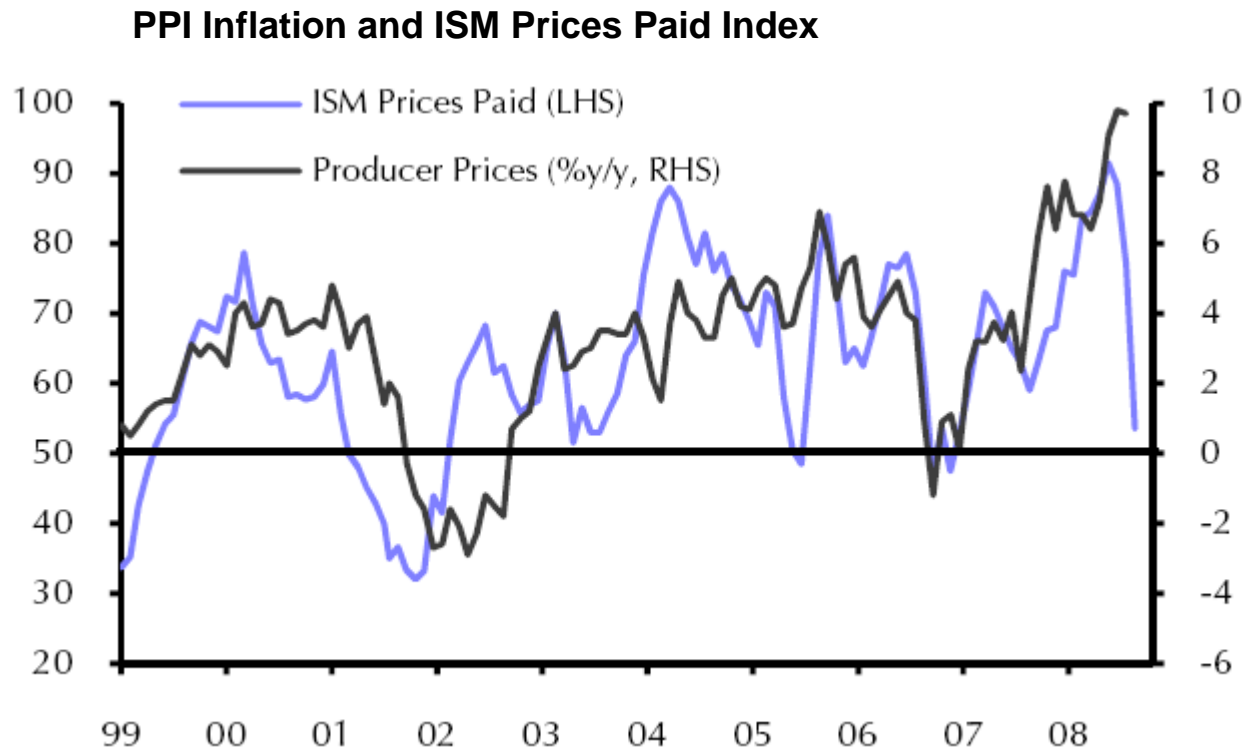
Central Bank Action...Equity Market Reaction

S&P 500 performance 12 months after Fed begins easing

Fed starts to ease:

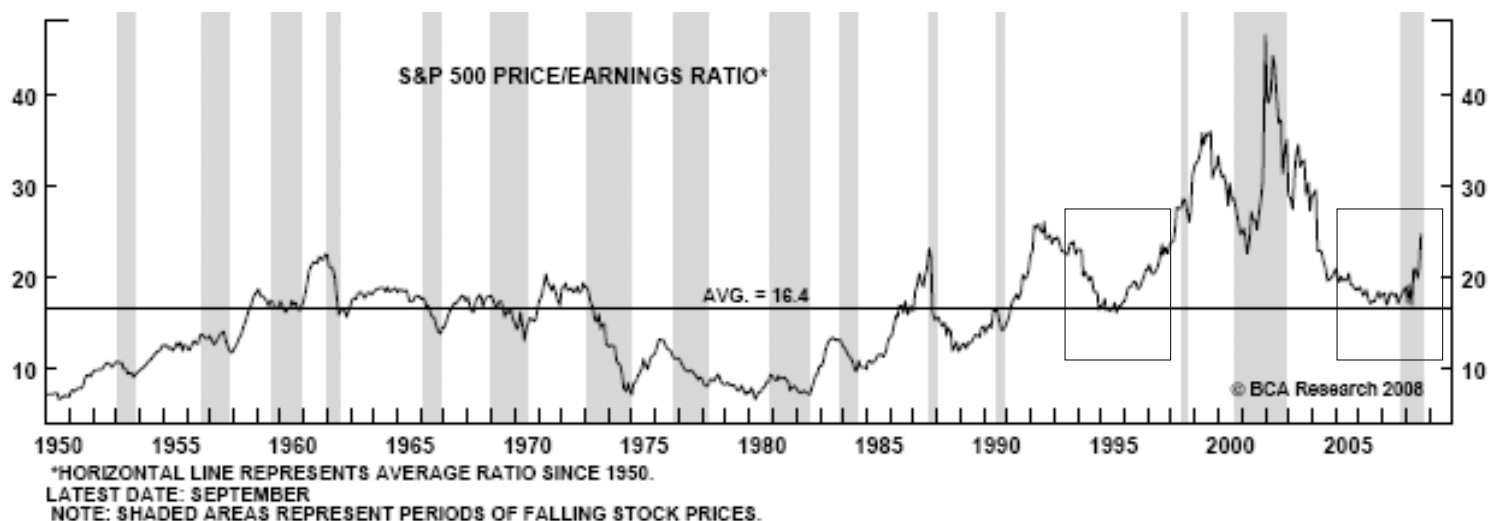


Inflation is no longer a worry



Source: Capital Economics, Thomson Datastream

Price to earnings ratios during periods of falling stock prices



All commodity sectors have been hit hard, and will remain weak until leading economic indicators revive

Commodity price range (January 2007 to October 31 2008)

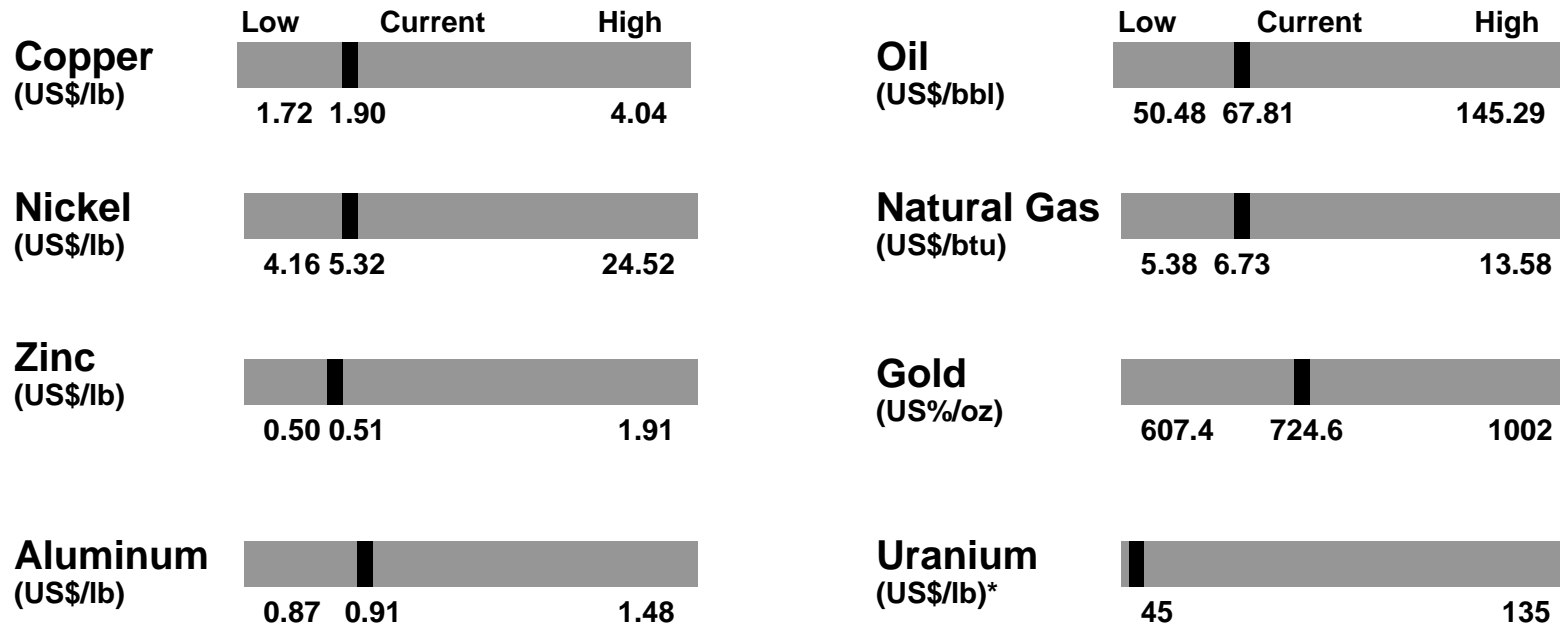
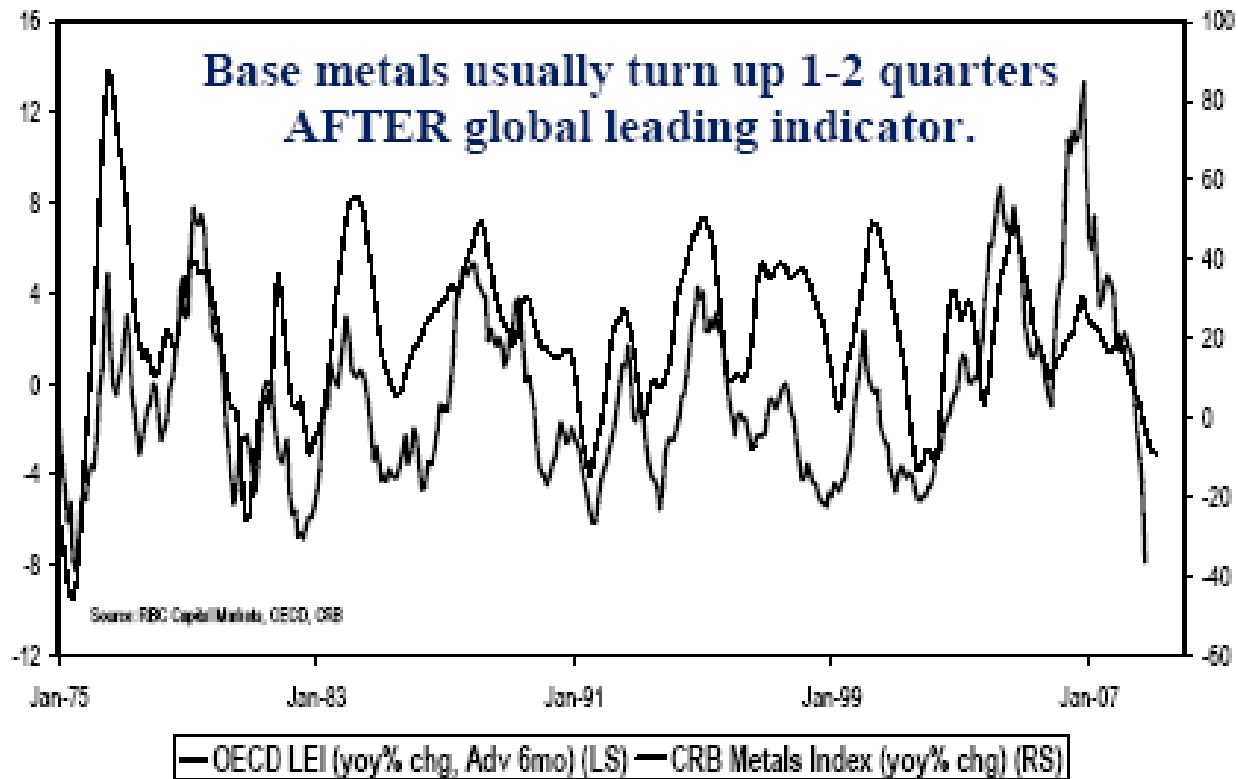


Exhibit 6: TSX Mining Stocks Since 1928, Base Metals Prices Follow the Global LEI by 1-2 Quarters



Effects

Economy

- ▶ Global Economic Recession

Capital Markets

- ▶ Fixed Income: Lack of growth suggests that 'deflation' not 'inflation' will be policymakers' priority
- ▶ Equities: No visibility on sustainable rally until LEI's turn upward, signalling a stronger economy

Effects

- Communities** ▶ Is a 'Main Street' and 'Wall Street' crisis:
- ◆ significant employment, income and wealth shrinkage
 - ◆ social unrest will be the collateral damage
 - ◆ public sector will strain to respond to increased demand for intervention.

Effects

- Charitable Organizations**
- ▶ Market Effect - level of endowment has fallen significantly leading to lower income available for disbursement
 - ▶ Fund-Raising Effect – fewer will contribute and average contribution will shrink
 - ▶ Demand for Services Effect – weak economy will spur greatly expanded demand for services

Summary

- ◆ Financial crisis appears to be thawing
- ◆ Global economic recession is an inevitability (duration and magnitude are difficult to gauge)
- ◆ Significant effect on communities and charitable organizations