

Budget 2000 – How it affects YOU!!!

Budget Recap

Staff Update

Fund News

Budget Measures Affecting Individuals

The Federal Budget, released on February 28th 2000 by Federal Finance Minister Paul Martin, contained a number of measures affecting individual taxpayers. Several changes have been implemented, most of which will benefit our clients. Please note that individuals should contact their own tax advisors to determine the effects of this budget on their personal situations.

Financial Market Impact

Mr. Martin's millennium budget has positive implications for equity investors in light of three fundamental policy changes - the reduction in capital gains taxation, the decline in corporate taxation and the increase in the foreign content of RRSPs and RRIFs. Policy changes aimed at creating a more competitive economy should be good news for the currency. The re-introduction of full indexation may be interpreted as an undertaking of future fiscal discipline. Fixed-Income markets may be disappointed by the limited repayment of debt.

Registered Plans and Foreign Content

As expected, the limits for foreign content have been expanded. This

year, effective immediately, foreign content room for registered plans (RRSPs, RPPs) has been increased from 20% maximum to 25% maximum. For 2001 and beyond the limit will be raised to 30%.

This recent increase also positively impacts holders of Labour Sponsored Investment Funds (LSIF's) and qualifying small business Canadian Controlled Private Corporations (CCPC's) who prior to the change had additional foreign content room of three times the book value of their LSIF/CCPC investment to a maximum of 40% of their portfolio. With the budget increases the same rules apply only to a maximum of 45% for the year 2000 and increasing to 50% thereafter.

Unfortunately contribution limits remain unchanged.

Registered Education Savings Plans are unaffected as they have no limitations in regards to their foreign content allocations.

This is a good opportunity to have a look at your portfolio and see if you can take advantage of this recent change. Remember that you can switch within a fund family at no charge or you can redeem 10% of most mutual funds annually with no deferred sales charges (DSC's). It may be to your advantage to use this option to increase your personal foreign content.

Federal Tax Brackets

The government will be reducing the effective tax rate for the middle income tax bracket. Effective July 1, 2000 the middle tax rate will drop from 26% to 24%. As a result, the rate in effect for the 2000 tax year will be 25%

New Federal Tax Brackets (2000)

INCOME LEVEL	TAX RATE
Up to \$30,003	17%
\$30,004->\$60,008	25%
\$60,009 and over	29%

This will be a savings of approximately \$300 for 2001 and approximately \$600 a year thereafter for someone earning \$60,000.

Capital Gains

Capital Gains realized after February 27, 2000 will be subject to an income inclusion rate of 66 2/3% (a reduction from 75% inclusion rate that applies for all previous gains). For an individual in the highest marginal tax bracket, this reduction will result in a tax savings of approximately \$50 on \$1000 of capital gains.

This reduction will have an impact on tax reporting for the year 2000, as two separate capital gain and loss reports will be required for each individual. This first reporting period will include transactions for January 1, 2000 to February 27, 2000 and the second will

* increased to 25%

1 Year Total Return

1 Talvest China Plus Fund	322.7%
2 Altamira Science and Technology Fund	298.9%
3 AGF 20/20 Aggressive Growth Fund	285.0%
4 AIM Global Technology Fund	276.1%
5 Talvest Global Sci & Technology C\$.	258.8%
6 Talvest Global Small Cap Fund	210.0%
7 Altamira e-business Fund	206.0%
8 Excel India Fund	192.5%
9 Trimark Discovery Fund	174.9%
10 Atlas Pacific Basin Value Fund	170.3%

3 Year Total Return

1 Altamira Science and Technology Fund	100.1%
2 Talvest Global Sci & Technology C\$.	95.0%
3 AIM Global Technology Fund	92.0%
4 C.I. Sector Global Telecommunications	87.8%
5 AGF 20/20 Aggressive Growth Fund	87.1%
6 BPI Global Opportunities Fund	68.1%
7 C.I. Sector Global Technology	64.6%
8 Clarington Global Communications Fund	62.1%
9 Universal World Science & Technology	59.7%
10 Spectrum United Gbl Telecommunications	58.7%

5 Year Total Return

1 AGF 20/20 Aggressive Growth Fund	55.3%
2 Janus American Equity Fund	48.6%
3 Green Line Science & Technology Fund	41.5%
4 AIM Global Telecommunications Class	40.4%
5 Spectrum United American Growth Fund C\$.	38.4%
6 Spectrum United Gbl Telecommunications	37.7%
7 BPI American Equity Value Fund	37.4%
8 Universal European Opportunities	36.2%
9 Global Strategy World Companies Fund	34.0%
10 AIM European Growth Fund	33.3%

10 Year Total Return

1 Spectrum United American Growth Fund C\$.	26.0%
2 BPI American Equity Value Fund	23.2%
3 AGF American Growth Class	19.9%
4 GBC North American Growth Fund Inc.	18.9%
5 Ethical North American Equity Fund	18.6%
6 McLean Budden American Growth Fund	18.2%
7 PH&N U.S. Pooled Pension Fund	18.1%
8 BPI Global Equity Value Fund	17.5%
9 Atlas Global Value Fund	17.0%
10 C.I. Global Fund	16.8%

COMMENTARY

ScotiaMcLeod would be pleased to provide you with further detailed information on the above mutual funds, however we cannot provide information on the funds marked #. These are historical performance rankings, and are not indicative of future investment performance. When analyzing particular funds, stress longer term performance.

1 Year Total Return

1 AIC Value Fund	-21.7%
2 Fidelity Focus Financial Services Fund	-18.4%
3 Atlas American Large Cap Growth Fund	-17.2%
4 Dynamic Infinity American Fund	-13.2%
5 Royal Global Bond Fund	-10.6%
6 O'Shaughnessy U.S. Value Fund	-10.6%
7 Universal World Tactical Bond	-10.5%
8 AGF Global Government Bond Fund	-10.2%
9 Fidelity Focus Consumer Industries Fund	-10.0%
10 Green Line Global Government Bond Fund	-9.2%

3 Year Total Return

1 AGF 20/20 Managed Futures Value Fund	-25.5%
2 Fidelity Emerging Markets Portfolio Fun	-16.8%
3 Ethical Pacific Rim Fund	-11.7%
4 Hansberger Asian Fund	-9.6%
5 AGF 20/20 Latin America Fund	-6.0%
6 Royal Asian Growth Fund	-3.5%
7 Universal Far East Fund	-2.3%
8 AGF Asian Growth Class	-2.3%
9 Templeton Global Bond Fund	-2.0%
10 C.I. Latin American Fund	-1.6%

5 Year Total Return

1 Hansberger Asian Fund	-4.6%
2 Ethical Pacific Rim Fund	-1.5%
3 Fidelity Emerging Markets Portfolio Fun	-0.1%
4 AGF 20/20 India Fund	0.3%
5 Royal Asian Growth Fund	0.8%
6 Universal Far East Fund	1.4%
7 AGF Asian Growth Class	1.6%
8 Templeton Global Bond Fund	2.3%
9 Altamira Asia Pacific Fund	2.4%
10 AGF 20/20 Emerging Markets Value Fund	2.9%

10 Year Total Return

1 Royal Japanese Stock Fund	3.2%
2 C.I. Sector Short-Term	3.9%
3 Atlas American Money Market Fund	4.3%
4 AGF Japan Class	4.5%
5 Templeton Global Bond Fund	5.9%
6 Global Strategy World Bond Fund	6.8%
7 GBC International Growth Fund	7.1%
8 AGF Global Government Bond Fund	7.6%
9 AGF World Balanced Fund	8.1%
10 Talvest Asian Fund	8.2%

These rankings are not sales advice and ScotiaMcLeod does not recommend simply selling bottom past performance funds and buying top past performing funds. Purchase or redemption fees may be involved. Please call (416) 863-7777 or 1-800-387-9273 for specific recommendations tailored to your individual needs.

1 Year Total Return

1 Capital Alliance Ventures Inc. (LSVCC)	119.3%
2 Scotia Canadian Small Cap Fund	112.5%
3 Triax Growth Fund (LSVCC)	108.2%
4 AIM Canadian Premier Fund	105.1%
5 O'Donnell Canadian Emerging Growth Fund	101.2%
6 Synergy Canadian Small Cap Class	99.8%
7 BPI Canadian Small Companies Fund	97.9%
8 Bissett Microcap Fund	89.8%
9 Dynamic Power Canadian Growth Fund	88.7%
10 Strategic Value Canadian Small Companies	86.0%

3 Year Total Return

1 AIM Canadian Premier Fund	32.9%
2 Triax Growth Fund (LSVCC)	31.1%
3 AIM Canada Growth Class	29.3%
4 Altamira Capital Growth Fund Limited	27.6%
5 Universal Future Fund	26.8%
6 Capital Alliance Ventures Inc. (LSVCC)	26.0%
7 Strategic Value Canadian Small Companies	24.9%
8 C.I. Global Equity RSP Fund	24.0%
9 Scotia Canadian Small Cap Fund	23.7%
10 AIM Canadian Balanced Fund	22.3%

5 Year Total Return

1 AIM Canada Growth Class	28.1%
2 AIM Canadian Premier Fund	27.7%
3 GBC Canadian Growth Fund	25.5%
4 AIC Advantage Fund	24.8%
5 Scotia Canadian Small Cap Fund	23.8%
6 Fidelity Canadian Growth Company Fund	23.7%
7 Universal Future Fund	23.6%
8 AIC Diversified Canada Fund	23.6%
9 Scotia CanAm Stock Index Fund	21.6%
10 Altamira Capital Growth Fund Limited	21.5%

5 Year Total Return

1 GBC Canadian Growth Fund	19.2%
2 AIC Advantage Fund	18.7%
3 Dynamic Power Canadian Growth Fund	18.4%
4 Altamira Equity Fund	18.1%
5 ABC Fundamental-Value Fund	17.5% #
6 Altamira Special Growth Fund	16.1%
7 PH&N Vintage Fund	16.0%
8 Altamira Capital Growth Fund Limited	15.9%
9 AGF Growth Equity Fund Limited	15.4%
10 AIM Canadian Premier Fund	15.3%

1 Year Total Return

1 Scotia Precious Metals Fund	-17.5%
2 Dynamic Global Bond Fund	-12.9%
3 Spectrum United RRSP International Bond	-12.2%
4 Spectrum United Dividend Fund	-11.4%
5 Scotia CanGlobal Income Fund	-11.1%
6 AGF RSP Global Bond Fund	-10.7%
7 Ethical Global Bond Fund	-10.6%
8 Spectrum United Canadian Resource Fund	-10.6%
9 Dynamic Infinity Canadian Fund	-10.0%
10 Dynamic Dividend Fund	-8.9%

3 Year Total Return

1 Scotia Precious Metals Fund	-30.6%
2 Spectrum United Canadian Resource Fund	-29.1%
3 Global Strategy Gold Plus Fund	-26.6%
4 MAXXUM Natural Resource Fund	-23.8%
5 Green Line Precious Metals Fund	-21.8%
6 Royal Precious Metals Fund	-21.6%
7 Universal Precious Metals Fund	-21.6%
8 BPI Canadian Resource Fund Inc.	-20.7%
9 Altamira Resource Fund	-20.3%
10 Green Line Energy Fund	-19.0%

5 Year Total Return

1 Scotia Precious Metals Fund	-9.7%
2 Altamira Resource Fund	-6.1%
3 Global Strategy Gold Plus Fund	-5.9%
4 BPI Canadian Resource Fund Inc.	-4.7%
5 Industrial Equity Fund Limited	-3.6%
6 Universal Precious Metals Fund	-2.9%
7 Green Line Energy Fund	-1.9%
8 Green Line Resource Fund	-1.9%
9 MAXXUM Natural Resource Fund	-1.0%
10 Dynamic Global Bond Fund	0.0%

5 Year Total Return

1 Industrial Equity Fund Limited	0.5%
2 BPI Canadian Resource Fund Inc.	2.4%
3 Industrial Growth Fund	2.5%
4 Royal Precious Metals Fund	3.7%
5 AGF 20/20 Canadian Resources Fund Ltd.	3.8%
6 Green Line U.S. Money Market Fund	4.3%
7 Atlas Canadian T-Bill Fund	5.1%
8 Dynamic Global Bond Fund	5.2%
9 AGF Money Market Account	5.2%
10 Global Strategy Money Market Fund	5.3%

NOTES TO THE PERFORMANCE TABLES

- ScotiaMcLeod is unable to supply information on funds marked #
- Figures are average rates of return for the periods ending February 29, 2000
- Source data from the Mutual Funds Source Disk, March 9, 2000, which includes over 2,900 funds
- Funds with total assets under \$25 million are not included
- Only "totally public" funds are ranked
- RRSP Eligible Funds are at least 75% Canadian content and can also be held outside RRSPs
- Performance figures include reinvested dividends and management fees have been subtracted
- Non RRSP eligible funds can be held inside a ScotiaMcLeod RRSP to a maximum of 25% of book value

include transactions from February 28 2000 to December 31, 2000. An individual's actual inclusion rate for 2000 will depend upon whether the individual has realized net gains or net losses in one or both periods, or a net gain in one period and a net loss in the other.

Capital Gain Rollover for Investment in Small Business

The budget proposes to permit a rollover of capital gains on the disposition of a small business investment to allow tax-deferred access to that capital for the purposes of making other small business investments.

This measure will apply to eligible small business investments disposed of after February 27, 2000. The budget contains specific definitions of what qualifies as an Eligible Small Business Investment, an Eligible Investor, and Eligible Gains. This is a complex area and should be discussed in detail with your tax advisor.

Employee Stock Options

Currently, when an employee exercises a stock option, the difference between the fair market value of the stock on the date of the exercise and the exercise price is included in the individual's income as employment income. Generally, a stock option

deduction is allowed, resulting in the benefit being taxed at the same rate as a capital gain.

The budget proposes to allow employees to defer the income inclusion from exercising publicly listed shares until the disposition of the shares, subject to a complex annual \$100,000 limit. This measure applies to options exercised after February 27, 2000, irrespective of when the option was granted or when it became vested. The options are eligible for the new treatment if the share is an ordinary common share of a class of shares traded on a prescribed Canadian or foreign stock exchange, and the total of all amounts payable to acquire the shares is not less than the fair market value of the share at the time the option is granted. The deferral period will cease at the time the underlying shares are sold, or at the time the employee dies or becomes a non-resident - whichever comes first. Options granted by CCPCs (Canadian Controlled Private Corporations) are not affected by the proposed measure as the taxable benefit is already generally not included in income until the year of disposition.

Other Changes

The basic personal exemption has been increased from \$7,131 to \$7,231 as of January 1, 2000. The age amount has been increased from \$3,482 to \$3,531 and the old age security claw-back income threshold has been increased from \$53,215 to \$53,960.

Currently the 5% surtax applies to incomes of approximately \$65,000 and over. Effective July 1, 2000, the government intends to eliminate the 5% surtax on incomes up to \$85,000. Therefore, for the year 2000 the 5% surtax will apply to an income level in excess of \$74,242. Effective January 2001 the 5% surtax will be reduced to 4%, with a further intent to eliminate the surtax within the next five years.

The People Behind The Mutual Fund Reporter

In the September 1993 issue we introduced the people responsible for The Mutual Fund Reporter. Apart from a few additions and a few name changes, we are pleased to announce that our staff that was available to help you then are still happy to help you today with 5 out of 6 of the team members from 1993 still available to service all of your investment needs. Your investment team now consists of 11 members, 8 of which are fully licensed.

John Zufelt,
Director

Carl Spiess, MBA,
Associate Director

Allan McGlade, CLU, CFP,
Estate and Insurance Planner

Sharon Calvert,
Investment Associate

Jane-Ann Crombeen,
Investment Associate

Nicole Keeler,
Investment Associate

Jennifer Hart,
Administrative Associate

Ron Pante,
Administrative Associate

Brenda Cordeiro,
Administrative Assistant

Brenda Petrunick,
Administrative Assistant

Nalini Singh,
Administrative Assistant

Fund News

Due to the C.I./ BPI merger we saw take place last year the following changes have been made. BPI American Small Companies has been renamed Signature American Small Companies Fund, and BPI Global Small Companies Fund has become Signature Global Small Companies Fund.