

CFO MONTHLY REPORT

OCTOBER

2011



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Macic 2011/2012

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A Word From the CFO

When I first joined the club as an associate when I was in the second year of my B.Comm in the Fall of 2010, I knew next to nothing when it came to investing, and even finance in general. Before long I had become immersed in a world of economic indicators and company valuations – life had never seemed so complicated. Within a few short months though that all changed as I started to attend the weekly stock pitch meetings and educational seminars. The club gave me hands-on experience in regards to researching companies and determining buy, hold, and selling periods. I still have a long way to go before I become the next Warren Buffet, but I strongly believe that the knowledge I have, and continue, to learn from this club will help me tremendously.

This is the story that I told many members during our campaigning efforts during September. I said it several times, not because I thought it had a nice ring to it, but because I felt that it conveyed the proper message. It shows what this club can do for junior investors, and the possibilities this club has given its members. Our alumni have gone on to work at almost every major North American bank while holding positions in almost every corner of finance. From investment banking and sales and trading, to asset management and even accounting, this club has helped some of the brightest minds at McMaster attain their dream jobs and I can only hope that it does the same for you.

Monthly Recap

The first two months of the 2011/2012 school year were phenomenal for the Mac Investment club as we continued to break records for the organization. We now have a larger number of members than we've ever had – over 290! Our club has members from almost every single faculty, and we are proud to say that the same Bay St. asset management firm that invested with us last year and returned with another \$5,000. Apart from this, we have achieved our second highest portfolio value – our Assets Under Management is equal to \$57,325. We have had tremendous growth this year in every aspect of the club.

Our executive committee has been tirelessly working since the end of last year in order to prepare for what we anticipated (and so far achieved), to be the best year yet. The MACIC team this year comprises of nine talented and driven individuals all in various years of either their undergraduate commerce degree or their MBA. Ralph Conforti (CEO) has been dedicated to bringing the club back to its original mandate or “education through action” and has done a fantastic job of delivering informative results to club members via the new knowledge channels we have this year. Jonathan Stypa (COO) and Nathan Manicom (VP Admin) have done an exceptional job of keeping the club organized and ensuring the timely information and circulation of ideas within the club. Victor Kuntzevitsky is now in his second year as the club's Senior Trader and continuously conveys his ideas to both new and more senior investors through his Seminar series. Our two MBA executives in the roles of Strategic Initiatives, Reed Munsie (MBA Relations) and Ajay Krishnan (Technology), have been able to successfully expand our presence at McMaster's new MBA campus building, the Ron

Joyce Centre in Burlington. A special thanks also goes out to Michael King (VP Internal), who helped promote our club within McMaster. We have also had great success this year in terms of corporate sponsorship thanks to Will Van Nest (VP External), and were able to create partnerships with some great firms. We have monetary sponsorships from Horizons ETFs, Russel Investments, The Toronto CFA Society, and the DeGrootte Commerce Society. In addition to this, we are working closely with RBC Dominions Securities, RocTrade Solutions, Stalla, Breaking Into Wall St., Insider Training and Print Factory Ink.

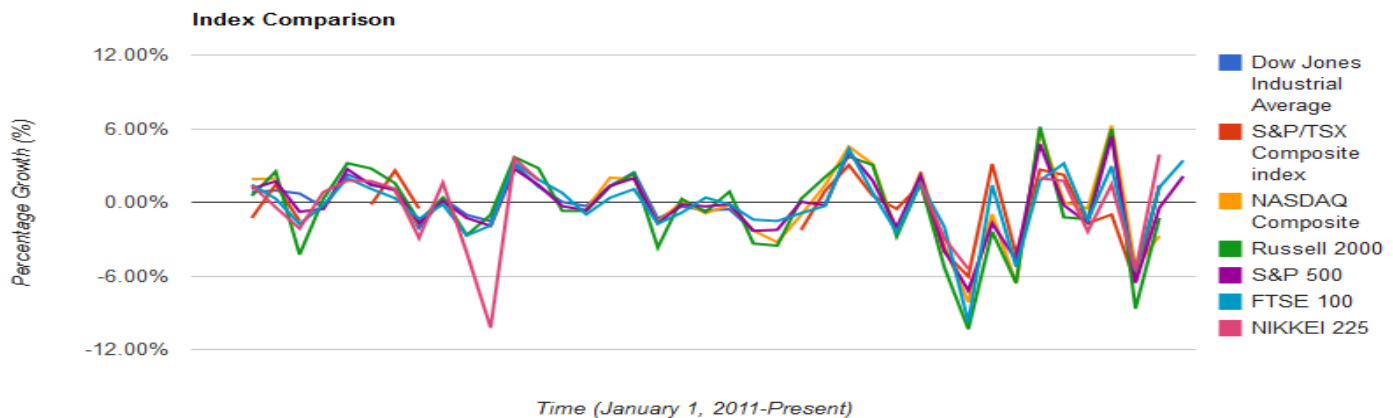
This executive team, along with the dedication of each and every investor and general member, have allowed the Mac Investment Club to become one of the most education-oriented clubs on campus and I have never been happier to be able to be apart of something. Without this group of dedicated individuals we would not of been able to put together all that we have for our members this year and we are happy to be able to give more than we every have. In addition to our weekly stock pitch meetings and seminar series, we are also providing our members with exclusive access to research from RBC and Roc Trade Solutions, CFA prep workshops from Stalla, financial modelling tutorials provided by Breaking Into Wall Street, a capital markets mentorship program (Insider Training), and speakers from the field of finance who come in and give their insights to members. In addition, this year marks the first year that the MACIC has had a dual membership with the DeGrootte Finance Association and two months into the term I couldn't be happier with our decision to partner with them. No doubt do I believe this has helped membership for both our clubs, not to mention strengthening the overall presence finance has in DeGrootte. In addition, our partnership has led to the creation of the McMaster Capital Markets Conference, a new initiative the two clubs (along with the MBA Finance Association), are planning for January 13th – 14th, 2012. The focus of the conference will be current topics and issues in the capital markets, and we will be delivering information to students from universities from across Southern Ontario via speaking engagements, case competitions, networking sessions and a cocktail reception, discussion panels, and workshops.

The club wasted no time in beginning its functions and began the year on October 6th with a presentation from Robin Speziale, author of the Successful Investor and an Analyst at Deloitte. This was followed by our second speaker on October 17th, Marius Alexe from RocTrade Solutions. Mr. Alexe explained technical and behavioural analysis to investors. The month of October also saw our Senior Trader Victor begin his seminar series with an Introduction to Investing on October 12th, and another on Equities on October 27th. The club also began it's stock pitch meetings during which time we had pitches from Premier Gold Mines, Bombardier, TD, Silvercorp Metals, Suncor, and Transcanada.

The Mac Investment Club has had tremendous growth this year in every aspect of the club. From membership size, to new initiatives, to the value of the information and knowledge being distributed, we hope that we can continue to grow in the months, and years, to come.

Key News Stories

October 2011 is one to remember, to say the least. The beginning of the month certainly seemed to be on track with what has historically been the worst month for stocks in a year. Indices hit new 52-week lows on October 3rd as the Dow Jones Industrial Average, S&P 500, NASDAQ, and S&P/TSX hit 10,655 points, 1,099.23 points, 2335.83 points, and 11,251.84 points, respectively. These figures are close to those experienced by the indices during the 2008-2009 recession, although technicals indicated a reversal in trends and by after the Thanksgiving weekend this had largely come to fruition. Investors were preparing for a double dip recession amid economic fears on both sides of the Atlantic and this constant flux of news kept markets extremely volatile. By the end of the first week in October though, testaments had changed and many believed that we had experienced the first week in a bull market as indices experienced gains of at least 2 percent.



Over in Europe, French President Nicholas Sarkozy, German Chancellor Angela Merkel, and other members of the European Union met several times in the past month to discuss how to help stabilize European banks and the economy as a whole. Merkel later announced that they intended to have a concrete plan of action by the Group of 20 meeting taking place in France on November 3rd. By October 8th, plans were under way to break up Dexia SA, the first bank to file for bankruptcy as a result of the Sovereign debt crisis. This fuelled optimism and helped maintain gains into the second and third weeks of the month. On October 12th, the European Commission's president José Manuel Barroso announced a plan to recapitalize European banks, which boosted financial and energy stocks. Two days later, the European Central Bank moved to reintroduce 3-month U.S. liquidity tenders in the fourth quarter, effectively boosting liquidity in Europe. North American markets were also sparked with confidence the following week as European leaders announced their plans to increase the size of the European Financial Stability Facility (EFSF) on October 18th. The European union had subsequent plans to meet on October 23rd, and again on the 26th, to discuss Greek aid, and during that second meeting European governments announced that private banks and insurers would accept a 50 percent loss on their Greek debt holdings, causing markets to rally and the S&P 500 to close above its 200-day moving average the following day for the first time since August. This attempt to cut back the debt load to sustainable levels will only push the crisis back to 2009, signalling that the crisis is still far from being over. Details are still being finalized, and leaders are still looking to China for support, which holds the world's largest reserves of foreign exchange. Consequently, the end of the month saw bond gains pushing returns on U.S. Treasuries above stocks over the past 30

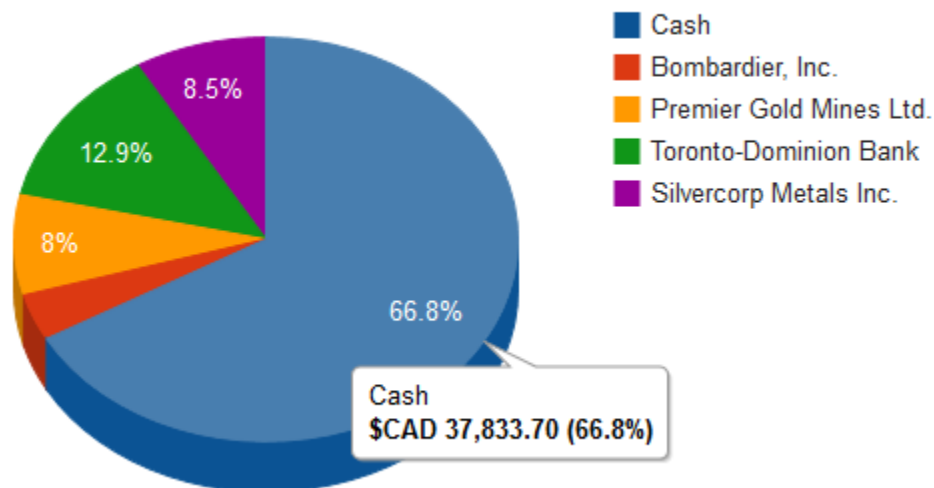
years for the first time since prior to the Civil War. Bond investments have gained roughly 6.25 percent this year, well ahead of the 2.18 percent returns stocks are posting.

North American economic data figures released in October have overall come back better-than-expected for the majority of the indicators that were released. The jobless rate in the U.S. held at 9.1 percent, while the CPI rose at the slowest pace in three months, signalling inflation could moderate. This followed onto companies as they have become limited in how much they can raise prices to recoup raw material costs as a result of weak job and income gains fall back on consumers. CPI prices rose 0.3 percent from the week prior, inline with analyst estimates. Housing Starts also came back better than expected during the same week as analysts' estimated commencement on 590,000 houses at an annual rate in September, when actual figures showed a pace of 658,000. This is a most since April 2010. US New Home Sales hit a 5-month high with a 5.7 percent increase to 313K as government figures were released on Wednesday. Sustained price declines indicate the market is still far from recovery. Consumer spending increased 0.6 percent in September, besides sluggish growth in US consumer income. Income increased just 0.1 percent in the same time period, meaning the increase in spending was a result of a decrease in saving. The GDP figures released the same day stating the Canadian economy grew 0.3 percent in August, versus the 0.2 percent analysts estimated, did little to offset the news from across the Pacific.

Our Portfolio

MacIC was able to take advantage of the lows that North American indices were experiencing at the beginning of the month by buying positions in both Bombardier, Inc. (BBD.B) with 500 shares, and Premier Gold Mines Ltd. (PG.TO) with 800 shares. Those stocks are now up around 4 percent, and 8 percent from when we purchased them at \$4.05/share and \$5.21/share, respectively. By the end of October MACIC's portfolio 2 additional stocks in it, Toronto-Dominion Bank and Silvercorp Metals, which were bought at \$76.19/share and \$9.78/share, respectively. Both Suncor and Transcanada are on our watch list for buy signals. These four positions represent roughly 30 percent of our Assets Under Management and we are looking to double this percentage by Term I exams so as to minimize the amount of cash we are holding while pitches go on hiatus over the Christmas break.

Portfolio Allocation



Open Positions

Premier Gold Mines Ltd. (TSX:PG): A Canada-based mineral exploration company, focused on exploring for and developing gold deposits within the Americas. Premier has a portfolio of advanced-stage gold exploration properties in North-western Ontario, Canada, Nevada, the United States, and a joint venture in Mexico. Premier is active in three districts of Canada: Red Lake, Geraldton and the Musselwhite Mine area.

Bombardier (TSX:BBD.B): A manufacturer of transportation solutions. The company is engaged in designing, manufacturing and supporting of aviation products for the business, commercial, specialized and amphibious aircraft markets. The company is also engaged in designing, manufacturing and supporting rail equipment and systems

The Toronto-Dominion Bank (TD.TO): together with its subsidiaries, provides various banking and financial services in North America and internationally. The company operates in four segments: Canadian Personal and Commercial Banking, Wealth Management, U.S. Personal and Commercial Banking, and Wholesale Banking. It serves companies, governments, and institutions in financial markets worldwide.

Silver Corp Metals (SVM:TSE): is engaged in the acquisition, exploration, development and mining of high-grade silver-related mineral properties in China and Canada. Silvercorp is the primary silver producer in China through the operation of the four silver-lead-zinc mines at the Ying Mining Camp in the Henan Province of China.

MAC Investment Club 2011.2012 : Open Positions

Security Statistics				BUY				Unrealized Gains or Losses			
Security Name	Ticker	Exchange	Currency	Shares	Buy Price	Fees	Total Cost	Current Price	Current Value	Gain/Loss	% Change
Cash			CAD				\$CAD 56,575.00		\$CAD 37,833.70		
Bombardier, Inc.	BBD.B	TSX	CAD	500	\$CAD 4.05	\$CAD 9.95	\$CAD 2,034.45	\$CAD 4.25	\$CAD 2,115.05	\$CAD 80.60	3.96%
Premier Gold Mines Ltd.	PG.TO	TSX	CAD	800	\$CAD 5.21	\$CAD 9.95	\$CAD 4,177.95	\$CAD 5.69	\$CAD 4,542.05	\$CAD 364.10	8.71%
Toronto-Dominion Bank	TD.TO	TSX	CAD	100	\$CAD 76.19	\$CAD 9.95	\$CAD 7,628.95	\$CAD 73.33	\$CAD 7,323.05	-\$CAD 305.90	-4.01%
Silvercorp Metals Inc.	SVM.TO	TSX	CAD	500	\$CAD 9.78	\$CAD 9.95	\$CAD 4,899.95	\$CAD 9.67	\$CAD 4,825.05	-\$CAD 74.90	-1.53%
--			--				\$CAD 0.00	--	--	--	--
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Initial Portfolio Value		Current Portfolio Value		\$ Portfolio Change		% Portfolio Change		Full Share Value		Half Share Value	
CAS 56,575.00		CAS 56,638.90		\$CAD 63.90		0.11%		\$CAD 250.28		\$CAD 125.14	

[1] Known fees for sale are entered to get a better estimate of realisable gain/loss.

TransCanada Corporation (TRP:TSE): A North American energy infrastructure company focused on natural gas pipelines, oil pipelines and energy. TransCanada is engaged in development and operation of North American energy infrastructure, including natural gas and regulated gas storage facilities. The Company's Keystone is a crude oil pipeline system.

Suncor (SU:TSE): An integrated energy company. It explores for, acquires, develops, produces and markets crude oil and natural gas in Canada and internationally, and it transports and refines crude oil and market petroleum and petrochemical products primarily in Canada. It is focused on developing petroleum resource basins, which includes Canada's Athabasca oil sands. Suncor operates in business units, which include Oil Sands, Natural Gas, International and Offshore, and Refining and Marketing.

The World Looking Forward

The next week will see how the US reacts to measures put in place in Europe amid Bernanke's notes stating he will help out the economy if need be. A regular meeting of euro zone finance ministers is scheduled to take place on Monday, November 7th. Eyes will also be on the Ukraine as the IMF left the country after its most recent visit without a deal to start re-lending. Focus is also starting to be shift towards China, a country who's demand for raw materials has decreased significantly and is not showing signs that this may become a long-term trend. The country, responsible for 80 percent of world copper demand, could cause a global slowdown in economic activity if levels do not increase. China's trade surplus also widened in October to \$17B as a result of decreased demand from commodity backed countries such as Canada, indicating the slow-down in demand is widespread, even across countries not affected as much by Europe. As such, investors should continue to be weary of the current economic situation. Stocks continue to be closing in the green, although many are far from real gains and are just piggybacking off the economy as a whole.

MACIC Looking Forward

The following month is expected to be just as jam-packed that the first two were. Our weekly stock pitches will continue, as will our seminar series – the next topic is on fundamental analysis. Stalla CFA prep will also be conducting a seminar on Equity Analysis on November 16th at 5:30PM in DSB A102. This is a great opportunity to see how what CFA candidates are studying for while improving your fundamental analysis skills. Registration for the McMaster Capital Markets Conference (MAC CMC) is now up and running. Get your team of two together for the research report and valuation competition and fill out an application form to send to competition@maccmc.com by December 1st, 2011. Alternatively, single day conference tickets are also available. Speakers will include TD Chief Economist Craig Alexander. For more information please visit www.maccmc.com or e-mail info@maccmc.com.

In addition, the MACIC has always been keen in promoting finance-related events at other Canadian universities and there are a few that have caught our eye that are taking place in November. The University of Toronto's LIVE Conference 2011 is a two-night national business conference hosted by the University of Toronto Scarborough taking place November 10th-12th. Held in downtown Toronto, LIVE brings together the brightest and most ambitious undergraduate business students from across Canada. At the heart of the conference is an intense competition spanning all major areas of business, which challenges delegates to apply their knowledge in a real world simulated business environment. LIVE provides a platform for delegates to explore their potential as future business leaders. The university of Guelph is also hosting the CME Trading Simulation of November 12th. The purpose of the event is to provide students with the opportunity to compete in a daylong trading simulation, gain valuable experience, and network with industry professionals. The overall goal is to provide a venue where industry professionals and students can come together in a mutually beneficial atmosphere. Finally, Queen's University is hosting QFAC 2011 on November 17th-20th in downtown Toronto. The conference will be hosting a stock trading simulation, speakers, various finance workshops and much more.