

## **Scotia Capital launches new investment rating system for equity research**

**TORONTO, December 2, 2002** – Scotia Capital announced today that it has revised its investment rating system for equity research. Effective immediately, the Firm has moved from a five-tier system to a three-tier system with ratings of Sector Outperform, Sector Perform and Sector Underperform. The new system defines recommendations in relation to all of the companies the analyst covers in the sector.

“At Scotia Capital, we take our responsibility to provide our clients with the best possible guidance on how to meet their financial goals very seriously,” says Laurel Ward, Head of Equity Research, Scotia Capital. “Clients must receive pertinent, timely, insightful perspectives from us. Our new rating system provides investors with our views within a portfolio context that can be tailored to each client’s individual needs, whether retail or institutional.”

Analysts will now apply one of the following ratings to the stocks they cover:

**Sector Outperform** – The stock is expected to outperform the average total return of the analyst’s coverage universe over the next 12 months.

**Sector Perform** – The stock is expected to perform approximately in line with the average total return of the analyst’s coverage universe over the next 12 months.

**Sector Underperform** – The stock is expected to underperform the average total return of the analyst’s coverage universe over the next 12 months.

The Firm has also enhanced its risk rating system to provide better transparency as to the underlying financial and operational risk of each stock covered. Historical financial results, share price volatility, credit ratings, and analyst forecasts are evaluated in this process. The final rating also incorporates judgement as well as statistical criteria. Consistency and predictability of earnings, earnings per share growth, dividends, cash flow from operations and strength of balance sheet are key factors considered. Scotia Capital has a committee responsible for assigning risk ratings for each stock. The risk ratings have been updated as follows:

**Low** – Low financial and operational risk, high predictability of financial results, low stock volatility.

**Medium** – Moderate financial and operational risk, moderate predictability of financial results, moderate stock volatility.

**High** – High financial and/or operational risk, low predictability of financial results, high stock volatility.

**Caution Warranted** – Exceptionally high financial and/or operational risk, exceptionally low predictability of financial results, exceptionally high stock volatility. For risk tolerant investors only.

**Venture** – Risk and return consistent with Venture Capital. For risk tolerant investors only.

“We believe that high analyst standards together with appropriate compliance policies, disclosure and transparency are crucial to ensuring that our clients and investors have confidence in the integrity of our research and processes,” says Ward.

Scotia Capital is a leader in the corporate and investment banking industry, with a presence in both major and regional financial centres around the world. Scotia Capital is a member of the Scotiabank Group. For more information visit <http://www.scotiacapital.com/> or <http://www.scotiabank.com/>

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