



RBC  
Dominion  
Securities

# THE GEE~NOTE

RBC Dominion Securities Inc.  
Suite 2400 Oxford Tower  
10235 101 Street, PO Box 667  
Edmonton, AB T5J 2K8

Phone: Bill (780) 493-7750 Nicole (780) 493-7737

Beth Kay (780) 493-7754

Toll Free: 1-866-261-4565 Fax (780) 426-7838

Email: william.gee@rbc.com



May/June



## MARKET COMMENT

Year to date the markets have survived Unrest in the Middle East, Libya, the Japanese earthquake, Terrorists threats to

avenge Obama's killing, IMF scandal, rumors of Greece pulling out of the European Union and a selloff in commodities. The S&P 500 has risen 5.7% year to date and the TSX in Canada is unchanged. We continue to forecast positive gains in 2011 for markets.

### American Tower (AMT) \$50 - A Buy Signal



The proliferation of Smart Phones, IPADS, Blackberries, cell phones have created growing demand on wireless spectrum. Consequently this requires more cell phone towers to deliver the bandwidth and capacity. Twittering, voice data, video downloads will only add to the demand. One way to invest in the insatiable demand for spectrum is to buy shares of **American Tower**. **American Tower** is the largest independent operator of wireless communications and broadcast towers with 34,411 sites in the U.S., Mexico, Brazil, Chile, Colombia, Peru and India. Customers representing 74% of revenue include AT&T, Sprint, Verizon and T-Mobile. Just recently AT&T is acquiring T-Mobile and the market has overreacted by selling American Tower off in anticipation that the merged company will reduce duplication in leased spectrum. Growth oriented investors should take opportunity if the selloff to buy some **American Tower**. Our one year target is \$67.

### Potash- (POT) - \$51 - We all have to Eat!

**Potash Corp** located in politically stable Saskatchewan is the world's largest producer of potash, nitrogen and phosphate products for the fertilizer, feed and industrial markets. It produces 22% of the world's potash equal to 13.2 million tons in Nitrogen; it is the third largest producer and the third largest producer of phosphate. The rising population of China and India and demand for better quality crops and food directly benefits **Potash**. **Potash** reached a high of \$63.19 and currently at \$51; it represents good value for long term investors. Our one year target is \$74.



### Broadcom (BRCM) \$34

"Connecting Everything"

**Broadcom** is the tenth largest semiconductor company in the world, with a market capitalization of ~\$19.5 billion. It is a leader in making chips that enable connectivity between a device, a network, and the internet.



Its chips are generally classified into one of three categories:

1. Wireless (44% of 2010 revenue) - Makes high performance chips that are used in smartphones, tablets, and other wireless devices. Chips include baseband, Wi-Fi, Blue tooth, GPS, NFC (near field communication), multimedia and application processing.
2. Broadband (32% of 2010 revenue) - Makes "systems on a chip" used in consumer electronics that enable voice, video, and data to be communicated over wired and wireless home networks. These chips can

be found in Blu-ray players, DVR (digital video recorders), TV set-top boxes, modems, and home networking equipment.

3. Networking (24% of 2010 revenue) – Makes chips for infrastructure and equipment such Ethernet switches and storage networking that are used by telecom carriers, enterprises, and data center operators.

We believe the end markets above have strong growth prospects driven by significant product cycles, accelerating demand for multimedia such as video over the internet, and the increasing usage of data centers as more companies leverage the capabilities of virtualization and cloud computing.

**Broadcom** is a “fabless” company, meaning it outsources the manufacturing of its chips to foundries. It has relationships with four independent foundry subcontractors located in Taiwan, Singapore, and China. Rather than manufacturing its chips, **Broadcom** focuses instead on design and testing. This “fabless” model has been a trend within the semiconductor industry in recent years.

**Broadcom** generated almost 40% of its revenue in 2010 from its five largest customers. More specifically, **Broadcom** has two very important customers: Apple (11% of revenue) and Samsung (10% of revenue). **Broadcom** has components that can be found in most of Apple’s products including the iPhone, iPad, iPad touch, Apple TV, Macbook Air, and Macbook Pro. We view Apple and Samsung as two of the most dominant designers and makers of consumer communication electronics, particularly in handheld devices like phones and tablets. We believe Apple and Samsung are both benefitting from strong product cycles and brand loyalty in mobile devices, and we expect them to remain key beneficiaries in the growth of mobile computing. Furthermore, **Broadcom**’s other customers like Cisco, Huawei Technologies, LG, Motorola, Nokia, and Nintendo, offer exposure to companies with strong positions in their respective markets.

#### Growth in Connectivity Longer-Term

Interestingly, **Broadcom**’s slogan is “Connecting Everything”, and that may very well be the path we are heading towards over the long-term. The personal computer has historically been the electronic device that has been connected to company and home networks and the internet. However, with recent advancement in wireless and broadband communication, new devices such as televisions, phones, tablets, cameras, satellite systems, vehicles, and

smart meters often communicate to internal and/or public networks such as the internet. Going forward, this trend is more than likely to continue with the potential for more devices, whether they are handheld, in our offices or in our homes, having the ability to send and receive signals from networks. The demand for increased communication will drive increased need for connectivity. As a key designer of wireless and broadband solutions, **Broadcom** is very well positioned for this ongoing evolution towards being connected.

Shares of **BRCM** have had a difficult year thus far. The weakness can be attributed to two factors: 1) higher spending associated with product ramps, acquisitions, and compensation; and 2) uncertainty with respect to component shortages as a result of the earthquake in Japan. This latter concern may have subsided to some degree as other companies in the semiconductor and IT supply chain have reported results recently and seen relatively limited impact from Japan. **BRCM** shares trade at forward P/E of 14.4x, well below its 5-year median forward P/E multiple of 22.9x. Our one year target for **Broadcom** is \$48.

#### Bill’s Fortune:



*"The difference between a successful person and others is not a lack of strength, not a lack of knowledge, but rather a lack in will." - Vince Lombardi*

#### Gee Note via E-mail

*Please continue to send us your e-mail addresses.*

We are aware that not all our clients have access to e-mail; we will still continue to send the Gee Note by mail.

If your e-mail has changed, or if you would like the Gee Note sent to your inbox, please e-mail me at [william.gee@rbc.com](mailto:william.gee@rbc.com). Thank you for your response and feedback, and keep the e-mails comin'!!

The information contained herein has been obtained from sources believed to be reliable at the time obtained but neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers can guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers is to be under any responsibility or liability whatsoever in respect thereof. The inventories of RBC Dominion Securities Inc. may from time to time include securities mentioned herein. RBC Dominion Securities Inc.\* and Royal Bank of Canada are separate corporate entities which are affiliated. \*Member CIPF. ®Registered trademark of Royal Bank of Canada. Used under licence. RBC Dominion Securities is a registered trademark of Royal Bank of Canada. Used under license. ©Copyright 2010. All rights reserved.

## May Recommended Stocks

<i>Canadian Stock</i>	<i>Price</i>	<i>Target</i>	<i>Yield</i>	<i>Current Rating</i>
Bank of Montreal (BMO)	62.00	73.00	4.5	Buy
Canadian Natural Resources (CNQ)	40.00	55.00	0.9	Buy
Capital Power (CPX)	25.90	26.00	4.8	Hold
Daylight Energy (DAL)	10.00	10.50	6.0	Buy
Research in Motion (RIM)	44.00	55.00		Buy
Royal Bank (RY)	59.90	63.00	3.3	Buy
Suncor (SU)	39.60	46.00	1.2	Buy
TD Bank (TD)	84.00	86.00	3.1	Buy

<i>U.S. Stocks</i>	<i>Price</i>	<i>Target</i>	<i>Yield</i>	<i>Current Rating</i>
Bank of America (BAC)	12.30	16.00	0.3	Buy
Broadcom (BRCM)	34.00	49.00		Buy
Corning (GLW)	20.00	26.00		Buy
Microsoft (MFST)	24.60	33.00	0.22	Buy

**Prices as of 05/20/2011, Recommendations subject to change without notice  
Targets, Yields and Ratings provided by RBC Capital Markets**

**\*\*\*Visit Bill at his website: [www.dir.rbcinvestments.com/bill.gee](http://www.dir.rbcinvestments.com/bill.gee)**

The information contained herein has been obtained from sources believed to be reliable at the time obtained but neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers can guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers is to be under any responsibility or liability whatsoever in respect thereof. The inventories of RBC Dominion Securities Inc. may from time to time include securities mentioned herein. RBC Dominion Securities Inc.\* and Royal Bank of Canada are separate corporate entities which are affiliated. \*Member CIPF. ®Registered trademark of Royal Bank of Canada. Used under licence. RBC Dominion Securities is a registered trademark of Royal Bank of Canada. Used under licence. ©Copyright 2010. All rights reserved.

## FIXED INCOME - WHAT'S YOUR INTEREST?

BONDS	COUPON	YIELD	PRICE	MATURITY	DETAILS		
<b>STRIP BONDS</b>		<b>1 YEAR</b>	<b>2 YEAR</b>	<b>3 YEAR</b>	<b>4 YEAR</b>	<b>5 YEAR</b>	
Best Rates		1.50%	2.10%	2.50%	2.80%	3.00%	
<b>SHORT TERM GOV'T STRIPS</b>				<b>30 DAYS</b>	<b>60 DAYS</b>	<b>90 DAYS</b>	<b>180 DAYS</b>
Best Rates						1.10%	1.30%
<b>BANKER'S ACCEPTANCE</b>				<b>30 DAYS</b>	<b>60 DAYS</b>	<b>90 DAYS</b>	<b>180 DAYS</b>
Minimum \$50,000				n/a	n/a	0.75%	1.00%
<b>GIC'S</b>			<b>1 YEAR</b>	<b>2 YEAR</b>	<b>3 YEAR</b>	<b>4 YEAR</b>	<b>5 YEAR</b>
Best Rates			2.10%	2.60%	3.00%	3.20%	3.50%
<b>US MONEY MARKET</b>				<b>60 DAYS</b>	<b>90 DAYS</b>		
MINIMUM \$50,000							
U.S. T-Bill, U.S. Money Market				0.10%	0.12%		
<b>OTHER</b>				<b>PRICE</b>	<b>YIELD</b>		
NorthWest Healthcare (NWH.UN)				\$12.12	6.6%		
<b>ETF (EXCHANGE TRADED FUNDS)</b>		<b>PRICE</b>	<b>YIELD</b>	<b>TERMS</b>			
BMO Emerging Market Bond Fund Hedged to CDN \$ (ZEF)		\$16.07	5.45%				

**\*\*\*RATES SUBJECT TO CHANGE WITHOUT NOTICE\*\*\***

The information contained herein has been obtained from sources believed to be reliable at the time obtained but neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers can guarantee its accuracy or completeness. This report is not and under no circumstances is to be construed as an offer to sell or the solicitation of an offer to buy any securities. This report is furnished on the basis and understanding that neither RBC Dominion Securities Inc. nor its employees, agents, or information suppliers is to be under any responsibility or liability whatsoever in respect thereof. The inventories of RBC Dominion Securities Inc. may from time to time include securities mentioned herein. RBC Dominion Securities Inc.\* and Royal Bank of Canada are separate corporate entities which are affiliated. \*Member CIPF. ®Registered trademark of Royal Bank of Canada. Used under licence. RBC Dominion Securities is a registered trademark of Royal Bank of Canada. Used under licence. ©Copyright 2010. All rights reserved.