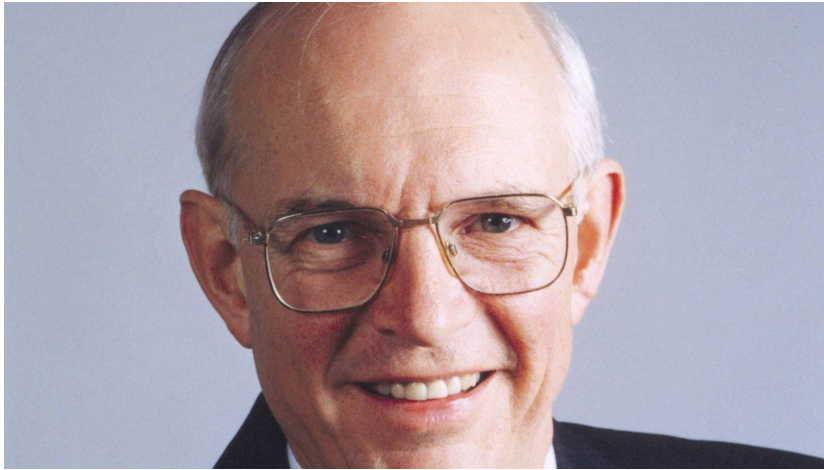


BNN MARKET CALL

Three top stock picks from MacNicol and Associates' Ross Healy



SPECIAL TO THE GLOBE AND MAIL
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Ross Healy is chairman of strategic analysis corporation and portfolio manager at MacNicol and Associates Asset Management. His focus is on North American large caps.

Top Picks:

National Bank (NA TSX)

Price recommended \$48.43

It's a bit of a laggard among the bank stocks, but National Bank has a strong ROE, a decent yield which could easily be raised, and is cheaper than virtually all of the major banks. There is usually not much to tell among the banks as investments, save their relative cheapness, and I chose NA for this reason.

Cisco Systems (CSCO NASDAQ)

Price recommended \$25.97

Cloud computing is here and is a serious growth business, and one of the top companies servicing the needs of the industry is CSCO. The company has a powerful balance sheet, is quite cheap in price/book terms relative to its own history, and has strong upside potential in our Fair Market Value determination. The stock has gone almost nowhere in the 10 years since the high tech bust, but the replacement cycle for their equipment is getting very long in the tooth. We suspect that many are looking backward at this stock, not forward, and that may prove to be an error. The stock even carries a modestly decent dividend!

DREAM Office REIT (D.UN TSX)

Price recommended \$29.33

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The DREAM Office REIT has been down and dirty for some months now, against the background of a slowly improving balance sheet, and a strong yield. Our Fair Market Value is strong, the need for income pressing, and sooner or later, we suspect that investors will be looking for investments like this one (rising rates or not).

Note my investment theme: *cheap relative to their own histories and their competitors, decent income, and strong upside potential. If this stock market is to carry on from here, these are the kinds of investments that cautious, johnny-come-lately investors will be looking for.*

Past Picks: June 10, 2013

Rogers Communications (RCLB TSX)

Then: \$45.75; Now: \$42.45 -7.21%; Total return: -2.48%

Merck & Co. (MRK NYSE)

Then: \$48.46; Now: \$58.58 +20.88%; Total return: +26.11%

Iamgold Corp. (IMG TSX)

Then: \$5.47; Now: \$4.11 -24.86%; Total return: -22.63%

Total return average: +0.33%

Market outlook:

There is a lot of fear in the streets these days, but precious little evidence that the market wants to give up the ghost and die. Almost none of the usual technical indicators that occur at extremes are happening now. Fundamentally, the market may not be "cheap" but compared to the past almost 20 years, it is modestly high but far from extreme. There is still decent upside potential ahead, and I see very little that tells me that there is any of the rampant speculation that usually accompanies a genuine market peak. Sure, it would be nice to see a 7-10-per-cent market setback to see how some of our favourite stocks react, and maybe buy something really cheap while we're at it, but this may be just too convenient given the current market sentiment.

In terms of normal market cycles, we have not even seen the rising interest rate part of the rotation, and some inflation is only now creeping in (and being ignored, almost vehemently, by the Fed). This is an election year, so the Fed will be watching closely to see that nothing untoward occurs. The bottom line is chill out, bears. Your time has not come - yet.

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TICKERS MENTIONED IN THIS STORY

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Symbol	Name	Last	Change	% Change
MRK	Merck & Company	54.69	+0.07increase	+0.13%increase
CSCO	Cisco Systems Inc	44.22	-0.14decrease	-0.32%decrease
NAT	National Bank of Canada	63.34	+0.08increase	+0.13%increase
IMG-T	Iamgold Corp	6.81	+0.13increase	+1.95%increase

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351 King Street East, Suite 1600, Toronto, ON Canada, M5A 0N1

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