

ETF FOCUS LIST



September 2014

Contents

The Focus List.....	3
List Changes.....	5
Additions.....	5
Deletions.....	6
ETFs of Note.....	6
Fixed Income.....	9
Income / Cash Flow.....	10
Canadian Equity.....	11
U.S. Equity.....	12
International / Global Equity.....	13
Specialty / Sector.....	14
ETF Descriptions.....	15
Fixed Income.....	15
Income / Cash Flow.....	16
Canadian Equity.....	16
U.S. Equity.....	17
International / Global Equity.....	18
Specialty / Sector.....	18
Disclaimer.....	20
About Us.....	21

The Focus List

Name	Ticker	% Returns at July 31, 2014				MER	3 Yr. Tracking Error	5 Yr. Tracking Error	3 Yr. Standard Deviation	5 Yr. Standard Deviation	Average Daily Volume
		3 Mth	1 Yr	3 Yr	5 Yr						
PowerShares Senior Loan CAD Hedged	BKL	0.46	3.03	N/A	N/A	0.87%	N/A	N/A	N/A	N/A	7K
iShares Canadian Short Term Bond Index	XSB	0.53	2.71	2.32	2.74	0.27%	0.35	0.45	1.22	1.70	90K
iShares 1-5 Year Laddered Corporate Bond	CBO	0.54	3.30	3.13	3.72	0.27%	0.67	0.80	1.29	1.80	140K
iShares Canadian Universe Bond Index	XBB	2.08	5.68	4.03	4.85	0.33%	0.60	0.76	3.20	3.23	74K
PowerShares Tactical Bond ETF	PTB	2.15	6.11	N/A	N/A	0.53%	N/A	N/A	N/A	N/A	11K

Fixed Income

Income / Cash Flow

iShares Diversified Monthly Income Fund	XTR	1.30	8.25	6.27	12.02	0.56%	2.67	5.27	4.12	6.63	70K
---	-----	------	------	------	-------	-------	------	------	------	------	-----

Canadian Equity

iShares S&P/TSX CDN Preferred Share	CPD	1.02	4.29	2.52	4.48	0.49%	0.98	1.04	3.54	3.93	120K
BMO Low Volatility Canadian Equity ETF	ZLB	4.18	19.21	N/A	N/A	0.40%	N/A	N/A	N/A	N/A	14K
PowerShares FTSE RAFI Cdn Fundamental	PXC	5.96	24.31	N/A	N/A	0.51%	N/A	N/A	N/A	N/A	14K
iShares S&P/TSX Cdn Dividend Aristocrats	CDZ	2.39	17.37	10.88	13.76	0.66%	5.84	6.11	7.56	8.22	73K
iShares Core S&P/TSX Cpd Composite Index	XIC	5.28	26.04	8.77	10.11	0.05%	0.97	1.02	10.40	10.65	90K
iShares S&P/TSX Completion Index	XMD	2.70	22.72	6.51	13.91	0.60%	1.03	1.01	11.52	11.69	16K

U.S. Equity

Vanguard MSCI U.S. Broad Mkt (C\$ Hedged)	VUS	3.46	16.10	N/A	N/A	0.16%	N/A	N/A	N/A	N/A	13K
iShares US Fundamental Index	CLU	2.42	16.11	16.79	16.51	0.72%	8.12	8.70	12.89	14.73	14K
iShares S&P 500 Index	XSP	3.09	16.88	16.29	15.96	0.23%	7.97	7.78	12.36	13.20	520K

% Returns at July 31, 2014											
Name	Ticker	3 Mth	1 Yr	3 Yr	5 Yr	MER	3 Yr. Tracking Error	5 Yr. Tracking Error	3 Yr. Standard Deviation	5 Yr. Standard Deviation	Average Daily Volume
International / Global Equity											
iShares MSCI EAFE Minimum Volatility Index	XMI	1.85	19.47	N/A	N/A	0.37%	N/A	N/A	N/A	N/A	3K
iShares MSCI EAFE Index (C\$ Hedged)	XIN	1.45	11.65	10.58	8.33	0.51%	5.80	6.58	13.03	12.85	84K
iShares International Fundamental Index	CIE	-0.18	24.20	11.71	8.20	0.72%	4.28	5.13	13.47	14.86	26K

Specialty / Sector

BMO MSCI Emerging Markets ETF	ZEM	6.83	20.46	3.64	N/A	0.56%	4.08	N/A	14.63	N/A	15K
iShares Gold Bullion Fund ETF	CGL	-0.35	-3.06	-7.90	4.88	0.55%	N/A	N/A	20.18	18.41	83K
BMO Equal Weight REITs Index ETF	ZRE	1.93	12.13	8.08	N/A	0.62%	9.37	N/A	9.15	N/A	28K
BMO Global Infrastructure	ZGI	6.06	26.84	22.45	N/A	0.62%	10.58	N/A	7.27	N/A	6K
iShares S&P/TSX Capped Financials Index	XFN	8.64	29.52	16.70	11.80	0.60%	8.92	10.81	9.97	12.06	216K

Source: Morningstar, Fundata, iShares, BMO, Vanguard, Invesco

Notes:

- ETFs highlighted in green represent new additions to the Focus List.
- Returns stated are returns for the NAV of the ETF, including all reinvested dividends and/or distributions.
- Returns do not include the effect of sales commissions or dealer compensation

List Changes

Additions

PowerShares Tactical Bond ETF (TSX: PTB) – With yields likely to start moving higher in the next couple of quarters, there is a good chance the traditional bond indices will be hit harder than high quality actively managed bond funds that have the ability to tactically shift their asset mix according to the conditions. This PowerShares offering is a hybrid between a passively managed index and an actively managed fund. It invests in a mix of fixed income ETFs offered through PowerShares and other providers. Each month, Invesco's Global Asset Allocation team examines the environment, and increases or decreases the underlying holdings to best position the portfolio. The asset mix ranges are:

Asset Class	Range
Canadian corporate bonds	30% - 90%
Canadian long-term government bonds	15% - 50%
Canadian real return bonds	0% - 15%
High Yield Corporate Bonds	0% - 20%
Global/international/emerging market fixed income	0% - 10%
Gold and/or silver	0% - 10%

I believe that this ETF offers a great one-ticket solution for those looking for diversified fixed income exposure. It can serve as a core bond holding within a well-diversified portfolio. Given its makeup, I expect that it will hold up better than XBB when rates do begin to grind higher.

iShares International Fundamental Index ETF (TSX: CIE) – Like the other fundamentally constructed ETFs on the list, this one ranks its holdings based on four valuation metrics; sales, cash flow, book value and dividends. Not surprisingly, this is a portfolio that is more attractively valued than any of the other ETFs in the international equity category. Another note is that the average market cap tends to skew a bit smaller than the other ETFs. Despite struggling over the past three months, I believe that the more favourable valuation metrics will allow for stronger risk adjusted performance over the long term. You should note that it has the potential to be more volatile than XIN.

BMO MSCI Emerging Markets ETF (TSX: ZEM) – While many risks remain in the emerging markets, it is beginning to look that the worst is behind us. Despite ongoing concerns around China's housing market, it has delivered some positive economic surprises recently. Other Asian markets, including Indonesia and Singapore remain strong thanks to positive growth forecasts. Geopolitical troubles in Russia and the Ukraine continue to hang over the region like a dark cloud. Considering all the factors, it appears as though the risk reward balance

is beginning to shift towards growth. This is becoming evident with investor sentiment, which, according to a recent report from iShares has seen net inflows into emerging market ETFs for the 12th straight week. They also state that short selling activity in the region is near one year lows, which is a big reversal from the record highs near the end of the first quarter. Given that the worst appears to be behind us, those with above average risk tolerances may want to start moving back into the region. In my view, the best Canadian traded ETF to do that is the BMO MSCI Emerging Markets ETF. It is virtually identical to the iShares version, yet boasts a lower MER and a lower tracking error. As with all specialty ETFs, this has the potential to be extremely volatile, and investors should exercise caution.

Deletions

iShares Advantaged U.S. High Yield Bond ETF (TSX: CHB) – Valuations of high yield bonds have become rather extended. There has been significant outflows from the asset class in recent weeks. I am strongly suggesting you take profits if you haven't already. In my broader asset mix outlook, I recently cut high yield from an overweight to an underweight position. This will only be a temporary situation until valuations return to more normalized levels. Also, once I bring high yield back onto the list, I will likely be adding the **iShares U.S. High Yield Bond CAD Hedged ETF (TSX: XHY)** over this ETF. It offers a very similar credit exposure, duration and yield, but it is cheaper and performance on a pre-tax basis has been stronger. The reason I am making the switch is the forward agreement that CHB is currently using to offer tax advantaged income is set to expire in early 2015. Without the tax advantaged income stream, it becomes a less attractive option.

iShares Global Monthly Advantaged Dividend Index ETF (TSX: CYH) – In hindsight, it was a mistake for me to have put this yield focused ETF on the list. My original premise was the dividend and yield focus of this ETF would help it outperform. That did not play out as expected. It has failed to keep pace with the MSCI World Index by pretty much every metric available. For the three years ending July 31, it gained an annualized 9.2%, while XWD, the MSCI World ETF gained more than 19%. Volatility has been substantially higher, and it carries a higher MER. Considering the above, I am removing it from the Focus List effective immediately.

ETFs of Note

PowerShares Senior Loan CAD Hedged ETF (TSX: BKL) – This provides exposure to the 100 largest loan facilities in the U.S. It includes such companies as Heinz, Hilton, and Valeant Pharmaceuticals. These loans pay a coupon rate that floats with an underlying benchmark rate such as LIBOR. These types of investments have gained a lot of favour with investors of late, and that has pushed valuations up substantially. Looking at the portfolio, the yield to maturity is listed at 4.46%, which is a good starting point for estimating the expected return of the ETF. If we then back out the 0.80% management fee, we are left with an expected return for the next 12 months of approximately 3.6%. It's not great, but if rates do move higher, so too will the coupon payments, basically eliminating the interest rate risk that is embedded in more traditional bond investments. A worry that some have expressed about the asset class is the potential illiquidity, should we see a ro-

tation out of the loan space, which has the potential to amplify price movements. While that is a concern, this ETF invests in the largest loans, meaning that liquidity is likely to be a lesser concern than with some of the actively managed mutual funds in the space. Still, I wouldn't use this as a core holding, but instead as a part of the fixed income portion of your portfolio. It can be helpful in managing your interest rate risk.

iShares 1-5 Year Laddered Corporate Bond Index ETF (TSX: CBO) – With the U.S. Federal Reserve's massive bond buying program expected to be wound down in October, traders' focus will likely now shift towards the timing of any rate increases. While most are expecting any moves to be made in mid to late 2015, it is highly likely that their speculation will cause a return of volatility to the bond markets. When that happens, one of the best ways to mitigate this volatility is to shorten the duration of your bond holdings. This ETF is a great way to do that. It invests in a laddered portfolio of corporate bonds that have maturities between one and five years. One thing you may note is that just under half of the portfolio has maturities that are in excess of five years. In these cases, the bonds in the portfolio are callable within five years, and the call date is used rather than the maturity date. This is because it is highly likely the bonds will be called. For those comfortable taking on a bit more risk, I believe this to be a better choice than XSB, as it offers a higher underlying yield, which will help it outperform in a flat yield environment. It does however have a higher duration, which may result in slightly more downside when rates rise.

iShares S&P/TSX CDN Preferred Share Index ETF (TSX: CPD) – Preferred shares can be a great way to generate above average income, without taking on the full risk of the equity markets. Preferreds are an interesting hybrid of equity and debt securities. Like fixed income, preferred shares will typically pay a set coupon that is paid in the form of a dividend. Some will have a fixed maturity date, while others may be perpetual, meaning there is no fixed term. Typically, they trade more like fixed income investments because of their fixed coupon payments. Because it is a dividend, it receives a more favourable tax treatments than interest payments from a bond. Other benefits of preferreds include a higher yield than many fixed income investments, and they offer price stability when compared to the issuer's common stock. Drawbacks include a high level of interest rate sensitivity, the risk of the preferred being called away by the issuer, as well as credit risk and liquidity risk. I like preferreds for those more investors looking for yield, and are willing to take on a bit more risk than with fixed income. In my view, this ETF is the best way to gain exposure to a diversified portfolio of preferred shares. It offers a lower cost, better liquidity and slightly higher credit quality than the other preferred offerings.

BMO Low Volatility Canadian Equity ETF (TSX: ZLB) – One of the more interesting investment strategies that has gained popularity of late has been low volatility investing. The basic premise is that stocks that exhibit lower volatility tend to outperform in most market environments, except for a sharp market rally. The idea is that a low vol strategy will deliver comparable returns to the broader market, with a lower risk profile. Since its launch, this ETF has done just that, nearly doubling the gain of the S&P/TSX Composite, with much less volatility. The key difference between this offering and the iShares low vol ETF is this invests in the 40 largest low beta stocks, while the iShare offering invests in around 75 stocks with the lowest standard deviation. There is no right answer as to which is better, but to date this has outpaced the iShares offering on both an absolute and risk adjusted basis. With volatility expected to return to the equity markets in the fall, some exposure to this low vol offering may help to mitigate any potential drawdowns.

iShares S&P/TSX Canadian Dividend Aristocrats ETF (TSX: CDZ) – Studies have shown that stocks that are able to grow their dividends over time have a history of outperforming those that do not. That is why this is such an interesting ETF. To be included, a company must have increased dividends in each of the past five years. The result is a diversified portfolio of companies of all sizes. Unlike the traditional dividend fund that is heavily focused in financial services, this ETF has about 20% invested in financials. It also has significant exposure to consumer cyclicals, energy and communications. Another interesting thing about this ETF is that it tends to have a smaller average market cap than many of its peers. As a result, it has the potential be more volatile than the broader market. This is a good choice for those looking for a mix of yield, which is currently above both the index and category average, and capital growth potential.

Vanguard MSCI U.S. Broad Market (C\$ Hedged) (TSX: VUS) – The most popular U.S. equity ETF has been the **iShares Core S&P 500 (CAD Hedged) ETF (TSX: XSP)**, which tracks the performance of the S&P 500. While the S&P is a good proxy of the U.S. market, it is mainly focused on the large cap names, and leaves out many smaller and mid-sized companies. That is where this Vanguard offering differs. It looks to replicate the CRSP US Total Market Index, which is a cap weighted index that represents nearly 100% of the U.S. public equity markets, with nearly 4,000 holdings. While I like the idea of capturing the entire market, I am favouring XSP over this at the moment. I would expect that in periods of elevated market volatility, XSP will outperform marginally. In a recovery phase where the smaller names tend to outperform, this would be my pick. Given my expectation for higher volatility in the fall, XSP is my pick.

iShares Gold Bullion Fund ETF (TSX: CGL) – The outlook for gold, at least in the short term remains rather muted. From a price perspective, it is within Dynamic Funds estimate of fair value. There are a number of factors that support a higher gold price over the long term, including high global debt levels, central banks increasing their gold reserve levels, and the potential for increased demand from India and China. Unfortunately for gold bugs, there aren't many near term factors that will increase demand, except for the uncertainty caused by the increasing geopolitical situations in the Ukraine and Gaza. Should we see a sustained escalation in either of those conflicts, expect a jump in gold prices. If we don't, expect more of the same.

BMO Global Infrastructure ETF (TSX: ZGI) – One of the more interesting investment themes for the past few years has been rebuilding the world's crumbling infrastructure. This ETF looks to capitalize on that by investing in companies that are involved in the development, ownership, or management of infrastructure assets such as energy, pipelines, bridges, airports and toll roads. It holds approximately 50 names, and not surprisingly, it is heavily concentrated in energy and utilities. It tracks the Dow Jones Brookfield Global Infrastructure North American Index, which means that the majority of the holdings are large, well-capitalized companies. A benefit to this is they tend to generate meaningful dividends for investors. At the end of July, the dividend yield of the underlying holdings was 3%, which is higher than the broader global equity market. It passes some of this along to investors through a regular quarterly dividend, which has been \$0.145 per quarter per share so far this year. I like this over the **iShares Global Infrastructure ETF (TSX: CIF)** because it has shown a more favourable risk reward profile at a lower cost. I believe the near to medium term outlook for infrastructure remains strong, and ZGI is a great way to gain exposure. While volatility may be lower than the broader equity markets, I would still treat this as a sector fund and limit exposure in a portfolio.

Fixed Income

Fund	Ticker	Asset Class	Construction Method	MER	Assets (\$ mil)	Notes
PowerShares Senior Loan CAD Hgd	TSX: BKL	Leveraged Loans	Cap Weighted	0.87%	\$78.4	<ul style="list-style-type: none"> • Gives exposure to 100 largest loans in U.S. • Coupon payments float with LIBOR • Good way to reduce rate sensitivity • Valuations becoming a concern - CAUTION
iShares Canadian Short Term Bond	TSX: XSB	Short Term Fixed Income	Cap Weighted	0.27%	\$2,343.0	<ul style="list-style-type: none"> • Diversified exposure to a portfolio of short term government and corporate bonds • Great way to shorten duration in a portfolio
iShares 1-5 Year Laddered Corp Bd	TSX: CBO	Short Term Fixed Income	Equal Weighted	0.27%	\$2,156.0	<ul style="list-style-type: none"> • Provides exposure to a portfolio of corporate bonds with laddered maturities • Remains a great short term pick
iShares Canadian Universe Bond	TSX: XBB	Traditional Bond	Cap Weighted	0.33%	\$1,567.0	<ul style="list-style-type: none"> • Still one of the best options for bonds • Portfolio of government and corporates • High interest rate sensitivity. Duration of 7 • Expected to struggle as yields grind higher
PowerShares Tactical Bond ETF	TSX: PTB	Tactical Bond	Fund of ETFs	0.53%	\$178.4	<ul style="list-style-type: none"> • Invests in a mix of underlying bond ETFs • Asset mix adjusted monthly by manager • A “one-ticket” bond portfolio • Expected to hold up better when rates rise • Drawback is cost, coming in at 0.53%

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr
PowerShares Senior Loan Hgd	0.46	3.03	N/A	N/A	N/A	3.77	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
iShares Cdn Short Term Bond	0.58	2.71	2.32	2.74	3.94	1.39	1.58	4.41	3.29	4.42	7.85	95	97	119	128
iShares 1-5 Yr Ldr Corp Bd	0.54	3.30	3.13	3.72	N/A	2.07	3.18	4.76	3.80	N/A	N/A	115	115	83	101
iShares DEX Universe Bond	2.08	5.68	4.03	4.85	5.27	-1.31	3.01	9.33	6.14	5.18	6.22	94	94	98	100
PowerShares Tactical Bond	2.15	6.11	N/A	N/A	N/A	-2.11	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: Source: Morningstar, Fundata, iShares, BMO, Vanguard, Invesco

Income / Cash Flow

Fund	Ticker	Asset Class	Construction Method	MER	Assets (\$ mil)	Notes
iShares Diversified Monthly Income	TSX: XTR	Fixed Income Balanced	Fund of ETFs	0.56%	\$735.0	<ul style="list-style-type: none"> • Invests in a mix of income focused ETFs • Emphasis on cash flow. Yields 5.9% • Performance not likely to be repeated going forward, given rate sensitivity

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr
iShares Div. Monthly Income	1.30	8.25	6.27	12.02	N/A	2.06	8.37	6.62	15.61	39.75	-25.4	108	165	168	103

Note: Source: Morningstar, Fundata, iShares, BMO, Vanguard, Invesco

Canadian Equity

Fund	Ticker	Asset Class	Construction Method	MER	Assets (\$ mil)	Notes
iShares S&P/TSX CDN Preferred Share Index	TSX: CPD	Preferred Share Fixed Income	Cap Weighted	0.49%	\$1,321.0	<ul style="list-style-type: none"> Invests in a diversified portfolio of preferreds Expect headwinds as yields grind higher Buy for 4.5% yield, not capital growth
BMO Low Volatility Canadian Equity	TSX: ZLB	Canadian Equity	Rules Based	0.40%	\$266.0	<ul style="list-style-type: none"> Invests in the 40 lowest beta stocks from the 100 largest and liquid stock in Canada Prefer this over the PowerShares version because it's better diversified
PowerShares FTSE RAFI Canadian Fundamental	TSX: PXC	Canadian Equity	Fundamental	0.51%	\$121.0	<ul style="list-style-type: none"> Invests in Canadian companies ranked by dividends, cash flow, sales and book value Looks more attractively valued than other Canadian indices
iShares S&P/TSX Cdn Dividend Aristocrats	TSX: CDZ	Cdn Dividend & Income Equity	Rules Based	0.66%	\$1,089.0	<ul style="list-style-type: none"> Invests only in companies that have increased dividends for 5 consecutive years All cap mandate, but skews Mid Cap
iShares S&P/TSX Capped Composite Index	TSX: XIC	Canadian Equity	Cap Weighted	0.05%	\$1,908.0	<ul style="list-style-type: none"> Provides exposure to the TSX Composite Recently cut MER to 0.05% Concentrated in energy, financials & materials. Riskier than it looks.
iShares S&P/TSX Completion Index	TSX: XMD	Canadian Small / Mid-Cap Equity	Cap Weighted	0.60%	\$260.9	<ul style="list-style-type: none"> Invests the stocks in the S&P/TSX Composite that are not in the S&P/TSX 60 Very mid cap focused. Continue to favour mids over small caps

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr
iShare S&P/TSX CDN Pref Idx	1.02	4.26	2.52	4.84	N/A	-3.15	4.65	5.22	7.05	24.59	-16.8	96	93	111	103
BMO Low Volatility Cdn Equity	4.18	19.21	N/A	N/A	N/A	20.70	14.07	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PowerShares FTSE RAFI Cdn Fundamental	5.96	24.31	N/A	N/A	N/A	16.19	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
iShares S&P/TSX Cdn Dividend Aristocrats	2.39	17.37	10.88	13.76	N/A	13.59	8.84	6.07	15.69	38.43	-30.0	79	83	42	38
iShares S&P/TSX Cpd Comp.	5.28	26.04	8.77	10.11	8.99	12.46	7.01	-8.79	17.44	34.55	-33.3	101	99	105	100
iShares S&P/TSX Completion	2.70	22.72	6.51	13.91	8.31	11.99	3.92	-8.48	30.22	45.95	-38.8	98	97	102	100

Note: Source: Morningstar, Fundata, iShares, BMO, Vanguard, Invesco

U.S. Equity

Fund	Ticker	Asset Class	Construction Method	MER	Assets (\$ mil)	Notes
Vanguard MSCI U.S. Broad Market (C\$ Hedged)	TSX: VUS	U.S. Equity	Cap Weighted	0.16%	\$250.6	<ul style="list-style-type: none"> • One of the lowest cost US equity ETFs • All cap mandate, holding nearly 4,000 U.S. based companies
iShares US Fundamental Index	TSX: CLU	U.S. Equity	Fundamental	0.72%	\$227.4	<ul style="list-style-type: none"> • Holds the largest 1000 U.S. stocks by fundamental value including dividends, cash flow, sales, and book value. • More attractively valued than other US ETFs • Replicates the S&P 500
iShares S&P 500 Index	TSX: XSP	U.S. Equity	Cap Weighted	0.10%	\$2,418.2	<ul style="list-style-type: none"> • Hedges currency, but if you want the unhedged version, you can use XSP • Valuations look high compared to CLU

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr
Vanguard MSCI U.S. Broad Market (C\$ Hedged)	3.46	16.10	N/A	N/A	N/A	33.87	15.36	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
iShares US Fundamental Index	2.42	16.11	16.79	16.51	N/A	35.44	15.39	-2.00	16.83	29.07	-42.9	103	128	275	214
iShares S&P 500 Index	3.09	16.88	16.29	15.96	5.22	32.33	15.41	0.65	13.91	22.92	-40.4	99	116	254	178

Note: Source: Morningstar, Fundata, iShares, BMO, Vanguard, Invesco

International / Global Equity

Fund	Ticker	Asset Class	Construction Method	MER	Assets (\$ mil)	Notes
iShares MSCI EAFE Minimum Volatility Index	TSX: XMI	International Equity	Rules Based	0.37%	\$45.6	<ul style="list-style-type: none"> • Uses an optimization approach to try to minimize the volatility of the EAFE Index • Lower volatility profile, but shows higher valuations than XIN. Strong YTD gains • Will likely lag in rally
iShares MSCI EAFE Index (C\$ Hedged)	TSX: XIN	International Equity	Cap Weighted	0.51%	\$1,126.0	<ul style="list-style-type: none"> • Looks to replicate the MSCI EAFE Index • Currency exposure us fully hedged • Should do well as Euro stocks rally higher • Provides exposure to the 1000 largest listed companies outside the U.S.
iShares International Fundamental Index ETF	TSX: CIE	Global Equity	Fundamental	0.72%	\$236.8	<ul style="list-style-type: none"> • Ranked on sales, cash flow, book value & dividends. • More volatile than cap weighted index

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr
iShares MSCI EAFE Min Vol.	1.85	19.47	N/A	N/A	N/A	24.14	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
iShares MSCI EAFE (C\$ Hdg)	1.45	11.65	10.58	8.33	2.99	24.70	17.76	-12.9	5.19	17.88	-40.9	91	90	104	95
iShares Int'l Fundamental Idx	-0.18	24.2	11.71	8.20	N/A	32.74	13.06	-14.2	0.59	11.95	-28.8	111	115	139	142

Note: Source: Morningstar, Funddata, iShares, BMO, Vanguard, Invesco

Specialty / Sector

Fund	Ticker	Asset Class	Construction Method	MER	Assets (\$ mil)	Notes
BMO MSCI Emerging Markets ETF	TSX: ZEM	Emerging Markets	Cap Weighted	0.54%	\$121.4	<ul style="list-style-type: none"> The worst appears to be behind the EM Short interest is low and inflows strong Lower MER and tracking error than XEM
iShares Gold Bullion Fund ETF	TSX: CGL	Commodity	Other	0.55%	\$297.8	<ul style="list-style-type: none"> Gold continued to benefit from its safe haven status as tensions in Gaza were high Unless the situation in the Mid-East and Gaza escalate, I expect weakness.
BMO Equal Weight REITs Index ETF	TSX: ZRE	Real Estate Equity	Equal Weighted	0.62%	\$337.4	<ul style="list-style-type: none"> REITs were hit hard in the middle of last year when yields moved higher. They have rebounded nicely since last summer More diversified than the other REIT ETFs.
BMO Global Infrastructure	TSX: ZGI	Global Equity	Cap Weighted	0.62%	\$245.7	<ul style="list-style-type: none"> Focuses on U.S. or Canadian listed companies with market caps of at least \$500 MM Invests in companies involved with infrastructure projects like airports, toll roads, ports, communications, and other plays Provides mix of capital growth and income
iShares S&P/TSX Capped Financials Index	TSX: XFN	Financial Services Equity	Cap Weighted	0.60%	\$962.5	<ul style="list-style-type: none"> Invests in the largest banks and insurance companies that trade on the TSX Near term outlook strong. Bank earnings look good. High debt levels a concern. You may want to take some profits

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr
BMO MSCI Emerging Markets	6.83	20.46	3.64	N/A	N/A	3.53	13.61	-17.1	11.9	N/A	N/A	94	N/A	103	N/A
iShares Gold Bullion Fund ETF	-0.35	-3.06	-7.90	4.88	N/A	-28.7	7.08	9.55	29.12	N/A	N/A	N/A	N/A	N/A	N/A
BMO Equal Weight REITs	1.93	12.13	8.08	N/A	N/A	-4.74	18.16	13.68	N/A	N/A	N/A	66	N/A	57	N/A
BMO Global Infrastructure	6.06	26.84	22.45	N/A	N/A	22.43	12.87	18.75	N/A	47.47	N/A	68	N/A	-11	N/A
iShares S&P/TSX Cpd Financials Index	8.64	29.52	16.70	11.80	8.92	26.00	16.42	-4.40	7.91	4.47	-36	73	79	56	52

Note: Source: Morningstar, Fundata, iShares, BMO, Vanguard, Invesco

ETF Descriptions

(From Managers)

Fixed Income

PowerShares Senior Loan CAD Hedged (TSX: BKL) - PowerShares Senior Loan (CAD Hedged) Index ETF (BKL) seeks to replicate, before fees and expenses, the performance of the S&P/LSTA (Loan Syndications and Trading Association) U.S. Leveraged Loan 100 Index (CAD Hedged). The index gives investors exposure to the largest 100 loan facilities drawn from a larger benchmark - the S&P/LSTA Leveraged Loan Index.

iShares Canadian Short Term Bond Index (TSX: XSB) - The iShares Canadian Short Term Bond Index ETF seeks to provide income by replicating, to the extent possible, the performance of the FTSE TMX Canada Short Term Bond Index™, net of expenses. The index is a market capitalization weighted index consisting of a broadly diversified range of investment grade federal, provincial, municipal and corporate bonds with a term to maturity between one and five years. Effective March 24, 2014, the name of the fund was changed from iShares DEX Short Term Bond Index Fund to iShares Canadian Short Term Bond Index ETF.

iShares 1-5 Year Laddered Corporate Bond (TSX: CBO) - The iShares 1-5 Year Laddered Corporate Bond Index ETF, seeks to provide a return based on investing and holding the securities that constitute the FTSE TMX Canada 1-5 Year Laddered Corporate Bond Index, less fees and expenses. CBO provides suitable investors exposure to a well-diversified corporate bond portfolio, with staggered maturity levels from 1 to 5 years.

iShares DEX Universe Bond Index (TSX: XBB) - The iShares Canadian Universe Bond Index ETF seeks to provide income by replicating, to the extent possible, the performance of the FTSE TMX Canada Universe Bond Index™, net of expenses. The index consists of a broadly diversified selection of investment-grade Government of Canada, provincial, corporate and municipal bonds issued domestically in Canada and denominated in Canadian dollars. Effective March 24, 2014, the name of the fund was changed from iShares DEX Universe Bond Index Fund to iShares Canadian Universe Bond Index ETF.

PowerShares Tactical Bond ETF (TSX: PTB) – The PowerShares Tactical Bond ETF seeks to achieve income and capital growth by investing primarily in securities of PowerShares ETFs that provide exposure to fixed-income securities. The ETF will make tactical shifts based on economic conditions and opportunities.

Income / Cash Flow

iShares Diversified Monthly Income Fund (TSX: XTR) - The iShares Diversified Monthly Income ETF seeks to provide a consistent monthly cash distribution, with the potential for modest long-term capital growth, by investing primarily in Canadian iShares Funds that provide exposure to a diversified portfolio of income-bearing investments. Exposure to these types of income-bearing investments may also be obtained by investing directly in them and/or through the use of derivatives. The investment strategy of XTR is to invest primarily in income-bearing Canadian iShares Funds. XTR will invest in a portfolio that is a diversified representation of income-bearing asset classes, including, but not limited to, common equities, fixed income securities and real estate investment trusts. BlackRock Canada will develop and maintain a strategic asset allocation policy for XTR. The fund will generally rebalance to this allocation policy on a quarterly basis, but may also do so more frequently if market conditions warrant. The majority of the XTR's investment exposure will be to Canadian securities, but foreign asset classes may also be included as a result of their income properties or diversification benefits. BlackRock Canada will review, and may adjust, XTR's strategic asset allocation from time to time, as market conditions change, and as the investible universe evolves.

Canadian Equity

iShares S&P/TSX CDN Preferred Share (TSX: CPD) - The iShares S&P/TSX Canadian Preferred Share Index ETF seeks to track, less fees and expenses, the S&P/TSX Preferred Share Index. The fund provides suitable investors of any size with the opportunity to gain exposure to the Canadian preferred shares market, provide a diversified portfolio and the potential for monthly distributions. Overall, accessing preferred shares through this fund can help reduce risk, including credit risk.

BMO Low Volatility Canadian Equity ETF (TSX: ZLB) - BMO Low Volatility Canadian Equity ETF has been designed to provide exposure to a low beta weighted portfolio of Canadian stocks. Beta measures the security's sensitivity to market movements. The Fund utilizes a rules based methodology to select the least market sensitive stocks based on the one year beta. The 40 lowest beta stocks from the 100 largest and most liquid securities in Canada are selected. The underlying portfolio is rebalanced in June and reconstituted in December.

PowerShares FTSE RAFI Canadian Fundamental (TSX: PXC) - The PowerShares FTSE RAFI Canadian Fundamental Index ETF (PXC) seeks to replicate, before fees and expenses, the performance of the FTSE RAFI® Canada Index. This ETF gives investors exposure to all Canadian equities in the FTSE RAFI® Developed ex U.S. 1000 Index, a fundamentally weighted index.

iShares S&P/TSX Canadian Dividend Aristocrats (TSX: CDZ) - The iShares S&P/TSX Canadian Dividend Aristocrats Index ETF aims to track the S&P/TSX Canadian Dividend Aristocrats Index, less fees and expenses. To qualify, securities must: a) be common stock or income trust listed on the TSE and in the S&P Canada Broad Market Index; b) have increased ordinary cash dividends for at least 5 consecutive years; c) have a minimum C\$ 300 million market cap.

iShares S&P/TSX Capped Composite Index (TSX: XIC) - The iShares S&P/TSX Capped Composite Index ETF seeks to provide long-term capital growth by replicating, to the extent possible, the performance of the S&P®/TSX® Capped Composite Index through investments in the constituent issuers of such index, net of expenses. The index is comprised of the largest (by market capitalization) and most liquid securities listed on the Toronto Stock Exchange, selected by S&P Dow Jones Indices LLC using its industrial classifications and guidelines for evaluating issuer capitalization, liquidity and fundamentals.

iShares S&P/TSX Completion Index (TSX: XMD) - The iShares S&P/TSX Completion Index ETF seeks to provide long-term capital growth by replicating, to the extent possible, the performance of the S&P/TSX Completion Index through investments in the constituent issuers of such index, net of expenses. The index is comprised of all constituents of the S&P/TSX Composite Index that are not in the S&P/TSX 60 Index.

U.S. Equity

Vanguard MSCI U.S. Broad Market C\$ Hedged (TSX: VUS) - Vanguard U.S. Total Market Index ETF (CAD-hedged) seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad U.S. equity index that measures the investment returns of primarily large-capitalization U.S. stocks, which index is hedged to the Canadian dollar. Currently, this Vanguard ETF seeks to track the CRSP US Total Market Index (CAD-hedged) (or any successor thereto). It invests directly or indirectly primarily in stocks of U.S. companies and uses derivative instruments to seek to hedge the U.S. dollar exposure of the securities included in the CRSP US Total Market Index (CAD-hedged) back to the Canadian dollar.

iShares US Fundamental Index (TSX: CLU) - iShares US Fundamental Index ETF seeks to track, less fees and expenses, the FTSE RAFI US 1000 C\$ Hedged Index, comprised of the largest 1,000 US-listed companies by fundamental value. They're selected on the basis of 3 factors aggregated over 5 years: total cash dividends, free cash flow and total sales. Current book equity value is also taken into account. CLU is hedged against U.S. currency risk.

iShares S&P 500 Index (TSX: XSP) - The iShares S&P 500 Index ETF (CAD-Hedged) seeks to provide long-term capital growth by replicating, to the extent possible, the performance of the S&P 500 Hedged to Canadian Dollars Index, net of expenses. The Index is a market capitalization-weighted index of securities of 500 of the largest U.S. public issuers provided by S&P Dow Jones Indices LLC, hedged to Canadian dollars.

International / Global Equity

iShares MSCI EAFE Minimum Volatility Index (TSX: XMI) - The iShares MSCI EAFE Minimum Volatility Index ETF seeks to provide long-term capital growth by replicating, to the extent possible, the performance of the MSCI EAFE Minimum Volatility Index (USD), net of expenses. The index measures the performance of international equity securities that have lower volatility relative to the equity securities included in the MSCI EAFE Index. The eligible universe of securities is taken from the MSCI EAFE Index, which is a capitalization-weighted index, and then MSCI, Inc. follows a rules-based methodology to determine optimal weights for securities in the index in order to seek to minimize total risk of the MSCI EAFE Index. The index includes stocks from Europe, Australasia, the Middle East and the Far East. Representative companies include consumer staples, financials and health care companies. The Index is optimized in U.S. dollars and reported in Canadian dollars.

iShares MSCI EAFE Index C\$ Hedged (TSX: XIN) - The iShares MSCI EAFE Index ETF (CAD-Hedged) seeks to provide long-term capital growth by replicating, to the extent possible, the performance of the MSCI® EAFE 100% Hedged to CAD Dollars Index, net of expenses. The index is a free float-adjusted market capitalization-weighted Index provided by MSCI, Inc. that includes securities from Europe, Australasia and the Far East, hedged to Canadian Dollars.

iShares International Fundamental Index ETF (TSX: CIE) - iShares International Fundamental Index Fund seeks to track, less fees and expenses the FTSE RAFI Developed ex US 1000 Index, composed of the largest 1000 listed companies incorporated outside the U.S., ranked by 4 fundamental measures of size: sales, cash flows, book value and dividends. It represents 25 separate country/regional indices from Europe, Australasia and the Far East.

Specialty / Sector

BMO MSCI Emerging Markets ETF (TSX: ZEM) - The BMO MSCI Emerging Markets Index ETF has been designed to replicate, to the extent possible, the performance of the MSCI Emerging Markets Index, net of expenses. The Fund invests in emerging markets equity. The Manager may use a sampling methodology in selecting investments for the Fund. The Fund may also invest in or hold securities intended to replicate the performance of the Index. In addition, as ZEM may hold other underlying ETFs, the management fees charged are reduced by the management fees paid on the underlying ETFs.

iShares Gold Bullion Fund ETF (TSX: CGL) - The fund seeks to replicate the performance of the price of physical gold bullion, less the fund's fees and expenses. The fund is not actively managed. To achieve its objective, the fund invests in long-term holdings of unencumbered gold bullion, in 100 or 400 troy ounce international bar sizes. In accordance with its investment objective, strategy, policies and restrictions, the assets of the fund consist of gold bullion that the fund purchases and holds, cash, permitted gold certificates, if any, and forward contracts relating to the currency hedge.

BMO Equal Weight REITs Index ETF (TSX: ZRE) - The BMO Equal Weight REITs Index ETF has been designed to replicate, to the extent possible, the performance of the Dow Jones Canada Select Equal Weight REIT Index, net of expenses. The Fund invests in Canadian real estate investment trusts. The Fund invests in and holds the Constituent Securities of the Index in the same proportion as they are reflected in the Index. The Dow Jones Canada Select Equal Weight REIT Index consists of the Canadian securities that fall within the Real Estate Investment Trust sector. Each security in the Index is allocated a fixed weight rather than a market capitalization weight. To be included as a Constituent Security, an issue must meet certain minimum trading volume requirements and be incorporated in, or has its primary market listing in Canada.

BMO Global Infrastructure (TSX: ZGI) - BMO Global Infrastructure Index ETF has been designed to replicate, to the extent possible, the performance of the Dow Jones Brookfield Global Infrastructure North American Listed Index (Index), net of expenses. The ETF invests in and holds the Constituent Securities of the Index in the same proportion as they are reflected in the Index. The Dow Jones Brookfield Global Infrastructure North American Listed Index (Index) is a float-adjusted market capitalization weighted Index. To be eligible for inclusion in the Index, a company must have a minimum float-adjusted market capitalization of US\$500 million as well as a minimum three-month average daily trading volume of US\$1 million. Securities of constituent issuers also must be listed in Canada or the United States. More than 70% of a potential constituent issuer's cash flows must be derived from the development, ownership, lease, concession or management of infrastructure assets.

iShares S&P/TSX Capped Financials Index (TSX: XFN) - The iShares S&P/TSX Capped Financials Index ETF seeks to provide long-term capital growth by replicating, to the extent possible, the performance of the S&P/TSX Capped Financials Index, net of expenses. The index is comprised of constituents of the S&P/TSX Composite Index in GICS Sector 40, but excluding GICS Industry Group 4040 – Real Estate. Constituents are capped at 25% weight.

Disclaimer

Financial Information provided by Fundata Canada. (c) Fundata Canada. All Rights Reserved.

Information is from sources believed to be reliable. Every effort is made to ensure its accuracy, however, we cannot be responsible for inaccuracies or omissions in any of the data.

Information used in this analysis is historic in nature. Past performance is no guarantee of future performance.

Monthly Standard Deviation is the most recent 60 month historical standard deviation of returns.

Sharpe Ratio is a measure of risk adjusted returns. The higher the ratio, the better the manager has been at delivering more return for less risk.

Alpha represents the excess return which the manager has been able to deliver over and above the applicable benchmark.

Beta represents the volatility of the fund relative to its applicable benchmark. A beta of one means that there is a level of volatility equal that of the benchmark. A beta in excess of one indicates that the volatility is greater than the benchmark, while a beta of less than one indicates that volatility is less than the benchmark.

Correlation measures the similarity in return patterns between the fund and a benchmark. The correlation will range between -1 and +1. A correlation close to +1 indicates that the fund and the index have very similar return patterns. A correlation close to -1 indicates that the returns are almost opposite, while a correlation close to zero indicates no relationship.

Historic returns are calculated using the monthly return data in our database. Slight variations in return results will be attributable to decimal rounding and number truncation.

This is not a solicitation from Paterson & Associates to sell mutual funds or any financial product. For additional information, please contact your advisor or refer to the important information found in the mutual fund prospectus. - All Information is for Broker Use Only.

About Us

Dave Paterson is the Director of Research, Investment Funds for D.A. Paterson & Associates Inc. Paterson & Associates is an independent consulting firm specializing in providing research and due diligence on a wide range of different investment products including mutual funds, hedge funds and other exempt market products to financial advisors, individual investors and investment dealers. In addition Paterson & Associates offers fully customized portfolio optimization solutions to independent financial planners.

Dave has worked in the mutual fund industry since 1994. Prior to starting his own firm in 2002, he worked for a variety of respected mutual fund companies and money managers including the Mackenzie Financial, Guardian Group of Funds, the Bank of Montreal and Jones Heward. In these roles, Dave has had the opportunity to work with some of the most respected money managers in the country.

Using this knowledge, Dave has developed a unique analytical approach which focuses on identifying the funds which have consistently delivered strong, risk adjusted returns on both an absolute and relative basis. Dave has also developed a fully customizable Portfolio Optimization Process which focuses on creating efficient portfolios designed to deliver clients with the highest level of return for their risk comfort level.

In 2011, Dave took over the publication and editor duties of Gordon Pape's Mutual Fund and ETF Update and Top Funds Report, the most widely read mutual fund newsletters in the country. He is also regularly quoted in the Financial Post, Globe and Mail and the FundLibrary.com and has appeared on BNN.

Dave was awarded the Chartered Financial Analyst (CFA) designation in 2000 and holds a Bachelor of Commerce (Finance) from the University of Windsor.