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WHAT'S NEW

♦ **New Mutual Fund and ETF Database to launch soon!!** – After months of development, we are pleased to announce that **on December 10, 2012 we will be launching our new Mutual Fund and ETF database.** This comprehensive database, powered by Fundata Canada, will allow investors to screen the entire universe of mutual funds and ETFs using a variety of criteria to drill down and find the funds that are right for them. Once they identify funds of interest, they can view detailed profiles for each fund that include asset mix, geographic allocation, sector mix, and top holdings. As well, the profiles provide detailed performance data as well as a number of the key risk/reward metrics which we follow when analyzing funds and ETFs. The detailed fund profiles will also include our proprietary fund ratings. All of the data will be updated monthly so you will never find an outdated fund profile.

As well, the new database contains detailed commentaries on many of the most popular funds. This combination of qualitative and quantitative analysis makes our new database unique and an invaluable tool for any serious mutual fund or ETF investor.

The new database is available as a stand-alone, unlimited use subscription for the low annual fee of \$49.95 plus tax if you act before the end of the year. In January 2013, the subscription cost will rise to \$59.95 for our current subscribers, which is 40% off our new annual subscription

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ETF RECOMMENDED LIST REVIEW

By Dave Paterson, CFA

Fiscal cliff could result in more volatility. No major changes to recommended list.

Historically, it has been the autumn months which have been the most volatile for investors, with September and October having the reputations of being particularly harsh. Fortunately this year, most of the volatility that was expected failed to materialize, resulting in a decent quarter for the global markets. Much of this relative stability can be attributed to the various easing measures announced by global central banks, most notably the European Central Bank and the U.S. Federal Reserve. Both announced massive easing programs, restoring investor confidence and increasing their appetite for risk.

In Europe, investors rejoiced, pushing markets higher as expectations grew that announced bond buying program will dramatically cut the likelihood of an escalation of the European sovereign debt crisis. While this program effectively buys time for policy makers to craft a workable solution, it does very little to actually solve it.

Closer to home, the U.S. Fed's program, dubbed QE3 by market participants, was launched with the intention of helping to stimulate the housing market, create jobs and keep long term interest rates low. Under the plan, the Fed will buy up to \$40 billion of mortgage back bonds each month until the outlook for the jobs market improves substantially.

There is little doubt that these actions are largely positive, yet we remain cautious. With Obama winning a second term and very little change in the balance of power in the senate or congress, the debate on the U.S. fiscal cliff may escalate into a very tense time. The fiscal cliff is the expiration of a number of Bush Era tax cuts and automatic spending increases which many economists predict could cut U.S. GDP by as much as 5%, throwing the fragile recovery back into recession.

While both sides have shown early signs of willingness to compromise, much

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work remains before an agreement can be reached and we can all breathe a collective sigh of relief. While we believe that a deal will be reached, until it occurs, the potential for market volatility remains high.

Looking ahead, it is our expectation that interest rates will remain very low for at least the next few quarters. Under this scenario we do not expect a large selloff in bonds. Instead, we expect that returns will be flat to modestly positive with corporate bonds outperforming governments because of their higher yields. We are not suggesting that one sell their government bond holdings, only that they shouldn't overweight them. Government bonds still have great safe haven appeal should an unforeseen crisis emerge.

We continue to favour equities over fixed income. There are many high quality equities available that are priced at a significantly more attractive level of valuation than bonds. Considering this, we like many of the higher quality, large cap focused funds that invest in companies offering attractive dividend yields. Again, we are not suggesting that bond positions be sold, but rather the fixed income allocation should be in line with your long term investment objectives. We firmly believe that investors should begin to think of fixed income as a way to dampen volatility in their portfolios, rather than a significant driver of return going forward.

While we like the dividend story in Canada, we are less enthused about it south of the border. Our reasoning for this is that many experts expect that the tax rate on dividends will be increased from the current 15% to something closer to 40%. Should this happen, it is likely that we may see a selloff of higher yielding dividend stocks as investors pour into more growth focused names. If this does indeed occur, any selloff may create a compelling buying opportunity for longer term investors in higher yielding U.S. names. Regardless, we remain cautious in the short term.

We are also becoming more positive on gold in the short term due to the quantitative easing measures that have been introduced of late. While the economic system has been flush with liquidity for some time, the recently introduced programs are effectively unlimited in scope, which may help to further fuel the inflation flames once the economic recoveries begin to gain a foothold. Historically, gold has been a great hedge against inflation. We would expect that to be the case again this time around.

Upgrades and New Additions

iShares S&P/TSX Canadian Dividend Aristocrats (CDZ) – Much of the market momentum in the past few months has been focused in the more cyclical names which are expected to

benefit from the central bank easing announcements. While the cyclicals rallied sharply higher, many of the stocks which have a history of paying and growing their dividends also rallied, but at a much more modest pace. In addition many of these high yielding stocks have been sold off in the weeks since the U.S. election, making them more attractive from a valuation standpoint. Considering these factors, we believe that now may be a good time to add some exposure to high quality, Canadian dividend stocks, and this ETF, with its emphasis on companies that have a demonstrated history of increasing their dividends year in and year out, is a great place to start. It pays a monthly distribution of \$0.06, which works out to an annualized yield of around 3.2%. According to information provided by Morningstar, the underlying portfolio has a dividend yield of 4.25%, which indicates that this level of distribution is likely sustainable going forward. We also like the 0.67% MER. As a result, we are **upgrading CDZ from a HOLD to a BUY**.

iShares S&P/TSX Capped Composite Index (XIC) – For investors looking to add to their Canadian equity holdings, this ETF is a great way to do just that. It invests, to the extent possible, in the stocks that make up the S&P/TSX Capped Composite Index. It has an MER of 0.27%. While the BMO ZCN provides the same investment exposure at a lower cost, we still prefer this one given the longer term track record, which has outpaced its lower priced rival. Much of this outperformance is because until August of this year, the ZCN tracked the Dow Jones Canada Titans 60 Index. We are continuing to monitor the BMO ETF and if we continue to see relative outperformance as a result of its lower cost, we may consider switching to ZCN for our Canadian equity exposure. In the interim, we are **upgrading XIC from a HOLD to a BUY**.

iShares Gold Bullion Fund ETF (CGL) – With central banks announcing further quantitative easing measures in the fall, many investors are becoming quite worried about the potential inflationary impact of these programs. Gold has historically been an excellent hedge against inflation, and should inflation reemerge as some expect, we expect it to be this time around as well. This ETF is one of the best, most cost effective ways to access gold bullion in your portfolio. It invests primarily in physical gold bullion, but can also invest in gold certificates. On September 30, it held 349,383 ounces of gold bullion held in the vaults of ScotiaMocatta. The MER is very reasonable, coming in at 0.55%. It is available in both a currency hedged and non currency hedged version. At the moment, our preference is for the hedged version, as it eliminates the potential affect of any currency movements. However, if you believe that the U.S. dollar is poised for a rally, then the non hedged version is the better choice. We are **initiating coverage of CGL with a BUY rating**.

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COUCH POTATO PORTFOLIO

GAINS NEARLY 3%

By Dave Paterson, CFA

Central bank easing plans push equity markets higher

It was a modestly positive quarter for our Couch Potato Portfolio which gained 2.75% for the three months ending October 31, 2012. With the U.S. Federal Reserve announcing plans for another round of quantitative easing and the European Central Bank announcing an unlimited bond buying program, investors' appetite for risk returned in a big way, pushing virtually all equity markets higher.

With most of the tail risk of the European crisis having been eliminated, European shares rallied sharply higher during the period. As a result, the **iShares MSCI EAFE Index Fund (XIN)** gained an impressive 5.0% during the period. With more money being printed by central banks, gold and other precious metals moved higher, which pushed the **iShares S&P/TSX Capped Composite Index Fund (XIC)** up by nearly 7.5%, thanks to its large weighting in the materials sector. U.S. stocks rallied with the **iShares S&P 500 Index Fund** gaining nearly 3%. Bonds were modestly higher with the **iShares DEX Universe Bond Index Fund (XBB)** gaining 0.3%, with corporate bonds outpacing governments.

While the European debt crisis is far from being solved, much of the risk of a major disaster has been taken off the table. Despite this, much risk remains as the region remains mired in a recession and a sluggish at best economic outlook. In the U.S., sentiment indicates that some form of a deal to avert the fiscal cliff can be reached. Should this happen, then investors can focus on the economic fundamentals, which remain mixed at best, with housing showing signs of a rebound and other sectors slowing.

In this type of environment, we believe that an actively managed strategy can provide better risk adjusted returns for investors over a passive strategy. Quality active managers can make the necessary asset class and sector bets and position the portfolio to best take advantage of the current environment. However, for those investors looking for a simple, cost effective hassle free approach, they won't go too far wrong with the couch potato strategy.

Here is the latest report on the couch potato portfolio performance. Results are based on the prices as of October 31, 2012.

Fund	Shares Owned	Target Weight	Book Value	Market Value	Dividends Paid	Total Return since Inception
XBB	140	40%	\$ 4,019.40	\$4,405.80	\$829.09	30.24%
XIC	140	30%	\$3,015.30	\$2,748.20	\$324.06	1.89%
XSP	82	15%	\$1,489.94	\$1,325.94	\$79.09	-5.70%
XIN	55	15%	\$1,500.40	\$924.00	\$120.15	-30.41%
Totals		100%	\$10,025.04	\$9,403.94	\$1,352.39	7.29%

BMG GOLD ADVANTAGE RETURN BULLION FUND

Bullion Management Group, one of the pioneers in bringing investing in precious metals bullion to retail investors is at it again with the launch of their new **BMG Gold Advantage Return Bullion Fund**. The fund is designed to pay a monthly distribution of \$0.07 per unit. At current prices that is an annualized yield of around 7%.

The big problem we have with this is that gold does not generate ongoing cash flow and any distributions will be paid from capital gains or as return of capital. In other words, if the BMG Gold Bullion Fund gains more than the distribution

payouts, plus fees, there will be no erosion in your capital. If it doesn't, they are just giving you your money back.

Don't get me wrong, we are not against holding gold in your portfolio. There are a number of reasons why doing so makes sense. Historically, gold has been a wonderful hedge against inflation, and it has also exhibited low or negative correlation to the other major asset classes which make it a great diversifier.

Basically, if you want gold exposure in your portfolio, buy a bullion fund. If you want income, there are a ton of great options available at a much more reasonable price.

CHANGES AT CI HARBOUR

By Dave Paterson, CFA

Harbour Managers switch up duties, create much needed succession plan

Over the years, one portfolio management team that has consistently been at or near the top of our list of favourites has been the group at Harbour Global Advisors. Formed in 1997 by Gerry Coleman and Stephen Jenkins, Harbour managed funds tend to be low turnover, high conviction portfolios made up of high quality, best of breed companies that over the long term deliver strong risk adjusted returns with below average levels of volatility. Investors and advisors alike seem to love the Harbour Funds, which as of September 30 had more than \$14 billion in assets under management.

Recently, it was announced that Stephen Jenkins, at the request of Gerry Coleman, was being promoted to Co-Chief Investment Officer of Harbour Global Advisors. In this role, Mr. Jenkins will take over the day to day operations of managing the Harbour team, while Mr. Coleman returns to managing money on a full time basis.

Another change that is coming is that the two will switch portfolio management duties. Historically, Mr. Coleman was the manager of the Canadian focused funds with Mr. Jenkins acting as his backup, while Mr. Jenkins was lead on the global funds with Mr. Coleman as backup. These duties will now be flipped with Mr. Jenkins taking the helm of the Canadian funds and Mr. Coleman taking over the global funds. It was also disclosed that both Mr. Jenkins and Mr. Coleman have signed multiyear deals to stay with Harbour and CI.

Upon review, we are neutral to slightly positive on this plan. Perhaps the biggest benefit to come out of it is that there is now a well defined succession plan in place for the Harbour funds once Gerry Coleman finally steps down. While he has stated that he has no plans or any intention to retire, the fact is that one day he will. By having Mr. Jenkins in place and Mr. Coleman remaining part of the team, additional continuity is assured. It also buys some time to allow for the internal development of a couple of other team members, specifically, Aleksy Wojcik and Phil D'Iorio, the lead analysts and managers of the **CI Harbour Voyageur Corporate Class Fund** who will likely be groomed to take on bigger roles within the organization.

From an investment management standpoint, there are not expected to be any major changes within the funds. In both cases, each manager is very familiar with the companies in the respective portfolios. There will be no changes to the investment process that is employed. It will remain a very value

focused, team oriented approach where the lead portfolios are supported by their backup and the team of five analysts.

There may be some small changes around the edges of the portfolios, but they are expected to be minor and done on a very gradual basis. For example, Mr. Jenkins is a more value focused investor while it is not uncommon for Mr. Coleman to pay up for higher quality companies where he feels it warranted. Another potential change we may see is that Mr. Coleman may add some mid cap names into the global funds where compelling opportunities exist. Given the size of the Canadian market, it was very difficult for him to do this with the CI Harbour Fund. Combined, these two factors may result in a slightly more conservative stance in the Canadian funds and a slightly more aggressive positioning in the global funds.

Perhaps our biggest concern about this move is that the additional administrative duties may take away from Stephen Jenkins' ability to continue to manage stocks in the way in which he has become accustomed. There is a good team that is in place, so while this is a concern, we believe that it will be of minimal impact once he settles into the new responsibilities.

Bottom Line: Portfolio manager changes are never easy and this is really no exception. Our expectation is that there will not be any meaningful changes to the funds and investors can expect to see comparable types of risk adjusted and relative returns going forward. As with all funds on our recommended list, we will continue to follow this situation closely for any signs of erosion in the expected risk reward profiles.

B U I L D I N G W E A L T H **Mutual Funds / ETFs Update**

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BEWARE OF FUNDS BEARING “GIFTS”

By Dave Paterson, CFA

Year end fund distributions can create tax headaches for some investors

One question that I often get asked by investors is “when is a good time to invest?” Generally, the answer is to invest when you have the money and put it into a well diversified portfolio that is in line with your investment objectives, risk tolerance and time horizons. If you are looking to invest in a non registered account and you ask me that same question today with the end of the year fast approaching, I will tell you to hold off to the New Year.

I should point out that I don’t expect a big selloff between now and the end of the year. My concern is that as the end of the year approaches, many mutual funds and ETFs will be getting into the holiday spirit by giving their investors “gifts” in the form of year end distributions. Normally, gifts are considered a good thing. However in the case of year end distributions, for unsuspecting investors, they can be anything but good. In fact, they may be harmful to your financial health since they will result in you having to pay taxes on them.

Along with the tax issues, it is important to point out that distributions from funds are not an indication of investment quality like they can be with stocks. With a stock, dividends indicate that the company is profitable and generating excess cash that they wish to distribute back to their investors. It is a much different situation with funds because they are required to pass along any taxable income they earned over the course of the year to investors. In other words, year end fund distributions are not about rewarding investors by paying them excess cash the fund has earned, but rather transferring a tax liability to investors.

It is also for this reason that even funds which have lost money over the course of the year can still have a significant year end distribution. This not uncommon occurrence will typically happen with funds that engage in frequent trading or when a fund sells out of a long standing holding on which they have held for a very long time and have made a lot of money over the years.

When the fund declares the distribution, those who hold the fund on the date of record will receive the entire distribution. This is true whether you held the fund all year, or for only a couple of days. It is because of this that investors in taxable accounts need to exercise caution when making any new investments as the end of the year approaches. The last thing you want is to incur a tax liability on an investment you just bought.

We should also point out that in the eyes of the Canada Revenue Agency, there is no difference between receiving your distributions

in cash or having them reinvested back into the fund. It is still a transfer of tax liability on which you must pay tax.

Perhaps the most frustrating thing about these distributions is that investors are no further ahead when a distribution is paid than they were before. In fact, in non registered accounts, they are actually worse off. Let’s take a look at a very simple example.

Let’s assume that you held 10 units of a fund that had a net asset value of \$10. The total value of your investment would be \$100. On December 31, they declare and pay a distribution of \$2 per unit. Instinctively, you would think that you would be better off because you would be receiving an additional \$20 (\$2 distribution X 10 Units). Unfortunately with a fund investment, the distribution isn’t added to your investment. Instead, it automatically reduces the net asset value of the fund by the exact amount of the distribution.

If you received the distribution in cash, the net asset value would automatically fall from \$10 to \$8 and you would receive \$2 in cash for each unit you held. In this case, you held 10 units, so the value of your units would fall to \$80 and you would have \$20 cash for a total of \$100. Furthermore, you would have to pay tax on the \$20 dollars.

If you were to have the units reinvested, again, the price per unit would automatically drop to \$8 and the additional \$2 would be used to buy new units. In this example, the distributions would buy an additional 2.5 units, bringing your total up to 12.5 units. With each unit now having a net asset value of \$8, the total value of your investment remains at \$100 and you have again been hit with a \$20 tax liability in a non registered account.

Bottom Line: Year end fund distributions are an unfortunate fact of investing. For investors who are looking to make some changes or additional investments into their non registered portfolios, the potential damage of these distributions can be reduced by holding off and investing in the New Year or after the distributions have been paid. Before investing in a non registered account, check with the Fund Company or ETF provider to see if they can give you an estimate of the expected distribution. These estimates are usually available in early to mid December.

Some critics will point out that by holding off buying a fund until after the distribution that you are pushing the tax liability down the road. That may very well be the case, but nobody likes to pay taxes and if you can hold off on that as long as you can, why wouldn’t you do that?

NAVIGATING THE FUND CODE JUNGLE

By Dave Paterson, CFA

Perhaps one of the most frequent questions that we receive from investors is how to go about finding the right mutual fund code for their investment. There is no doubt that this can be a big challenge for both investors and advisors alike. Along with there being literally thousands of mutual funds available in Canada, most have several different series or classes that are available that further complicate matters. For example, there are front end versions, low load, DSC and other sales options. Further, many companies will have versions that they offer directly and other versions which are available through discount brokers and advisors. Then there are the corporate class versions and T-Series versions and so on.

The end result is confusion because fund version that may be right for your particular circumstances may not be the one that is right for another investor with slightly different circumstances. Without knowing the specific circumstance for each investor, there is no way to know which fund code is the most appropriate.

It is for this reason that we are often reluctant to publish fund codes in our reports. When we do publish them, we will

typically highlight the front end or no load version of the fund. While we would love to publish them all, there are simply too many to make it practical and would in most cases further complicate things.

Having worked in the mutual fund industry for nearly two decades, we fully understand just how daunting a task it can be for investors to find the right fund codes. But, there are some options that are available to you. Many discount brokers have search tools which will help you find the right code for the fund that is best for your situation. You can also go directly to FundSERV and access the codes there using their lookup tool which can be accessed at <http://www.fundserv.com/customer-centre/fund-profiles>. Codes can also be found at <http://www.fundlibrary.com> in the various fund cards that they offer. Simply search for the fund you are interested in, click on the link and in the General Info tab, you will find the fund codes near the bottom of the page.

While not a perfect solution, hopefully one of these solutions will make finding the right code a bit easier for you.

READER'S QUESTIONS

Looking for the best way to generate tax efficient income

Q - We will be inheriting approximately \$100,000 in the next few weeks. What is the best way to invest the money to receive approximately \$5,000 per year in a tax efficient manner? Would T-Series mutual funds such as the **CI Signature High Income Fund** be a good option?

A – First, let me say that there is no universal “best” way to achieve what the reader is asking. Everybody’s situation will be different, and a situation that might be appropriate for one individual may not be appropriate for another.

In this case, the reader is looking to generate a cash flow yield of approximately 5% on their investment in tax efficient manner. T-Series funds can be a good way to do this. Typically, with a T-Series fund, any distributions paid are considered to be “Return of Capital” for tax purposes. In the simplest of terms, a return of capital distribution is just the mutual fund company giving you your money back, so you don’t pay any tax on the distributions when you receive them. Instead, what happens is

the “Adjusted Cost Base” of your investment is reduced by the amount of the distributions, so when you sell the investment, you will pay capital gains tax on a much higher amount than you would have otherwise.

This is important for two reasons. First, it defers the potential tax liability down the road. Second, the tax liability will be taxed as capital gains, which are treated more favourably from a tax perspective than interest income, but typically less favourably than dividends.

With a fund like the CI Signature High Income, the monthly distributions that the traditional version of the fund will pay will be a mix of interest, foreign income, dividends and capital gains. This may result in a less favourable tax situation than by using the T-Series, but there is no guarantee that will be the case. This means that in most cases, you would be better off going with the T-Series rather than the traditional version in a non registered account.

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The CI Signature High Income Fund is a good pick for something like this. It has a great management team behind it that has a top shelf track record of delivering strong risk adjusted returns to investors. It has consistently outpaced its competition and benchmark on both an absolute and risk adjusted basis. The portfolio is a mix of high yield bonds and higher yielding equities, which should do well in the current environment. A word of caution is that if investors flock to safe

haven assets like government bonds, this fund is likely to be hit very hard. Despite this risk, it remains one of our favourite funds for investors looking for a mix of income and capital gains over the long term. Factor in a 1.60% MER and you really do have a winner.

Typically, we would suggest that an investor build a more diversified portfolio using a mix of funds which can help to further diversify against risk. There are a wide range of T-Series Funds that are available that can be used for this very purpose.

What's New - continued from page 1...

rate. Alternatively, a subscription can be combined with your existing Mutual Fund/ETFs Update, Internet Wealth Builder, or Income Investor subscription for even bigger savings.

For more information, or to subscribe, please call Customer Service toll-free at 1-888-287-8229, or online you can visit <http://www.buildingwealth.ca/Bookstore/index.cfm> and click on the Buyers Guide to Mutual Funds link.

♦ **All iShares Funds now offer DRIPs** – One of the issues that investors had with ETFs was that many did not offer a Dividend Reinvestment Plan (DRIP) which would allow for any dividends received to be automatically reinvested to purchase new units. This month, it was announced that all of the 88 iShares ETFs that are available in Canada will now offer a DRIP plan for investors.

♦ **Vanguard to launch five new low cost ETFs** – In a battle of who can bring the cost of ETFs down more, industry titan Vanguard launched five new ETF products in Canada with very low MERs. The new ETFs include the **Vanguard FTSE Canadian High Dividend Yield Index ETF (VDY:TSX)** with a management fee of 0.30%, the **Vanguard FTSE Canadian Capped REIT Index ETF (VRE:TSX)** with a management fee of 0.35%, and the **Vanguard S&P 500 Index ETF (VSP:TSX)** and the **Vanguard Canadian Short Term Bond Index ETF (VSC:TSX)**, both of which have management fees of 0.15%. At 0.35%, the REIT Index ETF (VRE:TSX) is approximately 20 basis points below the cost of the iShares and BMO REIT offerings. The S&P 500 (VSP:TSX) matches the price of the comparable BMO offering and is 10 basis points less than the iShares XSP ETF.

♦ **Trimark veteran lands at Dynamic** – Former Trimark manager Don Simpson landed at Dynamic this week where he will take on the Co-manager role on both the **Dynamic Canadian Dividend Fund** and the **Dynamic Global Dividend Fund**. He will be working with David Fingold on these mandates. We believe that this will be a positive for the funds and the Dynamic Value team as it adds additional depth and bench strength to the team.

*Review - continued from page 2...***Downgrades and Deletions**

iShares 1-5 Year Laddered Government Bond (CLF) – For very conservative investors looking for short term bond exposure, this is a good choice. With its focus on government bonds, it will hold up very well in very volatile times as investors tend to flock to government bonds for their safe haven appeal. However, given that we don't expect significant volatility at the moment, we believe that investors will be better off going with the corporate focused **iShares 1-5 Year Laddered Corporate Bond (CBO)** which will provide a higher yield with a comparable duration. In a flat or rising rate environment, we believe it will do better. Because of this, we are **downgrading CLF from a BUY to a HOLD**.

iShares DEX Universe Bond Index (XBB) – In the current environment, it is our opinion that investors are better off focusing on

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ETF	FIRST MENTION	3 mths ending Oct 31	RESULTS (to Oct 31)	COMMENTS	ACTION
Fixed Income					
iShares 1-5 Year Laddered Corporate Bond (CBO)	Jul-12	1.1%	1.1% (3 mth)	Corporate bonds continue to lead	Buy
iShares Advantaged U.S High Yield Bond (CHB)	Jan-12	3.2%	12.0% (9 mth)	Good pick for moderate to high risk investors	Buy
iShares 1-5 Year Laddered Government Bond (CLF)	Jul-11	0.5%	2.0% (1 Yr)	Strong choice for volatile times	Hold
iShares DEX Universe Bond Index (XBB)	Dec-07	0.3%	7.3% (4 yr)	Corporate bonds expected to outperform	Hold
iShares DEX Short Bond Index (XSB)	Aug-04	0.6%	4.2% (8 yr)	Our favourite choice for short term bonds	Buy
Canadian Equity					
iShares S&P/TSX Completion Index (XMD)	Jan-12	5.9%	4.3% (9 mth)	Economic slowdown may hurt midcaps	Hold
iShares S&P/TSX CDN Preferred Share (CPD)	Jun-09	0.8%	6.7% (3 yr)	Preferreds should hold up well	Buy
iShares S&P/TSX Canadian Dividend Aristocrats (CDZ)	Sep-08	4.0%	12.5% (4 Yr)	Looks attractive after pullback	Buy
iShares S&P/TSX Capped Composite Index (XIC)	Dec-07	7.2%	9.1% (4 yr)	Recent selloff may be good buying opportunity	Buy
Foreign Equity					
iShares Global Monthly Advantaged Dividend (CYH)	Jan-12	3.1%	6.2% (9 mth)	U.S. Dividend stocks likely to get hit short term	Sell
Vanguard Total Stock Market (VTI)	Mar-11	3.4%	30.3% (1 Yr)	Look to buy in if fiscal cliff deal reached	Hold
iShares US Fundamental Index (CLU)	Mar-11	4.6%	14.6% (1 Yr)	Fundamental focus helps manage risk	Hold
iShares S&P 500 Index (XSP)	Dec-07	2.6%	10.6% (4 Yr)	Should rally if fiscal cliff deal is reached	Hold
Specialty / Sector					
iShares Gold Bullion Fund ETF (CGL)	Dec-12	5.9%	NEW	Provides low cost exposure to gold bullion	Buy
BMO Equal Weight REITs Index ETF (ZRE)	Jul-12	-0.1%	-0.1% (3 mth)	REITs appear to be fairly valued. Upside potential	Hold
BMO Global Infrastructure (ZGI)	Jan-12	1.7%	12.2% (9 mth)	Infrastructure is a great long term story	Hold
iShares Oil Sands (CLO)	Mar-11	5.0%	-2.8% (1 Yr)	More risk ahead in short term	Hold
iShares S&P/TSX Capped Materials Index (XMA)	Dec-10	17.7%	-8.7% (1 yr)	Central bank actions spurred short term buying	Hold
iShares S&P/TSX Capped Financials Index (XFN)	Sep-09	6.9%	5.8% (3 Yr)	Slowing economy may impact earnings	Hold

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investment grade corporate bonds over government bonds because of the additional yield that corporates generate. In a flat interest rate environment, this higher yield will provide better return potential, and should result in better downside protection when rates do move higher. XBB is a great, low cost way to provide access to a wide range of bonds in Canada. However, it is very heavily weighted towards government bonds, which make up slightly more than 70% of the total portfolio. Because of this emphasis on government bonds, we are **downgrading XBB from a BUY to a HOLD for the moment**.

iShares Global Monthly Advantaged Dividend (CYH) – With ongoing negotiations to avoid the impending “fiscal cliff” of tax increases and spending cuts that are scheduled to be implemented in the new year, most experts seem to agree that it is very likely that the tax rate on dividends in the U.S. will rise sharply. If no deal is reached it is expected that the tax on dividends will nearly triple, rising from 15% to 43.4% for those in the highest bracket. Should this occur, it is likely that many investors will sell their dividend stocks in favour of more growth oriented stocks with lower dividend payouts. Because of this, we have some concerns with CYH since more than 40% of the fund is exposed to U.S. dividend stocks. We worry that it may experience a short term selloff while investors digest any changes to the dividend tax policy in the U.S. Considering this, **we are changing the rating of CYH from HOLD to SELL for the near term while the uncertainty is remedied**.

BMO Equal Weight REITs Index ETF (ZRE) – Generally, we like the longer term outlook for REITs. We believe that the fundamentals are fairly strong over the longer term and investors never ending quest for income will continue to underpin demand for them. This pays a monthly distribution of \$0.083, which works out to an annualized yield of approximately 4.8%. The yield of the underlying REITs in the portfolio is estimated to be approximately 5.25%. From a valuation standpoint, REITs appear to be trading at or near what has historically been considered to be fair value. As a result, we are **lowering the rating from BUY to HOLD for the near term**. Should we experience a pullback in the short term, we would consider upgrading it back to a BUY rating.