

ETF FOCUS LIST



June 2014

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The Focus List

Name	Ticker	% Returns at May 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							
Fixed Income												
PowerShares Senior Loan CAD Hedged	BKL	0.63	3.31	N/A	N/A	0.87%	N/A	N/A	N/A	N/A	7K	
iShares Canadian Short Term Bond Index	XSB	0.50	2.33	2.58	2.89	0.27%	0.36	0.45	1.25	1.70	106K	
iShares 1-5 Year Laddered Corporate Bond	CBO	0.64	2.97	3.48	3.98	0.27%	0.68	0.82	1.36	1.81	149K	
iShares DEX Universe Bond Index	XBB	1.52	2.66	4.46	5.04	0.33%	0.58	0.76	3.38	3.26	100K	
iShares Advantaged U.S High Yield Bond	CHB	1.29	8.43	7.31	N/A	0.55%	8.34	N/A	8.22	N/A	30K	
Income / Cash Flow												
iShares Diversified Monthly Income Fund	XTR	2.73	5.55	5.62	12.21	0.565	N/A	N/A	4.19	6.62	82K	
Canadian Equity												
iShares S&P/TSX CDN Preferred Share	CPD	2.28	-0.62	2.32	5.49	0.49%	0.99	1.04	3.50	4.14	149K	
BMO Low Volatility Canadian Equity ETF	ZLB	2.65	16.11	N/A	N/A	0.40%	N/A	N/A	N/A	N/A	16K	
PowerShares FTSE RAFI Cdn Fundamental	PXC	3.05	17.13	N/A	N/A	0.51%	N/A	N/A	N/A	N/A	13K	
iShares S&P/TSX Cdn Dividend Aristocrats	CDZ	4.00	17.34	9.75	14.94	0.66%	5.80	6.02	7.63	8.34	21K	
iShares S&P/TSX Capped Composite Index	XIC	3.54	19.12	4.73	10.02	0.27%	0.97	1.03	10.63	10.68	25K	
iShares S&P/TSX Completion Index	XMD	3.17	19.29	4.31	14.71	0.60%	1.05	1.01	11.61	11.66	17K	
U.S. Equity												
Vanguard MSCI U.S. Broad Mkt (C\$ Hedged)	VUS	2.80	19.59	N/A	N/A	0.16%	N/A	N/A	N/A	N/A	14K	
iShares US Fundamental Index	CLU	4.63	18.90	14.54	18.56	0.72%	7.94	10.19	13.15	15.20	13K	
iShares S&P 500 Index	XSP	4.03	20.21	14.66	17.40	0.23%	7.89	8.94	12.51	13.45	560K	

% Returns at May 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	2.46	19.03	N/A	N/A	0.37%	N/A	N/A	N/A	N/A	2K
iShares MSCI EAFE Index (C\$ Hedged)	XIN	3.21	14.02	9.21	9.90	0.51%	5.79	7.74	13.29	13.23	95K
iShares Gbl Monthly Advantaged Dividend	CYH	5.48	13.29	5.23	11.78	0.66%	8.02	8.63	13.06	13.81	20K
Specialty / Sector											
iShares Gold Bullion Fund ETF	CGL	-5.52	-9.81	-7.06	3.37	0.55%	N/A	N/A	20.41	18.27	85K
BMO Equal Weight REITs Index ETF	ZRE	3.44	0.84	6.84	N/A	0.62%	9.24	N/A	9.24	N/A	45K
BMO Global Infrastructure	ZGI	6.41	24.51	19.80	N/A	0.62%	10.53	N/A	7.69	N/A	18K
iShares S&P/TSX Capped Financials Index	XFN	4.51	24.64	10.91	13.82	0.60%	8.40	11.12	10.63	12.98	250K

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

Notes:

- 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

None

Deletions

None

ETFs of Note

PowerShares FTSE RAFI Canadian Fundamental (TSX: PXC) – There are some differences between this ETF and the **iShares S&P/TSX Capped Composite Index ETF (TSX: XIC)**. Perhaps the biggest would be how the ETFs are constructed. XIC is based on a “cap weighted” index, which is made up of the largest companies that trade on the Toronto Stock Exchange. PXC is constructed using a fundamental approach where stocks are rated and ranked based on a number of factors such as earnings, sales, cash flow, and dividends, with the top 90 or so companies making up the index. The result is a portfolio that is more fundamentally sound than a portfolio simply built using market capitalization. This, combined with the more favourable valuation metrics lead me to recommend this ETF over XIC.

iShares MSCI EAFE Index (C\$ Hedged) (TSX: XIN) – While the levels of economic growth coming out of Europe and Asia have certainly left a lot to be desired, the recent aggressive action by the European Central Bank is expected to be very positive for Eurozone stocks. Approximately 70% of this ETF is invested in Europe, which should result in a nice rally in the near to medium term. Another reason I’m starting to like this ETF is that on a relative value basis, it appears more reasonably valued than most of the North American focused ETFs. I am not suggesting that you sell your North American holdings, but rather, I believe it may be a good time to start taking or adding to your international equity position, and this appears to be a great, well-diversified way to do that.

iShares US Fundamental Index C\$ Hedged (TSX: CLU) – Despite having a higher cost and a slightly higher level of volatility, I am currently favouring this fundamentally constructed offering over the cheaper, cap-weighted **iShares S&P 500 Index C\$ Hedged ETF (TSX: XSP)**. My main reason for this is that from a valuation standpoint, it appears to be more favourably valued than the XSP. The portfolio is also better diversified, holding roughly twice the names, with a much broader range of company sizes. I believe that it is somewhat better positioned to outperform in the next few months.

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. Looking at the portfolio, the yield to maturity is listed at 4.18%, 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 3.2%. 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 rotation 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 illiquidity is likely to be a lesser concern than 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 your fixed income portion of your portfolio. It can be helpful in managing your interest rate risk.

iShares Advantaged U.S. High Yield Bond ETF (TSX: CHB) – High yield bonds have been on a tear of late pushing valuations to post recession highs. Looking at valuation levels, they certainly appear to be overvalued. To understand the valuation, you need to take a look at the yield spread, which is the difference between the yield offered by a particular bond and a comparable government bond. The smaller the spread, generally the more expensive a bond is. Recently, spreads on high yield bonds have shrunk to around 350 basis points, which is the lowest level in more than four years, and well below historic averages, which according to Barron's is just under 500 basis points. At these levels, I see more risk to the downside than to the upside. At these levels, I would strongly suggest you think about taking some profits in your high yield exposure.

That said, I like this ETF for investors in taxable accounts because it offers tax advantaged distributions, thanks to a legacy forward agreement that expires in January 2015. Because of this forward agreement, distributions are treated as capital gains, which are taxed at a more favourable rate than interest income. For those investors in non-taxable accounts like an RRSP or TFSA, I would suggest you take a look at the **iShares U.S. High Yield Bond CAD Hedged ETF (TSX: XHY)**. It offers a very similar credit exposure, duration and yield, but it is cheaper and performance on a pre-tax basis has been stronger. I am watching this one very closely and will likely sub it in for CHB in the latter half of the year.

iShares Diversified Monthly Income Fund ETF (TSX: XTR) – With the objective of generating consistent monthly distributions, with the potential for modest capital gains, this ETF invests in a portfolio of other iShares offered ETFs. With the emphasis on cash flow, about half the fund is invested in fixed income focused ETFs, more than a third in equity ETFs, and the balance in the **iShares S&P/TSX Canadian Preferred ETF**. Performance has been strong, handily outpacing many fixed income balanced mutual funds. The five year annualized gain to the end of April was 14.80%, more than double the Fundata Fixed Income Balanced benchmark. Volatility however, has been much higher than both the benchmark and peer group. As impressive as the performance has been, it is highly unlikely that it can be repeated, given the interest rate sensitivity of the portfolio and the likelihood that we'll see yields grind higher over the next several quarters. Despite that, this can still be a great core holding for those investors looking to generate a reasonable level of cash flow. It offers a current distribution yield of 5.86%, which is also about what I would expect it to return going forward.

iShares Gold Bullion Fund ETF (TSX: CGL) – Gold had a nice little run at the start of the year, but seems to have peaked in March. There was a nice flight to safety trade in April coming out of the Ukrainian conflict, but with much of that tensions moving towards the backburner, that opportunity also seems to have abated. In a recent commentary published by Dynamic Funds, they believe that the fair value of gold is in the \$1,250 to \$1,350 range. As I write this, the price is at the low end of that range, and it certainly doesn't appear to be a strong buying opportunity. Add to that the potential for seasonal weakness through the summer, and I am moving my rating back down to a hold.

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%	\$75.9	<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
iShares Canadian Short Term Bond	TSX: XSB	Short Term Fixed Income	Cap Weighted	0.27%	\$2,319.0	<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%	\$2,115.0	<ul style="list-style-type: none"> • Provides exposure to a portfolio of corporate bonds with laddered maturities • Remains a great short term pick
iShares DEX Universe Bond Index	TSX: XBB	Tradition Bond	Cap Weighted	0.33%	\$1,516.0	<ul style="list-style-type: none"> • Portfolio of government and corporates • High interest rate sensitivity. Duration of 7 • Expected to struggle as yields grind higher
iShares Advantaged U.S High Yield	TSXL CHB	High Yield Bond	Cap Weighted	0.55%	\$407.0	<ul style="list-style-type: none"> • Provides tax advantaged exposure to U.S. high yield bonds. Forward expires in 2015 • Spreads are very tight. Valuation a concern

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	0.63	3.31	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	0.50	2.33	2.58	2.89	3.96	1.39	1.58	4.41	3.29	4.42	7.85	94	97	119	128
iShares 1-5 Yr Ldr Corp Bd	0.64	2.97	3.484	3.98	N/A	2.07	3.18	4.76	3.80	N/A	N/A	114	117	83	101
iShares DEX Universe Bond	1.52	2.66	4.46	5.04	5.24	-1.31	3.01	9.33	6.14	5.18	6.22	94	93	98	100
iShares Adv. U.S High Yield	1.29	8.43	7.31	N/A	N/A	5.42	13.49	4.98	N/A	N/A	N/A	52	N/A	28	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%	\$716.0	<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	2.73	5.55	5.62	12.21	N/A	2.06	8.37	6.62	15.61	39.75	-25.4	N/A	N/A	N/A	N/A

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%	\$1,258.0	<ul style="list-style-type: none"> Invests in a diversified portfolio of preferreds Expect headwinds as yields grind higher Buy for 4.6% yield, not capital growth
BMO Low Volatility Canadian Equity	TSX: ZLB	Canadian Equity	Rules Based	0.40%	\$222.5	<ul style="list-style-type: none"> Invests in the 40 lowest beta stocks from the 100 largest and liquid stock in Canada Valuation starting to look rich
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 value than other Canadian indices
iShares S&P/TSX Cdn Dividend Aristocrats	TSX: CDZ	Cdn Dividend & Income Equity	Rules Based	0.66%	\$1,041.8	<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 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 Capped Composite Index	TSX: XIC	Canadian Equity	Cap Weighted	0.05%	\$1,606.6	<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. Favour mids over small cap right now
iShares S&P/TSX Completion Index	TSX: XMD	Canadian Small / Mid-Cap Equity	Cap Weighted	0.60%	\$248.2	<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. Favour mids over small cap right now

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	2.28	-0.62	2.32	5.49	N/A	-3.15	4.65	5.22	7.05	24.59	-16.8	97	94	111	103
BMO Low Volatility Cdn Equity	2.65	16.11	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	3.05	17.13	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	4.00	17.34	9.75	14.94	N/A	13.59	8.84	6.07	15.69	38.43	-30.0	84	88	39	39
iShares S&P/TSX Cpd Comp.	3.54	19.12	4.73	10.08	8.62	12.46	7.01	-8.79	17.44	34.55	-33.3	101	100	104	100
iShares S&P/TSX Completion	3.17	19.29	4.31	14.71	8.07	11.99	3.92	-8.48	30.22	45.95	-38.8	99	98	100	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%	\$230.5	<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%	\$238.4	<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	0.23%	\$2,039.0	<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)	2.80	19.59	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	4.63	18.90	14.54	18.56	N/A	35.44	15.39	-2.00	16.83	29.07	-42.9	103	121	207	179
iShares S&P 500 Index	4.03	20.21	14.66	17.40	4.66	32.33	15.41	0.65	13.91	22.92	-40.4	99	110	184	N/A

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%	\$38.0	<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. • Will likely lag in rally
iShares MSCI EAFE Index (C\$ Hedged)	TSX: XIN	International Equity	Cap Weighted	0.51%	\$1,138.0	<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 300 dividend paying stocks located around the world.
iShares Gbl Monthly Advantaged Dividend	TSX: CYH	Global Equity	Rules Based	0.66%	125.0	<ul style="list-style-type: none"> • Companies must pass screens for size, trading volume, dividend growth, and EPS • Split 50/50 between U.S and rest of world

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.	2.46	19.03	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)	3.21	14.02	9.21	9.90	2.80	24.70	17.76	-12.9	5.19	17.88	-40.9	92	90	107	96
iShares Gbl Monthly Adv, Div	5.48	13.29	5.33	11.78	N/A	14.90	9.39	-6.30	8.79	47.47	N/A	77	104	167	152

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

Specialty / Sector

Fund	Ticker	Asset Class	Construction Method	MER	Assets (\$ mil)	Notes
iShares Gold Bullion Fund ETF	TSX: CGL	Commodity	Other	0.55%	\$305.0	<ul style="list-style-type: none"> • Gold enjoyed a nice run as a flight to safety play as tensions in Ukraine were high • The situation has quieted, and we are entering a period of seasonal weakness. • Gold looks fairly valued at current levels
BMO Equal Weight REITs Index ETF	TSX: ZRE	Real Estate Equity	Equal Weighted	0.62%	\$337.0	<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 • I like this ETF because it is more diversified than the other REIT ETFs.
BMO Global Infrastructure	TSX: ZGI	Global Equity	Cap Weighted	0.62%	\$184.0	<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%	\$882.0	<ul style="list-style-type: none"> • Invests in the largest banks and insurance companies that trade on the TSX • Names are capped at 25% of the fund • Offers a yield of more than 3% • Near term outlook strong. Medium term is cloudy due to high consumer debt levels.

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 Gold Bullion Fund ETF	-5.52	-9.81	-7.06	3.37	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	4.87	3.68	7.50	N/A	N/A	-4.74	18.16	13.68	N/A	N/A	N/A	68	N/A	62	N/A
BMO Global Infrastructure	6.41	24.51	19.80	N/A	N/A	22.43	12.87	18.75	N/A	47.47	N/A	68	N/A	-59	N/A
iShares S&P/TSX Cpd Financials Index	4.51	24.64	10.91	13.82	8.92	26.00	16.42	-4.40	7.91	4.47	-36	69	83	63	60

Note: Source: Morningstar, Funddata, 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.

iShares Advantaged U.S High Yield Bond (TSX: CHB) - The iShares Advantaged U.S. High Yield Bond Index ETF (CAD-Hedged) has been designed to replicate, to the extent possible, the performance of the Barclays Capital U.S. High Yield Very Liquid Index (hedged CAD), net of expenses. The fund has implemented a new interim investment strategy (the “Hybrid Strategy”) through which it will (i) continue to maintain exposure to the constituent securities of the index through the use of a forward agreement, and (ii) invest the proceeds from the sale of new units directly in constituent securities of the index. The Hybrid Strategy is intended to allow for the preservation of any tax benefits associated with the forward agreement until its expiration or earlier termination, while also allowing the fund to realize the benefits of accepting new subscriptions while respecting the growth limits for forward agreements set out in certain proposed new tax rules. BlackRock expects that these tax benefits will diminish over time as the fund accepts new subscriptions and the tax benefit is spread over the

fund's larger asset base. The fund will enter into currency forwards, directly or indirectly, that will seek to hedge its economic exposure to foreign currency denominated assets.

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 in-

come 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 Global Monthly Advantaged Dividend (TSX: CYH) - The fund seeks to track, less fees and expenses, the Dow Jones Global Select Dividend Composite Index Canadian Dollars Hedged. The index measures the stock performance of leading dividend-paying companies worldwide through a 300-stock composite of U.S., developed-market ex-U.S., and emerging-market dividend indices. To be eligible for these constituent indices, companies must pass screens for size, average daily dollar trading volume, dividend history, dividend growth, earnings-per-share and/or payout ratio, depending on the index.

Specialty / Sector

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.

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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 September of 2000 and holds a Bachelor of Commerce (Finance) from the University of Windsor.