

ETF FOCUS LIST



December 2014

Contents

The Focus List.....	3
List Changes.....	5
Additions.....	5
Deletions	5
ETFs of Note.....	5
Fixed Income.....	7
Income / Cash Flow	8
Canadian Equity.....	9
U.S. Equity.....	10
International / Global Equity.....	11
Specialty / Sector	12
ETF Descriptions	13
Fixed Income.....	13
Income / Cash Flow	14
Canadian Equity.....	14
U.S. Equity.....	15
International / Global Equity.....	16
Specialty / Sector	16
Disclaimer	18
About Us	19

The Focus List

% Returns at October 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

Fixed Income

PowerShares Senior Loan CAD Hedged	BKL	0.09	2.57	N/A	N/A	0.87%	N/A	N/A	N/A	N/A	7K
iShares Canadian Short Term Bond Index	XSB	0.44	2.30	2.01	2.64	0.27%	0.30	0.44	1.08	1.70	78K
iShares 1-5 Year Laddered Corporate Bond	CBO	0.42	2.85	2.94	3.40	0.27%	0.66	0.77	1.30	1.75	120K
iShares Canadian Universe Bond Index	XBB	0.91	5.52	3.47	4.65	0.33%	0.57	0.73	3.12	3.24	60K
PowerShares Tactical Bond ETF	PTB	0.51	5.23	N/A	N/A	0.53%	N/A	N/A	N/A	N/A	10K

Income / Cash Flow

BMO Monthly Income ETF – NEW	ZMI	0.93	9.55	8.26	N/A	0.62%	3.50	N/A	4.52	N/A	5K
iShares Diversified Monthly Income Fund	XTR	0.70	7.04	6.39	9.43	0.56%	2.634	4.17	4.02	5.54	63K

Canadian Equity

iShares S&P/TSX CDN Preferred Share	CPD	0.51	5.61	3.03	4.74	0.49%	0.96	0.89	3.53	3.79	91K
BMO Low Volatility Canadian Equity ETF	ZLB	6.36	20.97	19.53	N/A	0.40%	5.85	N/A	7.85	N/A	17K
PowerShares FTSE RAFI Cdn Fundamental	PXC	-5.68	9.04	N/A	N/A	0.51%	N/A	N/A	N/A	N/A	14K
iShares S&P/TSX Cdn Dividend Aristocrats	CDZ	0.98	13.37	12.12	12.87	0.66%	5.65	6.17	6.86	8.19	68K
iShares Core S&P/TSX Cpd Composite Index	XIC	-4.02	12.43	9.04	8.84	0.06%*	0.78	1.02	8.57	10.60	113K
iShares S&P/TSX Completion Index	XMD	-6.28	8.07	6.56	10.13	0.60%	0.87	0.99	9.45	11.79	16K

U.S. Equity

Vanguard MSCI U.S. Broad Mkt (C\$ Hedged)	VUS	4.83	16.06	N/A	N/A	0.16%	N/A	N/A	N/A	N/A	12K
iShares US Fundamental Index	CLU	3.65	15.49	20.06	15.98	0.72%	6.58	8.44	9.12	13.20	12K
iShares S&P 500 Index	XSP	5.08	17.26	19.59	15.97	0.12%*	6.59	7.81	9.45	14.09	501K

*Estimated MER based on a Management Fee Reduction which took effect on March 24, 2014

% Returns at October 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	2.64	14.96	N/A	N/A	0.37%	N/A	N/A	N/A	N/A	3K
iShares MSCI EAFE Index (C\$ Hedged)	XIN	2.45	7.47	15.16	8.36	0.51%	5.20	6.48	9.87	12.65	71K
iShares International Fundamental Index	CIE	-3.66	6.98	13.36	5.71	0.72%	3.96	4.61	11.49	14.09	26K
Specialty / Sector											
BMO MSCI Emerging Markets ETF	ZEM	-0.62	8.18	6.88	5.05	0.56%	3.78	3.68	11.58	13.65	9K
iShares Gold Bullion Fund ETF	CGL	-9.48	-11.9	-12.4	0.51	0.55%	17.50	18.59	17.50	18.57	80K
BMO Equal Weight REITs Index ETF	ZRE	3.55	13.02	9.98	N/A	0.62%	8.63	N/A	9.23	N/A	25K
BMO Global Infrastructure	ZGI	7.66	31.32	23.30	N/A	0.62%	9.41	N/A	7.64	N/A	9K
iShares S&P/TSX Capped Financials Index	XFN	-1.61	15.33	17.11	12.37	0.60%	7.79	9.52	9.60	11.52	193K

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

BMO Monthly Income Fund (TSX: ZMI) – This invests in a basket of income focused ETFs issued by BMO. At the end of October, slightly more than half the portfolio was invested in high yielding equities, which is in line with its 50/50 fixed income / equity target mix. To be included, an investment must have a higher yield than the S&P/TSX Composite. The high yielding **BMO Canadian Dividend ETF** was the largest holding, coming in at around 14%. Other equity holdings include U.S. dividends, Canadian banks, utilities, and REITs. There is also a well-diversified fixed income sleeve, providing exposure across the bond landscape. Each July and January, the ETF is rebalanced and the model re-run to make sure it is in line with its objectives. Costs are reasonable, with an MER of 0.62%. It pays a monthly distribution of \$0.053 per unit, which works out to an annualized yield of approximately 3.8% at current prices. It is a bit more volatile than the **iShares Diversified Monthly Income Fund (TSX: XTR)**, but thus far, the additional returns have more than offset the higher risk. I see this as a decent, one ticket solution for those investors seeking a low cost, reasonably well-diversified income focused portfolio.

Deletions

None

ETFs of Note

PowerShares Tactical Bond ETF (TSX: PTB) – With yields likely to start moving higher in the next few quarters, it is likely the traditional bond indices will be hit harder than actively managed funds that can tactically shift their asset mix according to the conditions. This PowerShares offering is a hybrid between an active and passive strategy, investing 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. 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 start to grind higher.

BMO Low Volatility Canadian Equity (TSX: ZLB) – I have to admit I was rather impressed with the way this low volatility fund held up during the selloff. Between September 1 and October 15, the S&P/TSX Composite dropped by more than 11%. During that same period,

ZLB was down only 3.2%. Even more impressive is that on the way back up, the low volatility ETF outperformed the broader market by a substantial margin. While this is noteworthy, I don't believe this type of outperformance in rising markets is sustainable. While it is only a six week period, I am very encouraged that the low volatility fund performed as advertised. A rare feat in today's hype driven world.

iShares International Fundamental Index ETF (TSX: CIE) – Markets are not always rational, and sometimes, even though valuations may appear more compelling, underperformance happens. That's pretty much the case with this fundamentally constructed offering, which sank by 3.65%, underperforming both the index and category. Still, with a portfolio that is built using four valuation metrics; sales, cash flow, book value and dividends, I expect it to outperform on a risk adjusted basis over the long term. Given that it will look different from the index, I would expect some periods of short term volatility. If you can stomach the short term pain, I think you'll be rewarded over the long term.

PowerShares U.S. Fundamental Index ETF (TSX: CLU) – Despite a more attractive valuation profile, this fundamental ETF lagged the two cap weighted ETFs for the quarter. When building the portfolio, the U.S. equity universe is ranked and weighted on four key fundamental factors. They are book value, cash flow, sales, and dividends. The companies are scored, and the top 1000 names make up the index. In addition to the more favourable valuation profile, it tends to skew toward mid-cap names. The sector mix is also rather different, with about a third of the fund in cyclical names, compared with 30% in the S&P 500. This positioning should put it in a better position as the economy continues to grow. While we may see momentum continue to drive the overvalued names higher, over the long term, I believe that the more attractive valuations will allow this ETF to outperform on a risk adjusted basis over the long term.

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: CII)** 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%	\$71.5	• Gives exposure to 100 largest loans in U.S. • Coupon payments float with LIBOR • Good way to reduce rate sensitivity • Expect modest returns near term
iShares Canadian Short Term Bond	TSX: XSB	Short Term Fixed Income	Cap Weighted	0.27%	\$2,291.0	• 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%	\$2,188.0	• Provides exposure to a portfolio of corporate bonds with laddered maturities • Remains a great short term pick and should do better than XSB when yields start to rise
iShares Canadian Universe Bond	TSX: XBB	Traditional Bond	Cap Weighted	0.33%	\$1,641.0	• Still a great option for bonds • Portfolio of government and corporates • High interest rate sensitivity. Duration of 7 • Expected to struggle as yields grind higher • Invests in a mix of underlying bond ETFs
PowerShares Tactical Bond ETF	TSX: PTB	Tactical Bond	Fund of ETFs	0.53%	\$192.0	• 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	0.09	2.57	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	0.44	2.30	2.01	2.64	3.75	1.39	1.58	4.41	3.29	4.42	7.85	92	98	120	131
iShares 1-5 Yr Ldr Corp Bd	0.42	2.85	2.94	3.40	N/A	2.07	3.18	4.76	3.80	N/A	N/A	124	113	112	107
iShares DEX Universe Bond	0.91	5.52	3.47	4.65	4.98	-1.31	3.01	9.33	6.14	5.18	6.22	96	94	102	100
PowerShares Tactical Bond	0.51	5.23	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
BMO Monthly Income Fund	TSX: ZMI	Canadian Neutral Balanced	Fund of ETFs	0.62%	\$85.0	• Invests in a portfolio of fixed income and high yielding equity ETFs from BMO • Target mix is 50% equity 50% bonds • Slightly more volatile than XTR • A decent one ticket solution for income focused investors.
iShares Diversified Monthly Income	TSX: XTR	Fixed Income Balanced	Fund of ETFs	0.56%	\$745.0	• Invests in a mix of income focused ETFs • Emphasis on cash flow. Yields 5.9% • Performance not likely to be repeated going forward, given its high 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
BMO Monthly Income Fund	0.93	9.55	8.26	N/A	N/A	3.21	10.13	N/A	N/A	N/A	N/A	86	N/A	8.8	N/A
iShares Div. Monthly Income	0.70	7.04	6.39	9.43	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%	\$1,335.0	• Invests in a diversified portfolio of preferreds • Expect headwinds as yields grind higher • Buy more for 4.5% yield, capital growth
BMO Low Volatility Canadian Equity	TSX: ZLB	Canadian Equity	Rules Based	0.40%	\$347.0	• Held up very well in recent volatility. • Invests in the 40 lowest beta stocks from the 100 largest and liquid stock in Canada • Prefer this over PowerShares version because it's better diversified across sectors
PowerShares FTSE RAFI Canadian Fundamental	TSX: PXC	Canadian Equity	Fundamental	0.51%	\$122.0	• Invests in Canadian companies ranked by dividends, cash flow, sales and book value • More attractive than other Canadian indices
iShares S&P/TSX Cdn Dividend Aristocrats	TSX: CDZ	Cdn Dividend & Income Equity	Rules Based	0.66%	\$1,051.0	• 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	0.06%*	\$1,888.0	• Provides exposure to the TSX Composite • Recently cut management fee 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%	\$225.0	• 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

*Estimated MER based on a Management Fee reduction which took place on March 24, 2014

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	0.51	5.61	3.03	4.74	N/A	-3.15	4.65	5.22	7.05	24.59	-16.8	100	96	114	110
BMO Low Volatility Cdn Equity	6.36	20.97	19.53	N/A	N/A	20.70	14.07	N/A	N/A	N/A	N/A	90	N/A	-42	N/A
PowerShares FTSE RAFI Cdn Fundamental	-5.68	9.04	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	0.98	13.37	12.12	12.87	N/A	13.59	8.84	6.07	15.69	38.43	-30.0	85	84	41	39
iShares S&P/TSX Cpd Comp.	-4.02	12.43	9.04	8.84	7.92	12.71	6.90	-8.93	17.28	34.41	-33.0	100	99	101	101
iShares S&P/TSX Completion	-6.28	8.07	6.56	10.13	7.41	11.60	4.25	-8.32	29.48	46.43	-37.8	97	98	98	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%	\$280.0	- One of the lowest cost US equity ETFs - Very diversified, all cap mandate, holding nearly 4,000 U.S. based companies
iShares US Fundamental Index	TSX: CLU	U.S. Equity	Fundamental	0.72%	\$233.0	- 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
iShares S&P 500 Index	TSX: XSP	U.S. Equity	Cap Weighted	0.12%*	\$2,604.00	- Management fee cut to 10 bps in March. - Replicates the S&P 500, hedged to CAD. If you want the unhedged, you can use XSP - Valuations look high compared to CLU

*Estimated MER based on a Management Fee reduction which took place on March 24, 2014

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)	4.83	16.06	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	3.65	15.49	20.06	15.98	N/A	35.44	15.39	-2.00	16.83	29.07	-42.9	93	116	211	203
iShares S&P 500 Index	5.08	17.26	19.59	15.97	6.31	32.33	15.41	0.65	13.91	22.92	-40.4	90	110	199	182

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%	\$46.0	• 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 • Conservative positioning will likely cause it to lag in a sharp market rally.
iShares MSCI EAFE Index (C\$ Hedged)	TSX: XIN	International Equity	Cap Weighted	0.51%	\$1,138.0	• Looks to replicate the MSCI EAFE Index • Currency exposure is fully hedged. BMO offers unhedged version, ZEA • Remains the best way to access EAFE
iShares International Fundamental Index ETF	TSX: CIE	Global Equity	Fundamental	0.72%	\$225.0	• Energy and financial exposure has hurt • Provides exposure to the 1000 largest listed companies outside the U.S 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.	2.64	14.96	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)	2.45	7.47	15.16	8.36	3.68	24.70	17.76	-12.9	5.19	17.88	-40.9	86	92	62	87
iShares Int'l Fundamental Idx	-3.66	6.98	13.36	5.71	N/A	32.74	13.06	-14.2	0.59	11.95	-28.8	107	109	152	138

Note: Source: Morningstar, Fundata, 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	0.58%	\$118.0	• Still much uncertainty in EM. China economy continues to disappoint. • Lower MER and tracking error than XEM • Expecting more short term volatility
iShares Gold Bullion Fund ETF	TSX: CGL	Commodity	Other	0.55%	\$250.0	• With increasing strength in the U.S. dollar, gold has struggled. • Barring renewed geopolitical tensions, further weakness is expected near term
BMO Equal Weight REITs Index ETF	TSX: ZRE	Real Estate Equity	Equal Weighted	0.62%	\$329.0	• REITs have had a decent rally as bond yields have fallen so far this year. • Expect volatility when rates move higher. • More diversified than the other REIT ETFs.
BMO Global Infrastructure	TSX: ZGI	Global Equity	Cap Weighted	0.62%	\$285.0	• 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%	\$928.0	• Invests in the largest banks and insurance companies that trade on the TSX • Bank earnings while strong, did not blow away expectations. Expect higher than normal volatility near-term • 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	-0.62	8.18	6.88	5.05	N/A	3.53	13.61	-17.1	11.9	N/A	N/A	92	97	109	105
iShares Gold Bullion Fund ETF	-9.48	-11.9	-12.4	0.51	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	3.55	13.02	9.98	N/A	N/A	-4.74	18.16	13.68	N/A	N/A	N/A	68	N/A	91	N/A
BMO Global Infrastructure	7.66	31.32	23.30	N/A	N/A	22.43	12.87	18.75	N/A	47.47	N/A	77	N/A	-14	N/A
iShares S&P/TSX Cpd Financials Index	-1.61	15.33	17.11	12.37	8.58	26.00	16.42	-4.40	7.91	4.47	-36	74	82	33	55

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 Canadian 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

BMO Monthly Income ETF (TSX: ZMI) - BMO Monthly Income ETF has been designed to deliver the performance of an underlying basket of higher yielding BMO ETFs. ETFs are eligible to be selected by having a higher yield than either the equity market represented by the BMO S&P/TSX Capped Composite Index ETF (ZCN) or the fixed income market represented by the BMO Aggregate Bond Index ETF (ZAG). The holdings are weighted to emphasize yield, with 50 percent investment in each of equity and fixed income and a cap of 20 percent for each security. The ETF is rebalanced and reconstituted semi-annually in July and January. In addition, as ZMI is a fund of fund, the management fees charged are reduced by those accrued in the underlying funds.

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.

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