

RECOMMENDED LIST OF FUNDS



January 2015

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The Recommended List

Name	Returns at December 31, 2014					Correlations						
	3 Mth	1 Yr	3 Yr	5 Yr	Sharpe Ratio	Alpha	Beta	TSX	S&P 500	MSCI EAFE	DEX	MER
Fixed Income - Core												
1 Dynamic Advantage Bond Fund	0.4%	4.3%	2.8%	4.4%	0.44	0.11%	0.57	0.005	-0.056	0.165	0.798	1.58%
2 PH&N Short Term Bond & Mortgage	0.9%	3.0%	2.2%	2.7%	0.44	0.02%	0.85	-0.304	-0.293	-0.049	0.866	0.60%
3 PH&N Total Return Bond Fund	2.6%	8.6%	3.8%	5.2%	0.43	0.05%	0.88	-0.253	-0.262	-0.135	0.987	0.59%
4 TD Canadian Core Plus Bond	2.2%	6.9%	3.4%	4.8%	0.40	0.04%	0.84	-0.199	-0.221	-0.020	0.949	1.50%
Fixed Income - Specialty												
1 Manulife Strategic Income Fund	2.5%	8.1%	7.2%	6.4%	0.38	0.46%	0.14	0.458	0.449	0.609	0.109	2.07%
2 RBC Global Corporate Bond	1.4%	6.7%	4.9%	5.5%	0.41	0.16%	0.69	0.086	-0.082	0.204	0.678	1.74%
Canadian Equity - Core												
1 CI Cambridge Cdn Equity	3.5%	13.3%	18.5%	13.1%	0.38	0.54%	0.70	0.811	0.750	0.697	-0.377	2.44%
2 Fidelity Canadian Large Cap Fund	3.8%	10.2%	16.6%	15.5%	0.52	0.84%	0.51	0.690	0.707	0.615	-0.397	2.56%
3 IA Clarington Cdn Conservative Equity	-5.3%	5.0%	6.5%	7.1%	0.24	0.10%	0.65	0.882	0.493	0.544	-0.270	2.45%
4 RBC North American Value Fund	3.4%	12.9%	15.7%	11.5%	0.34	0.37%	0.76	0.897	0.797	0.738	-0.438	2.10%
5 Signature Select Canadian Fund	1.2%	11.5%	12.9%	7.7%	0.21	0.01%	0.87	0.901	0.755	0.747	-0.464	2.44%
Canadian Small Mid Cap Equity												
1 IA Clarington Canadian Small Cap	-2.3%	5.9%	20.5%	14.0%	0.43	0.64%	0.52	0.739	0.668	0.713	-0.420	2.93%
2 Sentry Small Cap Income Fund	2.0%	12.4%	21.0%	18.9%	0.58	1.00%	0.52	0.680	0.736	0.646	-0.343	2.70%

Returns at December 31, 2014									Correlations			
Name	3 Mth	1 Yr	3 Yr	5 Yr	Sharpe Ratio	Alpha	Beta	TSX	S&P 500	MSCI EAFE	DEX	MER
US Equity - Core												
1 Franklin U.S. Rising Dividends	9.3%	16.8%	18.8%	14.5%	0.52	0.11%	0.74	0.376	0.881	0.477	-0.191	2.51%
2 Mackenzie U.S. Large Cap Class	6.1%	17.5%	23.3%	16.3%	0.45	-0.16%	1.04	0.619	0.940	0.658	-0.408	2.59%
3 RBC O'Shaughnessy U.S. Value Fund	2.1%	10.7%	22.4%	17.5%	0.39	-0.07%	1.05	0.693	0.751	0.736	-0.433	1.55%
4 TD U.S. Blue Chip	7.3%	16.8%	25.1%	16.6%	0.41	-0.20%	1.10	0.570	0.867	0.631	-0.325	2.54%
5 Trimark U.S. Companies Fund	9.1%	25.7%	25.0%	17.7%	0.45	-0.17%	1.13	0.610	0.932	0.591	-0.370	2.99%
US Small Mid-Cap Equity												
1 Fidelity Small Cap America	4.5%	21.3%	28.9%	19.9%	0.45	0.61%	0.75	0.569	0.809	0.451	-0.407	2.59%
2 TD U.S. Mid - Cap Growth Fund	2.3%	20.0%	22.4%	15.9%	0.40	0.36%	0.71	0.680	0.845	0.567	-0.415	2.54%
3 Trimark U.S. Small Companies Class	2.4%	16.8%	19.9%	16.8%	0.40	0.44%	0.70	0.634	0.722	0.509	-0.444	2.85%
Global / International Equity - Core												
1 Guardian Global Dividend Growth - NEW	5.7%	13.8%	12.6%		0.50	0.57%	0.43	0.420	0.647	0.690	0.140	2.32%
2 IA Clarington Global Equity – NEW	4.2%	7.7%	13.6%	8.7%	0.22	-0.32%	1.00	0.697	0.725	0.830	-0.319	2.72%
3 Invesco International Growth Class	2.6%	7.5%	15.4%	9.1%	0.25	0.24%	0.78	0.598	0.692	0.934	-0.192	2.91%
4 Mac Ivy Foreign Equity Fund	6.8%	8.4%	15.2%	10.3%	0.41	0.29%	0.52	0.301	0.719	0.627	-0.171	0.10%
5 Manulife World Investment	3.5%	7.3%	15.9%	8.9%	0.21	0.17%	0.88	0.696	0.719	0.896	-0.298	2.61%
6 Trimark Fund	4.6%	10.0%	17.2%	11.7%	0.40	0.19%	0.72	0.452	0.759	0.804	-0.119	1.72%
Global Small Mid Cap Equity												
1 Brandes Global Small Cap	-0.5%	8.1%	24.9%	15.0%	0.34	0.09%	0.95	0.646	0.679	0.751	-0.328	2.69%
2 Trimark Global Endeavour	4.5%	11.0%	18.7%	15.2%	0.41	0.30%	0.77	0.529	0.707	0.770	-0.276	2.67%

Returns at December 31, 2014									Correlations			
Name	3 Mth	1 Yr	3 Yr	5 Yr	Sharpe Ratio	Alpha	Beta	TSX	S&P 500	MSCI EAFE	DEX	MER
Specialty / Sector Funds												
1 BMO Asian Growth & Income Fund	-0.5%	6.7%	12.4%	7.5%	0.26	0.34%	0.48	0.464	0.381	0.646	0.018	2.80%
2 Brandes Emerging Markets	-9.3%	-1.2%	7.2%	1.7%	0.04	-0.35%	0.99	0.677	0.542	0.737	-0.250	2.69%
3 Dynamic Power Global Growth Class	4.4%	9.1%	18.0%	13.6%	0.23	0.06%	1.06	0.542	0.500	0.522	-0.223	2.50%
Balanced / Income Funds												
1 AGF Monthly High Income Fund	-5.0%	1.1%	5.5%	7.2%	0.27	0.09%	0.76	0.845	0.493	0.601	-0.185	2.40%
2 CI Signature High Income Fund	0.6%	8.6%	9.6%	9.7%	0.53	0.43%	0.57	0.678	0.550	0.731	0.001	1.60%
3 Fidelity Canadian Balanced Fund	2.2%	10.8%	9.6%	8.0%	0.41	0.17%	0.78	0.920	0.644	0.629	-0.175	2.35%
4 Manulife Monthly High Income NEW	5.5%	16.5%	13.2%	9.9%	0.59	0.56%	0.34	0.596	0.757	0.625	-0.088	2.11%
5 TD Monthly Income Fund	1.0%	9.9%	9.1%	8.1%	0.42	0.29%	0.56	0.841	0.591	0.625	-0.164	1.47%
Income Options												
1 TD Short Term Bond Fund	0.7%	2.1%	1.5%	2.2%	0.28	-0.05%	0.92	-0.310	-0.306	-0.081	0.860	1.10%
2 PH&N Monthly Income Fund	-1.8%	7.5%	7.9%		0.41	0.19%	0.70	0.877	0.523	0.657	-0.065	1.08%
3 Sentry Canadian Income Fund A	3.9%	15.4%	15.0%	13.8%	0.62	0.77%	0.44	0.789	0.745	0.647	-0.303	2.65%
4 BMO Monthly High Income Fund II	-3.7%	3.7%	8.4%	11.1%	0.40	0.52%	0.52	0.748	0.432	0.501	-0.102	2.32%
Passive Options												
1 TD Canadian Bond Index Fund	2.5%	7.9%	2.8%	4.6%	0.34	-0.05%	0.99	-0.338	-0.340	-0.219	0.999	0.83%
2 RBC Canadian Index Fund	-1.7%	9.7%	9.4%	6.8%	0.18	-0.15%	0.98	1.000	0.562	0.577	-0.341	0.72%
3 TD U.S. Index Fund	8.2%	22.8%	24.1%	16.5%	0.52	-0.04%	0.96	0.569	0.995	0.685	-0.344	0.55%
4 TD International Index Fund	-1.2%	2.0%	14.5%	6.2%	0.15	-0.11%	0.97	0.595	0.676	0.984	-0.243	1.00%

Benchmark Returns at December 31, 2014

Benchmark	<u>3 mth</u>	<u>1 Yr.</u>	<u>3 Yr.</u>	<u>5 Yr.</u>	<u>10 Yr.</u>
Fixed Income					
DEX 90 Day T-Bill Index	0.22%	0.90%	0.94%	0.81%	1.85%
DEX Short Term Bond Index	0.92%	3.07%	2.27%	3.00%	N/A
DEX Bond Universe	2.70%	8.79%	3.65%	5.45%	5.32%
Canadian Equity					
S&P/TSX 60 Capped Index	-0.36%	12.27%	10.54%	5.82%	6.03%
S&P/TSX Composite	-1.47%	10.55%	10.22%	7.53%	7.60%
S&P/TSX Completion Index TR	-4.64%	5.74%	7.52%	8.34%	7.07%
S&P/TSX Small Cap Index TR	-8.72%	-2.34%	0.91%	3.01%	N/A
U.S. Equity					
S&P 500 (C\$)	8.89%	24.37%	25.78%	17.77%	7.31%
Russell 2000 C\$	13.57%	14.41%	24.56%	17.95%	7.37%
Global & Specialty Equity					
MSCI EAFE (C\$)	-0.15%	4.18%	16.57%	7.95%	4.59%
MSCI World (C\$)	4.66%	15.07%	21.33%	13.06%	6.26%
MSCI World Small / Mid Cap Index (C\$)	6.20%	13.51%	22.13%	15.01%	7.56%
MSCI Europe C\$	-0.95%	2.87%	17.57%	8.11%	4.82%
S&P/TSX Capped REIT Index	1.33%	10.35%	6.84%	12.71%	9.90%
MSCI Emerging Markets (C\$)	-1.09%	7.09%	9.10%	4.24%	8.38%
MSCI Pacific C\$	1.37%	6.38%	14.72%	8.03%	4.03%
MSCI Pacific ex Japan C\$	1.96%	8.70%	14.41%	8.27%	8.46%

Data Sources:

Fundata

PC Bond

Bank of Canada

MSCI

Returns as of September 30, 2014

List Changes

Additions

Guardian Global Dividend Growth Fund (GCG 570 –Front End Units) – This go anywhere, global dividend fund is managed by Sri Iyer and his team at Guardian Capital, using a proprietary, multi factor quantitative model that screens the global equity universe looking for positive rates of change in the fundamentals of companies. The model looks at 31 key factors including growth, payout ratios, efficiency, valuation and investor sentiment. Each of the factors is weighted, with growth, payout and sustainability factors being the most important for this strategy. The model is run on a daily basis, with the highest ranked stocks receiving a “buy” rating, and lower ranked securities rated as “sell”. The team will conduct a fundamental review to validate any of the potential buy candidates to ensure the rating is appropriate.

The result is a well-diversified portfolio that will typically hold between 70 and 100 names. At the end of December, it held just under 90 stocks. The sector and country mix is the byproduct of the bottom up stock selection process. To ensure sufficient diversification, it must have exposure to at least seven of the ten GIC sectors at all times. The maximum sector weight is capped at 25% of the fund, and emerging market exposure is limited to 15%.

At the end of December, nearly 55% was invested in U.S. equities, with European names making up most of the rest. Some of the top holdings included Apple, Johnson & Johnson, and JPMorgan Chase. The fund is conservatively positioned - overweight the more defensive sectors such as consumer defensives, communications, and utilities. It is underweight financials, consumer cyclical, and material. This would be expected to hold up well in periods of higher volatility.

The process is quite active, with portfolio turnover that has been well above 100% since the fund's inception. A stock is sold when its rating falls into the bottom 30% of the universe.

I really like the investment process used by the managers. It is disciplined and repeatable. It focuses more on rates of change rather than the value. I also like that it takes a lot of the potential emotion out of the process, yet has the fundamental oversight of the investment team. In other words, it's not simply a black box strategy.

I would expect this fund to deliver average to above average returns, with lower than average volatility. It is also quite different than its benchmark. This of course can be a double edged sword, and could potentially result in periods where it underperforms for an extended period of time. Still, I believe it can be a great core global equity holding for most investors.

If you are unable to purchase this fund through your advisor, you could invest in the **BMO Global Dividend Fund (GGF 70725)**, which is virtually identical, except for a slightly higher MER – 2.48% vs. 2.32%. If you prefer an ETF, you could look at the **Horizons Active Global Dividend ETF (TSX: HAZ)**.

IA Clarington Global Equity Fund (CCM 3071 – Front End Units, CCM 3072 – DSC Units) – Last July, Joe Jugovic of Calgary based QV Investors took over the management duties of this fund. QV is a shop known for their focus on finding high quality companies trading at attractive valuations.

While the track record on this fund is very short, QV has been running this mandate as a pooled fund since January 2007 with great success. This fund is identical to the pooled fund, except that it carries an MER of 2.86%. Yes, this is high, but even with the additional cost, it would have still able to outpace most of its peers over the past five years on a risk adjusted basis. Adjusting for the higher cost, this would have been the number 3 ranked global equity fund in my coverage universe at the end of the year.

The fund is managed using the same disciplined, bottom up process that is used with other QV funds. It looks for high quality, invested management that has delivered strong growth in equity, earnings, sales and cash flows. The company must be generating a level of free cash flow that will allow it to increase dividends over time, and the balance sheet cannot be over levered. Finally, it must be trading at a level of valuation that is well below current market levels, while providing return on equity that is above average.

The portfolio is fairly concentrated, holding roughly 35 names. The sector mix and geographic allocation is a byproduct of the stock selection process. At the end of December, it was overweight communication services, financials and consumer defensive, and underweight utilities and real estate. The fund also has exposure to companies of all sizes, although more than 60% is invested in larger firms.

Looking at the historic track record of the pooled fund, combined with the other QV mandates I follow, I expect this fund to deliver above average returns over the long term. With their focus on higher quality names, it is expected to lag in a sharply rising market, however, it will more than hold its own when markets sell off. The emphasis on yield and cash flow will also help to mitigate overall volatility. The biggest drawback is its higher MER. Still, I see this as a great core global equity fund for most investors.

Manulife Monthly High Income Fund (MMF 583 – Front End Units, MMF 483 – DSC Units) – The fund is managed by the team of Alan Wicks and Jonathan Popper. The equity approach is rooted in a value philosophy that looks for businesses that generate high and sustainable profits that are trading at attractive valuations. The fixed income sleeve is managed using a combination top down economic review combined with a bottom up credit analysis. The process looks to generate returns by focusing on sector allocation, credit quality and individual credit selection. They also emphasize risk management by actively managing the portfolios yield curve and duration exposure.

At the end of December the fund held 15% in cash, 35% in Canadian equities, 30% in U.S. equities and 20% in bonds. The equity sleeve is defensively positioned with consumer names making up 30%. It is dramatically underweight energy, materials, and financials which results in a portfolio that is dramatically different than the index.

Performance, particularly since 2011, has been excellent, posting an annualized three year return of 13.2% to the end of December. Perhaps even more impressive has been the volatility profile, which has been below both the benchmark and the category average. It has also done a great job at protecting capital in down markets.

Going into 2015, if my investment thesis plays out, this fund should do an excellent job for investors. The lack of exposure to Europe and Asia is expected to help keep volatility in check, however, if a rally does take hold in Europe, this fund may lag some of its peers. The fixed income portion of the fund is defensively positioned and expected to hold up relatively well when rates do start to move higher.

Deletions

PH&N High Yield Bond Fund (RBF 6280 –Front End Units, RBF 4280 – Low Load Units) – When I added this fund to the Recommended List last time around, I fully expected it to be closed fairly quickly. Sure enough, it was, with RBC once again shuttering the fund to new investors effective November 26. As a result of this closing, I am removing the fund from the Recommended List.

The only reason I am removing it from the list is because the Recommended List only has funds that are currently open for new investment.

If you hold this fund, assuming it is in line with your investment objectives and risk tolerance, I would suggest you continue to do so. It has consistently been one of the top high yield bond funds in Canada. What I like most about this offering is that it tends to be one of the more conservative offerings in the space, offering excellent risk adjusted returns, thanks to a level of volatility that is significantly lower than its peers. It also offers one of the best down capture ratios in the category. The drawback however is that it tends to lag its peers in a rising market. Another bonus is that it carries one of the lowest MERs in the category, even for the advisor sold units.

If you hold it, consider yourself lucky. If you don't, I wouldn't hold your breath waiting for RBC to reopen it any time soon.

Trimark Canadian Small Companies Fund (AIM 1683 – Front End Units, AIM 1681 – DSC Units) – This is another fund that I am removing from the list because it has been closed to new investors, effective October 8. It is a “soft cap”, meaning that if you hold the fund, you can add to your holdings, but if you don't own it, you're out of luck.

Despite removing it from the Recommended List, this remains one of my favourite Canadian small cap equity funds. Managers Rob Mikalachki and Virginia Au run a very concentrated, high conviction portfolio that is made up of their best 25 to 40 ideas. They are disciplined in their approach and will not make any investment that does not meet their strict quality and valuation criteria. This can result in significant cash balances, which averaged 29% in the fourth quarter of the year.

In a recent commentary, the managers highlighted the fact that at this point in the market cycle, they are having difficulty finding new ideas, which is a key reason behind both the high cash balance and the fund's closing. Their investment process can often be contrarian, and that is the case today, as they are starting to find a number of ideas in the energy sector, many of which have become even more compelling given the haircut that oil has had recently. They expect to be using this as an opportunity to pick up high quality, well managed, profitable businesses at very attractive valuations. A potential drawback to this move is it may cause an uptick in the fund's volatility profile. That said, if you are a long-term investor and are comfortable with the risks, this remains one of the better small cap funds available.

I will continue to follow the fund, and will revisit its place on the Recommended List if it is reopened.

Franklin Mutual Global Discovery Fund (TML 180 – Front End Units, TML 182 – DSC Units) – Over the past few quarters, I have noticed a material erosion in the risk reward metrics of the fund, combined with underperformance relative to its peers. I still believe that this is a solid fund, however, there are funds that appear to be better positioned than this offering. Looking at the portfolio metrics, the valuation appears to be reasonably attractive, however, the expected growth rates are lower than the peer group, which dampens my return expectations for the near term. Considering the above, I removed it from the Recommended List. It will however remain on my watch list, and should I notice an improvement in the portfolio's metrics, I will reconsider the fund to be added back to the rec list.

Funds of Note

Dynamic Advantage Bond Fund (DYN 258 – Front End Units, DYN 688 – DSC Units) – When it had appeared that interest rates in Canada were likely going to rise, the defensive positioning of this fund resulted in it being my top bond fund pick. With a shorter duration and more conservative asset mix, it was well positioned to withstand the increased volatility in the bond market, and was expected to hold up better when yields started to rise. That all changed a few weeks ago when the Bank of Canada surprised everyone and cut its overnight lending rate by 25 basis points to 0.75%, with many expecting more cuts to follow. In an environment where it is more likely that yields will fall or remain flat, this fund will likely lag those funds that have a more neutral positioning. I still believe this is a great bond fund for the long term, and expect it to hold up well when yields are moving higher. Until then, my focus will shift to funds that have a higher duration exposure such as the **PH&N Total Return Bond Fund**, or the **TD Canadian Core Plus Bond Fund**.

PH&N Total Return Bond Fund (RBF 6340 – Front End Units, RBF 4340 – DSC Units) – With more cuts to interest rates expected from the Bank of Canada, this high quality bond fund becomes my top pick. At the end of December, it had a duration of 7.3 years, which is slightly less than the 7.6 years of the FTSE TMX Canadian Universe Bond Index. The fund itself is very much like the stalwart **PH&N Bond Fund**, except the managers have a little more flexibility which allows them to invest a modest portion of the fund in non-traditional strategies such as high yield, mortgages and derivatives. A little more than half is invested in government bonds, the majority of which are higher yielding provincial bonds. Approximately 40% is invested in corporate bonds. Within the corporate sleeve, they have focused more on higher quality issues, and have remained underweight bonds in more cyclical sectors, namely energy. Looking ahead, I expect the management team to continue to do what it has done since the fund's launch in 2000 – use its rigorous, highly disciplined investment process to opportunistically position the portfolio in a way they believe will best benefit the portfolio, while paying particular attention to managing risk.

AGF Monthly High Income Fund (AGF 766 – Front End Units, AGF 689 – DSC Units) – With two thirds of the fund invested in equities, combined with an overweight allocation to energy and materials, it is not hard to see why this was the worst performing balanced fund on our list in the fourth quarter. It lost 5%, while each of the other picks on the list were in positive territory. While the equity sleeve was aggressively positioned with a cyclical bent, the fixed income sleeve was somewhat defensive, with a duration slightly lower than the index, and a yield that was higher. Approximately 50% of the U.S. dollar currency exposure was hedged against currency movements, which dampened gains in the quarter. In December, they increased the hedge from 50% to 75%, which may be a further headwind in the face of the prospect of a falling Canadian dollar. With the benefit of hindsight, we can see that they got the positioning wrong for the short term. Understandably, I will continue to monitor this fund, and it's positioning closely. I expect it to remain the most volatile of the balanced picks, but anticipate it will do well over the long term.

CI Signature High Income Fund (CIG 686 – Front End Units, CIG 786 – DSC Units) – Despite a modest 0.6% gain in the final quarter, the fund still posted a respectable 8.6% rise for the year. Over the year, the managers had taken profits in many of their energy names, and built up a significant cash reserve. At the end of December, it had about 20% of the fund's assets in cash and cash like investments. They have done this for two reasons. The first is to help boost the defensive positioning of the fund, helping it to better withstand any near term volatility. The second reason is for some “dry powder”, which will allow the managers to step in and pick up some high quality names trading at very attractive valuations. I continue to like this fund and believe it to be one of the best balanced funds out there. I expect it to continue to deliver very strong levels of risk adjusted returns, with volatility levels that are well below average.

IA Clarington Conservative Canadian Equity Fund (CCM 1300 – Front End Units, CCM 1400 – DSC Units) – For me, the big appeal of this fund is its conservative profile, which has allowed it to post decent returns over the long term, with significantly less downside than the market, and its peers. Historically, it has delivered about 70% of the upside of the market, yet only experienced between half to two thirds of the downside. This helps to explain why I was so disappointed with its recent performance when it dropped lockstep with the market.

I had the chance to speak with Ryan Bushell, one of the managers of the fund recently, and the main reason for this underperformance was the indiscriminate selloff of any stock that was related to energy. If you look at the fund, it has about a third invested in energy. Yet digging deeper, we see that many of these energy names are high quality, cash flow generating, conservative plays, such as pipelines and companies more focused on natural gas. This includes names such as Enbridge, TransCanada, and AltaGas. Historically, when oil sold off, these names held up much better. Unfortunately this time around, that didn't happen, and these stocks were punished with the same veracity as their oil focused brethren.

As we move forward, Mr. Bushell believes that much of the selloff in many of the fund's holdings was unwarranted, leaving a significant amount of upside in the portfolio. They will continue to build the portfolio on a bottom up, fundamentally driven approach that looks for companies with strong management teams and excellent balance sheets that will allow them to withstand any market cycle. They will not deviate from the same process that has worked for them since 1950. I will continue to follow the fund closely.

RBC O'Shaughnessy U.S. Value Fund (RBF 776 Front End Units, RBF 134 – Low Load Units) – If you look at the quarterly performance of this fund compared to the other U.S. equity funds, you might be wondering what happened with it, posting a very modest 2.1% rise, while the others were all significantly higher. Well since you asked, I'll tell you what happened -currency happened. Over the quarter, the Canadian dollar dropped by nearly 4%. The RBC O'Shaughnessy U.S. Value Fund hedges its currency exposure, while the other U.S. equity funds on the list are largely unhedged. When a fund is unhedged and the Canadian dollar drops in value, the U.S. dollar assets will see a rise in value because of the falling currency. For example, the **TD U.S. Blue Chip Fund** rose by 3.7% in U.S. dollar terms. When the returns were converted into Canadian

dollars, the gain was nearly double, coming in at 7.3%. With the U.S. Federal Reserve likely to start moving rates higher in the U.S. and the Bank of Canada expected to cut rates at home, it is highly likely we will see a further drop in the value of the Canadian dollar. At the very least, I would expect that currency volatility will be on the upswing in the near term. For this fund, or any other that hedges a significant portion of its U.S. dollar exposure, it may result in underperformance when compared with funds that do not hedge their currency. That said, I still believe this to be an excellent U.S. equity fund for those who can stomach a bit higher level of volatility in their portfolio.

Trimark Global Endeavour Fund (AIM 1593 – Front End Units, AIM 1591 – DSC Units) - While I have this fund in the Global Small and Mid-Cap Equity category on the Recommended List, it is really much more of an all cap mandate. Managers Jeff Hyrich and Erin Greenfield have built a concentrated portfolio of high quality names, with sustainable competitive advantages that trade at a discount to their estimate of intrinsic value. Their fundamentally driven, bottom up approach has resulted in a portfolio that looks nothing like its benchmark. They are very disciplined when it comes to valuation, and as a result, cash balances can run quite high. For example, at the end of September, cash was sitting at 14%. Over the course of the quarter, they used market weakness as an opportunity to chip away at a few opportunities, adding a couple of new names to the portfolio, and adding to existing names. This brought the cash down to around 11% at the end of the year. They continue to be patient, waiting for high quality names to trade at values they like. They are also starting to find some ideas in the emerging markets. This remains a great global mid cap pick for those investors who can be comfortable with a performance stream that is much different than the index.

Brandes Emerging Markets (BIP 171 – Front End Units, BIP 271 – DSC Units) – The fourth quarter was a tough one for the fund, amid a precipitous drop in the price of oil, major currency devaluations (especially the Russian Ruble), and political instability in Brazil, Argentina and other EM nations. With its overweight position in both Russia and Brazil, the fund was hit particularly hard, dropping 9.3% in Canadian dollar terms. It was even worse in U.S. dollar terms, with the fund dropping 12.6%. In a recent commentary, the managers stated they remain committed to their thesis on Russia. They believe “...it can offer some of the most potentially undervalued businesses in the world right now. On a macro level, valuations in that nation are about half those of the next closest country, China.”

At the end of December, the fund had 8.4% invested in Russia. It also had 18% in Brazil. It is important to note that the portfolio is constructed using a bottom up process, meaning the country allocations are a byproduct of their stock selection process. Emerging markets have historically been more volatile than more developed markets, and that has certainly been the case of late. I don't see anything near term that will change that. If you are uncomfortable with high levels of volatility, you should not be invested in an emerging market fund. Over the long term, I believe Brandes will reward investors with solid gains. However, you need to be comfortable with potential underperformance. If not, you should look elsewhere. I am monitoring both the fund and sector closely.

Fixed Income Core

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
Dynamic Advantage Bond	Multi-Strategy	Michael McHugh Domenic Bellissimo	1.58%	\$934.24	• With Bank of Canada's bias shifting to easing near term, the conservative positioning expected to weigh, lagging other bond funds. • Duration remains well below the DEX at 3 years. • Manager focus is on downside protection
PH&N Short Term Bond & Mortgage	Multi-Strategy	PH&N Fixed Income Team	0.60%	\$4,798.41	• Remains my top short term bond pick • It is less interest rate sensitive than traditional bonds • Duration is 2.5 years, significantly lower than DEX • 45% invested in corporates, 32% in governments, 15% in mortgages and the balance in cash.
PH&N Total Return Bond Fund	Multi-Strategy	PH&N Fixed Income Team	1.16%	\$6,251.24	• With rates moving down, this is my top bond pick • Similar to PH&N Bond, except it can invest in high yield, mortgages & derivatives • Duration of 7.3 yrs. is in line with the DEX • Should outperform in falling rate environment.
TD Canadian Core Plus Bond	Multi-Strategy	Rob Pemberton Christopher Case	1.51%	\$9,115.53	• Similar to the TD Canadian Bond except it can invest up to 30% in global, high yield & Emerging Mkt. debt • It is much better positioned for the current environment than the TD Canadian Bond Fund

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr	
Dynamic Advantage Bond	0.4	4.3	2.8	4.4	4.0	-0.1	4.2	6.5	7.3	13.8	-3.7	66%	65%	53%	28%	2.33%
Quartile	4	4	3	3	3	1	2	3	1	1	4					
PH&N ST Bond & Mortgage	0.9	3.0	2.2	2.8	3.5	1.5	2.1	3.6	3.4	7.5	5.0	94%	90%	85%	82%	1.26%
Quartile	1	1	1	1	1	1	1	2	1	1	3					
PH&N Total Return Bond Fund	2.4	8.0	3.2	4.6	N/A	-0.9	3.9	8.1	6.5	11.2	0.9	90%	85%	95%	91%	2.90%
Quartile	1	1	2	2		2	2	1	1	1	4					
TD Canadian Core Plus Bond	2.2	6.9	3.4	4.9	N/A	-1.3	4.9	8.0	6.2	14.7	-1.2	90%	84%	86%	74%	2.84%
Quartile	2	3	2	2		1	1	1	1	1	4					

Note: 5 Year Risk is the annualized five year standard deviation.

Upside and downside capture ratios are run against the FTSE TMX Canadian Universe Bond Index, except for PH&N Short Term, which is against the FTSE TMX Canadian Short Term Bond Index

Fixed Income Specialty

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
Manulife Strategic Income	Tactical	Dan Janis Thomas Goggins	2.07%	\$4,375.03	- Tactically managed global bond fund that invests in global government, corporate and high yield bonds - Managed using a very disciplined process - Currency risk is actively managed - Outlook remains positive
RBC Global Corporate Bond	Credit Analysis	Frank Gambino Marty Balch Soo Boo Che	1.72%	\$3,792.02	- Invests mainly in investment grade corporate bonds from issues around the world. - Currently overweight high yield and U.S. corporates, and underweight Asian & Canada corps. - Defensively positioned with duration of 5.9 yrs. - This would make a nice compliment to a Canadian focused bond fund.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr	Risk
Manulife Strategic Income	2.5	8.1	7.2	6.4	N/A	4.5	9.1	2.0	8.4	8.8	21.1	57%	56%	70%	43%	4.17%
Quartile	1	1	2	3		2	3	3	4	4	1					
RBC Global Corporate Bond	1.5	6.7	4.9	5.5	4.8	-0.6	8.8	6.2	6.8	12.7	0.6	33%	40%	-48%	-20%	3.28%
Quartile	3	3	2	1	1	3	2	2	4	4	1					

Note: 5 Year Risk is the annualized five year standard deviation.
Upside and downside capture ratios are run against the FTSE TMX Canadian Universe Bond Index

Canadian Equity Core

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
CI Cambridge Canadian Equity	Large Cap Growth	Brandon Snow Bob Swanson	2.44%	\$3,728.67	- Bottom up investment process. High turnover - Expecting more muted earnings environment in 2015 - Offers excellent downside protection
Fidelity Canadian Large Cap	Large Cap Value	Daniel Dupont	2.29%	\$4,158.51	- Remains significantly underweight energy, financials and materials. Holds no banks or gold. - Had a solid quarter amid energy selloff - Expect outperformance as energy under pressure.
IA Clarington Cdn Conservative Eqty	Large Cap Blend	Doug Kee Ryan Bushell	2.49%	\$876.05	- Continued to struggle in Q4, following market lower - Energy names were the main reason for the losses - More than half of energy names in gas and pipes. - Higher vol expected to be temporary Watching closely
RBC North American Value	Large Cap Blend	Stu Kedwell Doug Raymond	2.08	\$2,373.32	- Portfolio is overweight U.S. equities and cash. - Sees continued headwinds for Canadian equities amid falling oil, mixed economic data, and housing.
Signature Select Canadian	Large Cap Blend	Eric Bushell	2.44%	\$2,459.64	- Managers began raising cash in October as volatility was on the increase. Cash is more than 8% - Q4 performance boosted by overweight U.S. holdings - Maintaining defensive positioning – higher cash and a focus on higher quality names.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr	Risk
CI Cambridge Cdn Equity	3.5	14.2	19.2	13.5	N/A	27.2	16.7	-1.3	12.5	23.8	-23.6	104%	98%	4%	48%	9.02%
Quartile	1	1	1	1		1	1	1	2	3	1					
Fidelity Canadian Large Cap	4.0	10.6	17.0	15.8	12.4	36.6	6.0%	10.6	17.8	37.2	-29.7	85%	86%	-12%	11%	7.77%
Quartile	1	2	1	1	1	1	3	1	1	1	3					
IA Clarington Cdn. Cons. Eq.	-5.3	5.1	6.8	7.2	6.2	9.5	5.8	2.4	13.6	24.6	-20.5	68%	72%	70%	56%	7.72%
Quartile	4	4	4	4	3	4	3	1	1	3	1					
RBC North American Value	3.4	12.9	15.8	11.6	9.5	23.1	11.8	-3.6	15.3	28.7	-22.7	72%	82%	148%	121%	8.86%
Quartile	3	3	3	2	1	2	1	1	1	1	1					
Signature Select Canadian	1.2	11.6	12.9	7.7	7.7	19.2	8.2	-8.5	10.3	28.0	-26.1	95%	91%	57%	84%	10.05%
Quartile	3	2	3	3	1	3	2	2	3	1	1					

Note: 5 Year Risk is the annualized five year standard deviation.
Upside and downside capture ratios are run against the S&P/TSX Composite Total Return Index

Canadian Small Mid-Cap Equity

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
IA Clarington Canadian Small Cap	Mid Cap Blend	Joe Jugovic Ian Cooke	2.94%	\$899.61	- Weakness in energy names were a key contributor to Q4 performance. Still, it held up better than benchmark because of its focus on quality. - Bottom up, value focused stock selection approach - Sold some fully valued names to reduce valuation risk and to enhance portfolio diversification. - I also like NEI Ethical Special Equity and CI Can-Am Small Cap, which are very similar funds.
Sentry Small Mid Cap Income Fund	Mid Cap Blend	Michael Simpson Aubrey Hearn	2.72%	\$1,345.93	- Managers are expecting growth for North American economy, but feel Canada will lag given its dependence on energy and commodities. - Expecting further weakness and higher volatility in Canadian small caps, while U.S. names are expensive - Continue to look for companies with positive and growing free cash flow and attractive valuation. - Pays a monthly distribution. Currently yielding 2.80%

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr	
IA Clarington Cdn Small Cap	-2.3	5.9	20.5	14	9.6	37.3	20.2	-3.3	13.9	29.6	-33.0	102%	77%	-18%	18%	8.50%
Quartile	2	2	1	1	2	1	1	1	4	4	1					
Sentry Small Mid Cap Income	2.1	12.7	21.1	19.0	N/A	36.4	15.5	6.5	26.3	43.5	-22.2	102%	85%	-24%	-4%	8.51%
Quartile	2	1	1	1		1	1	1	3	3	1					

Note: 5 Year Risk is the annualized five year standard deviation.
Upside and downside capture ratios are run against the S&P/TSX Completion Index

U.S. Equity Core

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
Franklin U.S. Rising Dividends	Large Cap Blend	Don Taylor William Lippman	2.55%	\$968.05	- Conservative positioning helped performance in Q4 - They are positive on prospects for U.S. equity market - Focus on companies that have growing and sustainable dividends, rather than higher yielding names.
Mackenzie U.S. Large Cap Class	Large Cap Growth	Gustaf Zinn Erik Becker	2.59%	\$324.28	- Looking for stocks that have market like P/E ratios with growth rates that are stronger than the S&P - Continuing to reduce cyclicity of portfolio.
RBC O'Shaughnessy U.S. Value	Large Cap Value	Jim O'Shaughnessy	1.51%	\$2,068.33	- Stock selection is quantitative & based on P/E, price/sales, EV/EBITDA & shareholder yield - Currency fully hedged. Hurt performance in Q4
TD U.S. Blue Chip	Large Cap Growth	Larry Puglia	2.58%	\$1,866.92	- Remains the "growthiest" fund in the category - Combines bottom up stock picking with top down risk management. Likes market leaders with cash flow - Positioned for growth. Remains Overweight cyclicals
Trimark U.S. Companies	Large Cap Growth	Jim Young	2.99%	\$404.43	- Given the downward revisions to global economic growth, they expect rates to remain lower for longer - This is positive for equities. Focusing on earnings - Concentrated portfolio, overweight technology

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
Fund	3mt	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr	Risk
Franklin U.S. Rising Dividends	9.3	16.8	18.8	14.4	4.2	36.1	5.5	6.3	10.2	-1.1	-11.1	74%	75%	56%	55%	7.25%
Quartile	1	3	4	3	4	3	4	1	2	4	1					
Mackenzie U.S. Large Cap Cl.	6.2	17.5	23.3	16.3	7.1	40.6	13.5	1.6	11.7	4.0	-20.6	92%	96%	102%	108%	9.51%
Quartile	3	3	2	1	1	2	1	1	1	4	1					
RBC O'Shaughnessy US Value	2.2	10.7	22.5	17.6	N/A	47.5	12.4	6.7	14.5	24.8	-50.0	96%	109%	221%	142%	12.03%
Quartile	4	4	2	1		1	1	1	1	1	4					
TD U.S. Blue Chip	7.3	16.8	25.1	16.6	6.3	47.6	13.7	1.8	8.2	18.7	-29.7	102%	101%	168%	124%	10.85%
Quartile	3	3	1	1	2	1	1	1	2	1	3					
Trimark U.S. Companies	9.1	25.7	25.0	17.7	6.1	40.8	10.3	0.3	15.6	5.9	-17.0	101%	110%	172%	140%	10.37%
Quartile	1	1	1	1	2	2	2	2	1	3	1					

Note: 5 Year Risk is the annualized five year standard deviation.
Upside and downside capture ratios are run against the S&P 500 C\$ Total Return Index

U.S. Small Mid-Cap Equity

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
Fidelity Small Cap America	Small Cap Blend	Steve MacMillan	2.35%	\$1,519.72	- Remains my top pick in U.S. Small Cap category - Manager is overweight consumer and industrials - Underweight materials, financials and real estate. - Excellent downside protection. Still it might be a good idea to book some profit & take money off the table
TD U.S. Mid Cap Growth Fund	Mid Cap Growth	Brian Berghuis John Wakeman	2.57%	\$814.90	- Mid Cap focus. The other funds are more small cap - Bottom up approach that looks for quality management, leadership and attractive valuation - Positioned for growth. Overweight industrials & health - Recent strong gains. Take profits!
Trimark U.S. Small Companies	Small Cap Blend	Rob Mikalachki Virginia Au	2.85%	\$168.96	- Very small cap focused. Lowest avg. mkt cap on list - Managers are expecting higher levels of volatility in the near to mid-term. - They added to some existing names in Q4, bringing cash down to 31% from 38% at end of Q3 - They continue to see opportunities in energy names

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr	
Fidelity Small Cap America	11.7	17.5	29.5	22.7	9.6	54.2	19.9	7.7	18.9	31.9	-36.8	92%	94%	19%	53%	11.21%
Quartile	1	1	1	1	1	1	1	1	2	1	3					
TD U.S. Mid Cap Growth Fund	12.2	21.5	24.2	18.0	8.7	43.8	9.7	-0.5	20.2	22.7	-27.3	87%	85%	56%	65%	10.54%
Quartile	1	1	1	1	2	2	2	2	2	2	2					
Trimark U.S. Small Companies	6.7	16.3	19.5	16.1	7.8	33.4	10.0	8.8	13.7	42.2	-31.1	71%	76%	42%	57%	10.28%
Quartile	4	2	3	2	2	4	2	1	4	1	3					

Note: 5 Year Risk is the annualized five year standard deviation.
Upside and downside capture ratios are run against the Russell 2000 C\$ Total Return Index

Global / International Equity Core

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
Guardian Global Dividend Growth	Large Cap Value	Sri Iyer Sam Baldwin Fiona Wilson	2.32%	N/A	- Managed using a multi factor quant model - Looks for positive rates of change in 31 factors - Diversified portfolio holding 70-100 names - Also available with BMO Global Dividend Fund or as a Horizons Active Global Dividend ETF (HAZ)
IA Clarington Global Equity Fund	Large Cap Value	Joe Jugovic	2.86%	\$111.32	- QV Investors took over in July 2014 - Looks for high quality companies trading at discount - QV has run pooled fund version since 2007 - Expect above average returns with lower risk - Expected to protect downside, but lag in market rally
Invesco International Growth Class	Large Cap Blend	Jason Holzer Clas Olsson	2.91%	\$427.97	- Invests outside of North America - Bottom up approach looks for quality companies with strong earnings, and reasonable valuations - Near term outlook mixed, especially in Europe - Continue to focus on bottom up stock selection
Mackenzie Ivy Foreign Equity Fund	Large Cap Blend	Paul Musson Matt Moody	2.56%	\$3,740.00	- Remains one of the best for downside protection - The defensive positioning helped performance in Q4 - Significantly overweight consumer names. - Managers remain concerned that valuations are “stretched and detached from fundamentals” - Continue to focus on quality and valuation.
Manulife World Investment	Large Cap Blend	David Ragan Jim Hall	2.61%	\$666.94	- This is nearly identical to the highly regarded Mawer International Equity Fund - Managed using a fundamentally driven, long-term, bottom up GARP process that looks for wealth creating companies trading below its true value - They stress test their assumptions and valuations
Trimark Fund	Large Cap Growth	Michael Hatcher Jeff Feng	2.86%-A 1.72%-SC	\$2,885.22	- Prefer the SC Series to A because of lower cost - Concentrated portfolio. Much different than index - Look for well managed businesses with sustainable competitive advantages, trading at a discount - Expecting more volatility, which will give them a chance to buy high quality names at lower valuation

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr	
GDN Global Dividend Growth	5.7	13.8	12.6			20.0	4.6					60%		57%		6.68%
Quartile	1	1	4			4	4									
IA Clarington Global Equity	4.7	8.2	13.8	8.8		21.1	12.5	-4.8	8.5	14.6	-40.8	69%	86%	87%	117%	10.59%
Quartile	2	3	4	3		3	2	2	2	3	4					
Invesco International Growth	2.6	7.6	15.4	9.1	5.3	27.3	12.4	-6.1	7.0	17.3	-35.2	84%	86%	60%	70%	9.60%
Quartile	1	1	2	1	1	2	3	1	1	1	3					
Mackenzie Ivy Foreign Equity	6.8	8.3	15.2	10.3	6.3	31.0	7.9	3.2	3.6	5.8	-6.7	70%	65%	58%	38%	6.51%
Quartile	1	3	3	2	1	2	4	1	3	4	1					
Manulife World Investment	3.5	7.3	15.9	8.9	N/A	21.6	19.2	-8.8	8.1	22.3	-32.8	85%	94%	59%	82%	11.28%
Quartile	1	1	1	1		4	3	2	2	2	1					
Trimark Fund (SC)	4.6	10.0	17.2	11.8	5.1	30.5	12.0	3.2	5.0	10.4	-28.7	80%	77%	70%	54%	7.76%
Quartile	2	3	2	1	2	2	2	1	3	3	2					

Note: 5 Year Risk is the annualized five year standard deviation.

Upside and downside capture ratios are run against the MSCI World Gross Index C\$ for Global Equity funds & MSCI EAFE Gross Index C\$ for International Equity funds

Global / International Small / Mid-Cap Equity

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
Brandes Global Small Cap	Small Cap Value	Brandes Management Team	2.71%	\$89.81	• Uses an actively managed, bottom up process looking for names trading below its intrinsic value • They like market volatility and use it to buy quality names at a discount • More volatile than many of its peers, and underperformed sharply in Q4. More volatility expected.
Trimark Global Endeavour	Mid Cap Blend	Jeff Hyrich Erin Greenfield	2.67%	\$884.11	• Bottom up approach that looks for well-managed, high quality businesses that are trading below their estimate of fair value • Concentrated portfolio. Holds around 40 names. • Patient. Cash levels remain high at 11% as they wait for quality businesses to trade at lower valuations. This is down from 14% at the end of Q3

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr	
Brandes Global Small Cap	-0.5	8.1	24.9	15.0	3.1	34.8	33.7	-15.2	21.9	41.9	-37.6	99%	90%	57%	80%	11.70%
Quartile	4	3	1	1	4	3	1	3	1	1	3					
Trimark Global Endeavour	4.5	11.0	18.7	15.2	6.9	31.9	14.3	1.5	19.7	31.9	-36.7	90%	95%	100%	59%	9.87%
Quartile	2	2	1	1	1	2	1	1	1	1	4					

Note: 5 Year Risk is the annualized five year standard deviation.

Upside and downside capture ratios are run against the MSCI World Small/Mid Cap C\$ Gross Index

Specialty / Sector Funds

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
BMO Asian Growth & Income	Large Cap Blend	Robert Horrocks Kenneth Lowe	2.80%	\$645.37	• More of a balanced play on Asia, with approximately 10% invested in convertible bonds and cash • Historically has captured about 60% to 80% of the upside, yet only a third to half of the downside • Portfolio valuation is very attractive compared to BM • Asia is trading at or near historic lows. Opportunity! • Great way to gain lower volatility exposure to Asia
Brandes Emerging Markets	Large Cap Value	Brandes Management Team	2.71%	\$294.11	• Value focused approach that looks for quality companies that have been beaten down by the market • Diversified portfolio, holding around 70 names • Volatility has increased sharply in recent quarters and there is an erosion of risk characteristics. • I am placing it UNDER REVIEW and watching closely
Dynamic Power Global Growth	Large Cap Growth	Noah Blackstein	2.50%	\$797.30	• The focus is on high growth stocks, and currently holds only 3 sectors - tech, consumer & healthcare • Good way to add some kick to portfolio. High volatility with potential for high return. • Not for the faint of heart

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr	Risk
BMO Asian Growth & Inc.	-0.5	6.7	12.5	7.5	6.9	9.3	21.9	-10.1	12.5	27.0	-24.5	67%	67%	20%	41%	7.39%
Quartile	4	2	3	1	1	4	1	1	2	1	2					
Brandes Emerging Markets	-9.3	-1.2	7.4	1.8	6.3	13.3	10.5	-19.8	10.2	79.5	-35.7	102%	98%	117%	113%	14.52%
Quartile	4	4	2	3	2	1	4	3	3	1	1					
Dynamic Power Global Growth	4.4	9.1	18.0	13.4	9.3	40.6	7.2	-5.9	22.3	30.0	-47.2	115%	116%	331%	137%	16.84%
Quartile	2	3	2	1	1	1	4	2	1	1	4					

Note: 5 Year Risk is the annualized five year standard deviation.
Upside and downside capture ratios are run against the most appropriate market index

Balanced / Income Funds

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
AGF Monthly High Income	Tactical	Peter Frost Tristan Sones Tom Nakamura	2.40%	\$1,083.60	- Putting it UNDER REVIEW because of increasing vol. - Significant overweight in energy dragged returns - Most volatile of the balanced picks.
CI Signature High Income Fund	Tactical	Geoff Marshall Ryan Fitzgerald	1.60%	\$10,020.14	- Invests in high yielding equities, Corp & HY bonds - Top down macro view & bottom up security selection - Can invest up to 70% outside Canada
Fidelity Canadian Balanced Fund	Strategic	Geoff Stein Mariana Egan	2.35%	\$7,151.43	- Maintains a pretty static asset mix of 50/50 - Invests in underlying Fidelity Funds - Underweight in energy & materials boosted returns
Manulife Monthly High Income Fund – NEW		Alan Wicks Jonathan Popper	2.11%	\$9,538.18	- Equities managed using value focused approach - Bonds focus on credit analysis - Overweight U.S., which should see it do well in 2015
TD Monthly Income Fund	Tactical	Doug Warwick Gregory Kocik Michael Lough	1.47%	\$8,693.36	- Asset mix is set by committee. - Bond sleeve has 7% high yield, 59% corps, 40% govts. - Equities are overweight banks and financials - Offers a very favourable risk reward profile

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr	
AGF Monthly High Income	-5.0	1.1	5.5	7.2	N/A	9.8	5.6	0.7	19.7	46.8	-33.4	77%	94%	172%	109%	6.71%
Quartile	4	4	4	2		4	3	1	1	1	4					
CI Signature High Income	0.6	8.6	9.6	9.7	7.3	8.6	11.6	4.8	15.3	30.6	-21.5	56%	74%	-113%	-11%	4.72%
Quartile	4	2	2	1	1	4	1	1	1	1	4					
Fidelity Canadian Balanced	2.3	11.1	9.9	8.3	7.2	12.7	6.0	-1.1	13.3	22.3	-18.7	108%	107%	46%	81%	4.94
Quartile	2	1	1	1	1	1	2	2	1	1	3					
Manulife Mthly High Income	5.5	16.5	13.2	9.8	6.8%	15.9	7.5	1.4	8.7	22.3	-21.0	117%	97%	-19%	16%	4.28%
Quartile	1	1	1	1	1	1	1	1	3	3	3					
TD Monthly Income Fund	1.0	9.9	9.1	8.1	6.8	8.9	8.5	3.6	9.8	30.7	-23.4	81%	83%	73%	60%	4.95%
Quartile	2	1	3	2	1	4	2	1	3	1	4					

Note: 5 Year Risk is the annualized five year standard deviation.
Upside and downside capture ratios are run against the respective balanced benchmarks.

Income Options

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
TD Short Term Bond Fund	Short Term	Elaine Lindhorst Matthew Pauls	1.34%	\$4,260.50	- Near term outlook cloudy with more rate cuts likely - Focus on short term bonds. Duration of 2.8 years. - Variable monthly distribution. Currently yields 1.4%
PH&N Monthly Income Fund	Tactical	Scott Lysakowski William John	1.92%	\$3,478.29	- Pays a monthly distribution of \$0.0435, which works out to an annualized yield of 5.2% - Equities can range between 60% & 80%. 50% today - Fixed income sleeve remains defensively positioned - Q4 returns hurt by energy exposure. Remain positive
Sentry Canadian Income Fund	Large Cap Growth	Michael Simpson Aubrey Hearn	2.67%	\$5,408.11	- Pays a monthly distribution of \$0.0775 per unit, which works out to an annualized yield of 4.5% - Invests in high yielding equities & REITs in CDA & US. Currently a third is invested in the U.S. - Well diversified. Solid income offering
BMO Monthly High Income II	Large Cap Blend	Kevin Hall Michele Robitaille	2.32%	\$1,805.45	- Pays a monthly distribution of \$0.06 per unit, which works out to an annualized yield of 4.8% - Invests in high yielding equities & REITs in Canada - Focused more on mid cap names than Sentry, which is key reason for the divergence in performance in Q4

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr	Risk
TD Short Term Bond	0.7	1.9	1.3	1.9	2.8	0.7	1.4	3.2	2.5	5.3	6.3	72%	75%	156%	125%	1.36%
Quartile	2	3	3	3	2	2	2	2	2	1	2					
PH&N Monthly Income Fund	-2.0	6.6	7.0	6.6	N/A	6.9	7.6	0.8				88%	87%	64%	68%	4.64%
Quartile	4	3	4	3		4	1	1								
Sentry Canadian Income Fund	3.9	15.9	15.3	14.0	10.6	18.6	11.5	6.1	18.6	33.0	-22.8	76%	78%	-13%	10%	5.80%
Quartile	1	1	2	1	1	1	1	1	1	1	1					
BMO Monthly High Income II	-3.7	3.7	8.4	11.2	8.0	14.2	7.7	10.4	20.7	34.0	-27.8	67%	77%	49%	33%	7.22%
Quartile	4	4	4	1	2	4	2	1	1	1	2					

Note: 5 Year Risk is the annualized five year standard deviation.

Upside and downside capture ratios are run against the most appropriate benchmark for the fund type

Passive Options

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
TD Canadian Bond Index Fund	Passive	Michelle Hegeman	0.83%	\$575.29	- At 0.83%, this is a pretty costly option for bond exposure. But it is still the cheapest option for a diversified passive bond fund - The MER is 0.56% for the F-Class - I would lean towards an active fund over this offering
RBC Canadian Index Fund	Passive	RBC Global Asset Management	0.72%	\$688.99	- Replaced the TD Canadian Index Fund in Q2 because its MER is 17 bps lower - Lower MER should translate into higher returns
TD U.S. US Index Fund	Passive	Vishal Bhatia Dino Vevaina	0.54%	\$849.04	- This is the lowest cost option for those looking for low cost access to the S&P 500 - There is also a currency hedged version available
TD International Index Fund	Passive	Vishal Bhatia Dino Vevaina	1.25%	\$367.19	- With an MER of 1.25%, I'd likely lean towards an actively managed fund over this offering. - Still it is the best choice for index offerings right now

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr	Risk
TD Canadian Bond Index	2.5	7.9	2.8	4.6	4.4	-2.0	2.8	8.7	6.0	4.3	5.4	92%	91%	114%	110%	3.21%
Quartile	1	1	3	2	2	2	2	1	2	3	1					
RBC Canadian Index	-1.7	9.8	9.4	6.8	7.0	12.2	6.4	-9.2	16.8	34.1	-33.1	97%	97%	103%	102%	10.18%
Quartile	3	2	4	3	2	4	2	2	2	2	2					
TD U.S. Equity Index	8.2	22.9	24.6	16.8	6.4	38.4	12.5	3.8	8.2	6.5	-21.8	96%	95%	106%	98%	8.33%
Quartile	2	1	1	1	2	3	1	1	2	3	1					
TD International Index	-1.2	2.0	14.5	6.2	2.9	28.6	14.5	-10.8	0.9	8.6	-28.6	94%	95%	107%	106%	11.35%
Quartile	4	3	2	2	2	2	2	2	3	4	1					

Note: 5 Year Risk is the annualized five year standard deviation.

Upside and downside capture ratios are run against the most appropriate benchmark for the fund type

Model Portfolios

To assist in the portfolio construction process, we have created a series of model portfolios. The asset mixes were created using our proprietary Portfolio Optimization Model which strives to create an asset mix which delivers the highest level of expected return for each level of expected risk. Our strategic asset mixes for each investor are outlined below:

Fund	Conservative	Moderate Balanced	Balanced	Balanced Growth	Growth
Fixed Income (Total)	65% to 100%	45% to 70%	35% to 50%	20% to 40%	0% to 20%
Short Term Fixed Income	45%	-	-	-	-
Traditional Fixed Income	10%	35%	25%	10%	-
Specialty Fixed Income	10%	10%	10%	10%	-
Canadian Equity	0% to 20%	0% to 40%	0% to 50%	0% to 50%	0% to 50%
Canadian Large Cap	10%	25%	25%	25%	25%
Canadian Small/Mid Cap	10%	10%	10%	10%	10%
U.S. Equity	0% to 20%	0% to 40%	0% to 50%	0% to 50%	0% to 50%
U.S. Large Cap	-	-	10%	15%	25%
U.S. Small/Mid Cap	-	-	-	10%	10%
International / Global Equity	0% to 20%	0% to 40%	0% to 50%	0% to 50%	0% to 50%
Large Cap	15%	20%	20%	20%	30%
Small Cap	-	-	-	-	-
Specialty / Sector	0% to 20%	0% to 20%	0% to 20%	0% to 20%	0% to 20%
Healthcare	-	-	-	-	-
Real Estate	-	-	-	-	-
Resources	-	-	-	-	-
Emerging Markets	-	-	-	-	-
Science & Technology	-	-	-	-	-
Aggressive / Tactical	-	-	-	-	-

The bolded sections represent the high level asset class and what we believe an acceptable range for each would be for each investor type. The various sub categories highlight the current allocations for our model portfolios.

Methodology

The period under review is the most recent 60 months, or the inception date of the fund, whichever is shorter.

The returns of every fund in our coverage universe are analyzed on both an absolute and a relative basis. We study such factors as the average return, the average relative return, the average monthly volatility, the average relative volatility, the risk adjusted return, expected future returns, and the greatest up and down returns in the past 60 months. We then put these quantitative factors into our proprietary model which ranks the funds based on our criteria. We combine this quantitative ranking with qualitative factors to determine a fund's final monthly ranking. Using the results of the quantitative screen, we then conduct a detailed qualitative review of each of the funds for consideration on the Recommended List. Only once a fund has passed both our quantitative and qualitative review can it be added to the Recommended List.

Only funds with greater than 36 months of data are eligible to be included in our Recommended List

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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.