ETF FOCUS LIST

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Contents

The Focus List

Name	Ticker	% Returns at January 31, 2015 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	0.50	0.37	N/A	N/A	0.87%	N/A	N/A	N/A	N/A	7K
iShares Canadian Short Term Bond Index	XSB	2.68	3.92	2.59	2.87	0.27%	0.30	0.44	1.44	1.68	78K
iShares 1-5 Year Laddered Corporate Bond	CBO	2.74	4.15	3.34	3.51	0.27%	0.62	0.77	1.57	1.77	114K
iShares Canadian Universe Bond Index	XBB	6.72	10.68	4.69	5.65	0.33%	0.51	0.71	3.97	3.65	60K
PowerShares Tactical Bond ETF	PTB	5.86	10.35	N/A	N/A	0.53%	N/A	N/A	N/A	N/A	16K
Income / Cash Flow											
BMO Monthly Income ETF	ZMI	1.62	9.52	7.26	N/A	0.62%	3.33	N/A	4.38	N/A	5K
iShares Diversified Monthly Income Fund	XTR	1.49	7.30	5.54	8.30	0.56%	2.73	3.67	4.03	5.15	63K
Canadian Equity											
BMO Low Volatility Canadian Equity ETF	ZLB	12.14	31.44	22.74	N/A	0.40%	7.35	N/A	6.21	N/A	27K
PowerShares FTSE RAFI Cdn Fundamental	PXC	-0.74	6.48	9.39	N/A	0.51%	3.43	N/A	9.34	N/A	14K
iShares S&P/TSX Cdn Dividend Aristocrats	CDZ	0.78	10.94	10.38	11.55	0.66%	5.34	6.08	7.06	7.79	55K
iShares Core S&P/TSX Capped Composite	XIC	1.08	10.07	8.61	8.55	0.06%*	0.69	0.95	8.19	10.04	144K
iShares S&P/TSX Completion Index	XMD	-0.62	3.73	5.52	8.26	0.60%	0.81	0.99	9.14	11.44	13K
U.S. Equity											
Vanguard MSCI U.S. Broad Mkt (C$ Hedged)	VUS	-0.34	12.47	17.19	N/A	0.16%	8.66	N/A	9.91	N/A	12K
iShares US Fundamental Index	CLU	-1.27	11.73	17.32	14.75	0.72%	8.63	9.67	9.83	14.10	12K
iShares Core S&P 500 Index	XSP	-0.70	14.20	17.29	14.92	0.12*%	8.29	8.82	9.38	13.05	450K

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

% Returns at January 31, 2015

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	13.95	26.48	N/A	N/A	0.37%	N/A	N/A	N/A	N/A	4K
BMO MSCI EAFE Index (C$ Hedged) – NEW	**ZDM**	**3.33**	**13.61**	**15.53**	**8.22**	**0.41%**	**6.60**	**7.31**	**9.56**	**12.02**	**18K**
iShares International Fundamental Index	CIE	7.23	10.37	16.52	8.39	0.72%	3.90	4.40	11.99	14.38	24K
Specialty / Sector											
BMO MSCI Emerging Markets ETF	ZEM	6.65	18.98	7.31	5.79	0.58%	2.83	3.63	11.62	14.11	7K
iShares Gold Bullion Fund ETF	CGL	10.11	3.44	-9.71	3.23	0.55%	15.99	18.64	16.01	18.63	57K
BMO Equal Weight REITs Index ETF	ZRE	4.76	16.26	8.37	N/A	0.62%	8.75	N/A	10.14	N/A	24K
BMO Global Infrastructure	ZGI	10.97	34.26	24.91	21.89	0.62%	9.00	9.48	8.30	7.98	11K
iShares S&P/TSX Capped Financials Index	XFN	-7.29	7.21	13.75	10.33	0.60%	9.94	10.65	10.78	12.02	210K

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

Notes:

- ETFs highlighted in green represent new additions to the Focus List.
- Returns stated are the market returns 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 MSCI EAFE Index (C$ Hedged) ETF (TSX: ZDM) – This ETF is designed to replicate the performance, net of fees of the MSCI EAFE Index, with 100% of the currency exposure hedged back to Canadian dollars. The MSCI EAFE Index is the pre-eminent benchmark of international equities, investing in approximately 1,000 large and mid-cap stocks in developed markets around the world, excluding Canada and the U.S. It covers approximately 85% of the outstanding, free float adjusted market cap. I am adding this ETF to replace the **iShares MSCI EAFE Index (C$ Hedged) ETF (TSX: CPD).** ZDM provides virtually identical investment exposure, but does so at a lower cost, without sacrificing liquidity. The maximum management fee of ZDM is 20 basis points, which is 30 bps lower than XIN. One key difference is XIN invests in the U.S. traded **iShares MSCI EAFE Index (NYSE: EFA)** which fully replicates the index, while ZDM may use a sampling methodology. A downside to the sampling methodology is there may be a higher tracking error. This higher tracking error is more than made up for with slightly higher returns and a lower cost. Based on those factors, I believe this switch will be beneficial to investors.

Deletions

iShares S&P/TSX Canadian Preferred Share Index ETF (TSX: CPD) – With the Bank of Canada cutting its overnight lending rate, the outlook for the preferred share market in Canada turned somewhat negative. To understand why this is the case, we need to look at the makeup of the S&P/TSX Preferred Share Index, which this ETF seeks to replicate. Approximately two thirds of the index is fixed reset preferred shares, 30% is in perpetual preferred shares, and the rest a mix of floating rate and retractable preferreds.

With fixed reset preferreds, they pay a set dividend for a set time, usually five years. After this initial period, the dividend is reset at a new level that is based on a formula that often uses the Government of Canada five year bond yield as its benchmark. With the recent rate cut, the yield on the Canada five year has taken a fall, currently hovering around 91 basis points (March 4), down substantially from the end of the year. If we do see additional cuts as many expect, yields are likely to fall even further.

Investors now fear that the dividends on the fixed resets will be set at much lower levels, making them much less appealing from a yield standpoint. With the ETF very concentrated in fixed resets, I am not comfortable with the near term risk, and will be avoiding this ETF until we get a clearer direction on rates, and the new dividend levels. Investors looking to invest in preferreds may want to consider individual issues or some of the more actively managed preferred share mutual funds rather than this in the near term.

iShares MSCI EAFE Index (C$ Hedged) ETF (TSX: XIN) – I removed this ETF from the Focus List because I believe that ZDM provides a lower cost way to access the same investment exposure. The maximum management fee for XIN is 50 basis points, while ZDM is 0.20%. In a case where two investments offer a similar risk reward profile, I believe the lower cost option is the best choice.

ETFs of Note

iShares Canadian Short Term Bond Index ETF (TSX: XSB) – With the Bank of Canada likely to cut their key overnight lending rate lower at least one more time, the near term outlook for fixed income investments has improved dramatically from just a few months ago. While the expectation of a cut has largely been built into the price of shorter term bonds, there is still some potential for a little rally if it does happen. While some of the longer dated issues may benefit more from the rate cut, I continue to be defensive and am favouring shorter duration issues. This ETF focuses exclusively on Canadian investment grade bonds that have a maturity of less than five years. It has a duration of 2.79 years, which is significantly lower than the 7.56 year duration of the broader Canadian market. This remains my top pick for shorter term bond exposure.

PowerShares Tactical Bond ETF (TSX: PTB) – I had originally recommended this as an alternative to the **iShares Canadian Universe Bond Index ETF (TSX: XBB)** because I believed the tactical approach would allow it to outpace XBB in a rising yield environment. I liked that it is a hybrid between an active and passive strategy, investing in a mix of fixed income ETFs offered through PowerShares and other ETF providers. Invesco's Global Asset Allocation team examines the economic and market environment, and will tactically position the underlying holdings to best position the portfolio for their outlook. Now that the yield environment has changed, and they are expected to move slightly lower, I would once again favour XBB over this offering for the near term. However, taking a more medium to long term view, I believe PTB to be a solid choice for those looking for a diversified, one ticket fixed income ETF solution.

BMO Low Volatility Canadian Equity (TSX: ZLB) – While I had expected the low volatility strategies to outperform in down markets, I certainly was not expecting the recent stellar performance posted by them of late. This was the best performing Canadian equity ETF over the past three months, gaining 12.1%, handily outpacing the broader market. It invests in stocks that have shown the lowest beta for the past five years, from a universe of the 100 largest, most liquid names that trade in Canada. Because of its focus on low beta, it is concentrated in the more stable consumer names, utilities, and communications, while maintaining a significant underweight in financials, energy and materials. This positioning explains the outperformance, as it was those sectors that were hit hardest. While I have been pleasantly surprised by the recent performance, it is not sustainable, and I expect it to moderate in the coming weeks and months. Given the run up, now is a great time to rebalance your portfolio, and consider taking some money off the table with this, and any other low vol ETFs you may hold.

iShares Core S&P 500 Index (CAD Hedged) ETF (TSX: XSP) – Despite the economic recovery underway south of the border, U.S. equities took a breather, with XSP dropping 3.2% in January and finishing the most recent three months with a modest 0.70% loss. In comparison, the average U.S. equity mutual fund gained 9.1% for the most recent three months. The key reason for this dramatic difference in performance is the fully hedged currency exposure of XSP. With the Canadian dollar continuing its slide against the U.S. greenback, those investments with unhedged U.S. dollar exposure saw an extra boost to their performance thanks to the currency. With the Canadian dollar expected to remain weak, and more downside possible, depending on the Bank of Canada, the fully hedged currency position may continue to act as a headwind. If you still want U.S. equity exposure and are comfortable with unhedged currency exposure, you should take a look at the **iShares Core S&P 500 ETF (TSX: XUS).** It offers the identical investment exposure, save for the currency hedging policy. While unhedged currency exposure has been a benefit of late, it can also be a detractor should we see the Canadian dollar bounce back. Regardless, XSP and XUS remain my top picks for U.S. equity ETFs for their diversified portfolios and low cost. If there is a market that lends itself to passive investing over active, it is the U.S., and these ETFs are the best way to play the space.

BMO Global Infrastructure ETF (TSX: ZGI) – One of the more compelling 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 January, 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 for the past several quarters. I prefer this over the **iShares Global Infrastructure ETF (TSX: CIF)** because it has shown a more favourable risk reward profile at a lower cost. One concern that I do have is the valuations of the underlying portfolio looking pretty stretched, which may result in a period of underperformance and higher than average volatility. However, investor demand for yield and momentum in the sector may provide support for many of the names in the ETF. Still, the medium term outlook for infrastructure remains strong, and ZGI is a great way to gain exposure. While historic volatility may have been lower than the broader equity markets, I would still treat this as a sector fund and limit exposure in a portfolio according to your risk tolerance.

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%	$56.0	• Coupon payments float with LIBOR • Good way to reduce rate sensitivity • Returns may start to move higher as the FED is under pressure to move rates higher
iShares Canadian Short Term Bond	TSX: XSB	Short Term Fixed Income	Cap Weighted	0.27%	$2,141.0	• Diversified exposure to a portfolio of short term government and corporate bonds • Great way to shorten duration in a portfolio • May see another bump in short term bonds
iShares 1-5 Year Laddered Corp Bd	TSX: CBO	Short Term Fixed Income	Equal Weighted	0.27%	$2,266.0	• Provides exposure to a portfolio of corporate bonds with laddered maturities • Remains a great short term pick and should do better than XSB in flat rate environment
iShares Canadian Universe Bond	TSX: XBB	Traditional Bond	Cap Weighted	0.33%	$1,814.0	• Portfolio of government and corporates • High interest rate sensitivity. Duration of 7 • Remains a great option. Should do well as rates likely on hold near term
PowerShares Tactical Bond ETF	TSX: PTB	Tactical Bond	Fund of ETFs	0.53%	$245.0	• Invests in a mix of underlying bond ETFs • Asset mix adjusted monthly by manager • A "one-ticket" bond portfolio • Should do well in most rate environments • Drawback is cost, coming in at 0.53%

		Annualized Returns (%)				Calendar Year Returns (%)						Upside		Downside	
Fund	3mth	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr
PowerShares Senior Loan Hgd	0.50	0.37	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	2.68	3.92	2.59	2.87	3.77	1.39	1.58	4.41	3.29	4.42	7.85	94	98	120	131
iShares 1-5 Yr Ldr Corp Bd	2.74	4.15	3.34	3.51	N/A	2.07	3.18	4.76	3.80	N/A	N/A	115	111	112	112
iShares DEX Universe Bond	6.72	10.68	4.69	5.65	5.31	-1.31	3.01	9.33	6.14	5.18	6.22	96	95	102	101
PowerShares Tactical Bond	5.86	10.35	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%	$89.0	• 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. Yields approximately 4%
iShares Diversified Monthly Income	TSX: XTR	Fixed Income Balanced	Fund of ETFs	0.56%	$755.0	• Invests in a mix of income focused ETFs • Emphasis on cash flow. Yields 6.0% • With rates expected to remain flat or even move lower, this should perform well. • Longer term outlook is less positive given its high level of interest rate sensitivity

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
Fund	**3mth**	**1 Yr**	**3 Yr**	**5 Yr**	**10Yr**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**3Yr**	**5Yr**	**3Yr**	**5Yr**
BMO Monthly Income Fund	1.62	9.52	7.26	N/A	N/A	3.21	10.13	N/A	N/A	N/A	N/A	80	N/A	33	N/A
iShares Div. Monthly Income	1.49	7.30	5.54	8.30	N/A	2.06	8.37	6.62	15.61	39.75	-25.4	90	131	169	214

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

Canadian Equity

Fund	Ticker	Asset Class	Construction Method	MER	Assets ($ mil)	Notes
BMO Low Volatility Canadian Equity	TSX: ZLB	Canadian Equity	Rules Based	0.40%	$462.0	• Gains will be tough to repeat. Take profits! • 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%	$245.0	• Exposure to energy and financials hurt. More volatility expected.in near term • Invests in Canadian companies ranked by dividends, cash flow, sales and book value • Solid valuations. Expect short term pain
iShares S&P/TSX Cdn Dividend Aristocrats	TSX: CDZ	Cdn Dividend & Income Equity	Rules Based	0.66%	$1,049.0	• Invests only in companies that have increased dividends for 5 consecutive years • All cap mandate, but skews Mid Cap • Energy holdings hurt & will drag near term
iShares Core S&P/TSX Capped Composite	TSX: XIC	Canadian Equity	Cap Weighted	0.06%*	$2,033.0	• 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%	$229.0	• 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

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
Fund	3mth	1 Yr	3 Yr	5 Yr	10Yr	2013	2012	2011	2010	2009	2008	3Yr	5Yr	3Yr	5Yr
BMO Low Volatility Cdn Equity	12.14	31.44	22.74	N/A	N/A	20.70	14.07	N/A	N/A	N/A	N/A	106	N/A	-45	N/A
PowerShares FTSE RAFI Cdn Fundamental	-0.74	6.48	9.39	N/A	N/A	16.19	N/A	N/A	N/A	N/A	N/A	106	N/A	106	N/A
iShares S&P/TSX Cdn Dividend Aristocrats	0.78	10.94	10.38	11.55	N/A	13.59	8.84	6.07	15.69	38.43	-30.0	84	79	48	36
BMO S&P/TSX Capped Composite	1.08	10.07	8.61	8.55	7.81	12.46	7.01	-8.79	17.42	34.55	-33.3	99	99	101	101
iShares S&P/TSX Completion	-0.62	3.73	5.52	8.26	6.47	11.60	4.25	-8.32	29.48	46.43	-37.8	96	97	99	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%	$258.0	• 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%	$192.0	• Holds the largest 1000 U.S. stocks by fundamental value including dividends, cash flow, sales, and book value. • Performance has dragged largely because of its higher energy exposure than XSP • More attractively valued than other US ETFs
iShares Core S&P 500 Index	TSX: XSP	U.S. Equity	Cap Weighted	0.12*%	$2,760.0	• 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, yet it is consistently one of the best way to access U.S. equities. • **My top pick for U.S. equity exposure.**

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

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
Fund	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)	-0.34	12.47	17.19	N/A	N/A	33.87	15.36	N/A	N/A	N/A	N/A	77	N/A	250	N/A
iShares US Fundamental Index	-1.27	11.73	17.32	14.75	N/A	35.44	15.39	-2.00	16.83	29.07	-42.9	75	104	211	206
iShares Core S&P 500 Index	-0.70	14.20	17.29	14.92	5.54	32.33	15.41	0.65	13.91	22.92	-40.4	74	100	199	181

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%	$64.0	• Underweight exposure to energy, financials, and materials helped boost gains. • Valuations now above the broader market, consider taking profits. Higher vol possible • Earnings outlook remains strong • Uses an optimization approach to try to minimize the volatility of the EAFE Index
BMO MSCI EAFE Index (C$ Hedged)	TSX: ZDM	International Equity	Cap Weighted	0.41%	$792.0	• New addition, replacing XIN. This offers the same exposure at a lower cost. • Looks to replicate the MSCI EAFE Index • Currency exposure is fully hedged. BMO offers unhedged version, ZEA • The best way to access pure EAFE exposure
iShares International Fundamental Index ETF	TSX: CIE	International Equity	Fundamental	0.72%	$253.0	• 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. • Valuations are most attractive of ETFs on the list. Longer term outlook strong. Contin-ued short term volatility expected.

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
Fund	**3mth**	**1 Yr**	**3 Yr**	**5 Yr**	**10Yr**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**3Yr**	**5Yr**	**3Yr**	**5Yr**
iShares MSCI EAFE Min Vol.	13.95	26.48	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
BMO MSCI EAFE Index (C$ Hedged)	3.33	13.61	15.53	8.22	N/A	26.95	17.04	-12.9	1.36	N/A	N/A	75	78	51	78
iShares Int'l Fundamental Idx	7.23	10.37	16.52	8.39	N/A	32.74	13.06	-14.2	0.59	11.95	-28.8	103	110	143	137

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%	$165.0	• Still much uncertainty in EM. China economy continues to disappoint. • Lower MER and tracking error than XEM • Expecting short term volatility to continue
iShares Gold Bullion Fund ETF	TSX: CGL	Commodity	Other	0.55%	$239.0	• ETF is fully hedged back to Canadian dollars which has hurt performance. **If you want unhedged exposure use TSX: MNT** • 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%	$361.0	• With rates in Canada likely on hold for near term, the outlook for REITs is stronger. • More diversified than the other REIT ETFs. • Risk adjusted returns expected to be better
BMO Global Infrastructure	TSX: ZGI	Global Equity	Cap Weighted	0.62%	$325.0	• Outlook for infrastructure remains strong. • This focuses on U.S. or Canadian listed companies with > $500 MM market cap. • Invests in companies involved with infrastructure projects like airports, toll roads, • Provides mix of capital growth and income
iShares S&P/TSX Capped Financials Index	TSX: XFN	Financial Services Equity	Cap Weighted	0.60%	$937.0	• Invests in the largest banks and insurance companies that trade on the TSX • Banks face headwinds in face of lower interest rates, housing & reduced M&A. • Expect higher than normal volatility near-term. You may want to take some profits

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
Fund	**3mth**	**1 Yr**	**3 Yr**	**5 Yr**	**10Yr**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**3Yr**	**5Yr**	**3Yr**	**5Yr**
BMO MSCI Emerging Markets	6.65	18.98	7.31	5.79	N/A	3.53	13.61	-17.1	11.9	N/A	N/A	92	97	100	104
iShares Gold Bullion Fund ETF	10.11	3.44	-9.71	3.23	N/A	-28.7	7.08	9.55	29.12	N/A	N/A	N/A	N/A	N/A	N/A
BMO Equal Weight REITs	4.76	16.26	8.37	N/A	N/A	-4.74	18.16	13.68	N/A	N/A	N/A	58	N/A	91	N/A
BMO Global Infrastructure	10.97	34.26	24.91	21.89	N/A	22.43	12.87	18.75	N/A	47.47	N/A	79	77	-16	-66
iShares S&P/TSX Cpd Financials Index	-7.29	7.21	13.75	10.33	7.75	26.00	16.42	-4.40	7.91	4.47	-36	54	69	33	55

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

ETF Descriptions

(From Managers)

Fixed Income

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

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

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

iShares 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 IndexTM, 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

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 tracks 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 Core S&P/TSX Capped Composite Index (TSX: XIC) - The iShares Core 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 Core S&P 500 Index (TSX: XSP) - The iShares Core 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.

BMO MSCI EAFE Hedged to CAD Index ETF (TSX: ZSM) - The BMO MSCI EAFE Hedged to CAD Index ETF has been designed to replicate, to the extent possible, the performance of the MSCI EAFE 100% Hedged to CAD Dollars Index, net of expenses. The Fund invests in developed markets equity, excluding Canada and the U.S. 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. The foreign currency exposure is hedged back to the Canadian dollar. In addition, as ZDM may hold other underlying ETFs, the management fees charged are reduced by the management fees paid on the underlying ETFs.

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

Specialty / Sector

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

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

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

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

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

Disclaimer

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 patters. 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.