

RECOMMENDED LIST OF FUNDS



April 2015

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The Recommended List

Name	Returns at March 31, 2015				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	2.2%	3.9%	3.3%	4.4%	0.43	0.13%	0.49	0.125	0.078	0.292	0.768	1.58%
2 PH&N Total Return Bond Fund	4.1%	9.9%	5.1%	5.7%	0.41	0.04%	0.90	-0.148	-0.041	0.111	0.990	0.59%
3 PowerShares 1-5 Yr Laddered Corp Bond	2.0%	3.4%	2.8%	3.1%	0.41	0.02%	0.93	-0.128	-0.001	0.271	0.868	0.99%
4 TD Canadian Core Plus Bond	3.4%	7.9%	4.3%	5.2%	0.38	0.03%	0.84	-0.110	-0.028	0.180	0.961	1.50%
Fixed Income - Specialty												
1 Manulife Strategic Income Fund	6.1%	9.6%	8.2%	7.3%	0.38	0.40%	0.43	0.412	0.495	0.664	0.330	2.01%
2 RBC Global Corporate Bond	2.3%	6.1%	4.9%	5.6%	0.40	0.16%	0.63	0.144	0.017	0.295	0.695	1.74%
Canadian Equity - Core												
1 CI Cambridge Cdn Equity	4.2%	12.1%	17.7%	13.0%	0.38	0.56%	0.72	0.802	0.715	0.653	-0.308	2.44%
2 Fidelity Canadian Large Cap Fund	3.6%	11.3%	16.1%	15.9%	0.56	0.94%	0.47	0.639	0.707	0.631	-0.206	2.56%
3 IA Clarington Cdn Conservative Equity	-3.2%	-3.0%	4.4%	5.8%	0.20	0.06%	0.64	0.852	0.446	0.493	-0.180	2.45%
4 RBC North American Value Fund	3.4%	12.1%	14.2%	11.3%	0.34	0.40%	0.77	0.892	0.771	0.706	-0.349	2.10%
5 Signature Select Canadian Fund	4.8%	11.3%	12.1%	8.4%	0.23	0.11%	0.88	0.896	0.736	0.722	-0.353	2.44%
Canadian Small Mid Cap Equity												
1 CI Cambridge Pure Canadian Equity	7.5%	13.4%	31.4%		0.62	1.41%	0.62	0.702	0.330	0.412	-0.274	2.44%
2 IA Clarington Canadian Small Cap	-0.7%	-1.2%	16.0%	12.9%	0.39	0.67%	0.52	0.704	0.562	0.572	-0.442	2.93%
3 Sentry Small Cap Income Fund	6.8%	12.9%	19.2%	19.0%	0.56	1.09%	0.55	0.722	0.725	0.621	-0.311	2.70%

Returns at March 31, 2015									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	8.6%	21.1%	20.4%	15.8%	0.54	0.06%	0.76	0.393	0.894	0.524	-0.043	2.51%
2 Mackenzie U.S. Large Cap Class	10.3%	23.9%	22.8%	17.9%	0.48	-0.18%	1.03	0.612	0.938	0.672	-0.234	2.54%
3 RBC O'Shaughnessy U.S. Value Fund	2.3%	9.9%	19.4%	16.6%	0.36	-0.15%	0.97	0.689	0.697	0.655	-0.389	1.55%
4 TD U.S. Blue Chip	15.4%	31.7%	25.0%	19.8%	0.46	-0.17%	1.12	0.525	0.872	0.675	-0.062	2.54%
5 Trimark U.S. Companies Fund	10.4%	29.8%	24.5%	19.4%	0.49	-0.18%	1.10	0.571	0.940	0.629	-0.162	2.98%
US Small Mid-Cap Equity												
1 Fidelity Small Cap America	18.8%	37.1%	33.1%	25.8%	0.57	0.82%	0.74	0.522	0.851	0.504	-0.193	2.59%
2 TD U.S. Mid - Cap Growth Fund	16.3%	32.8%	26.3%	20.5%	0.49	0.47%	0.72	0.589	0.866	0.609	-0.172	2.54%
3 Trimark U.S. Small Companies Class	11.9%	20.2%	20.6%	18.5%	0.47	0.42%	0.66	0.589	0.794	0.579	-0.136	2.85%
Global / International Equity - Core												
1 Guardian Global Dividend Growth Fund	9.7%	18.5%	15.1%		0.50	0.49%	0.55	0.375	0.706	0.771	0.428	0.00%
2 IA Clarington Global Equity	7.9%	16.2%	14.1%	9.7%	0.24	-0.43%	0.97	0.672	0.739	0.843	-0.102	2.72%
3 Invesco International Growth Class	11.4%	13.9%	16.7%	11.7%	0.31	0.19%	0.78	0.603	0.719	0.940	0.019	2.91%
4 Mac Ivy Foreign Equity Fund	9.7%	16.6%	16.2%	12.5%	0.45	0.26%	0.58	0.289	0.743	0.696	0.103	2.52%
5 Manulife World Investment	14.2%	16.9%	17.3%	12.2%	0.27	0.12%	0.91	0.654	0.735	0.909	-0.006	2.61%
6 Trimark Fund	11.5%	16.0%	18.7%	14.1%	0.44	0.16%	0.76	0.447	0.781	0.829	0.117	1.71%
Global Small Mid Cap Equity												
1 Brandes Global Small Cap	13.8%	13.0%	24.5%	15.8%	0.35	-0.06%	0.95	0.695	0.724	0.782	-0.192	2.73%
2 Trimark Global Endeavour	13.5%	21.1%	19.5%	17.6%	0.45	0.27%	0.79	0.539	0.743	0.797	-0.038	2.64%

Returns at March 31, 2015									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	10.5%	13.1%	13.2%	9.5%	0.30	0.29%	0.53	0.420	0.433	0.689	0.260	2.67%
2 Brandes Emerging Markets	21.9%	17.3%	10.1%	6.1%	0.12	-0.06%	0.95	0.678	0.547	0.723	-0.130	2.71%
3 Dynamic Power Global Growth Class	19.5%	30.4%	20.3%	18.2%	0.30	0.17%	1.05	0.470	0.512	0.569	0.004	2.50%
4 Manulife Global Infrastructure Fund	6.4%	14.2%	17.8%	15.4%	0.47	0.54%	0.54	0.360	0.479	0.629	0.324	2.77%
Balanced / Income Funds												
1 CI Signature High Income Fund	4.2%	8.4%	9.9%	10.0%	0.53	0.44%	0.60	0.679	0.570	0.743	0.124	1.60%
2 Fidelity Canadian Balanced Fund	7.3%	13.7%	11.2%	9.0%	0.44	0.24%	0.81	0.858	0.675	0.699	0.082	2.35%
3 Manulife Monthly High Income	2.8%	15.4%	13.2%	9.7%	0.58	0.57%	0.35	0.580	0.752	0.618	0.009	2.04%
4 Sentry Conservative Balanced Income	2.3%	6.5%	9.0%	9.5%	0.68	0.47%	0.48	0.756	0.624	0.624	0.047	2.21%
5 TD Monthly Income Fund	1.2%	6.9%	8.3%	7.5%	0.40	0.27%	0.54	0.825	0.562	0.591	-0.108	1.47%
Income Options												
1 PowerShares 1-5 Yr Laddered Corp Bond	2.0%	3.4%	2.8%	3.1%	0.41	0.02%	0.93	-0.128	-0.001	0.271	0.868	0.99%
2 PH&N Monthly Income Fund	2.1%	5.4%	7.6%	7.1%	0.38	0.14%	0.73	0.876	0.534	0.655	-0.011	1.08%
3 Sentry Canadian Income Fund A	3.3%	13.8%	13.8%	13.6%	0.60	0.76%	0.46	0.797	0.738	0.635	-0.200	2.65%
4 BMO Monthly High Income Fund II	1.6%	0.7%	8.4%	10.5%	0.37	0.47%	0.55	0.759	0.424	0.488	-0.074	2.20%
Passive Options												
1 TD Canadian Bond Index Fund	4.0%	9.4%	4.3%	5.2%	0.34	-0.04%	0.99	-0.236	-0.126	0.022	0.999	0.83%
2 RBC Canadian Index Fund	2.4%	6.1%	8.8%	6.7%	0.18	-0.10%	0.98	1.000	0.547	0.571	-0.239	0.72%
3 TD U.S. Index Fund	10.2%	27.9%	24.1%	18.3%	0.55	-0.07%	0.97	0.555	0.995	0.713	-0.124	0.55%
4 TD International Index Fund	15.2%	12.7%	16.9%	9.8%	0.22	-0.14%	0.98	0.577	0.701	0.986	0.012	1.00%

Benchmark Returns at March 31, 2015

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	0.23%	0.91%	0.95%	0.85%	1.81%
DEX Short Term Bond Index	1.89%	3.92%	2.90%	3.29%	
DEX Bond Universe	4.16%	10.27%	5.15%	6.05%	5.64%
Canadian Equity					
S&P/TSX 60 Capped Index	2.42%	8.97%	10.03%	5.91%	5.84%
S&P/TSX Composite	2.58%	6.93%	9.58%	7.41%	7.41%
S&P/TSX Completion Index TR	3.10%	1.30%	7.22%	7.90%	7.00%
S&P/TSX Small Cap Index TR	-0.25%	-9.75%	-1.11%	1.98%	
U.S. Equity					
S&P 500 (C\$)	10.29%	29.43%	25.81%	19.70%	8.53%
Russell 2000 C\$	10.71%	20.53%	24.66%	19.06%	9.01%
Global & Specialty Equity					
MSCI EAFE (C\$)	14.78%	14.19%	18.59%	11.55%	5.98%
MSCI World (C\$)	12.00%	22.31%	22.16%	15.71%	7.51%
MSCI World Small / Mid Cap Index (C\$)	14.08%	21.20%	23.24%	17.29%	8.91%
MSCI Europe C\$	13.23%	9.66%	19.13%	11.89%	6.02%
S&P/TSX Capped REIT Index	7.86%	12.51%	7.63%	13.60%	10.68%
MSCI Emerging Markets (C\$)	11.81%	15.64%	9.00%	6.72%	9.33%
MSCI Pacific C\$	17.75%	23.52%	17.58%	10.92%	5.85%
MSCI Pacific ex Japan C\$	12.78%	14.54%	15.60%	10.88%	9.65%

Data Sources:

Fundata

PC Bond

Bank of Canada

MSCI

Returns as of March 31, 2015

List Changes

Additions

PowerShares 1-5 Year Laddered Corporate Bond Fund (AIM 53203 – Front End Units) – This fund invests in a laddered portfolio of the most liquid short term corporate bonds with maturities between one and five years. It is fairly concentrated, holding only 25 bonds, all of which are investment grade.

I like this fund for a couple of reasons, with the biggest being that it offers a higher yield to maturity than either the **TD Short Term Bond** or the **PH&N Short Term Bond and Mortgage Fund**. At the end of April, its yield to maturity was 1.74%, compared with 1.1% for TD and 1.5% for PH&N. The other thing I like about it is its low MER of 0.99%, compared with 1.34% for TD and 1.16% for PH&N in the advisor series. Another feature is it pays a variable distribution, which has generated an annualized yield of more than 3% for investors.

Barring a major dislocation in the credit markets, I would expect this fund to hold up better than the other short term bond funds on the list, making it a great addition to the Recommended List.

Sentry Conservative Balanced Income (NCE 734 – Front End Units, NCE 334 – DSC Units) – This conservatively managed balanced fund is managed by the team of Michael Simpson, who runs the equity sleeve, James Dutckiewicz, who is responsible for the fixed income and broader asset mix.

The equity portion is managed in a similar way to the highly regarded **Sentry Canadian Income Fund**, although this fund's smaller size allows it to take more of an all cap approach. It has companies that range from the very small to the very large. Like other Sentry managed funds, it has been increasing its exposure to the U.S. in recent quarters. At the end of March, more than 25% of the fund was invested in the U.S.

The fixed income sleeve is very heavily weighted towards corporate bonds, which make up more than three quarters of the bond exposure. While the focus is on investment grade bonds, about one quarter is invested in high yield bonds. On a whole, the bond sleeve offers investors a higher yield than the FTSE/TMX Bond Universe, with a lower duration. This positioning will lessen the overall sensitivity to rising interest rates, while providing better returns in a flat or falling yield environment.

They have a fair amount of flexibility with the asset mix, which can range between 40% and 60% in stocks or bonds. At the end of March, it held approximately 44% in equity, 44% in bonds, and the balance in cash.

The fund's performance has been very strong, particularly on a risk adjusted basis. For the five years ending March 31, it generated an annualized return of 9.7%, finishing well ahead of the pack. Most of this outperformance can be attributed to the fund's ability to hold its value in falling markets. I certainly don't expect that it will continue to outperform as strongly as it has going forward, but I do expect it to be well above average on a risk adjusted basis.

It is also a decent option for those looking for cash flow. It pays a monthly distribution of \$0.0375 per unit, which works out to an annualized yield of 3.6 %.

The MER is 2.25%, which is above the average Canadian Neutral Balanced Fund. The biggest drawback to the fund is that the management team has only been at the helm for a little more than two years. Still, when all things are considered, this looks to be a decent balanced fund for those with a modest appetite for risk.

CI Cambridge Pure Canadian Equity Fund (CIG 11109 – Front End Units, CIG 11159 – DSC Units) - This offering is managed by the team of Stephen Groff and Greg Dean, using the same investment process used on other Cambridge managed funds. Their process is driven by a few key beliefs, including a strong commitment to active management, a focus on absolute return and downside protection, and they eat what they cook, meaning each of the managers at Cambridge has a significant portion of their own net worth invested in the funds they manage.

The portfolio is a combination of longer term, higher quality holdings, and more opportunistic names where there is a near term catalyst the managers believe can unlock shareholder value, such as companies that are expected to benefit from a cyclical recovery or an entrenched macro theme.

The investment process uses top down macro analysis as a consideration when determining the sector, geographic, and cap mixture of the fund. Security selection is done on a fundamental, bottom up basis that looks for companies that have a demonstrated history of strong capital allocation, a sustainable competitive advantage, and a management team that is strongly aligned with shareholders. Another interesting aspect of the Cambridge process is they pay attention to the correlation between holdings, which helps to provide better diversification, and helps protect the downside.

This results in a high conviction portfolio, holding around 35 names. Their approach is active, with portfolio turnover averaging well above 100%.

Performance has been excellent, gaining more than 31% for the three years ending March 31, handily outpacing the index and peer group. Their focus on capital preservation has really paid off, with the fund having a negative down capture ratio, meaning that in general, it gained when other small caps were down.

This is a great small and mid-cap focused fund, but don't look for it to continue to deliver double digit returns going forward. Returns are expected to moderate to more normalized levels. Still, I would expect that over a longer term period, it will be well above average with volatility that is in line or lower than average

Manulife Global Infrastructure Fund (MMF 4569 – Front End Units, MMF 4469 – DSC Units) - Infrastructure makes a fairly compelling investment because it offers long term stable cash flows that are often adjusted to inflation, low risk of loss of capital, and potentially attractive risk adjusted returns.

My pick in the space is the Manulife Global Infrastructure Fund, managed by a team headed up by Craig Noble at Brookfield Investment Management. Brookfield is one of the recognized leaders in the infrastructure investing space.

The investment process is a mix of top down macro analysis and bottom up company selection. The top down process is used to identify potential investment themes and starts with a detailed economic outlook that is used to provide an understanding of which industries, countries and themes are expected to do well. This helps the team narrow down the companies on which they will do a more detailed fundamental analysis that evaluates the quality of the balance sheet, free cash flow generation, and valuation.

The portfolio tends to be well diversified, holding about 50 names from around the world. Given the nature of infrastructure holdings, the portfolio is concentrated in utilities, energy, and industrials, which combined make up nearly 85% of the fund.

Performance has been decent. For the three years ending March 31, it gained an annualized 17.8%. In comparison, the more broadly focused MSCI World Index gained more than 23%. Volatility has been lower than both the index and many other global equity funds. But what really makes this an attractive piece of a well-diversified portfolio is the downside protection it offers. For the past three and five years, it has participated in approximately two-thirds of the upside of the global equity markets. However, it has been flat to positive when markets are falling.

Given the management team behind it, this is a great option for investors looking for infrastructure exposure in their portfolios.

Deletions

PH&N Short Term Bond and Mortgage Fund (RBF 6250 – Front End Units, RBF 4250 – Low Load Units) – This has long been one of my favourite short term funds available. It is run by a strong management team, and it has delivered decent risk adjusted returns over the long term. At the end of March, its duration was 2.7 years, and it offered a 1.5% yield to maturity. However, with an MER of 1.16% for the advisor sold units, the cost was making the fund uncompetitive, particularly if there are no further rate cuts coming from the Bank of Canada. If you can buy the Series D or Series F units, this is still a great pick, but if you are using the advisor class units, I believe the **PowerShares 1-5 Year Laddered Corporate Bond Fund** is a better choice offering a higher yield and a lower cost.

TD Short Term Bond Fund (TDB 814 – Front End Units, TDB 870 – DSC Units) – It's not that there is necessarily anything wrong with this fund, it is just that in the current rate environment, combined with its 1.34% MER, I believe it will be tough for it to generate any level of meaningful return. As a replacement, I would suggest the **PowerShares 1-5 Year Laddered Bond Fund** or the **PH&N Short Term Bond & Mortgage Fund**, if you can access the low cost D or F series. If you have to invest in the higher cost advisor series, you're better off with the PowerShares offering.

AGF Monthly High Income Fund (AGF 766 – Front End Units, AGF 689 – DSC Units) – I have had some concerns about this fund in the past few quarters, and have decided to remove it from my Recommended List immediately.

I believe it has struggled against other balanced funds for a couple of reasons – first, it has been one of the more aggressively positioned balanced funds and has been underweight fixed income. That has hurt relative performance. The other reason is its equity exposure is pretty concentrated in energy and financials, which have struggled of late. Another reason is they have about 75% of their USD exposure hedged, which has dragged the CAD performance of their foreign holdings while the dollar fell against the USD.

The bond sleeve is very focused on investment grade, with an average credit quality of A. There is a small weight in BB and B rated bonds, but it likely won't make much of a difference. Duration is slightly less than the FTSE/TMX Bond Universe, and the yield is significantly higher at 4.7%. This positioning will hold up a little better than the broader market, but will still be hit if we see any upward pressure on yields.

The managers have recently pulled the equity weight in the fund back a bit, but it's still sitting at around 62%, with a third in bonds and the rest in cash. A little less than half the equity exposure is in foreign names. They have also repositioned their energy names into higher quality companies that are expected to withstand the lower oil price.

Considering the above, I believe there are more attractive balanced funds available.

Funds of Note

Dynamic Advantage Bond Fund (DYN 258 – Front End Units, DYN 688 – DSC Units) – In an environment where interest rates are moving higher, I believe this is a bond fund you will want to own.

The management places an extraordinary focus on preserving capital, and actively manage the portfolio's duration, yield curve positioning, sector exposure and credit quality to help do so. At the end of March, it held 39% in investment grade corporate bonds, 37% in government bonds, 11% in real return bonds and floating rate notes, 8% in high yield and the rest in cash. This resulted in a yield to maturity of more than 4% and a duration of 3 years, which is less than half the FTSE/TMX Bond Universe Index. It is also about half of the duration of the **PH&N Total Return Bond Fund**.

With it no longer being a sure thing that the next move from the Bank of Canada will be a cut in rates, management believes this conservative positioning is warranted. They intend to keep their duration lower until there is a sustained move in ten year bond yields, at which point they will look at increasing duration. They are also using interest rate swaps to better manage risk.

This strategy is likely to result in underperformance in a flat or falling rate environment, compared with the **PH&N Total Return Bond** and the **TD Canadian Core Plus Bond Fund**. Given that rates in Canada are extremely unlikely to rise significantly in the near term, I am favouring the longer duration funds. However, as we start to see an improvement in the economic numbers, the possibility of a rate increase will become more likely. As that happens, I will once again be favouring this offering.

PH&N Short Term Bond and Mortgage Fund (RBF 6250 –Front End Units, RBF 4250 – Low Load Units) – This has long been one of my favourite short term bond funds. It is run by a strong management team, and it has delivered decent risk adjusted returns over the long term. At the end of March, its duration was 2.7 years, and it offered a 1.5% yield to maturity. However, with an MER of 1.16% for the advisor sold units, the cost is making the fund uncompetitive, particularly if there are no further rate cuts coming from the Bank of Canada. If you can buy the Series D or Series F units, this is still a great pick, but if you are using the advisor class units, I believe the **PowerShares 1-5 Year Laddered Corporate Bond Fund** is a better choice, offering a higher yield and a lower cost.

Fidelity Canadian Balanced Fund (FID 282 – Front End Units, FID 582 – DSC Units) – With a targeted asset mix of 50% equities, and 50% bonds, this is about as basic a balanced fund as you will find, at least on the surface. But dig deeper and the underlying managers are extremely active, keeping the various asset classes well positioned.

For example, in the first quarter, the fund managed to outperform its benchmark by a substantial margin, thanks to some great stock picks in the healthcare and industrial sectors. It was also helped by its underweight in energy and financials, two dominant sectors which have struggled of late.

On the fixed income side, the target mix is 40% traditional bonds, with 10% in high yield names. They have overweighted corporate bonds, because of their higher yield potential compared to governments. Even within their government holdings, they had overweight exposure to provincial bonds, again, because of the higher yield potential, without sacrificing the overall credit quality.

Barring a surprise jump in bond yields, I would expect that this fund will continue to deliver strong relative risk adjusted returns. The biggest risk that I see is the high interest rate sensitivity, given the relatively static 50% allocation to bonds. Granted, the managers can be active within that sleeve, but once rates do start to move higher, the fund is likely to face some potentially strong headwinds. I will continue to monitor the macro picture and will reevaluate as things develop.

IA Clarington Canadian Conservative Equity Fund (CCM 1300 – Front End Units, CCM 1400 – DSC Units) – Low volatility and excellent downside protection have been why this has been one of my favourite Canadian equity funds. However, the recent uptick volatility has me a bit concerned. The big reason for this has been the fund's significant weighting in the energy sector. Because of this, it has been uncharacteristically dragged lower in lockstep with the market during the recent selloff. The management team believes this was an anomaly and that we should see a return to its previous risk reward profile. They also assure me that there have been no changes to their disciplined stock selection process and they will continue to focus on high quality, dividend paying Canadian companies. I am inclined to believe them, particularly in light of April's strong showing, but I will continue to monitor the fund very closely.

Sentry Small Mid Cap Income Fund (NCE 721 – Front End Units, NCE 321 – DSC Units) – This fund just keeps delivering, posting an impressive 7% gain in the first quarter, handily outpacing both the benchmark and its peer group. Much of the outperformance was attributed to the fund's U.S. equity holdings, which now make up about half the fund. I would expect the U.S. holding to remain high for a couple reasons. First, management believes that growth in the U.S. will continue to outpace Canada for the next few months. Another reason is the fund, now with more than \$1.5 billion in assets must look beyond Canada to find suitable investment opportunities that meet the manager's valuation criteria. The size of the fund is definitely something I am monitoring to make sure it does not have a negative effect on the risk reward profile on the fund. So far, I have not noticed any meaningful erosion, but will continue to watch the fund closely.

Fidelity Small Cap America Fund (FID 261 – Front End Units, FID 561 – DSC Units) – Manager Steve MacMillan has done a stellar job with this small cap offering since taking it over in 2011. In the past three years, it has gained more than 33%, outpacing both the index

and peer group. This trend continued in the first quarter, gaining an impressive 18.9%, thanks to a strong showing from the fund's consumer and technology names, combined with the effect of a falling Canadian dollar.

The process used is a fundamental, bottom up approach that looks for companies with strong management, sustainable competitive advantages, and a high degree of earnings visibility and the ability to grow earnings in the future. At the moment, he seems to be finding these opportunities in the technology, consumer discretionary and healthcare sectors.

I know I have said this a few times in the past, but the past performance is not likely to be sustainable going forward. If you have held this fund for a while, it may be a good idea to rebalance and take some money off the table. Still, when I look at the valuation of the underlying portfolio, I believe it is well positioned to outpace the index and its peer group going forward. It remains my top pick in the U.S. small cap space.

Trimark U.S. Small Companies Class (AIM 5523 – Front End Units, AIM 5521 – DSC Units) – Not surprisingly, the fund lagged both the benchmark and its peer group in the first quarter of the year. The main reason for this was the cash drag caused by the nearly 30% of the fund that was invested in cash. This high cash balance is the byproduct of the managers' inability to find attractive opportunities that are trading at valuations they believe make them strong investment candidates. In a recent commentary, they expressed continued concern over the level of valuation in the U.S. small cap space, which now sees the Russell 2000 index trading at 25 times earnings. The holdings in the fund are trading at a nearly 40% discount to the benchmark, making this an attractively valued portfolio.

Also, it was recently announced that co-lead manager Rob Mikalachki was recently named the Chief Investment Officer of Invesco Canada. Invesco has assured me that this new role will not detract from his ability to continue to manage the fund as he has in the past. He is supported by Virginia Au and Jason Whiting, two very capable managers, which will help as he takes on these additional responsibilities. Another concern I have is Virginia Au has taken a leave for a few months. While I don't expect there to be a major disruption in the fund, I will continue to watch it closely.

BMO Asian Growth & Income Fund (GGF 620 – Front End Units, GGF 120 – DSC Units) – The outlook for Asia remains very challenging, with the backdrop of slowing economic growth across the region, combined with a rising U.S. dollar. Recently, many governments, from India to China have taken steps to spur growth, and seed up market reforms. Still, it will be a challenging place to invest in the near term. In my view, this fund remains the best way to play the region. By investing in a portfolio of high quality, dividend paying stocks, as well as preferred shares and convertible bonds, it provides an excellent way to gain exposure to Asia, while still having some level of downside protection.

Fixed Income Core

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
Dynamic Advantage Bond	Multi-Strategy	Michael McHugh Domenic Bellissimo	1.58%	\$935.7	- Recent Underperformance has been because of conservative positioning with duration of less than 3 yrs. - Managers remain committed to protecting capital - I expect this to lag in the short term. Will outperform when there is upward pressure on yields.
PH&N Total Return Bond Fund	Multi-Strategy	PH&N Fixed Income Team	1.16%	\$7,084.4	- Remains my top bond pick for near term. - Similar to PH&N Bond, except it can invest in high yield, mortgages & derivatives - Duration of 7.4 yrs. is in line with the FTSE/TMX. - Should outperform in falling rate environment.
PowerShares 1-5 Yr Laddered Corp Bond - NEW	Rules Based	PowerShares Management Team	0.99%	\$400.2	Replaced the PH&N Short Term Bond & Mortgage - Invests in an equally weighted laddered portfolio of corporate bonds rated BBB or higher, in 5 maturity buckets ranging from 1 to 5 years. - Lower cost, higher yield and corporate focus should lead to outperformance in most market environments
TD Canadian Core Plus Bond	Multi-Strategy	Rob Pemberton Christopher Case	1.51%	\$10,555.6	- 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 - Duration of 6.9 yrs is shorter than PH&N. Expected to lag it in flat or falling rate environment.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	
Dynamic Advantage Bond	2.2	3.9	3.3	4.4	4.5	4.3	-0.1	4.2	6.5	7.3	13.8	58%	60%	44%	25%	2.33%
Quartile	4	4	3	2	1	4	1	1	3	1	1					
PH&N Total Return Bond Fund	4.0	9.3	4.5	5.1	N/A	8.0	-1.5	3.4	7.5	5.9	10.6	90%	91%	120%	100%	3.36%
Quartile	1	1	2	2		1	2	3	2	3	1					
PShrs 1-5 Yr Lad. Corp Bond	2.0	3.5	2.8	3.1	N/A	2.8	1.4	3.0	4.1	N/A	N/A	102%	96%	137%	110%	1.53%
Quartile	1	1	1	1		1	1	1	1							
TD Canadian Core Plus Bond	3.5	8.0	4.3	5.2	N/A	6.9	-1.3	4.9	8.0	6.2	14.7	87%	83%	94%	79%	3.20%
Quartile	3	2	1	1		2	1	1	1	1	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, except for PowerShares 1-5 Year Laddered Corporate Bond Fund, 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	2.01%	\$5,072.9	- Tactically managed global bond fund that invests in global government, corporate and high yield bonds - Currency risk is actively managed - Managers expecting U.S. rate hike in Q3 or Q4. - Duration expected to be in 3 to 3.5 year range. - Reducing exposure to high yield and increasing exposure to short term U.S. bonds - A great way to diversify from domestic bonds
RBC Global Corporate Bond	Credit Analysis	Frank Gambino Marty Balch Soo Boo Che	1.71%	\$5,210.5	- Invests mainly in investment grade corporate bonds from issues around the world. - Shorter duration weighed on performance in Q1 - Currently overweight high yield and U.S. corporates, and underweight Asian & Canada corps. - Defensively positioned with duration of 6.3 yrs. as they expect rates to increase over time - 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	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	Risk
Manulife Strategic Income	6.1	9.6	8.3	7.3	N/A	8.1	4.5	9.1	2.0	8.4	8.8	57%	57%	70%	51%	4.81%
Quartile	1	1	1	1		1	2	3	4	4	4					
RBC Global Corporate Bond	2.3	6.1	4.9	5.6	5.1	6.7	-0.6	8.8	6.2	6.8	12.7	28%	36%	-38%	-20%	3.36%
Quartile	3	3	3	2	1	3	3	2	2	4	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

Canadian Equity Core

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
CI Cambridge Canadian Equity	Large Cap Growth	Brandon Snow Bob Swanson	2.44%	\$4,077.7	- Bottom up investment process. - Expecting lower turnover in future as they will not be doing as much trading around periphery as before. - Offers excellent downside protection
Fidelity Canadian Large Cap	Large Cap Value	Daniel Dupont	2.29%	\$4,357.5	- Remains significantly underweight energy, financials and materials. - Sold off a number of U.S. names, raised cash to 18% - I expect solid risk adjusted returns going forward
IA Clarington Cdn Conservative Eqty	Large Cap Blend	Doug Kee Ryan Bushell	2.49%	\$799.0	- It struggled again in Q1, largely because the energy and financial names struggled. - Fund's downside performance is out of character. I am continuing to monitor the situation.
RBC North American Value	Large Cap Blend	Stu Kedwell Doug Raymond	2.06%	\$2,545.5	- Sees continued headwinds for Canadian equities amid falling oil, mixed economic data, and housing. - Positive on US equities on improving earnings.
Signature Select Canadian	Large Cap Blend	Eric Bushell	2.44%	\$2,519.48	- Q1 performance helped by overweight exposure to Consumer Discretionary and U.S. holdings. - Cash sits at 10%. Expecting higher volatility.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	Risk
CI Cambridge Cdn Equity	4.3	12.1	18.4	13.4	N/A	14.2	27.2	16.7	-1.3	12.5	23.8	105%	100%	11%	48%	8.98%
Quartile	2	1	1	1		1	1	1	1	2	3					
Fidelity Canadian Large Cap	3.7	11.6	16.5	16.3	12.1	10.6	36.6	6.0%	10.6	17.8	37.2	91%	88%	2%	5%	7.32%
Quartile	2	1	1	1	1	2	1	3	1	1	1					
IA Clarington Cdn. Cons. Eq.	-3.2	-3.0	4.6	6.0	5.6	5.1	9.5	5.8	2.4	13.6	24.6	63%	67%	80%	60%	7.46%
Quartile	4	4	4	4	3	4	4	3	1	1	3					
RBC North American Value	3.4	12.2	14.3	11.4	9.7	12.9	23.1	11.8	-3.6	15.3	28.7	66%	75%	157%	121%	8.62%
Quartile	4	4	4	1	1	3	2	1	1	1	1					
Signature Select Canadian	4.8	11.3	12.1	8.4	7.8	11.6	19.2	8.2	-8.5	10.3	28.0	95%	94%	60%	81%	9.71%
Quartile	2	1	2	2	1	1	3	2	2	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 Composite Total Return Index, except for RBC North American Value, which is calculated against the MSCI North America GR CAD

Canadian Small Mid-Cap Equity

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
CI Cambridge Pure Canadian Equity – NEW	Mid Cap Growth	Greg Dean Stephen Groff Brandon Snow	2.42%	\$267.7	- All cap fund with focus on small to mid-cap names - Managed using a fundamentally driven, bottom up process, Blends core holdings with opportunity trades - Concentrated portfolio, holding just over 30 names - Strong risk reward metrics. Solid all cap offering.
IA Clarington Canadian Small Cap	Mid Cap Blend	Joe Jugovic Ian Cooke	2.94%	\$871.1	- 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%	\$1,483.2	- Outperformance in Q1 was largely due to U.S. names - They are expecting Canada to lag the U.S. in near term as lower oil prices drag economy. - They are limiting exposure to energy names - More bullish on U.S., but valuations are a concern. - Continue to look for companies with positive and growing free cash flow and attractive valuation. - Pays a monthly distribution. Currently yielding 2.68%

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	
CI Cambridge Pure Cdn Equity	7.5	13.4	31.4	N/A	N/A	14.7	47.3	34.3	N/A	N/A	N/A	142%		-53%		9.38%
	1	1	1			1	1	1								
IA Clarington Cdn Small Cap	-0.7	-1.2	16.0	12.9	9.0	5.9	37.3	20.2	-3.3	13.9	29.6	84%	72%	-15%	15%	8.62%
Quartile	3	3	1	1	1	2	1	1	1	4	4					
Sentry Small Mid Cap Income	7.0	13.2	19.4	19.1	N/A	12.7	36.4	15.5	6.5	26.3	43.5	102%	89%	-15%	-2%	8.68%
Quartile	1	1	1	1		1	1	1	1	3	3					

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 Bruce Baughman Nicholas Getaz	2.51%	\$1,010.3	- Conservative positioning dragged performance in Q1 - Overweight Consumer, Healthcare and Utilities. - 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%	\$365.75	- Looking for stocks that have market like P/E ratios with growth rates that are stronger than the S&P - Managers are very active in managing the fund.
RBC O'Shaughnessy U.S. Value	Large Cap Value	Jim O'Shaughnessy	\$1.50%	\$2,103.9	- Stock selection is quantitative & based on P/E, price/sales, EV/EBITDA & shareholder yield - Fully hedged currency exposure dragged in Q1.
TD U.S. Blue Chip	Large Cap Growth	Larry Puglia	2.56%	\$1,981.1	- Remains the "growthiest" fund in the category with highest multiples, but also highest growth rates. - Combines bottom up stock picking with top down risk management. Likes market leaders with cash flow
Trimark U.S. Companies	Large Cap Growth	Jim Young	2.98%	\$461.7	- Concentrated portfolio, overweight technology - Sees market as fairly valued. Emphasis on earnings - Sees more opportunities in US as slack in labour market persists combined with low inflation.

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
Fund	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	Risk
Franklin U.S. Rising Dividends	8.7	21.1	20.4	15.8	5.2	16.8	36.1	5.5	6.3	10.2	-1.1	79%	76%	56%	59%	7.53%
Quartile	3	3	3	2	3	3	3	4	1	2	4					
Mackenzie U.S. Large Cap Cl.	10.4	23.9	22.8	17.9	8.1	17.5	40.6	13.5	1.6	11.7	4.0	91%	95%	104%	108%	9.68%
Quartile	2	3	1	1	1	3	2	1	1	1	4					
RBC O'Shaughnessy US Value	2.3	10.0	19.5	16.7	N/A	10.7	47.5	12.4	6.7	14.5	24.8	89%	100%	264%	152%	12.22%
Quartile	4	4	3	2		4	1	1	1	1	1					
TD U.S. Blue Chip	15.4	31.7	25.0	19.8	8.3	16.8	47.6	13.7	1.8	8.2	18.7	101%	104%	148%	115%	11.30%
Quartile	1	1	1	1	1	3	1	1	1	2	1					
Trimark U.S. Companies	10.4	29.8	24.5	19.4	7.4	25.7	40.8	10.3	0.3	15.6	5.9	100%	106%	169%	135%	10.33%
Quartile	2	1	1	1	1	1	2	2	2	1	3					

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%	\$1,967.1	- Remains my top pick in U.S. Small Cap category - Currency was a big part of gains in Q1. - Manager is overweight consumer and industrials - Underweight materials, financials and real estate. - Excellent downside protection. Continues to be a good idea to rebalance & take money off the table
TD U.S. Mid Cap Growth Fund	Mid Cap Growth	Brian Berghuis John Wakeman	2.56%	\$945.6	- 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 Jason Whiting	2.85%	\$173.3	- Very small cap focused. Lowest avg. mkt cap on list - Underperformed due to 30% cash weight - Expecting continued high levels of volatility, as small caps are very overpriced. - Seeing opportunities in energy sector. - Lead manager Rob Mikalachki recently named CIO of Invesco Canada. We have some minor concerns this may take away from his time on the fund. - Further, co-lead Virginia Au has taken a short term personal leave. We are watching the situation closely.

Fund	Annualized Returns (%)						Calendar Year Returns (%)					Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2013	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	
Fidelity Small Cap America	18.9	37.4	33.4	26.1	11.6	17.5	54.2	19.9	7.7	18.9	31.9	98%	98%	19%	53%	11.69%
Quartile	1	1	1	1	1	1	1	1	1	2	1					
TD U.S. Mid Cap Growth Fund	16.3	32.8	26.3	20.5	10.6	21.5	43.8	9.7	-0.5	20.2	22.7	90%	87%	56%	64%	10.87%
Quartile	1	1	1	1	1	1	2	2	2	2	2					
Trimark U.S. Small Companies	11.9	20.2	20.6	18.5	8.7		33.4	10.0	8.8	13.7	42.2	71%	77%	42%	52%	10.36%
Quartile	3	3	3	1	2		4	2	1	4	1					

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 Fiona Wilson	2.01%	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) - Portfolio is becoming more defensively positioned.
IA Clarington Global Equity Fund	Large Cap Value	Joe Jugovic	2.86%	\$132.1	- 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%	\$504.8	- Bottom up approach looks for quality companies with strong earnings, and reasonable valuations - European QE program is having a positive effect. EPS estimates ahead of U.S. for first time in five years. - Continue to focus on finding attractive opportunities.
Mackenzie Ivy Foreign Equity Fund	Large Cap Blend	Paul Musson Matt Moody	2.56%	\$4,128.2	- Remains one of the best for downside protection - Nearly 20% cash weight was biggest drag in Q1 - Remains 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%	\$771.6	- 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 - Consistently a solid pick, even with the higher MER - Prefer the SC Series to A because of lower MER
Trimark Fund	Large Cap Growth	Michael Hatcher Jeff Feng	2.81%-A 1.71%-SC	\$2,913.5	- Look for well managed businesses with sustainable competitive advantages, trading at a discount - Consumer, materials and financials were the biggest contributors to the fund's outperformance in Q1 - See valuations as fully / fairly valued, making it difficult to find attractive opportunities. Waiting for selloff to pick up good companies at discounted prices.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	
GDN Global Dividend Growth	9.8	18.5	15.1	N/A	N/A	13.8	20.0	4.6				70%		76%		8.18%
Quartile	3	2	3			1	4	4								
IA Clarington Global Equity	7.9	16.8	14.3	9.8	N/A	8.2	21.1	12.5	-4.8	8.5	14.6	69%	80%	91%	118%	10.63%
Quartile	4	2	3	3		3	3	2	2	2	3					
Invesco International Growth	11.4	13.9	16.7	11.7	6.3	7.6	27.3	12.4	-6.1	7.0	17.3	82%	84%	61%	69%	10.06
Quartile	4	2	1	1	1	1	2	3	1	1	1					
Mackenzie Ivy Foreign Equity	9.7	16.6	16.2	12.5	7.3	8.3	31.0	7.9	3.2	3.6	5.8	74%	68%	68%	40%	7.23%
Quartile	3	2	2	1	1	3	2	4	1	3	4					
Manulife World Investment	14.2	16.9	17.3	12.2	N/A	7.3	21.6	19.2	-8.8	8.1	22.3	85%	94%	63%	83%	12.13%
Quartile	2	1	1	1		1	4	3	2	2	2					
Trimark Fund (SC)	11.5	16.0	18.7	14.1	6.4	10.0	30..5	12.0	3.2	5.0	10.4	84%	80%	68%	56%	8.39%
Quartile	2	2	1	1	1	2	2	2	1	3	3					

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%	\$93.1	• 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. Will hold cash when no opportunities available. Cash at March 31 was 11.4% • More volatile than many of its peers, and more volatility expected. • Outperformed in Q1 on energy and Japan names. • Weaker C\$ helped boost overall returns.
Trimark Global Endeavour	Mid Cap Blend	Jeff Hyrich Erin Greenfield	2.64%	\$1,146.4	• Bottom up approach that looks for well-managed, high quality mid-sized businesses that are trading below their estimate of fair value • Concentrated portfolio. Holds around 40 names. • Gained more than 13% in Q1, with a big chunk of the gains being the result of falling Canadian dollar. • Valuations remain stretched, making it tough to find attractive names at reasonable prices. • Cash moved up to 13%, up from 11% in Q4

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	Risk
Brandes Global Small Cap	13.9	13.0	24.5	15.8	4.5	8.1	34.8	33.7	-15.2	21.9	41.9	95%	89%	57%	89%	12.0%
Quartile	1	3	1	1	4	3	3	1	3	1	1					
Trimark Global Endeavour	13.5	21.1	19.5	17.6	8.1	11.0	31.9	14.3	1.5	19.7	31.9	89%	96%	95%	61%	10.25%
Quartile	1	1	1	1	1	2	2	1	1	1	1					

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	2.67%	\$707.48	• More of a balanced play on Asia, with approximately 16% invested in convertible bonds and preferreds • Historically has captured about 60% to 80% of the upside, yet only a third to half of the downside • Asia is trading at or near historic lows. Opportunity! • MER for 2014 was 13 basis points lower.
Brandes Emerging Markets	Large Cap Value	Brandes Management Team	2.71%	\$297.2	• Value focused approach that looks for quality companies that have been beaten down by the market • Volatility has increased sharply in recent quarters • Remains UNDER REVIEW and watching closely
Dynamic Power Global Growth	Large Cap Growth	Noah Blackstein	2.50%	\$860.5	• The focus is on high growth stocks, and currently holds only 3 sectors - tech, consumer & healthcare • High volatility with potential for high return.
Manulife Global Infrastructure Fund - NEW	Large Cap Growth	Craig Noble	2.77%	\$309.5	• Managed by Brookfield, a leader in infrastructure • Invests in companies that own and operate infrastructure assets around the world. • Provides inflation adjusted cash flow and opportunity for long term capital gains. • Low historic correlation to traditional asset classes • An excellent addition to well diversified portfolio.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	
BMO Asian Growth & Inc.	10.5	13.1	13.2	9.5	7.8	6.7	9.3	21.9	-10.1	12.5	27.0	63%	66%	20%	41%	8.30%
Quartile	4	4	2	1	1	3	4	1	1	2	1					
Brandes Emerging Markets	3.3	-0.6	4.2	2.7	6.5	-1.2	13.3	10.5	-19.8	10.2	79.5	88%	90%	120%	113%	14.68%
Quartile	4	4	3	3	2	4	1	4	3	3	1					
Dynamic Power Global Growth	19.5	30.4	20.3	18.2	12.0	9.1	40.6	7.2	-5.9	22.3	30.0	115%	113%	300%	107%	16.66%
Quartile	1	1	1	1	1	2	1	4	2	1	1					
Manulife Global Infrastructure	6.4	14.2	17.8	15.5	N/A	15.8	22.9	12.8	9.6	7.8	21.0	68%	68%	-44%	-1%	8.46%
Quartile	4	3	2	1		1	4	2	1	2	1					

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
CI Signature High Income Fund	Tactical	Geoff Marshall Ryan Fitzgerald	1.60%	\$10,524.2	- Invests in high yielding equities, Corp & HY bonds - Top down macro view & bottom up security selection - Remains a great pick for the long term.
Fidelity Canadian Balanced Fund	Strategic	Geoff Stein David Wolf	2.35%	\$7,591.4	- Maintains a pretty static asset mix of 50/50 - Invests in underlying Fidelity Funds - Rate sensitivity may hurt in rising rate environment
Manulife Monthly High Income Fund	Tactical	Alan Wicks Jonathan Popper	2.07%	\$9,947.4	- Equities managed using value focused approach - Bonds focus on credit analysis - Defensive names dragged in Q1. Outlook still strong
Sentry Conservative Balanced Income Fund – NEW	Tactical	Michael Simpson James Dutkiewicz	2.23%	\$2,220.1	- Portfolio looks like a mix between Sentry Canadian Income and Sentry Canadian Bond - Look for firms that can grow cash flow & dividends. - Bonds conservatively positioned with lower duration. - Solid conservative balanced pick.
TD Monthly Income Fund	Tactical	Doug Warwick Gregory Kocik Michael Lough	1.46%	\$8,713.0	- Asset mix is set by committee. - Bond sleeve is neutral duration, overweight corporates - Overweight allocation to banks hurt in Q1.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	
CI Signature High Income	4.2	8.4	9.9	10.0	7.4	8.6	8.6	11.6	4.8	15.3	30.6	52%	68%	-113%	1%	4.78%
Quartile	4	4	2	1	1	2	4	1	1	1	1					
Fidelity Canadian Balanced	7.6	14.3	11.6	9.3	7.7	11.1	12.7	6.0	-1.1	13.3	22.3	118%	112%	45%	75%	5.16%
Quartile	1	1	1	1	1	1	1	2	2	1	1					
Manulife Mthly High Income	2.8	15.4	13.2	9.7	6.8%	16.5	15.9	7.5	1.4	8.7	22.3	119%	94%	8%	14%	4.21%
Quartile	4	1	1	1	1	1	1	1	1	3	3					
Sentry Cons. Bal. Income	2.7	6.8	9.2	9.6	N/A	8.6	12.3	8.6	6.1	N/A	N/A	94%	93%	35%	15%	3.54%
Quartile	4	4	2	1		2	1	1	1							
TD Monthly Income Fund	1.1	7.0	8.3	7.5	6.7	9.9	8.9	8.5	3.6	9.8	30.7	92%	92%	56%	64%	4.71%
Quartile	4	4	3	1	1	1	4	2	1	3	1					

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
PowerShares 1-5 Yr Laddered Corp Bond - NEW	Rules Based	PowerShares Management Team	0.99%	\$400.2	• Replaced the TD Short Term Bond Fund • Invests in an equally weighted laddered portfolio of corporate bonds rated BBB or higher, in 5 maturity buckets ranging from 1 to 5 years. • Lower cost, higher yield and corporate focus should lead to outperformance in most market environments • Variable distribution. Currently yielding 3.3%
PH&N Monthly Income Fund	Tactical	Scott Lysakowski William John	1.94%	\$3,399.8	• Pays a monthly distribution of \$0.0420, which works out to an annualized yield of 4.9% • Equities can range between 60% & 80%. 50% today • Fixed income sleeve is neutral to index • High exposure to banks dragged in Q1
Sentry Canadian Income Fund	Large Cap Growth	Michael Simpson Aubrey Hearn	2.67%	\$5,629.4	• 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%	\$1,755.4	• 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 • Financial exposure and more mid cap focus were the key reasons for the divergence from Sentry in Q1.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside	Downside		5 yr. Risk	
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	
PShrs 1-5 Yr Lad. Corp Bond	2.0	3.5	2.8	3.1	N/A	2.8	1.4	3.0	4.1	N/A	N/A	102%	96%	137%	110%	1.53%
Quartile	1	1	1	1		1	1	1	1							
PH&N Monthly Income Fund	1.9	4.6	6.7	6.3	N/A	6.6	6.9	7.6	0.8	N/A	N/A	85%	85%	76%	77%	4.71%
Quartile	4	4	4	4		3	4	1	1							
Sentry Canadian Income Fund	3.7	14.2	14.3	13.9	10.7	15.9	18.6	11.5	6.1	18.6	33.0	78%	81%	-3%	12%	5.80%
Quartile	2	1	2	1	1	1	1	1	1	1	1					
BMO Monthly High Income II	1.6	0.7	8.5	10.5	7.9	3.7	14.2	7.7	10.4	20.7	34.0	72%	79%	52%	38%	7.25%
Quartile	2	4	3	1	1	4	4	2	1	1	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

Passive Options

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
TD Canadian Bond Index Fund	Passive	Michelle Hegeman	0.83%	\$636.6	- 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%	\$709.2	- 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	0.55%	\$992.0	- 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	1.00%	\$436.4	- 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	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	Risk
TD Canadian Bond Index	4.0	9.4	4.3	5.2	4.7	7.9	-2.0	2.8	8.7	6.0	4.3	93%	92%	114%	112%	3.65%
Quartile	1	1	1	1	1	1	2	2	1	2	3					
RBC Canadian Index	2.4	6.2	8.8	6.7	6.8	9.8	12.2	6.4	-9.2	16.8	34.1	97%	97%	103%	102%	9.70%
Quartile	3	3	3	3	2	2	4	2	2	2	2					
TD U.S. Equity Index	10.2	28.0	224.6	18.6	7.6	22.9	40.0	12.5	3.8	8.2	6.5	96%	96%	109%	99%	8.61%
Quartile	2	1	1	1	1	1	2	1	1	2	3					
TD International Index	15.2	12.7	16.9	9.8	4.3	2.0	28.6	14.5	-10.8	0.9	8.6	96%	96%	107%	105%	12.10%
Quartile	1	2	1	1	2	2	2	2	2	3	4					

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

Fund Ratings which are highlighted in Green indicate an upgraded rating from the previous month. Fund Ratings highlighted in Red indicate a downgraded rating from the previous month. Only funds with greater than 36 months of data are eligible to receive a rating.

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

To determine our rankings, fund returns are scored on six key risk reward metrics. The scores are totaled and a rating assigned based on the results.

Fund Score	Rating
More than 80%	A
65% to 80%	B
55% to 65%	C
40% to 55%	D
Below 40%	F

The metrics are:

Alpha – This is the excess return that a manager has been able to generate. The higher the Alpha, the higher the score.

Sharpe Ratio – This is a measure of risk adjusted performance. It measures how much return an investment has delivered for each unit of risk assumed. The higher the Sharpe Ratio, the more return the investment has delivered for each unit of risk.

Standard Deviation – this is a measure of volatility or risk. It measures the fluctuation that an investment has exhibited. The higher the standard deviation, the more fluctuation the fund has shown, so the lower the score it receives in the ratings model

Information Ratio – is a measure of how consistently a manager has outperformed its benchmark. It is basically the Sharpe Ratio of the monthly excess returns. Like with the Sharpe Ratio, the higher the better.

Batting Average – this is another measure of how consistently the fund has outperformed. While the information ratio will factor in the level of outperformance, batting average is a measure of how frequently. It's like the win/loss percentage in baseball. A batting average of 500 means it has outperformed as often as it has underperformed. The model favours funds that win more than they lose. The higher the batting average, the better the score.

R-Squared – This is a statistical measure that shows how much of the return of an investment are the result of the benchmark. The higher the R-Square, the more the fund behaves like the benchmark. And as we know, if you want to beat the benchmark, you can't be the benchmark. The model favours those funds that have a lower R-Squared.

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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.

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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.