D. A. PATERSON & ASSOCIATES INC.

Minimizing Risk to Maximize Returns

ETF FOCUS LIST

June 2015

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Contents

The Focus List

% Returns at April 30, 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
Fixed Income											
PowerShares Senior Loan CAD Hedged	BKL	2.60	2.43	3.99	N/A	0.82%	3.00	N/A	3.00	N/A	5K
iShares Canadian Short Term Bond Index	XSB	-0.56	2.93	2.53	2.99	0.28%	0.31	0.43	1.48	1.59	78K
iShares 1-5 Year Laddered Corporate Bond	CBO	-0.27	3.36	3.33	3.77	0.28%	0.61	0.76	1.55	1.66	113K
iShares Canadian Universe Bond Index	XBB	-1.88	7.87	4.30	5.44	0.33%	0.51	0.71	4.11	3.73	69K
PowerShares Tactical Bond ETF	PTB	-1.61	6.89	N/A	N/A	0.53%	N/A	N/A	N/A	N/A	16K
Income / Cash Flow											
BMO Monthly Income ETF	ZMI	1.19	5.66	6.69	N/A	0.63%	3.15	N/A	4.45	N/A	5K
iShares Diversified Monthly Income Fund	XTR	0.79	3.91	5.25	6.54	0.56%	2.74	3.15	4.11	4.68	67K
Canadian Equity											
BMO Low Volatility Canadian Equity ETF	ZLB	1.85	26.37	20.82	N/A	0.40%	7.65	N/A	6.35	N/A	36K
PowerShares FTSE RAFI Cdn Fundamental	PXC	5.38	3.06	9.85	N/A	0.51%	3.27	N/A	9.77	N/A	8K
Horizons Active Canadian Dividend NEW	HAL	3.85	8.15	12.23	9.83	0.79%	5.83	6.39	7.90	9.20	2K
iShares S&P/TSX Cdn Dividend Aristocrats	CDZ	2.08	6.88	9.62	11.05	0.66%	5.15	5.88	7.77	8.00	48K
iShares Core S&P/TSX Capped Composite	XIC	4.47	6.87	10.47	7.33	0.06%*	0.71	0.95	8.42	9.96	163K
iShares S&P/TSX Completion Index	XMD	5.39	0.84	7.67	7.46	0.62%	0.83	0.98	9.32	11.44	12K
First Asset Morningstr Cdn Momentum NEW	WXM	2.83	12.79	16.87	N/A	0.67%	6.61	N/A	7.46	N/A	16K
U.S. Equity											
Vanguard MSCI U.S. Broad Mkt (C$ Hedged)	VUS	5.09	12.40	16.60	N/A	0.16%	8.93	N/A	10.08	N/A	12K
iShares US Fundamental Index	CLU	5.08	9.36	17.24	12.89	0.72%	9.11	9.59	9.89	13.92	10K
iShares Core S&P 500 Index	XSP	4.91	12.85	16.57	13.71	0.13%	8.76	8.96	9.61	13.08	374K

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

			% Returns at April 30, 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	1.20	19.92	N/A	N/A	0.37%	N/A	N/A	N/A	N/A	7K
BMO MSCI EAFE Index (C$ Hedged) – NEW	ZDM	8.73	18.20	18.04	8.94	0.29%	6.82	6.93	9.42	11.94	19K
iShares International Fundamental Index	CIE	4.29	9.25	18.88	9.56	0.72%	3.73	4.34	11.54	14.31	19K
iShares MSCI World (NEW)	XWD	1.72	17.55	20.89	14.07	0.46%	1.08	1.17	7.92	9.41	13K
Specialty / Sector											
BMO MSCI Emerging Markets ETF	ZEM	3.51	16.88	9.28	5.70	0.46%	2.84	3.58	11.10	14.20	7K
iShares Gold Bullion Fund ETF	CGL	-6.41	-8.44	-10.7	-0.27	0.56%	16.22	18.66	16.24	18.65	53K
BMO Equal Weight REITs Index ETF	ZRE	0.47	10.61	6.07	N/A	0.62%	9.54	N/A	9.78	N/A	23K
BMO Global Infrastructure	ZGI	-3.85	21.37	20.88	20.71	0.62%	9.26	9.96	8.98	8.28	14K
iShares S&P/TSX Capped Financials Index	XFN	9.84	8.97	14.44	9.67	0.61%	10.50	10.69	11.30	11.99	212K

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

Horizons Active Canadian Dividend ETF (TSX: HAL) – This actively managed dividend ETF is managed by Sri Iyer and his team at Guardian Capital, using a proprietary, multi factor quantitative model that screens the Canadian equity universe looking for positive rates of change in the fundamentals of companies. The model looks at 31 key factors including growth, payout ratios, efficiency, valuation and investor sentiment. Each of the factors is weighted, with growth, payout and sustainability factors being the most important for this strategy. The model is run on a daily basis, with the highest ranked stocks receiving a "buy" rating, and lower ranked securities rated as "sell". The team will conduct a fundamental review to validate any of the potential buy candidates to ensure the rating is appropriate.

The result is a well-diversified portfolio that will typically hold between 50 and 60 names. The sector mix is the byproduct of the bottom up stock selection process. To ensure sufficient diversification, it must have exposure to at least seven of the ten GIC sectors at all times. The maximum sector weight is capped at 25% of the fund.

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

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

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

First Asset Morningstar Canadian Momentum ETF (TSX: WXM) – While not technically actively managed, this ETF uses a proprietary rules based approach designed by Morningstar to invest in a focused portfolio of Canadian stocks that exhibit favourable momentum characteristics. The stocks that trade on the Toronto Stock Exchange are rated and ranked on six fundamental factors. These factors are return on equity, earnings revisions, earnings surprises, and price changes over a three, nine and 12 month period. Once complete, the stocks are ranked first to worst, with the top 30 making up the ETF. The model is rerun on a quarterly basis, with necessary changes being made.

Performance has been excellent, handily outpacing the S&P/TSX Composite Index over a one and three year period, with levels of volatility that are in line with the broader market. This is somewhat interesting, given that the underlying holdings tend to skew towards mid-cap names. While the ETF has only been around for a little over three years, the model on which it is based has a track record dating back to December 2000. The model has also shown strong levels of outperformance.

Given the momentum focus of the ETF, valuation levels are on the high side when compared with the broader market. However, this may be somewhat justified by the higher levels of earnings growth shown by the portfolio, both on a historic and forward looking basis.

I would expect that this ETF to deliver above average returns with levels of volatility that are at or above the broader market. My reasoning is that with the concentrated, mid-cap focused portfolio, the potential for above average volatility exists. I would also be reluctant to use this as a core holding. Instead, it may be an interesting way to get some mid-cap exposure in your portfolio. It is also a good candidate to be used as a return enhancer in an otherwise well-diversified portfolio.

iShares MSCI World (TSX: XWD) – Compared to the other new additions to the Focus List, this offering is downright boring. But that's not a bad thing. It is designed to track the performance of the MSCI World Index, net of fees, in Canadian dollar terms. The index itself is largely regarded as the global equity benchmark. It provides exposure to large and mid-cap equity exposure across 23 developed market countries. It covers approximately 85% of the free float adjusted market capitalization in each, making it a decent proxy.

Unfortunately, there aren't a lot of Canadian traded ETFs that cover a global index. Still, even if there were more index options, this would still be my pick, given its place as the global equity benchmark. Costs are a little higher than I'd like to see, with an MER of 0.46%, but it is still considerably cheaper than the average F-Class global equity mutual fund. This makes it an excellent pick for do it yourself investors with modest portfolio sizes. However, if you are investing a significant amount, you may want to consider buying 60% XUS and 40% ZEA, which will give you roughly the same investment exposure for a combined MER of 0.17%. This only makes sense if the cost savings from the lower MER will offset the additional trading costs of having to buy 2 ETFs.

Deletions

NONE

ETFs of Note

PowerShares Tactical Bond ETF (TSX: PTB) – With the U.S. Federal Reserve widely expected to finally begin moving interest rates higher in September, volatility in rates is likely to emerge. In a volatile environment, a more tactical approach can help mitigate some of that volatility and outperform. Based on that premise, I believe this rules based, tactically managed ETF should outpace its more traditionally constructed, index focused peers. At the end of April, slightly more than half was invested in investment grade corporate bonds, 31% in long term government bonds, and 11% in high yield. Credit quality is strong, with less than 2% invested in non-investment grade issues. Duration sits at 6.77 years, which is slightly below the FTSE/TMX Canadian Universe Bond Index. This exposure to long-term bonds helped in the earlier part of the year, but has dragged performance of late. While I do expect this to outperform XBB, I don't believe it will do so until we start to see a marked increase in bond market volatility.

iShares 1-5 Year Laddered Corporate Bond (TSX: CBO) –Investing in a laddered portfolio of credits with maturities between one and five years, it offers both a higher yield and shorter duration to the **iShares Canadian Short Term Bond Index ETF**. Barring a complete collapse in the credit markets, I would expect that higher yielding corporate bond names will outperform government issues, even in the shorter part of the curve. That makes this my top pick in the short term space as we head into the summer.

PowerShares FTSE RAFI Canadian Fundamental (TSX: PXC) – The theory of a fundamentally constructed ETF is very sound. Instead of building the portfolio based solely on the market capitalization of a stock, as is done in traditional indexing, fundamental ETFs use factors that are believed to better predict outperformance. These factors include sales, cash flow, book value, and dividends. The main criticism with a traditional cap weighted index is the potential for overconcentration, as bigger companies take up a disproportionate weight in the portfolio. Fundamental indexing reduces that likelihood, at least at the stock level. They certainly can't make that claim at the sector level. I nearly fell out of my chair when doing my latest review on this ETF and noticed that the weight in energy was 27%, compared with 22% for the cap weighted XIC. Financial Services are also significantly overweight, representing 39%, compared with 29% in XIC. Combined, there is two thirds of the portfolio invested in two sectors, compared with just half of the broader market. That is one heck of a bet for a supposedly diversified portfolio. Yes, the valuation metrics of PXC are better than XIC, but it's difficult to ignore the concentration risk in the portfolio. If you are comfortable with this concentration, then I believe this ETF will do well over the long term. However, if you are uncomfortable with the risks, particularly with the uncertainty around energy, you will want to avoid it, and if you hold it, you will likely want to sell it.

BMO MSCI EAFE Index (C$ Hedged) ETF (TSX: ZDM) – Earlier in the year, the valuation levels of EAFE equities looked quite compelling. That's not the case so much anymore, after an impressive 8.7% gain in the past three months helped close that valuation gap. Most of these gains were driven by the European Central Bank's stimulus program was launched in March, and recent economic data that shows growth is returning to many European economies. At the end of April, Morningstar reported that the MSCI EAFE Index had a price to earnings ratio of 18.1, which is slightly below the S&P 500, but above the S&P/TSX Composite Index. While there still may be some legs in this trade in the short term, we will need to see further evidence of a sustained turnaround. There are also worries that a disagreement between Greece and its lenders could result in the country defaulting on an upcoming payment. This uncertainty has been weighing on stocks of late, and could be a serious headwind in the future. For that reason, I am suggesting caution in the near term.

iShares Core S&P 500 Index ETF (TSX: XSP) – The outlook for the Canadian economy is uncertain, and the valuation of EAFE names are not quite as compelling as they were a few months ago, making U.S. equities once again a strong contender. For U.S. exposure, this ETF remains my top pick. It is designed to track the S&P 500 and it fully hedges its currency exposure, so you receive the same return that a U.S. domiciled investor would have received. Intuitively that makes sense, but currency can play a huge role in returns.

For example, in our last Focus List review for the three months ending in January, XSP lost 0.7%, while the average U.S. equity mutual fund had gained an impressive 9.1%. The reason for this huge difference in performance was solely the result of currency, with the Canadian dollar dropping by nearly 12% against the U.S. greenback. Funds and ETFs that did not hedge their currency exposure benefitted from this drop. In the most recent three month period, the opposite happened, with the Canadian dollar gaining nearly 5%. This currency gain ate nearly all of the 5% rise in the market for those funds that were unhedged. Looking specifically at XSP, it rose by 4.9%, while the unhedged XSP lost 0.3%.

With the Fed poised to bump rates in the fall and the Bank of Canada likely to stand pat, we may see increasing volatility in the currency, with more pressure likely to the downside. The question now becomes do you hedge or not? Unfortunately there is no right answer to that question and really comes down to your personal preference. If you feel strongly the dollar will fall, then you are better off using XUS over XSP as it provides the same investment exposure, but without the currency hedging. If you expect the dollar to rise, XSP is the way to go. Personally, currency markets are unpredictable and I don't have a strong sense on what way the dollar will move, making XSP my pick for now.

BMO Equal Weight REITs Index ETF (TSX: ZRE) – After a strong January, Canadian REITs have struggled to capitalize on that momentum, remaining flat. The main reason for this is the interest rate environment. January's gain was the result of the Bank of Canada's surprise cut in rates. Since then, we've seen some upward pressure on yields, which has made it tough for REITs to make any real headway. REITs are attractive because of the juicy yields they kick off, so when rates rise, they become less attractive. While the near term outlook remains cloudy based on the uncertainty caused by the interest rate picture, the medium and long term fundamentals make REITs an attractive investment for investors looking for cash flow and modest growth over the long term. Within the REIT space, this is my top ETF pick because it offers more diversified exposure to the Canadian REIT universe than either the iShares or Vanguard offering because of its equal weighting. It also offers a more attractive yield than XRE or VRE. If you hold it, be ready for some significant volatility, which can be great buying opportunities.

Fixed Income

Fund	Ticker	Asset Class	Construction Method	MER	Assets ($ mil)	Notes
PowerShares Senior Loan CAD Hgd	TSX: BKL	Leveraged Loans	Cap Weighted	0.82%	$52.8	• 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, likely in September.
iShares Canadian Short Term Bond	TSX: XSB	Short Term Fixed Income	Cap Weighted	0.28%	$2,106.0	• Diversified exposure to a portfolio of short term government and corporate bonds • Great way to shorten duration • With rates likely on hold, I'm favouring CBO over this ETF for now.
iShares 1-5 Year Laddered Corp Bd	TSX: CBO	Short Term Fixed Income	Equal Weighted	0.28%	$2,302.0	• 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 or rising rate environment
iShares Canadian Universe Bond	TSX: XBB	Traditional Bond	Cap Weighted	0.33%	$1,818.0	• Portfolio of government and corporates • High interest rate sensitivity. Duration of 7 • Remains a great option. Should do relatively well as rates likely on hold near term
PowerShares Tactical Bond ETF	TSX: PTB	Tactical Bond	Fund of ETFs	0.53%	$277.0	• 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	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr
PowerShares Senior Loan	2.60	2.43	3.99	N/A	N/A	0.49	3.77	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
iShares Cdn Short Term Bond	-0.56	2.93	2.53	2.99	3.61	3.05	1.39	1.58	4.41	3.29	4.42	94	97	114	129
iShares 1-5 Yr Ldr Corp Bd	-0.27	3.36	3.33	3.77	N/A	3.23	2.07	3.18	4.76	3.80	N/A	115	110	80	80
iShares DEX Universe Bond	-1.88	7.87	4.30	5.44	5.03	8.28	-1.31	3.01	9.33	6.14	5.18	95	94	101	102
PowerShares Tactical Bond	-1.61	6.89	N/A	N/A	N/A	7.68	-2.11	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	0.63%	$93.0	• 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 3.8%
iShares Diversified Monthly Income	TSX: XTR	Fixed Income Balanced	Fund of ETFs	0.56%	$752.0	• Invests in a mix of income focused ETFs • Emphasis on cash flow. Yields 6.0% • With rates in Canada expected to remain flat in the near term, this should do 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	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr
BMO Monthly Income Fund	1.19	5.66	6.69	N/A	N/A	9.40	3.34	10.24	N/A	N/A	N/A	76	N/A	50	N/A
iShares Div. Monthly Income	0.79	3.91	5.25	6.54	N/A	6.51	2.06	8.37	6.62	15.61	39.75	87	115	158	186

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%	$564.0	• 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%	$197.0	• Exposure to energy and financials helped, but more volatility expected.in near term • Invests in Canadian companies ranked by dividends, cash flow, sales and book value • Heavy sector concentration.
Horizons Active Canadian Dividend NEW	**TSX: HAL**	**Cdn Dividend & Income Equity**	**Active - Fundamental**	**0.79%**	**$16.0**	• All cap mandate that is managed using a multi factor quant model • Looks for positive rates of change in 31 factors. Focuses on the growth, quality of payout and sustainability of the dividend. • Diversified portfolio holds about 50 names • Recently upped energy and materials.
iShares S&P/TSX Canadian Dividend Aristocrats	TSX: CDZ	Cdn Dividend & Income Equity	Rules Based	0.66%	$1,034.0	• Invests only in companies that have increased dividends for 5 consecutive years • All cap mandate, but skews Mid Cap • Energy holdings helped return in quarter
iShares Core S&P/TSX Capped Composite	TSX: XIC	Canadian Equity	Cap Weighted	0.06%*	$2,142.0	• 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	0.62%	$225.0	• Invests the stocks in the S&P/TSX Composite that are not in the S&P/TSX 60 • Very mid-cap focused. Continue to favour mids over small caps, despite the more favourable valuations of the small caps.
First Asset Morningstar Canadian Momentum NEW	**TSX: WXM**	**Canadian Equity**	**Rules Based**	**0.67%**	**$183.0**	• Invests in a portfolio of highly liquid Canadian equities that have shown positive momentum characteristics • Universe of stocks is rated and ranked on 6 factors including ROE, EPS Revisions, Earnings Surprises and price changes • Not a core holding, but can be a compliment to your other equity holdings

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

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr
BMO Low Volatility Cdn Equity	1.85	26.37	20.82	N/A	N/A	28.37	20.70	14.07	N/A	N/A	N/A	95	N/A	-28	N/A
PowerShares FTSE RAFI Cdn Fundamental	5.38	3.06	9.85	N/A	N/A	6.66	16.19	N/A	N/A	N/A	N/A	105	N/A	119	N/A
Horizons Active Canadian Dividend NEW	**3.85**	**8.15**	**12.23**	**9.83**	**N/A**	**12.89**	**19.76**	**8.78**	**-0.47**	**N/A**	**N/A**	**87**	**87**	**43**	**60**
iShares S&P/TSX Cdn Dividend Aristocrats	2.08	6.88	9.62	11.05	N/A	12.96	13.59	8.84	6.07	15.69	38.43	84	84	75	43
iShares Core S&P/TSX Capped Composite	4.47	6.87	10.47	7.33	7.89	10.95	12.46	7.01	-8.79	17.42	34.55	99	99	101	101
iShares S&P/TSX Completion	5.39	0.84	7.67	7.46	6.98	5.07	11.99	3.92	-8.48	30.21	45.95	96	97	99	100
First Asset Morningstar Canadian Momentum NEW	**2.83**	**12.79**	**16.87**	**N/A**	**N/A**	**17.10**	**26.76**	**N/A**	**N/A**	**N/A**	**N/A**	**98**	**N/A**	**13**	**N/A**

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%	$276.0	• One of the lowest cost US equity ETFs • It invests in the U.S. traded VTI, which invests in a well-diversified, all cap portfolio. • Provides exposure to nearly 4,000 U.S. based companies • Currency exposure is hedged
iShares US Fundamental Index	TSX: CLU	U.S. Equity	Fundamental	0.72%	$199.0	• Holds the largest 1000 U.S. stocks by fundamental value including dividends, cash flow, sales, and book value. • Given the fundamental focus, it is more attractively valued than the other US ETFs
iShares Core S&P 500 Index	TSX: XSP	U.S. Equity	Cap Weighted	0.13%	$2,917.0	• 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. • **Remains 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**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**3Yr**	**5Yr**	**3Yr**	**5Yr**
Vanguard MSCI U.S. Broad Market (C$ Hedged)	5.09	12.40	16.60	N/A	N/A	13.08	33.87	15.36	N/A	N/A	N/A	77	N/A	173	N/A
iShares US Fundamental Index	5.08	9.36	17.24	12.89	N/A	12.79	35.44	15.39	-2.00	16.83	29.07	75	98	120	179
iShares Core S&P 500 Index	4.91	12.85	16.57	13.71	6.13	14.02	32.33	15.41	0.65	13.91	22.92	74	96	137	160

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%	$114.0	• Performance took a breather • Valuations remain above the broader market. Take profits. Higher vol possible • Uses an optimization approach to try to minimize the volatility of the EAFE Index • Smallest market cap of ETFs on list
BMO MSCI EAFE Index (C$ Hedged)	TSX: ZDM	International Equity	Cap Weighted	0.29%	$917.0	• Lowest cost way to replicate MSCI EAFE. • Currency exposure is fully hedged. BMO offers unhedged version, ZEA
iShares International Fundamental Index ETF	TSX: CIE	International Equity	Fundamental	0.72%	$270.0	• 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. Continued short term volatility expected.
iShares MSCI World (NEW)	TSX: XWD	Global Equity	Cap Weighted	0.46%	$448.0	• Designed to replicate the MSCI World Index, net of fees. • Covers large and mid-cap equity performance across 23 developed markets, covering approximately 85% of the free float-adjusted market capitalization in each. • A great way to get global equity exposure • More suited to smaller accounts. Larger accounts can buy 60% XUS & 40% ZEA for same exposure at lower cost

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
Fund	**3mth**	**1 Yr**	**3 Yr**	**5 Yr**	**10Yr**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**3Yr**	**5Yr**	**3Yr**	**5Yr**
iShares MSCI EAFE Min Vol.	1.20	19.92	N/A	N/A	N/A	12.91	24.14	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
BMO MSCI EAFE Index (C$ Hedged)	8.73	18.20	18.04	8.94	N/A	5.12	26.95	17.04	-12.9	1.36	N/A	76	76	25	78
iShares Int'l Fundamental Idx	4.29	9.25	18.88	9.56	N/A	1.61	32.74	13.06	-14.2	0.59	11.95	105	109	140	138
iShares MSCI World (NEW)	1.72	17.55	20.89	14.07	N/A	14.31	35.69	11.82	-4.10	5.54	N/A	96	96	111	105

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	0.46%	$163.0	• Still much uncertainty in EM, although signs pointing to stabilization. • Lower MER and tracking error than XEM • Expecting short term volatility to continue
iShares Gold Bullion Fund ETF	TSX: CGL	Commodity	Other	0.56%	$236.0	• ETF is fully hedged back to Canadian dollars. **For unhedged exposure use TSX: MNT** • Barring renewed geopolitical tensions, or unexpected inflation, further weakness is expected near term
BMO Equal Weight REITs Index ETF	TSX: ZRE	Real Estate Equity	Equal Weighted	0.62%	$374.0	• With rates in Canada on hold for near term, the outlook for REITs is stronger. • More diversified than the other REIT ETFs. • Risk adjusted returns likely to be better
BMO Global Infrastructure	TSX: ZGI	Global Equity	Cap Weighted	0.62%	$331.0	• 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	0.61%	$957.0	• 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**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**3Yr**	**5Yr**	**3Yr**	**5Yr**
BMO MSCI Emerging Markets	3.51	16.88	9.28	5.70	N/A	4.53	4.56	12.39	-17.1	12.54	N/A	89	96	92	105
iShares Gold Bullion Fund ETF	-6.41	-8.44	-10.7	-0.27	N/A	-1.50	-28.7	7.08	9.55	29.12	N/A	N/A	N/A	N/A	N/A
BMO Equal Weight REITs	0.47	10.61	6.07	N/A	N/A	8.68	-4.74	18.16	13.68	N/A	N/A	49	N/A	61	N/A
BMO Global Infrastructure	-3.85	21.37	20.88	20.71	N/A	30.36	22.43	12.87	18.75	N/A	47.47	73	72	-10	-58
iShares S&P/TSX Cpd Financials Index	9.84	8.97	14.44	9.67	8.10	11.89	26.00	16.42	-4.40	7.91	4.47	53	63	7	48

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.

Horizons Active Canadian Dividend ETF (TSX: HAL) – The investment objective of the Horizons Active Canadian Dividend ETF (the “ETF”) is to seek long-term total returns consisting of regular dividend income and modest long-term capital growth. The ETF invests primarily in equity securities of major North American companies with above average dividend yields. The ETF, to the best of its ability, seeks to hedge its U.S. currency exposure to the Canadian dollar at all times.

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.

First Asset Morningstar Canadian Momentum Index ETF (TSX: WXM) – The First Asset Morningstar Canada Momentum Index ETF (the "Fund") has been designed to replicate, to the extent possible, the performance of the Morningstar® Canada Target Momentum Index (the "Index") (formerly, Morningstar® Canada Momentum Index), net of expenses. The Index is comprised of liquid equity securities of Canadian companies, utilizing proprietary CPMS methodologies from Morningstar to screen for, among other things, above average returns on equity, with an emphasis on upward earnings estimate revisions and technical price momentum indicators. To qualify for inclusion in the Index, the constituent securities must, among other things, trade on the TSX, be classified as a Canadian issuer, and demonstrate average monthly volume (12 month) in the top third of stocks in the investible universe. The Index is comprised of the top 30 issuers that meet the screening requirements, and are equally weighted and rebalanced quarterly.

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.

iShares MSCI World Index ETF (TSX: XWD) – The iShares MSCI World Index ETF seeks to provide long-term capital growth by replicating, to the extent possible, the performance of the MSCI World Index, net of expenses. The MSCI World Index is a free float-adjusted market capitalization weighted index provided by MSCI, Inc. that is designed to measure the equity market performance of developed markets.

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.