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Minimizing Risk to Maximize Returns

ETF FOCUS LIST

September 2015

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Contents

The Focus List

		% Returns at July 31, 2015									
Name	Ticker	3 Mth	1 Yr	3 Yr	5 Yr	MER	3 Yr. Tracking Error	5 Yr. Tracking Error	3 Yr. Standard Deviation	5 Yr. Standard Deviation	Average Daily Volume
Fixed Income											
PowerShares Senior Loan CAD Hedged	BKL	-1.19	0.81	3.17	N/A	0.82%	9.09	N/A	2.87	N/A	4K
iShares Canadian Short Term Bond Index	XSB	1.14	3.48	2.49	2.68	0.28%	0.82	0.98	1.46	1.44	79K
iShares 1-5 Year Laddered Corporate Bond	CBO	0.65	3.63	3.12	3.42	0.28%	1.05	1.28	1.54	1.57	104K
iShares Canadian Universe Bond Index	XBB	1.19	6.81	3.71	4.92	0.33%	0.85	1.00	4.13	3.74	69K
PowerShares Tactical Bond ETF	PTB	0.56	5.40	N/A	N/A	0.53%	N/A	N/A	N/A	N/A	17K
Income / Cash Flow											
BMO Monthly Income ETF	ZMI	-1.56	2.02	5.33	N/A	0.63%	2.90	N/A	4.52	N/A	6K
iShares Diversified Monthly Income Fund	XTR	-3.59	-1.10	3.36	6.02	0.56%	2.86	2.90	4.29	4.32	69K
Canadian Equity											
BMO Low Volatility Canadian Equity ETF	ZLB	1.68	23.30	21.58	N/A	0.40%	7.65	N/A	6.14	N/A	44K
PowerShares FTSE RAFI Cdn Fundamental	PXC	-8.59	-10.9	8.79	N/A	0.51%	3.49	N/A	9.31	N/A	7K
Horizons Active Canadian Dividend	HAL	-1.53	1.25	12.43	10.0	0.79%	5.79	6.31	7.73	8.96	2K
iShares S&P/TSX Cdn Dividend Aristocrats	CDZ	-6.42	-2.47	8.41	9.51	0.66%	5.00	5.83	7.87	7.95	49K
iShares Core S&P/TSX Capped Composite	XIC	-4.29	-2.87	10.56	7.15	0.06%*	0.64	0.84	7.66	9.72	175K
iShares S&P/TSX Completion Index	XMD	-8.11	-9.72	6.52	6.20	0.62	0.83	0.96	9.06	11.38	10K
First Asset Morningstr Cdn Momentum	WXM	-0.79	9.50	17.20	N/A	0.67	6.25	N/A	7.80	N/A	19K
U.S. Equity											
Vanguard MSCI U.S. Broad Mkt (C$ Hedged)	VUS	1.50	10.89	17.81	N/A	0.16%	8.86	N/A	8.97	N/A	14K
iShares US Fundamental Index	CLU	-1.19	5.71	17.35	14.39	0.72%	9.53	9.71	8.92	12.39	8K
iShares Core S&P 500 Index	XSP	1.66	11.38	17.65	15.84	0.13%	8.63	8.97	8.71	11.85	330K

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

Name	Ticker	3 Mth	1 Yr	3 Yr	5 Yr	MER	3 Yr. Tracking Error	5 Yr. Tracking Error	3 Yr. Standard Deviation	5 Yr. Standard Deviation	Average Daily Volume
		% Returns at July 31, 2015									
International / Global Equity											
iShares MSCI EAFE Minimum Volatility Index	XMI	8.41	27.62	N/A	N/A	0.37%	N/A	N/A	N/A	N/A	11K
BMO MSCI EAFE Index (C$ Hedged)	ZDM	1.46	17.11	18.94	10.29	0.29%	7.00	6.82	8.60	11.36	21K
iShares International Fundamental Index	CIE	4.73	13.45	22.68	10.87	0.72%	3.24	3.96	9.47	13.13	16K
iShares MSCI World	XWD	7.89	25.36	24.45	16.61	0.46%	1.12	1.18	7.87	9.06	15K
Specialty / Sector											
BMO MSCI Emerging Markets ETF	ZEM	-5.47	3.96	9.06	4.41	0.46%	2.81	3.43	10.50	13.70	7K
iShares Gold Bullion Fund ETF	CGL	-7.91	-15.4	-12.5	-1.95	0.56%	16.28	18.73	16.30	18.73	51K
BMO Equal Weight REITs Index ETF	ZRE	-5.46	2.47	2.35	9.42	0.62%	10.59	11.02	9.95	9.63	25K
BMO Global Infrastructure	ZGI	1.60	16.42	19.59	20.86	0.62%	8.60	9.82	9.56	8.37	16K
iShares S&P/TSX Capped Financials Index	XFN	-2.84	-2.39	15.97	10.20	0.61%	10.94	11.10	10.36	11.16	204K

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

NONE

Deletions

NONE

ETFs of Note

PowerShares Senior Loan CAD Hedged ETF (TSX: BKL) – With many expecting the U.S. Federal Reserve to start moving rates higher at their meeting later this month, floating rate notes and loans have once again been put on investors' radar. This is one of the better floating rate ETFs available. It provides exposure to the S&P/LSTA U.S. Leveraged Loan 100 Index, which is the largest 100 loan facilities in the S&P/LSTA Leveraged Loan Index. The interest rate paid on these loans will generally move with a benchmark rate such as LIBOR. However, even if the Fed starts moving rates higher, don't expect the coupon rate on this ETF to move higher at the same pace. That is because the majority of the loans have an interest rate floor built into them. The interest rate floor is the lowest rate used to calculate the coupon payment. For example, if the interest rate floor is set at 1%, and the benchmark rate falls to 0.5%, the coupon payment will be determined using the 1% floor instead of the 0.50% actual rate. This feature was put in place to protect investors against falling interest rates. At the end of November 2014, 87 of the 100 loans had an interest rate floor, and 64 of those loans had a floor of 1% or higher, according to a report published by S&P Dow Jones Indices. In other words, there is unlikely to be a meaningful movement in returns until we see an increase in the benchmark rates. Ironically, this protection feature that was put in place to protect investors on the way down will hurt them on the way back up. I expect very modest levels of return in the near to medium term.

iShares 1-5 Year Laddered Corporate Bond (TSX: CBO) – Recently, FTSE/TMX Global Debt Capital Markets, the provider of the index on which this ETF is based, announced some changes to the index construction methodology. The first change allows bonds rated BBB to be included in the index. Previously, only those bonds rated A or higher could be included. This change is expected to result in a higher running yield than previously. The next change eliminates the maximum number of bonds in each maturity bucket. Previously, the number of bonds in each maturity bucket was capped at 20. This will allow for a greater level of diversification within the portfolio. The final change increases the rebalancing frequency from annually to semi-annually. On balance, these changes are positive for the ETF. A drawback however is the reconstitution of the index has caused a slight increase in the duration as the bonds with the most recent maturities were removed from the index and replaced with longer dated bonds. Over the next several months, the duration will naturally drop until the next reconstitution of the index.

iShares Canadian Universe Bond Index ETF (TSX: XBB) – Given the lackluster economic numbers posted by the Canadian economy, and news that we were officially in recession in June, many are expecting the Bank of Canada to cut rates again at their next meeting. If that does happen, this is an ETF you'll want to own. It provides exposure to the Canadian bond universe, with two thirds in government bonds, 30% in corporates. All the bonds are investment grade, and the duration is in the 7.4 year range. This makes a great core bond holding for most investors.

First Asset Morningstar Canadian Momentum ETF (TSX: WXM) – Even with a concentrated portfolio, following a "riskier" momentum strategy, this rules based ETF continued to outperform. For the three months ending July 31, it lost 0.80%, which is pretty uninspiring, until you consider the S&P/TSX Composite lost 4.3% in the same period. The underweight in energy, and financials was a key reason for this outperformance. While I don't expect the absolute level of outperformance to be sustainable over the long term, I do expect this to modestly outpace the broader market, with a slightly higher level of volatility. I likely wouldn't use it as a core holding, but it could definitely be a nice return enhancing addition to an otherwise well diversified portfolio.

BMO Low Volatility Canadian Equity ETF (TSX: ZLB) – One of the worries that I have about many of the low volatility funds out there is that they won't hold up when the going gets rough. If the most recent three month period is any indication, I think these products will be just fine. Of the seven Canadian equity ETFs on the focus list, this was the only one to finishing in positive territory, gaining 1.7%. Even in August, when the S&P/TSX Composite lost more than 4%, this was down by just under 3%, again, holding up better in volatile times. As we head into the fall, with September historically being the most volatile period for equity markets, I expect this ETF to continue to do what it is designed to do – provide better downside protection than the broader markets. Longer term, I have some concerns with the valuation levels of the portfolio as a whole, but if you're comfortable with it, this could be a good pick for your portfolio.

PowerShares FTSE RAFI Canadian Fundamental Index ETF (TSX: PXC) – I'll be honest, I love the concept of a fundamentally constructed ETF. I like that it takes a look at a number of the same factors a good active manager would consider; things like earnings, sales, and dividends. Theoretically, it should result in a better built, and more diversified index than an index that is simply made up of the largest publicly traded companies in Canada. Unfortunately in practice, this hasn't been the case. Looking at the sector mix, it is significantly more concentrated than the S&P/TSX Composite, which is itself fairly concentrated. For example, it has more than 40% invested in financials, not including real estate, compared with just over 30% for the index. It also has more than 23% in energy, compared with just under 20% for the index. The reason for this level of concentration is based solely on the relative ranking of the stocks, based on the fundamental criteria. While I can appreciate that, I believe that it has become just too concentrated a portfolio to be used as a core holding, with nearly two-thirds invested in two sectors. If you're comfortable with that kind of concentration risk, this isn't a bad option. However, if you are looking for marginally better diversification, you're better off sticking with XIC for your Canadian equity exposure.

BMO MSCI EAFE Hedged to CAD Index ETF (TSX: ZDM) – After a pretty impressive run-up, this ETF has hit a rough patch, losing 7.8% in August, on fears of a global slowdown. With China playing an ever increasing role in the economy of many Asian and European nations, any significant pause will hurt the outlook for many EAFE based companies. This rough patch is what we are experiencing now. The other thing that has hurt this ETF is its currency hedging policy. With the Canadian dollar losing more than 12% on a year-to-date basis, ZEA, the unhedged version of this ETF has dramatically outperformed, solely on the weaker currency. Looking ahead, I believe that the worst of the drop is behind us, but still see the potential for more downside and heightened volatility. I still see this as the best option for EAFE exposure over the long term, but have some concerns in the near term. In the near term, I'm favouring the **iShares MSCI EAFE Minimum Volatility Index ETF (TSX: XMI)** for the potential for lower volatility. However, if you hold ZDM and are comfortable with the near term outlook, I'd suggest holding on to it. If you're looking to step in and buy more, you're likely better off waiting for a pullback.

iShares Core S&P 500 Index ETF (CAD- Hedged) (TSX: XSP) – If I had to rate the markets I feel will hold up best over the next few quarters, the U.S. is definitely at the top of that list. While the economy is far from firing on all cylinders, it is still growing at a modest clip, and is much stronger than Canada, Europe or Asia. That being the case, I continue to favour the U.S. for my core equity exposure. Sure, more volatility is expected into the fall, but the U.S. is expected to hold up better. While I don't have it on my list, I am actually favouring XUS over this ETF in the near term. This is particularly true if the Fed does indeed start raising rates in the fall, as it will push the value of the U.S. dollar even higher, amplifying gains or muting losses solely because of the currency effect. However, over the long term, the fully hedged XSP remains my top pick.

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%	$47	• Coupon payments float with LIBOR • Good way to reduce rate sensitivity • Returns may not move higher as quickly as expected because of rate floors.
iShares Canadian Short Term Bond	TSX: XSB	Short Term Fixed Income	Cap Weighted	0.28%	$2,121	• 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%	$2,323	• Provides exposure to a portfolio of corporate bonds with laddered maturities • Recent changes increase number of issues • Reconstitution increases duration slightly
iShares Canadian Universe Bond	TSX: XBB	Traditional Bond	Cap Weighted	0.33%	$1,882	• Portfolio is approximately two thirds governments, one third in 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%	$284	• Invests in a mix of underlying bond ETFs • Asset mix adjusted monthly by manager • A "one-ticket" bond portfolio • Recent performance has disappointed. • 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	-1.19	0.81	3.17	N/A	N/A	0.49	3.77	N/A	N/A	N/A	N/A	5	N/A	-54	N/A
iShares Cdn Short Term Bond	1.14	3.48	2.49	2.68	3.53	3.05	1.39	1.58	4.41	3.29	4.42	73	69	45	45
iShares 1-5 Yr Ldr Corp Bd	0.65	3.63	3.12	3.42	N/A	3.23	2.07	3.18	4.76	3.80	N/A	81	79	24	27
iShares DEX Universe Bond	1.19	6.81	3.71	4.92	4.81	8.28	-1.31	3.01	9.33	6.14	5.18	111	103	94	86
PowerShares Tactical Bond	0.56	5.40	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%	$90	• Invests in a portfolio of fixed income and high yielding equity ETFs from BMO • Target mix is 50% equity 50% bonds. • Holds 55% equiy, 40% bonds • Slightly more volatile than XTR • A decent one ticket solution for income focused investors. Yields approximately 4%
iShares Diversified Monthly Income	TSX: XTR	Fixed Income Balanced	Fund of ETFs	0.56%	$687	• Invests in a mix of income focused ETFs • Emphasis on cash flow. Yields 6.5% • 10% weighting in preferred shares dragged performance in wake of BoC rate cut. • 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	-1.56	2.02	5.33	N/A	N/A	9.40	3.34	10.24	N/A	N/A	N/A	69	N/A	63	N/A
iShares Div. Monthly Income	-3.59	-1.10	3.36	6.02	N/A	6.51	2.06	8.37	6.62	15.61	39.75	67	102	150	146

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%	$570	• Lived up to promise in volatile quarter. • 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%	$135	• Portfolio is excessively concentrated in energy and financials. Higher vol expected. • Concentration is cause for concern. • Invests in Canadian companies ranked by dividends, cash flow, sales and book value
Horizons Active Canadian Dividend	TSX: HAL	Cdn Dividend & Income Equity	Active - Fundamental	0.79%	$17	• 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
iShares S&P/TSX Canadian Dividend Aristocrats	TSX: CDZ	Cdn Dividend & Income Equity	Rules Based	0.66%	$920	• Invests only in companies that have increased dividends for 5 consecutive years • All cap mandate, but skews Mid Cap • Energy holdings hurt returns in quarter
iShares Core S&P/TSX Capped Composite	TSX: XIC	Canadian Equity	Cap Weighted	0.06%*	$2,040	• Provides exposure to the TSX Composite • Recently cut management fee to 0.05% • Concentrated in energy, financials & materials. Less concentrated than PXC
iShares S&P/TSX Completion Index	TSX: XMD	Canadian Small / Mid-Cap Equity	Cap Weighted	0.62	$186	• Invests the stocks in the S&P/TSX Composite that are not in the S&P/TSX 60 • Very mid-cap focused. I still favour mids over small caps, despite the more favourable valuations of the small caps.
First Asset Morningstar Canadian Momentum	TSX: WXM	Canadian Equity	Rules Based	0.67	$165	• Held up well during volatile quarter • Invests in highly liquid Canadian equities that have shown positive momentum traits • 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	1.68	23.30	21.58	N/A	N/A	28.37	20.70	14.07	N/A	N/A	N/A	94	N/A	-52	N/A
PowerShares FTSE RAFI Cdn Fundamental	-8.59	-10.9	8.79	N/A	N/A	6.66	16.19	N/A	N/A	N/A	N/A	104	N/A	136	N/A
Horizons Active Canadian Divi-dend	-1.53	1.25	12.43	10.0	N/A	12.89	19.76	8.78	-0.47	N/A	N/A	83	87	35	54
iShares S&P/TSX Cdn Dividend Aristocrats	-6.42	-2.47	8.41	9.51	N/A	12.96	13.59	8.84	6.07	15.69	38.43	85	82	95	50
iShares Core S&P/TSX Capped Composite	-4.29	-2.87	10.56	7.15	6.17	10.95	12.46	7.01	-8.79	17.42	34.55	99	100	99	102
iShares S&P/TSX Completion	-8.11	-9.72	6.52	6.20	5.15	5.07	11.99	3.92	-8.48	30.21	45.95	97	97	100	101
First Asset Morningstar Canadian Momentum	-0.79	9.50	17.20	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%	$267	• 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%	$161	• Holds the largest 1000 U.S. stocks by fundamental value including dividends, cash flow, sales, and book value. • Despite more attractively valuations, I favour XSP over this ETFs. • Tough to beat S&P 500 in any market
iShares Core S&P 500 Index	TSX: XSP	U.S. Equity	Cap Weighted	0.13%	$2,803	• 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. equities** • CAD expected to fall if FED cuts rates. May want to use XUS in short term because of unhedged currency. Same 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)	1.50	10.89	17.81	N/A	N/A	13.08	33.87	15.36	N/A	N/A	N/A	69	N/A	115	N/A
iShares US Fundamental Index	-1.19	5.71	17.35	14.39	N/A	12.79	35.44	15.39	-2.00	16.83	29.07	63	86	66	173
iShares Core S&P 500 Index	1.66	11.38	17.65	15.84	5.83	14.02	32.33	15.41	0.65	13.91	22.92	67	89	98	157

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%	$160	• Best performing ETF on list in quarter. • Lived up to promise in volatile markets • Valuations remain high. Caution for now • Uses an optimization approach to try to minimize the volatility of the EAFE Index • Smallest market cap of ETFs on list
BMO MSCI EAFE Index (C$ Hedged)	TSX: ZDM	International Equity	Cap Weighted	0.29%	$929	• Lowest cost way to replicate MSCI EAFE. • Currency exposure is fully hedged. BMO offers unhedged version, ZEA, which might be better option in near term.
iShares International Fundamental Index ETF	TSX: CIE	International Equity	Fundamental	0.72%	$243	• Invests in 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	TSX: XWD	Global Equity	Cap Weighted	0.46%	$360	• Replicates 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.	8.41	27.62	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)	1.46	17.11	18.94	10.29	N/A	5.12	26.95	17.04	-12.9	1.36	N/A	74	78	22	82
iShares Int'l Fundamental Idx	4.73	13.45	22.68	10.87	N/A	1.61	32.74	13.06	-14.2	0.59	11.95	101	105	115	139
iShares MSCI World	7.89	25.36	24.45	16.61	N/A	14.31	35.69	11.82	-4.10	5.54	N/A	97	97	110	106

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%	$158	• China situation creating increased uncertainty in EM. Higher volatility expected • Lower MER and tracking error than XEM • Expecting short term volatility to continue
iShares Gold Bullion Fund ETF	TSX: CGL	Commodity	Other	0.56%	$221	• ETF is fully hedged back to Canadian dollars. **For unhedged exposure use TSX: MNT** • Barring renewed geopolitical tensions, or unexpected inflation, outlook remains negative in near to medium term.
BMO Equal Weight REITs Index ETF	TSX: ZRE	Real Estate Equity	Equal Weighted	0.62%	$367	• Seeing erosion in office and industrial segments. Near term headwinds remain. • 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%	$251	• 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%	$871	• Invests in the largest banks and insurance companies that trade on the TSX • Bank earnings were strong, however slower economy to create headwinds. • Expect continued volatility in 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	-5.47	3.96	9.06	4.41	N/A	4.53	4.56	12.39	-17.1	12.54	N/A	90	95	91	102
iShares Gold Bullion Fund ETF	-7.91	-15.4	-12.5	-1.95	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	-5.46	2.47	2.35	9.42	N/A	8.68	-4.74	18.16	13.68	N/A	N/A	34	53	60	30
BMO Global Infrastructure	1.60	16.42	19.59	20.86	N/A	30.36	22.43	12.87	18.75	N/A	47.47	73	71	2	-63
iShares S&P/TSX Cpd Financials Index	-2.84	-2.39	15.97	10.20	7.02	11.89	26.00	16.42	-4.40	7.91	4.47	47	56	-87	41

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, exchange traded funds, hedge funds and other exempt market products to financial advisors, individual investors and investment dealers.

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.

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.