D. A. PATERSON & ASSOCIATES INC.
Minimizing Risk to Maximize Returns

ETF FOCUS LIST

December 2015

Contents

The Focus List

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 October 31, 2015									
Fixed Income											
PowerShares Senior Loan CAD Hedged	BKL	-2.07	-1.38	1.64	-	0.82%	9.26	-	2.96	-	4K-
iShares Canadian Short Term Bond Index	XSB	-0.58	2.55	2.14	2.32	0.28%	0.83	0.93	1.51	1.43	76K↓
iShares 1-5 Year Laddered Corporate Bond	CBO	-0.90	2.56	2.48	2.78	0.28%	1.06	1.21	1.64	1.60	109K↑
iShares Canadian Universe Bond Index	XBB	-1.73	4.02	2.99	3.99	0.33%	1.00	1.01	4.23	3.79	85K↑
PowerShares Tactical Bond ETF	PTB	-2.06	2.55	2.33	-	0.53%	1.43	-	4.18	-	12K↓
Income / Cash Flow											
BMO Monthly Income ETF	ZMI	-1.83	-0.75	4.01	-	0.63%	3.07	-	5.16	-	7K↑
iShares Diversified Monthly Income Fund	XTR	-2.00	-3.55	2.06	4.15	0.56%	3.04	2.95	4.76	4.37	67K↓
Canadian Equity											
BMO Low Volatility Canadian Equity ETF	ZLB	-2.39	13.27	19.01	-	0.40%	7.57	-	6.78	-	49K↑
PowerShares FTSE RAFI Cdn Fundamental	PXC	-2.10	-6.98	5.73	-	0.51%	3.98	-	10.31	-	7K-
Horizons Active Canadian Dividend	HAL	-3.11	-1.07	9.63	8.13	0.79%	5.64	6.28	8.60	9.31	3K↑
iShares S&P/TSX Cdn Dividend Aristocrats	CDZ	-0.22	-3.59	6.84	7.34	0.66%	5.14	5.96	8.26	7.82	41K↓
iShares Core S&P/TSX Capped Composite	XIC	-5.79	-4.68	5.82	4.10	0.10%	0.63	0.85	8.34	9.92	169K↓
iShares S&P/TSX Completion Index	XMD	-4.48	-7.95	2.86	2.37	0.62%	0.86	0.94	9.64	11.23	9K↓
First Asset Morningstr Cdn Momentum	WXM	-7.93	-1.13	11.89	-	0.67%	6.19	-	8.92	-	20K↑
U.S. Equity											
Vanguard MSCI U.S. Broad Mkt (C$ Hedged)	VUS	-1.92	4.07	15.90	-	0.16%	8.88	-	10.78	-	15K↑
iShares US Fundamental Index	CLU	-1.76	0.70	14.88	12.76	0.72%	9.59	9.48	10.85	12.45	7K↓
iShares Core S&P 500 Index	XSP	-1.23	4.73	16.04	13.91	0.13%	8.70	8.81	10.65	12.06	294K↓

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 October 31, 2015									
International / Global Equity											
iShares MSCI EAFE Minimum Volatility Index	XMI	-2.35	21.86	18.96	-	0.37%	6.70	-	11.05	-	13K↑
BMO MSCI EAFE Index (C$ Hedged)	ZDM	-6.06	7.20	14.76	8.69	0.29%	7.17	6.61	11.25	12.44	32K↑
iShares International Fundamental Index	CIE	-5.42	10.01	16.71	7.81	0.72%	3.01	3.88	11.12	13.49	14K↓
iShares MSCI World	XWD	-2.74	17.26	21.62	14.24	0.46%	1.47	1.37	9.58	9.67	7K
First Asset MSCI Eur. Low Weighted C$Hdg	RWE	-0.02	14.46	-	-	0.66%	-	-	-	-	
Specialty / Sector											
BMO MSCI Emerging Markets ETF	ZEM	-5.96	-1.89	5.46	1.07	0.46%	2.77	3.47	11.87	14.02	6K↑
iShares Gold Bullion Fund ETF	CGL	4.04	-3.27	-13.24	-3.88	0.56%	15.85	18.46	15.87	18.46	31K↓
BMO Equal Weight REITs Index ETF	ZRE	-3.08	-3.82	1.26	6.40	0.62%	10.41	10.92	10.29	9.44	28K↑
BMO Global Infrastructure	ZGI	-3.53	4.40	17.70	17.06	0.62%	8.21	9.67	10.22	8.87	14K↓
iShares S&P/TSX Capped Financials Index	XFN	-0.26	-1.22	13.23	9.63	0.61%	11.20	11.20	10.75	10.98	215K↑

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

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
- The arrows beside the Average Daily Volume show if the average daily volume has increased or decreased over the last report.

List Changes

Additions

First Asset MSCI Europe Low Weighted ETF (Hedged) (TSX: RWE) – The outlook for European equities remains mixed, but still somewhat positive. This is thanks to the increasing probability the European Central Bank (ECB) will take additional stimulus measures to help spur the moribund economy. Further, lower energy prices and a weakening Euro help to provide an underpinning of support. We are seeing business confidence improving, and according to consulting firm EY, investment and consumer spending is expected to improve in the next few quarters. This is not without risks, as recent terror attacks in Paris have the region on high alert, and high debt levels from some EU members remains a concern.

While it might be a bit early to step into direct European equity exposur for many people, those with a higher appetite for risk may want to consider it. One interesting way to get some exposure to the region without taking on the full risk of the market would be to use this ETF. It provides exposure to the 100 least volatile stocks in the MSCI Europe Index. Stocks that have a lower level of variance are given a higher weight within the index, while those with higher volatility carry a lower weight. Currency exposure is hedged, which will help protect against any adverse movements in the value of the Canadian dollar. The index is rebalanced on a quarterly basis.

Given the selection methodology, the portfolio looks somewhat different than the MSCI Europe Index. Company size tends to skew a little smaller, with an average market cap that is about two-thirds that of the index. Sector weights are also different, with this ETF holding overweight positions in more defensive sectors such as real estate, consumer staples, industrials, and utilities.

While the ETF is relatively new, launched in early 2014, back tested data going back to 1999 shows this risk weighted index would have significantly outperformed the broader MSCI Europe Index over the past three, five, and ten year periods. Over the past year, the ETF outpaced other hedged ETFs, gaining an impressive 14.5%. While this is impressive, what really catches my attention are the risk metrics. According to the back tested data provided, the level of volatility was about two thirds that of the broader European market. Further, it had a down capture ratio of 47%, meaning on average, it only experienced about half the downside of the market, yet was still able to participate in more than 70% of the upside.

Going forward, I would expect that with the potential for higher volatility not only in Europe, but with markets in general, I see this as a reasonably attractive way to access European equities, without taking on a lot of extra risk. I would expect that it will continue to strongly outperform in falling markets, but lag in rising markets. This is a tradeoff I am comfortable making!

Deletions

NONE

ETFs of Note

PowerShares Senior Loan CAD Hedged ETF (TSX: BKL) – It was not a good quarter for riskier parts of the fixed income market, including leveraged loans. For the three-month period ending October 31, BKL dropped 2.07%, lagging its peers, and delivering the worst performance of any fixed income fund on the Focus List. With markets becoming extremely volatile, investors shunned riskier assets, and instead moved into safer haven assets. If nothing else, this loss highlights why floating rate notes and loans should only be a portion of your fixed income allocation, and not as many wholesalers may suggest, a core part of it. Since the summer, floaters have been down, and BKL has now given back all the gains it earned in 2014 and the first few months of 2015. But as they say, past performance is not indicative of future performance, and I believe that to be the case here. The market fully expects the U.S. Federal Reserve will start moving interest rates higher in December, which will be a positive for this ETF. That said, there is no rush to get into this, as many of the loans in the portfolio have rate floors in place, which will limit gains until rates move significantly higher. I don't expect much of a pop in this fund in the near term, but I do like the longer term outlook with it likely rates will begin moving higher soon.

PowerShares Tactical Bond ETF (TSX: PTB) – This is a tactically managed, diversified bond portfolio that provides exposure to Canadian government, investment grade corporate, and real return bonds, as well as U.S. high yield, and emerging market debt. The portfolio management team will tactically shift the exposure to a number of underlying ETFs in an effort to best position the portfolio for the market. To be blunt, so far, they've failed, gaining a very modest 2.55% for the year ending October 31, while the FTSE/TMX Canadian Universe Bond Index has gained 4.43%. The big reason for this underperformance is its exposure to emerging market debt, high yield, and real return bonds. Each of these asset classes has struggled, compared with more traditional, investment grade Canadian bonds.

However, as I look ahead, with rates likely to start moving higher, I would expect this well-diversified, actively managed ETF to hold up better than the more traditional bond ETFs. The team is fairly active in shifting the positioning, making several tactical moves over the quarter. That should certainly help as rate volatility moves higher. A drawback to this strategy is if the management team is not reactive enough in making these changes, any outperformance may be limited.

I continue to watch this ETF closely, and if there is not a sufficient turnaround in performance, it will be removed from the Focus List.

BMO Monthly Income Fund (TSX: ZMI) – At the end of November, the ETF held nearly 60% in income equity ETFs, 37% in corporate bond, and the rest, just over 4% in emerging market debt. For the three months ending October 31, it was down by 2.2%, which while disappointing, did manage to outpace the 60/40 equity / fixed income benchmark. A big key to this recent outperformance stems from its conservative positioning, with nearly 30% in short term bonds, and most of the equity exposure focused on higher quality dividend mandates. It is scheduled to be reconstituted in January, which will see the asset mix shift back towards a 50/50 split, and will also see the short term allocation reduced to a maximum of 20%. This will result in a slight bump in the risk profile, both because of the higher equity exposure and the higher duration. This could be positive if we see a nice rally in equities, but could prove to be a negative in a market selloff. At the end of November, the distribution yield was just north of 4%, generating a nice cash flow for those looking for income. Still, I think this could be a good one ticket solution for smaller investors looking for diversified, income focused exposure. Those with larger portfolios are likely better off building their own, more tailored asset mix.

iShares S&P/TSX Canadian Dividend Aristocrats Index ETF (TSX: CDZ) – This was the best performing Canadian equity ETF on the focus list for the period, losing a very modest 0.2%, while the broader market was down more than 5.7%. With market volatility on the upswing, investors' attention started to turn to better quality, and higher yielding issues, which this ETF invests in. To qualify for inclusion, a company must have increased dividends for at least five consecutive years. Another thing I like about this ETF is its valuation metrics look more favourable than the broader market, with valuations lower, and a yield that is higher than the S&P/TSX Composite. This should help to offer stronger downside protection if markets remain volatile. It also pays a variable monthly distribution that has ranged between $0.074 and $0.080 per unit, which works out to an annualized yield of around 3.8%. My biggest worry about this is it is an all cap mandate, with a lot of exposure to small and mid-cap names. This could result in periods of above average volatility. Still, I see this as a solid dividend focused offering.

iShares Core S&P/TSX Capped Composite Index ETF (TSX: XIC) – Canadian equities have struggled of late, with the S&P/TSX Composite Index losing 5.8% on a total return basis. There were two key factors driving this decline; continued weakness in the energy markets, and Valeant Pharmaceuticals fall from grace. The energy sector was off more than 3.3% as the outlook for oil remains weak. Until we see a stabilization in the energy markets, I expect Canadian equities to remain volatile. Valeant is another story completely. Not too long ago, it was challenging for the top spot on the TSX, with a market capitalization that rivaled RBC. However, in August, many began questioning the sustainability of the firm's business model, sending shares tumbling precipitously. In early August, it traded at more than $346 a share. It is now trading down around $130 per share, losing nearly two thirds of its value in just a few months. Looking ahead, barring a sharp rebound in price, Valeant isn't likely to be a major factor that drives the market. The bigger issues will be energy, and the rate of growth in the U.S. I remain cautiously optimistic on both, and am somewhat positive on the medium term outlook for Canadian equities. Valuations appear to be quite favourable, particularly when compared with the expected earnings growth rates. Concentration within the financial and energy sector remains high, and somewhat concerning, but is less troublesome than it was before the energy selloff. Further, it is one of the most cost effective ways to access the space. Combined, these factors make this a solid pick for Canadian equity exposure.

iShares US Fundamental Index ETF (TSX: CLU) – Looking only at the fundamentals of the portfolio, this appears to be the most attractive U.S. ETF on my Focus List. Valuation metrics such as price to earnings, price to book, and price to cash flow are significantly more favourable than either the **iShares Core S&P 500 Index ETF (TSX: XSP)**, or the **Vanguard U.S. Total Market Index ETF (TSX: VUS)**. This is not particularly surprising, given the methodology used to select and weight the stocks in the ETF. Tracking an index constructed by Research Affiliates, it holds the top 1000 U.S. listed companies as ranked by three factors; total cash dividends, free cash flow, and total sales. It also considers book value in the ratings. What this fails to consider is earnings growth, and when this is taken into account, the other two ETFs on the Focus List look to be more attractive. Further, I had hoped the fundamental methodology would result in better risk measures, but unfortunately that has not played out as expected, as its volatility and down capture measures are in line with the others. While I favour the theory of the construction methodology used for this ETF, I prefer the more cost effective cap weighted options XSP or VUS at the moment.

iShares MSCI EAFE Minimum Volatility Index ETF (TSX: XMI) – Low volatility funds are designed to provide returns that are roughly in line with the broader equity markets, but also offer lower volatility, and much stronger downside protection. While there isn't sufficient history for a lot of these funds, the early results are certainly encouraging. For example, according to Morningstar, for the past three years, XMI has shown a down capture ratio of 21%, meaning it experienced only a fraction of the downside of the broader market. This has resulted in a level of return that is much stronger than what has been experienced with the more traditionally constructed **BMO MSCI EAFE Index (TSX: ZDM)**. One problem I have noted with other low vol funds is the level of valuation is significantly higher than comparable cap weighted ETFs. In the international equity space, that is not the case, with valuation levels of XMI, higher, but not significantly so when compared with ZDM. Things look even more attractive when forward looking growth rates are considered, making this my top international equity pick at the moment, even with the higher MER.

BMO MSCI Emerging Markets Index ETF (TSX: ZEM) – With the slowdown in China, and global demand for commodities weak, the emerging markets have struggled. For the year ending October 31, the MSCI Emerging Markets Index lost more than 14% in U.S. dollar terms. While the recent past is dismal, the medium to long term outlook is more positive. Valuation levels are significantly below historic averages. According to Brandes Investment Partners, the MSCI EM Index was trading at a 24% discount to the historic average, 30% to developed markets, and 35% lower than the S&P 500, based on the P/E ratio. Numbers were similar when comparing P/B and P/CF. This indicates that there is some upside to emerging markets equities. Unfortunately, with the uncertainty hovering over China and commodities, we may see more volatility and downside before things turn around, and the timing of any turnaround is unknown. I am avoiding direct exposure until we get a bit more clarity. Still, I believe this is the best option for passive emerging market exposure.

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%	$40	• Q3 Performance hurt on flight to quality • 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%	$2,196	• 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's higher duration over this for now.
iShares 1-5 Year Laddered Corp Bd	TSX: CBO	Short Term Fixed Income	Equal Weighted	0.28%	$2,166	• Provides exposure to a portfolio of corporate bonds with laddered maturities • Recent changes increase number of issues • Duration remains above XSB making it my top pick for the near term.
iShares Canadian Universe Bond	TSX: XBB	Traditional Bond	Cap Weighted	0.33%	$1,921	• 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%	$283	• EM and high yield dragged in Q3 • Invests in a mix of underlying bond ETFs • Asset mix adjusted monthly by manager • A "one-ticket" bond portfolio • 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	-2.07	-1.38	1.64	-	-	0.48	3.77	-	-	-	-	-3	-	-43	-
iShares Cdn Short Term Bond	-0.58	2.55	2.14	2.32	3.56	3.05	1.39	1.58	4.41	3.29	4.42	72	71	55	50
iShares 1-5 Yr Ldr Corp Bd	-0.90	2.56	2.48	2.78	-	3.23	2.07	3.18	4.76	3.80	-	79	77	52	37
iShares DEX Universe Bond	-1.73	4.02	2.99	3.99	4.71	8.28	-1.31	3.01	9.33	6.14	5.18	111	105	105	97
PowerShares Tactical Bond	-2.06	2.55	2.33	-	-	7.66	-2.11	-	-	-	-	105	-	113	-

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%	$88	• Invests in a portfolio of fixed income and high yielding equity ETFs from BMO • Target mix is 50% equity 50% bonds. • Holds 60% equity, 40% bonds, but will be rebalanced back to 50/50 in Q1 2016 • 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%	$657	• Invests in a mix of income focused ETFs • Emphasis on cash flow. Yields 6.7% • Preferred share exposure continued to weigh on returns in Q3. More uncertainty expected in pref market. • 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	-1.83	-0.75	4.01	-	-	9.40	3.34	10.24	-	-	-	85	-	78	-
iShares Div. Monthly Income	-2.00	-3.55	2.06	4.15	-	6.51	2.06	8.37	6.62	15.60	39.75	79	107	165	163

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%	$651	• Held up better than TSX in Q3 • 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%	$88	• Outperformed TSX in Q3. • Portfolio remains concentrated in energy and financials. Higher vol expected. • Invests in Canadian companies ranked by dividends, cash flow, sales and book value • Remains **UNDER REVIEW**
Horizons Active Canadian Dividend	TSX: HAL	Cdn Dividend & Income Equity	Active - Fundamental	0.79%	$19	• 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%	$909	• Strongest Cdn Equity ETF on list in Q3 • Invests only in companies that have increased dividends for 5 consecutive years • All cap mandate, but skews Mid Cap
iShares Core S&P/TSX Capped Composite	TSX: XIC	Canadian Equity	Cap Weighted	0.10%	$2,002	• Energy & Valeant hurt in Q3. • Provides exposure to the TSX Composite • 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 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%	$168	• Struggled in volatile Q3 on flight to quality • 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

Fund	Annualized Returns (%) 3mth	1 Yr	3 Yr	5 Yr	10Yr	Calendar Year Returns (%) 2014	2013	2012	2011	2010	2009	Upside 3Yr	5Yr	Downside 3Yr	5Yr
BMO Low Volatility Cdn Equity	-2.39	13.27	19.01	-	-	28.37	20.70	14.07	-	-	-	98	-	-26	-
PowerShares FTSE RAFI Cdn Fundamental	-2.10	-6.98	5.73	-	-	6.66	16.19	-	-	-	-	115	-	126	-
Horizons Active Canadian Dividend	-3.11	-1.07	9.63	8.13	-	12.89	19.76	8.78	-0.47	-	-	90	93	49	59
iShares S&P/TSX Cdn Dividend Aristocrats	-0.22	-3.59	6.84	7.34	-	12.96	13.59	8.84	6.07	15.69	38.43	94	82	82	50
iShares Core S&P/TSX Capped Composite	-5.79	-4.68	5.82	4.10	5.47	10.95	12.46	7.01	-8.79	17.42	34.55	98	100	99	102
iShares S&P/TSX Completion	-4.48	-7.95	2.86	2.37	4.64	5.07	11.99	3.92	-8.48	30.21	45.95	97	98	101	102
First Asset Morningstar Canadian Momentum	-7.93	-1.13	11.89	-	-	17.10	26.76	-	-	-	-	98	-	40	-

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%	$307	• 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 fully 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%	$3,122	• Replicates the S&P 500, hedged to CAD. If you want the unhedged, you can use XSP • Valuations look high compared to CLU, but when forward looking growth projections are factored in, this ETF looks stronger. • 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

	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)	-1.92	4.07	15.90	-	-	13.13	33.90	15.36	-	-	-	70	-	122	-
iShares US Fundamental Index	-1.76	0.70	14.88	12.76	-	12.79	35.44	15.39	-2.00	16.83	29.07	65	85	109	155
iShares Core S&P 500 Index	-1.23	4.73	16.04	13.91	6.29	14.02	32.33	15.41	0.65	13.91	22.92	69	87	111	145

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%	$175	• Lives up to promise in volatile markets • Valuations remain high. Growth looks good • Uses an optimization approach to try to minimize the volatility of the EAFE Index
BMO MSCI EAFE Index (C$ Hedged)	TSX: ZDM	International Equity	Cap Weighted	0.29%	$897	• 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%	$244	• 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, however growth outlook is weak. • I continue to watch this closely…
iShares MSCI World	TSX: XWD	Global Equity	Cap Weighted	0.46%	$381	• Replicates MSCI World Index, net of fees. • Covers large and mid-cap equity performance across 23 developed markets. • 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
First Asset MSCI Europe Low Risk Weighted ETF (Hedged)	TSX: RWE	European Equity	Risk Weighted	0.66%	$59	• Provides exposure to the 100 least volatile stocks in the MSCI Europe Index • Weights set by risk, not market cap • May be a lower risk way to play Europe • Expect outperformance in falling markets, but will likely lag in rising market.

	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.	-2.35	21.86	18.96	-	-	12.91	24.14	-	-	-	-	78	-	21	-
BMO MSCI EAFE Idx (C$ Hdg)	-6.06	7.20	14.76	8.69	-	5.12	26.95	17.04	-12.9	1.36	-	79	86	75	91
iShares Int'l Fundamental Idx	-5.42	10.01	16.71	7.81	-	1.61	32.74	13.06	-14.2	0.59	11.95	97	106	112	134
iShares MSCI World	-2.74	17.26	21.62	14.24	-	14.31	35.69	11.82	-4.10	5.54	-	98	97	110	106
FA MSCI Eur LR Weighted ETF	-0.02	14.46	-	-	-	-	-	-	-	-	-	-	-	-	-

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

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%	$144	• Near term EM outlook remains cloudy. Medium and long term looks more favourable • Lower MER and tracking error than XEM • Expecting short term volatility to continue
iShares Gold Bullion Fund ETF	TSX: CGL	Commodity	Other	0.56%	$196	• 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 in AB. Near term headwinds remain. • More diversified than the other REIT ETFs. • Risk adjusted returns likely to be better than XRE. Starting to watch RIT…
BMO Global Infrastructure	TSX: ZGI	Global Equity	Cap Weighted	0.62%	$238	• 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%	$1,024	• 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	-5.96	-1.89	5.46	1.07	-	4.53	4.56	12.39	-17.2	12.54	-	92.85	95.41	98.35	103.61
iShares Gold Bullion Fund ETF	4.04	-3.27	-13.24	-3.88	-	-1.50	-28.7	7.08	9.55	29.12	-	-	-	-	-
BMO Equal Weight REITs	-3.08	-3.82	1.26	6.40	-	8.68	-4.74	18.16	13.68	-	-	35.60	47.24	67.78	35.20
BMO Global Infrastructure	-3.53	4.40	17.70	17.06	-	30.36	22.43	12.87	18.75	-	-	76.34	69.42	62.93	-14.79
iShares S&P/TSX Cpd Fincl	-0.26	-1.22	13.23	9.63	6.90	11.89	26.00	16.42	-4.40	7.91	44.47	47.30	54.31	-10.23	35.81

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: ZDM) - 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.

First Asset MSCI Europe Low Risk Weighted ETF (TSX: RWE) – The Fund has been designed to replicate, to the extent possible, the performance of the MSCI Europe Risk Weighted Top 100 Index Hedged to CAD (the "Index"), net of expenses. The index is based on a traditional market capitalization weighted parent index, MSCI Europe Index, which includes developed Europe large and mid-capitalization stocks. Constructed using a simple, but effective and transparent process, each security of the parent index is reweighted so that stocks with lower risk are given higher index weights. The final constituents of the MSCI Europe Risk Weighted Top 100 Index are determined by ranking these security level risk weights and taking the top 100 subset securities. The Indexes seek to emphasize stocks with lower historical return variance and tend to have a bias towards lower size and lower risk stocks. Historically, the Index has exhibited lower realized volatility in comparison to its parent index. At all times, at least 90% of the foreign currency exposure will be hedged back to the Canadian dollar.

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.