

RECOMMENDED LIST OF FUNDS



January 2016

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The Recommended List

Returns at December 31, 2015										Correlations			
Name		3 Mth	1 Yr	3 Yr	5 Yr	Sharpe Ratio	Alpha	Beta	TSX	S&P 500	MSCI EAFE	FTSE/TMX Cdn Bond Universe	MER
Fixed Income - Core													
1	Dynamic Advantage Bond Fund	0.1%	0.7%	1.6%	3.1%	0.27	0.06%	0.49	0.207	0.213	0.309	0.774	1.58%
2	PH&N Total Return Bond Fund	0.8%	3.1%	3.5%	4.5%	0.30	0.01%	0.92	-0.058	0.203	0.220	0.990	0.58%
3	PowerShares 1-5 Yr Laddered Corp Bond	0.2%	1.8%	2.0%	2.6%	0.34	-0.01%	0.96	-0.028	0.218	0.292	0.885	0.99%
4	TD Canadian Core Plus Bond	0.6%	1.8%	2.4%	4.0%	0.27	0.00%	0.84	-0.007	0.200	0.255	0.969	1.50%
Fixed Income - Specialty													
1	Manulife Strategic Income Fund	0.2%	5.5%	6.0%	5.8%	0.29	0.26%	0.55	0.360	0.567	0.626	0.423	2.01%
2	PIMCO Monthly Income Fund	-1.6%	0.3%	3.4%		0.51	0.74%	0.22	0.406	0.057	0.212	0.161	1.38%
3	RBC Global Corporate Bond	-0.1%	-0.7%	1.7%	4.0%	0.27	0.09%	0.61	0.304	0.231	0.388	0.675	1.74%
Canadian Equity - Core													
1	CI Cambridge Cdn Equity	1.5%	0.6%	12.8%	10.6%	0.34	0.72%	0.65	0.793	0.617	0.618	-0.155	2.44%
2	Fidelity Canadian Large Cap Fund	3.3%	3.4%	15.7%	12.6%	0.47	0.92%	0.42	0.589	0.686	0.662	-0.047	2.53%
3	IA Clarington Cdn Conservative Equity	-1.8%	-17.4%	-1.9%	0.5%	0.00	-0.10%	0.71	0.834	0.276	0.383	-0.139	2.44%
4	RBC North American Value Fund	4.0%	-0.3%	11.4%	8.3%	0.26	0.52%	0.75	0.878	0.707	0.709	-0.203	2.10%
5	Signature Select Canadian Fund	2.6%	-2.4%	9.1%	5.1%	0.14	0.26%	0.86	0.897	0.681	0.729	-0.197	2.44%
Canadian Small Mid Cap Equity													
1	CI Cambridge Pure Canadian Equity	-2.9%	-5.9%	16.7%		0.43	1.28%	0.71	0.721	0.303	0.393	-0.171	2.44%
2	IA Clarington Canadian Small Cap	1.3%	-6.8%	10.7%	9.5%	0.28	0.74%	0.56	0.711	0.398	0.460	-0.365	2.93%
3	Sentry Small Cap Income Fund	2.7%	-0.5%	15.1%	13.4%	0.40	1.03%	0.54	0.707	0.673	0.598	-0.135	2.76%

		Returns at December 31, 2015					Correlations						
Name		3 Mth	1 Yr	3 Yr	5 Yr	Sharpe Ratio	Alpha	Beta	TSX	S&P 500	MSCI EAFE	FTSE/TMX Cdn Bond Universe	MER
US Equity - Core													
1	Franklin U.S. Rising Dividends	9.4%	12.4%	21.3%	14.9%	0.44	-0.19%	0.88	0.317	0.925	0.585	0.177	2.51%
2	Mackenzie U.S. Large Cap Class	10.6%	16.7%	24.5%	17.3%	0.44	-0.28%	1.05	0.498	0.945	0.715	0.053	2.53%
3	RBC O'Shaughnessy U.S. Value Fund	2.3%	-8.9%	14.1%	12.2%	0.26	-0.23%	0.80	0.710	0.588	0.581	-0.282	1.55%
4	TD U.S. Blue Chip	13.8%	30.8%	31.1%	21.1%	0.46	-0.16%	1.16	0.416	0.895	0.745	0.178	2.54%
5	Trimark U.S. Companies Fund	8.4%	15.4%	26.9%	17.7%	0.43	-0.34%	1.11	0.452	0.953	0.687	0.102	2.98%
US Small Mid-Cap Equity													
1	Fidelity Small Cap America	8.2%	24.0%	30.8%	23.5%	0.56	0.93%	0.68	0.382	0.849	0.545	0.116	2.56%
2	TD U.S. Mid - Cap Growth Fund	9.1%	26.0%	30.1%	19.2%	0.46	0.58%	0.72	0.482	0.883	0.680	0.072	2.54%
3	Trimark U.S. Small Companies Class	3.1%	2.5%	16.7%	13.7%	0.36	0.30%	0.62	0.532	0.771	0.611	0.140	2.81%
Global / International Equity - Core													
1	Guardian Global Dividend Growth Fund	8.5%	16.1%	16.6%		0.40	0.11%	0.79	0.375	0.805	0.830	0.497	0.00%
2	IA Clarington Global Equity	4.9%	8.8%	12.4%	8.7%	0.23	-0.38%	0.89	0.639	0.707	0.841	0.039	2.65%
3	Invesco International Growth Class	8.3%	15.3%	16.4%	10.7%	0.30	0.18%	0.76	0.600	0.785	0.924	0.118	2.87%
4	Mac Ivy Foreign Equity Fund	5.8%	16.0%	18.0%	12.9%	0.43	0.22%	0.65	0.214	0.807	0.697	0.259	2.51%
5	Manulife World Investment	7.7%	19.4%	15.9%	11.1%	0.27	0.14%	0.85	0.608	0.741	0.892	0.122	2.57%
6	Trimark Fund	11.6%	19.2%	19.6%	14.6%	0.43	0.13%	0.84	0.452	0.853	0.821	0.236	1.71%
Global Small Mid Cap Equity													
1	Brandes Global Small Cap	5.5%	22.2%	21.2%	15.1%	0.38	0.17%	0.84	0.631	0.673	0.781	-0.035	2.70%
2	Trimark Global Endeavour	4.3%	18.8%	20.2%	15.1%	0.45	0.34%	0.70	0.471	0.739	0.755	0.085	2.64%

		Returns at December 31, 2015					Correlations						
Name		3 Mth	1 Yr	3 Yr	5 Yr	Sharpe Ratio	Alpha	Beta	TSX	S&P 500	MSCI EAFE	FTSE/TMX Cdn Bond Universe	MER
Specialty / Sector Funds													
1	BMO Asian Growth & Income Fund	5.1%	10.2%	8.7%	7.1%	0.21	0.10%	0.57	0.463	0.546	0.731	0.299	2.67%
2	Brandes Emerging Markets	6.3%	9.9%	7.1%	1.7%	0.04	0.00%	0.97	0.697	0.449	0.661	-0.104	2.71%
3	Dynamic Power Global Growth Class	11.6%	24.5%	24.0%	14.0%	0.23	-0.29%	1.20	0.434	0.598	0.645	0.104	2.52%
4	Manulife Global Infrastructure Fund	-1.2%	-3.3%	11.2%	11.2%	0.36	0.23%	0.55	0.427	0.572	0.606	0.409	2.77%
Balanced / Income Funds													
1	CI Signature High Income Fund	1.2%	-0.9%	5.3%	6.4%	0.34	0.35%	0.60	0.702	0.562	0.713	0.237	1.59%
2	Fidelity Canadian Balanced Fund	0.8%	3.0%	8.7%	6.0%	0.25	0.27%	0.80	0.723	0.717	0.732	0.295	2.32%
3	Sentry Conservative Balanced Income	0.7%	-2.2%	5.9%	6.5%	0.41	0.38%	0.51	0.739	0.651	0.614	0.179	2.27%
4	TD Monthly Income Fund	0.1%	-3.8%	4.8%	5.3%	0.26	0.29%	0.56	0.829	0.452	0.537	0.004	1.47%
Income Options													
1	PowerShares 1-5 Yr Laddered Corp Bond	0.2%	1.8%	2.0%	2.6%	0.34	-0.01%	0.96	-0.028	0.218	0.292	0.885	0.99%
2	PH&N Monthly Income Fund	1.2%	-3.8%	3.7%	4.2%	0.19	0.12%	0.78	0.871	0.457	0.599	0.042	1.09%
3	Sentry Canadian Income Fund A	1.9%	-0.3%	10.8%	10.0%	0.44	0.71%	0.44	0.748	0.742	0.616	-0.009	2.70%
4	BMO Monthly High Income Fund II	-3.1%	-9.8%	2.2%	4.9%	0.16	0.29%	0.58	0.760	0.283	0.384	-0.052	2.20%
Passive Options													
1	TD Canadian Bond Index Fund	0.8%	2.8%	2.8%	4.0%	0.24	-0.06%	0.99	-0.150	0.123	0.132	0.999	0.83%
2	RBC Canadian Index Fund	-1.6%	-9.0%	3.9%	1.6%	0.03	-0.05%	0.98	1.000	0.439	0.557	-0.148	0.72%
3	TD U.S. Index Fund	11.2%	20.5%	27.0%	19.0%	0.53	-0.07%	1.00	0.447	0.996	0.746	0.131	0.54%
4	TD International Index Fund	7.9%	18.3%	15.7%	9.6%	0.22	-0.10%	0.98	0.558	0.725	0.987	0.127	0.99%

Benchmark Returns at December 31, 2015

Benchmark	<u>3 mth</u>	<u>1 Yr.</u>	<u>3 Yr.</u>	<u>5 Yr.</u>	<u>10 Yr.</u>
Fixed Income					
FTSE TMX 90 Day T-Bill Index	0.09%	0.62%	0.84%	0.88%	1.65%
FTSE TMX Short Term Bond Index	0.49%	2.59%	2.47%	2.81%	
FTSE TMX Canadian Bond Universe	0.97%	3.52%	3.63%	4.80%	5.03%
Canadian Equity					
S&P/TSX 60 Capped Index	-1.70%	-7.76%	5.46%	1.99%	2.94%
S&P/TSX Composite	-1.40%	-8.32%	4.62%	2.30%	4.38%
S&P/TSX Completion Index TR	-0.41%	-10.01%	2.21%	0.61%	3.86%
S&P/TSX Small Cap Index TR	1.12%	-13.31%	-3.06%	-5.73%	
U.S. Equity					
S&P 500 (C\$)	11.01%	20.77%	28.64%	20.21%	9.19%
Russell 2000 C\$	8.71%	10.71%	23.41%	15.96%	8.33%
Global & Specialty Equity					
MSCI EAFE (C\$)	8.24%	18.84%	17.73%	11.19%	5.37%
MSCI World (C\$)	9.15%	18.93%	23.05%	15.59%	7.44%
MSCI World Small / Mid Cap Index (C\$)	7.96%	19.36%	23.66%	15.38%	8.25%
MSCI Europe C\$	5.95%	16.51%	17.30%	11.62%	5.76%
S&P/TSX Capped REIT Index	-3.63%	-4.72%	-0.22%	7.17%	6.93%
MSCI Emerging Markets (C\$)	4.09%	1.89%	4.47%	2.05%	5.75%
MSCI Pacific C\$	12.67%	23.14%	18.37%	10.43%	4.37%
MSCI Pacific ex Japan C\$	11.95%	9.35%	10.30%	7.90%	8.28%

Data Sources:

Fundata

PC Bond

Bank of Canada

MSCI

Returns as of December 31, 2015

List Changes

Additions

There were no funds added to the list at this update.

Deletions

Franklin U.S. Rising Dividends Fund (TML 201 – Front End Units, TML 301 – DSC Units) –When I first added this fund to the Recommended List I really liked its risk adjusted return profile. While it often lagged the broader market on an absolute basis, it's lower than average volatility and excellent downside protection more than made up for it. This time however, it sold off more severely than the market and the overall volatility profile was also increasing. Looking deeper into the portfolio, valuations, according to Morningstar, look rather extended when compared to the broader market. This leads me to believe that more volatility is likely, which is in direct contrast to the main reason I liked the fund. Considering the above, I have decided to remove the fund from my Recommended List effective immediately. Instead, in most cases, I believe an investor is likely better served using a low cost index fund or ETF to gain U.S. equity exposure.

Funds of Note

PH&N Total Return Bond Fund (RBF 1340 – No Load Units, RBF 6340 – Front End Units, RBF 4340 – Low Load Units) – This remains my top Canadian bond fund pick for a couple of reasons. The first is the excellent management team and investment process used by PH&N. Second, with interest rates in Canada more likely to stay flat or move lower, this fund, with its duration of 7.3 years and yield to maturity of 2.4% is more likely to generate stronger returns than either the **TD Canadian Core Plus Bond Fund**, or the ultra-conservatively positioned **Dynamic Advantage Bond Fund** in the near term.

The management team are quite active in the fund, and were again active in the fourth quarter trading into the heightened bond market volatility. They have slightly reduced the corporate bond exposure on liquidity concerns, and are focused on less cyclical industries and higher quality issuers. They are maintaining a meaningful allocation to provincial bonds for their liquidity and marginally higher yields. From a valuation perspective, they find real return bonds compelling, and have added some exposure within the fund.

As we move forward, I would expect the bond market to remain challenging, with volatility higher than normal. Also, until we see some level of stabilization in the price of oil and improvements to the Canadian economy, I would expect there to be more downward pressure on yields.

Given the challenging environment, I would expect that volatility within the bond market to remain high, but with there being more downward pressure on yields. This leads me to favour the higher duration position of this fund over the TD or Dynamic offerings. As the economy improves and there is upward pressure on yields, I'll likely begin to favour Dynamic, given their very short duration positioning.

RBC Global Corporate Bond Fund (RBF 1009 – No Load Units, RBF 753 – Front End Units, RBF 853 – DSC Units) - This actively managed global bond fund invests mainly in investment grade corporate bonds from issues anywhere in the world, as well as high yield and emerging market bonds. At the end of December, it held about 15% in high yield issues, and about 10% in emerging market bonds.

The fund was down 0.1% while its index was up by 0.1%. It was a tough quarter for global bonds with the U.S. Federal Reserve looking to boost rates, while most other central banks looking to do the opposite. Adding to the uncertainty was the continuing selloff in the energy market, which has had a significant impact in the high yield market. One consequence of that has been the market pricing in significant levels of defaults that has resulted in lower bond prices. Spreads have widened considerably and now look fairly attractive, but not without risks. Still, in this environment, the managers have taken an overweight position in high yield, which may result in some shorter term volatility, but is likely to generate stronger long term gains.

In addition, they are also overweight investment grade credits in the U.S. Emerging markets, Canada and Europe are all a neutral weight. The fund's duration is 5.89 years, with a yield to maturity of 3.8%, both of which are roughly in line with its benchmark.

Longer term, the management team has done an excellent job delivering above average returns with lower volatility. I would expect that to continue over the medium to long term, although the higher weight in high yield may result in some shorter term volatility. This remains a great pick for those looking for global fixed income exposure.

Cambridge Canadian Equity Class (CIG 2321 – Front End Units, CIG 3321 – DSC Units) – With a gain of 1.5% the fund managed to outperform the S&P/TSX Composite Index, but trailed its peer group. The managers have kept the sector positioning mostly unchanged over the quarter, adding slightly to consumer staples and financials, while reducing consumer discretionary names. At the end of the year, it looked much different than the broader Canadian equity market, with overweight positions in technology and consumer names, while underweight financials and energy. It also held nearly 20% in cash. Historically, the managers have been more active in periods of high volatility, taking advantage of opportunities as they arise. I expect this to continue. While there may be a bit more volatility in the short term, this remains an excellent long-term pick. There is an excellent management team at the helm, using a disciplined and repeatable process.

IA Clarington Canadian Conservative Equity Fund (CCM 1300 – Front End Units, CCM 1400 – DSC Units) – This is a fund that I continue to struggle with. There is no denying that recent performance has been abysmal, and there was a definite uptick in the volatility, and an erosion in the downside protection offered in the most recent selloff. But unlike the **Franklin U.S. Rising Dividends Fund**, which I removed from the Recommended List, I am more comfortable with the reasons for the decline and the investment process used.

In very simple terms, it was largely the pipeline holdings that were responsible for the fund's significant underperformance. Yet, when I look at the underlying fundamentals of the sector, but more specifically the stocks in the portfolio, things are not nearly as dire as one would surmise from the stock price annihilation. According to the manager in a recent commentary, "...pipeline shares are still the 4th best performing sector in Canada over the past 10 years, with a 9.75% annualized return and representing the highest dividend yield and dividend growth in our portfolios." Further, pipelines, while technically energy stocks, are not directly affected by oil and gas prices, as much of their revenue is driven by fixed contracts, meaning they get paid regardless of the price of energy. When you factor in the increasing demand for energy in North American and elsewhere, the picture begins to brighten.

Understandably, the managers believe that 2016 will be better than 2015, as the benefit of cheaper dollar will help offset some of the impact of the lower oil price. They are also expecting to see some firming in the oil price in the latter part of the year.

The managers remain true to their process, which focuses on high quality businesses that are trading at attractive yields. This explains why the fund is underweight technology, consumer and healthcare names. While these sectors were responsible for a significant portion of the market gains, they also tend to pay very little in the way of dividends – a key requirement for this fund.

While I am more positive on this fund than I have been in the past few quarters, it remains Under Review, and I continue to monitor it closely.

Mackenzie U.S. Large Cap Class (MFC 1022 – Front End Units, MFC 1172 – DSC Units) – Using a mix of top down thematic investing and bottom up security selection, this fund managed by Erik Becker and Gus Zinn, posted a very strong 10.6% gain in the final quarter of the year. It was largely the technology and consumer names that propelled it higher, while the unhedged currency position bolstered gains further, as the Canadian dollar continued its slide against the U.S. dollar.

The portfolio holds approximately 45 names, with the top ten making up about a third of the fund. It is overweight in healthcare, consumer, and communication names – sectors, and companies that are expected to benefit from the current themes of the portfolio – the mobile internet, consolidation, and the North American manufacturing renaissance.

The fund has had a great run, gaining nearly 25% per year over the past three years, and more than 17% annualized over the past five, both of which were well above average. Looking at the portfolio now however, it has a definite growth tilt to it, with valuation levels that are higher than the broader market. According to Morningstar, the P/E on prospective earnings is nearly 23 times, compared with just over 17 for the S&P 500. Further, the expected earnings growth rates of the companies within the portfolio are lower than some of the other U.S. equity funds on the Recommended List, causing me some concern around the overall valuation picture.

Considering the above, I am placing the fund **Under Review**. I would expect that we will continue to see higher than normal levels of volatility within the portfolio, and expect to see performance lag should the market leadership shift towards more value focused names. If you have held this fund for any length of time, you will want to consider taking some of your gains off the table to protect against any major drawdown. I will continue to watch the fund closely for any material erosion in the risk reward metrics of the fund.

RBC O'Shaughnessy U.S. Value Fund (RBF 776 – Front End Units, RBF 134 – Low Load Units) – With a modest 2.3% gain in the final quarter of the year, and an 8.9% loss for 2015, this quantitatively managed U.S. equity offering was the worst performing funds on the Recommended List. There were a couple of key factors contributing to the underperformance. The first is the fund's currency exposure, which is fully hedged back to Canadian dollars. Because of this, it missed out on currency gains of more than 19%. Another reason for the underperformance was its value biased stock selection process. Value names have struggled compared to more growth focused companies in the healthcare and technology sectors. A number of key holdings lost nearly half their value over the year including such names as Bed Bath & Beyond, Hess Corp., and Mosaic. A nearly 10% weight in energy was also a headwind for the fund.

Looking ahead, the currency position is not expected to be as large a detractor from performance as it has been of late. While some further erosion in the Canadian dollar is expected, particularly if the Bank of Canada cuts rates, or the U.S. Federal Reserve moves higher again, but I wouldn't expect to see another 20% fall. If anything, once we see a stabilization in the price of oil, the Canadian dollar should start to move higher.

Also, as the market leadership returns to the more value focused names, I would expect to see performance improve. While there is no way to effectively forecast when that will happen, the valuations of the growth names, even after the recent selloffs still remain elevated. Regardless, I would expect to see more volatility in all areas of the equity markets.

Still, this remains an excellent long-term pick for those looking for U.S. equity exposure. It offers a disciplined, transparent investment process that has an excellent long-term track record, and it carries an MER of 1.49%, which is well below the category average. With a longer term time horizon, now may be an opportune time to add some exposure to this fund in your portfolio.

TD U.S. Equity Index Fund (TDB 661 – No Load Units) – The fund had a decent year, gaining 20.5% compared with the S&P 500, which was up by 20.8%. This underperformance is not surprising, given it is designed to track the Canadian dollar return of the S&P 500, net of fees. I should emphasize that nearly 19% of the gain was the result of the falling Canadian dollar, something that is not likely to be repeated in the coming year. If you are looking to protect against an increase in the value of the Canadian dollar, there is a currency neutral version available. It tracks the U.S. dollar returns of the fund, net of fees, taking currency movement out of the equation. The fund code for that is TDB 655. I am expecting there to be more near term volatility in the currency, but expect it to stabilize once we see the price of oil gain a stronger footing.

Brandes Global Small Cap Fund (BIP 152 – Front End Units, BIP 252 – DSC Units) – This deep value offering from Brandes had a very strong quarter, gaining 5.5%, matching the peer group, but lagging the index. It ended the year with a gain of more than 22%, putting it firmly in the upper quartile of all global small and mid-cap funds.

It is managed using a value focused process that looks to buy companies that are trading a significant discounts to their true value. On the surface it appears to be more volatile than its peers, with a standard deviation that is considerably higher than both the index and its competition. However, looking at upside and downside capture ratios, the fund still manages to do a good job at protecting investors' capital.

It has had a heck of a run since the start of 2012, more than doubling, and delivering an annualized gain of more than 24% per year. Despite this, the portfolio's underlying valuation metrics remain attractive when compared to the index and its competition. According to Morningstar, only the **Mackenzie Cundill Recovery Fund**, and the **Vertex Value Fund** have P/E ratios that are lower.

Given the strong run, I would expect to see the fund take a breather at some point, still, with the more compelling valuation, it should hold up better than its peers. That has been the case so far in 2016, with the fund falling by 6.7% while the category average is down nearly 10%. Longer term, I believe this fund, with its excellent management team, repeatable, disciplined investment process, and focus on valuation will continue to deliver above average returns for investors. However, with its very high active share, there may also be periods where the performance is out of step with the index and its peers. If you are comfortable with this, the fund remains a great option for those looking for global small and mid-cap equity exposure.

Trimark Fund (AIM 1513 – Front End Units, AIM 1511 – DSC Units) – This bottom up managed global equity fund has been one of my favourites for a long time now. The managers look for companies that are industry leaders, have strong barriers to entry, high levels of free cash flow, and excellent management teams that have a history of generating high returns on invested capital. Further, the companies must be trading at a discount to what the managers believe the stock is worth. The result is a concentrated portfolio that holds between 30 and 50 names.

Performance has been excellent of late, with a five year annualized gain of 14.6%, handily outpacing most of the competition. Because the portfolio tends to be fairly concentrated, it can be a bit more volatile at times, however over the longer term, because of the higher emphasis on quality, it has been of lower than average volatility.

The managers are expecting that the recent volatility is likely to continue, as a lot of uncertainty remains. If this happens, I see it as a positive for the fund for a couple of reasons. Historically, it has outperformed in volatile markets, which is a byproduct of the quality bias. Second, the managers tend to be more active in volatile periods, using market weakness as an opportunity to pick up attractive companies at compelling valuation levels. Currently, they are finding a number of interesting ideas in the energy space and in the emerging markets. There is a risk to this in that they may be early in the space, which could have a negative impact on shorter term performance numbers. However, given their longer term outlook, they are comfortable being wrong in the short term to be right in the long-term.

I expect to see more volatility in the near term with this offering, but believe it is a great pick for those who can be patient. I also prefer the “SC” Units over the “A” series units because of the much lower cost structure.

CI Signature High Income Fund (CIG 686 – Front End Units, CIG 786 – DSC Units) - Despite gaining 1.2% in the quarter, the fund underperformed its peers. There were a couple of reasons for this underperformance.

The fund has about half of its bond exposure invested in high yield issues, which were hit hard in the final quarter of the year. It also has an overweight position in REITs, which have struggled and had a tough Q4. Finally, financials, particularly U.S. financials faced some headwinds on economic worries. The result was a lackluster quarter where most of the gains were the result of the unhedged currency position.

Still, this has been one of the stronger balanced funds around over the long term. It has an excellent management team at the helm, using a disciplined, holistic approach that has generated superior risk adjusted returns over the long term. Given the positioning, I would expect to see some more volatility in the near term, but longer term, it should return to its former glory, delivering above average returns with below average volatility.

Fixed Income Core

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
Dynamic Advantage Bond	Multi-Strategy	Michael McHugh Domenic Bellissimo	1.58%	\$864.2	- Lower duration exposure hurt performance in Q4 - Duration remains less than half that of the index - Approximately 20% invested in real return bonds - Low duration expected to drag in near term
PH&N Total Return Bond Fund	Multi-Strategy	PH&N Fixed Income Team	1.16%	\$7,474.9	- With yields in Canada likely to remain on hold or move lower, this is my top bond pick for near term. - Managers have been active in the recent volatility taking advantage of opportunities as they arise. - Focusing corporate exposure on less cyclical and higher quality issues. Underweight in high yield - Duration remains in line with its benchmark.
PowerShares 1-5 Year Laddered Corp Bond	Rules Based	PowerShares Management Team	0.99%	\$411.6	- Duration has fallen to 2.8, in line with TD & PH&N - Equally weighted laddered portfolio of investment grade corporate bonds in 5 maturity buckets. - Lower cost, higher yield and corporate focus should allow outperformance in most market environments
TD Canadian Core Plus Bond	Multi-Strategy	Rob Pemberton Christopher Case	1.51%	\$11,676.6	- Similar to the TD Canadian Bond except it can invest up to 30% in global, high yield & Emerging Mkt. debt - Duration is 6.78, slightly shorter than PH&N. Expected to lag it in flat or falling rate environment. - Excellent long-term bond pick

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	
Dynamic Advantage Bond	0.1	0.7	1.6	3.1	3.7	4.3	-0.1	4.2	6.5	7.3	13.8	56%	59%	56%	32%	2.36%
Quartile	4	4	4	4	3	4	1	1	3	1	1					
PH&N Total Return Bond Fund	-1.2	0.7	2.3	3.5	-	8.0	-1.5	3.4	7.5	5.9	10.6	93%	88%	104%	88%	3.48%
Quartile	4	4	3	3	-	1	2	3	2	3	1					
PShrs 1-5 Yr Lad. Corp Bond	0.2	1.8	2.0	2.6	-	2.8	1.4	3.0	4.1	N/A	N/A	68%	68%	63%	36%	1.42%
Quartile	3	2	2	1	-	1	1	1	1							
TD Canadian Core Plus Bond	0.7	1.8	2.4	4.0	-	6.9	-1.3	4.9	8.0	6.2	14.7	93%	90%	101%	76%	3.21%
Quartile	2	3	2	2	-	2	1	1	1	1	1					

Note: Risk is the annualized three or five year standard deviation, whichever is longest
Upside and downside capture ratios are run against the FTSE TMX Canadian Universe Bond Index, except for PowerShares 1-5 Year Laddered Corporate Bond Fund, which is against the FTSE TMX Canadian Short Term Bond Index

Fixed Income Specialty

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
Manulife Strategic Income	Tactical	Dan Janis Thomas Goggins	2.01%	\$6,103.6	- Tactically managed global bond fund that invests in global government, corporate and high yield bonds - Expecting higher levels of volatility from here - Getting more defensive, reducing high yield and emerging market exposure, increasing credit quality - Currency is now about 90% hedged back to CAD - Looking for more clarity and stronger economic data - A great way to diversify from domestic bonds
PIMCO Monthly Income Fund	Tactical	Alfred Murata	1.38%	\$7,699.3	- Actively managed global bond fund that leverages PIMCO's extensive fixed income team - Blends a mix of top down macro analysis and bottom up security selection. Managers focused on income. - Is a mix of high quality core holdings and riskier trades in high yield, mortgages and EM debt. - Duration at December 31 was 3.35 years.
RBC Global Corporate Bond	Credit Analysis	Frank Gambino Marty Balch Soo Boo Che	1.72%	\$5,195.1	- Invests mainly in investment grade corporate bonds from issues around the world. - EM and high yield weighed on the portfolio, while currency, Canada, European and Asian bonds added - Managers believe risks have increased with uneven economic growth, weak commodities, declining corporate health, and uncertainty around the Fed. - Modestly positioned with duration of 5.9 yrs. - This would make a nice compliment to a Canadian focused bond fund.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	
Manulife Strategic Income	0.2	5.5	6.0	5.8	6.8	8.1	4.5	9.1	2.0	8.4	8.8	55%	51%	90%	62%	4.88%
Quartile	2	1	1	1	1	1	2	3	4	4	4					
PIMCO Monthly Income Fund	0.5	2.4	5.1	-	-	5.3	6.3	23.7	N/A	N/A	N/A	9%	-	-75%	-	3.65%
Quartile	3	3	2	-	-	4	1	1								
RBC Global Corporate Bond	-0.1	-0.6	1.8	4.0	4.5	6.7	-0.6	8.8	6.2	6.8	12.7	13%	23%	2%	-19%	3.35%
Quartile	4	4	3	3	2	3	3	2	2	4	4					

Note: Risk is the annualized three or five year standard deviation, whichever is longest
Upside and downside capture ratios run against the most appropriate benchmark

Canadian Equity Core

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
CI Cambridge Canadian Equity	Large Cap Growth	Brandon Snow	2.44%	\$4,113.8	• Bottom up investment process. • -Remains cautiously positioned. Cash sits at 20% as managers having trouble finding opportunities. • Energy names have hurt performance of late
Fidelity Canadian Large Cap	Large Cap Value	Daniel Dupont	2.30%	\$4,376.8	• Sold down some tech names in December • U.S. names helped. Holds 30% outside of Canada • Manager remains concerned about valuations.
IA Clarington Cdn Conservative Eqty	Large Cap Blend	Doug Kee Ryan Bushell	2.44%	\$584.5	• Managers believe worst is behind us. • Again underperformed on energy & financial names. • Portfolio continues to show dividend growth, and internal yield is nearly 5%, highest since 2009 • I believe in approach, but remains UNDER REVIEW
RBC North American Value	Large Cap Blend	Stu Kedwell Doug Raymond	2.06%	\$2,187.3	• Manager remains bearish on Canadian equities until energy and financials show signs of a turnaround. • U.S. is favoured, although not without risks.
Signature Select Canadian	Large Cap Blend	Eric Bushell	2.44%	\$2,150.0	• Outperformed in Q4 on healthcare. Holds no Valeant • Managers expecting more volatility on continuing weakness in cyclical and emerging markets.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	
CI Cambridge Cdn Equity	1.5	0.6	13.5	11.0	-	14.2	27.2	16.7	-1.3	12.5	23.8	102%	101%	22%	34%	8.09%
Quartile	3	2	1	1	-	1	1	1	1	2	3					
Fidelity Canadian Large Cap	3.4	3.6	16.1	12.9	10.0	10.6	36.6	6.0%	10.6	17.8	37.2	99%	83%	-5%	-2%	6.91%
Quartile	1	1	1	1	1	2	1	3	1	1	1					
IA Clarington Cdn. Cons. Eq.	-1.8	-16.9	-1.5	0.7	2.3	5.1	9.5	5.8	2.4	13.6	24.6	73%	73%	120%	82%	8.24%
Quartile	4	4	4	4	4	4	4	3	1	1	3					
RBC North American Value	4.1	-0.3	11.5	8.4	-	7.6	23.1	11.8	-3.6	15.3	28.7	52%	62%	92%	115%	8.32%
Quartile	3	4	4	3	-	3	2	1	1	1	1					
Signature Select Canadian	2.6	-2.4	9.1	5.1	5.3	11.6	19.2	8.2	-8.5	10.3	28.0	99%	97%	57%	74%	9.35%
Quartile	2	3	3	3	2	1	3	2	2	3	1					

Note: Risk is the annualized three or five year standard deviation, whichever is longest
Upside and downside capture ratios are run against the S&P/TSX Composite Total Return Index, except for RBC North American Value, which is calculated against the MSCI North America GR CAD

Canadian Small Mid-Cap Equity

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
CI Cambridge Pure Canadian Equity	Mid Cap Growth	Greg Dean Stephen Groff	2.44%	\$242.7	- Underperformed because of energy exposure, as well as weakness in financials and industrials. - Sector positioning remained largely unchanged - Defensively positioned. Cash doubled to 20% of fund - Managed using a fundamentally driven, bottom up process, Blends core holdings with opportunity trades - Strong risk reward metrics. Solid all cap offering.
IA Clarington Canadian Small Cap	Mid Cap Blend	Joe Jugovic Ian Cooke	2.93%	\$779.8	- Lack of U.S.\$ holdings dragged relative performance - Canadian market continues to be hindered by energy, slowing economy, and negative global sentiment. - Continue to focus on balance sheet strength and valuation. See markets as high, but not overvalued - I also like NEI Ethical Special Equity and CI Can-Am Small Cap, which are very similar funds.
Sentry Small Mid Cap Income Fund	Mid Cap Blend	Michael Simpson Aubrey Hearn	2.71%	\$1,183.8	- An underweight in energy helped performance in Q4 - Looking to find high quality, well managed energy companies to offer some upside as oil recovers - They remain “constructive” on the U.S. and continue to find opportunities at attractive valuations - They continue to use volatility to improve portfolio - Pays a monthly distribution. Currently yielding 2.9%

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	
CI Cambridge Pure Cdn Equity	-2.8	-5.8	16.8	-	-	14.7	47.3	34.3	N/A	N/A	N/A	129%	N/A	28%	N/A	N/A
Quartile	4	3	1	-	-	1	1	1								
IA Clarington Cdn Small Cap	1.3	-6.8	10.7	9.5	6.4	5.9	37.3	20.2	-3.3	13.9	29.6	80%	80%	14%	20%	8.73%
Quartile	3	3	2	1	2	2	1	1	1	4	4					
Sentry Small Mid Cap Income	2.7	-0.2	15.3	13.5	12.9	12.7	36.4	15.5	6.5	26.3	43.5	102%	88%	5%	3%	8.73%
Quartile	3	3	1	1	1	1	1	1	1	3	3					

Note: Risk is the annualized three or five year standard deviation, whichever is longest
Upside and downside capture ratios are run against the S&P/TSX Completion Index

U.S. Equity Core

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
Franklin U.S. Rising Dividends	Large Cap Blend	Don Taylor Bruce Baughman Nicholas Getaz	2.51%	\$945.1	• Removing from the Recommended List • Lower oil prices and strong U.S dollar will take toll on earnings of many key holdings in the fund • Volatility has been increasing, and downside protection was disappointing in last market selloff. .
Mackenzie U.S. Large Cap Class	Large Cap Growth	Gustaf Zinn Erik Becker	2.56%	\$374.7	• Looking for stocks that have market like P/E ratios with growth rates that are stronger than the S&P 500 • Valuations very rich. Trim weight to protect gains
RBC O'Shaughnessy U.S. Value	Large Cap Value	Jim O'Shaughnessy	1.49%	\$1,516.7	• Fully hedged currency exposure hurt in Q4, creating a headwind compared with the others in the category • Stock selection is quantitative
TD U.S. Blue Chip	Large Cap Growth	Larry Puglia	2.56%	\$1,807.5	• Remains the "growthiest" fund in the category with highest multiples, but also highest growth rates. • Combines bottom up stock picking with top down risk management. Likes market leaders with cash flow
Trimark U.S. Companies	Large Cap Growth	Jim Young	2.98%	\$454.8	• Concentrated portfolio, overweight technology, which underperformed in Q4. • Manager continues to believe economic recovery remains on track, but needs to see stability in China

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	
Franklin U.S. Rising Dividends	9.4	12.4	21.4	14.9	5.8	16.8	36.1	5.5	6.3	10.2	-1.1	85%	79%	132%	91%	8.77%
Quartile	2	3	3	3	3	3	3	4	1	2	4					
Mackenzie U.S. Large Cap Cl.	10.6	16.7	24.5	17.3	8.4	17.5	40.6	13.5	1.6	11.7	4.0	95%	93%	141%	115%	10.29%
Quartile	1	2	2	2	1	3	2	1	1	1	4					
RBC O'Shaughnessy US Value	2.3	-9.4	14.0	12.2	-	10.7	47.5	12.4	6.7	14.5	24.8	66%	82%	145%	147%	12.57%
Quartile	4	4	4	4	-	4	1	1	1	1	1					
TD U.S. Blue Chip	13.8	30.8	31.1	21.1	9.0	16.8	47.6	13.7	1.8	8.2	18.7	111%	107%	127%	116%	11.97%
Quartile	1	1	1	1	1	3	1	1	1	2	1					
Trimark U.S. Companies	8.4	15.4	26.9	17.7	8.1	25.7	40.8	10.3	0.3	15.6	5.9	102%	101%	146%	145%	10.80%
Quartile	3	2	1	1	1	1	2	2	2	1	3					

Note: Risk is the annualized three or five year standard deviation, whichever is longest
Upside and downside capture ratios are run against the S&P 500 C\$ Total Return Index

U.S. Small Mid-Cap Equity

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
Fidelity Small Cap America	Mid Cap Blend	Steve MacMillan	2.34%	\$2,362.5	- Remains my top pick in U.S. Small/Mid Cap category - Appears to be getting more defensive - Lightened up on tech and consumer discretionary names. Increased cash to 12% from 7% in Q3 - Excellent downside protection compared to peers. - Continues to be a good idea to rebalance & take money off the table
TD U.S. Mid Cap Growth Fund	Mid Cap Growth	Brian Berghuis John Wakeman	2.56%	\$808.6	- Has the largest average market cap of US SMID picks - Bottom up approach that looks for quality management, leadership and attractive valuation - Positioned for growth. Overweight industrials & health - Strong performer in past year. Take profits!
Trimark U.S. Small Companies	Small Cap Blend	Rob Mikalachki Virginia Au Jason Whiting	2.81%	\$141.5	- Underperformed in Q4 due to energy names and high cash balance. Currently hold 27% in cash. - Very small cap focused. Lowest avg. mkt cap on list - Managers expecting high volatility to continue - Portfolio trades at a 40% discount to Russell 2000 - Continue to look for high quality companies with high free cash flow dependability & strong balance sheets

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	
Fidelity Small Cap America	8.3	24.3	31.1	23.8	11.3	17.5	54.2	19.9	7.7	18.9	31.9	102%	97%	60%	45%	10.87%
Quartile	1	1	1	1	1	1	1	1	1	2	1					
TD U.S. Mid Cap Growth Fund	9.1	25.9	30.1	19.1	10.2	21.5	43.8	9.7	-0.5	20.2	22.7	97%	91%	52%	62%	10.87%
Quartile	1	1	1	1	2	1	2	2	2	2	2					
Trimark U.S. Small Companies	3.1	2.5	16.7	13.7	7.4	16.3	33.4	10.0	8.8	13.7	42.2	65%	70%	56%	54%	9.90%
Quartile	4	4	3	3	3	1	4	2	1	4	1					

Note: Risk is the annualized three or five year standard deviation, whichever is longest
Upside and downside capture ratios are run against the Russell 2000 C\$ Total Return Index

Global / International Equity Core

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
Guardian Global Dividend Growth	Large Cap Blend	Sri Iyer Fiona Wilson	2.01%	#13.6	- Managed using a multi factor quant model that focuses on dividend growth, payout and sustainability - Looks for positive rates of change in 31 factors - Diversified portfolio holding 70-100 names - Overweight high yielding consumer staples, telecom and utilities. Also overweight healthcare. - Also available with BMO Global Dividend Fund or as a Horizons Active Global Dividend ETF (HAZ) - Portfolio remains overweight yield focused sectors
IA Clarington Global Equity Fund	Large Cap Value	Joe Jugovic	2.55%	\$145.9	- Focus on strong franchise, with balance sheet strength & valuation underperformed in 2015 as tech and higher beta names led the markets higher - Remaining patient, with focus on capital protection - Looking for lower returns with higher volatility. - Expected to protect downside, but lag in market rally
Invesco International Growth Class	Large Cap Blend	Jason Holzer Clas Olsson	2.87%	\$633.7	- Bottom up approach looks for quality companies with strong earnings, and reasonable valuations - Q4 outperformance result of tech & consumer names - See strong opportunities in emerging markets - Managers used recent volatility to add to portfolio
Mackenzie Ivy Foreign Equity Fund	Large Cap Blend	Paul Musson Matt Moody	2.53%	\$4,352.5	- Remains one of the best funds around for downside protection and performance in volatile markets. - High cash balance, currently nearly 30%, was key contributor to Q4 underperformance. - Will not try to predict markets in the short term, instead focus on quality company fundamentals - Continue to make decisions on valuation framework
Manulife World Investment	Large Cap Blend	David Ragan Jim Hall	2.57%	\$903.0	- This is nearly identical to the highly regarded Mawer International Equity Fund - Managed using a fundamentally driven, bottom up GARP process that looks for well-managed, wealth creating companies trading below its true value - Outperformed in Q4 on quality consumer names - They stress test their assumptions and valuations - Consistently a solid pick, even with the higher MER
Trimark Fund	Large Cap Growth	Michael Hatcher Jeff Feng	1.71%	\$2,752.9	- Strong quarter thanks to tech & health names - Managers worried over impact of China slowdown, but remain focused on quality, well-priced names - I prefer the SC Series to A because of lower MER

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	
GDN Global Dividend Growth	8.5	16.1	16.6	-	-	13.8	20.0	4.6	N/A	N/A	N/A	82%	N/A	123%	N/A	9.83%
Quartile	2	2	3	-	-	1	4	4								
IA Clarington Global Equity	4.9	8.8	12.6	8.8	-	8.2	21.1	12.5	-4.8	8.5	14.6	59%	74%	78%	96%	10.12%
Quartile	3	3	4	3	-	3	3	2	2	2	3					
Invesco International Growth	8.3	15.3	16.4	10.7	5.7	7.6	27.3	12.4	-6.1	7.0	17.3	88%	82%	79%	68%	9.56%
Quartile	1	3	2	1	1	1	2	3	1	1	1					
Mackenzie Ivy Foreign Equity	5.8	16.0	18.0	12.9	7.6	8.3	31.0	7.9	3.2	3.6	5.8	78%	74%	73%	57%	7.79%
Quartile	3	2	2	2	1	3	2	4	1	3	4					
Manulife World Investment	7.7	19.4	15.9	11.1	-	7.3	21.6	19.2	-8.8	8.1	22.3	87%	91%	80%	83%	11.04%
Quartile	2	2	2	1	-	1	4	3	2	2	2					
Trimark Fund (SC)	11.6	19.2	19.6	14.6	6.5	10.0	30..5	12.0	3.2	5.0	10.4	88%	85%	101%	66%	8.93%
Quartile	1	1	2	1	1	2	2	2	1	3	3					

Note: Risk is the annualized three or five year standard deviation, whichever is longest

Upside and downside capture ratios are run against the MSCI World Gross Index C\$ for Global Equity funds & MSCI EAFE Gross Index C\$ for International Equity funds

Global / International Small / Mid-Cap Equity

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
Brandes Global Small Cap	Small Cap Value	Brandes Management Team	2.71%	\$90.2	• Lagged in Q3 largely due to energy names, but managed to outperform for the year. • Uses an actively managed, bottom up process looking for names trading below its intrinsic value • Portfolio is very different from its index and peers • They like market volatility and use it to buy quality names at a discount. Will hold cash when no opportunities available. Cash at December 31 was 12.4% • More volatile than its peers. More volatility expected. • Remains a good long-term pick
Trimark Global Endeavour	Mid Cap Blend	Jeff Hyrich Erin Greenfield	2.64%	\$1,312.5	• Bottom up approach that looks for well-managed, high quality mid-sized businesses that are trading below their estimate of fair value • Concentrated portfolio. Holds around 40 names. • Underperformed in Q4 largely due to consumer names and high cash balance • At the end of Q4, cash sat at 19%, up from 17% in Q3 • Managers continue to find compelling opportunities trading at attractive valuations. Remaining patient.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	Risk
Brandes Global Small Cap	5.5	22.2	21.2	15.1	5.0	8.1	34.8	33.7	-15.2	21.9	41.9	79%	88%	45%	75%	10.47%
Quartile	3	1	2	1	3	3	3	1	3	1	1					
Trimark Global Endeavour	4.4	18.8	20.2	15.1	8.2	11.0	31.9	14.3	1.5	19.7	31.9	84%	84%	63%	58%	8.73%
Quartile	4	1	1	1	1	2	2	1	1	1	1					

Note: Risk is the annualized three or five year standard deviation, whichever is longest
Upside and downside capture ratios are run against the MSCI World Small/Mid Cap C\$ Gross Index

Specialty / Sector Funds

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
BMO Asian Growth & Income	Large Cap Blend	Robert Horrocks Kenneth Lowe	2.67%	\$687.4	- Consumer staples names were contributors to the funds positive performance in Q4 - Holds approximately 15% in prefs and convertibles - Outlook remains challenging due to China, slowing growth in the U.S. and deflation threats in Europe - Continuing to focus on high quality names.
Brandes Emerging Markets	Large Cap Value	Brandes Management Team	2.71%	\$188.2	- Utility names were key driver to outperformance - Deep value approach that looks for quality companies that have been beaten down by the market - Trades at a significant discount to its index and peers
Dynamic Power Global Growth	Large Cap Growth	Noah Blackstein	2.52%	\$997.8	- Concentrated portfolio of stocks with growing earnings. Focuses on growth over a 3 to 5 year period - Concentrated in tech, consumer, & healthcare names - High volatility with potential for high return.
Manulife Global Infrastructure Fund	Large Cap Growth	Craig Noble	2.77%	\$290.2	- Managed by Brookfield, a leader in infrastructure - Invests in companies that own and operate infrastructure assets around the world. - Expecting more near term turbulence because of energy. Long term outlook remains strong - Low historic correlation to traditional asset classes - An excellent addition to well diversified portfolio.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	
BMO Asian Growth & Inc.	5.2	10.2	8.7	7.1	6.8	6.7	9.3	21.9	-10.1	12.5	27.0	59%	62%	73%	50%	8.92%
Quartile	4	4	4	1	2	3	4	1	1	2	1					
Brandes Emerging Markets	6.3	-6.9	1.4	-1.6	4.0	-1.2	13.3	10.5	-19.8	10.2	79.5	96%	91%	119%	112%	14.86%
Quartile	1	4	3	3	2	4	1	4	3	3	1					
Dynamic Power Global Growth	11.6	24.5	24.0	14.0	10.1	9.1	40.6	7.2	-5.9	22.3	30.0	125%	115%	230%	170%	16.83%
Quartile	1	1	1	1	1	2	1	4	2	1	1					
Manulife Global Infrastructure	-1.1	-3.2	11.3	11.2	-	15.8	22.9	12.8	9.6	7.8	21.0	58%	59%	91%	29%	8.15%
Quartile	4	4	4	2	-	1	4	2	1	2	1					

Note: Risk is the annualized three or five year standard deviation, whichever is longest
Upside and downside capture ratios are run against the most appropriate market index

Balanced / Income Funds

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
CI Signature High Income Fund	Tactical	Geoff Marshall Ryan Fitzgerald	1.60%	\$9,459.2	- High Yield and REITs hurt in Q4. - Cash balance remains high, currently 11% - Expect more volatility in short term. Long term strong
Fidelity Canadian Balanced Fund	Strategic	Geoff Stein David Wolf	2.10%	\$7,248.1	- Asset mix is at target – 47% stocks, 47% bond - Invests in underlying Fidelity pools - With Canadian yields possibly moving lower, this fund looks poised for a nice run
Sentry Conservative Balanced Income Fund	Tactical	Michael Simpson James Dutkiewicz	2.24%	\$409.3	- Asset mix is 50% bonds / 50% equity - Higher energy weight weighed on Q4 performance. - Used recent selloff to add attractively valued names - Look for firms that can grow cash flow & dividends.
TD Monthly Income Fund	Tactical	Doug Warwick Gregory Kocik Michael Lough	1.46%	\$7,525.6	- Asset mix is set by committee. - Bond sleeve is neutral duration, overweight corporates - Nearly half the equity exposure is in financials, and another 9% in real estate. Overweight utilities. - Portfolio contains a high degree of interest sensitivity

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	
CI Signature High Income	1.2	-1.0	5.3	6.4	5.6	8.6	8.6	11.6	4.8	15.3	30.6	36%	50%	61%	36%	4.55%
Quartile	4	4	4	2	1	2	4	1	1	1	1					
Fidelity Canadian Balanced	0.9	3.5	9.1	6.3	6.2	11.1	12.7	6.0	-1.1	13.3	22.3	121%	110%	37%	57%	5.80%
Quartile	3	1	1	1	1	1	1	2	2	1	1					
Sentry Cons. Bal. Income	0.7	-2.0	6.0	-	-	8.6	12.3	8.6	6.1	N/A	N/A	98%	N/A	54%	N/A	4.27%
Quartile	3	3	3	-	-	2	1	1	1							
TD Monthly Income Fund	0.1	-3.8	4.8	5.3	5.0	9.9	8.9	8.5	3.6	9.8	30.7	104%	106%	89%	71%	4.88%
Quartile	4	4	3	2	2	1	4	2	1	3	1					

Note: Risk is the annualized three or five year standard deviation, whichever is longest
Upside and downside capture ratios are run against the respective balanced benchmarks.

Income Options

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
PowerShares 1-5 Yr Laddered Corp Bond	Rules Based	PowerShares Management Team	0.99%	\$411.6	- Duration has fallen to 2.8, in line with peers - Equally weighted laddered portfolio of investment grade corporate bonds in 5 maturity buckets. - Lower cost, higher yield and corporate focus should allow outperformance in most market environments - Variable distribution. Currently yielding 3.3%
PH&N Monthly Income Fund	Tactical	Scott Lysakowski William John	1.92%	\$2,398.4	- Over the quarter, there was a modest improvement in the risk metrics. Still, it remains UNDER REVIEW!! - Pays a monthly distribution of \$0.0420, which works out to an annualized yield of more than 5.8% - Overweight energy. Should gain when oil stabilizes.
Sentry Canadian Income Fund	Large Cap Blend	Michael Simpson Aubrey Hearn	2.66%	\$5,003.5	- Recently reclassified as Canadian Focused equity because of high foreign exposure, now at 42% - Pays a monthly distribution of \$0.0775 per unit, which works out to an annualized yield of 4.9% - Invests in high yielding equities & REITs in CDA & US. Well diversified. Solid income offering
BMO Monthly High Income II	Large Cap Blend	Kevin Hall Michele Robitaille	2.20%	\$1,308.0	- Pays a monthly distribution of \$0.06 per unit, which works out to an annualized yield of just over 5.7% - Invests in high yielding equities & REITs in Canada - Energy exposure and lack of U.S. holdings hurt in Q4. - Valuations and growth forecast look more attractive than Sentry, making it a good pick for longer term.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	
PShrs 1-5 Yr Lad. Corp Bond	0.2	1.8	2.0	2.6	-	2.8	1.4	3.0	4.1	N/A	N/A	68%	68%	63%	36%	1.42%
Quartile	3	2	2	1	-	1	1	1	1							
PH&N Monthly Income Fund	0.9	-5.0	2.7	3.3	-	6.6	6.9	7.6	0.8	N/A	N/A	93%	93%	111%	90%	5.11%
Quartile	3	4	4	4	-	3	4	1	1							
Sentry Canadian Income Fund	1.9	0.1	11.2	10.2	8.4	15.9	18.6	11.5	6.1	18.6	33.0	77%	76%	7%	10%	5.82%
Quartile	3	2	2	1	1	1	1	1	1	1	1					
BMO Monthly High Income II	-3.1	-9.8	2.2	4.9	4.8	3.7	14.2	7.7	10.4	20.7	34.0	73%	77%	84%	53%	7.44%
Quartile	4	4	4	3	2	4	4	2	1	1	1					

Note: Risk is the annualized three or five year standard deviation, whichever is longest

Upside and downside capture ratios are run against the most appropriate benchmark for the fund type

Passive Options

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
TD Canadian Bond Index Fund	Passive	Michelle Hegeman	0.83%	\$674.0	- At 0.83%, this is a pretty costly option for bond exposure. But it is still the cheapest option for a diversified passive bond fund - The MER is 0.56% for the F-Class - I would lean towards an active fund over this offering
RBC Canadian Index Fund	Passive	RBC Global Asset Management	0.72%	\$552.5	- I prefer this over the TD Canadian Index Fund because its MER is 16 bps lower - Lower MER should translate into higher returns
TD U.S. Index Fund	Passive	Vishal Bhatia Dino Vevaina	0.55%	\$1,106.6	- This is the lowest cost option for those looking for low cost access to the S&P 500 - There is also a currency hedged version available
TD International Index Fund	Passive	Vishal Bhatia Dino Vevaina	1.00%	\$487.0	- With an MER of 1.25%, I'd likely lean towards an actively managed fund over this offering. - Still it is the best choice for index offerings right now

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2014	2013	2012	2011	2010	2009	3Yr	5Yr	3Yr	5Yr	Risk
TD Canadian Bond Index	0.8	2.8	2.8	4.0	4.2	7.9	-2.0	2.8	8.7	6.0	4.3	104%	100%	109%	102%	3.69%
Quartile	1	1	2	2	2	1	2	2	1	2	3					
RBC Canadian Index	-1.6	-9.0	3.9	1.6	3.8	9.8	12.2	6.4	-9.2	16.8	34.1	97%	97%	103%	102%	9.55%
Quartile	4	3	4	4	3	2	4	2	2	2	2					
TD U.S. Index	11.2	20.5	27.5	19.3	8.3	22.9	40.0	12.5	3.8	8.2	6.5	98%	97%	109%	103%	9.24%
Quartile	1	1	1	1	1	1	2	1	1	2	3					
TD International Index	7.9	18.3	15.8	9.7	3.7	2.0	28.6	14.5	-10.8	0.9	8.6	94%	95%	107%	105%	11.58%
Quartile	2	2	2	2	2	2	2	2	2	3	4					

Note: Risk is the annualized three or five year standard deviation, whichever is longest
Upside and downside capture ratios are run against the most appropriate benchmark for the fund type

Model Portfolios

To assist in the portfolio construction process, we have created a series of model portfolios. The asset mixes were created using our proprietary Portfolio Optimization Model which strives to create an asset mix which delivers the highest level of expected return for each level of expected risk. Our strategic asset mixes for each investor type are outlined below:

Fund	Conservative	Moderate Balanced	Balanced	Balanced Growth	Growth
Fixed Income (Total)	65% to 100%	45% to 70%	35% to 50%	20% to 40%	0% to 20%
Short Term Fixed Income	45%	-	-	-	-
Traditional Fixed Income	10%	35%	25%	10%	-
Specialty Fixed Income	10%	10%	10%	10%	-
Canadian Equity	0% to 20%	0% to 40%	0% to 50%	0% to 50%	0% to 50%
Canadian Large Cap	10%	25%	25%	25%	25%
Canadian Small/Mid Cap	10%	10%	10%	10%	10%
U.S. Equity	0% to 20%	0% to 40%	0% to 50%	0% to 50%	0% to 50%
U.S. Large Cap	-	-	10%	15%	25%
U.S. Small/Mid Cap	-	-	-	10%	10%
International / Global Equity	0% to 20%	0% to 40%	0% to 50%	0% to 50%	0% to 50%
Large Cap	15%	20%	20%	20%	30%
Small Cap	-	-	-	-	-
Specialty / Sector	0% to 20%	0% to 20%	0% to 20%	0% to 20%	0% to 20%
Healthcare	-	-	-	-	-
Real Estate	-	-	-	-	-
Resources	-	-	-	-	-
Emerging Markets	-	-	-	-	-
Science & Technology	-	-	-	-	-
Aggressive / Tactical	-	-	-	-	-

The bolded sections represent the high level asset class and what we believe an acceptable range for each would be for each investor type. The various sub categories highlight the current allocations for our model portfolios.

Methodology

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

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

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

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

The metrics are:

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

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

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

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

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

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

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Information is from sources believed to be reliable. Every effort is made to ensure its accuracy, however, we cannot be responsible for inaccuracies or omissions in any of the data.

Information used in this analysis is historic in nature. Past performance is no guarantee of future performance.

Monthly Standard Deviation is the historical standard deviation for the most recent 60 month, or since inception of the fund, whichever is lower.

Sharpe Ratio is a measure of risk adjusted returns. The higher the ratio, the better the manager has been at delivering more return for less risk.

Alpha represents the excess return which the manager has been able to deliver over and above the applicable benchmark.

Beta represents the volatility of the fund relative to its applicable benchmark. A beta of one means that there is a level of volatility equal that of the benchmark. A beta in excess of one indicates that the volatility is greater than the benchmark, while a beta of less than one indicates that volatility is less than the benchmark.

Correlation measures the similarity in return patterns between the fund and a benchmark. The correlation will range between -1 and +1. A correlation close to +1 indicates that the fund and the index have very similar return patterns. A correlation close to -1 indicates that the returns are almost opposite, while a correlation close to zero indicates no relationship.

Historic returns are calculated using the monthly return data in our database. Slight variations in return results will be attributable to decimal rounding and number truncation.

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, ETFs, 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 September of 2000 and holds a Bachelor of Commerce (Finance) from the University of Windsor.