

ETF FOCUS LIST



March 2016

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The Focus List

% Returns at January 31, 2016											
Name	Ticker	3 Mth	1 Yr	3 Yr	5 Yr	MER	3 Yr. Tracking Error	5 Yr. Tracking Error	3 Yr. Standard Deviation	5 Yr. Standard Deviation	Average Daily Volume
Fixed Income											
PowerShares Senior Loan CAD Hedged ETF	BKL	-1.98	-2.64	0.29	-	0.82%	9.42	-	2.86	-	3K↓
iShares Canadian Short Term Bond Index	XSB	0.62	0.50	2.27	2.53	0.28%	0.83	0.91	1.50	1.38	105K↑
iShares 1-5 Year Laddered Corporate Bond	CBO	0.61	0.44	2.52	3.04	0.28%	1.05	1.21	1.66	1.50	107K↓
BMO Short Corporate Bond Index	ZCS	0.54	0.72	2.56	3.11	0.20%	1.15	1.34	1.43	1.33	38K
iShares Canadian Universe Bond Index	XBB	1.49	-1.07	3.65	4.63	0.33%	1.11	1.07	4.22	3.71	68K↓
PowerShares Tactical Bond ETF	PTB	1.21	-1.93	2.81	-	0.53%	1.50	-	4.15	-	13K↑
Income / Cash Flow											
BMO Monthly Income ETF	ZMI	-1.40	-3.70	2.59	5.02	0.63%	3.41	3.46	5.27	4.94	6K↓
iShares Diversified Monthly Income Fund	XTR	-4.10	-8.87	-0.11	2.86	0.56%	3.16	3.12	4.91	4.54	66K↓
Canadian Equity											
BMO Low Volatility Canadian Equity ETF	ZLB	-1.25	-0.26	16.32	-	0.40%	7.58	-	6.94	-	51K↑
PowerShares FTSE RAFI Cdn Fundamental	PXC	-6.25	-12.1	1.50	-	0.51%	3.92	-	10.38	-	6K↓
Horizons Active Canadian Dividend	HAL	-6.60	-7.11	5.06	5.61	0.79%	5.45	6.25	8.55	9.49	3K--
iShares S&P/TSX Cdn Dividend Aristocrats	CDZ	-8.16	-12.1	1.76	4.76	0.66%	5.00	5.92	8.21	8.21	42K↑
iShares Core S&P/TSX Capped Composite	XIC	-4.83	-10.3	3.13	1.57	0.10%	0.61	0.86	8.44	9.88	172K↑
iShares S&P/TSX Completion Index	XMD	-5.44	-12.4	0.13	-0.27	0.62%	0.83	0.93	9.65	11.07	9K--
First Asset Morningstr Cdn Momentum	WXM	-8.19	-14.0	6.81	-	0.67%	6.45	-	9.24	-	19K↓
U.S. Equity											
Vanguard MSCI U.S. Broad Mkt (C\$ Hedged)	VUS	-7.76	-3.68	10.09	-	0.16%	9.10	-	11.43	-	18K↑
iShares US Fundamental Index	CLU	-7.52	-5.67	8.79	8.80	0.72%	9.65	9.43	11.15	12.54	5K↓
iShares Core S&P 500 Index	XSP	-6.65	-1.54	10.95	10.40	0.13%	8.89	8.79	11.15	12.14	317K↑

% Returns at January 31, 2016											
Name	Ticker	3 Mth	1 Yr	3 Yr	5 Yr	MER	3 Yr. Tracking Error	5 Yr. Tracking Error	3 Yr. Standard Deviation	5 Yr. Standard Deviation	Average Daily Volume
International / Global Equity											
iShares MSCI EAFE Minimum Volatility Index	XMI	4.05	11.28	19.18	-	0.37%	6.59	-	10.99	-	16K↑
BMO MSCI EAFE Index (C\$ Hedged)	ZDM	-6.21	-2.69	8.11	6.03	0.29%	8.21	7.07	11.58	12.70	36K↑
iShares International Fundamental Index	CIE	-4.81	-2.34	10.84	5.94	0.72%	2.87	3.89	11.35	13.33	13K↓
iShares MSCI World	XWD	-1.47	4.65	17.86	12.74	0.46%	1.51	1.45	9.86	9.85	20K↑
First Asset MSCI Eur. Low Risk Wgtd C\$Hdg	RWE	-1.06	4.76	-	-	0.66%	-	-	-	-	4K
Specialty / Sector											
			-								
BMO MSCI Emerging Markets ETF	ZEM	-5.50	13.07	0.86	-0.07	0.46%	3.24	3.68	11.78	13.94	9K↑
iShares Gold Bullion Fund ETF	CGL	-1.99	-13.9	-12.9	-3.84	0.56%	16.65	18.63	16.67	18.63	38K↑
BMO Equal Weight REITs Index ETF	ZRE	-4.18	-12.0	-1.29	5.11	0.62%	11.26	11.43	10.00	9.45	33K↑
BMO Global Infrastructure	ZGI	-3.17	-8.91	14.97	15.51	0.62%	9.88	10.57	10.58	9.23	13K↓
iShares S&P/TSX Capped Financials Index	XFN	-3.54	2.77	8.80	8.05	0.61%	12.29	11.50	10.93	11.16	467K↑

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

Notes:

- ETFs highlighted in Green represent new additions to the Focus List. ETFs highlighted in Red are being removed from 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

BMO Short Corporate Bond Index ETF (TSX: ZCS) – The bond market continues to be a challenging place for investors. Yields remain near historic lows, and the interest rate outlook is somewhat uncertain. In the U.S., it was a near certainty that the Federal Reserve would be moving rates higher several times over the year. It now appears that there is only a modest probability that we will see much in the way of increase rates. Closer to home, odds are we may see the Bank of Canada move lower before moving higher.

In this environment, I am adding this corporate focused short term bond ETF and removing the **iShares 1-5 Year Laddered Corporate Bond Index ETF (TSX: CBO)**. There are a few reasons I am making this change. The first is ZCS offers a slightly higher yield to maturity. At February 28, the yield offered by ZCS was 2.05%, compared with 1.97% for CBO. This higher yield is expected to allow for a higher return, in the event we see rates remain flat.

Another reason for the change is ZCS has a slightly higher duration, coming in at 2.83 years, compared with 2.79 years for CBO. The duration of a bond portfolio is an indication of its interest rate sensitivity, with higher durations being more affected by changes in interest rates compared to lower duration portfolios. Given the expectation that Canadian rates are on hold for the near term, and potentially moving lower, I am favouring the slightly higher duration.

A third reason for the change is the lower cost of ZCS. In 2014, BMO cut the management fee from 0.30% to 0.12%. In comparison, the management fee is 0.25% for CBO, resulting in an MER of 0.28%. In an asset class where returns are expected to be rather low for the near to medium term, costs are extremely important.

Finally, according to Morningstar, CBO tends to trade at a higher premium to its underlying net asset value than ZCS, making it more expensive. For the past 12 months, ZCS has traded at a premium of 0.03% compared with 0.07% for CBO. Ideally, you will want to avoid paying a significant premium for an ETF, particularly in a low return asset class. While premiums may be unavoidable in many ETFs, you can take steps to try to minimize this additional cost.

Combined, these factors lead me to favour ZCS over CBO in the near to medium term.

Deletions

iShares 1-5 Year Laddered Corporate Bond Index ETF (TSX: CBO) – While I remain a fan of this laddered corporate bond ETF, I believe there are better options available in the near to medium term. As a result, I am removing it from the Focus List and replacing it with **BMO Short Corporate Bond Index ETF (TSX: ZCS)**.

As outlined above, there are a few reasons I am making this change. The first is ZCS offers a slightly higher yield to maturity. At February 28, the yield offered by ZCS was 2.05%, compared with 1.97% for CBO. This higher yield is expected to allow for a higher return, in the event we see rates remain flat.

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ETFs of Note

PowerShares Senior Loan CAD Hedged ETF (TSX: BKL) – With worries a slowing economy could result in higher default rates, high yield bonds and leveraged loans were sold off by investors, pushing yields and credit spreads higher. For the three months ending January 31, BKL lost nearly 2%, but managed to finish in the upper half of its peer group. This loss was even with the U.S. Federal Reserve finally moving rates higher in December. This was the worst performing fixed income ETF on the Focus List, and was the only one to finish in negative territory.

Again, I reiterate that this recent selloff highlights that these types of investments are NOT suitable as a core holding in your portfolio, despite what fund companies will have you believe. Instead, they are really only suited to higher risk investors who are comfortable taking on additional risk of loss over the short term, in return for the potential for reduced interest rate sensitivity.

As I look ahead, I still believe that this is the best choice in the category for those looking for an ETF that provides exposure to floating rate loans. That said, I am lukewarm at best on the asset class in the near to even medium term. Many of the loans held have interest rate floors in place that remain above the current short term yields, meaning we will need to see rates move even higher before the true value of these funds is realized. Until then, because the overwhelming majority of bank loans are unrated, investors will instead be focusing on the risk of default, which I expect will result in higher than average levels of volatility. If higher volatility is a concern, you will likely want to avoid floating rate notes and bank loan focused investments for the next little while. Longer term, particularly when we start to see some meaningful movement higher on interest rates, these types of investments can play a role in a well-diversified portfolio.

iShares Canadian Universe Bond Index ETF (TSX: XBB) – With the Bank of Canada expected to keep interest rates on hold for the next little while, bonds are likely to remain a positive contributor to portfolio performance. This ETF is my top pick at the moment. It provides exposure to a diversified portfolio of Canadian government and investment grade corporate bonds. It is a high quality portfolio, with about 70% invested in government issues, and the balance in corporates. Its duration is fairly long, coming in at 7.42 years at the end of February. The higher the duration, the more sensitive it is to the movements in underlying interest rates. This is not a concern at the moment, but when rates start to move higher, it is likely to experience heightened volatility and the potential for some modest short term losses. But for now, with an MER of 0.33%, this is a great, low cost way to get high quality Canadian bond exposure.

BMO Low Volatility Canadian Equity ETF (TSX: ZLB) – Low volatility funds and ETFs have become rather popular with investors lately, and it's not hard to see why. Who doesn't love the idea of getting returns that will come pretty close to the broader market, but with a lot less downside? It sounds too good to be true, and while the track records are still relatively short, the early results are very encouraging.

This low volatility ETF was the best performing Canadian ETF on the Focus List over the period, falling 1.3%, compared with a drop of 4.8% for the S&P/TSX Composite Index. The longer term numbers are also rather impressive. For the three years ending January 31, it gained an impressive 16.4%, compared with 3.4% for the index. More impressive however, is this was done with a level of volatility that was about three quarters of the market, and it posted a downside capture ratio that was negative, which means that on average, when the broader market was down, this ETF was positive.

As impressive as this level of outperformance has been, it is not sustainable. One key reason is the ETF has very little exposure to the hard hit energy sector, and no exposure to materials, which has been the biggest drags on the S&P/TSX Composite. Once we see energy stabilize and start to rebound, this ETF is likely to lag the broader Canadian market.

Another worry I have relates to the valuation levels of the underlying portfolio. According to Morningstar, the price to earnings ratio of ZLB is 19.4 times. In comparison, the S&P/TSX Composite is trading at a more modest 15.5 times earnings. It is a similar story for other key valuation metrics, with ZCS exceeding the market on a price to book, and price to cash flow basis. Turning to earnings, the historic earnings growth rate of ZCS lags the index, and the forecasted earnings growth is significantly lower than the market. In other words, investors have significantly bid up the price of these lower beta names, and they now trade at levels that are not justified by both the current and expected level of earnings.

That is not to say a significant selloff is imminent. On the contrary. Instead, looking at the sector makeup, I would expect it to continue to hold up well in periods of higher than normal volatility. However, when the markets turn positive, this ETF would be expected to lag, in some cases significantly, while earnings catch up with valuations. If you have held this ETF for any period of time, I would strongly encourage you to take some money off the table, by rebalancing your portfolio and taking some profits.

iShares S&P/TSX Completion Index ETF (TSX: XMD) – It is rather tough to find a good small / mid-cap ETF with a focus on Canadian equities. There are really only about four that are considered to be Canadian Small / Mid Cap Equity ETFs. Sadly, this is the best option. Essentially, it provides exposure to the Canadian traded companies that are part of the S&P/TSX Composite Index, but are not part of the S&P/TSX 60 Index. Because of this, it tends to skew somewhat mid-cap, with an average that is about five times that of the S&P/TSX Small Cap Index. If you absolutely require an ETF for your small / mid cap exposure, this would be the one to use. However, if you are willing to consider mutual funds, I believe you may be better off looking at something like **CI Cambridge Pure Canadian Equity Fund (CIG 11109)**, **IA Clarington Canadian Small Cap Fund (CCM 520)**, or the **Sentry Small Mid Cap Income Fund (NCE 721)**. Each of those offers what I believe to be a more compelling risk reward profile than this or any of the other available small / mid cap ETFs.

Vanguard U.S. Total Market Index ETF (CAD-hedged) (TSX: VUS) – Of the U.S. equity ETFs on the Focus List, this was the worst performer for the three months ending January 31, falling by 7.8%, compared with a drop of 6.6% for the **iShares Core S&P 500 Index ETF (TSX: XSP)**. The main reason for this performance differential is VUS provides exposure to the entire U.S. equity market. Holding approximately 3,700 individual securities, about one third of the portfolio is invested in small and mid-sized companies. In comparison, XSP holds around 500 names, with virtually no exposure to small caps, and less than 20% invested in mid-cap names. During the period, small and mid-cap companies underperformed. While the shorter term outlook may be cloudy for small and mid-cap companies, the longer term outlook remains strong, making this a great way to get broad market U.S. equity exposure. Near term, I favour XSP, but only marginally. Longer term, I believe the additional exposure to small and mid-sized companies should allow this to provide slightly better returns.

iShares International Fundamental Index ETF (TSX: CIE) – I have to admit I really like the theory behind fundamental ETFs. The goal of a fundamental approach is to weight companies in the index based on their financial health, rather than by their size. Ideally, because of this focus on quality, it should provide a return that is comparable to a market cap weighted index, with less volatility. In this case, the top 1000 listed companies that trade outside the U.S. are ranked by four fundamental criteria; sales, cash flows, book value, and dividends. Unfortunately, the reality hasn't quite lived up to the theory. While the longer term performance of this ETF has been comparable to the MSCI EAFE Index, it has also been more volatile, with a standard deviation that is above the index. Further, it has consistently underperformed the index in falling markets. Looking ahead, the valuation metrics of this portfolio appear to be more favourable than the broader market. However, according to Morningstar, the forward looking growth numbers are also lower, which indicates it may not be quite as favourably valued as it appears on the surface. I like the theory of this for the longer term, but am monitoring it further in the short term for a deepening divergence in returns or an uptick in overall volatility.

iShares Gold Bullion ETF (TSX: CGL) – Gold has been on a bit of a tear since early December, jumping more than 18%. Much of this gain has come from investors' lack of faith in the ability of central banks around the world to get the global economy growing in a meaningful way. With negative interest rates becoming a possibility to a larger number of countries, investors are starting to look for places to park some of their excess cash, and for some, that is gold. While I'm not a gold bug per se, there may be some more room for bullion to move higher. Further, once growth does take hold, the possibility for inflation is also expected to grow, which would be another positive for gold. This ETF is a good way to gain exposure to gold. Given that gold trades in U.S. dollars, the currency exposure of the ETF is fully hedged. If you want to gain this exposure in an unhedged fashion, you may want to consider CGL.C. Alternatively, you could consider the **Royal Canadian Mint Canadian Gold Reserves Exchange Traded Receipt (TSX: MNT)**, which is similar and carries a management fee of 0.35%. There is no currency hedging with this ETR.

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%	\$34	• Worries over defaults pushed prices down • 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%	\$2,264	• 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 ZCS's higher duration & yield for now.
BMO Short Corporate Bond Index - NEW	TSX: ZCS	Short Term Fixed Income	Cap Weighted	0.20%	\$879	• Replaced CBO on focus list in March 2016 • Invests in a portfolio of short duration corporate bonds. • Offers a higher YTM and duration than CBO, making it more attractive in current environment. It also has a lower MER.
iShares Canadian Universe Bond	TSX: XBB	Traditional Bond	Cap Weighted	0.33%	\$2,011	• Portfolio is approximately two thirds governments, one third in corporates • Highly interest sensitivity. Duration of 7.4 • 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%	\$285	• High yield dragged again 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%

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2015	2014	2013	2012	2011	2010	3Yr	5Yr	3Yr	5Yr
PowerShares Senior Loan	-1.98	-2.64	0.29	-	-	-2.29	0.48	3.77	-	-	-	-12	-	-50	-
iShares Cdn Short Term Bond	0.62	0.50	2.27	2.53	3.57	2.07	3.05	1.39	1.58	4.41	3.29	69	69	59	50
BMO Short Corp. Bond Index	0.54	0.72	2.56	3.11	-	2.36	3.46	2.13	3.80	3.78	4.25	69	72	37	15
iShares DEX Universe Bond	1.49	-1.07	3.65	4.63	4.75	3.30	8.28	-1.31	3.01	9.33	6.14	106	102	111	97
PowerShares Tactical Bond	1.21	-1.93	2.81	-	-	2.02	7.68	-2.11	-	-	-	100	-	123	-

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%	\$82	• Invests in a portfolio of fixed income and high yielding equity ETFs from BMO • Target mix is 50% equity 50% bonds. • Holds 54% equity, 46% bonds after recent rebalancing • 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%	\$585	• Invests in a mix of income focused ETFs • Emphasis on cash flow. Yields 5.8% after distribution cut in January • Preferred share exposure continued to weigh on returns in Q4. More uncertainty expected in pref market near term. • 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

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2015	2014	2013	2012	2011	2010	3Yr	5Yr	3Yr	5Yr
BMO Monthly Income Fund	-1.40	-3.70	2.59	5.02	-	-0.58	9.40	3.34	10.24	-	-	77	95	81	57
iShares Div. Monthly Income	-4.10	-8.87	-0.11	2.86	3.15	-6.04	6.51	2.06	8.37	6.62	15.60	57	95	183	177

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%	\$707	- Continues to outperform in volatile times - 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%	\$67	- Energy exposure hurt performance - 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%	\$830	- Mid cap names underperformed large caps - 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%	\$2,244	- Energy & Valeant continued to weigh - 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%	\$176	- Mid-caps underperformed large caps - 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%	\$143	- Continued to struggle. Higher volatility - Looks for 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 complement to your other equity holdings

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2015	2014	2013	2012	2011	2010	3Yr	5Yr	3Yr	5Yr
BMO Low Volatility Cdn Equity	-1.25	-0.26	16.32	-	-	2.71	28.37	20.70	14.07	-	-	93	-	-21	-
PowerShares FTSE RAFI Cdn Fundamental	-6.25	-12.14	1.50	-	-	-9.81	6.66	16.19	-	-	-	112	-	133	-
Horizons Active Canadian Dividend	-6.60	-7.11	5.06	5.61	-	-7.20	12.59	19.76	8.78	-0.46	-	83	96	63	66
iShares S&P/TSX Cdn Dividend Aristocrats	-8.16	-12.14	1.76	4.76	-	-11.5	12.96	13.59	8.84	6.07	15.69	84	85	95	60
iShares Core S&P/TSX Capped Composite	-4.83	-10.25	3.13	1.57	3.38	-8.62	10.95	12.46	7.01	-8.79	17.42	97	100	100	103
iShares S&P/TSX Completion	-5.44	-12.42	0.13	-0.27	2.57	-10.6	5.07	11.99	3.92	-8.48	30.21	97	98	102	102
First Asset Morningstar Canadian Momentum	-8.19	-13.99	6.81	-	-	-9.03	17.10	26.76	-	-	-	88	-	55	-

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%	\$311	- Exposure to small and mid cap names dragged recent performance. - 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%	\$143	- 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%	\$3,272	- 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 bumps rates or Bank of Canada cuts. May want to use XUS in short term because of unhedged currency. Same investment exposure

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2015	2014	2013	2012	2011	2010	3Yr	5Yr	3Yr	5Yr
Vanguard MSCI U.S. Broad Market (C\$ Hedged)	-7.76	-3.68	10.09	-	-	-0.81	13.13	33.90	15.36	-	-	62	-	141	-
iShares US Fundamental Index	-7.52	-5.67	8.79	8.80	-	-4.07	12.79	35.44	15.39	-2.00	16.83	54	77	125	158
iShares Core S&P 500 Index	-6.65	-1.54	10.95	10.40	4.78	0.54	14.02	32.33	15.41	0.65	13.91	61	80	125	147

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%	\$215	- 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%	\$787	- 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%	\$211	- 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%	\$389	- 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%	\$56	- 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.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2015	2014	2013	2012	2011	2010	3Yr	5Yr	3Yr	5Yr
iShares MSCI EAFE Min Vol.	4.05	11.28	19.18	-	-	27.81	12.91	24.14	-	-	-	90	-	21	-
BMO MSCI EAFE Idx (C\$ Hdg)	-6.21	-2.69	8.11	6.03	-	4.71	5.12	26.95	17.04	-12.86	1.36	67	82	75	95
iShares Int'l Fundamental Idx	-4.81	-2.34	10.84	5.94	-	12.43	1.61	32.74	13.06	-14.16	0.59	93	103	108	131
iShares MSCI World	-1.47	4.65	17.86	12.74	-	17.42	14.31	35.69	11.82	-4.10	5.54	97	97	107	105
FA MSCI Eur LR Weighted ETF	-1.06	4.76	-	-	-	10.82	-	-	-	-	-	-	-	-	-

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%	\$142	- 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%	\$216	- Gold has rallied on worries central banks won't be able to spur economic growth. - I expect this to continue in near term. - ETF is fully hedged back to Canadian dollars. For unhedged exposure use TSX: MNT
BMO Equal Weight REITs Index ETF	TSX: ZRE	Real Estate Equity	Equal Weighted	0.62%	\$365	- 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%	\$198	- 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%	\$884	- Invests in the largest banks and insurance companies that trade on the TSX - Bank earnings were strong, however slower economy could create headwinds. - Expect continued volatility in near-term. You may want to take some profits

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2015	2014	2013	2012	2011	2010	3Yr	5Yr	3Yr	5Yr
BMO MSCI Emerging Markets	-5.50	-13.07	0.86	-0.07	-	-0.32	4.53	4.56	12.39	-17.18	12.54	86.57	91.82	93.37	100.13
iShares Gold Bullion Fund ETF	-1.99	-13.90	-12.89	-3.84	-	-11.31	-1.50	-28.70	7.08	9.55	29.12	-	-	-	-
BMO Equal Weight REITs	-4.18	-12.03	-1.29	5.11	-	-5.12	8.68	-4.74	18.16	13.68	-	28.62	41.11	65.32	34.12
BMO Global Infrastructure	-3.17	-8.91	14.97	15.51	-	-4.05	30.36	22.43	12.87	18.75	-	67.45	62.25	31.35	-20.66
iShares S&P/TSX Cpd Fincl	-3.54	2.77	8.80	8.05	5.42	-3.71	11.89	26.00	16.42	-4.40	7.91	37.26	52.79	0.00	36.71

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.

BMO Short Corporate Bond Index ETF (TSX: ZCS) – BMO Short Corporate Bond Index ETF has been designed to replicate, to the extent possible, the performance of the FTSE TMX Canada Short Term Corporate Bond Index™, net of expenses. BMO Short Corporate Bond ETF invests in a variety of debt securities primarily with a term to maturity between one and five years. Securities held in the Index are generally corporate bonds issued domestically in Canada in Canadian dollars, with an investment grade rating.

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 Index™, 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 track 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.

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

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

Monthly Standard Deviation is the most recent 60 month historical standard deviation of returns.

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

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

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

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

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

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.