RECOMMENDED LIST OF FUNDS

October 2016

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Contents

The Recommended List

	Name	Returns at September 30, 2016 3 Mth	1 Yr	3 Yr	5 Yr	Sharpe Ratio	Alpha	Beta	Correlations TSX	S&P 500	MSCI EAFE	FTSE/TMX Cdn Bond Universe	MER
Fixed Income - Core													
1	Dynamic Advantage Bond Fund	0.5%	1.8%	2.6%	2.6%	0.21	0.04%	0.47	0.366	0.288	0.373	0.731	1.58%
2	PH&N Total Return Bond Fund	1.3%	6.7%	6.0%	4.5%	0.31	0.03%	0.94	0.070	0.276	0.275	0.993	0.58%
3	PowerShares 1-5 Yr Laddered Corp Bond	0.6%	2.2%	2.4%	2.2%	0.29	0.00%	0.97	0.170	0.351	0.412	0.859	0.99%
4	TD Canadian Core Plus Bond	1.3%	5.4%	4.6%	3.8%	0.27	0.00%	0.86	0.114	0.298	0.314	0.973	1.50%
Fixed Income - Specialty													
1	Manulife Strategic Income Fund	1.4%	4.9%	7.4%	7.0%	0.39	0.31%	0.74	0.246	0.546	0.563	0.596	2.00%
2	PIMCO Monthly Income Fund	3.2%	4.7%	4.5%	8.1%	0.46	0.59%	0.20	0.487	0.180	0.344	0.163	1.38%
3	RBC Global Corporate Bond	2.0%	7.7%	4.9%	4.8%	0.33	0.16%	0.64	0.429	0.224	0.370	0.675	1.74%
Canadian Equity - Core													
1	CI Cambridge Cdn Equity	7.2%	13.2%	10.3%	14.8%	0.54	0.77%	0.61	0.748	0.609	0.623	0.008	2.45%
2	Fidelity Canadian Large Cap Fund	2.8%	11.0%	9.8%	13.6%	0.51	0.81%	0.41	0.533	0.689	0.649	0.028	2.50%
3	Manulife Dividend Income Fund	6.0%	17.3%	13.6%		0.58	0.74%	0.56	0.800	0.601	0.576	0.074	2.29%
4	RBC North American Value Fund	5.4%	12.3%	9.6%	11.9%	0.40	0.46%	0.74	0.838	0.698	0.720	-0.062	2.09%
5	Signature Select Canadian Fund	6.3%	9.3%	7.7%	9.5%	0.29	0.22%	0.84	0.860	0.668	0.744	-0.059	2.44%
Canadian Small Mid Cap Equity													
1	CI Cambridge Pure Canadian Equity	8.6%	13.5%	12.4%	21.5%	0.57	1.27%	0.67	0.693	0.355	0.432	-0.077	2.45%
2	IA Clarington Canadian Small Cap	4.7%	16.0%	8.2%	14.3%	0.46	0.81%	0.55	0.693	0.260	0.345	-0.310	2.93%
3	Sentry Small Cap Income Fund	8.9%	13.8%	11.0%	16.6%	0.49	0.97%	0.57	0.688	0.665	0.605	-0.032	2.75%

	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
		Returns at September 30, 2016							Correlations				
	US Equity - Core												
1	Capital Group U.S. Equity Fund	6.1%	18.5%			0.53	0.02%	0.82	0.529	0.926	0.767	0.225	2.05%
2	Manulife U.S. Equity Fund	4.2%	12.0%	17.6%	20.2%	0.53	-0.04%	0.97	0.350	0.950	0.681	0.138	2.48%
3	RBC O'Shaughnesy U.S. Value Fund	5.9%	6.6%	5.5%	14.0%	0.30	0.00%	0.69	0.683	0.540	0.530	-0.206	1.55%
4	TD U.S. Blue Chip	8.5%	7.2%	18.5%	20.8%	0.41	-0.47%	1.26	0.321	0.916	0.782	0.226	2.54%
5	Trimark U.S. Companies Fund	4.1%	2.6%	15.2%	18.6%	0.43	-0.41%	1.12	0.342	0.959	0.705	0.194	2.71%
	US Small Mid-Cap Equity												
1	Fidelity Small Cap America	2.2%	5.1%	17.7%	23.6%	0.54	0.70%	0.69	0.278	0.866	0.579	0.181	2.53%
2	TD U.S. Mid - Cap Growth Fund	5.4%	8.0%	18.9%	20.7%	0.47	0.37%	0.77	0.375	0.894	0.706	0.195	2.54%
3	Trimark U.S. Small Companies Class	8.7%	7.3%	9.9%	14.4%	0.36	0.07%	0.67	0.458	0.800	0.651	0.215	2.93%
	Global / International Equity - Core												
1	Guardian Global Dividend Growth Fund	-1.1%	2.6%	11.6%		0.29	-0.32%	0.83	0.306	0.821	0.812	0.459	2.03%
2	IA Clarington Global Equity	4.4%	7.6%	8.5%	12.2%	0.35	-0.12%	0.81	0.551	0.737	0.837	0.180	2.57%
3	Invesco International Growth Class	5.2%	4.3%	9.2%	11.9%	0.32	0.15%	0.78	0.553	0.824	0.934	0.184	2.84%
4	Mac Ivy Foreign Equity Fund	2.7%	6.5%	11.0%	12.9%	0.43	0.09%	0.68	0.170	0.874	0.744	0.312	2.51%
5	Manulife World Investment	4.2%	10.3%	12.5%	14.7%	0.38	0.37%	0.77	0.530	0.778	0.885	0.297	2.55%
6	Trimark Fund	4.6%	17.7%	15.7%	16.2%	0.45	0.07%	0.89	0.472	0.875	0.846	0.285	1.70%
	Global Small Mid Cap Equity												
1	Brandes Global Small Cap	9.0%	15.7%	16.8%	21.1%	0.51	0.39%	0.85	0.579	0.677	0.786	0.084	2.70%
2	Fidelity NorthStar Fund	2.9%	1.7%	14.8%	17.0%	0.51	0.48%	0.59	0.130	0.663	0.673	0.297	2.57%
	Trimark Global Endeavour	8.5%	6.0%	14.0%	15.2%	0.43	0.06%	0.78	0.456	0.791	0.814	0.140	2.56%

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
		Returns at September 30, 2016							Correlations				
Specialty / Sector Funds													
1	BMO Asian Growth & Income Fund	4.2%	9.7%	8.3%	10.2%	0.30	0.23%	0.58	0.414	0.606	0.753	0.435	2.62%
2	Brandes Emerging Markets	8.7%	26.1%	5.1%	6.7%	0.13	-0.07%	0.94	0.757	0.369	0.594	0.082	2.71%
3	Dynamic Power Global Growth Class	11.2%	11.9%	12.8%	15.2%	0.25	-0.42%	1.24	0.317	0.654	0.665	0.238	2.50%
4	Manulife Global Infrastructure Fund	2.9%	10.3%	11.4%	12.7%	0.39	0.23%	0.58	0.439	0.577	0.617	0.501	2.75%
Balanced / Income Funds													
1	CI Signature High Income Fund	4.6%	7.2%	5.8%	7.7%	0.40	0.27%	0.64	0.662	0.585	0.740	0.365	1.59%
2	Fidelity Canadian Balanced Fund	3.2%	6.8%	8.5%	8.2%	0.38	0.25%	0.76	0.657	0.711	0.736	0.456	2.29%
3	Sentry Conservative Balanced Income	1.9%	6.5%	5.5%	7.3%	0.47	0.29%	0.55	0.729	0.644	0.586	0.291	2.27%
4	TD Monthly Income Fund	4.3%	11.5%	7.3%	7.5%	0.37	0.24%	0.63	0.829	0.402	0.530	0.122	1.47%
Income Options													
1	PowerShares 1-5 Yr Laddered Corp Bond	0.6%	2.2%	2.4%	2.2%	0.29	0.00%	0.97	0.170	0.351	0.412	0.859	0.99%
2	Sentry Canadian Income Fund A	2.4%	8.3%	9.4%	11.4%	0.54	0.64%	0.41	0.666	0.739	0.597	0.172	2.70%
3	BMO Monthly High Income Fund II	3.9%	12.5%	5.2%	7.3%	0.26	0.18%	0.63	0.772	0.247	0.381	0.074	2.14%
Passive Options													
1	TD Canadian Bond Index Fund	1.0%	5.5%	5.1%	3.5%	0.22	-0.06%	0.99	-0.020	0.227	0.214	0.999	0.83%
2	RBC Canadian Index Fund	5.2%	13.3%	7.2%	7.2%	0.22	-0.05%	0.98	1.000	0.359	0.531	-0.015	0.72%
3	TD U.S. Index Fund	5.2%	12.5%	19.0%	20.4%	0.54	-0.09%	1.00	0.361	0.997	0.761	0.236	0.55%
4	TD International Index Fund	7.5%	3.6%	8.1%	11.5%	0.26	-0.08%	0.98	0.508	0.757	0.987	0.223	1.01%

Benchmark Returns at September 30, 2016

Benchmark	3 mth	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Fixed Income					
FTSE TMX 90 Day T-Bill Index	0.14%	0.48%	0.72%	0.81%	1.39%
FTSE TMX Short Term Bond Index	0.45%	2.01%	2.65%	2.29%	
FTSE TMX Canadian Bond Universe	1.18%	6.29%	5.97%	4.38%	5.22%
Canadian Equity					
S&P/TSX 60 Capped Index	5.77%	12.98%	8.63%	7.89%	3.77%
S&P/TSX Composite	5.45%	14.21%	8.00%	8.05%	5.30%
S&P/TSX Completion Index TR	4.50%	18.26%	6.24%	7.04%	5.26%
S&P/TSX Small Cap Index TR	4.93%	35.79%	6.71%	4.83%	
U.S. Equity					
S&P 500 C$	5.54%	13.54%	20.51%	21.69%	8.97%
Russell 2000 C$	9.95%	14.83%	14.58%	20.63%	8.50%
Global & Specialty Equity					
MSCI EAFE C$	7.38%	4.84%	9.46%	12.85%	3.99%
MSCI World C$	5.86%	9.70%	15.43%	17.43%	6.78%
MSCI World Small / Mid Cap Index C$	7.57%	11.28%	15.55%	18.75%	8.03%
MSCI Europe C$	6.32%	0.99%	8.44%	13.26%	3.77%
S&P/TSX Capped REIT Index	-3.62%	12.67%	8.24%	7.63%	6.93%
MSCI Emerging Markets C$	10.06%	14.78%	8.22%	8.33%	5.99%
MSCI Pacific C$	9.47%	12.68%	11.23%	12.66%	4.41%
MSCI Pacific ex Japan C$	9.11%	17.73%	9.04%	12.32%	7.89%
MSCI ACWI C$	6.30%	10.27%	14.67%	16.54%	6.62%
MSCI All China C$	9.48%	5.97%	15.56%	13.08%	

Data Sources:

Fundata

FTSE / TMX

Bank of Canada

MSCI

Returns as of September 30, 2016

List Changes

Additions

Capital Group U.S. Equity Fund (CIF 847 – Front End Units, CIF 867 – Low Load Units) – Historically, the U.S. equity market has been one of the most difficult to outperform, making picking an actively managed fund in the category rather difficult. More often than not, you're better off just going with a low-cost index product for your U.S. equity exposure.

One fund that has grabbed my interest of late is the **Capital Group U.S. Equity Fund**, offered through the U.S. based Capital Group's Canadian division. While the fund is only publishing a track record of just under three years in Canada, it is now modelled after the firm's oldest portfolio, the **Investment Company of America**, a fund that was launched in 1933, and boasts a strong track record of performance.

Like all Capital Group funds, it is managed using a multi-manager approach. The portfolio is divided into different sleeves that are managed independently by managers of different backgrounds and styles. There is also a portion of the fund that is made up of the top picks from the firm's analyst teams.

There is much diversity between the styles and philosophies used by the different managers. Each uses their own unique, research driven approach to stock selection. The result is a portfolio that tends to be somewhat style agnostic.

Overseeing the portfolio is the firm's Portfolio Coordinating Group, which is responsible for monitoring the portfolio in real time. They are also responsible for setting the weight between the managers and analysts within the fund, based on their outlook of the investing environment.

The portfolio is often quite different than its benchmark. For example, at the end of June, it was significantly overweight materials and energy, with underweights in financials, consumer discretionary, and technology.

It holds 70 names, with the top ten making up just over a third of the fund. Digging deeper, the portfolio valuation metrics, while not cheap, do look slightly more attractive than the S&P 500.

The managers take a longer-term outlook to investing, which is reflected by their very modest 23% average annual portfolio turnover. Another interesting item about the fund and the firm is the compensation structure. Incentive bonuses are paid to the managers based on their rolling one, three, five, and eight-year performance numbers, with more emphasis being placed on the longer-term numbers. Further, Capital

Group is well known for its high level of manager co-investment in the funds. At the end of September, 97% of the firm's managers had more than $1 million invested in their mandates. This goes a long way to help align the interests of the managers with those of the investors.

Costs are very reasonable, with an MER of 2.05%, which is well below the category average. The lower fee hurdle will help in this category where outperformance is very difficult.

Given the emphasis on risk management, I wouldn't expect this to shoot the lights out, but I would expect it to deliver index like or better returns with volatility levels that are slightly better than the broader market. All these factors align to make this a very compelling reason to consider this fund for your U.S. equity exposure. I am adding it to the Recommended List.

Deletions

None

Funds of Note

TD Canadian Core Plus Bond Fund (TBD 695– Front End Units, TDB 696 – DSC Units) – This continues to be an excellent choice for investors looking for an actively managed Canadian bond fund. It is managed in a similar fashion to the highly regarded **TD Canadian Bond Fund**, except it can invest up to 30% in "non-core" fixed income strategies such as high yield, global bonds, and emerging market debt. At the end of August, it held just under 9% in non-investment grade bonds.

During the quarter, it modestly outpaced its rival, the **PH&N Total Return Bond Fund**. Both funds are of exceptional quality, and both have very comparable duration positioning, with TD offering a slightly higher yield to maturity. The key reason for this modest outperformance was TD had a higher weighting in corporate bonds, which made up more than 60% of the fund. In comparison, PH&N has been very active with their corporate exposure, and at the end of September held roughly 37% in corporate credit. PH&N also held only a modest position in high yield, which outpaced government issues over the quarter.

Looking ahead, both bond funds are excellent picks, particularly in an environment where the Bank of Canada is expected to keep rates on hold. If I had to choose between the two, I would likely give a slight edge to the PH&N offering. My main reason for this is the PH&N offering has a higher weight in government bonds, which would be expected to hold up better in periods of volatility. Many are expecting higher than normal volatility in both the bond and equity markets in the coming weeks. Another reason would be the modestly lower cost, with the advisor series of PH&N carrying an MER of 1.16% compared to 1.50% for TD for the advisor sold units of each fund.

PIMCO Monthly Income Fund (PMO 005 – Front End Units, PMO 105 – DSC Units) – Managed by the team of Alfred Murata and Dan Ivascyn, this actively managed, global bond fund has a decided focus on income generation, paying attention to protecting invested capital. The managers have a lot of tools at their disposal and can invest in a wide range of fixed income securities including mortgage backed securities, investment grade bonds, high yield debt, and emerging market bonds. At the end of September, mortgage backed investments made up 28% of the portfolio, followed by government issues, which were a quarter of the fund, and 24% weight in emerging market debt. The duration is very defensive, coming in at 2.68 years, which is significantly shorter than the broader Canadian bond market.

The process used is a combination top down macro analysis and bottom up security selection. The top down macro analysis looks at both the long-term outlook and the near term cyclical view. This analysis helps the managers set the fund's sector mix, duration and yield curve positioning. Securities are chosen using a fundamentally driven, bottom up process.

The managers look at the portfolio in two distinct parts; high quality core, and non-core. Within the high-quality core portion, they tend to focus on investment grade issues in developed countries and agency mortgage backed securities. This portion is designed to provide downside protections and modest returns in periods when economic growth is weak. The non-core portion holds lesser quality issues such as high yield bonds, emerging market debt, and non-agency mortgage backed securities and is for growth.

They are very active in their approach with levels of portfolio turnover that have averaged more than 200% since the launch of the fund.

This fund is managed so that its monthly distributions are covered mostly by the income generated by the portfolio, as the managers do not want to encroach on capital. That explains why the monthly distribution amount is variable. For the past 12 months, income distributions have totaled just over $0.67, resulting in an annualized yield of 4.6%.

Costs are very reasonable, with an MER of 1.39%.

For the quarter, it gained 3.2%, handily outpacing its peers. Year to date, it's up nearly 6.5%, making up for a somewhat disappointing 2015. Volatility is well below its competition, and its downside capture is negative, meaning it is likely to be positive when global bonds are down. This has resulted in an excellent risk reward profile.

Looking ahead, I expect this fund has the potential to continue to deliver excellent risk adjusted returns, particularly when compared to its competition. I certainly don't think it will deliver the types of gains it did in 2011 and 2012, but what we've seen in the past couple years appears to be more reasonable. While not a core holding, it can be a great addition to an otherwise diversified fixed income sleeve.

Fidelity Canadian Large Cap Fund (FID 231 – Front End Units, FID 531 – DSC Units) – Since taking over the reins of this fund in 2011, manager Daniel Dupont has posted stellar numbers, gaining nearly 14% annualized to the end of September. In comparison, the S&P/TSX Composite has returned just over 8%. While a lot of this outperformance can be attributed to his U.S. holdings, which at the end of August made up 23% of the portfolio, his focus on capital preservation, quality, and valuation have also played a significant part.

Despite this enviable long-term track record, the fund has struggled recently. For the third quarter, it gained 2.9%, lagging both the index and the peer group. Year-to-date, the fund is up by 7.6%, but it has trailed the broader Canadian market by more than 800 basis points. In some cases, this sort of underperformance would be cause for concern. While we never like to see any our recommended funds underperform, it's important to understand why the underperformance has happened.

In this case, the recent underperformance is largely the result of the fund's defensive positioning. It is significantly underweight materials and energy; two sectors that have accounted for most of the gains in the index this year. At the end of August, the fund had no exposure to materials, which have risen by more than 50% on a year-to-date basis. Turning to energy, the fund held about a third of the exposure of the index, which has risen by more than 25% so far this year.

Another factor contributing to the underperformance is the high cash position. At the end of August, the fund held 17% in cash, up from 6% at the end of June. The higher the cash balance, the more drag the fund experiences when markets rise. The cash will also act as a buffer when there is a market selloff. It is for this reason that the cash has been increased. In a recent commentary, Mr. Dupont noted there are several risks on the horizon, including deteriorating balance sheet strength in several companies, worries that the earnings cycle has peaked, and valuation levels. Combined, these risks lead him to carry more cash than he would like, but given his emphasis on capital preservation, he believes this is a prudent move in the short-term.

The higher cash can also be a source of "dry powder". He has shown in the past that he is rather adept at using periods of market volatility to put his cash to work, and improve the quality of the portfolio by picking up quality companies at more attractive valuations.

As much as I am a fan of the performance numbers, I am even more impressed by the risk metrics of the fund. Volatility has remained well below the index and peer group, and the upside and downside capture ratios are excellent. Even in the past year when it has struggled by historic standards, it still managed to deliver more than half the upside of the market, and had a negative downside capture ratio, indicating the fund was likely to be higher on days when the market fell.

While some may be frustrated by the recent underperformance, I remain extremely comfortable with this fund on my Recommended List of Funds. I believe in the manager and I am comfortable with the investment process used. I continue to monitor this fund closely for any significant erosion it the risk reward outlook.

IA Clarington Canadian Small Cap Fund (CCM 520 – Front End Units, CCM 521 – DSC Units) – With a respectable 4.7% rise in the third quarter, this mid-cap focused fund lagged both the benchmark and its peers. There are a couple of reasons for this. First, the portfolio is very quality focused, holding a concentrated mix of excellent franchises, with strong balance sheets and reasonable valuations. In the past few months, market leadership has come from higher beta names with weaker balance sheets, meaning the market has not been rewarding quality. Second, the fund is carrying a relatively high cash balance, which acts as a headwind in a rising market environment. It is estimated that the 9% cash balance cost the fund approximately 49 basis points in performance in the quarter.

When looking ahead, it is these very factors that lead me to believe it is well positioned for the future. First, the valuation levels of the portfolio look rather attractive next to the index and peer group. It becomes even more so when the dividend yield is factored in. At the end of September, Morningstar estimates the yield of the portfolio at more than 3.4%, well above its peers. Second, the operational and management quality of the companies in the portfolio is very strong, which will help the portfolio to withstand an extended economic slowdown or period of market volatility better than companies with weaker fundamentals. Finally, the high cash balance which can be a headwind in a rising market, provides the managers with the ammunition to improve the portfolio in periods of market volatility by picking up quality names at more attractive valuations. The longer-term performance numbers back this up, with better than average returns, lower than average volatility, and excellent downside protection.

This remains one of my top small cap picks.

Fidelity Small Cap America Fund (FID 261 – Front End Units, FID 561 – DSC Units) – Since Steve MacMillan took over this fund back in 2011, it has been one of the best performing U.S. small cap funds around. However, in recent months, performance has begun to slide. In the third quarter, the fund gained a very modest 2.2%, while the Russell 2000 Index gained nearly 10% in Canadian dollar terms. Year-to-date, the fund is down 2.7% while the benchmark was up more than 18%.

This recent underperformance is the result of the investment process used by the manager. Mr. MacMillan uses a fundamentally driven, bottom up stock selection process that places an emphasis on stocks that have a history of high return on equity, and high earnings visibility. He also likes companies that have low economic sensitivity, and are trading at reasonably valuations. Because of this focus on quality, the portfolio tends to have less exposure to more cyclical sectors such as energy, materials, and financials. It also tends to eschew those names trading at high valuation levels. Looking at the sectors that have driven the U.S. market higher, it has been materials, energy, and real estate – the very sectors this fund is likely to avoid. True to the process, the fund had no exposure to materials and real estate, and was significantly underweight energy.

One of the worst performing sectors has been healthcare, which has lost 6.6% on a year-to-date basis. The fund is significantly overweight healthcare, which makes up 21% of the portfolio. It also has significant exposure to consumer discretionary names, which have dropped 1% so far this year. Also creating a headwind in a rising market, has been the fund's 10% cash weighting.

Putting it all together, and you get the "perfect storm" for underperformance – a significant overweight in sectors that are underperforming, little or no exposure to sectors that are outperforming, and a higher than normal cash balance.

Looking ahead, I remain cautious on small and mid-cap names in general, based mostly on valuation levels. I expect that we could see a period of underperformance from small and mid-cap stocks that will allow valuation levels to return to more normalized levels.

With this fund specifically, I expect to see some further short term underperformance, however, over the long-term, with its focus on quality and valuation, I would expect it to produce solid returns, with better than average levels of volatility. I remain comfortable with this fund on my Recommended List of Funds, and will continue to monitor it on an ongoing basis.

BMO Asian Growth & Income Fund (GGF 620 – Front End Units, GGF 120 – DSC Units) – Asian markets had a very strong quarter, with the MSCI Pacific Index gaining nearly 9.5% in Canadian dollar terms. In a recent commentary, the managers of the fund noted that this rebound was likely the result of a few factors including a reduced likelihood of major capital outflows in the wake of slower than anticipated rate hikes in the U.S., and the success of China's accommodative monetary policies, that appear to have stabilized the country. This backdrop helped to fuel strong capital inflows into emerging markets, with all Asian markets benefitting, and large cap companies being the largest benefactor.

Despite this positive market backdrop, the fund lagged the index, rising 4.2%. Much of this underperformance was the result of the fund's lack of exposure to the high-flying tech names, which rallied nicely in the quarter. It's exposure to convertible bonds, preferred shares, and cash also acted as a headwind in a rising market. Combined, these investments account for nearly 20% of the portfolio.

Looking ahead, the managers remain cautious. They note that much of the market rally is a function of an influx in capital, rather than an improvement in market fundamentals. They expect 2016 to be another year with no growth in corporate earnings. Further, market valuations remain on the high side. There are also several risks that could impact Asia including a more protectionist trade environment following the upcoming U.S. election, further threats to the stability of the E.U., and troubles in the European and Chinese banking sector.

Given the riskier outlook, I believe this remains one of the best ways to access Asian equities. The mix of equities and convertible bonds provide a more balanced exposure. Obviously, the drawback to this is the probability of underperforming in a rising market. However, I believe this is more than offset by the lower volatility and stronger downside protection offered.

Fixed Income Core

Fund	Style	Managers	MER	Assets ($ mil)	Notes
Dynamic Advantage Bond	Multi-Strategy	Michael McHugh Domenic Bellissimo	1.58%	$732.2	• Remains conservatively positioned with a duration of 3, which is less than half the index. • High credit quality, with only 3.4% in high yield. • With rates likely on hold in Canada, the low duration is likely a headwind, causing it to lag near term. • Great pick for when rates do start to move.
PH&N Total Return Bond Fund	Multi-Strategy	PH&N Fixed Income Team	1.16%	$8,368.8	• With yields in Canada likely to remain on hold, this remains **my top bond pick for near term.** • Falling yields and tactical portfolio positioning helped in Q3. Very "benchmark like" from rate perspective • Very modest exposure to high yield. Added to corporates through attractive new issues.
PowerShares 1-5 Year Laddered Corp Bond	Rules Based	PowerShares Management Team	0.99%	$452.6	• Higher duration and yield allowed for strong Q3. • 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	1.50%	$12,863.1	• Higher YTM and corporate exposure helped in Q3. • Duration remains in line with index. • Like the TD Canadian Bond except it can invest up to 30% in global, high yield & Emerging Mkt. debt • Excellent long-term bond pick

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		
Fund	3mt	1 Yr	3 Yr	5 Yr	10Yr	2015	2014	2013	2012	2011	2010	3Yr	5Yr	3Yr	5Yr	Risk
Dynamic Advantage Bond	0.5	1.8	2.6	2.6	3.5	0.7	4.3	-0.1	4.2	6.5	7.3	37%	50%	1%	17%	2.32%
Quartile	4	4	4	4	4	4	4	1	1	3	1					
PH&N Total Return Bond Fund	1.2	6.1	5.4	3.9	-	2.6	8.0	-1.5	3.4	7.5	5.9	97%	98%	68%	72%	3.40%
Quartile	2	1	1	2	-	2	1	2	3	2	3					
PShrs 1-5 Yr Lad. Corp Bond	0.6	2.2	2.4	2.3	-	1.8	2.8	1.4	3.0	4.1	N/A	63%	69%	10%	16%	1.36%
Quartile	2	1	1	1	-	2	1	1	1	1						
TD Canadian Core Plus Bond	1.3	5.4	4.6	3.8	-	1.8	6.9	-1.3	4.9	8.0	6.2	88%	94%	74%	67%	3.16%
Quartile	2	2	2	2	-	3	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 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	2.00%	$8,341.1	• Tactically managed global bond fund that invests in global government, corporate and high yield bonds • Conservatively positioned with an effective duration of 3.4 yrs. This contributed to Q3 underperformance • About 7% invested in EM debt, rest is developed mkts • About a quarter of the fund invested in high yield. • Majority of currency exposure is currently hedged. • A great way to diversify from domestic bonds
PIMCO Monthly Income Fund	Tactical	Alfred Murata Daniel Ivascyn	1.39%	$9,013.2	• 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. • Sep 30 duration was 2.68, up from 2.50 in June.
RBC Global Corporate Bond	Credit Analysis	Frank Gambino Marty Balch Soo Boo Che	1.72%	$6,184.5	• Invests mainly in investment grade corporate bonds from issuers around the world. • Had a solid quarter thanks to investment grade issues in Europe & Asia, and high yield holdings • Managers expect global yields to remain rangebound • They have reduced high yield exposure, but remain overweight. Duration very similar to benchmark • This would make a nice compliment to a Canadian focused bond fund.

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		
Fund	3mt	1 Yr	3 Yr	5 Yr	10Yr	2015	2014	2013	2012	2011	2010	3Yr	5Yr	3Yr	5Yr	Risk
Manulife Strategic Income	1.4	4.9	7.4	7.0	7.4	5.5	8.1	4.5	9.1	2.0	8.4	53%	55%	50%	65%	4.44%
Quartile	4	4	1	2	1	1	1	2	3	4	4					
PIMCO Monthly Income Fund	3.2	6.9	5.8	9.2	-	2.4	5.3	6.3	23.7	N/A	N/A	18%	33%	-53%	-84%	3.88%
Quartile	1	1	3	1	-	3	4	1	1							
RBC Global Corporate Bond	2.1	7.7	4.9	4.8	5.2	-0.6	6.7	-0.6	8.8	6.2	6.8	23%	24%	-20%	-31%	3.41%
Quartile	2	1	3	2	2	4	3	3	2	2	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	2.45%	$4,576.3	• Tech & industrials propelled fund in Q3 • Remain defensive carrying 19% cash, dwn from 25% • Bottom up process still finding opportunities
Fidelity Canadian Large Cap	Large Cap Value	Daniel Dupont	2.28%	$5,489.6	• Cash increased to 16.5%. Lots of dry powder • Lagged as market leadership came from low quality names. High quality focus of this fund keep it top pick
Manulife Dividend Income Fund	Large Cap Blend	Alan Wicks Conrad Dabiet Jonathan Popper	2.29%	$1,277.6	• Concentrated, yet diversified portfolio of businesses that are creating value faster than broader markets • Outperformed on Industrial and tech names. • Holds 60% Cdn equity, 21% US, and 13% cash.
RBC North American Value	Large Cap Blend	Stu Kedwell Doug Raymond	2.06%	$2,399.9	• Solid Q3 on tech, financials & underweight commodity • Favoring US names, but worried over valuation levels, Sees stabilization in main headwinds – dollar & oil • Excellent long-term core equity fund.
Signature Select Canadian	Large Cap Blend	Eric Bushell	2.44%	$2,047.9	• Another above average quarter, thanks to its energy and tech names. Healthcare was a headwind. • Have added exposure to energy and materials. Sold gold holdings on belief deflation risks receding. • Reduced cash. Valuations look attractive.

	Annualized Returns (%)					Calendar Year Returns (%)					Upside		Downside		
Fund	3mt	1 Yr	3 Yr	5 Yr	10Yr	2015	2014	2013	2012	2011	2010	3Yr	5Yr	3Yr	5Yr	Risk
CI Cambridge Cdn Equity	7.2	13.2	11.0	15.2	-	0.6	14.2	27.2	16.7	-1.3	12.5	91%	97%	52%	21%	7.21%
Quartile	1	1	1	1	-	2	1	1	1	1	2					
Fidelity Canadian Large Cap	2.9	11.3	10.2	14.0	10.8	3.6	10.6	36.6	6.0%	10.6	17.8	69%	76%	19%	-6%	6.90%
Quartile	4	2	1	1	1	1	2	1	3	1	1					
Manulife Dividend Income	6.0	17.4	13.7	-	-	-1.1	5.1	9.5	5.8	2.4	13.6	93%	N/A	27%	N/A	6.64%
Quartile	1	1	1	-	-	1	4	4	3	1	1					
RBC North American Value	5.4	12.3	9.7	12.0	7.8	-0.3	7.6	23.1	11.8	-3.6	15.3	82%	91%	47%	42%	7.84%
Quartile	3	2	2	1	1	4	3	2	1	1	1					
Signature Select Canadian	6.3	9.4	7.8	9.6	5.1	-2.4	11.6	19.2	8.2	-8.5	10.3	84%	93%	73%	72%	8.62%
Quartile	2	3	3	3	2	3	1	3	2	2	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 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	2.45%	$329.7	• Strong quarter on overweight exposure to consumer discretionary and industrials, underweight energy. • Cash was headwind. Increased from 18% to 25%. Looking to use volatility as opportunity. • No substantive changes to sector mix. • Valuations are a concern. Watching Fed. • 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 Value	Joe Jugovic Ian Cooke	2.93%	$946.8	• Energy and materials exposure hurt Q3 returns • Valuations remain a concern to the team. Have increased cash to take advantage of opportunities. • Focus on quality make it a great long-term pick! • 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	2.75%	$1,359.2	• Strong Q3 thanks to strong picks in the consumer discretionary and energy sectors. • Expecting recovery in Western Canada for rest of year • Expecting higher volatility heading into US election. • Looks for high quality, trading at attractive values • Pays a monthly distribution. Currently yielding 2.7%

		Annualized Returns (%)				Calendar Year Returns (%)						Upside		Downside		
Fund	**3mt**	**1 Yr**	**3 Yr**	**5 Yr**	**10Yr**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**3Yr**	**5Yr**	**3Yr**	**5Yr**	**Risk**
CI Cambridge Pure Cdn Equity	8.6	13.6	12.5	21.6	-	-5.8	14.7	47.3	34.3	N/A	N/A	99%	112%	51%	-1%	9.68%
Quartile	1	3	1	1	-	3	1	1	1							
IA Clarington Cdn Small Cap	4.7	16.0	8.2	14.3	7.5	-6.8	5.9	37.3	20.2	-3.3	13.9	61%	80%	27%	6%	8.18%
Quartile	3	3	2	1	2	3	2	1	1	1	4					
Sentry Small Mid Cap Income	8.9	14.1	11.3	16.7	12.8	-0.2	12.7	36.4	15.5	6.5	26.3	77%	88%	27%	-1%	8.79%
Quartile	1	3	2	1	1	3	1	1	1	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/TSX Completion Index

U.S. Equity Core

Fund	Style	Managers	MER	Assets ($ mil)	Notes
Capital Group U.S. Equity Fund	Large Cap Blend	Christopher Buchbinder Barry Crosthwaite Mark Hickey	2.05%	$112.2	• Managed using a unique multi manager structure • Fund is split into different sleeves managed independent of each other with central oversight. • Significant alignment of interests with investors.
Manulife U.S. Equity Fund	Large Cap Blend	Grayson Witcher	2.48%	$365.1	• Mirrors the respected **Mawer U.S. Equity Fund** • Looks for well managed companies with high ROE, sustainable competitive advantages & compelling P/E • Solid long-term pick for active U.S. equity exposure
RBC O'Shaughnessy U.S. Value	Large Cap Value	Jim O'Shaughnessy	1.49%	$1,591.0	• Decent quarter for the fund, as buyback stocks outperformed. Portfolio most attractively valued of picks. • Stock selection done using quantitative process • I like it long term. Much different than index!
TD U.S. Blue Chip	Large Cap Growth	Larry Puglia	2.56%	$1,685.8	• Strong Q3 on tech and consumer names • 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	2.71%	$406.5	• Remains **UNDER REVIEW**. • Valuations and growth levels remain a concern. • Watching for a turnaround in risk reward metrics.

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		
Fund	**3mt**	**1 Yr**	**3 Yr**	**5 Yr**	**10Yr**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**3Yr**	**5Yr**	**3Yr**	**5Yr**	**Risk**
Capital Group U.S. Equity	6.1	18.5	-	-	-	7.9	-	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Quartile	1	1	-	-	-											
Manulife U.S. Equity	4.2	12.0	17.6	20.2	-	17.9	19.3	40.5	11.4	2.5	4.4	91%	96%	103%	109%	9.97%
Quartile	3	1	1	1	-	2	2	2	2	1	4					
RBC O'Shaughnessy US Value	5.9	6.7	5.6	14.1	4.3	-8.9	10.7	47.5	12.4	6.7	14.5	48%	77%	96%	115%	12.55%
Quartile	2	3	4	4	4	4	4	1	1	1	1					
TD U.S. Blue Chip	8.5	7.2	18.5	20.8	8.7	30.8	16.8	47.6	13.7	1.8	8.2	112%	108%	161%	152%	13.50%
Quartile	1	3	1	1	1	1	3	1	1	1	2					
Trimark U.S. Companies	4.1	2.6	15.2	18.6	7.7	15.4	25.7	40.8	10.3	0.3	15.6	100%	101%	157%	154%	11.47%
Quartile	3	4	3	2	2	2	1	2	2	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 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	2.31%	$2,511.5	• Has underperformed of late, as it has been high beta names leading markets higher. Quality has lagged. • Focus on stocks with high ROE, and earnings visibility. • Also looks for low economic sensitivity. • Valuations look a bit rich compared to peers and benchmark. May be a good time to take some profits. • AUM in the fund has grown substantially in past 3 years. I'm starting to get a bit concerned. Watching closely
TD U.S. Mid Cap Growth Fund	Mid Cap Growth	Brian Berghuis John Wakeman	2.56%	$806.7	• Was positive but lagged the benchmark and peer group • Positioned for economic growth – overweight consumer cyclical and industrials, Also overweight healthcare. • Valuation very stretched. Expected to lag in short term • More volatility expected. Take profits!
Trimark U.S. Small Companies	Small Cap Blend	Rob Mikalachki Virginia Au Jason Whiting	2.93%	$149.9	• Outpaced its peers but lagged the benchmark in Q3 • High cash, currently 30% also weighed on performance • Expect it to lag in rising markets because of high cash. • Very small cap focused. Lowest avg. mkt cap on list • Managers expecting high volatility to continue • Continue to look for high quality companies with high free cash flow dependability & strong balance sheets

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		
Fund	3mt	1 Yr	3 Yr	5 Yr	10Yr	2015	2014	2013	2012	2011	2010	3Yr	5Yr	3Yr	5Yr	Risk
Fidelity Small Cap America	2.2	5.4	18.0	23.9	11.2	24.3	17.5	54.2	19.9	7.7	18.9	90%	90%	68%	53%	11.21%
Quartile	4	4	1	1	1	1	1	1	1	1	2					
TD U.S. Mid Cap Growth Fund	5.4	8.0	18.9	20.7	10.6	25.9	21.5	43.8	9.7	-0.5	20.2	96%	88%	74%	72%	11.68%
Quartile	3	3	1	1	2	1	1	2	2	2	2					
Trimark U.S. Small Companies	8.7	7.3	9.9	14.4	7.6	2.5	16.3	33.4	10.0	8.8	13.7	64%	67%	65%	64%	10.70%
Quartile	1	3	3	3	3	4	1	4	2	1	4					

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	2.03%	$302.6	• High beta names drove the market higher in Q3, resulting in underperformance for this fund. • Expects more volatility in months ahead. Continues to focus on downside protection in yield focused names • Managed using a multi factor quant model that focuses on dividend growth, payout and sustainability • Looks for positive rates of change in 31 factors • Also available with **BMO Global Dividend Fund** or as a **Horizons Active Global Dividend ETF (HAZ)**
IA Clarington Global Equity Fund	Large Cap Value	Joe Jugovic	2.55%	$146.4	• UK holdings were a headwind in Q3 • Portfolio valuation looks better than index and peers, which managers believe will boost gains long term. • Managers cautious, sees global growth as fragile • Should provide strong downside protection, but expected to lag in market rally
Invesco International Growth Class	Large Cap Blend	Jason Holzer Clas Olsson	2.84%	$630.1	• Bottom up approach looks for quality companies with strong earnings, and reasonable valuations • High cash, underweight to energy & Japan hurt • Used recent volatility to add to some current names • Outlook for the rest of year is mixed. Volatility likely. • Holding 11% in cash as buffer & dry powder
Mackenzie Ivy Foreign Equity Fund	Large Cap Blend	Paul Musson Matt Moody	2.51%	$4,674.0	• Remains one of the best funds around for downside protection and performance in volatile markets. • Remain defensive on valuation. Hold ~30% cash. • Will not try to predict markets in the short term, instead focus on quality company fundamentals • Portfolio valuation looking a little high. Take profits
Manulife World Investment	Large Cap Blend	David Ragan Jim Hall	2.55%	$986.1	• Identical to **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 • Underperformed in Q2 on lack of European banks • Consistently a solid pick, even with the higher MER
Trimark Fund	Large Cap Growth	Michael Hatcher Jeff Feng	1.70%	$2,961.0	• Underperformed on financial and consumer names. U.S. stocks also detracted from performance. • Cash balance averaged nearly 10% acted as drag. • Expecting some near-term volatility in the lead up to the US election. Brexit aftermath well contained. • I prefer the SC Series to A because of lower MER

Fund	Annualized Returns (%) 3mt	1 Yr	3 Yr	5 Yr	10Yr	Calendar Year Returns (%) 2015	2014	2013	2012	2011	2010	Upside 3Yr	5Yr	Downside 3Yr	5Yr	5 yr. Risk
GDN Global Dividend Growth	-0.4	3.4	11.9	-	-	16.1	13.8	20.0	4.6	N/A	N/A	86%	N/A	101%	N/A	10.95%
Quartile	4	4	2	-	-	2	1	4	4							
IA Clarington Global Equity	4.4	7.6	-	-	-	8.8	8.2	21.1	12.5	-4.8	8.5	N/A	N/A	N/A	N/A	N/A
Quartile	3	3	-	-	-	3	3	3	2	2	2					
Invesco International Growth	5.2	4.3	9.2	11.9	4.3	15.3	7.6	27.3	12.4	-6.1	7.0	90%	85%	85%	79%	9.93%
Quartile	4	3	2	2	1	3	1	2	3	1	1					
Mackenzie Ivy Foreign Equity	2.7	6.5	11.0	12.9	6.8	16.0	8.3	31.0	7.9	3.2	3.6	72%	72%	73%	65%	7.79%
Quartile	4	3	3	3	1	2	3	2	4	1	3					
Manulife World Investment	4.2	10.3	12.5	14.7	5.6	19.4	7.3	21.6	19.2	-8.8	8.1	97%	93%	71%	70%	10.40%
Quartile	4	1	1	1	1	2	1	4	3	2	2					
Trimark Fund (SC)	4.6	17.7	15.7	16.2	6.1	19.2	10.0	30..5	12.0	3.2	5.0	95%	88%	85%	76%	9.47%
Quartile	3	1	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 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	2.70%	$114.5	• Uses an actively managed, bottom up process looking for names trading below its intrinsic value • Valuation discipline results in cash balances when no opportunities available. Was 15% at September 30 • Sees the US as well as tech & real estate overvalued • More volatile than its peers. Volatility is an opportunity to pick up mispriced stocks at better prices. • Remains a good long-term pick
Fidelity Northstar Fund	Mid Cap Value	Joel Tillinghast Daniel Dupont	2.32%	$4,209.9	• All cap go anywhere fund managed by Joel Tillinghast and Daniel Dupont, each using their distinct styles • Tillinghast is very diversified, Dupont is concentrated • Lagged in Q3 as higher beta names led markets up • Tends to be less volatile than peers and index. • Solid compliment to well-diversified portfolio.
Trimark Global Endeavour	Mid Cap Blend	Jeff Hyrich Erin Greenfield	2.56%	$1,391.5	• Bottom up approach that looks for well-managed, high quality, attractively valued mid-sized businesses • Concentrated portfolio. Holds around 40 names. • Strong showing in Q3 the result of consumer and industrial names which outperformed. • Used recent volatility as an opportunity to put some cash to work. Reduced cash further from 9%% to 5% • Managers believe recent volatility overdone. Expecting more volatility. Remaining patient.

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
Fund	3mt	1 Yr	3 Yr	5 Yr	10Yr	2015	2014	2013	2012	2011	2010	3Yr	5Yr	3Yr	5Yr	Risk
Brandes Global Small Cap	9.0	15.7	16.8	21.1	6.3	22.2	8.1	34.8	33.7	-15.2	21.9	88%	97%	63%	73%	10.72%
Quartile	2	1	1	1	2	1	3	3	1	3	1					
Fidelity Northstar Fund	3.0	2.0	15.1	17.3	7.2	24.9	13.5	46.0	8.0	-9.2	11.5	67%	76%	29%	45%	8.68%
Quartile	4	3	1	1	2	1	1	1	3	2	1					
Trimark Global Endeavour	8.5	6.0	14.0	15.2	7.7	18.8	11.0	31.9	14.3	1.5	19.7	89%	87%	87%	87%	9.36%
Quartile	1	3	1	2	1	1	2	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 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	2.62%	$695.9	• Underperformed in Q3 on lack of exposure to higher beta sectors including tech, which rallied higher • Convertibles, prefs and cash also weighed • Remain cautious. Focus on managing risks • More balanced portfolio is a great way to access Asia
Brandes Emerging Markets Value	Large Cap Value	Brandes Management Team	2.71%	$246.6	• Deep value approach that looks for quality companies that have been beaten down by the market • Have been finding several opportunities in Turkey. Brazil is largest country weight. • Trades at a significant discount to its index and peers
Dynamic Power Global Growth	Large Cap High Growth	Noah Blackstein	2.50%	$1,027.2	• Very strong in Q3 with many tech names rallying • Concentrated portfolio of stocks with growing earnings. Focuses on growth over a 3 to 5-year period • Concentrated in tech, consumer, & industrial names • High volatility with potential for high return.
Manulife Global Infrastructure Fund	Large Cap Growth	Craig Noble	2.75%	$298.0	• Despite decent showing from energy names, the fund still lagged the broader global equity category • Some worries infrastructure spending may be slowing • Low historic correlation to traditional asset classes makes it an excellent diversifier in a portfolio.

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
Fund	3mt	1 Yr	3 Yr	5 Yr	10Yr	2015	2014	2013	2012	2011	2010	3Yr	5Yr	3Yr	5Yr	Risk
BMO Asian Growth & Inc.	4.2	9.7	8.3	10.2	6.6	10.2	6.7	9.3	21.9	-10.1	12.5	60%	61%	51%	41%	8.90%
Quartile	4	4	4	2	2	4	3	4	1	1	2					
Brandes Emerging Mkts Value	8.7	26.2	5.2	6.7	5.3	-6.9	-1.2	13.3	10.5	-19.8	10.2	81%	92%	92%	99%	14.60%
Quartile	3	1	4	2	1	4	4	1	4	3	3					
Dynamic Power Global Growth	11.2	11.9	12.8	15.2	10.4	24.5	9.1	40.6	7.2	-5.9	22.3	125%	116%	195%	186%	17.05%
Quartile	1	1	2	2	1	1	2	1	4	2	1					
Manulife Global Infrastructure	3.0	10.4	11.4	12.7	-	-3.2	15.8	22.9	12.8	9.6	7.8	77%	77%	99%	81%	8.63%
Quartile	3	4	3	2	-	4	1	4	2	1	2					

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 Eric Bushell	1.59%	$8,658.8	• Lagged in Q3 on underweight in energy names • Nearly 43% in high yield 42% in equities, 11% in investment grade bonds, and 4% cash. Added to stocks • Have become more bullish, hence increase in equities
Fidelity Canadian Balanced Fund	Strategic	Geoff Stein David Wolf	2.07%	$7,417.1	• Asset mix was 46% bonds/53% equity • Conservative equity sleeve was headwind in quarter • With Canadian yields stable or possibly moving lower, the 50/50 target asset mix keeps it well positioned
Sentry Conservative Balanced Income Fund	Tactical	Michael Simpson James Dutkiewicz	2.27%	$1,726.3	• Lagged because of the equity sleeves underweight in financials, and overweight in real estate. • target mix - 50% bonds / 50% equity. Near target now • Current mix is 3% cash, 47% bonds, 50% equity • Prefer corporates over governments in bond sleeve. • Equity values a concern. Focus on dividend growers.
TD Monthly Income Fund	Tactical	Doug Warwick Gregory Kocik Michael Lough	1.46%	$7,718.5	• Another strong quarter on energy and bank names. Remain overweight financials, REITs and Utilities. • Bonds are overweight corporates for yield advantage. • With low bond yields expected to continue, higher yielding equities expected to hold up well in volatility. • Running about 60% equity, 37% bonds, 3% cash.

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
Fund	**3mt**	**1 Yr**	**3 Yr**	**5 Yr**	**10Yr**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**3Yr**	**5Yr**	**3Yr**	**5Yr**	**Risk**
CI Signature High Income	4.6	7.2	5.8	7.7	5.6	-1.0	8.6	8.6	11.6	4.8	15.3	47%	56%	57%	38%	4.76%
Quartile	2	3	3	2	1	4	2	4	1	1	1					
Fidelity Canadian Balanced	3.3	7.1	8.9	8.5	6.4	3.5	11.1	12.7	6.0	-1.1	13.3	105%	110%	56%	55%	5.48%
Quartile	3	3	1	1	1	1	1	1	2	2	1					
Sentry Cons. Bal. Income	1.9	6.9	5.8	7.5	-	-2.0	8.6	12.3	8.6	6.1	N/A	81%	91%	69%	32%	3.87%
Quartile	4	3	3	2	-	3	2	1	1	1						
TD Monthly Income Fund	4.3	11.5	7.3	7.5	5.5	-3.8	9.9	8.9	8.5	3.6	9.8	108%	106%	103%	69%	5.06%
Quartile	1	1	2	2	1	4	1	4	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 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%	$452.6	• Higher duration and yield allowed for strong Q3. • Laddered portfolio of investment grade corporate bonds in 5 equally weighted maturity buckets. • Lower cost, higher yield and corporate focus should allow outperformance in most market environments • Variable distribution, yielding 3.15% for past 12 mths
Sentry Canadian Income Fund	Large Cap Blend	Michael Simpson Aubrey Hearn	2.70%	$5,711.1	• Positive, but lagged on an underweight exposure to financials and overweight to real estate. • Put some cash to work – down to 5% from 9% • They expect Canada to lag the U.S. ~40% in US • Recently cut management fee by 30bps to 1.95%, which will see a meaningful reduction in MER in time. • Pays a monthly distribution of $0.0775 per unit, which works out to an annualized yield of 4.7% • 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	2.14%	$1,399.5	• Modest underperformance in Q3. • Much uncertainty on horizon. Remain cautious. Outlook for quality, yield stocks looks good long term. • Pays a monthly distribution of $0.06 per unit, which works out to an annualized yield of just under 5.2% • Invests in high yielding equities & REITs in Canada • More mid cap focused than Sentry. • Valuations and growth forecast look more attractive than Sentry, making it a good pick for longer term.

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
Fund	3mt	1 Yr	3 Yr	5 Yr	10Yr	2015	2014	2013	2012	2011	2010	3Yr	5Yr	3Yr	5Yr	Risk
PShrs 1-5 Yr Lad. Corp Bond	0.6	2.2	2.4	2.3	-	1.8	2.8	1.4	3.0	4.1	N/A	63%	69%	10%	16%	1.36%
Quartile	2	1	1	1	-	2	1	1	1	1						
Sentry Canadian Income Fund	2.4	8.8	9.8	11.8	8.4	0.1	15.9	18.6	11.5	6.1	18.6	65%	67%	14%	-1%	5.42%
Quartile	4	3	2	1	1	2	1	1	1	1	1					
BMO Monthly High Income II	3.9	12.6	5.3	7.3	5.9	-9.8	3.7	14.2	7.7	10.4	20.7	80%	72%	92%	56%	7.28%
Quartile	3	3	4	3	2	2	4	4	2	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%	$756.0	• At 0.83%, this is a pretty costly option compared to near identical ETF. But it is still the cheapest option for a diversified passive bond mutual 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%	$693.2	• I prefer this over the TD Canadian Index Fund because its MER is lower • Lower MER should translate into higher returns
TD U.S. Index Fund	Passive	Vishal Bhatia Dino Vevaina	0.54%	$1,135.7	• 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	0.99%	$514.2	• MER has dropped from 1.25% to 0.99%, making this a more attractive option. Still, I'd likely lean towards an actively managed fund over this offering. • This remains the best choice for index offerings

		Annualized Returns (%)				Calendar Year Returns (%)						Upside		Downside		5 yr.
Fund	3mt	1 Yr	3 Yr	5 Yr	10Yr	2015	2014	2013	2012	2011	2010	3Yr	5Yr	3Yr	5Yr	Risk
TD Canadian Bond Index	1.0	5.5	5.2	3.5	4.4	2.8	7.9	-2.0	2.8	8.7	6.0	98%	100%	82%	90%	3.54%
Quartile	4	2	2	2	2	1	1	2	2	1	2					
RBC Canadian Index	5.2	13.3	7.2	7.3	4.7	-9.0	9.8	12.2	6.4	-9.2	16.8	97%	97%	103%	103%	8.67%
Quartile	3	2	3	4	3	3	2	4	2	2	2					
TD U.S. Index	5.2	12.5	19.4	20.7	8.1	20.5	22.9	40.0	12.5	3.8	8.2	100%	98%	111%	110%	9.84%
Quartile	2	1	1	1	1	1	1	2	1	1	2					
TD International Index	7.5	3.6	8.1	11.5	2.4	18.3	2.0	28.6	14.5	-10.8	0.9	99%	97%	110%	106%	11.82%
Quartile	2	3	2	2	2	2	2	2	2	2	3					

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 rage 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.

Disclaimer

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

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

Monthly Standard Deviation is the 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 more than one indicates that the volatility is greater than the benchmark, while a beta of less than one indicates that volatility is less than the benchmark.

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

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

This is not a solicitation from Paterson & Associates to sell mutual funds or any financial product. For additional information, please contact your advisor or refer to the important information found in the mutual fund prospectus. - All Information is for Broker Use Only

About Us

Dave Paterson is the Director of Research, Investment Funds for D.A. Paterson & Associates Inc. Paterson & Associates is an independent consulting firm specializing in providing research and due diligence on a wide range of different investment products including mutual funds, 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 is September of 2000 and holds a Bachelor of Commerce (Finance) from the University of Windsor.