

RECOMMENDED LIST OF FUNDS



January 2017

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The Recommended List

Returns at December 31, 2016									Correlations				
Name		3 Mth	1 Yr	3 Yr	5 Yr	Sharpe Ratio	Alpha	Beta	TSX	S&P 500	MSCI EAFE	FTSE/TMX Cdn Bond Universe	MER
Fixed Income - Core													
1	Dynamic Advantage Bond Fund	-0.1%	1.6%	2.2%	2.1%	0.17	0.06%	0.44	0.386	0.278	0.397	0.718	1.58%
2	PH&N Total Return Bond Fund	-3.3%	2.3%	4.6%	3.4%	0.21	0.03%	0.95	0.078	0.256	0.321	0.994	0.58%
3	PowerShares 1-5 Yr Laddered Corp Bond	-0.7%	1.3%	1.9%	2.0%	0.25	0.00%	0.96	0.211	0.360	0.457	0.866	0.99%
4	TD Canadian Core Plus Bond	-3.1%	1.5%	3.4%	2.7%	0.17	-0.01%	0.87	0.112	0.271	0.351	0.979	1.50%
Fixed Income - Specialty													
1	Manulife Strategic Income Fund	-1.5%	3.1%	5.5%	6.0%	0.34	0.28%	0.80	0.169	0.504	0.555	0.691	2.00%
2	PIMCO Monthly Income Fund	-2.2%	4.1%	3.1%	7.4%	0.41	0.54%	0.25	0.490	0.178	0.326	0.202	1.38%
3	RBC Global Corporate Bond	-2.5%	5.0%	3.6%	3.8%	0.24	0.12%	0.70	0.379	0.176	0.378	0.746	1.74%
Canadian Equity - Core													
1	CI Cambridge Cdn Equity	4.0%	16.0%	9.8%	14.2%	0.52	0.71%	0.62	0.743	0.602	0.603	0.005	2.44%
2	Fidelity Canadian Large Cap Fund	2.3%	9.9%	7.8%	12.5%	0.48	0.73%	0.39	0.504	0.677	0.644	0.051	2.50%
3	Manulife Dividend Income Fund	-0.4%	15.6%	10.8%		0.55	0.67%	0.56	0.773	0.584	0.573	0.121	2.29%
4	RBC North American Value Fund	4.3%	12.6%	8.2%	11.7%	0.41	0.45%	0.72	0.823	0.698	0.695	-0.041	2.09%
5	Signature Select Canadian Fund	6.2%	13.1%	7.2%	9.7%	0.31	0.24%	0.81	0.847	0.670	0.708	-0.062	2.43%
Canadian Small Mid Cap Equity													
1	CI Cambridge Pure Canadian Equity	4.4%	21.9%	9.6%	21.1%	0.56	1.26%	0.71	0.694	0.353	0.403	-0.071	2.42%
2	IA Clarington Canadian Small Cap	6.8%	22.3%	6.5%	14.8%	0.47	0.86%	0.60	0.700	0.263	0.330	-0.319	2.93%
3	Sentry Small Cap Income Fund	3.1%	14.3%	8.5%	15.0%	0.45	0.89%	0.59	0.692	0.664	0.617	-0.028	2.46%

		Returns at December 31, 2016					Correlations						
Name		3 Mth	1 Yr	3 Yr	5 Yr	Sharpe Ratio	Alpha	Beta	TSX	S&P 500	MSCI EAFE	FTSE/TMX Cdn Bond Universe	MER
US Equity - Core													
1	Capital Group U.S. Equity Fund	5.1%	15.5%			0.52	0.02%	0.82	0.505	0.923	0.735	0.212	2.05%
2	Manulife U.S. Equity Fund	2.5%	4.5%	13.7%	18.1%	0.49	-0.13%	0.95	0.314	0.949	0.676	0.154	2.48%
3	RBC O'Shaughnessy U.S. Value Fund	8.0%	12.6%	4.3%	13.5%	0.29	0.00%	0.68	0.649	0.526	0.462	-0.236	1.55%
4	TD U.S. Blue Chip	1.2%	-4.7%	13.3%	19.6%	0.39	-0.46%	1.23	0.271	0.904	0.769	0.277	2.54%
5	Trimark U.S. Companies Fund	3.8%	-1.8%	12.5%	17.2%	0.41	-0.44%	1.11	0.304	0.960	0.684	0.202	2.71%
US Small Mid-Cap Equity													
1	Fidelity Small Cap America	1.3%	-1.6%	12.7%	21.3%	0.50	0.64%	0.64	0.243	0.857	0.574	0.212	2.52%
2	TD U.S. Mid - Cap Growth Fund	2.2%	1.1%	15.7%	19.6%	0.45	0.37%	0.73	0.328	0.891	0.673	0.224	2.54%
3	Trimark U.S. Small Companies Class	10.2%	14.6%	11.0%	14.9%	0.36	0.12%	0.67	0.407	0.774	0.552	0.143	2.93%
Global / International Equity - Core													
1	Guardian Global Dividend Growth Fund	3.0%	-2.6%	8.8%	10.1%	0.29	-0.32%	0.84	0.315	0.820	0.809	0.427	2.03%
2	IA Clarington Global Equity	5.6%	8.3%	8.3%	11.6%	0.34	-0.13%	0.78	0.515	0.743	0.816	0.175	2.57%
3	Invesco International Growth Class	-2.8%	-6.4%	5.1%	10.7%	0.28	0.02%	0.80	0.516	0.794	0.938	0.265	2.84%
4	Mac Ivey Foreign Equity Fund	-0.8%	-0.1%	7.9%	12.1%	0.41	0.03%	0.69	0.141	0.865	0.738	0.356	2.51%
5	Manulife World Investment	-6.2%	-4.0%	7.2%	12.3%	0.31	0.17%	0.78	0.450	0.730	0.880	0.426	2.55%
6	Trimark Fund	-0.1%	5.3%	11.4%	15.1%	0.42	-0.04%	0.91	0.460	0.869	0.847	0.316	1.70%
Global Small Mid Cap Equity													
1	Brandes Global Small Cap	4.1%	14.2%	14.7%	22.1%	0.54	0.43%	0.88	0.591	0.691	0.800	0.124	2.70%
2	Fidelity NorthStar Fund	0.3%	-2.2%	11.3%	16.7%	0.50	0.46%	0.59	0.097	0.656	0.659	0.345	2.58%
	Trimark Global Endeavour	-0.2%	1.3%	10.1%	15.0%	0.43	0.06%	0.79	0.419	0.793	0.801	0.215	2.56%

Returns at December 31, 2016												
Correlations												
Name	3 Mth	1 Yr	3 Yr	5 Yr	Sharpe Ratio	Alpha	Beta	TSX	S&P 500	MSCI EAFE	FTSE/TMX Cdn Bond Universe	MER
Specialty / Sector Funds												
1 BMO Asian Growth & Income Fund	-6.9%	-2.9%	4.5%	8.7%	0.25	0.08%	0.58	0.370	0.572	0.727	0.518	2.62%
2 Brandes Emerging Markets	1.4%	20.4%	3.5%	6.7%	0.13	-0.02%	0.98	0.699	0.304	0.574	0.151	2.71%
3 Dynamic Power Global Growth Class	-12.2%	-12.0%	6.1%	12.5%	0.21	-0.53%	1.19	0.229	0.612	0.634	0.369	2.50%
4 Manulife Global Infrastructure Fund	-4.3%	6.8%	6.1%	10.6%	0.31	0.06%	0.59	0.403	0.525	0.635	0.557	2.75%
Balanced / Income Funds												
1 CI Signature High Income Fund	0.6%	6.5%	4.6%	6.8%	0.36	0.22%	0.64	0.636	0.549	0.759	0.409	1.59%
2 Fidelity Canadian Balanced Fund	-0.7%	5.2%	6.3%	7.4%	0.34	0.21%	0.76	0.624	0.685	0.730	0.512	2.29%
3 Sentry Conservative Balanced Income	0.4%	6.2%	4.0%	6.5%	0.42	0.24%	0.56	0.723	0.623	0.606	0.322	2.19%
4 TD Monthly Income Fund	3.1%	14.9%	6.7%	7.5%	0.38	0.22%	0.66	0.854	0.396	0.530	0.103	1.47%
Income Options												
1 PowerShares 1-5 Yr Laddered Corp Bond	-0.7%	1.3%	1.9%	2.0%	0.25	0.00%	0.96	0.211	0.360	0.457	0.866	0.99%
2 Sentry Canadian Income Fund A	2.6%	9.0%	7.9%	10.6%	0.52	0.58%	0.40	0.648	0.726	0.609	0.197	2.32%
3 BMO Monthly High Income Fund II	3.1%	19.7%	3.8%	6.6%	0.23	0.09%	0.67	0.793	0.238	0.397	0.054	2.14%
Passive Options												
1 TD Canadian Bond Index Fund	-3.7%	0.8%	3.8%	2.4%	0.13	-0.06%	0.99	0.002	0.218	0.270	0.999	0.83%
2 RBC Canadian Index Fund	4.3%	20.1%	6.3%	7.4%	0.23	-0.05%	0.98	1.000	0.338	0.504	0.005	0.72%
3 TD U.S. Index Fund	6.0%	7.3%	16.7%	19.8%	0.53	-0.09%	1.00	0.336	0.997	0.747	0.228	0.55%
4 TD International Index Fund	0.9%	-3.1%	5.3%	11.5%	0.26	-0.12%	0.99	0.476	0.734	0.992	0.282	1.01%

Benchmark Returns at December 31, 2016

Benchmark	3 mth	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Fixed Income					
FTSE TMX 90 Day T-Bill Index	0.14%	0.53%	0.69%	0.79%	1.30%
FTSE TMX Short Term Bond Index	-0.51%	0.99%	2.21%	2.08%	3.56%
FTSE TMX Canadian Bond Universe	-3.45%	1.64%	4.61%	3.22%	4.78%
Canadian Equity					
S&P/TSX 60 Capped Index	5.59%	21.36%	7.92%	8.62%	3.32%
S&P/TSX Composite	4.54%	21.08%	7.06%	8.25%	4.72%
S&P/TSX Completion Index TR	1.48%	20.50%	4.67%	6.15%	4.46%
S&P/TSX Small Cap Index TR	3.12%	38.48%	5.44%	4.28%	
U.S. Equity					
S&P 500 C\$	6.22%	8.65%	17.73%	21.16%	8.47%
Russell 2000 C\$	11.41%	17.68%	14.23%	20.28%	8.27%
Global & Specialty Equity					
MSCI EAFE C\$	1.67%	-1.52%	6.83%	13.14%	2.71%
MSCI World C\$	4.39%	4.92%	12.82%	17.38%	5.93%
MSCI World Small / Mid Cap Index C\$	3.92%	7.11%	13.22%	18.42%	6.95%
MSCI Europe C\$	2.00%	-2.77%	5.23%	12.98%	2.40%
S&P/TSX Capped REIT Index	0.62%	17.64%	7.34%	6.45%	6.31%
MSCI Emerging Markets C\$	-1.81%	8.27%	5.71%	7.45%	3.63%
MSCI Pacific C\$	1.34%	1.34%	9.90%	13.51%	3.29%
MSCI Pacific ex Japan C\$	-0.38%	4.77%	7.58%	11.40%	5.72%
MSCI ACWI C\$	3.70%	5.24%	12.07%	16.24%	5.61%
MSCI All China C\$	-2.79%	-9.90%	12.47%	13.08%	

Data Sources:

Fundata

FTSE / TMX

Bank of Canada

MSCI

Returns as of December 31, 2016

List Changes

Additions

None

Deletions

None

Funds of Note

Dynamic Advantage Bond Fund (DYN 258– Front End Units, DYN 688 – DSC Units) – The fourth quarter was a challenging one for bond investors, with yields spiking sharply. In Canada, the yield on the benchmark Government of Canada five-year bond rose by 49 basis points, ending the quarter at 1.11%. It was a similar story for the Canada ten-year which rose by 72 basis points, ending the quarter at 1.72%. This had a marked effect on bond prices, as the FTSE/TMX Bond Universe Index fell by nearly 3.5% on the quarter. Understandably, with their longer duration, long bonds took the brunt, dropping by 7.6% while short term bonds were off by half a percent.

It is for periods like these that this conservatively positioned bond fund remains on my Recommended List. The managers had remained cautious throughout the year, maintaining a duration of approximately 3 years, well below the broader market, which carries a duration of around 7.3 years. Given the recent selloff, they have added some interest rate risk, bringing the portfolio's duration up to 4 years, which is still well below the index. They are remaining conservative in anticipation of a further sell off, and improved valuation metrics.

The Fund held nearly half in corporate bonds, with a higher quality bias, but expects to use volatility to increase exposure to lower rated investment grade bonds, based on valuation. For high yield, they are keeping portfolio weights near the lower end of the range, and will add to higher quality issues when the market sells off. At the end of December, they had 7% in high yield issues.

The government exposure is modest, at roughly 25%. Of this, the overwhelming majority is in provincial bonds, which offer a higher yield than their federal brethren. There is a 15% weight in real return bonds, which may help, should Trump's policies prove to be inflationary.

I continue to like this fund, particularly as we enter into what is expected to be an even more challenging fixed income environment. Given the lower duration and conservative positioning, I expect it to lag in flat or falling yield environments. But when things get choppy in bondland, it is expected to hold up much better than its peers. This remains a great option for more conservative investors looking for traditional bond exposure.

CI Signature Select Canadian Fund (CIG 677 – Front End Units, CIG 777 – DSC Units) – Throughout its history, this has been one of the more consistent performing funds around. Managed by Eric Bushell and his Signature team, it is managed using an approach that blends a top down macro analysis with bottom up security selection.

The first step in the process is for the team to develop a comprehensive global outlook for the markets, which takes such factors as economic growth, interest rates, capital market conditions and geopolitical risks into account. Using this review as a framework, the geographical exposure and sector mix is determined based on the regions and industries that are expected to outperform in the anticipated environment. At the end of December, they continue to favour equities, with an overweight allocation to healthcare and consumer names. They are underweight the commodity focused materials and energy sectors, as well as industrials and real estate. Geographically, about half the fund is invested in Canadian equities, 28% in U.S. equities, and 18% in International names.

The stock selection process is completed by the team's sector specialists who will conduct a holistic review on the company, studying its entire capital structure. This helps them to gain a better understanding of where the best risk adjusted investment opportunities are. A typical company in the portfolio will be financially strong, operate in a business where there are high barriers to entry, have strong brand recognition and be reasonably valued relative to the growth potential. The top holdings are littered with many familiar names, including the big Canadian banks, Manulife, Suncor, and Rogers Communications.

The manager is not afraid to use cash as a way to be defensive in periods of elevated valuations or above average volatility. At the end of December, it held 2.5% in cash, up from nothing at the end of September. The investment process is somewhat active, and portfolio turnover tends to increase in periods of volatility, as they can pick up attractive names at great prices.

Performance has been strong, gaining 6.2% in the quarter, making it the best performing Canadian equity fund on our list. Longer term, numbers have been good, gaining 9.6% for the five years ending December 31, compared with the S&P/TSX Composite, which gained 8.25%. Volatility has been modestly lower than the index, and it has done a better job protecting capital in down markets, experiencing approximately 70% of the market decline over the past five-year period.

I continue to like this fund for the long term. There is a very deep management team at the helm, using a disciplined, repeatable, and holistic investment process. This remains a great core equity holding for most investors.

RBC O'Shaughnessy U.S. Value Fund (RBF 776 – Front End Units, RBF 134 – Low Load Units) – If you follow the ETF space at all, you're very well aware that most of the new products coming to market these days are the so called "smart beta" strategies, that use some sort of a rules based approach to select and weight stocks. Examples include fundamental factors, volatility, dividends, and more recently, more traditional factors such as growth and value.

This U.S. equity fund, managed by Jim O'Shaughnessy was well ahead of the curve in 1997 when he launched this fund, using a strategy he outlines in great detail in his book, "What Works on Wall Street". Basically, this fund was smart beta before it became hip and cool.

In managing the fund, Mr. O'Shaughnessy and his team start with the entire U.S. equity universe of more than 3,300 names, and looks for those with above average market capitalizations. They exclude REITs, MLPs, and utility stocks from this screen, which brings the investible universe down to approximately 700 securities. Next, screens are run that measure a company's financial strength, earnings quality, and earnings growth. Those names that don't meet the requirements are eliminated. Next, they rank the stocks based on shareholder yield, which is a measure of a company's dividend yield, share buybacks, and debt reduction. The names with the best yield will typically make up the portfolio.

The fund's currency exposure is fully hedged, which is in part why it tends to be a bit more volatile than that most other U.S. equity funds that don't hedge their currency. Typically, unhedged currency exposure is a little less volatile than fully hedged, because the U.S. dollar tends to strengthen in periods of uncertainty, which can help to lessen some of the losses for Canadian investors.

The sector mix is the byproduct of the stock selection process, and at the end of December, was overweight more cyclical sectors such as consumer cyclical, materials, financials, and industrials. It was underweight healthcare, consumer defensive and tech names. With its focus on value, the portfolio valuation numbers look considerably more attractive than the S&P 500 on every metric. For example, according to Morningstar, the Fund trades at a price to earnings ratio of 12.7 times earnings, compared with the index, which trades at 18.5 times. Further, the dividend yield of the portfolio is higher with the Fund, providing a source of return to investors.

Performance against the peer group has been somewhat disappointing over the long term, but a good portion of that can be attributed to the currency hedge that is in place. For example, for the five years ending January 31, the Fund was up by nearly 13%, on a fully hedged basis. Given the movement in the U.S. dollar relative to the Canadian dollar, there may have been an additional 600 basis points in performance resulting from the currency movement.

The Fund has done well recently as value names have begun to outperform after several years of lagging. They recently rebalanced the portfolio, which added to their financial names and pulled back some of their industrial holdings. In a recent manager commentary, they noted fund offers higher levels of return on capital, lower reliance on external financing, and more attractive valuations than the benchmark and peers. Also helping to make this a more attractive option is the MER, which at 1.49%, is well below average. Given this, I expect it to do well over the longer term, but would expect volatility levels to remain higher than both the index and the peer group.

Fidelity Small Cap America Fund (FID 261 – Front End Units, FID 561 – DSC Units) – In early December, I had the opportunity to sit down with manager Steve MacMillan to discuss this fund, its recent performance, and the market environment. The fund has struggled in the past year, losing 1.4% while the Russell 2000 Index, gained 17.7% in Canadian dollar terms.

In our conversation, Mr. MacMillan noted that if he were to have done better in 2016, it would have meant he would have had to change his investment process and invest in a portfolio that had a much lower quality bias, and much more cyclical exposure. Given his focus on risk management, this was not something he could do. He reiterated he remains true to his investment process and while the recent performance has stung, he has not made any changes to his investment philosophy or process.

One question I asked was if the recent influx of new money had any effect on how he managed the fund. Mr. MacMillan said that new money had very little impact on his management approach. When he took over the fund in 2011, he made a couple of key changes to the fund. First, he reduced the number of fund holdings, taking a more concentrated approach. He now holds around 40 names in the portfolio, down from around 200 when he took over. He also increased the average market cap of the Fund, bringing it much closer to a mid-cap fund. The result was a much higher quality, more liquid portfolio, which has helped him more effectively deal with running a larger asset base.

From a process perspective, he takes a longer term outlook than many managers, typically looking three to five years out. The result is a level of portfolio turnover that is rather low. In a given year, he will typically only add four to six names. When evaluating a company, he starts by focusing on the risk, specifically the downside risk. He looks for high quality companies that have a history of delivering significant levels of free cash flow, and high return on invested capital. He also looks for low earnings variability and reasonable valuations. According to Mr. MacMillan, at the end of November, the average return on equity in the portfolio was approximately 18%, and was trading at a multiple of 15 times earnings, compared with more than 20 for the benchmark.

This quality focused investment process leads to a portfolio that does not have a lot of cyclical exposure in it. He generally avoids energy, materials, and cyclical industrials. He also tends to shy away from biotechs and semiconductors. His criteria tends to favour stable industrials, consumer discretionary, and healthcare.

In building the portfolio, position sizes are dependent on risks. He will look at a number of factors, including volatility of earnings, valuation, risk and return, and liquidity. The higher the conviction based on those factors, typically the higher the weight the stock will have in the portfolio. While he prefers to buy undervalued names, he is not a deep value manager, and his process is really more a balance between risk and expected return. In other words, he won't buy a stock just because it is cheap. Rather, there must be the ability to compound earnings into the future, and the valuation must still be attractive. Based on this approach, he has found that his losing stocks have historically been smaller weights in the portfolio, helping to further minimize the downside risk of the fund.

Cash has been running higher than normal in recent quarters, finishing the year at 17%, up from 10% at the end of September. Ideally, he would like to run around 5% in cash, but is not afraid to carry more when valuations are elevated. He'd much rather sit on cash than make an investment that doesn't meet his criteria.

The recent underperformance has largely been driven by the market, which has been experiencing a cyclical rebound. Given the lack of cyclical exposure in the Fund, this underperformance is understandable. He continues to focus only on those opportunities that meet his criteria.

Even with the recent underperformance, I continue to like the fund, and believe it to be a great holding for the long term. I have concerns about the valuation in general of U.S. small caps, and expect to see more volatility and underperformance from both the fund, and the asset class. If you have held the fund for a while, you may want to take some profits, reducing your exposure to the fund, and generally rebalance your portfolio to bring it back into alignment with your long term target asset mix.

Manulife World Investment Fund (MMF 4536 – Front End Units, MMF 4436 – DSC Units) – This international equity fund is more or less the highly regarded **Mawer International Equity Fund**, just in a different wrapper. The key difference between the two funds is this offering is targeted at investment advisors, carrying a higher management fee, and embedded dealer compensation. This Fund carries an MER of 2.55%, which is significantly higher than the 1.52% of the Mawer version. The difference is the 1% trailer fee paid to advisors.

Even with this higher fee, the Manulife offering is consistently one of the stronger international equity funds around. However, even strong funds run into a rough patch, and 2016, and specifically the last half was a rough one for this fund (and Mawer as well...). In the fourth quarter, it was off by 6.4%, compared with the MSCI EAFE Index, which was up by 1.7%, in Canadian dollar terms.

The key reason for this underperformance is the market's rotation out of higher quality sectors that this fund is partial to, such as consumer staples, and into more cyclical sectors like energy, materials, and financials. Further, within the financial sector, it has been largely the lower quality names that have rallied higher. For example, Deutsche Bank, which Mawer doesn't own, gained 43% in the quarter. In comparison, their largest financial holding, insurance giant Aon was higher by a mere 1.5%. In a recent commentary, Mawer noted they are avoiding European banks because they don't meet their investment criteria. The competitive and regulatory environment in Europe make it very difficult for them to earn a sustainable return on equity. Even with the more attractive valuation levels, the uncertainty makes them unattractive.

Looking ahead, we may see some further underperformance from this fund, but I believe the disciplined investment process will help to deliver above average returns over the long term. As with any fund that follows a disciplined approach, there will be periods where the performance diverges significantly from the benchmark and the peer group. I believe we are in one of those for the near term.

Fixed Income Core

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
Dynamic Advantage Bond	Multi-Strategy	Michael McHugh Domenic Bellissimo	1.58%	\$678.9	- Remains conservatively positioned with a duration of 4, which is significantly less than the index. - High credit quality, with only 3.5% in high yield. - With rate volatility expected to remain high in the near term, this fund should hold up well.
PH&N Total Return Bond Fund	Multi-Strategy	PH&N Fixed Income Team	1.16%	\$8,064.7	- Higher yields created a headwind for the fund - During the quarter, the fund sold out of riskier sectors & moved into higher quality, more senior issues - New positioning will help the fund in higher volatility - Very modest exposure to high yield.
PowerShares 1-5 Year Laddered Corp Bond	Rules Based	PowerShares Management Team	0.99%	\$469.6	- Higher duration and yield was drag in Q4. - Equally weighted laddered portfolio of investment grade corporate bonds in 5 maturity buckets. - Lower cost, higher yield and corporate focus should allow outperformance in most market environments
TD Canadian Core Plus Bond	Multi-Strategy	Rob Pemberton Christopher Case	1.51%	\$12,870.2	- Struggled in rising rate environment, but higher YTM and corporate exposure helped. - 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

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	
Dynamic Advantage Bond	-0.1	1.6	2.2	2.1	3.4	1.6	0.7	4.3	-0.1	4.2	6.5	31%	50%	-3%	18%	2.27%
Quartile	1	2	4	4	4	2	4	4	1	1	3					
PH&N Total Return Bond Fund	-3.4	1.8	4.1	2.8	-	1.8	2.6	8.0	-1.5	3.4	7.5	96%	99%	77%	79%	3.56%
Quartile	4	2	1	2	-	2	2	1	2	3	2					
PShrs 1-5 Yr Lad. Corp Bond	-0.7	1.3	2.0	2.1	-	1.3	1.8	2.8	1.4	3.0	4.1	59%	70%	17%	17%	1.38%
Quartile	3	2	2	1	-	2	2	1	1	1	1					
TD Canadian Core Plus Bond	-3.1	1.5	3.4	2.7	-	1.5	1.8	6.9	-1.3	4.9	8.0	86%	95%	77%	75%	3.29%
Quartile	3	3	3	2	-	3	3	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 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%	\$8,562.7	- Tactically managed global bond fund that invests in global government, corporate and high yield bonds - Conservative with an effective duration of 3.4 yrs. - About 7% invested in EM debt, rest is developed mkts - About 21% 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%	\$9,343.6	- 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. - Added duration after bond selloff. Duration was 3.6 at quarter end, up from 2.68 on September 30. .
RBC Global Corporate Bond	Credit Analysis	Frank Gambino Marty Balch Soo Boo Che	1.72%	\$7,092.2	- Invests mainly in investment grade corporate bonds from issuers around the world. - Higher quality issues were headwind in rising rates - Took profits in high yield. Still modestly overweight. - Added to EM holdings to increase portfolio yield. - This would make a nice compliment to a Canadian focused bond fund.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	
Manulife Strategic Income	-1.5	3.1	5.5	6.0	6.7	3.1	5.5	8.1	4.5	9.1	2.0	50%	50%	58%	67%	4.34%
Quartile	4	4	2	2	1	4	1	1	2	3	4					
PIMCO Monthly Income Fund	0.6	7.1	5.3	9.0	-	7.1	2.4	5.3	6.3	23.7	N/A	15%	31%	-42%	-81%	3.87%
Quartile	1	1	2	1	-	1	3	4	1	1						
RBC Global Corporate Bond	-2.5	5.1	3.7	3.8	4.8	5.1	-0.6	6.7	-0.6	8.8	6.2	22%	23%	-4%	-16%	3.52%
Quartile	3	1	3	3	1	1	4	3	3	2	2					

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%	\$4,675.3	- Underweight in energy and healthcare hurt - Remain defensive carrying 18% cash, in line with Q3 - Bottom up process still finding opportunities
Fidelity Canadian Large Cap	Large Cap Value	Daniel Dupont	2.28%	\$5,898.8	- Cash increased to 19.5%. 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%	\$1,606.9	- Concentrated, yet diversified portfolio of businesses that are creating value faster than broader markets - Outperformed on Industrial and tech names. - Holds 60% Cdn equity, 18% US, 3% prefs & 15% cash.
RBC North American Value	Large Cap Blend	Stu Kedwell Doug Raymond	2.06%	\$2,547.9	- Solid Q4, largely driven by financials - U.S. holdings now around 34% of fund. Underweight energy, materials, and financials. Valuations look rich - Excellent long-term core equity fund.
Signature Select Canadian	Large Cap Blend	Eric Bushell	2.44%	\$2,433.0	- Another above average quarter, thanks to its financial and energy names. Consumer names were drag. - Modestly increased cash on valuation worries - Remain positive on equities, but US as fully valued.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	
CI Cambridge Cdn Equity	4.0	16.0	10.1	14.6	-	16.0	0.6	14.2	27.2	16.7	-1.3	91%	98%	52%	27%	7.13%
Quartile	2	1	1	1	-	1	2	1	1	1	1					
Fidelity Canadian Large Cap	2.4	10.2	8.1	12.8	10.1	10.2	3.6	10.6	36.6	6.0%	10.6	61%	74%	19%	0%	6.69%
Quartile	4	3	2	1	1	3	1	2	1	3	1					
Manulife Dividend Income	-0.4	15.7	10.9	-	-	15.7	-1.1	5.1	9.5	5.8	2.4	82%	N/A	27%	N/A	N/A
Quartile	4	3	1	-	-	3	1	4	4	3	1					
RBC North American Value	4.4	12.7	8.3	11.8	7.3	12.7	-0.3	7.6	23.1	11.8	-3.6	78%	90%	47%	41%	7.47%
Quartile	2	3	2	1	1	3	4	3	2	1	1					
Signature Select Canadian	6.2	13.1	7.2	9.7	4.6	13.1	-2.4	11.6	19.2	8.2	-8.5	86%	93%	73%	70%	8.16%
Quartile	1	2	2	3	2	2	3	1	3	2	2					

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%	\$382.2	- Decent quarter. Underweight in materials helped, while underweight in financials was a headwind. - Cash remains high at 21%, down from 25%. Looking to use volatility as opportunity. - No substantive changes to sector mix. - Valuations are a concern - 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%	\$1,018.4	- Higher cash balance dragged returns by 2% on year - Underweight energy was headwind in the quarter - 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%	\$1,474.7	- Underweight materials helped beat benchmark in Q4 - 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 2.6%

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	
CI Cambridge Pure Cdn Equity	4.4	21.9	9.6	21.1	-	21.9	-5.8	14.7	47.3	34.3	N/A	101%	118%	64%	3%	9.65%
Quartile	2	2	1	1	-	2	3	1	1	1						
IA Clarington Cdn Small Cap	6.8	22.3	6.5	14.8	7.6	22.3	-6.8	5.9	37.3	20.2	-3.3	67%	89%	41%	9%	8.30%
Quartile	1	2	2	1	1	2	3	2	1	1	1					
Sentry Small Mid Cap Income	3.1	14.6	8.8	15.2	13.3	14.6	-0.2	12.7	36.4	15.5	6.5	76%	92%	36%	11%	8.64%
Quartile	3	3	2	1	1	3	3	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 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%	\$129.9	- Managed using a unique multi manager structure, with central oversight and risk management. - Significant alignment of interests with investors. - Strong Q4 buoyed by financials, materials & energy
Manulife U.S. Equity Fund	Large Cap Blend	Grayson Witcher	2.48%	\$369.4	- 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%	\$1,643.8	- Strong quarter. Value names outperformed. - Just rebalanced. Upped exposure to financials - 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%	\$1,661.3	- Lagged in Q4 on tech and healthcare 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%	\$535.0	- Remains UNDER REVIEW. - Valuations and growth levels remain a concern. - Watching for a turnaround in risk reward metrics.

Fund	Annualized Returns (%)						Calendar Year Returns (%)					Upside		Downside		Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	
Capital Group U.S. Equity	5.1	15.5	-	-	-	15.5	7.9	-	-	-	-	N/A	N/A	N/A	N/A	N/A
Quartile	2	1	-	-	-	1										
Manulife U.S. Equity	2.5	4.5	13.7	18.1	-	4.5	17.9	19.3	40.5	11.4	2.5	86%	91%	103%	109%	9.74%
Quartile	3	3	2	2	-	3	2	2	2	2	1					
RBC O'Shaughnessy US Value	8.0	12.6	4.4	13.5	4.3	12.6	-8.9	10.7	47.5	12.4	6.7	48%	77%	96%	115%	12.62%
Quartile	1	1	4	4	4	1	4	4	1	1	1					
TD U.S. Blue Chip	1.2	-4.7	13.4	19.6	7.7	-4.7	30.8	16.8	47.6	13.7	1.8	104%	106%	161%	152%	13.25%
Quartile	4	4	2	1	1	4	1	3	1	1	1					
Trimark U.S. Companies	3.8	-1.9	12.5	17.2	7.1	-1.9	15.4	25.7	40.8	10.3	0.3	100%	98%	157%	154%	11.21%
Quartile	3	4	3	2	2	3	2	1	2	2	2					

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%	\$2,529.6	- 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%	\$842.6	- 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%	\$205.9	- Outpaced its peers but lagged the benchmark in Q4 - Cash was reduced from 30% to around 15% in quarter - Tech and healthcare names helped, financials dragged - 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

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	
Fidelity Small Cap America	1.3	-1.4	12.9	21.6	10.0	-1.4	24.3	17.5	54.2	19.9	7.7	76%	84%	69%	54%	11.15%
Quartile	4	4	2	1	1	4	1	1	1	1	1					
TD U.S. Mid Cap Growth Fund	2.2	1.1	15.7	19.5	9.8	1.1	25.9	21.5	43.8	9.7	-0.5	87%	85%	73%	72%	11.53%
Quartile	3	4	1	1	1	4	1	1	2	2	2					
Trimark U.S. Small Companies	10.2	14.6	11.0	14.9	7.6	14.6	2.5	16.3	33.4	10.0	8.8	65%	68%	60%	60%	11.01%
Quartile	1	2	3	3	3	2	4	1	4	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 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%	\$306.2	- High beta names drove the market higher in Q4, 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%	\$156.9	- Valuation a concern to managers. Return view muted - 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%	\$594.7	- Bottom up approach looks for quality companies with strong earnings, and reasonable valuations - High cash, UK, Japan & Europe hurt. - Used recent volatility to improve quality of portfolio - Outlook for the rest of year is mixed. Volatility likely. - Holds 7% in cash. Down from 11%. Opportunistic
Mackenzie Ivy Foreign Equity Fund	Large Cap Blend	Paul Musson Matt Moody	2.51%	\$4,512.5	- 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%	\$938.1	- 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 on rotation out of quality names - Consistently a solid pick, even with the higher MER
Trimark Fund	Large Cap Growth	Michael Hatcher Jeff Feng	1.70%	\$3,853.2	- Underperformed on weaker industrial and consumer staples names. European and EM names also hurt - Used volatility to put some cash to work. - Expecting more volatility in the year as Trump works to get policies implemented. Ready to move! - I prefer the SC Series to A because of lower MER

Fund	<u>Annualized Returns (%)</u>					<u>Calendar Year Returns (%)</u>						<u>Upside</u>		<u>Downside</u>		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	
GDN Global Dividend Growth	3.0	-1.9	9.0	10.2	-	-1.9	16.1	13.8	20.0	4.6	N/A	86%	N/A	101%	N/A	10.95%
Quartile	2	4	2	4	-	4	2	1	4	4						
IA Clarington Global Equity	5.6	8.3	-	-	-	8.3	8.8	8.2	21.1	12.5	-4.8	N/A	N/A	N/A	N/A	N/A
Quartile	1	1	-	-	-	1	3	3	3	2	2					
Invesco International Growth	-2.8	-6.4	5.1	10.7	2.1	-6.4	15.3	7.6	27.3	12.4	-6.1	90%	85%	85%	79%	9.93%
Quartile	3	4	2	2	1	4	3	1	2	3	1					
Mackenzie Ivy Foreign Equity	-0.8	-0.1	7.9	12.1	6.0	-0.1	16.0	8.3	31.0	7.9	3.2	72%	72%	73%	65%	7.79%
Quartile	4	3	3	3	1	3	2	3	2	4	1					
Manulife World Investment	-6.2	-4.0	7.2	12.3	3.3	-4.0	19.4	7.3	21.6	19.2	-8.8	97%	93%	71%	70%	10.40%
Quartile	4	3	1	1	1	3	2	1	4	3	2					
Trimark Fund (SC)	-0.1	5.3	11.4	15.1	4.5	5.3	19.2	10.0	30.5	12.0	3.2	95%	88%	85%	76%	9.47%
Quartile	4	2	1	1	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 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%	\$121.3	• 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 17% at December 31 • 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%	\$4,245.0	• All cap go anywhere fund managed by Joel Tillinghast and Daniel Dupont, each using their distinct styles • Tillinghast is very diversified, Dupont is concentrated • Had another rough quarter, as underweight in financials created a headwind for the fund. • Tends to be less volatile than peers and index. • Solid compliment to well-diversified portfolio. • Remains a solid, long-term pick.
Trimark Global Endeavour	Mid Cap Blend	Jeff Hyrich Erin Greenfield	2.56%	\$1,403.4	• Bottom up approach that looks for well-managed, high quality, attractively valued mid-sized businesses • Concentrated portfolio. Holds around 40 names. • Lagged in Q4 on a poor relative showing from its industrial and financial holdings. • Used volatility as an opportunity to put some cash to work. Added to current names and a new holding • With Trump in the White House, they are expecting higher volatility. Believe this can be a positive...

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	
Brandes Global Small Cap	4.2	14.2	14.7	22.1	5.7	14.2	22.2	8.1	34.8	33.7	-15.2	84%	99%	58%	67%	10.57%
Quartile	2	1	1	1	2	1	1	3	3	1	3					
Fidelity Northstar Fund	0.4	-2.0	11.6	17.0	6.2	-2.0	24.9	13.5	46.0	8.0	-9.2	58%	74%	27%	43%	8.65%
Quartile	4	4	1	1	2	4	1	1	1	3	2					
Trimark Global Endeavour	-0.2	1.3	10.1	15.0	5.6	1.3	18.8	11.0	31.9	14.3	1.5	83%	87%	87%	86%	9.21%
Quartile	4	3	2	1	1	3	1	2	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 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%	\$645.2	- Struggled in Q4 as worries over Trump's protectionist trade policies drove Asian markets lower - Converts, prefs & cash helped relative performance - 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%	\$239.9	- 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%	\$916.0	- Sold off hard in Q4 on weak tech & consumer names - 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%	\$283.2	- Struggled in Q4 on industrial and energy names - Watching closely... - Low historic correlation to traditional asset classes makes it an excellent diversifier in a portfolio.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	
BMO Asian Growth & Inc.	-6.9	-2.9	4.5	8.8	4.6	-2.9	10.2	6.7	9.3	21.9	-10.1	58%	64%	59%	50%	9.17%
Quartile	2	2	4	2	2	2	4	3	4	1	1					
Brandes Emerging Mkts Value	1.4	20.4	3.5	6.8	3.4	20.4	-6.9	-1.2	13.3	10.5	-19.8	89%	98%	100%	101%	14.66%
Quartile	1	1	3	1	1	1	4	4	1	4	3					
Dynamic Power Global Growth	-12.2	-12.0	6.1	12.5	7.5	-12.0	24.5	9.1	40.6	7.2	-5.9	110%	106%	195%	185%	16.91%
Quartile	4	4	4	3	1	4	1	2	1	4	2					
Manulife Global Infrastructure	-4.3	6.8	6.2	10.7	-	6.8	-3.2	15.8	22.9	12.8	9.6	75%	78%	111%	89%	9.04%
Quartile	4	2	4	3	-	2	4	1	4	2	1					

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

Balanced / Income Funds

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
CI Signature High Income Fund	Tactical	Geoff Marshall Eric Bushell	1.59%	\$8,625.6	- Lagged in Q4 on underweight in banks & energy - Nearly 51% in high yield 44% in equities, 2% in investment grade bonds, and 4% cash. Sold off investment grade bonds, and added to high yield in Q4 - Positive outlook, but see a few "landmines" on horizon
Fidelity Canadian Balanced Fund	Strategic	Geoff Stein David Wolf	2.07%	\$7,339.0	- Asset mix was 48% bonds/53% equity - Conservative equity positioning and high rate sensitivity in bond sleeve was headwind in quarter - May see headwinds near term. Good long term pick
Sentry Conservative Balanced Income Fund	Tactical	Michael Simpson James Dutkiewicz	2.27%	\$1,654.6	- Struggled in Q4 because of underweight financial exposure and bond sleeve rate sensitivity. - target mix - 50% bonds / 50% equity. Near target now - Current mix is 6% cash, 46% bonds, 47% equity - Believe they are well positioned for the coming year.
TD Monthly Income Fund	Tactical	Doug Warwick Gregory Kocik Michael Lough	1.46%	\$7,930.9	- Another strong quarter on energy and bank names. Remain overweight financials, REITs and Utilities. - Bonds are overweight corporates for yield advantage. - May see some higher volatility in light of higher equity valuations, and rate sensitivity of bond sleeve. - Running about 64% equity, 33% bonds, 3% cash.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside	Downside		5 yr. Risk	
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	
CI Signature High Income	0.6	6.5	4.6	6.8	5.6	6.5	-1.0	8.6	8.6	11.6	4.8	49%	53%	60%	42%	4.71%
Quartile	3	2	2	2	1	2	4	2	4	1	1					
Fidelity Canadian Balanced	-0.7	5.5	6.7	7.7	5.7	5.5	3.5	11.1	12.7	6.0	-1.1	100%	108%	69%	57%	5.44%
Quartile	4	4	1	1	1	4	1	1	1	2	2					
Sentry Cons. Bal. Income	0.4	6.5	4.3	6.7	-	6.5	-2.0	8.6	12.3	8.6	6.1	80%	92%	82%	43%	3.85%
Quartile	3	3	4	2	-	3	3	2	1	1	1					
TD Monthly Income Fund	3.2	14.9	6.7	7.5	5.4	14.9	-3.8	9.9	8.9	8.5	3.6	114%	114%	101%	75%	5.01%
Quartile	1	1	1	2	1	1	4	1	4	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 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%	\$469.6	- Higher duration was a drag in Q4. - 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 3.09% for past 12 mths
Sentry Canadian Income Fund	Large Cap Blend	Michael Simpson Aubrey Hearn	2.70%	\$5,780.2	- Positive, but lagged on an underweight to financials and hedged currency exposure dragged hurt in Q4. - Sold some US names, adding to cash as they became a bit more defensive near the end of the year - US now at 32%, down from 40% at end of Q3. - 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 4.6% - 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%	\$1,422.0	- 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 5.0% - 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.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	
PShrs 1-5 Yr Lad. Corp Bond	-0.7	1.3	2.0	2.1	-	1.3	1.8	2.8	1.4	3.0	4.1	59%	70%	17%	17%	1.38%
Quartile	3	2	2	1	-	2	2	1	1	1	1					
Sentry Canadian Income Fund	2.6	9.5	8.3	10.9	8.9	9.5	0.1	15.9	18.6	11.5	6.1	60%	66%	14%	5%	5.26%
Quartile	3	3	1	2	1	3	2	1	1	1	1					
BMO Monthly High Income II	3.1	19.8	3.9	6.6	6.5	19.8	-9.8	3.7	14.2	7.7	10.4	76%	73%	92%	67%	7.25%
Quartile	3	2	4	4	1	2	2	4	4	2	1					

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

Passive Options

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
TD Canadian Bond Index Fund	Passive	Michelle Hegeman	0.83%	\$737.7	- 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%	\$727.4	- 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%	\$1,206.2	- 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%	\$528.7	- 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

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside	Downside		5 yr.	
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	Risk
TD Canadian Bond Index	-3.7	0.8	3.8	2.4	3.9	0.8	2.8	7.9	-2.0	2.8	8.7	98%	101%	88%	92%	3.69%
Quartile	4	4	2	3	2	4	1	1	2	2	1					
RBC Canadian Index	4.3	20.1	6.3	7.5	4.1	20.1	-9.0	9.8	12.2	6.4	-9.2	97%	97%	103%	103%	8.36%
Quartile	2	2	3	4	3	2	3	2	4	2	2					
TD U.S. Index	6.1	7.3	16.7	20.1	7.6	7.3	20.5	22.9	40.0	12.5	3.8	100%	98%	111%	110%	9.74%
Quartile	2	2	1	1	1	2	1	1	2	1	1					
TD International Index	0.9	-3.1	5.3	11.5	1.2	-3.1	18.3	2.0	28.6	14.5	-10.8	99%	98%	110%	109%	11.78%
Quartile	2	2	2	2	2	2	2	2	2	2	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 benchmark for the fund type

Model Portfolios

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

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

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

Methodology

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

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

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

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

The metrics are:

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

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

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

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

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

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

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

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

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

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

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

Beta represents the volatility of the fund relative to its applicable benchmark. A beta of one means that there is a level of volatility equal that of the benchmark. A beta 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 patterns. A correlation close to -1 indicates that the returns are almost opposite, while a correlation close to zero indicates no relationship.

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

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

About Us

Dave Paterson is the Director of Research, Investment Funds for D.A. Paterson & Associates Inc. Paterson & Associates is an independent consulting firm specializing in providing research and due diligence on a wide range of different investment products including mutual funds, ETFs, hedge funds and other exempt market products to financial advisors, individual investors and investment dealers.

Dave has worked in the mutual fund industry since 1994. Prior to starting his own firm in 2002, he worked for a variety of respected mutual fund companies and money managers including the Mackenzie Financial, Guardian Group of Funds, the Bank of Montreal and Jones Heward. In these roles, Dave has had the opportunity to work with some of the most respected money managers in the country.

Using this knowledge, Dave has developed a unique analytical approach which focuses on identifying the funds which have consistently delivered strong, risk adjusted returns on both an absolute and relative basis.

In 2011, Dave took over the publication and editor duties of Gordon Pape's Mutual Fund and ETF Update and Top Funds Report, the most widely read mutual fund newsletters in the country. He is also regularly quoted in the Financial Post, Globe and Mail and the FundLibrary.com and has appeared on BNN.

Dave was awarded the Chartered Financial Analyst (CFA) designation in September of 2000 and holds a Bachelor of Commerce (Finance) from the University of Windsor.