

## ETF FOCUS LIST



March 2017

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## The Focus List

| % Returns at January 31, 2017             |        |       |       |       |       |       |                      |                      |                          |                          |                      |
|-------------------------------------------|--------|-------|-------|-------|-------|-------|----------------------|----------------------|--------------------------|--------------------------|----------------------|
| Name                                      | Ticker | 3 Mth | 1 Yr. | 3 Yr. | 5 Yr. | MER   | 3 Yr. Tracking Error | 5 Yr. Tracking Error | 3 Yr. Standard Deviation | 5 Yr. Standard Deviation | Average Daily Volume |
| <b>Fixed Income</b>                       |        |       |       |       |       |       |                      |                      |                          |                          |                      |
| PowerShares Senior Loan CAD Hedged ETF    | BKL.F  | 1.44  | 9.32  | 2.22  | -     | 0.82% | 10.06                | -                    | 3.42                     | -                        | 10K▲-                |
| Vanguard Canadian Short Term Bond ETF     | VSB    | -0.32 | 0.74  | 1.78  | 1.83  | 0.11% | 1.02                 | 1.09                 | 1.41                     | 1.39                     | 47K▲                 |
| BMO Short Corporate Bond Index            | ZCS    | 0.03  | 2.55  | 2.50  | 2.65  | 0.13% | 1.35                 | 1.32                 | 1.45                     | 1.38                     | 44K▲                 |
| Vanguard Canadian Aggregate Bond ETF      | VAB    | -3.06 | 0.51  | 3.46  | 2.74  | 0.13% | 1.15                 | 1.11                 | 3.89                     | 3.82                     | 69K▲                 |
| PowerShares Tactical Bond ETF             | PTB    | -2.19 | 2.77  | 3.61  | -     | 0.52% | 1.77                 | -                    | 3.92                     | -                        | 11K▼                 |
| <b>Income / Cash Flow</b>                 |        |       |       |       |       |       |                      |                      |                          |                          |                      |
| BMO Monthly Income ETF                    | ZMI    | 1.30  | 7.77  | 4.36  | 5.07  | 0.63% | 3.23                 | 3.33                 | 4.94                     | 4.85                     | 4K■                  |
| iShares Diversified Monthly Income Fund   | XTR    | 2.96  | 15.60 | 4.17  | 4.37  | 0.56% | 4.01                 | 3.58                 | 5.25                     | 4.82                     | 45K▼                 |
| <b>Canadian Equity</b>                    |        |       |       |       |       |       |                      |                      |                          |                          |                      |
| PowerShares S&P/TSX Comp Low Vol. ETF     | TLV    | 3.50  | 16.34 | 11.08 | -     | 0.33% | 5.89                 | -                    | 6.67                     | -                        | 8K■                  |
| PowerShares Canadian Dividend ETF         | PDC    | 5.81  | 23.81 | 8.98  | 11.45 | 0.55% | 4.86                 | 5.40                 | 8.55                     | 8.53                     | 7K▲                  |
| PowerShares FTSE RAFI Cdn Fundamental     | PXC    | 7.15  | 33.79 | 7.77  | 9.00  | 0.51% | 4.23                 | 4.05                 | 10.62                    | 10.11                    | 5K■                  |
| Horizons Active Canadian Dividend         | HAL    | 6.03  | 22.51 | 8.56  | 9.24  | 0.79% | 5.11                 | 5.63                 | 8.58                     | 8.29                     | 2K■                  |
| iShares Core S&P/TSX Capped Composite     | XIC    | 4.75  | 23.99 | 7.00  | 7.35  | 0.06% | 0.57                 | 0.64                 | 8.40                     | 8.34                     | 125K▼                |
| iShares S&P/TSX Completion Index          | XMD    | 2.33  | 21.32 | 3.29  | 4.53  | 0.62% | 0.72                 | 0.78                 | 10.18                    | 9.48                     | 9K▼                  |
| First Asset Morningstar Cdn Momentum      | WXM    | 1.82  | 16.17 | 4.89  | -     | 0.67% | 6.12                 | -                    | 8.96                     | -                        | 27K▼                 |
| <b>U.S. Equity</b>                        |        |       |       |       |       |       |                      |                      |                          |                          |                      |
| Vanguard MSCI U.S. Broad Mkt (C\$ Hedged) | VUS    | 8.09  | 20.87 | 9.42  | 13.40 | 0.16% | 9.91                 | 8.96                 | 10.91                    | 10.77                    | 14K▼                 |
| iShares US Fundamental Index              | CLU    | 8.94  | 22.89 | 9.01  | 13.36 | 0.73% | 11.03                | 9.47                 | 10.68                    | 10.63                    | N/A                  |
| iShares Core S&P 500 Index                | XSP    | 7.46  | 19.19 | 10.25 | 13.62 | 0.11% | 9.58                 | 8.63                 | 10.56                    | 10.35                    | 310K▼                |

|                                            |        | % Returns at October 31, 2016 |       |       |       |       | 3 Yr.<br>Tracking<br>Error | 5 Yr.<br>Tracking<br>Error | 3 Yr.<br>Standard<br>Deviation | 5 Yr.<br>Standard<br>Deviation | Average<br>Daily<br>Volume |
|--------------------------------------------|--------|-------------------------------|-------|-------|-------|-------|----------------------------|----------------------------|--------------------------------|--------------------------------|----------------------------|
| Name                                       | Ticker | 3<br>Mth                      | 1 Yr. | 3 Yr. | 5 Yr. | MER   |                            |                            |                                |                                |                            |
| International / Global Equity              |        |                               |       |       |       |       |                            |                            |                                |                                |                            |
| iShares MSCI EAFE Minimum Volatility Index | XMI    | -1.98                         | -4.66 | 10.30 | -     | 0.37% | 6.69                       | -                          | 11.94                          | -                              | 15K▼                       |
| BMO MSCI EAFE Index (C\$ Hedged)           | ZDM    | 5.60                          | 11.68 | 7.28  | 10.88 | 0.23% | 7.63                       | 6.86                       | 11.21                          | 11.13                          | 20K▼                       |
| iShares International Fundamental Index    | CIE    | 3.61                          | 9.32  | 5.62  | 11.05 | 0.73% | 3.17                       | 3.76                       | 11.93                          | 12.31                          | 15K■                       |
| iShares MSCI World                         | XWD    | 3.10                          | 8.51  | 11.38 | 15.36 | 0.47% | 1.52                       | 1.39                       | 10.54                          | 9.61                           | 16K▼                       |
| First Asset MSCI Eur. Low Risk Wghd C\$Hdg | RWE    | -0.68                         | 0.81  | -     | -     | 0.66% | -                          | -                          | -                              | -                              | 5K▼                        |
| Specialty / Sector                         |        |                               |       |       |       |       |                            |                            |                                |                                |                            |
| Vanguard FTSE Emerging Mkts All Cap ETF    | VEE    | -2.45                         | 16.20 | 7.87  | 5.18  | 0.24% | 3.38                       | 3.57                       | 12.90                          | 12.43                          | 21K▲                       |
| iShares Gold Bullion Fund ETF              | CGL    | -5.51                         | 7.92  | -1.31 | -7.31 | 0.55% | 17.07                      | 16.65                      | 17.08                          | 16.66                          | 115K■                      |
| BMO Equal Weight REITs Index ETF           | ZRE    | 4.53                          | 18.08 | 6.49  | 5.74  | 0.61% | 12.90                      | 11.24                      | 10.00                          | 10.05                          | 31K▼                       |
| BMO Global Infrastructure                  | ZGI    | -2.77                         | 12.45 | 11.21 | 14.83 | 0.61% | 1.43                       | 1.38                       | 10.84                          | 9.92                           | 8K■                        |
| iShares S&P/TSX Capped Financials Index    | XFN    | 10.94                         | 28.01 | 12.15 | 14.13 | 0.63% | 13.06                      | 11.11                      | 11.34                          | 10.77                          | 235K▼                      |

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

## Notes:

- ETFs highlighted in Green represent new additions to the Focus List. ETFs highlighted in Red are being removed from the Focus List
- Returns stated are the market returns of the ETF, including all reinvested dividends and/or distributions.
- Returns do not include the effect of sales commissions or dealer compensation
- The arrows beside the Average Daily Volume show if the average daily volume has increased or decreased over the last report.

## List Changes

### Additions

None

### Deletions

None

### ETFs of Note

**PowerShares Senior Loan Index ETF (TSX: BKL.F)** – One of the appeals of floating rate investments is there is very little duration risk because the interest rate earned on the fluctuates with a reference rate, quite often LIBOR. This makes them an attractive investment in periods of rising yields, and that was certainly the case over the past few months.

For the three months ending January 31, this ETF rose by more than 1.4%, while the FTSE/TMX Short Term Bond Index fell by 0.33%, and the broader FTSE/TMX Canada Universe Bond Index was off nearly 2.7%. The drop in the indices was the result of a rise in yields, which have been quite volatile in the aftermath of the U.S. presidential election. The combination of the U.S. Federal Reserve increasing rates in December, combined with market expectations of Trump's economic plans likely to result in higher inflation pushed global yields up. In Canada, the benchmark Government of Canada five-year bond saw its yield rise from 0.69%, ending January substantially higher at 1.11%. It was a similar story with other rates, with the three-month LIBOR rate jumping from 0.88% to 1.03% in the same period.

With the underlying reference rate on the rise, so too were the prices of many of the loans in the portfolio. The gain in the portfolio was significantly lower than the rise in the underlying yield in the portfolio. This is because many of the loans had a rate floor in place, meaning the lowest rate the loan would pay was set at a predetermined level. In most cases, this floor rate was set at 1%, so even though there was a sharp rise in the reference rate, the coupon rates on many of the loans wouldn't start moving higher until LIBOR crossed that 1% threshold. Now that LIBOR is above this threshold, Invesco estimates that nearly 95% of floating rate loans now meet or exceed their rate floor, making them floating rate instruments once again.

Looking ahead, most market participants are expected at least two, maybe even more moves from the U.S. Federal Reserve. Regardless of whether that plays out or not, it is widely expected there will be increased volatility in the interest rate markets. That should prove to be a positive for floating rate products, particularly if we see further upward pressure on yields.

For ETFs, this remains my top pick. It offers broad exposure to floating rate loans, has a yield to maturity of 4.4%, and is available at a reasonable cost. This can be a solid addition to the fixed income sleeve of your well-diversified portfolio.

**PowerShares Tactical Bond ETF (TSX: PTB)** – This is a tactically managed portfolio that invests in a mix of underlying fixed income focused ETFs. Because of this tactical management, I believe it has the potential to outperform a more traditional passive bond index, particularly in periods of market volatility. That played out in the past three months, with a modest outperformance, losing 2.2%, while the broader FTSE/TMX Canada Universe Bond Index dropped 2.7%.

At the end of January, a little more than half was invested in short term, investment grade bonds, which outperformed the broader market. This helped contribute to the modest outperformance. Also contributing to the return was the high yield bonds, which made up 14% of the portfolio, and was the only sleeve of the portfolio that finished the period in positive territory.

There were a couple of detractors, namely the long-term government bonds, which sold off heavily in the face of rising rates. The modest real return bond holdings were also a significant headwind during the period.

Still, this did what I would expect it to do – outperform in a volatile market. The tactical management from Invesco's Intactive team is expected to provide risk managed exposure to the various segments of the fixed income market, which can help the fund hold up better in periods of volatility. The drawback to this ETF is how well the team can execute, which so far has been decent, but unspectacular. Performance has matched the broader market over the past three years, with comparable volatility, but has lagged in the past year. Another drawback to this ETF is its cost, which carries an MER of 0.52%, compared with 0.13% for **Vanguard's Aggregate Bond Index ETF (TSX: VAB)**. Still, I see this having the potential to outperform in a volatile market, helping to more than offset its higher cost.

**PowerShares FTSE RAFI Canadian Fundamental Index ETF (TSX: PXC)** – This has been one of the better performers for the past couple quarters. With a gain of 7.15% for the three months ending January 31, it handily outpaced the broader market and its peer group. For the year, it has gained 33.8%, more than 1000 basis points above the S&P/TSX Composite.

Instead of weighting its holdings ETF based on the market capitalization of the underlying companies, as is the case with most traditional passive ETFs, the holdings are weighted based on how they are rated on four key fundamental factors; cash dividends, free cash flow, sales,

and book value. Each company is rated on each of these factors, and the scores are totaled. Those companies that score the best are given a larger weight in the portfolio than those that rank poorly. This will result in a mix that is much different than the broader market, with significantly more attractive fundamentals.

That is certainly the case today, with the portfolio offering a very compelling valuation picture, trading at a price to earnings ratio well below the index or the peers, with a dividend yield that is also more attractive. The sector mix is significantly overweight to the three main sectors of the market; financials, energy, and materials. It is underweight industrials, and consumer names. The portfolio is also more weighted towards large cap stocks than the index, carrying an average market capitalization of nearly double the S&P/TSX Composite Index.

Apart from a few blips along the way, the longer-term performance numbers have been decent. To the end of January, the five-year annualized return was 9.2%, compared with 7.5% for the S&P/TSX Composite Index. Volatility has been a bit higher than the broader market over the past three years, which has resulted in it lagging on a risk adjusted basis.

The research has shown that over the long-term, a fundamentally built portfolio can outperform a cap weighted index. There may be shorter term periods where it lags. I don't dispute the research, but I do have a couple of concerns around the ETF. The first is the level of concentration. The Canadian equity market is already heavily concentrated in three sectors. Combined, financials, energy, and materials make up nearly 65% of the index. In this ETF, those three sectors make up nearly 80%. While the fundamental factors may prove to be correct, that is a fairly concentrated bet in those sectors. For those comfortable taking that bet, this is a good way to play the Canadian equity market. However, those worried about concentration may want to look elsewhere.

Another concern I have is the cost. It carries an MER of 0.51% compared with just 0.06% for the **iShares Core S&P/TSX Capped Composite Index ETF (TSX: XIC)**. To date, that additional cost has been more than offset by the incremental return, the higher cost may be a drag in a flat or falling market environment.

On balance, this is a solid choice, but you need to be comfortable with the concentration in the portfolio. It has a fairly high degree of cyclicalities in the portfolio at the moment. Over the long term, I expect it to pay off, but in the short term there is the potential for higher levels of volatility.

**iShares U.S. Fundamental Index ETF (NEO: CLU)** – On February 21, 2017, this was delisted from the Toronto Stock Exchange, and began trading on the Aequitas NEO Exchange on February 22. The Aequitas NEO Exchange was founded in March 2015 and is owned by a group that includes OMERS Capital Markets, Barclays Corp, and Royal Bank of Canada.

What exchange it trades on does not affect its underlying investment portfolio. It will still look to replicate the performance of the FTSE RAFI U.S. 1000 Index, an index that was built based on fundamental factors, rather than market cap. The factors used to determine the underlying portfolio are dividends, free cash flow, sales, and book value. The stocks are scored on these factors, and then ranked based on their relative attractiveness, with the more attractive names making up a larger portion of the index.

While I don't expect this change to have a marked impact on the ETF, I will continue to monitor it to ensure there is ample liquidity and trading volume.

For the three months ending January 31, it performed very well, and was the best performing U.S. equity ETF on the Focus List. It gained 8.9%, compared with a rise of 7.8% for the S&P 500. Unlike its Canadian counterpart PXC, the longer-term numbers aren't quite as impressive. For the past five years, it has gained 13.4%, while the index rose by 13.6%. Further, the volatility of CLU has been roughly in line, although a touch higher than the broader market.

While there is a strong case for fundamental indexing, I still see the cap weighted S&P 500 as the best way to get your U.S. exposure. This is particularly the case given the cost differential. XSP carries an MER of 0.11% while this fundamentally weighted ETF costs 0.73%. If there was a lower fee, this would be an even more attractive offering. Still, it provides the potential to beat or exceed the benchmark over the long-term with comparable levels of volatility.

**iShares International Fundamental Index ETF (NEO: CIE)** – On February 21, 2017, this ETF was delisted from the Toronto Stock Exchange, and began trading on the Aequis NEO Exchange on February 22. The Aequis NEO Exchange was founded in March 2015 and is owned by a group that includes OMERS Capital Markets, Barclays Corp, and Royal Bank of Canada.

What exchange it trades on does not affect its underlying investment portfolio. The ETF will still look to replicate the performance of the FTSE RAFI Developed ex-U.S. 1000 Index, an index that was built based on fundamental factors, rather than market cap. The factors used to determine the underlying portfolio are dividends, free cash flow, sales, and book value. The stocks are scored on these factors, and then ranked based on their relative attractiveness, with the more attractive names making up a larger portion of the index.

While I don't expect this change to have a marked impact on the ETF, I will continue to monitor it to ensure there is ample liquidity and trading volume.

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## Fixed Income

| Fund                                 | Ticker     | Asset Class             | Construction Method | MER   | Assets (\$ mil) | Notes                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------|------------|-------------------------|---------------------|-------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PowerShares Senior Loan CAD Hgd      | TSX: BKL.F | Leveraged Loans         | Cap Weighted        | 0.82% | \$81            | <ul style="list-style-type: none"> <li>• Invests in loans with floating rates.</li> <li>• Best performer in period, after Fed moved in Dec. and upward pressure on yields</li> <li>• Higher cost may be a drag</li> </ul>                                                                                                                                                                                       |
| Vanguard Canadian Short Term Bond    | TSX: VSB   | Short Term Fixed Income | Cap Weighted        | 0.11% | \$813           | <ul style="list-style-type: none"> <li>• Short term bonds under pressure as yields moved higher in period. More vol expected as more Fed hikes expected.</li> <li>• Invests in bonds with 1 – 5 yr. maturities</li> <li>• Holds about 28% corporates</li> </ul>                                                                                                                                                 |
| BMO Short Corporate Bond Index       | TSX: ZCS   | Short Term Fixed Income | Cap Weighted        | 0.13% | \$1,355         | <ul style="list-style-type: none"> <li>• Flat, but outpaced other short term ETFs.</li> <li>• Corporates outperformed on higher YTM.</li> <li>• Higher YTM and lower duration than index</li> </ul>                                                                                                                                                                                                             |
| Vanguard Canadian Aggregate Bond ETF | TSX: VAB   | Traditional Bond        | Cap Weighted        | 0.13% | \$1,153         | <ul style="list-style-type: none"> <li>• Underperformed XBB on higher government exposure. Gov's lagged corps.</li> <li>• Duration and YTM comparable to XBB</li> <li>• Rock bottom MER.</li> </ul>                                                                                                                                                                                                             |
| PowerShares Tactical Bond ETF        | TSX: PTB   | Tactical Bond           | Fund of ETFs        | 0.52% | \$195           | <ul style="list-style-type: none"> <li>• Outperformed the broader market, on shorter duration, HY, and EM exposure.</li> <li>• LT gov bond exposure and RRBs hurt</li> <li>• With more rate volatility expected, active management should help returns.</li> <li>• Invests in a mix of underlying bond ETFs</li> <li>• A “one-ticket” bond portfolio</li> <li>• Drawback is cost, coming in at 0.52%</li> </ul> |

| Fund                       | Annualized Returns (%) |      |      |      |      | Calendar Year Returns (%) |       |      |       |      |      | Upside |     | Downside |     |
|----------------------------|------------------------|------|------|------|------|---------------------------|-------|------|-------|------|------|--------|-----|----------|-----|
|                            | 3mth                   | 1 Yr | 3 Yr | 5 Yr | 10Yr | 2016                      | 2015  | 2014 | 2013  | 2012 | 2011 | 3Yr    | 5Yr | 3Yr      | 5Yr |
| PowerShares Senior Loan    | 1.44                   | 9.32 | 2.22 | -    | -    | 9.47                      | -2.29 | 0.48 | 3.77  | -    | -    | -5     | -   | -44      | -   |
| Vanguard Cdn Sht Term Bond | -0.32                  | 0.74 | 1.78 | 1.83 | -    | 1.25                      | 2.02  | 2.80 | 1.58  | 1.76 | -    | 68     | 72  | 30       | 36  |
| BMO Short Corp. Bond Index | 0.03                   | 2.55 | 2.50 | 2.65 | -    | 2.02                      | 2.36  | 3.46 | 2.13  | 3.80 | 3.78 | 77     | 81  | 3        | 3   |
| Vanguard Cdn. Aggregate Bd | -3.06                  | 0.51 | 3.46 | 2.74 | -    | 1.17                      | 3.61  | 8.68 | -1.86 | 3.62 | -    | 104    | 105 | 83       | 88  |
| PowerShares Tactical Bond  | -2.19                  | 2.77 | 3.61 | -    | -    | 2.98                      | 2.02  | 7.68 | -2.11 | -    | -    | 104    | -   | 79       | -   |

Note: Source: Morningstar, Funddata, iShares, BMO, Vanguard, Invesco

## Income / Cash Flow

| Fund                               | Ticker   | Asset Class               | Construction Method | MER   | Assets (\$ mil) | Notes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------|----------|---------------------------|---------------------|-------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| BMO Monthly Income Fund            | TSX: ZMI | Canadian Neutral Balanced | Fund of ETFs        | 0.63% | \$86            | <ul style="list-style-type: none"> <li>• Invests in a portfolio of fixed income and high yielding equity ETFs from BMO</li> <li>• Target mix is 50% equity 50% bonds.</li> <li>• Current mix is 54% equity, 46% bonds</li> <li>• Volatility profile comparable to XTR</li> <li>• Equity valuation more in line with market. Low vol exposure running at 6%, down from 8% last period.</li> <li>• A decent one ticket solution for income focused investors. Yields approximately 4%</li> </ul> |
| iShares Diversified Monthly Income | TSX: XTR | Fixed Income Balanced     | Fund of ETFs        | 0.56% | \$630           | <ul style="list-style-type: none"> <li>• Outperformed ZMI, with stronger contributions coming from high yield and preferred share holdings.</li> <li>• Remains highly sensitive to rates. More rate volatility expected in near term.</li> <li>• Equity valuations in line with ZMI, however rate sensitivity may be a headwind</li> <li>• Invests in a mix of income focused ETFs</li> <li>• Emphasis on cash flow. Yields 5.2%</li> </ul>                                                    |

| Fund                        | Annualized Returns (%) |       |      |      |      | Calendar Year Returns (%) |       |      |      |       |      | Upside |     | Downside |     |
|-----------------------------|------------------------|-------|------|------|------|---------------------------|-------|------|------|-------|------|--------|-----|----------|-----|
|                             | 3mth                   | 1 Yr  | 3 Yr | 5 Yr | 10Yr | 2016                      | 2015  | 2014 | 2013 | 2012  | 2011 | 3Yr    | 5Yr | 3Yr      | 5Yr |
| BMO Monthly Income Fund     | 1.30                   | 7.77  | 4.36 | 5.07 | -    | 5.97                      | -0.58 | 9.40 | 3.34 | 10.24 | -    | 89     | 90  | 90       | 71  |
| iShares Div. Monthly Income | 2.96                   | 15.60 | 4.17 | 4.37 | 5.51 | 12.99                     | -6.04 | 6.51 | 2.06 | 8.37  | 6.62 | 104    | 108 | 133      | 149 |

**Note:** Source: Morningstar, Fundata, iShares, BMO, Vanguard, Invesco

## Canadian Equity

| Fund                                             | Ticker   | Asset Class                     | Construction Method        | MER   | Assets (\$ mil) | Notes                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------|----------|---------------------------------|----------------------------|-------|-----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| PowerShares S&P/TSX Composite Low Volatility ETF | TSX: TLV | Canadian Equity                 | Rules Based                | 0.33% | \$272           | <ul style="list-style-type: none"> <li>• Trailed the market and peers on lower financial and materials exposure.</li> <li>• Is an ETF made up of the 50 least volatile stocks in the S&amp;P/TSX Composite Index</li> <li>• There are no constraints on sectors, which can result in some big sector bets. Currently big overweight in real estate.</li> <li>• Rebal. quarterly. Weighted by volatility</li> </ul> |
| PowerShares Canadian Dividend ETF                | TSX: PDC | Cdn Dividend & Income Equity    | Rules Based / Cap Weighted | 0.55% | \$125           | <ul style="list-style-type: none"> <li>• Strong showing thanks to financial names</li> <li>• Invests in the 45 largest TSX traded stocks with stable or rising dividends in past 5 yrs.</li> <li>• Quarterly rebalancing. Big financials weight</li> <li>• Valuations are very reasonable</li> </ul>                                                                                                               |
| PowerShares FTSE RAFI Canadian Fundamental       | TSX: PXC | Canadian Equity                 | Fundamental                | 0.51% | \$236           | <ul style="list-style-type: none"> <li>• Best performing Cdn equity ETF on the list for second period in a row thanks to banks</li> <li>• Overweight the 3 key index sectors.</li> <li>• Valuation solid. Strong growth outlook.</li> </ul>                                                                                                                                                                        |
| Horizons Active Canadian Dividend                | TSX: HAL | Cdn Dividend & Income Equity    | Active - Fundamental       | 0.79% | \$24            | <ul style="list-style-type: none"> <li>• Active strategy helped. Expect it to do well as volatility increases in rising yield world</li> <li>• All cap mandate that is managed using a multifactor quant model. Holds ~50 names</li> <li>• Focuses on the growth, quality of payout and sustainability of the dividend.</li> </ul>                                                                                 |
| iShares Core S&P/TSX Capped Composite            | TSX: XIC | Canadian Equity                 | Cap Weighted               | 0.06% | \$2,913         | <ul style="list-style-type: none"> <li>• Financials boosted gains in period.</li> <li>• Low cost exposure to the TSX Composite</li> <li>• Concentrated in energy, financials &amp; materials. Less concentrated than PXC</li> </ul>                                                                                                                                                                                |
| iShares S&P/TSX Completion Index                 | TSX: XMD | Canadian Small / Mid-Cap Equity | Cap Weighted               | 0.62% | \$208           | <ul style="list-style-type: none"> <li>• Invests the stocks in the S&amp;P/TSX Composite that are not in the S&amp;P/TSX 60</li> <li>• Very mid-cap focused. I continue to favour mids over small caps, despite the more favourable valuations of the small caps.</li> </ul>                                                                                                                                       |
| First Asset Morningstar Canadian Momentum        | TSX: WXM | Canadian Equity                 | Rules Based                | 0.67% | \$156           | <ul style="list-style-type: none"> <li>• Underweight in financials dragged</li> <li>• Universe of stocks is rated and ranked on 6 factors including ROE, EPS Revisions, Earnings Surprises and price changes</li> <li>• Not a core holding, but can be a complement to your other equity holdings</li> </ul>                                                                                                       |

| Fund                                             | Annualized Returns (%) |       |       |       |      | Calendar Year Returns (%) |       |       |       |       |       | Upside |     | Downside |     |
|--------------------------------------------------|------------------------|-------|-------|-------|------|---------------------------|-------|-------|-------|-------|-------|--------|-----|----------|-----|
|                                                  | 3mth                   | 1 Yr  | 3 Yr  | 5 Yr  | 10Yr | 2016                      | 2015  | 2014  | 2013  | 2012  | 2011  | 3Yr    | 5Yr | 3Yr      | 5Yr |
| PowerShares S&P/TSX Composite Low Volatility ETF | 3.50                   | 16.34 | 11.08 | -     | -    | 14.90                     | 0.40  | 16.56 | 11.35 | -     | -     | 87     | -   | 34       | -   |
| PowerShares Canadian Dividend ETF                | 5.81                   | 23.81 | 8.98  | 11.45 | -    | 23.37                     | -8.76 | 11.74 | 20.24 | 15.31 | -     | 101    | 103 | 82       | 62  |
| PowerShares FTSE RAFI Canadian Fundamental       | 7.15                   | 33.79 | 7.77  | 9.00  | -    | 29.01                     | -9.81 | 6.66  | 16.19 | -     | -     | 127    | 120 | 139      | 120 |
| Horizons Active Canadian Dividend                | 6.03                   | 22.51 | 8.56  | 9.24  | -    | 20.05                     | -7.20 | 12.59 | 19.76 | 8.78  | -0.46 | 94     | 93  | 74       | 68  |
| iShares Core S&P/TSX Capped Composite            | 4.75                   | 23.99 | 7.00  | 7.35  | 4.47 | 21.00                     | -8.62 | 10.95 | 12.46 | 7.01  | -8.79 | 100    | 100 | 100      | 102 |
| iShares S&P/TSX Completion                       | 2.33                   | 21.32 | 3.29  | 4.53  | 3.54 | 19.98                     | -10.6 | 5.07  | 11.99 | 3.92  | -8.48 | 98     | 98  | 103      | 103 |
| First Asset Morningstar Canadian Momentum        | 1.82                   | 16.17 | 4.89  | -     | -    | 9.24                      | -9.03 | 17.10 | 26.76 | -     | -     | 73     | -   | 76       | -   |

**Note:** Source: Morningstar, Fundata, iShares, BMO, Vanguard, Invesco

## U.S. Equity

| Fund                                         | Ticker   | Asset Class | Construction Method | MER   | Assets (\$ mil) | Notes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|----------------------------------------------|----------|-------------|---------------------|-------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Vanguard MSCI U.S. Broad Market (C\$ Hedged) | TSX: VUS | U.S. Equity | Cap Weighted        | 0.16% | \$429           | <ul style="list-style-type: none"> <li>Exposure to small and mid-cap names helped performance in latest period.</li> <li>One of the lowest cost US equity ETFs</li> <li>It invests in the U.S. traded VTI, which invests in a well-diversified, all cap portfolio.</li> <li>Provides exposure to nearly 4,000 U.S. based companies</li> <li>Currency exposure is fully hedged</li> <li>Best performing U.S. ETF in period as financials boosted returns.</li> </ul>                                 |
| iShares US Fundamental Index                 | TSX: CLU | U.S. Equity | Fundamental         | 0.73% | \$160           | <ul style="list-style-type: none"> <li>Better valuation expected to allow for stronger relative showing in volatile mkts.</li> <li>Holds the largest 1000 U.S. stocks by fundamental value including dividends, cash flow, sales, and book value.</li> <li>Higher cost is a headwind.</li> </ul>                                                                                                                                                                                                    |
| iShares Core S&P 500 Index                   | TSX: XSP | U.S. Equity | Cap Weighted        | 0.11% | \$3,997         | <ul style="list-style-type: none"> <li>Replicates the S&amp;P 500, hedged to CAD. If you want the unhedged, you can use XUS</li> <li>Valuations look high compared to CLU, but when forward looking growth projections are factored in, this ETF looks stronger.</li> <li><b>Remains my top pick for U.S. equities</b></li> <li>CAD expected to fall if FED bumps rates or Bank of Canada cuts. May want to use XUS in short term because of unhedged currency. Same investment exposure</li> </ul> |

| Fund                                         | Annualized Returns (%) |       |       |       |      | Calendar Year Returns (%) |       |       |       |       |       | Upside |     | Downside |     |
|----------------------------------------------|------------------------|-------|-------|-------|------|---------------------------|-------|-------|-------|-------|-------|--------|-----|----------|-----|
|                                              | 3mth                   | 1 Yr  | 3 Yr  | 5 Yr  | 10Yr | 2016                      | 2015  | 2014  | 2013  | 2012  | 2011  | 3Yr    | 5Yr | 3Yr      | 5Yr |
| Vanguard MSCI U.S. Broad Market (C\$ Hedged) | 8.09                   | 20.87 | 9.42  | 13.40 | -    | 11.36                     | -0.81 | 13.13 | 33.90 | 15.36 | -     | 60     | 74  | 67       | 95  |
| iShares US Fundamental Index                 | 8.94                   | 22.89 | 9.01  | 13.36 | 4.60 | 15.15                     | -4.07 | 12.79 | 35.44 | 15.39 | -2.00 | 55     | 71  | 55       | 83  |
| iShares Core S&P 500 Index                   | 7.46                   | 19.19 | 10.25 | 13.62 | 5.42 | 11.07                     | 0.54  | 14.02 | 32.33 | 15.41 | 0.65  | 61     | 73  | 60       | 85  |

**Note:** Source: Morningstar, Fundata, iShares, BMO, Vanguard, Invesco

## International / Global Equity

| Fund                                                   | Ticker   | Asset Class          | Construction Method | MER   | Assets (\$ mil) | Notes                                                                                                                                                                                                                                                                                                                                                                                                      |
|--------------------------------------------------------|----------|----------------------|---------------------|-------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| iShares MSCI EAFE Minimum Volatility Index             | TSX: XMI | International Equity | Rules Based         | 0.37% | \$204           | <ul style="list-style-type: none"> <li>Valuations and interest rate sensitivity hurt in the period. Expect more in near term.</li> <li>Uses an optimization approach to try to minimize the volatility of the EAFE Index</li> </ul>                                                                                                                                                                        |
| BMO MSCI EAFE Index (C\$ Hedged)                       | TSX: ZDM | International Equity | Cap Weighted        | 0.23% | \$406           | <ul style="list-style-type: none"> <li>One of cheapest ways to track MSCI EAFE</li> <li>Currency exposure is fully hedged. BMO offers unhedged version, ZEA, which might be better option in near term.</li> </ul>                                                                                                                                                                                         |
| iShares International Fundamental Index ETF            | TSX: CIE | International Equity | Fundamental         | 0.73% | \$204           | <ul style="list-style-type: none"> <li>More attractive valuation levels and financial holdings helped in period.</li> <li>Invests in the 1000 largest listed companies outside the U.S ranked on sales, cash flow, book value &amp; dividends.</li> </ul>                                                                                                                                                  |
| iShares MSCI World                                     | TSX: XWD | Global Equity        | Cap Weighted        | 0.47% | \$469           | <ul style="list-style-type: none"> <li>Currency was a headwind during period</li> <li>Replicates MSCI World Index, net of fees.</li> <li>A great way to get global equity exposure</li> <li>More suited to smaller accounts. Larger accounts can buy 60% XUS &amp; 40% ZEA for same exposure at lower cost</li> </ul>                                                                                      |
| First Asset MSCI Europe Low Risk Weighted ETF (Hedged) | TSX: RWE | European Equity      | Risk Weighted       | 0.66% | \$41            | <ul style="list-style-type: none"> <li>Interest rate sensitivity and high valuations hurt in period. Watching Fed...</li> <li>Provides exposure to the 100 least volatile stocks in the MSCI Europe Index</li> <li>Weights set by risk, not market cap</li> <li>May be a lower risk way to play Europe</li> <li>Expect outperformance in falling markets, but will likely lag in rising market.</li> </ul> |

| Fund                          | Annualized Returns (%) |       |       |       |      | Calendar Year Returns (%) |       |       |       |       |        | Upside |     | Downside |     |
|-------------------------------|------------------------|-------|-------|-------|------|---------------------------|-------|-------|-------|-------|--------|--------|-----|----------|-----|
|                               | 3mth                   | 1 Yr  | 3 Yr  | 5 Yr  | 10Yr | 2016                      | 2015  | 2014  | 2013  | 2012  | 2011   | 3Yr    | 5Yr | 3Yr      | 5Yr |
| iShares MSCI EAFE Min Vol.    | -1.98                  | -4.66 | 10.30 | -     | -    | -5.81                     | 27.81 | 12.91 | 24.14 | -     | -      | 93     | -   | 62       | -   |
| BMO MSCI EAFE Idx (C\$ Hdg)   | 5.60                   | 11.68 | 7.28  | 10.88 | -    | 6.42                      | 4.71  | 5.12  | 26.95 | 17.04 | -12.86 | 81     | 80  | 66       | 70  |
| iShares Int'l Fundamental Idx | 3.61                   | 9.32  | 5.62  | 11.05 | -    | 2.75                      | 12.43 | 1.61  | 32.74 | 13.06 | -14.16 | 94     | 102 | 98       | 115 |
| iShares MSCI World            | 3.10                   | 8.51  | 11.38 | 15.36 | -    | 4.11                      | 17.42 | 14.31 | 35.69 | 11.82 | -4.10  | 99     | 98  | 106      | 107 |
| FA MSCI Eur LR Weighted ETF   | -0.68                  | 0.81  | -     | -     | -    | 1.38                      | 10.82 | -     | -     | -     | -      | -      | -   | -        | -   |

**Note:** Source: Morningstar, Funddata, iShares, BMO, Vanguard, Invesco, First Asset

## Specialty / Sector

| Fund                                       | Ticker   | Asset Class               | Construction Method | MER   | Assets (\$ mil) | Notes                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------|----------|---------------------------|---------------------|-------|-----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Vanguard FTSE Emerging Markets All Cap ETF | TSX: VEE | Emerging Markets          | Cap Weighted        | 0.24% | \$427           | <ul style="list-style-type: none"> <li>• Weaker U.S. dollar hurt in period</li> <li>• Protectionist policies expected to hurt.</li> <li>• Longer term outlook remains strong</li> </ul>                                                                                                                                                                                               |
| iShares Gold Bullion Fund ETF              | TSX: CGL | Commodity                 | Other               | 0.55% | \$330           | <ul style="list-style-type: none"> <li>• Gold weakened on stronger dollar and expectations of further Fed increases.</li> <li>• ETF is fully hedged back to Canadian dollars. <b>For unhedged exposure use TSX: MNT</b></li> </ul>                                                                                                                                                    |
| BMO Equal Weight REITs Index ETF           | TSX: ZRE | Real Estate Equity        | Equal Weighted      | 0.61% | \$459           | <ul style="list-style-type: none"> <li>• Decent quarter as yields moderated.</li> <li>• Expect more volatility in near term.</li> <li>• More diversified than the other REIT ETFs.</li> <li>• Risk adjusted returns likely to be better than XRE. Starting to watch RIT...</li> </ul>                                                                                                 |
| BMO Global Infrastructure                  | TSX: ZGI | Global Equity             | Cap Weighted        | 0.61% | \$297           | <ul style="list-style-type: none"> <li>• Infrastructure expected to pick up from Trump presidency. Rate rise may be drag</li> <li>• This focuses on U.S. or Canadian listed companies with &gt; \$500 MM market cap.</li> <li>• Invests in companies involved with infrastructure projects like airports, toll roads,</li> <li>• Provides mix of capital growth and income</li> </ul> |
| iShares S&P/TSX Capped Financials Index    | TSX: XFN | Financial Services Equity | Cap Weighted        | 0.63% | \$1,195         | <ul style="list-style-type: none"> <li>• Invests in the largest banks and insurance companies that trade on the TSX</li> <li>• Banks posted strong gains, as markets expecting higher rates to improve margins.</li> <li>• Still Expect continued volatility in near-term. You may want to take some profits</li> </ul>                                                               |

| Fund                          | Annualized Returns (%) |       |       |       |      | Calendar Year Returns (%) |        |       |        |       |       | Upside |      | Downside |     |
|-------------------------------|------------------------|-------|-------|-------|------|---------------------------|--------|-------|--------|-------|-------|--------|------|----------|-----|
|                               | 3mth                   | 1 Yr  | 3 Yr  | 5 Yr  | 10Yr | 2016                      | 2015   | 2014  | 2013   | 2012  | 2011  | 3Yr    | 5Yr  | 3Yr      | 5Yr |
| Vanguard FTSE EM All Cap      | -2.45                  | 16.20 | 7.87  | 5.18  | -    | 8.10                      | 0.21   | 8.37  | 1.05   | 15.11 | -     | 98     | 93   | 93       | 96  |
| iShares Gold Bullion Fund ETF | -5.51                  | 7.92  | -1.31 | -7.31 | -    | 8.25                      | -11.31 | -1.50 | -28.70 | 7.08  | 9.55  | -198   | -967 | -        | -   |
| BMO Equal Weight REITs        | 4.53                   | 18.08 | 6.49  | 5.74  | -    | 16.81                     | -5.12  | 8.68  | -4.74  | 18.16 | 13.68 | 37     | 49   | 17       | 44  |
| BMO Global Infrastructure     | -2.77                  | 12.45 | 11.21 | 14.83 | -    | 17.16                     | -4.05  | 30.36 | 22.43  | 12.87 | 18.75 | 104    | 103  | 109      | 109 |
| iShares S&P/TSX Cpd Fincl     | 10.94                  | 28.01 | 12.15 | 14.13 | 6.46 | 23.36                     | -3.71  | 11.89 | 26.00  | 16.42 | -4.40 | 49     | 57   | 5        | 22  |

**Note:** Source: Morningstar, Fundata, iShares, BMO, Vanguard, Invesco

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## ETF Descriptions

(From Managers)

### Fixed Income

**PowerShares Senior Loan CAD Hedged (TSX: BKL)** - PowerShares Senior Loan (CAD Hedged) Index ETF (BKL) seeks to replicate, before fees and expenses, the performance of the S&P/LSTA (Loan Syndications and Trading Association) U.S. Leveraged Loan 100 Index (CAD Hedged). The index gives investors exposure to the largest 100 loan facilities drawn from a larger benchmark - the S&P/LSTA Leveraged Loan Index.

**Vanguard Canadian Short Term Bond Index (TSX: VSB)** - The Vanguard Canadian Short-Term Bond Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad Canadian bond index with a short-term dollar-weighted average maturity. Currently, this Vanguard ETF seeks to track the Barclays Global Aggregate Canadian Government/Credit 1–5-year Float Adjusted Bond Index (or any successor thereto). It invests primarily in public, investment-grade fixed income securities issued in Canada.

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

**Vanguard Canadian Aggregate Bond Index ETF (TSX: VAB)** - Vanguard Canadian Aggregate Bond Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad Canadian bond index. Currently, this Vanguard ETF seeks to track the Bloomberg Barclays Global Aggregate Canadian Float Adjusted Bond Index (or any successor thereto). It invests primarily in public, investment-grade fixed income securities issued in Canada.

**PowerShares Tactical Bond ETF (TSX: PTB)** – The PowerShares Tactical Bond ETF seeks to achieve income and capital growth by investing primarily in securities of PowerShares ETFs that provide exposure to fixed-income securities. The ETF will make tactical shifts based on economic conditions and opportunities.

### Income / Cash Flow

**BMO Monthly Income ETF (TSX: ZMI)** - BMO Monthly Income ETF has been designed to deliver the performance of an underlying basket of higher yielding BMO ETFs. ETFs are eligible to be selected by having a higher yield than either the equity market represented by the BMO S&P/TSX Capped Composite Index ETF (ZCN) or the fixed income market represented by the BMO Aggregate Bond Index ETF (ZAG). The



holdings are weighted to emphasize yield, with 50 percent investment in each of equity and fixed income and a cap of 20 percent for each security. The ETF is rebalanced and reconstituted semi-annually in July and January. In addition, as ZMI is a fund of fund, the management fees charged are reduced by those accrued in the underlying funds.

**iShares Diversified Monthly Income Fund (TSX: XTR)** - The iShares Diversified Monthly Income ETF seeks to provide a consistent monthly cash distribution, with the potential for modest long-term capital growth, by investing primarily in Canadian iShares Funds that provide exposure to a diversified portfolio of income-bearing investments. Exposure to these types of income-bearing investments may also be obtained by investing directly in them and/or through the use of derivatives. The investment strategy of XTR is to invest primarily in income-bearing Canadian iShares Funds. XTR will invest in a portfolio that is a diversified representation of income-bearing asset classes, including, but not limited to, common equities, fixed income securities and real estate investment trusts. BlackRock Canada will develop and maintain a strategic asset allocation policy for XTR. The fund will generally rebalance to this allocation policy on a quarterly basis, but may also do so more frequently if market conditions warrant. The majority of the XTR's investment exposure will be to Canadian securities, but foreign asset classes may also be included as a result of their income properties or diversification benefits. BlackRock Canada will review, and may adjust, XTR's strategic asset allocation from time to time, as market conditions change, and as the investible universe evolves.

## Canadian Equity

**PowerShares S&P/TSX Composite Low Volatility ETF (TSX: TLV)** - TLV seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the S&P/TSX Composite Low Volatility Index, or any successor thereto. This PowerShares ETF invests, directly or indirectly, primarily in Canadian equity securities. Low-volatility stocks (i.e., securities with a standard deviation of price returns lower than that of the broader market) have historically provided a layer of protection in declining markets by capturing a smaller portion of downside.

**PowerShares Canadian Dividend ETF (TSX: PDC)** - PDC seeks to replicate, to the extent reasonably possible and before fees and expenses, the performance of the NASDAQ Select Canadian Dividend Index, or any successor thereto. This PowerShares ETF invests primarily in Canadian equity securities. PDC invests in liquid, high-yielding securities of Canadian corporations with a track record of growing dividends.

**PowerShares FTSE RAFI Canadian Fundamental (TSX: PXC)** - The PowerShares FTSE RAFI Canadian Fundamental Index ETF (PXC) seeks to replicate, before fees and expenses, the performance of the FTSE RAFI® Canada Index. This ETF gives investors exposure to all Canadian equities in the FTSE RAFI® Developed ex U.S. 1000 Index, a fundamentally weighted index.

**Horizons Active Canadian Dividend ETF (TSX: HAL)** – The investment objective of the Horizons Active Canadian Dividend ETF (the “ETF”) is to seek long-term total returns consisting of regular dividend income and modest long-term capital growth. The ETF invests primarily

in equity securities of major North American companies with above average dividend yields. The ETF, to the best of its ability, seeks to hedge its U.S. currency exposure to the Canadian dollar at all times.

**iShares Core S&P/TSX Capped Composite Index (TSX: XIC)** - The iShares Core S&P/TSX Capped Composite Index ETF seeks to provide long-term capital growth by replicating, to the extent possible, the performance of the S&P®/TSX® Capped Composite Index through investments in the constituent issuers of such index, net of expenses. The index is comprised of the largest (by market capitalization) and most liquid securities listed on the Toronto Stock Exchange, selected by S&P Dow Jones Indices LLC using its industrial classifications and guidelines for evaluating issuer capitalization, liquidity and fundamentals.

**iShares S&P/TSX Completion Index (TSX: XMD)** - The iShares S&P/TSX Completion Index ETF seeks to provide long-term capital growth by replicating, to the extent possible, the performance of the S&P/TSX Completion Index through investments in the constituent issuers of such index, net of expenses. The index is comprised of all constituents of the S&P/TSX Composite Index that are not in the S&P/TSX 60 Index.

**First Asset Morningstar Canadian Momentum Index ETF (TSX: WXM)** – The First Asset Morningstar Canada Momentum Index ETF (the "Fund") has been designed to replicate, to the extent possible, the performance of the Morningstar® Canada Target Momentum Index (the "Index") (formerly, Morningstar® Canada Momentum Index), net of expenses. The Index is comprised of liquid equity securities of Canadian companies, utilizing proprietary CPMS methodologies from Morningstar to screen for, among other things, above average returns on equity, with an emphasis on upward earnings estimate revisions and technical price momentum indicators. To qualify for inclusion in the Index, the constituent securities must, among other things, trade on the TSX, be classified as a Canadian issuer, and demonstrate average monthly volume (12 month) in the top third of stocks in the investible universe. The Index is comprised of the top 30 issuers that meet the screening requirements, and are equally weighted and rebalanced quarterly.

## U.S. Equity

**Vanguard MSCI U.S. Broad Market C\$ Hedged (TSX: VUS)** - Vanguard U.S. Total Market Index ETF (CAD-hedged) seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad U.S. equity index that measures the investment returns of primarily large-capitalization U.S. stocks, which index is hedged to the Canadian dollar. Currently, this Vanguard ETF seeks to track the CRSP US Total Market Index (CAD-hedged) (or any successor thereto). It invests directly or indirectly primarily in stocks of U.S. companies and uses derivative instruments to seek to hedge the U.S. dollar exposure of the securities included in the CRSP US Total Market Index (CAD-hedged) back to the Canadian dollar.

**iShares US Fundamental Index (NEO: CLU)** - iShares US Fundamental Index ETF seeks to track, less fees and expenses, the FTSE RAFI US 1000 C\$ Hedged Index, comprised of the largest 1,000 US-listed companies by fundamental value. They're selected on the basis of 3

factors aggregated over 5 years: total cash dividends, free cash flow and total sales. Current book equity value is also taken into account. CLU is hedged against U.S. currency risk.

**iShares Core S&P 500 Index (TSX: XSP)** - The iShares Core S&P 500 Index ETF (CAD-Hedged) seeks to provide long-term capital growth by replicating, to the extent possible, the performance of the S&P 500 Hedged to Canadian Dollars Index, net of expenses. The Index is a market capitalization-weighted index of securities of 500 of the largest U.S. public issuers provided by S&P Dow Jones Indices LLC, hedged to Canadian dollars.

## International / Global Equity

**iShares MSCI EAFE Minimum Volatility Index (TSX: XMI)** - The iShares MSCI EAFE Minimum Volatility Index ETF seeks to provide long-term capital growth by replicating, to the extent possible, the performance of the MSCI EAFE Minimum Volatility Index (USD), net of expenses. The index measures the performance of international equity securities that have lower volatility relative to the equity securities included in the MSCI EAFE Index. The eligible universe of securities is taken from the MSCI EAFE Index, which is a capitalization-weighted index, and then MSCI, Inc. follows a rules-based methodology to determine optimal weights for securities in the index in order to seek to minimize total risk of the MSCI EAFE Index. The index includes stocks from Europe, Australasia, the Middle East and the Far East. Representative companies include consumer staples, financials and health care companies. The Index is optimized in U.S. dollars and reported in Canadian dollars.

**BMO MSCI EAFE Hedged to CAD Index ETF (TSX: ZDM)** - The BMO MSCI EAFE Hedged to CAD Index ETF has been designed to replicate, to the extent possible, the performance of the MSCI EAFE 100% Hedged to CAD Dollars Index, net of expenses. The Fund invests in developed markets equity, excluding Canada and the U.S. The Manager may use a sampling methodology in selecting investments for the fund. The Fund may also invest in or hold securities intended to replicate the performance of the Index. The foreign currency exposure is hedged back to the Canadian dollar. In addition, as ZDM may hold other underlying ETFs, the management fees charged are reduced by the management fees paid on the underlying ETFs.

**iShares International Fundamental Index ETF (NEO: CIE)** - iShares International Fundamental Index Fund seeks to track, less fees and expenses the FTSE RAFI Developed ex US 1000 Index, composed of the largest 1000 listed companies incorporated outside the U.S., ranked by 4 fundamental measures of size: sales, cash flows, book value and dividends. It represents 25 separate country/regional indices from Europe, Australasia and the Far East.

**iShares MSCI World Index ETF (TSX: XWD)** – The iShares MSCI World Index ETF seeks to provide long-term capital growth by replicating, to the extent possible, the performance of the MSCI World Index, net of expenses. The MSCI World Index is a free float-adjusted market capitalization weighted index provided by MSCI, Inc. that is designed to measure the equity market performance of developed markets.

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

## Specialty / Sector

**Vanguard FTSE Emerging Markets All Cap ETF (TSX: VEE)** - Vanguard FTSE Emerging Markets All Cap Index ETF seeks to track, to the extent reasonably possible and before fees and expenses, the performance of a broad emerging markets index. Currently, this Vanguard ETF seeks to track the FTSE Emerging Markets All Cap China A Inclusion Index (or any successor thereto). It invests directly or indirectly primarily in stocks of companies located in emerging markets.

**iShares Gold Bullion Fund ETF (TSX: CGL)** - The fund seeks to replicate the performance of the price of physical gold bullion, less the fund’s fees and expenses. The fund is not actively managed. To achieve its objective, the fund invests in long-term holdings of unencumbered gold bullion, in 100 or 400 troy ounce international bar sizes. In accordance with its investment objective, strategy, policies and restrictions, the assets of the fund consist of gold bullion that the fund purchases and holds, cash, permitted gold certificates, if any, and forward contracts relating to the currency hedge.

**BMO Equal Weight REITs Index ETF (TSX: ZRE)** - The BMO Equal Weight REITs Index ETF has been designed to replicate, to the extent possible, the performance of the Dow Jones Canada Select Equal Weight REIT Index, net of expenses. The Fund invests in Canadian real estate investment trusts. The Fund invests in and holds the Constituent Securities of the Index in the same proportion as they are reflected in the Index. The Dow Jones Canada Select Equal Weight REIT Index consists of the Canadian securities that fall within the Real Estate Investment Trust sector. Each security in the Index is allocated a fixed weight rather than a market capitalization weight. To be included as a Constituent Security, an issue must meet certain minimum trading volume requirements and be incorporated in, or has its primary market listing in Canada.

**BMO Global Infrastructure (TSX: ZGI)** - BMO Global Infrastructure Index ETF has been designed to replicate, to the extent possible, the performance of the Dow Jones Brookfield Global Infrastructure North American Listed Index (Index), net of expenses. The ETF invests in and holds the Constituent Securities of the Index in the same proportion as they are reflected in the Index. The Dow Jones Brookfield Global

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Infrastructure North American Listed Index (Index) is a float-adjusted market capitalization weighted Index. To be eligible for inclusion in the Index, a company must have a minimum float-adjusted market capitalization of US\$500 million as well as a minimum three-month average daily trading volume of US\$1 million. Securities of constituent issuers also must be listed in Canada or the United States. More than 70% of a potential constituent issuer's cash flows must be derived from the development, ownership, lease, concession or management of infrastructure assets.

**iShares S&P/TSX Capped Financials Index (TSX: XFN)** - The iShares S&P/TSX Capped Financials Index ETF seeks to provide long-term capital growth by replicating, to the extent possible, the performance of the S&P/TSX Capped Financials Index, net of expenses. The index is comprised of constituents of the S&P/TSX Composite Index in GICS Sector 40, but excluding GICS Industry Group 4040 – Real Estate. Constituents are capped at 25% weight.

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## Disclaimer

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

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

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

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

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

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

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

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

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

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## About Us

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

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

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

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

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