

RECOMMENDED LIST OF FUNDS



April 2017

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The Recommended List

Returns at March 31, 2017									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%	1.2%	1.4%	2.0%	0.16	0.04%	0.44	0.370	0.292	0.392	0.716	1.58%
2	PH&N Total Return Bond Fund	1.2%	1.9%	4.1%	3.6%	0.22	0.02%	0.95	0.067	0.282	0.334	0.995	0.58%
3	PowerShares 1-5 Yr Laddered Corp Bond	0.8%	1.4%	1.8%	2.0%	0.26	-0.01%	0.98	0.192	0.358	0.446	0.865	0.99%
4	TD Canadian Core Plus Bond	0.9%	1.3%	2.8%	2.7%	0.17	-0.03%	0.88	0.085	0.299	0.353	0.984	1.50%
Fixed Income - Specialty													
1	Manulife Strategic Income Fund	1.0%	2.7%	4.3%	5.6%	0.32	0.22%	0.81	0.134	0.503	0.541	0.702	1.98%
2	PIMCO Monthly Income Fund	2.5%	5.6%	3.1%	6.8%	0.38	0.48%	0.25	0.479	0.160	0.307	0.214	1.38%
3	RBC Global Corporate Bond	1.2%	3.6%	3.1%	3.6%	0.23	0.09%	0.71	0.341	0.202	0.363	0.761	1.74%
Canadian Equity - Core													
1	CI Cambridge Cdn Equity	1.3%	17.7%	8.3%	13.1%	0.48	0.65%	0.61	0.708	0.628	0.583	0.022	2.44%
2	Fidelity Canadian Large Cap Fund	0.2%	6.5%	6.9%	11.4%	0.44	0.65%	0.42	0.510	0.665	0.641	0.064	2.50%
3	Manulife Dividend Income Fund	5.0%	15.4%	11.1%	13.6%	0.58	0.71%	0.57	0.772	0.559	0.572	0.121	2.27%
4	RBC North American Value Fund	2.6%	14.4%	7.7%	10.7%	0.38	0.39%	0.73	0.818	0.701	0.685	-0.028	2.01%
5	Signature Select Canadian Fund	4.0%	20.5%	6.9%	9.1%	0.30	0.21%	0.82	0.845	0.656	0.699	-0.058	2.43%
Canadian Small Mid Cap Equity													
1	CI Cambridge Pure Canadian Equity	-2.1%	19.0%	5.8%	18.8%	0.50	1.12%	0.72	0.674	0.354	0.377	-0.064	2.42%
2	IA Clarington Canadian Small Cap	-0.4%	15.7%	4.1%	12.2%	0.40	0.70%	0.58	0.678	0.218	0.289	-0.329	2.93%
3	Sentry Small Cap Income Fund	4.3%	21.6%	7.8%	13.5%	0.42	0.78%	0.60	0.701	0.639	0.601	-0.013	2.46%

Returns at March 31, 2017												
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	3.4%	18.7%			0.50	0.04%	0.81	0.503	0.923	0.731	0.231	2.04%
2 Manulife U.S. Equity Fund	4.5%	14.3%	14.0%	17.2%	0.46	-0.11%	0.94	0.319	0.953	0.681	0.179	2.45%
3 RBC O'Shaughnessy U.S. Value Fund	2.3%	12.8%	4.1%	11.8%	0.26	-0.03%	0.66	0.655	0.520	0.447	-0.220	1.55%
4 TD U.S. Blue Chip	9.0%	18.3%	15.8%	18.1%	0.37	-0.39%	1.18	0.266	0.896	0.769	0.309	2.54%
5 Trimark U.S. Companies Fund	8.3%	15.2%	13.0%	16.5%	0.39	-0.37%	1.09	0.300	0.957	0.691	0.232	2.79%
US Small Mid-Cap Equity												
1 Fidelity Small Cap America	3.0%	6.5%	13.2%	20.1%	0.47	0.63%	0.65	0.240	0.846	0.576	0.226	2.52%
2 TD U.S. Mid - Cap Growth Fund	7.0%	16.6%	15.9%	18.8%	0.43	0.42%	0.73	0.310	0.892	0.668	0.245	2.54%
3 Trimark U.S. Small Companies Class	2.7%	20.6%	9.0%	13.6%	0.34	0.13%	0.66	0.376	0.798	0.560	0.148	2.93%
Global / International Equity - Core												
1 Guardian Global Dividend Growth Fund	5.1%	9.9%	8.7%	10.5%	0.30	-0.27%	0.87	0.302	0.834	0.813	0.437	2.03%
2 IA Clarington Global Equity	3.1%	14.8%	9.4%	10.9%	0.32	-0.13%	0.78	0.512	0.747	0.813	0.198	2.57%
3 Invesco International Growth Class	7.0%	6.0%	5.7%	10.5%	0.28	0.03%	0.80	0.511	0.781	0.938	0.288	2.84%
4 Mac Ivey Foreign Equity Fund	3.7%	5.1%	8.5%	11.4%	0.38	0.00%	0.70	0.154	0.868	0.749	0.391	2.50%
5 Manulife World Investment	7.8%	7.1%	8.2%	11.8%	0.31	0.16%	0.77	0.432	0.719	0.879	0.452	2.55%
6 Trimark Fund	5.5%	14.6%	11.2%	14.7%	0.41	-0.02%	0.92	0.459	0.885	0.851	0.349	1.70%
Global Small Mid Cap Equity												
1 Brandes Global Small Cap	2.7%	17.8%	12.5%	19.4%	0.50	0.37%	0.85	0.564	0.703	0.797	0.140	2.70%
2 Fidelity NorthStar Fund	2.2%	5.3%	10.1%	15.5%	0.46	0.40%	0.61	0.090	0.663	0.659	0.366	2.58%
Trimark Global Endeavour	7.7%	11.9%	11.4%	14.3%	0.41	0.06%	0.80	0.404	0.797	0.795	0.247	2.58%

Returns at March 31, 2017									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	8.1%	7.0%	5.8%	8.7%	0.25	0.11%	0.59	0.341	0.574	0.720	0.541	2.64%
2 Brandes Emerging Markets	9.7%	24.4%	5.8%	6.1%	0.12	-0.05%	0.98	0.676	0.299	0.562	0.161	2.71%
3 Dynamic Power Global Growth Class	18.1%	19.3%	12.2%	13.5%	0.23	-0.33%	1.15	0.237	0.569	0.630	0.380	2.50%
4 Manulife Global Infrastructure Fund	6.4%	14.0%	5.6%	11.0%	0.31	0.09%	0.62	0.390	0.543	0.641	0.567	2.73%
Balanced / Income Funds												
1 CI Signature High Income Fund	1.5%	10.7%	3.7%	6.4%	0.33	0.20%	0.65	0.598	0.589	0.737	0.428	1.59%
2 Fidelity Canadian Balanced Fund	1.5%	7.4%	5.3%	7.1%	0.33	0.20%	0.76	0.603	0.705	0.723	0.521	2.29%
3 Sentry Conservative Balanced Income	1.0%	5.9%	2.9%	5.8%	0.37	0.18%	0.58	0.711	0.629	0.597	0.347	2.19%
4 TD Monthly Income Fund	2.4%	13.0%	6.1%	7.2%	0.37	0.21%	0.68	0.858	0.392	0.519	0.110	1.47%
Income Options												
1 PowerShares 1-5 Yr Laddered Corp Bond	0.8%	1.4%	1.8%	2.0%	0.26	-0.01%	0.98	0.192	0.358	0.446	0.865	0.99%
2 Sentry Canadian Income Fund A	0.5%	6.9%	6.4%	9.3%	0.45	0.49%	0.40	0.623	0.734	0.594	0.223	2.32%
3 BMO Monthly High Income Fund II	0.8%	12.8%	2.6%	6.4%	0.23	0.08%	0.70	0.816	0.252	0.398	0.064	2.14%
Passive Options												
1 TD Canadian Bond Index Fund	1.1%	0.7%	3.3%	2.7%	0.15	-0.06%	0.99	-0.011	0.249	0.287	1.000	0.83%
2 RBC Canadian Index Fund	2.2%	17.7%	5.0%	7.0%	0.23	-0.05%	0.98	1.000	0.331	0.490	-0.007	0.72%
3 TD U.S. Index Fund	4.8%	18.9%	16.3%	18.7%	0.49	-0.09%	1.00	0.328	0.997	0.738	0.258	0.55%
4 TD International Index Fund	6.2%	13.5%	6.0%	11.0%	0.26	-0.11%	0.99	0.463	0.730	0.992	0.300	1.01%

Benchmark Returns at March 31, 2017

Benchmark	3 mth	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Fixed Income					
FTSE TMX 90 Day T-Bill Index	0.09%	0.49%	0.64%	0.77%	1.21%
FTSE TMX Short Term Bond Index	0.67%	1.26%	2.08%	2.21%	3.52%
FTSE TMX Canadian Bond Universe	1.25%	1.51%	4.09%	3.52%	4.82%
Canadian Equity					
S&P/TSX 60 Capped Index	2.44%	19.27%	6.86%	8.33%	3.43%
S&P/TSX Composite	2.41%	18.62%	5.82%	7.84%	4.70%
S&P/TSX Completion Index TR	2.34%	16.86%	2.93%	5.82%	4.25%
S&P/TSX Small Cap Index TR	1.47%	29.48%	3.29%	3.38%	N/A
U.S. Equity					
S&P 500 C\$	5.03%	21.13%	17.66%	20.09%	9.11%
Russell 2000 C\$	1.67%	29.65%	14.10%	19.01%	8.71%
Global & Specialty Equity					
MSCI EAFE C\$	6.55%	15.30%	7.45%	12.62%	3.04%
MSCI World C\$	5.70%	18.57%	12.93%	16.51%	6.34%
MSCI World Small / Mid Cap Index C\$	5.20%	19.13%	12.63%	17.15%	7.06%
MSCI Europe C\$	6.77%	13.47%	5.41%	12.55%	2.79%
S&P/TSX Capped REIT Index	3.66%	10.17%	6.65%	6.09%	6.19%
MSCI Emerging Markets C\$	10.62%	20.85%	8.07%	7.16%	4.55%
MSCI Pacific C\$	6.20%	19.23%	11.61%	12.84%	3.55%
MSCI Pacific ex Japan C\$	10.92%	21.77%	8.87%	11.72%	6.15%
MSCI ACWI C\$	6.22%	18.83%	12.44%	15.42%	6.09%
MSCI All China C\$	8.00%	13.67%	16.13%	13.18%	N/A

Data Sources:

Fundata

FTSE / TMX

Bank of Canada

MSCI

Returns as of December 31, 2016

List Changes

Additions

None

Deletions

None

Funds of Note

Manulife Strategic Income Fund (MMF 559– Front End Units, MMF 759 – Low Load Units) – The Fund lagged its peers in the first quarter, posting a modest 1% rise. The portfolio remains conservatively positioned, with an effective duration of 2.4 years, which is well below the broader Canadian bond market. In an environment where yields remain near historic lows, the Fund offers a yield to maturity of more than 3.3%.

In this environment, the managers remain cautiously optimistic, but note the global economy is at somewhat of an inflection point. There are many signs showing the global economy is on the mend, including improving economic growth numbers, and rising inflation. On the other hand, there are several external events that could create periods of extreme uncertainty and volatility in the global equity and fixed income markets including the Brexit negotiations, several European elections, and the potential policies coming out of the Trump administration, like the fiscal stimulus plan, tax reform, and of course, trade policy.

It is this potential for volatility, combined with the managers' focus on mitigating risk that is keeping them somewhat defensive. They have built a reasonably high quality, very liquidity portfolio that they believe will not only protect them in a downdraft, but also allow them to take advantage of potential opportunities in periods of volatility and market dislocations. They remain focused in developed markets, which at the end of March made up more than 90% of the Fund. The U.S. is the largest country allocation, with nearly two-thirds invested there. Credit quality is also rather high, with 64% invested in investment grade issues. 25% is invested in high yield opportunities.

The managers continue to be defensive but selective with their security selection. With valuations looking rich in several areas, they are careful to ensure they are being adequately compensated for the risk they accept with each position. This is particularly true with their investment grade corporate bonds, and emerging market debt sleeves.

Most of their currency exposure is to the U.S. dollar. Currently, they believe the U.S. dollar is likely to remain rangebound to the Canadian dollar, with the lows being in the \$0.72 - \$0.74 range, and the highs being in the \$0.78 - \$0.80 range. Their bias is to remain fully hedged, but will tactically adjust their currency exposure based on the outlook, looking to add incremental gains where possible, without accepting too much additional risk.

Looking ahead, this remains one of my favourite global bond funds. It is run by a very disciplined management team, using a very repeatable process that focuses on managing risk. They are dynamic in their approach and will adjust the portfolio based on their view of the risk reward tradeoffs. I see this as a solid addition to the fixed income sleeve of a well-diversified portfolio, as a way to reduce the interest rate sensitivity, and reduce the overall volatility profile.

CI Cambridge Canadian Equity Corporate Class (CIG 2321 – Front End Units, CIG 1521 – Low Load Units) – This benchmark agnostic, actively managed, all-cap, Canadian focused equity fund remains one of my favourites. Using a disciplined investment process, the management team, headed by Brandon Snow, looks for companies that offer strong long-term growth potential, that are trading at attractive valuation levels. The portfolio is typically structured into two segments, a core, which invests longer-term, quality focused investments they are likely to hold for several months to several years, and a more opportunistic segment, that invests in shorter term, more tactical plays. These could be more macro driven, or company specific.

The Fund has had a great year, gaining nearly 18% for the year ending March 31. In the first quarter however, it lagged both the index and peer group, with a modest 1.3% return. Coming into the year, the fund was conservatively positioned, carrying approximately 18% in cash. By a rough estimate, the cash may have cost the fund approximately 25 basis points in performance.

Throughout the quarter, they took profits in many names that had rallied higher in the past year, including several U.S. banks and industrial companies. Valuation levels had reached the point where the risk reward outlook for the companies were no longer attractive. With the proceeds, they added exposure to more attractively valued companies in the grocery, and energy sectors.

They remain defensive, with 16% in cash. They are significantly overweight consumer names, with a healthy exposure to technology names. One area where they have zero exposure is in the Canadian banks. Despite their heft and perceived quality profile in the Canadian market place, the managers believe the big five carry significantly higher levels of risk than many would expect. While there is little question the historic performance has been strong, management believes it may be difficult to repeat going forward based on several factors including, the potential for slower loan growth, higher loan defaults, higher capital requirements, and of course, the high debt levels carried by many Canadians, and the worries over a meaningful slowdown in the Canadian housing market. Combined, these factors lead the team to believe there are better opportunities elsewhere.

Their process works, posting long-term return numbers well above the index and peer group, with less volatility and better downside protection. Considering the management team in place, and the investment process they use, I expect this fund to continue to deliver average or better returns with less volatility.

RBC North American Value Fund (RBF 766 – Front End Units, RBF 130 – Low Load Units) – In contrast to the CI Cambridge Canadian Equity Corporate Class, which holds no Canadian banks, this value tilted, Canadian focused RBC offering sees three of its top five holdings as banks. At the end of March, it had 8% in cash, 52% in Canadian equity, and 38% in U.S. equity. As a result, Morningstar lists its average market capitalization as significantly higher than any of the other Canadian equity funds on the Recommended List.

To start the year, the Fund had a respectable start, gaining 2.6%, outpacing both the S&P/TSX Composite, and the category average. It is reasonably defensive, carrying a higher level of cash, combined with an overweight in reasonably valued consumer names, and healthcare. It is also overweight technology, with exposure to many industry heavyweights including Alphabet, Apple, and Microsoft. Q1 saw growth names outpace value, which helps explain some of the headwinds the fund faced in the quarter.

Longer term return numbers look decent, with an annualized five-year return of 11.4%, while the S&P/TSX Composite gained 7.8%. The U.S. holdings would have contributed positively to this return, as the S&P 500 gained 20% in Canadian dollar terms. While the returns have been strong, what impresses me more is the lower volatility and stronger downside protection. Volatility has been less than both the index and peer group over both a three and five-year period. Capital protection has been excellent, participating in nearly 90% of the upside of the index, while realizing less than half of the market drawdowns.

Portfolio valuation remains attractive compared to its peers, offering a modest margin of safety. Looking ahead, I expect this Fund to continue to deliver average or better returns, with lower volatility and stronger capital protection in down markets. Given the value focus, it may lag in the near term, as the markets have largely continued to reward more richly valued, higher beta names. As the markets return to a more normalized environment, this Fund is expected to be a benefactor.

CI Cambridge Pure Canadian Equity Fund (CIG 11109 – Front End Units, CIG 11359 – Low Load Units) – It was a tough start for this Canadian small cap offering, which lost more than 2% in the first quarter. It is particularly disappointing given the significant cash balance, which was roughly 20% at the start of the year. Much of the underperformance was the result of its energy holdings, which sold off on a milder than normal winter, and worries over potential trade barriers, now that Mr. Trump is in the White House.

Throughout the quarter, they took profits in the financial names that rallied after the Trump victory. With the proceeds, they added exposure to more defensive, yet attractively valued consumer staples names.

Despite the underperformance, the managers reiterated their view that the investment thesis of the names they hold in the portfolio remain intact. They believe the companies are creating wealth and in time, the markets will recognize this, pushing their stock prices higher. Valuations remain a concern, which is why they remain defensive, keeping their cash balance at around 20%. From a sector perspective, they are overweight consumer names, energy, and technology, while being underweight materials, financials, and utilities.

Despite the more muted short-term performance, the longer-term numbers have been excellent. For the five years ending March 31, it has gained an annualized 18.6%, handily outpacing the index and peer group. Even more impressive, volatility has been well below average, and the downside protection has been excellent. For the past five years, the downside capture rate has been less than 20%.

Looking ahead, given the portfolio's slightly extended valuations, I would expect to see a more muted return. However, given the disciplined, proven investment process used, I would reckon volatility to remain well below average, making this a good way for an investor to gain access to Canadian small caps.

TD U.S. Blue Chip Fund (TDB 310 – Front End Units, TDB 370 – Low Load Units) – By far, the “growthiest” U.S. equity fund on our Recommended List, it was also one of the strongest performers in the first quarter, posting an impressive 9.0% return. In comparison, the S&P 500 rose by just over 5% in Canadian dollar terms.

The Fund is diversified, yet concentrated. It holds more than 135 names, while the top ten make up just under 40% of the portfolio. Further highlighting the concentration is the sector breakdown, where more than 70% is invested in just three sectors; technology, consumer cyclical, and healthcare.

The manager looks for dominant players in their respective fields that have above-average, sustainable growth prospects, and the ability to deliver and grow free cash flow. The top holdings are littered with many household names including Amazon.com, Facebook, Alphabet, Microsoft, and credit card processors MasterCard, and Visa. It invests in very large companies, most of which have market capitalizations in the upper quintile of the market. It's average market cap is more than 60% higher than that of the S&P 500.

Performance over the long-term has been excellent compared with its peer group. For the five years ending April 30, it gained an annualized 19.8%. While this may have slightly trailed the S&P 500, it outpaced its peers. Looking out over ten years, the Fund gained a very respectful 9.3%, lagging the annualized 9.5% posted by the index.

While the returns have been solid, this is not a fund for those with an aversion to risk. It has been significantly more volatile than both the market and peer group over all periods, and experienced higher highs and lower lows. Because of its concentrated sector exposure, there is the potential that there will be periods where it either leads or lags the index, in some cases by a significant margin.

One concern I have about the fund in the near term is its level of valuation. It is currently trading at multiples well above the index. While some of this can be justified by its better than average, forward looking growth rates, it is still a bit rich compared to some of the alternatives. If you have held this for a while, you may want to consider taking some profits, and reducing your exposure to bring it more in line with your target level.

For those looking for a quality, growth focused U.S. equity fund, this is one that should be considered. It has a strong management team, using a disciplined process, and a strong track record. However, you must be comfortable with higher than average volatility.

Trimark U.S. Small Companies Fund (AIM 5523 – Front End Units, AIM 5525 – Low Load Units) – Historically, it has been very difficult for managers to beat the S&P 500 index, given the market efficiency it has. There are countless analysts and managers monitoring every move by every company in the index. The index is constantly highlighted in the financial media, and is a never-ending discussion topic on CNBC and BNN. The same cannot be said in the U.S. small cap space, where those managers who are willing to do the legwork can often find those underappreciated gems that can provide solid risk-adjusted returns over the long term. I believe this is one of those funds.

Managed by a team headed by Rob Mikalachki, they look to build a concentrated portfolio of high quality, well managed companies that are largely ignored by the rest of the investment world. They look for good management teams that are typically the number one or number two ranked company in their industry, and a history of delivering high levels of free cash flow, and strong balance sheets.

The investment process is bottom up, meaning the sector weights are the by-product of the stock selection process. So too is the Fund's cash weighting, which the team will let rise in situations where they are not able to find suitable investment opportunities that meet their criteria, including a reasonable valuation level. Now is one of those times, as the cash in the Fund ended the quarter at more than 18%, up from 14% at the end of the year. This rise can be attributed to their selling of Alere Inc., a U.S. based healthcare company involved in diagnostics and information solutions. They sold it because they believed the outlook had weakened, making it less attractive on a risk reward basis.

Small cap valuations are a concern, and they remain patient as they continue to look for companies that meet their investment criteria, while offering a reasonable margin of safety. If they cannot find suitable opportunities, they will continue to hold cash.

Over the long-term, the team has done a good job of delivering strong returns, with below average volatility. For the five years ending April 30, it gained an annualized 15.4%, which is right in line with its peers. However, the volatility of the Fund has been significantly lower than the peer group, resulting in considerably stronger risk adjusted returns. Capital preservation has also been excellent, participating in less than 60% of the market's downside over the past five years, while still delivering 70% of the upside.

While I like the fund, there are a couple things to note. First, it is concentrated, so there are likely to be periods where the returns of the Fund are dramatically different than the index or peer group. This could result in periods of outperformance or underperformance. Another drawback is the cost. The MER for the advisor sold units is 2.93%. However, those accessing the Fund in fee based accounts can access it at 1.47%, and those investing in the "do-it-yourself" units will see a 1.68% MER, making it a more appealing option.

Trimark Fund (AIM 1513 – Front End Units, AIM 1515 – Low Load Units) – This bottom up managed global equity fund has been one of my favourites for a long time now. The managers look for companies that are industry leaders, have strong barriers to entry, high levels of free cash flow, and excellent management teams that have a history of generating high returns on invested capital. The companies trade at a discount to what they believe the stock is worth. The result is a concentrated portfolio that holds between 30 and 50 names.

At the end of April, it held less than 40 names, and was decidedly overweight industrials, technology, and consumer staples. This sector mix was not the result of a macro call, but a function of their disciplined, stock selection process.

The process works, with the Fund outpacing its rivals often. In the past five calendar years, it has only posted below average gains in one year – 2014, when it finished in the 51st percentile of global equity funds, still a respectable middle of the pack showing. Looking at the returns over a one, three, five, ten, and 15-year period, at April 30, it has been above average over each of those time frames.

The managers also take a long-term, patient view, and will sell a stock for a few reasons including it reaches full valuation, a better idea is found, or they were wrong. Over the past four years, turnover has averaged in the 20% range. In the first quarter, they sold a financial services company because they believed it had reached full value. Even in the current environment, management have not had a lot of difficulty finding suitable investment candidates, as cash sat at a very modest 3.95% at the end of March.

Looking ahead, the managers see there are signs that the economic fundamentals are getting better. However, there are many risks on the horizon, including the unknown that is President Trump and his potential protectionist policies, which may dampen economic activity. They believe we are still in a “low growth” environment for the next little while. They will continue to look for companies that meet their criteria, and will use periods of market weakness to pick up new holdings, and add to existing names. This remains a great core global equity fund.

Brandes Global Small Cap Equity Fund (BIP 152 – Front End Units, BIP 211 – Low Load Units) – This deep value offering from Brandes had a slow start to the year, gaining nearly 3% in the first quarter, trailing the index and peers. Longer-term however, this has been one of the standouts in the category, outpacing the index and peers over a one, three, and five-year period.

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

Even with an annualized five-year gain of nearly 20% the portfolio’s underlying valuation metrics remain attractive when compared to the index and its competition. According to Morningstar, there are only four other global small and mid-cap equity funds that have P/E ratios that are lower. Factoring in forward looking growth rates, and it looks even more appealing, offering modest growth with low valuation, representing a solid margin of safety.

Because of the disciplined investment process, there may be periods where the performance of the Fund looks nothing like the index and the peer group. This can make it difficult for those who may be uncomfortable with such a dislocation in the short-term. However, for those willing to take a longer-term view, there is the potential for above average returns as the market realizes the true worth of the oversold companies that make up the portfolio. While not for everybody, this can be a great global small cap fund for those comfortable with the risk.

Fixed Income Core

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
Dynamic Advantage Bond	Multi-Strategy	Michael McHugh Domenic Bellissimo	1.58%	\$630.8	- Remains conservatively positioned with a duration of 4.1, well below the index and peers. - High credit quality, with only 5% in high yield. - This remains a good conservative pick, and is expected to do well in rising rates or volatile markets. - Expected to lag in in flat or falling yield environment.
PH&N Total Return Bond Fund	Multi-Strategy	PH&N Fixed Income Team	1.10%	\$8,036.2	- Decent Q1 as yields paused after big jump on Q4 - Going into Q1, Fund had longer duration, but shortened it over the quarter. Now shorter than index. - Took profits in provincial and corporate bonds. - Remains a strong pick for traditional bond exposure
PowerShares 1-5 Year Laddered Corp Bond	Rules Based	PowerShares Management Team	0.99%	\$487.4	- Offers YTM of 1.7% with a duration of 2.3 years. - 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%	\$13,919.8	- Focus on quality, with less than 10% in HY bonds. About 60% in corporates boosts YTM. - Duration remains roughly in line with index. - Like the TD Canadian Bond except it can invest up to 30% in global, high yield & Emerging Mkt. debt - Remains an 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	1.2	1.4	2.0	3.3	1.6	0.7	4.3	-0.1	4.2	6.5	21%	47%	-3%	18%	2.27%
Quartile	4	3	4	4	4	2	4	4	1	1	3					
PH&N Total Return Bond Fund	1.1	1.4	3.5	3.0	-	1.8	2.6	8.0	-1.5	3.4	7.5	97%	100%	77%	80%	3.56%
Quartile	3	3	1	2	-	2	2	1	2	3	2					
PShrs 1-5 Yr Lad. Corp Bond	0.8	1.5	1.8	2.1	-	1.3	1.8	2.8	1.4	3.0	4.1	60%	70%	18%	22%	1.38%
Quartile	2	2	2	1	-	2	2	1	1	1	1					
TD Canadian Core Plus Bond	0.9	1.3	2.8	2.7	-	1.5	1.8	6.9	-1.3	4.9	8.0	87%	94%	78%	79%	3.30%
Quartile	4	3	3	3	-	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	1.98%	\$8,784.5	- Tactically managed global bond fund that invests in global government, corporate and high yield bonds - Conservative with an effective duration of 3.1 yrs. - Added some exposure to HY, which now represents just over 30% of the Fund, up from 21% in December - About 8% invested in EM debt, rest is developed mkts - Majority of currency exposure is currently hedged. - A great way to diversify domestic bond exposure
PIMCO Monthly Income Fund	Tactical	Alfred Murata Daniel Ivascyn	1.38%	\$10,869.7	- 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. - Keeping duration relatively short at 3.33 yrs., down slightly from 3.6 at the end of December.
RBC Global Corporate Bond	Credit Analysis	Frank Gambino Marty Balch Soo Boo Che	1.72%	\$8,080.7	- Invests mainly in investment grade corporate bonds from issuers around the world. - Strong demand for corporate bonds helped in Q1. - EM bonds were strong performers, adding to gains - Expect more volatility on higher geopolitical worries - Duration is neutral to the benchmark at 6.2 yrs. - This would make a nice compliment to a Canadian focused bond fund.

Fund	Annualized Returns (%)						Calendar Year Returns (%)					Upside		Downside		Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	
Manulife Strategic Income	1.0	2.7	4.3	5.6	6.6	3.1	5.5	8.1	4.5	9.1	2.0	45%	48%	52%	62%	4.28%
Quartile	4	4	2	2	1	4	1	1	2	3	4					
PIMCO Monthly Income Fund	2.5	8.6	5.3	8.4	-	7.1	2.4	5.3	6.3	23.7	N/A	14%	26%	-43%	-81%	3.73%
Quartile	1	1	1	1	-	1	3	4	1	1						
RBC Global Corporate Bond	1.2	3.6	3.1	3.6	4.9	5.1	-0.6	6.7	-0.6	8.8	6.2	21%	22%	-3%	-13%	3.49%
Quartile	2	2	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%	\$4,592.2	- Used rally in cyclicals to take profits. Remain defensive, with 11% cash. Looking to selectively add to quality resource names on price weakness. - Bottom up, benchmark agnostic process. NO BANKS!
Fidelity Canadian Large Cap	Large Cap Value	Daniel Dupont	2.28%	\$6,080.7	- Cash remained at roughly 19%. 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	2.27%	\$2,020.4	- Concentrated, yet diversified portfolio of businesses that are creating value faster than broader markets - Holds 56% Cdn equity, 20% US, 2% prefs & 6% cash. - Offers a decent growth profile. Remains strong pick.
RBC North American Value	Large Cap Blend	Stu Kedwell Doug Raymond	1.97%	\$2,745.5	- Fundamentals driving markets higher. Tech leading... - U.S. holdings now 38% of fund. Looking for value in sectors driven higher by cyclical rally at end of 2016 - Remains an excellent long-term core equity fund.
Signature Select Canadian	Large Cap Blend	Eric Bushell	2.44%	\$2,466.4	- Strong quarter on back of tech names. Materials and consumer names lagged. - Continue to favour equities, but see US as fully valued. Now looking at Europe and emerging markets.

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	1.3	17.7	8.3	13.5	-	16.0	0.6	14.2	27.2	16.7	-1.3	87%	97%	52%	30%	7.21%
Quartile	3	2	1	1	-	1	2	1	1	1	1					
Fidelity Canadian Large Cap	0.2	6.7	7.2	11.8	9.9	10.2	3.6	10.6	36.6	6.0%	10.6	60%	74%	19%	5%	6.77%
Quartile	4	4	2	1	1	3	1	2	1	3	1					
Manulife Dividend Income	5.0	15.4	11.1	13.7	-	15.7	-1.1	5.1	9.5	5.8	2.4	90%	93%	27%	20%	6.11%
Quartile	1	2	1	1	-	3	1	4	4	3	1					
RBC North American Value	2.6	14.5	7.8	10.7	7.4	12.7	-0.3	7.6	23.1	11.8	-3.6	81%	90%	47%	47%	7.37%
Quartile	2	3	1	2	1	3	4	3	2	1	1					
Signature Select Canadian	4.0	20.5	6.9	9.1	4.7	13.1	-2.4	11.6	19.2	8.2	-8.5	91%	94%	73%	74%	8.01%
Quartile	1	1	2	2	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%	\$416.3	- Conservatively positioned with around 20% cash. - Took profits in financials, redeploying proceeds into more attractively valued names like grocers. - Energy names were a headwind on shifting sentiment - Managers remain concerned over valuation levels. - 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%	\$1,033.5	- Fund struggled on energy names. - Valuations remain a concern to the team, particularly after recent rally. Cash now sits at roughly 8%. - Management not finding many bargains. More downside risk and less margin of safety. Cautious - 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 Ca0070 Blend	Aubrey Hearn Michael Simpson	2.75%	\$1,671.0	- Strong quarter, outpacing index and category average - Live Nation, Cinemark were strong contributors. - Portfolio valuations high, but better than peers. - Looks for high quality, trading at attractive values - Pays a monthly distribution. Currently yielding 2.5%

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	-2.1	19.0	5.9	18.9	-	21.9	-5.8	14.7	47.3	34.3	N/A	94%	115%	70%	8%	9.76%
Quartile	4	2	1	1	-	2	3	1	1	1						
IA Clarington Cdn Small Cap	-0.4	15.7	4.1	12.2	7.3	22.3	-6.8	5.9	37.3	20.2	-3.3	61%	82%	44%	14%	8.06%
Quartile	3	3	2	1	1	2	3	2	1	1	1					
Sentry Small Mid Cap Income	4.3	21.6	8.0	13.6	13.1	14.6	-0.2	12.7	36.4	15.5	6.5	76%	89%	32%	13%	8.39%
Quartile	2	1	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	2.04%	\$140.7	- Lagged in Q1 largely because of underweight to tech - Managed using a unique multi manager structure, with central oversight and risk management. - Significant alignment of interests with investors.											
Manulife U.S. Equity Fund	Large Cap Blend	Grayson Witcher	2.45%	\$411.2	- 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%	\$1,610.2	- Value stocks lagged while growth names led - Currency hedge hurt in face of rising U.S. dollar. - 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	2.55%	\$1,904.6	- Strong Q1 on back of tech gains. - Growthiest” fund in the category with highest multiples - 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	2.79%	\$554.5	- Remains UNDER REVIEW. Closely watching risk metrics - Strong quarter driven by tech and consumer names. - Valuations and growth levels remain a concern.											
	Annualized Returns (%)						Calendar Year Returns (%)					Upside		Downside		
Fund	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	Risk
Capital Group U.S. Equity	3.4	18.7	13.5	-	-	15.5	7.9	-	-	-	-	78%	!	77%		9.26%
Quartile	3	2	2	-	-	1										
Manulife U.S. Equity	4.5	14.3	14.0	17.2	-	4.5	17.9	19.3	40.5	11.4	2.5	88%	92%	102%	108%	9.85%
Quartile	2	3	2	1	-	3	2	2	2	2	1					
RBC O'Shaughnessy US Val	2.3	12.9	4.1	11.9	4.5	12.6	-8.9	10.7	47.5	12.4	6.7	46%	73%	90%	109%	12.55%
Quartile	4	4	4	4	4	1	4	4	1	1	1					
TD U.S. Blue Chip	9.0	18.3	15.7	18.1	8.8	-4.7	30.8	16.8	47.6	13.7	1.8	110%	103%	148%	141%	13.12%
Quartile	1	2	1	1	1	4	1	3	1	1	1					
Trimark U.S. Companies	8.3	15.2	13.0	16.5	7.9	-1.9	15.4	25.7	40.8	10.3	0.3	101%	99%	152%	150%	11.28%
Quartile	1	3	2	2	1	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%	\$2,594.4	- Continues to lag as market keeps rewarding lesser quality, higher beta stocks. - Focus on stocks with high ROE, and earnings visibility. - Also looks for low economic sensitivity. - Valuations look favourable compared to the benchmark but is still a bit rich by absolute standards. Caution - Manager has remained disciplined in his process.
TD U.S. Mid Cap Growth Fund	Mid Cap Growth	Brian Berghuis John Wakeman	2.55%	\$972.9	- Handily outpaced peers, thanks to healthcare names. - Positioned for economic growth – overweight consumer cyclical and industrials, Also overweight healthcare. - Valuation very stretched, trading way higher than index - More volatility expected. Take profits!
Trimark U.S. Small Companies	Small Cap Blend	Rob Mikalachki Virginia Au Jason Whiting	2.93%	\$221.6	- Outpaced its index but lagged peers in Q1 - Financials and real estate were contributors to returns - Valuations remain a concern. Cash increased to 18% - 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	3.0	6.7	13.4	20.3	9.9	-1.4	24.3	17.5	54.2	19.9	7.7	80%	85%	69%	55%	11.24%
Quartile	3	4	1	1	1	4	1	1	1	1	1					
TD U.S. Mid Cap Growth Fund	7.0	16.5	15.9	18.7	10.4	1.1	25.9	21.5	43.8	9.7	-0.5	86%	86%	67%	69%	11.59%
Quartile	1	3	1	1	1	4	1	1	2	2	2					
Trimark U.S. Small Companies	2.7	20.6	9.0	13.6	7.1	14.6	2.5	16.3	33.4	10.0	8.8	63%	68%	63%	61%	10.68%
Quartile	4	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	1.93%	\$323.5	- Look for stocks with favourable valuations, and the potential to grow and sustain dividend payouts. - Tax reform & de-coupling of QE programs look positive for 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%	\$165.2	- Quality bias hurt in Q1. Global growth improving. - Valuations remain a concern to the team, particularly after recent rally. Cash now sits at roughly 6%. - Management not finding many bargains. More downside risk and less margin of safety. Cautious - 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%	\$613.9	- Excellent Q1, outpacing index on tech & financials. - EM rebounded sharply, which helped the Fund - Took profits in names that have reached full value - Some cash put to work, sitting at 6% at end of Q1 - Bottom up approach looks for quality companies with strong earnings, and reasonable valuations - Outlook positive as non-US names trade at discount.
Mackenzie Ivy Foreign Equity Fund	Large Cap Blend	Paul Musson Matt Moody	2.51%	\$4,579.9	- Remains 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%	\$1,041.6	- 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 - Q1 saw some laggards from last year bounce back. - Emerging market exposure was a benefit
Trimark Fund	Large Cap Growth	Michael Hatcher Jeff Feng	1.70%	\$4,029.0	- Lagged benchmark on weaker industrial and consumer performance. US names also a headwind. - Expecting more volatility in the year as Trump works to get policies implemented. Ready to move! - Still expecting a lower growth environment - 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	5.1	10.7	8.9	10.7	-	-1.9	16.1	13.8	20.0	4.6	N/A	83%	73%	104%	90%	9.37%
Quartile	2	4	2	3	-	4	2	1	4	4						
IA Clarington Global Equity	3.1	14.8	-	-	-	8.3	8.8	8.2	21.1	12.5	-4.8					
Quartile	4	2	-	-	-	1	3	3	3	2	2					
Invesco International Growth	7.0	6.0	5.7	10.5	2.4	-6.4	15.3	7.6	27.3	12.4	-6.1	87%	86%	95%	88%	10.01%
Quartile	2	4	3	2	1	4	3	1	2	3	1					
Mackenzie Ivy Foreign Equity	3.7	5.1	8.5	11.4	6.2	-0.1	16.0	8.3	31.0	7.9	3.2	71%	70%	78%	70%	7.87%
Quartile	4	4	3	3	1	3	2	3	2	4	1					
Manulife World Investment	7.8	7.1	8.2	11.8	4.2	-4.0	19.4	7.3	21.6	19.2	-8.8	97%	89%	90%	83%	10.31%
Quartile	1	4	1	1	1	3	2	1	4	3	2					
Trimark Fund (SC)	5.5	14.6	11.2	14.7	4.6	5.3	19.2	10.0	30..5	12.0	3.2	87%	88%	88%	83%	9.48%
Quartile	2	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%	\$146.8	• Outpaced the index, but lagged the peer group in Q1 • Uses an actively managed, bottom up process looking for names trading below its intrinsic value • Valuation levels remain a concern. Underweight U.S., and carrying nearly 17% in cash. • Will hold cash when no suitable opportunities found • 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%	\$4,323.6	• All cap go anywhere fund managed by Joel Tillinghast and Daniel Dupont, each using their distinct styles • Tillinghast is very diversified, Dupont is concentrated • Conservative positioning was a headwind in Q1. • Tends to be less volatile than peers and index. • Solid compliment to well-diversified portfolio. • A solid, long-term pick on valuation & growth.
Trimark Global Endeavour	Mid Cap Blend	Jeff Hyrich Erin Greenfield	2.58%	\$1,514.1	• Strong quarter, outpacing index and peers on industrials and healthcare names. • Put some cash to work in existing holdings, and started adding to 2 new names. Cash now at 3.2% • Bottom up approach that looks for well-managed, high quality, attractively valued mid-sized businesses • Valuations a concern. Remain patient for opportunity

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	2.7	17.8	12.5	19.4	5.9	14.2	22.2	8.1	34.8	33.7	-15.2	85%	95%	71%	69%	10.14%
Quartile	3	2	1	1	2	1	1	3	3	1	3					
Fidelity Northstar Fund	2.3	5.5	10.3	15.7	6.2	-2.0	24.9	13.5	46.0	8.0	-9.2	58%	75%	34%	47%	8.77%
Quartile	4	4	1	1	2	4	1	1	1	3	2					
Trimark Global Endeavour	7.7	11.9	11.4	14.3	5.7	1.3	18.8	11.0	31.9	14.3	1.5	86%	86%	82%	83%	9.26%
Quartile	1	3	1	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	2.64%	\$683.5	• Strong performance, gaining 8.1% on consumer names. Conservative positioning resulted in lag in Q1. • Converts, prefs & cash hurt 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	2.72%	\$265.7	• Deep value approach that looks for quality companies that have been beaten down by the market • Despite 10% gain, it lagged index and peers. • Starting to trim Latin American names on solid gains • Recently added some Mexican & India companies. • Trades at a significant discount to its index and peers
Dynamic Power Global Growth	Large Cap High Growth	Noah Blackstein	2.50%	\$1,039.0	• Stellar quarter on strength in technology. • 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	2.73%	\$294.3	• Decent quarter but lagged its peers. • 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.	8.1	7.0	5.8	8.7	5.2	-2.9	10.2	6.7	9.3	21.9	-10.1	56%	65%	61%	53%	9.19%
Quartile	4	4	4	2	2	2	4	3	4	1	1					
Brandes Emerging Mkts Value	9.7	24.4	5.8	6.2	4.2	20.4	-6.9	-1.2	13.3	10.5	-19.8	89%	97%	99%	103%	14.15%
Quartile	4	1	3	2	1	1	4	4	1	4	3					
Dynamic Power Global Growth	18.1	19.4	12.2	13.5	9.5	-12.0	24.5	9.1	40.6	7.2	-5.9	105%	107%	120%	163%	17.11%
Quartile	1	1	1	2	1	4	1	2	1	4	2					
Manulife Global Infrastructure	6.4	14.0	5.7	11.0	-	6.8	-3.2	15.8	22.9	12.8	9.6	76%	80%	112%	98%	9.35%
Quartile	3	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%	\$8,724.9	- Lagged peers in Q1 on higher cash weight, equity puts, equity stock selection and unhedged currency. - Bond sleeve benefitted from materials & energy - Holds 40% high yield, 8% cash with rest in equities. - Global growth boosts return outlook for equities
Fidelity Canadian Balanced Fund	Strategic	Geoff Stein David Wolf	2.07%	\$7,350.7	- Asset mix was 48% bonds/49% equity, 3% cash - Conservative equity positioning and high yield exposure 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%	\$1,593.3	- Mid cap bias hurt in Q1. - target mix - 50% bonds / 50% equity. Near target now - Current mix is 5% cash, 45% bonds, 49% equity - Believe they are well positioned for long-term.
TD Monthly Income Fund	Tactical	Doug Warwick Gregory Kocik Michael Lough	1.46%	\$8,333.9	- Another strong quarter on consumer and banks. - Overweight financials, REITs and Utilities. - Bonds are overweight corporates for yield advantage. - Equity valuations look reasonable. Bond sleeve is high quality, index like, which may see higher volatility. - Running about 59% equity, 31% bonds, 3% cash.

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
Fund	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	Risk
CI Signature High Income	1.5	10.7	3.7	6.4	5.5	6.5	-1.0	8.6	8.6	11.6	4.8	49%	52%	70%	45%	4.81%
Quartile	4	2	3	2	1	2	4	2	4	1	1					
Fidelity Canadian Balanced	1.5	7.6	5.6	7.4	5.6	5.5	3.5	11.1	12.7	6.0	-1.1	98%	108%	69%	57%	5.41%
Quartile	4	3	2	1	1	4	1	1	1	2	2					
Sentry Cons. Bal. Income	1.0	5.9	3.1	6.0	-	6.5	-2.0	8.6	12.3	8.6	6.1	76%	90%	82%	52%	3.84%
Quartile	4	4	4	3	-	3	3	2	1	1	1					
TD Monthly Income Fund	2.4	13.1	6.2	7.3	5.5	14.9	-3.8	9.9	8.9	8.5	3.6	120%	116%	101%	82%	4.98%
Quartile	2	1	1	1	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%	\$487.4	• Offers YTM of 1.7% with a duration of 2.3 years. • 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 2.98% for past 12 mths
Sentry Canadian Income Fund	Large Cap Blend	Michael Simpson Aubrey Hearn	2.70%	\$5,772.4	• Modestly positive, but trailed benchmark and peers • Cash remains high, sitting at around 9%. • US is 34%, up from 32% at end of Q4. • 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%	\$1,429.1	• Continued underperformance in Q1. • 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 over 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.
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	Risk
PShrs 1-5 Yr Lad. Corp Bond	0.8	1.5	1.8	2.1	-	1.3	1.8	2.8	1.4	3.0	4.1	60%	70%	18%	22%	1.38%
Quartile	2	2	2	1	-	2	2	1	1	1	1					
Sentry Canadian Income Fund	0.5	6.9	6.7	9.7	8.8	9.5	0.1	15.9	18.6	11.5	6.1	54%	65%	14%	11%	5.33%
Quartile	4	4	2	2	1	3	2	1	1	1	1					
BMO Monthly High Income II	0.8	12.8	2.6	6.5	6.5	19.8	-9.8	3.7	14.2	7.7	10.4	73%	75%	92%	67%	7.17%
Quartile	4	4	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%	\$755.2	- 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%	\$745.6	- 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	0.55%	\$1,297.1	- This is the lowest cost option for those looking for low cost access to the S&P 500 - There is also a currency hedged version available
TD International Index Fund	Passive	Vishal Bhatia Dino Vevaina	1.01%	\$581.2	- MER has dropped from 1.25% to 0.99%, making this a more attractive option. Still, I'd likely lean towards an actively managed fund over this offering. - This remains the best choice for index offerings

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	1.1	0.7	3.3	2.7	4.0	0.8	2.8	7.9	-2.0	2.8	8.7	99%	102%	88%	92%	3.68%
Quartile	3	4	2	3	2	4	1	1	2	2	1					
RBC Canadian Index	2.2	17.7	5.0	7.1	4.1	20.1	-9.0	9.8	12.2	6.4	-9.2	97%	97%	103%	103%	8.12%
Quartile	2	2	3	4	3	2	3	2	4	2	2					
TD U.S. Index	4.8	18.9	16.3	19.0	8.1	7.3	20.5	22.9	40.0	12.5	3.8	100%	99%	111%	110%	9.95%
Quartile	2	2	1	1	1	2	1	1	2	1	1					
TD International Index	6.2	13.5	6.0	11.1	1.5	-3.1	18.3	2.0	28.6	14.5	-10.8	99%	98%	110%	109%	11.75%
Quartile	3	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.