

RECOMMENDED LIST OF FUNDS



July 2017

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The Recommended List

Returns at June 30, 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%	0.6%	1.0%	1.8%	0.13	0.03%	0.44	0.464	0.353	0.503	0.721	1.58%
2	PH&N Total Return Bond Fund	1.0%	0.1%	3.8%	3.4%	0.21	0.02%	0.96	0.145	0.350	0.472	0.996	0.58%
3	PowerShares 1-5 Yr Laddered Corp Bond	-0.6%	0.2%	1.4%	1.8%	0.21	-0.01%	1.01	0.272	0.432	0.560	0.855	0.99%
4	TD Canadian Core Plus Bond	0.7%	-0.2%	2.6%	2.5%	0.15	-0.04%	0.89	0.163	0.372	0.488	0.986	1.50%
Fixed Income - Specialty													
1	IA Clarington Floating Rate Income	0.5%	4.7%	3.3%		0.42	0.23%	0.20	0.628	0.135	0.354	0.137	1.84%
2	Manulife Strategic Income Fund	0.8%	1.7%	4.9%	5.6%	0.33	0.23%	0.85	0.093	0.486	0.512	0.748	1.98%
3	PIMCO Monthly Income Fund	2.2%	5.6%	2.6%	6.4%	0.37	0.46%	0.27	0.537	0.185	0.354	0.225	1.38%
4	RBC Global Corporate Bond	1.3%	1.9%	2.8%	3.5%	0.22	0.08%	0.74	0.371	0.237	0.423	0.790	1.74%
Canadian Equity - Core													
1	CI Cambridge Cdn Equity	-0.3%	12.5%	6.7%	13.0%	0.47	0.59%	0.63	0.681	0.648	0.568	0.131	2.44%
2	Fidelity Canadian Large Cap Fund	-0.9%	4.5%	5.9%	11.8%	0.47	0.68%	0.37	0.440	0.674	0.579	0.186	2.50%
3	Manulife Dividend Income Fund	2.1%	13.2%	10.6%	14.5%	0.65	0.75%	0.55	0.741	0.536	0.507	0.211	2.27%
4	RBC North American Value Fund	0.8%	13.7%	6.5%	11.8%	0.45	0.45%	0.69	0.789	0.702	0.624	0.084	2.01%
5	Signature Select Canadian Fund	0.2%	17.7%	5.6%	10.3%	0.37	0.28%	0.77	0.817	0.652	0.638	0.049	2.44%
Canadian Small Mid Cap Equity													
1	CI Cambridge Pure Canadian Equity	1.6%	12.8%	3.5%	18.2%	0.49	0.98%	0.77	0.701	0.388	0.404	-0.008	2.43%
2	IA Clarington Canadian Small Cap	-3.1%	7.9%	1.7%	11.3%	0.37	0.55%	0.62	0.675	0.181	0.192	-0.320	2.93%
3	Sentry Small Cap Income Fund	0.5%	17.6%	6.5%	14.4%	0.46	0.79%	0.61	0.699	0.626	0.579	0.019	2.46%

Returns at June 30, 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	-2.3%	12.7%			0.49	0.03%	0.81	0.473	0.923	0.715	0.317	2.04%
2 Manulife U.S. Equity Fund	2.1%	13.9%	14.8%	18.4%	0.49	-0.04%	0.94	0.280	0.954	0.696	0.265	2.45%
3 RBC O'Shaughnessy U.S. Value Fund	4.4%	22.2%	4.5%	13.6%	0.31	0.21%	0.57	0.607	0.478	0.363	-0.168	1.55%
4 TD U.S. Blue Chip	4.9%	25.5%	17.5%	20.2%	0.41	-0.28%	1.19	0.219	0.896	0.801	0.396	2.54%
5 Trimark U.S. Companies Fund	0.0%	17.0%	12.5%	17.0%	0.39	-0.38%	1.09	0.285	0.959	0.716	0.303	2.79%
US Small Mid-Cap Equity												
1 Fidelity Small Cap America	0.5%	7.0%	13.8%	19.3%	0.45	0.54%	0.66	0.256	0.853	0.598	0.251	2.52%
2 TD U.S. Mid - Cap Growth Fund	3.0%	18.7%	17.3%	20.3%	0.46	0.53%	0.72	0.266	0.893	0.683	0.329	2.54%
3 Trimark U.S. Small Companies Class	1.1%	24.3%	10.1%	14.6%	0.37	0.21%	0.65	0.355	0.797	0.550	0.217	2.96%
Global / International Equity - Core												
1 Guardian Global Dividend Growth Fund	-0.4%	6.6%	8.1%	10.7%	0.30	-0.37%	0.90	0.259	0.839	0.819	0.530	2.03%
2 IA Clarington Global Equity	0.9%	14.8%	8.7%	11.4%	0.35	-0.12%	0.76	0.449	0.765	0.794	0.341	2.57%
3 Invesco International Growth Class	4.2%	14.0%	6.7%	12.4%	0.34	0.04%	0.82	0.421	0.785	0.936	0.441	2.88%
4 Mac Ivy Foreign Equity Fund	0.0%	5.8%	8.7%	11.7%	0.39	-0.05%	0.72	0.114	0.870	0.752	0.468	2.50%
5 Manulife World Investment	6.0%	11.7%	9.7%	13.9%	0.35	0.15%	0.83	0.333	0.711	0.881	0.591	2.55%
6 Trimark Fund	-0.8%	9.3%	10.9%	15.1%	0.42	-0.10%	0.94	0.416	0.889	0.843	0.453	1.70%
Global Small Mid Cap Equity												
1 Brandes Global Small Cap	0.9%	17.7%	12.3%	20.3%	0.52	0.31%	0.87	0.518	0.710	0.788	0.254	2.70%
2 Fidelity NorthStar Fund	-0.4%	5.1%	8.8%	16.3%	0.49	0.39%	0.62	0.021	0.667	0.650	0.462	2.58%
Trimark Global Endeavour	-0.6%	15.8%	11.4%	15.4%	0.44	0.04%	0.81	0.339	0.807	0.798	0.368	2.58%

Returns at June 30, 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	1.6%	6.5%	6.1%	8.9%	0.25	0.03%	0.62	0.300	0.588	0.737	0.634	2.64%
2 Brandes Emerging Markets	-0.8%	19.9%	2.9%	7.9%	0.16	-0.07%	0.96	0.640	0.285	0.514	0.276	2.71%
3 Trimark Emerging Markets Fund	4.8%	18.0%	10.0%	10.9%	0.25	0.19%	0.91	0.511	0.483	0.630	0.361	2.79%
4 Dynamic Power Global Growth Class	9.9%	26.8%	16.3%	17.9%	0.29	-0.11%	1.16	0.156	0.555	0.636	0.479	2.50%
5 Manulife Global Infrastructure Fund	-0.3%	4.5%	3.7%	10.2%	0.28	-0.12%	0.70	0.390	0.579	0.684	0.634	2.73%
Balanced / Income Funds												
1 CI Signature High Income Fund	1.0%	7.9%	3.0%	6.3%	0.32	0.14%	0.68	0.598	0.610	0.758	0.503	1.59%
2 Fidelity Canadian Balanced Fund	0.0%	4.0%	4.6%	7.4%	0.35	0.18%	0.78	0.579	0.716	0.738	0.609	2.29%
3 Sentry Conservative Balanced Income	-1.0%	2.3%	1.5%	5.6%	0.35	0.13%	0.61	0.710	0.647	0.598	0.411	2.19%
4 TD Monthly Income Fund	-0.6%	9.5%	4.7%	7.3%	0.38	0.17%	0.70	0.854	0.377	0.465	0.175	1.47%
Income Options												
1 PowerShares 1-5 Yr Laddered Corp Bond	-0.6%	0.2%	1.4%	1.8%	0.21	-0.01%	1.01	0.272	0.432	0.560	0.855	0.99%
2 Sentry Canadian Income Fund A	0.0%	5.6%	5.1%	9.3%	0.45	0.46%	0.41	0.602	0.740	0.566	0.296	2.32%
3 BMO Monthly High Income Fund II	-1.1%	6.7%	0.5%	6.6%	0.24	0.02%	0.73	0.811	0.235	0.339	0.122	2.14%
Passive Options												
1 TD Canadian Bond Index Fund	0.9%	-0.8%	3.0%	2.5%	0.14	-0.06%	0.98	0.086	0.328	0.447	1.000	0.83%
2 RBC Canadian Index Fund	-1.8%	10.2%	2.3%	7.9%	0.27	-0.05%	0.98	1.000	0.304	0.404	0.087	0.72%
3 TD U.S. Index Fund	0.3%	17.3%	15.9%	19.0%	0.50	-0.09%	1.00	0.301	0.997	0.744	0.337	0.55%
4 TD International Index Fund	3.4%	19.1%	7.0%	12.9%	0.31	-0.11%	0.99	0.378	0.735	0.992	0.456	1.01%

Benchmark Returns at June 30, 2017

Benchmark	3 mth	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Fixed Income					
FTSE TMX 90 Day T-Bill Index	0.07%	0.44%	0.59%	0.74%	1.11%
FTSE TMX Short Term Bond Index	-0.41%	0.19%	1.71%	1.94%	3.52%
FTSE TMX Canadian Bond Universe	1.11%	0.01%	3.79%	3.29%	5.11%
Canadian Equity					
S&P/TSX 60 Capped Index	-1.78%	12.38%	4.07%	9.31%	2.62%
S&P/TSX Composite	-1.64%	11.05%	3.08%	8.74%	3.89%
S&P/TSX Completion Index TR	-1.17%	7.26%	0.34%	7.00%	3.64%
S&P/TSX Small Cap Index TR	-5.51%	3.75%	-1.62%	5.13%	0.64%
U.S. Equity					
S&P 500 C\$	0.59%	18.44%	17.28%	20.43%	9.39%
Russell 2000 C\$	-0.19%	24.19%	14.55%	19.31%	9.06%
Global & Specialty Equity					
MSCI EAFE C\$	3.61%	20.43%	8.41%	14.57%	3.57%
MSCI World C\$	1.52%	18.46%	12.92%	17.54%	6.66%
MSCI World Small / Mid Cap Index C\$	1.88%	19.69%	13.07%	18.67%	7.53%
MSCI Europe C\$	4.95%	21.40%	7.05%	14.84%	3.25%
S&P/TSX Capped REIT Index	-0.04%	0.49%	5.27%	4.90%	6.39%
MSCI Emerging Markets C\$	3.63%	23.76%	8.23%	9.48%	4.29%
MSCI Pacific C\$	1.26%	19.18%	11.23%	14.15%	4.28%
MSCI Pacific ex Japan C\$	-1.05%	19.19%	8.17%	12.13%	5.91%
MSCI ACWI C\$	1.75%	19.02%	12.44%	16.62%	6.36%
MSCI All China C\$	4.71%	20.25%	16.94%	14.69%	N/A

Data Sources:

Fundata

FTSE / TMX

Bank of Canada

MSCI

Returns as of June 30, 2017

List Changes

Additions

IA Clarington Floating Rate Income Fund (CCM 9940 – Front End Units, CCM 9942 – Low Load Units) – With the recent upward pressure on yields, investors are looking for ways to protect their portfolios. One asset class that can help do that is floating rate notes and loans, which pay a rate of interest that floats with a market interest rate, usually LIBOR. In most cases, this coupon rate is reset monthly, more or less eliminating duration risk. These loans are typically unrated, non-investment grade credits, that are often well-collateralized with seniority in the capital structure, providing protection against potential defaults. Another benefit is floating rate investments tend to have low correlation to the more traditional asset classes, making them a strong diversifier when incorporated in a well-diversified portfolio.

My favourite fund in the floating rate space is this offering managed by Jeff Sujitno since its launch in 2013. Before this Fund, he ran a similar strategy with Norrep with strong success. His approach is very simple, and is best described as “clipping coupons”. Mr. Sujitno looks for deals that offer an attractive coupon rate, and he looks to buy those at a discount to par.

The investment process starts with a top down macro analysis, which helps him and his team understand the market trends, and risks, and helps set up their outlook. Security selection is done using a fundamentally driven, bottom up credit analysis that focuses on cash flow generation, sustainability of revenues, balance sheet strength, and quality of management.

The portfolio will typically be made up of 70% to 80% in floating rate debt, with the balance in high yield bonds and other asset backed securities. The bond allocation allows for stronger diversification and provides relative value opportunities. The portfolio is diversified, typically holding between 100 and 125 securities. Individual position weights do not make up more than 2% of the Fund. It invests mainly in U.S. traded issues, and all currency exposure is fully hedged.

On an absolute basis, performance has been modest, gaining 3.3% for the three years ending June 30, putting it right around the category average. However, with the quality focused, income centric approach, portfolio volatility has been the lowest in the category for the past three years, resulting in a category leading risk adjusted return. It's not cheap, with an MER of 1.84% for the full freight advisor series. However, in a fee based account costs are a bit more reasonable, coming in at 1.16%

Looking ahead, Mr. Sujitno is not looking for significant capital gains in the Fund. Instead, he is looking for a return more in the 3% to 4% range, which is consistent with the portfolio's underlying yield, less fees. I like the space and particularly this Fund. But be warned, **this is NOT a money market substitute, nor is it a replacement for traditional fixed income.** Instead, it is best used as a piece of a well-diversified portfolio as a compliment to the more traditional asset classes to diversify risk in a portfolio.

Trimark Emerging Markets Fund (CCM 9940 – Front End Units, CCM 9942 – Low Load Units) – With valuation levels in developed markets trading well above historical averages, emerging markets look downright cheap in comparison. The S&P 500 is trading at 21 times forward earnings, while the MSCI Emerging Markets Index trades at less than 15 times. Further, growth rates in many countries in the developing world far exceed those offered by the more developed countries. Factor in positive demographics, less dependence on commodities, and increasing investor interest and the case for adding emerging markets becomes compelling.

On a risk adjusted basis, this Jeff Feng managed offering has been one of the more compelling in the space. Based in Invesco's Hong Kong office, Mr. Feng is supported by a team of two dedicated emerging market analysts, and is also part of the broader Trimark Global Equity team. The Fund is managed much like the other Trimark branded funds, where they view investing not like they merely trading stocks of companies, but instead, taking an ownership interest in those companies.

The investment focus is on identifying well-managed, high quality companies that are located in, or very active in the emerging markets. The investment process is very much a fundamentally driven, bottom up approach, and the managers can invest of companies of any size. Once they find a potential investment opportunity, the Manager will build out a proprietary model that evaluates the historical financial statements, identifies free cash flow drivers, creates forecasts and sensitivity analysis, and determines a reasonable estimate of the true value. They look for companies that they believe can generate and grow above average levels of free cash flow, are growing organically at an above average rate, can generate unlevered, high return on invested capital through a full market cycle, and have a sustainable competitive advantage.

In addition, they are looking for strong management teams that are not only excellent operators, but have a demonstrated history of effective capital allocation. They also like to see management teams that have compensation programs that align their interests with shareholders. One factor that is particularly critical in the emerging markets is corporate governance, given the regulatory regimes, or lack thereof in certain emerging market countries.

Valuation is important to their process, but this is not a value fund in the traditional sense. They will determine a company's valuation level using a discounted free cash flow model. Then, they will look to buy that company at a discount to what they believe it to be worth. However, they are willing to pay a higher price for an exceptional business.

The geographic and sector allocation is a byproduct of the stock selection process. They are benchmark agnostic, and can invest in company of any size. At the end of June, it held roughly 65 names, with the top ten making up around 22% of the Fund. Approximately 70% was invested in large cap names, with the balance in mid-cap names. Looking at the sector mix, there is a decided consumer focus to the portfolio, with more than 50% invested in consumer-focused names. It also had more than 18% in technology, and 17% in financials. They like the

consumer areas because as the emerging markets continue to evolve, there will be a growing middle class that will be able to purchase not only things they need, but soon, things they want. This bodes very well for the consumer and technology sectors over the long-term.

Geographically, China is its biggest weight, coming in at more than 30%. South Korea is the next largest, followed by Brazil and Russia. Combined, these three sectors don't have as much weight as China. The Manager likes China because, as noted in a recent commentary, they believe Chinese economic growth is now more important for global growth than any other country. They see some early signs of a bottom, and does not expect a hard landing.

Performance has been excellent, and it has outpaced both its benchmark and peers on both an absolute and risk adjusted basis. Over the past three and five years, the Fund has experienced nearly all the upside of the market, and has done an okay job protecting capital on the downside. Volatility has been in line with the index and category average, but given the quality focus of the portfolio, this has the potential to be lower in time.

My biggest concern for this Fund is its cost, with an MER of 2.79% for the full freight advisor sold units. This is above the category average. If you are buying the Fund in a fee based account or buying the do-it-yourself units, the cost is lower, coming in at 1.68%, and 1.67% respectively.

For those looking for emerging market exposure, but don't want the potential volatility of the Brandes Emerging Markets, this is an excellent fund to consider. It has a great management team in place, using a proven, disciplined investment process, in an asset class with a very strong long-term outlook. Be warned, this is a sector specific fund, as a result has the potential to be highly volatile in certain market environments. As long as you are aware of, and comfortable with the risks, this is a solid pick.

Deletions

None

Funds of Note

Dynamic Advantage Bond Fund (DYN 258– Front End Units, DYN 538 – Low Load Units) – The Fund again lagged its peers over the quarter, but managed to outperform in June as bond yields shot higher after an abrupt about face from Bank of Canada Governor Steven Poloz. For the quarter, the Fund eked out a modest 0.1% rise, while the FTSE/TMX Canadian Universe Bond Index rose by 1.1%. However, in June, while the index dropped by nearly 1.2%, this Fund lost 0.75%, or 64% of the downside. In July, it was a similar scenario, with the index losing 1.9%, while the Fund lost 0.76%, or only 40% of the downside.

This recent performance highlights why I have liked this Fund. Unfortunately, it appears I was much too early in my call, as the conservative positioning has certainly cost it return in the falling yield environment. As we head into the fall, it appears as if the Canadian bond market is expecting another two or three rate hikes from the Bank of Canada, and these are already priced in to bond prices. In this environment, higher volatility is likely, and these are the market conditions where this Fund should really shine. I will be watching it very closely to make sure it performs as expected. If I see a significant deviation from expectations, it will be removed from the Recommended List.

CI Signature High Income Fund (CIG 686– Front End Units, CIG 1786 – Low Load Units) – This tactical balanced offering which is managed by Eric Bushell and the Signature Global Asset Management team has long been one of my favourite balanced funds. However, in recent quarters, I have noticed some modest erosion in the risk adjusted returns, which I believe can be explained by the focus on quality and yield, which have been out of favour of late.

The Fund invests in a mix of income focused equities and fixed income, with a decided focus on corporate bonds. It has a tactical mandate, and can invest anywhere in the world. At the end of June, it has 60% invested in the U.S., 23% invested in Canada, with the rest globally. The investment approach is somewhat style agnostic, and involves an analysis of an investment candidate's entire capital structure. This provides a very holistic view of the company, and allows the managers to be opportunistic, and invest in the most attractive part of the company. In addition to the fundamental review, the team focuses on many qualitative aspects of the company, such as management, disclosure, and governance. The team also develops a comprehensive outlook for economic growth, interest rates, capital market conditions, and geopolitical tensions, which helps identify the asset classes and sectors that are most likely to benefit.

In the equity sleeve, the focus is on higher yielding instruments including REITs, and infrastructure, as well as more traditional dividend paying stocks. According to Morningstar, the underlying yield of the Fund's equity holdings was approximately 4.75%, which is well above the index and peer group. While the stock selection process is bottom up focused, the sector mix is consistent with a yield focused portfolio, with overweights in Real Estate, utilities, and energy infrastructure plays. They like the infrastructure as an asset class, because they quite often will have revenue streams that move up with inflation.

On the fixed income side, the focus is on corporate bonds. They can invest in government bonds, but will typically only do so when they are being very defensive. Given the outlook for rising interest rates, they expect credit spreads to tighten, particularly in high yield bonds, which

is why they have taken a significant weight in the non-investment grade space. They also hold some floating rate preferred shares, and some floating rate loans. This will help lessen the duration exposure of the portfolio, protecting against any further yield hikes.

As we head into the fall, the managers expect continued global growth, but given Central Banks newfound enthusiasm for tightening, combined with high valuations, and low market volatility, there is a very high probability we may see a return of market volatility. If that higher volatility scenario plays out, I would expect to see the fixed income sleeve hit harder, given its larger exposure to high yield bonds. However, the quality and yield focus of the equity sleeve should hold up better than many of the highly levered, richly valued names that have been responsible for much of the recent market moves. Over the long term, I expect the Fund to continue to deliver average or better returns with lower levels of volatility.

Guardian Global Dividend Growth Fund (GCG 570– Front End Units) – The Fund has struggled in the past few quarters, significantly underperforming the MSCI World Index. For the year ending June 30, the Fund gained 7.3%, while the index gained nearly 18.5%. Much of this underperformance happened in the second half of 2016, although it continues to lag in the first half of 2017.

Recently, I had the opportunity to speak with Fiona Wilson, one of the portfolio managers on the Fund's investment team. According to Ms. Wilson, a key reason for this underperformance has been that the sectors driving most of the gains, namely technology, contain a significant number of stocks the Fund cannot invest in, because they pay no dividend, or offer a yield that is well below the minimum threshold for inclusion in this dividend focused fund. The fund was unable to invest in nearly 40% of the top gaining tech names because of this yield constraint. One prominent driver they cannot invest in would be Amazon, which gained 35% in the past year, but paid no dividend. Facebook is another strong driver of index returns, with a one-year gain of more than 32%, but again, pays no dividend, preventing the Fund from holding it.

Another factor that it has been lesser quality, higher beta, lower yielding names that have been responsible for the lion's share of the market gains, and dividends, and specifically dividend growth strategies have been out of favour for the past several quarters. A feature of this strategy is it tends to be rather defensive, and holds up better in more volatile markets. Markets have been very calm of late, with measure of market volatility touching on historic lows.

Combined, there is an almost perfect storm which is causing the underperformance for this Fund. Looking at the underlying portfolio metrics of the Fund, it trades at more attractive valuation levels, with higher levels of expected earnings growth than the index or peer group.

It is expected that as we start to see a more normalized interest rate environment, and the equity markets return to having fundamentals, rather than liquidity drive share prices, the Fund will be expected to see improving performance. Further, if we see an uptick in volatility in the fall, this Fund would be expected to hold up better than the index and peer group. This bodes well for future expected returns, unfortunately the timing remains uncertain.

I understand the investment process and see the underlying portfolio metrics as a positive. While the Fund has underperformed, I will continue to exercise patience for the next quarter or two and keep the Fund UNDER REVIEW. I will monitor it closely, looking for any meaningful change in its expected risk reward metrics, or its valuation or growth outlook.

Fidelity NorthStar Fund (FID 253– Front End Units, FID 053 – Low Load Units) – In the past few quarters, the cash position in the Fidelity NorthStar Fund has risen substantially. At the end of June, it held nearly 40% in cash, with the overwhelming majority of this coming from the portion of the portfolio that is managed by Dan Dupont. Mr. Dupont is a disciplined value manager who focuses on mitigating downside risk. In the current environment, he is having difficulty finding high quality, well managed companies, that are trading at a price that he is comfortable paying.

In a recent commentary piece, Mr. Dupont noted that he is finding that debt levels of many companies are high compared with their level of profitability. At these debt levels, higher interest rates will create higher costs for companies, which will negatively affect their profitability and cash flow levels. Another worry was profit levels remain elevated by historic levels, and they tend to mean revert in time. But perhaps his biggest concern was valuation, which is significantly higher than historic averages. While there are individual securities that are reasonably priced, they are more difficult to find.

To help manage this high cash balance, Mr. Dupont has been investing in select merger arbitrage opportunities. How this works is when two companies announce a merger, the target company will often be trading at a discount to the deal price. By purchasing the stock of the target company at a discount on those deals with a very high probability of closing, he is able to lock in a modest profit for the fund in a reasonably short period of time. This is not expected to be a significant alpha driver for the Fund, but more of a way to earn a rate of return that is in excess of the current rate paid on cash.

Also note, the cash levels are very high in the **Fidelity Canadian Large Cap Fund**, also managed by Mr. Dupont. At the end of June, it held around 20% in cash, which is the maximum it is allowed based on its investment policy statement. I'm certain that if he could go above this limit, he would.

While I agree with Mr. Dupont that valuations are elevated, the significant high cash balance is starting to become a concern in the NorthStar Fund. I will watch things closely. In the event that we do see any meaningful market correction, both NorthStar and Fidelity Canadian Large Cap Fund would be expected to hold up better than the index and peer group.

Fixed Income Core

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
Dynamic Advantage Bond	Multi-Strategy	Michael McHugh Domenic Bellissimo	1.58%	\$575.5	- Remains conservatively positioned with a duration of 4.1, well below the index and peers. - High credit quality, with only 3% in high yield. - Heading into the fall, with upward pressure on yields, this Fund should outperform. Monitoring it closely.
PH&N Total Return Bond Fund	Multi-Strategy	PH&N Fixed Income Team	1.10%	\$8,132.3	- Started Q2 with a shorter duration, which the managers took lower as rates dropped. This helped in Q2 - Added some TIPS, U.S. T-Bonds & Maple Bonds for added diversification in rising yield environment. - A strong pick for traditional bond exposure
PowerShares 1-5 Year Laddered Corp Bond	Rules Based	PowerShares Management Team	0.99%	\$501.7	- Rebalanced in June. Now holds 39 issues, with YTM of 2.16% and duration of 3.4 yrs. - Pressure on short end of curve hurt in June. - 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%	\$14,136.0	- Focus on quality & liquidity. Duration less than index 6% high yield and exposure to TIPS & RRBs. - Unhedged USD currency position dragged in Q2. - 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	0.6	1.0	1.8	3.6	1.6	0.7	4.3	-0.1	4.2	6.5	19%	46%	5%	21%	2.28%
Quartile	4	2	4	4	4	2	4	4	1	1	3					
PH&N Total Return Bond Fund	0.9	-0.3	3.2	2.8	-	1.8	2.6	8.0	-1.5	3.4	7.5	96%	103%	78%	80%	3.60%
Quartile	2	3	1	2	-	2	2	1	2	3	2					
PShrs 1-5 Yr Lad. Corp Bond	-0.6	0.2	1.4	1.9	-	1.3	1.8	2.8	1.4	3.0	4.1	60%	72%	33%	29%	1.47%
Quartile	4	3	2	1	-	2	2	1	1	1	1					
TD Canadian Core Plus Bond	0.7	-0.3	2.6	2.5	-	1.5	1.8	6.9	-1.3	4.9	8.0	87%	96%	80%	80%	3.37%
Quartile	3	3	3	2	-	3	3	2	1	1	1					

Note: Risk is the annualized three or five-year standard deviation, whichever is longest

Upside and downside capture ratios are run against the FTSE TMX Canadian Universe Bond Index, except for PowerShares 1-5 Year Laddered Corporate Bond Fund, which is against the FTSE TMX Canadian Short Term Bond Index

Fixed Income Specialty

Fund	Style	Managers	MER	Assets (\$ mil)	Notes
IA Clarington Floating Rate Income Fund	Bottom up Credit	Jeff Sujitno	1.84%	\$1,081.6	- Portfolio will typically be 75% - 80% in floating rate loans, the rest in high yield and asset backed debt - Focus is on quality and yield generation - Floating rate strategy lessens duration risk. - Expecting modest returns in current environment
Manulife Strategic Income	Tactical	Dan Janis Thomas Goggins	1.98%	\$9,119.1	- Tactically managed global bond fund that invests in global government, corporate and high yield bonds - Conservative with a duration of 3 yrs. - About 10% in EM debt, rest is developed mkt - 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%	\$12,392.3	- Actively managed global bond fund that blends top down macro and bottom up security selection. - Is a mix of high quality core holdings and riskier trades in high yield, mortgages, and EM debt. - Defensively positioned. Duration kept short at 2.95 yrs., down slightly from 3.3 at the end of March.
RBC Global Corporate Bond	Credit Analysis	Frank Gambino Marty Balch Soo Boo Che	1.72%	\$8,340.0	- Invests mainly in investment grade corporate bonds from issuers around the world. - Corporate bonds strong on improving global economy - Manager has been taking more defensive positioning - 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	
IA Clarington Floating Rate Inc	0.5	4.7	3.3	-	-	6.5	0.9	3.9	-	-	-	8%		-25%		2.06%
Quartile	2	3	2	-	-	3	2	2								
Manulife Strategic Income	0.8	1.7	4.9	5.6	7.1	3.1	5.5	8.1	4.5	9.1	2.0	42%	46%	31%	44%	4.22%
Quartile	3	4	2	2	1	4	1	1	2	3	4					
PIMCO Monthly Income Fund	2.2	8.6	4.8	8.1	-	7.1	2.4	5.3	6.3	23.7		16%	25%	-29%	-62%	3.70%
Quartile	1	1	2	1	-	1	3	4	1	1						
RBC Global Corporate Bond	1.3	2.0	2.8	3.5	5.1	5.1	-0.6	6.7	-0.6	8.8	6.2	22%	23%	4%	-2%	3.52%
Quartile	1	2	3	3	2	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	2.44%	\$4,903.0	- Conservatively positioned. Focus on capital protection - Lots of dry powder. Cash at 18%. More defensive now - Bottom up, benchmark agnostic process. NO BANKS!
Fidelity Canadian Large Cap	Large Cap Value	Daniel Dupont	2.28%	\$5,946.4	- Energy and Aimia exposure dragged in quarter. - Focus on high quality firms at reasonable valuations - Very defensive. Holds more than 34% cash.
Manulife Dividend Income Fund	Large Cap Blend	Alan Wicks Conrad Dabiet Jonathan Popper	2.27%	\$2,332.1	- Concentrated, yet diversified portfolio of businesses that are creating value faster than broader markets - All cap portfolio, with nearly 40% in small/mid-caps - Holds 56% Cdn equity, 18% US, 1% prefs & 5% cash.
RBC North American Value	Large Cap Blend	Stu Kedwell Doug Raymond	1.97%	\$2,802.5	- Energy, financials and materials lagged in Q2. - Mgrs see synchronized global expansion underway - Sees valuations high, but supported by fundamentals
Signature Select Canadian	Large Cap Blend	Eric Bushell	2.44%	\$2,419.8	- Outperformed on exposure to strong tech names - Synchronized global recovery is positive for equities. - Also seeing rotation back into value & cyclical names - Remains bullish on equities

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	-0.3	12.5	6.8	13.4	-	16.0	0.6	14.2	27.2	16.7	-1.3	95%	99%	56%	38%	7.20%
Quartile	2	2	1	1	-	1	2	1	1	1	1					
Fidelity Canadian Large Cap	-0.8	4.7	6.2	12.1	9.1	10.2	3.6	10.6	36.6	6.0%	10.6	68%	76%	25%	3%	6.52%
Quartile	3	4	2	1	1	3	1	2	1	3	1					
Manulife Dividend Income	2.1	13.2	10.7	14.6	-	15.7	-1.1	5.1	9.5	5.8	2.4	102%	93%	24%	10%	5.77%
Quartile	1	1	1	1	-	3	1	4	4	3	1					
RBC North American Value	0.8	13.7	6.6	11.9	7.0	12.7	-0.3	7.6	23.1	11.8	-3.6	90%	90%	51%	37%	6.78%
Quartile	1	2	1	1	1	3	4	3	2	1	1					
Signature Select Canadian	0.2	17.7	5.7	10.3	4.4	13.1	-2.4	11.6	19.2	8.2	-8.5	100%	93%	73%	65%	7.30%
Quartile	1	1	2	2	2	2	3	1	3	2	2					

Note: Risk is the annualized three or five-year standard deviation

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	2.43%	\$427.3	- Conservative position helped performance in Q2 - Consumer names were drivers in Q2. Energy lagged - Managers remain disciplined in their approach. - Cash remains high at roughly 21%. - 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%	\$998.3	- Home Capital was biggest detractor in Q2. - Energy names down, but held up better than index - Consensus expectations are for optimistic growth - Premiums for stable businesses making it more difficult to find value without sacrificing quality - Cash remains high at 8%. 2.8% underlying yield - 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	2.44%	\$1,712.6	- Strong quarter, outpacing index and category average - U.S. names helped, but unhedged USD was headwind - Portfolio valuations high, but better than peers. - Looks for high quality, trading at attractive values - Pays a monthly distribution. Currently yielding 2.6%

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	
CI Cambridge Pure Cdn Equity	1.6	12.8	3.6	18.2	-	21.9	-5.8	14.7	47.3	34.3	N/A	90%	114%	66%	16%	9.72%
Quartile	1	1	1	1	-	2	3	1	1	1						
IA Clarington Cdn Small Cap	-3.1	7.9	1.7	11.3	6.2	22.3	-6.8	5.9	37.3	20.2	-3.3	61%	77%	50%	17%	8.16%
Quartile	4	2	2	2	2	2	3	2	1	1	1					
Sentry Small Mid Cap Income	0.5	17.6	6.7	14.5	12.6	14.6	-0.2	12.7	36.4	15.5	6.5	86%	93%	39%	14%	8.19%
Quartile	1	1	3	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%	\$132.1	• Lagged in Q2 largely because of overweight to energy • 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%	\$413.6	• Mirrors the respected Mawer U.S. Equity Fund • Respectable Q2. Underweight in tech was a headwind. • Looks for well managed companies with high ROE, sus- tainable 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%	\$1,686.1	• Fully hedged currency exposure helped with rising USD • Well positioned with focus on quality and valuation • 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%	\$2,069.7	• Q2 was strong on back of tech gains. • Growthiest” fund in the category with very rich 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%	\$545.5	• Remains UNDER REVIEW. Closely watching risk metrics • Flat in the quarter, lagging index and peer group. • Valuations and growth levels remain a concern.											
Fund	Annualized Returns (%)						Calendar Year Returns (%)					Upside		Downside		Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	
Capital Group U.S. Equity	-2.3	12.7	11.9	-	-	15.5	7.9	-	-	-	-	78%		88%		9.80%
Quartile	4	3	3	-	-	1	4									
Manulife U.S. Equity	2.1	13.9	14.8	18.5	-	4.5	17.9	19.3	40.5	11.4	2.5	93%	94%	101%	102%	9.90%
Quartile	2	3	1	1	-	3	2	2	2	2	1					
RBC O'Shaughnessy US Val	4.4	22.2	4.6	13.6	4.5	12.6	-8.9	10.7	47.5	12.4	6.7	45%	71%	57%	62%	12.02%
Quartile	1	1	4	4	4	1	4	4	1	1	1					
TD U.S. Blue Chip	4.9	25.4	17.5	20.2	9.4	-4.7	30.8	16.8	47.6	13.7	1.8	115%	108%	132%	126%	13.28%
Quartile	1	1	1	1	1	4	1	3	1	1	1					
Trimark U.S. Companies	0.0	17.0	12.6	17.0	8.2	-1.9	15.4	25.7	40.8	10.3	0.3	100%	99%	141%	145%	11.46%
Quartile	3	2	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%	\$2,554.1	• Outperformed the index, but lagged peer group • Strong consumer & underweight energy contributed • 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%	\$1,058.5	• Handily outpaced peers, on tech & consumer names. • Positioned for economic growth – overweight consumer cyclical and industrials, Also overweight healthcare. • Valuation very rich, trading way higher than index • More volatility expected. Consider rebalancing
Trimark U.S. Small Companies	Small Cap Blend	Rob Mikalachki Virginia Au Jason Whiting	2.96%	\$220.8	• Outpaced its index and category average in Q2 • Financials and underweight energy boosted gains. • Falling US dollar was headwind, losing more than 2% • Managers see small caps as expensive. Cash at 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	0.5	7.3	14.0	19.5	10.0	-1.4	24.3	17.5	54.2	19.9	7.7	79%	85%	66%	62%	11.33%
Quartile	3	4	1	1	1	4	1	1	1	1	1					
TD U.S. Mid Cap Growth Fund	3.1	18.7	17.2	20.3	10.4	1.1	25.9	21.5	43.8	9.7	-0.5	89%	88%	66%	65%	11.59%
Quartile	1	2	1	1	1	4	1	1	2	2	2					
Trimark U.S. Small Companies	1.1	24.3	10.1	14.6	7.9	14.6	2.5	16.3	33.4	10.0	8.8	67%	69%	65%	58%	10.58%
Quartile	2	1	3	3	2	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%	\$327.0	• UNDER REVIEW • Fund continues to underperform, as much of gains driven by stocks that pay no or low dividend. • Look for stocks with favourable valuations, and the potential to grow and sustain dividend payouts. • Managed using a multi factor quant model that focuses on dividend growth, payout and sustainability • 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	2.54%	\$174.7	• Overweight in energy and underweight in tech hurt • Valuations remain a concern to the team, particularly in the U.S. Cash now sits at roughly 11%. • Expects Europe to remain positive near term. • Focus on reasonable valuations and stable balance sheets, providing some level of margin of safety • Should provide strong downside protection, but expected to lag in market rally
Invesco International Growth Class	Large Cap Blend	Jason Holzer Clas Olsson	2.88%	\$647.6	• Strong quarter on Asian and UK names. • Sold Novo Nordisk, on outlook. Cash now at 9.5% • Valuations high, but see better value outside of US • 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	2.50%	\$4,606.7	• Remains defensive on valuation. Hold ~30% cash. • Continues to struggle to find quality opportunities trading at attractive valuations. • Have been expanding their coverage universe. • Historically been one of the best for volatile markets
Manulife World Investment	Large Cap Blend	David Ragan Jim Hall	2.55%	\$1,183.1	• Identical to Mawer International Equity Fund • Managed using a fundamentally driven, bottom up GARP process that looks for well-managed, wealth creating companies trading below its true value • Q2 saw many quality names be rewarded • Valuations look rich. Consider rebalancing
Trimark Fund	Large Cap Growth	Michael Hatcher Jeff Feng	1.70%	\$3,976.3	• Lagged benchmark on weaker industrial and consumer performance. US names also a headwind. • Expecting more volatility heading into the fall. • Valuations now more reasonable, but still high • Economic outlook is improving and positive for stocks • I prefer the SC Series to A because of lower MER

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	
GDN Global Dividend Growth	-0.4	7.3	8.4	10.8	-	-1.9	16.1	13.8	20.0	4.6	N/A	83%	73%	105%	100%	9.46%
Quartile	4	4	3	4	-	4	2	1	4	4						
IA Clarington Global Equity	0.9	14.8	-	-	-	8.3	8.8	8.2	21.1	12.5	-4.8					
Quartile	3	3	-	-	-	1	3	3	3	2	2					
Invesco International Growth	4.2	14.0	6.7	12.4	2.8	-6.4	15.3	7.6	27.3	12.4	-6.1	89%	88%	96%	91%	9.81%
Quartile	2	4	3	2	1	4	3	1	2	3	1					
Mackenzie Ivy Foreign Equity	0.1	5.8	8.7	11.7	6.8	-0.1	16.0	8.3	31.0	7.9	3.2	70%	70%	74%	75%	7.88%
Quartile	4	4	3	3	1	3	2	3	2	4	1					
Manulife World Investment	6.0	11.7	9.7	13.9	4.6	-4.0	19.4	7.3	21.6	19.2	-8.8	100%	94%	91%	91%	10.53%
Quartile	1	4	1	1	1	3	2	1	4	3	2					
Trimark Fund (SC)	-0.8	9.3	10.9	15.1	4.7	5.3	19.2	10.0	30..5	12.0	3.2	88%	87%	92%	88%	9.57%
Quartile	4	4	2	2	2	2	1	2	2	2	1					

Note: Risk is the annualized three or five-year standard deviation, whichever is longest

Upside and downside capture ratios are run against the 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%	\$144.5	- Lagged both the index and peer group in Q2 - 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 more than 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	2.34%	\$4,269.0	- All cap go anywhere fund managed by Joel Tillinghast and Daniel Dupont, each using their distinct styles - Tillinghast is very diversified, Dupont is concentrated - U.S. names and high cash balance weighed in Q2 - Co-manager Dan Dupont is very defensively positioned, carrying nearly 40% cash. Lots of dry powder - A solid, long-term pick on valuation & growth.
Trimark Global Endeavour	Mid Cap Blend	Jeff Hyrich Erin Greenfield	2.58%	\$1,521.5	- Lagged index and peers on weak consumer and tech - Took profits in a consumer name. Cash rose to 4% - Valuations remain high, but the managers have been able to attractive company specific opportunities. - Bottom up approach that looks for well-managed, high quality, attractively valued mid-sized businesses

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	0.9	17.7	12.3	20.3	6.4	14.2	22.2	8.1	34.8	33.7	-15.2	85%	95%	78%	71%	10.12%
Quartile	3	2	1	1	2	1	1	3	3	1	3					
Fidelity Northstar Fund	-0.3	5.4	9.1	16.5	6.0	-2.0	24.9	13.5	46.0	8.0	-9.2	57%	75%	45%	47%	8.71%
Quartile	4	4	2	1	2	4	1	1	1	3	2					
Trimark Global Endeavour	-0.6	15.8	11.4	15.4	6.1	1.3	18.8	11.0	31.9	14.3	1.5	85%	88%	83%	86%	9.27%
Quartile	4	2	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%	\$694.9	- Modest gain in quarter, held back by underweight in tech names. Converts, & prefs hurt relative return - Sees reasonable fundamentals and valuations. - More balanced portfolio is a great way to access Asia
Brandes Emerging Markets Value	Large Cap Value	Brandes Management Team	2.72%	\$272.1	- Deep value approach that looks for quality companies that have been beaten down by the market - Underperformed on Russian & Brazil names. - Trades at a significant discount to its index and peers
Trimark Emerging Markets Fund	Large Cap Blend	Jeff Feng Matt Peden	2.79%	\$109.0	- Potentially less volatile way than Brandes to play EM - Fundamental, bottom up, with focus on quality - Managers willing to pay up for high quality business
Dynamic Power Global Growth	Large Cap High Growth	Noah Blackstein	2.50%	\$1,224.4	- Stellar quarter on strength in technology names. - Concentrated in tech, consumer, & industrial names - High volatility with potential for high return.
Manulife Global Infrastructure Fund	Large Cap Growth	Craig Noble	2.73%	\$305.6	- Lagged both its peers and index. UNDER REVIEW - 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.	1.6	6.5	6.1	8.9	5.2	-2.9	10.2	6.7	9.3	21.9	-10.1	58%	63%	66%	60%	9.31%
Quartile	4	4	4	3	2	2	4	3	4	1	1					
Brandes Emerging Mkts Value	-0.8	20.0	2.9	7.9	3.3	20.4	-6.9	-1.2	13.3	10.5	-19.8	81%	92%	106%	98%	13.56%
Quartile	4	3	4	2	1	1	4	4	1	4	3					
Trimark Emerging Markets	4.8	18.0	10.0	10.9	-	7.0	7.7	7.3	10.8	6.6	-	98%	98%	87%	85%	12.11%
Quartile	1	3	1	1	-	2	1	2	1	4						
Dynamic Power Global Growth	9.9	26.8	16.3	17.9	9.8	-12.0	24.5	9.1	40.6	7.2	-5.9	127%	117%	131%	157%	17.14%
Quartile	1	1	1	1	1	4	1	2	1	4	2					
Manulife Global Infrastructure	-0.3	4.5	3.7	10.2	-	6.8	-3.2	15.8	22.9	12.8	9.6	79%	82%	110%	97%	9.66%
Quartile	4	4	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%	\$8,727.9	- Better than average gains on strong security selection, high yield, and some unhedged currency exposure. - High yield financial bonds were strong. - Holds 33% high yield, 17 cash with rest in equities. - Well positioned for a rising rate environment.
Fidelity Canadian Balanced Fund	Strategic	Geoff Stein David Wolf	2.07%	\$7,242.8	- Asset mix was 48% bonds/50% equity, 2% cash - Managers seeing improvement in earnings, but valuations remain high. Generally positive on equities. - Higher bond weight than peers may be headwind in rising interest rate environment.
Sentry Conservative Balanced Income Fund	Tactical	Michael Simpson James Dutkiewicz	2.22%	\$1,419.1	- Energy exposure and high bond weight weighed in Q2. - target mix - 50% bonds / 50% equity. Near target now - Current mix is 4% cash, 46% bonds, 51% equity - Equity valuations look a bit rich. Watching closely.
TD Monthly Income Fund	Tactical	Doug Warwick Gregory Kocik Michael Lough	1.46%	\$8,249.0	- Energy names dragged in Q2. - Overweight financials, REITs and Utilities. - Believes the Home Capital incident is isolated event - 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.

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	
CI Signature High Income	1.0	7.9	3.0	6.3	5.4	6.5	-1.0	8.6	8.6	11.6	4.8	45%	50%	68%	46%	4.83%
Quartile	2	2	3	3	1	2	4	2	4	1	1					
Fidelity Canadian Balanced	0.1	4.3	4.9	7.7	5.3	5.5	3.5	11.1	12.7	6.0	-1.1	110%	110%	74%	59%	5.43%
Quartile	3	4	1	1	1	4	1	1	1	2	2					
Sentry Cons. Bal. Income	-1.0	2.3	1.7	5.8	-	6.5	-2.0	8.6	12.3	8.6	6.1	78%	92%	91%	66%	3.93%
Quartile	4	4	4	3	-	3	3	2	1	1	1					
TD Monthly Income Fund	-0.6	9.5	4.7	7.4	5.1	14.9	-3.8	9.9	8.9	8.5	3.6	122%	114%	99%	80%	4.87%
Quartile	4	1	2	2	2	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%	\$501.7	• Offers YTM of 2.2% with a duration of 3.4 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 2.94% for past 12 mths
Sentry Canadian Income Fund	Large Cap Blend	Michael Simpson Aubrey Hearn	2.33%	\$5,432.8	• Modestly negative, but bested benchmark and peers • Cash remains high, sitting at around 7%. • US is 32%, down from 34% at end of Q1. • Lower management fee starting to impact returns. • 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%	\$1,372.0	• Lagged peers in Q2 on energy and material names. • 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 5.2% • Invests in high yielding equities & REITs in Canada • More mid cap focused than Sentry. • Valuations and growth forecast look more attractive than Sentry, making it a good pick for longer term.

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
Fund	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	Risk
PShrs 1-5 Yr Lad. Corp Bond	-0.6	0.2	1.4	1.9	-	1.3	1.8	2.8	1.4	3.0	4.1	60%	72%	33%	29%	1.47%
Quartile	4	3	2	1	-	2	2	1	1	1	1					
Sentry Canadian Income Fund	-0.1	5.6	5.4	9.7	8.1	9.5	0.1	15.9	18.6	11.5	6.1	60%	66%	22%	14%	5.29%
Quartile	2	4	2	3	1	3	2	1	1	1	1					
BMO Monthly High Income II	-1.1	6.7	0.6	6.6	5.6	19.8	-9.8	3.7	14.2	7.7	10.4	73%	75%	92%	73%	7.01%
Quartile	3	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%	\$784.6	- 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%	\$729.3	- 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%	\$1,023.0	- 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%	\$620.5	- MER has dropped from 1.25% to 1.01%, 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. Risk
	3mt	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr	
TD Canadian Bond Index	0.9	-0.8	3.0	2.5	4.2	0.8	2.8	7.9	-2.0	2.8	8.7	98%	104%	88%	91%	3.68%
Quartile	2	4	2	2	2	4	1	1	2	2	1					
RBC Canadian Index	-1.8	10.2	2.3	8.0	3.2	20.1	-9.0	9.8	12.2	6.4	-9.2	96%	97%	103%	103%	7.57%
Quartile	3	2	3	4	3	2	3	2	4	2	2					
TD U.S. Index	2.9	16.9	8.7	13.6	6.3	7.3	20.5	22.9	40.0	12.5	3.8	55%	69%	64%	73%	9.48%
Quartile	3	2	1	1	1	2	1	1	2	1	1					
TD International Index	3.4	19.1	7.0	12.9	2.0	-3.1	18.3	2.0	28.6	14.5	-10.8	100%	97%	110%	110%	11.20%
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.