

ETF FOCUS LIST



December 2017

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The Focus List

% Returns at October 31, 2017											
Name	Ticker	3 Mth	1 Yr.	3 Yr.	5 Yr.	MER	3 Yr. Tracking Error	5 Yr. Tracking Error	3 Yr. Standard Deviation	5 Yr. Standard Deviation	Average Daily Volume
Fixed Income											
PowerShares Senior Loan CAD Hedged ETF	BKL.F	0.12	2.63	2.25	2.63	0.81%	10.40	9.27	3.24	3.03	6K▼
Vanguard Canadian Short Term Bond ETF	VSB	0.62	-0.22	1.37	1.60	0.11%	1.09	1.07	1.65	1.43	47K▼
BMO Short Corporate Bond Index	ZCS	0.81	0.80	2.14	2.31	0.12%	1.43	1.26	1.67	1.49	55K▲
Vanguard Canadian Aggregate Bond ETF	VAB	1.62	-0.94	2.92	2.78	0.13%	1.16	1.08	4.38	4.03	64K▼
PowerShares Tactical Bond ETF	PTB	1.55	0.07	2.97	2.67	0.52%	1.61	1.54	4.13	3.89	8K▼
Income / Cash Flow											
BMO Monthly Income ETF	ZMI	3.16	6.80	3.60	4.74	0.61%	3.21	3.18	5.05	4.91	1K▼
iShares Diversified Monthly Income Fund	XTR	2.41	7.39	3.70	4.21	0.62%	4.06	3.58	5.03	4.77	23K▼
Canadian Equity											
PowerShares S&P/TSX Comp Low Vol. ETF	TLV	4.73	12.88	8.84	11.59	0.34%	5.39	5.91	6.27	6.51	2K▼
PowerShares Canadian Dividend ETF	PDC	5.49	13.68	7.33	11.18	0.55%	4.41	4.69	8.36	7.87	8K▼
PowerShares FTSE RAFI Cdn Fundamental	PXC	7.22	11.88	6.80	9.13	0.51%	4.31	3.84	9.91	9.62	5K■
Horizons Active Canadian Dividend	HAL	5.87	12.94	6.35	9.88	0.80%	4.78	5.29	7.91	7.96	1K▼
iShares Core S&P/TSX Capped Composite	XIC	6.43	11.40	6.16	8.26	0.06%	0.58	0.57	7.50	7.65	152K▲
iShares S&P/TSX Completion Index	XMD	5.14	8.81	3.93	5.83	0.61%	0.78	0.81	8.54	8.76	7K▼
First Asset Morningstar Cdn Momentum	WXM	7.99	9.61	4.32	9.97	0.68%	5.86	6.08	8.98	8.64	23K▼
U.S. Equity											
Vanguard U.S. Total Mkt (C\$ Hedged)	VUS	4.56	22.86	9.67	14.56	0.16%	10.32	9.14	10.40	9.95	15K■
iShares US Fundamental Index	CLU	3.45	18.62	7.61	13.41	0.72%	-	-	-	-	8K
iShares Core S&P 500 Index	XSP	4.62	22.47	9.92	14.66	0.11%	10.10	8.86	10.17	9.58	274K▼

% Returns at October 31, 2017											
Name	Ticker	3 Mth	1 Yr.	3 Yr.	5 Yr.	MER	3 Yr. Tracking Error	5 Yr. Tracking Error	3 Yr. Standard Deviation	5 Yr. Standard Deviation	Average Daily Volume
International / Global Equity											
iShares MSCI EAFE Minimum Volatility Index	XMI	5.22	11.96	11.36	13.79	0.37%	6.63	6.61	12.80	10.75	11K■
BMO MSCI EAFE Index (C\$ Hedged)	ZDM	6.10	21.86	9.03	12.81	0.23%	8.09	7.25	11.24	10.21	22K▲
iShares International Fundamental Index	CIE	8.18	20.90	10.13	14.06	0.72%	-	-	-	-	10K▼
iShares MSCI World	XWD	6.65	17.81	12.73	17.05	0.47%	1.78	1.57	11.42	9.72	15K▼
First Asset MSCI Eur. Low Risk Wghtd C\$Hdg	RWE	3.90	14.56	9.60	-	0.67%	7.46	-	9.85	-	3K▼
Specialty / Sector											
Vanguard FTSE Emerging Mkts All Cap ETF	VEE	8.31	15.84	8.57	9.14	0.24%	3.30	3.65	13.08	12.19	32K▲
iShares Gold Bullion Fund ETF	CGL	-0.45	-2.49	1.83	-6.55	0.55%	15.99	16.37	16.01	16.37	61K▼
BMO Equal Weight REITs Index ETF	ZRE	3.85	13.34	5.67	4.96	0.61%	13.45	11.49	9.76	9.75	25K▼
First Asset Canadian REIT	RIT	3.19	12.22	11.83	10.23	0.97%	12.26	-	8.22	-	
BMO Global Infrastructure	ZGI	2.10	4.61	6.94	13.82	0.61%	1.44	1.25	11.16	10.25	9K■
iShares S&P/TSX Capped Financials Index	XFN	8.78	20.97	9.97	14.35	0.61%	12.98	11.07	11.36	10.23	263K▲

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

Notes:

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

List Changes

Additions

First Asset Canadian REIT ETF (TSX: RIT) – In the REIT space, this is the only actively managed ETF available. It is managed by the team of Lee Goldman and Kate MacDonald, using a bottom up, fundamental investment process that looks for growth oriented REITs with high quality assets, low payout ratios, and reasonable leverage. In addition to asset quality, the team looks for REITs or REOCs in higher growth markets that can add value through development or intensification. They like companies that are fully financed and are less dependent on the capital markets to allow them to effectively execute their strategy.

The weights of the underlying REITs are determined by the Manager based on their view of the potential risk reward tradeoff, rather than company size or equally weighted as is the case with the other REIT ETFs. I believe this allows for the potential of better risk adjusted returns over the long term from the Managers ability to actively manage the risk profile of the portfolio. That has certainly been the case, with RIT outperforming both **iShares S&P/TSX Capped REIT ETF (TSX: XRE)** and **BMO Equal Weight REITs ETF (TSX: ZRE)** in down markets.

Further, the volatility of RIT has been lower than the others while the longer-term return numbers have been stronger. For the three years ending November 30, RIT has generated an annualized return of 13.7%, more than doubling the returns of both ZRE and XRE. Shorter term however, the more passive peers have outperformed.

The portfolio of RIT is different than the peers with greater exposure to smaller cap REITs that aren't included in the REIT index. It is also better diversified, holding nearly 60 names, rather than less than 20 for the passive strategies. This has resulted in marginally better valuation numbers and growth metrics than the peers, which allows for a higher probability of outperformance over the long term.

The biggest drawback to this ETF is the cost. It carries a management fee of 0.75%, compared to 0.55% for its passive peers. This higher cost can be a headwind, in flat or falling markets, or if the Manager cannot find attractive investment opportunities. Another potential concern is the REIT market in Canada is somewhat limited, which means that if the ETF continues to grow, it may have to look to larger REITs, and start investing in more index type names, making it look more like its passive peers. In speaking with First Asset, there remains significant runway before they believe this will become an issue.

Still, I remain very confident in the ETF and its management team. As we head into a more challenging interest rate and real estate environment, I would prefer an active manager at the helm who can navigate the portfolio to best position it for the available opportunity set, rather than a passive portfolio that simply mirrors an index.

Deletions

BMO Equal Weight REIT Index (TSX: ZRE) – I am removing ZRE from the ETF Focus List because I believe that as we head into a potentially more challenging environment, investors will be better served by an active mandate in the REIT space. ZRE provides investors with equal weight exposure to the REITs held in the S&P/TSX Capped REIT Index. I prefer it over the **iShares S&P/TSX Capped REIT Index ETF (TSX: XRE)** because the equal weight construction methodology can result in less concentration. For example, at the end of November, the top ten holdings of ZRE made up 56% of the portfolio compared to 83% for XRE. Further, the top name in XRE, RioCan REIT is nearly 18% of the ETF, compared with a more modest 5.5% in ZRE.

I do like this ETF for those looking for passive REIT exposure, or where costs are an issue. That said, I believe RIT will outperform on a risk adjusted basis over the long-term.

ETFs of Note

Vanguard Canadian Aggregate Bond ETF (TSX: VAB) – This has been my top pick for a core Canadian bond ETF for the past year with its rock bottom MER being a key reason for that choice. However, in the summer BlackRock, the issuer of the iShares ETFs cut the management fee on its core offering, **iShares Core Canadian Universe Bond Index ETF (TSX: XBB)** to 9 basis points. This is now lower than Vanguard's VAB which carries a management fee of 12 basis points.

In addition to the cost structure, there are some other differences between the two ETFs. Vanguard follows the Bloomberg Barclays Global Aggregate Canadian Float Adjusted Bond Index, while XBB tracks the FTSE/TMX Canadian Universe Bond Index. Both have comparable durations of roughly 7.6 years, and yield to maturity of 2.3%. The key difference between the two is VAB has a higher exposure to government bonds, with roughly 77% in governments, compared with just over 70% for XBB.

Over the longer term, VAB has modestly outperformed XBB on both an absolute and risk adjusted basis. Over the past year however, with increasing pressure on yields, it has begun to trail because of the higher government exposure. However, when things get rocky in the equity markets, I would expect VAB to outperform slightly on the flight to safety trade as investors prefer the government bond exposure.

Over the next quarter or two, I will continue to monitor both ETFs, and will evaluate the potential impact of the lower cost of XBB on its future expected return stream.

First Asset Morningstar Canadian Momentum ETF (TSX: WXM) – This momentum focused ETF had a bit of a rough go in 2015 and 2016 when it trailed the broader Canadian market after handily outperforming in 2013 and 2014.

This, and other momentum strategies are based on the premise that outperforming stocks tend to perform into the future. First Asset uses Morningstar's proprietary CPMS program to score Canadian companies on six factors; trailing return on equity, 3-month EPS estimate revisions, latest quarterly earnings surprises, as well as three and nine-month prices change, and change in price from its 12-month high. The score for each stock is determined and the top 30 names make up the portfolio. These screens are run quarterly.

The portfolio will often look much different than the broader index. One key difference is the market cap tends to skew much lower than the index, and at the end of November was \$6.3 billion, roughly a third of the broader market. From a sector perspective, it is also different with significant underweight positions in energy and financials, while holding overweight exposure to technology, communications, and consumer names. Over the past three months, the ETF has experience strong gains from Parex Resources, West Fraser Timber, and Labrador Iron Ore Royalty Corp.

The cost is higher than with more passive indices with an MER of 0.68%, which is well above the 0.06% MER of the **iShares S&P/TSX Capped Composite Index ETF (TSX: XIC)**. The higher the fee hurdle, the greater the potential headwind.

Looking ahead, I expect this ETF to be able to deliver above average returns over the long-term. However, because it is style specific, it is very likely there will be shorter periods of time where its performance is dramatically different than the broader market. Further, given the more mid-cap exposure, it is possible there may be periods of above average volatility. It is for these reasons I would be reluctant to use this as a core holding. Instead, I see it as a potential diversifier; adding potential return while helping to mitigate overall portfolio volatility when used as a piece of a well-diversified portfolio.

Vanguard U.S. Total Market ETF (Canadian dollar hedged) (TSX: VUS) – The objective of this ETF is to replicate the performance, net of fees, of the entire investible U.S. equity market. Indirectly, it holds 3600 securities, compared with the **iShares Core S&P 500 (CAD-Hedged) ETF (TSX: XSP)** which has exposure to 500. As a result, it has more small and mid-cap names than XSP. At the end of November, approximately 18% was invested in mid-caps and 9% in small caps. In XSP, 13% was invested in mid-caps and no small caps. It carries an

average market capitalization that is a little more than half XSP. It is this broader market exposure that sees VUS with a slightly more attractive valuation profile over XSP. This more favourable valuation is expected to be a positive over the long-term.

Turning to the sector mix, it tracks XSP closely, with a couple exceptions. VUS is underweight technology, financials, and consumer defensives, while it is overweight real estate, industrials, and materials.

In practice, both XSP and VUS are a great way to access the U.S. equity market. Performance of the two have been similar with XSP slightly outperforming. XSP has been a touch less volatile largely because of the lower weight to small and mid-cap holdings. Further, the higher weight in technology and financials has also helped XSP earn its modest outperformance in recent quarters. Looking ahead, I would give a very slight edge to VUS for two reasons – its more attractive valuation profile, and higher weight in small and mid-caps, which can offer a stronger growth profile over the long-term.

iShares International Fundamental Index ETF (TSX: CIE) – Over the past quarter or two it appears the market is once again paying attention to quality and valuation, with this fundamentally constructed ETF gaining 8.2%, handily outpacing the other foreign ETFs on the Focus List.

CIE selects companies based on fundamental factors including dividends, free cash flow, sales, and book value. Each year, the companies that are in the FTSE Developed All Cap ex-U.S. Index are scored and ranked on the fundamental factors. The index is rebalanced quarterly.

One of the flaws of the traditional market cap weighting methodology is the potential for there to be overweight exposure to the most overvalued names. Using a fundamental approach is designed to reduce this potential by having those companies with the more attractive fundamentals make up a larger part of the portfolio.

Looking at the portfolio, this is indeed the case with valuation metrics that are considerably more attractive than the benchmark. At the end of November, CIE trades at a P/E ratio that is 15% lower than the broader market and a dividend yield nearly 10% higher. This certainly looks compelling from a long-term outlook perspective.

The biggest drawback to this and other “smart beta” ETFs is cost, with an MER of 0.72%, well above its passive peers.

Fixed Income

Fund	Ticker	Asset Class	Construction Method	MER	Assets (\$ mil)	Notes
PowerShares Senior Loan CAD Hgd	TSX: BKL.F	Leveraged Loans	Cap Weighted	0.81%	\$76	• With yield curve flattening, retail flows into the loan market have slowed. • Invests in loans with floating rates. • Higher MER may be a drag in flat market
Vanguard Canadian Short Term Bond	TSX: VSB	Short Term Fixed Income	Cap Weighted	0.11%	\$897	• Bank of Canada moved rates higher again in Sept. bringing overnight rate to 1%. • Markets settled as rate worries eased • Invests in bonds with 1 – 5 yr. maturities • Holds about 26% corporates
BMO Short Corporate Bond Index	TSX: ZCS	Short Term Fixed Income	Cap Weighted	0.12%	\$1,722	• Corporate bonds outperformed in period • Higher YTM and lower duration than index • Holds corp bonds with 1-5 yr. maturities • Holds nearly 80% in gov't bonds
Vanguard Canadian Aggregate Bond ETF	TSX: VAB	Traditional Bond	Cap Weighted	0.13%	\$1,296	• Duration is modestly higher than XBB, with modestly lower yield. • MER is not as attractive as it used to be. • UNDER REVIEW
PowerShares Tactical Bond ETF	TSX: PTB	Tactical Bond	Fund of ETFs	0.52%	\$193	• Lagged the broader market with over-weight to short term bonds dragging • With more rate volatility expected, active management should help returns. • Invests in a mix of underlying bond ETFs • A “one-ticket” bond portfolio • Drawback is cost, coming in at 0.52%

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr
PowerShares Senior Loan	0.12	2.63	2.25	2.63	-	9.47	-2.29	0.48	3.77	-	-	0	2	-28	-35
Vanguard Cdn Sht Term Bond	0.62	-0.22	1.37	1.60	-	1.25	2.02	2.80	1.58	1.76	-	70	68	43	37
BMO Short Corp. Bond Index	0.81	0.80	2.14	2.31	-	2.02	2.36	3.46	2.13	3.80	3.78	78	79	23	22
Vanguard Cdn. Aggregate Bd	1.62	-0.94	2.92	2.78	-	1.17	3.61	8.68	-1.86	3.62	-	107	110	85	89
PowerShares Tactical Bond	1.55	0.07	2.97	2.67	-	2.98	2.02	7.68	-2.11	-	-	99	105	73	84

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

Income / Cash Flow

Fund	Ticker	Asset Class	Construction Method	MER	Assets (\$ mil)	Notes
BMO Monthly Income Fund	TSX: ZMI	Canadian Neutral Balanced	Fund of ETFs	0.61%	\$97	• Invests in a portfolio of fixed income and high yielding equity ETFs from BMO • Target mix is 50% equity 50% bonds. • Currently 56% equity, 43% bonds, 1% cash • Volatility profile comparable to XTR • Bested XTR on higher foreign equity weight • Well positioned for long-term growth • A decent one ticket solution for income focused investors. Yields approximately 4.3%
iShares Diversified Monthly Income	TSX: XTR	Fixed Income Balanced	Fund of ETFs	0.62%	\$636	• Lagged ZMI on higher Canadian equity • Remains highly sensitive to rates. More rate volatility expected in near term. • Equity valuations in line with ZMI, however rate sensitivity may be a headwind if we see any upward pressure on yields. • Invests in a mix of income focused ETFs • Emphasis on cash flow. Yields 5.2%

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr
BMO Monthly Income Fund	3.16	6.80	3.60	4.74	-	5.97	-0.58	9.40	3.34	10.24	-	98	89	109	84
iShares Div. Monthly Income	2.41	7.39	3.70	4.21	5.23	12.99	-6.04	6.51	2.06	8.37	6.62	94	97	90	116

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

Canadian Equity

Fund	Ticker	Asset Class	Construction Method	MER	Assets (\$ mil)	Notes
PowerShares S&P/TSX Composite Low Volatility ETF	TSX: TLV	Canadian Equity	Rules Based	0.34%	\$360	• Low vol lagged broader markets • Valuations look attractive relative to peers • Is an ETF made up of the 50 least volatile stocks in the S&P/TSX Composite Index • There are no constraints on sectors, which can result in some big sector bets. Currently big overweight in real estate. • Rebal. quarterly. Weighted by volatility • Underlying dividend yield well above index
PowerShares Canadian Dividend ETF	TSX: PDC	Cdn Dividend & Income Equity	Rules Based / Cap Weighted	0.55%	\$249	• Invests in the 45 largest TSX traded stocks with stable or rising dividends in past 5 yrs. • Quarterly rebalancing. Overweight utilities • Valuations reasonable. Good growth profile
PowerShares FTSE RAFI Canadian Fundamental	TSX: PXC	Canadian Equity	Fundamental	0.51%	\$257	• Fundamentals led in period • Energy and financials make up 64% of ETF • Valuations solid. Outlook remains strong
Horizons Active Canadian Dividend	TSX: HAL	Cdn Dividend & Income Equity	Active - Fundamental	0.80%	\$33	• Real Estate & energy names were strong. • Focusing on dividend growers over yield • All cap mandate that is managed using a multifactor quant model. Holds ~50 names • Focuses on the growth, quality of payout and sustainability of the dividend.
iShares Core S&P/TSX Capped Composite	TSX: XIC	Canadian Equity	Cap Weighted	0.06%	\$3,985	• Energy & financials were big contributors • Low cost exposure to the TSX Composite • Concentrated in energy, financials & materials. Less concentrated than PXC
iShares S&P/TSX Completion Index	TSX: XMD	Canadian Small / Mid-Cap Equity	Cap Weighted	0.61%	\$216	• Invests the stocks in the S&P/TSX Composite that are not in the S&P/TSX 60 • Very mid-cap focused. I continue to favour mids over small caps, despite the more favourable valuations of the small caps.
First Asset Morningstar Canadian Momentum	TSX: WXM	Canadian Equity	Rules Based	0.68%	\$163	• Best performing Cdn Equity ETF on list • Strong valuation and growth prospects • Universe of stocks is rated and ranked on 6 factors including ROE, EPS Revisions, Earnings Surprises and price changes

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr
PowerShares S&P/TSX Composite Low Volatility ETF	4.73	12.88	8.84	11.59	-	14.90	0.40	16.56	11.35	-	-	91	85	49	27
PowerShares Canadian Dividend ETF	5.49	13.68	7.33	11.18	-	23.37	-8.76	11.74	20.24	15.31	-	107	102	98	68
PowerShares FTSE RAFI Canadian Fundamental	7.22	11.88	6.80	9.13	-	29.01	-9.81	6.66	16.19	-	-	127	118	142	128
Horizons Active Canadian Dividend	5.87	12.94	6.35	9.88	-	20.05	-7.20	12.59	19.76	8.78	-0.46	93	93	85	66
iShares Core S&P/TSX Capped Composite	6.43	11.40	6.16	8.26	3.79	21.00	-8.62	10.95	12.46	7.01	-8.79	100	99	100	101
iShares S&P/TSX Completion	5.14	8.81	3.93	5.83	3.26	19.98	-10.6	5.07	11.99	3.92	-8.48	100	99	105	103
First Asset Morningstar Canadian Momentum	7.99	9.61	4.32	9.97	-	9.24	-9.03	17.10	26.76	-	-	89	95	105	69

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

U.S. Equity

Fund	Ticker	Asset Class	Construction Method	MER	Assets (\$ mil)	Notes
Vanguard U.S. Total Market (C\$ Hedged)	TSX: VUS	U.S. Equity	Cap Weighted	0.16%	\$564	• One of the lowest cost US equity ETFs • It invests in the U.S. traded VTI, which invests in a well-diversified, all cap portfolio. • Provides exposure to nearly 4,000 U.S. based companies • Currency exposure is fully hedged
iShares US Fundamental Index	TSX: CLU	U.S. Equity	Fundamental	0.72%	\$142	• Fundamentals lagged the broader markets • Better valuation expected to allow for stronger relative showing in volatile mkts. • Holds the largest 1000 U.S. stocks by fundamental value including dividends, cash flow, sales, and book value. • Higher cost is a headwind.
iShares Core S&P 500 Index	TSX: XSP	U.S. Equity	Cap Weighted	0.11%	\$3,982	• Replicates the S&P 500, hedged to CAD. If you want the unhedged, you can use XUS • Valuations look high compared to CLU, but when forward looking growth projections are factored in, this ETF looks stronger. • Remains my top pick for U.S. equities • With BoC likely to move again before the U.S. Fed, the hedged version will likely outperform in CAD strength/

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr
Vanguard MSCI U.S. Broad Market (C\$ Hedged)	4.56	22.86	9.67	14.56	-	11.36	-0.81	13.13	33.90	15.36	-	56	67	46	55
iShares US Fundamental Index	3.45	18.62	7.61	13.41	5.22	15.15	-4.07	12.79	35.44	15.39	-2.00	-	-	-	-
iShares Core S&P 500 Index	4.62	22.47	9.92	14.66	6.04	11.07	0.54	14.02	32.33	15.41	0.65	56	67	45	53

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

International / Global Equity

Fund	Ticker	Asset Class	Construction Method	MER	Assets (\$ mil)	Notes
iShares MSCI EAFE Minimum Volatility Index	TSX: XMI	International Equity	Rules Based	0.37%	\$236	• Unhedged currency helped in period • Valuation remains a bit high • Uses an optimization approach to try to minimize the volatility of the EAFE Index
BMO MSCI EAFE Index (C\$ Hedged)	TSX: ZDM	International Equity	Cap Weighted	0.23%	\$575	• Fully hedged currency position hurt. • Replicates MSCI EAFE net of fees. • With Canadian rates likely on hold. ZEA is unhedged, which may do better near term
iShares International Fundamental Index ETF	TSX: CIE	International Equity	Fundamental	0.72%	\$203	• Fundamentals led markets higher, with unhedged currency adding further to gains • Invests in the 1000 largest listed companies outside the U.S ranked on sales, cash flow, book value & dividends.
iShares MSCI World	TSX: XWD	Global Equity	Cap Weighted	0.47%	\$547	• Unhedged currency helped in period • Replicates MSCI World Index, net of fees. • A great way to get global equity exposure • More suited to smaller accounts. Larger accounts can buy 60% XUS & 40% ZEA for same exposure at lower cost
First Asset MSCI Europe Low Risk Weighted ETF (Hedged)	TSX: RWE	European Equity	Risk Weighted	0.67%	\$49	• Matched index in period • Remains a lower risk way to play Europe • Valuations & growth look better than index • Provides exposure to the 100 least volatile stocks in the MSCI Europe Index • Weights set by risk, not market cap

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr
iShares MSCI EAFE Min Vol.	5.22	11.96	11.36	13.79	-	-5.81	27.81	12.91	24.14	-	-	91	81	84	61
BMO MSCI EAFE Idx (C\$ Hdg)	6.10	21.86	9.03	12.81	-	6.42	4.71	5.12	26.95	17.04	-12.9	74	75	70	57
iShares Int'l Fundamental Idx	8.18	20.90	10.13	14.06	3.29	2.75	12.43	1.61	32.74	13.06	-14.2	-	-	-	-
iShares MSCI World	6.65	17.81	12.73	17.05	-	4.11	17.42	14.31	35.69	11.82	-4.10	98	97	104	104
FA MSCI Eur LR Weighted ETF	3.90	14.56	9.60	-	-	1.38	10.82	-	-	-	-	69	-	55	-

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

Specialty / Sector

Fund	Ticker	Asset Class	Construction Method	MER	Assets (\$ mil)	Notes
Vanguard FTSE Emerging Markets All Cap ETF	TSX: VEE	Emerging Markets	Cap Weighted	0.24%	\$706	• Strong quarter for EM markets • Investor interest remains high. • Economic growth remains strong in EM. • Longer term outlook remains strong
iShares Gold Bullion Fund ETF	TSX: CGL	Commodity	Other	0.55%	\$349	• Inflation still well contained. if global uncertainty rises, gold expected to benefit. • ETF is fully hedged back to Canadian dollars. For unhedged exposure use TSX: MNT
First Asset Canadian REIT ETF	TSX: RIT	Real Estate Equity	Active	0.97%	\$298	• Actively managed REIT portfolio • Better diversified than either XRE or ZRE • Q3 earnings were in line with expectations • Significantly overweight multi-residential, industrial and seniors housing
BMO Global Infrastructure	TSX: ZGI	Global Equity	Cap Weighted	0.61%	\$311	• Global rate pressures may be drag • This focuses on U.S. or Canadian listed companies with > \$500 MM market cap. • Invests in companies involved with infrastructure projects like airports, toll roads, • Provides mix of capital growth and income
iShares S&P/TSX Capped Financials Index	TSX: XFN	Financial Services Equity	Cap Weighted	0.61%	\$1,079	• Invests in the largest banks and insurance companies that trade on the TSX • Banks rallied on higher interest rates, which are positive to their profit margins. • You may want to take some profits

Fund	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
	3mth	1 Yr	3 Yr	5 Yr	10Yr	2016	2015	2014	2013	2012	2011	3Yr	5Yr	3Yr	5Yr
Vanguard FTSE EM All Cap	8.31	15.84	8.57	9.14	-	8.10	0.21	8.37	1.05	15.11	-	88	91	95	96
iShares Gold Bullion Fund ETF	-0.45	-2.49	1.83	-6.55	-	8.25	-11.3	-1.50	-28.7	7.08	9.55	-	-	-	-
First Asset Canadian REIT ETF	3.19	12.22	11.83	10.23	9.05	16.88	15.44	11.19	0.05	17.65	17.82	44	-	0	-
BMO Global Infrastructure	2.10	4.61	6.94	13.82	-	17.16	-4.05	30.36	22.43	12.87	18.75	106	103	108	107
iShares S&P/TSX Cpd Fincl	8.78	20.97	9.97	14.35	6.75	23.36	-3.71	11.89	26.00	16.42	-4.40	45	55	20	11

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

ETF Descriptions

(From Managers)

Fixed Income

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

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

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

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

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

Income / Cash Flow

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

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

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

Canadian Equity

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

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

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

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

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

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

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

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

U.S. Equity

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

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

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

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

International / Global Equity

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

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

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

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

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

Specialty / Sector

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

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

First Asset Canadian REIT ETF (TSX: RIT) - First Asset Canadian REIT ETF (the "Fund") will invest in an actively managed portfolio comprised primarily of securities of Canadian real estate investment trusts ("REITs"), real estate operating corporations ("REOCs") and corporations involved in real estate related services. The fund may also invest up to 30% of its net asset value in securities of non-Canadian REITs, REOCs and corporations involved in real estate related services.

BMO Global Infrastructure (TSX: ZGI) - BMO Global Infrastructure Index ETF has been designed to replicate, to the extent possible, the performance of the Dow Jones Brookfield Global Infrastructure North American Listed Index (Index), net of expenses. The ETF invests in and holds the Constituent Securities of the Index in the same proportion as they are reflected in the Index. The Dow Jones Brookfield Global Infrastructure North American Listed Index (Index) is a float-adjusted market capitalization weighted Index. To be eligible for inclusion in the Index, a company must have a minimum float-adjusted market capitalization of US\$500 million as well as a minimum three-month average daily trading volume of US\$1 million. Securities of constituent issuers also must be listed in Canada or the United States. More than 70% of

a potential constituent issuer's cash flows must be derived from the development, ownership, lease, concession or management of infrastructure assets.

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

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

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

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

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

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

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

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

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

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About Us

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

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

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

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

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