ETF FOCUS LIST

September 2018

Contents

The Focus List

% Returns at July 31, 2018

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											
Invesco Senior Loan CAD Hedged ETF	BKL.F	0.38	1.92	2.62	2.33	0.82%	8.65	9.28	2.91	2.81	4K↔
Vanguard Canadian Short Term Bond ETF	VSB	0.24	0.59	0.31	1.43	0.11%	0.97	1.02	1.24	1.41	42K▼
BMO Short Corporate Bond Index	ZCS	0.13	0.85	1.04	2.09	0.11%	1.28	1.27	1.46	1.46	44K▼
iShares Core Cdn Universe Bond Index ETF	XBB	0.60	1.75	0.96	3.04	0.19%	1.18	1.03	3.35	3.81	59K▼
Invesco Tactical Bond ETF	PTB	0.03	0.60	1.08	2.93	0.54%	1.66	1.57	3.18	3.68	12K▲
Income / Cash Flow											
BMO Monthly Income ETF	ZMI	2.05	4.70	3.73	4.92	0.61%	3.31	3.02	4.63	4.51	6K↔
iShares Diversified Monthly Income Fund	XTR	2.09	3.81	4.73	4.22	0.60%	3.64	3.40	4.67	4.45	40K▼
Canadian Equity											
Invesco S&P/TSX Comp Low Vol ETF	TLV	3.15	4.57	7.54	9.30	0.34%	4.92	5.49	5.90	6.23	6K▼
Invesco Canadian Dividend ETF	PDC	4.98	4.70	7.59	8.56	0.55%	4.23	4.53	7.94	7.92	10K▼
Invesco FTSE RAFI Cdn Fundamental	PXC	4.84	13.43	10.70	8.49	0.51%	3.81	3.64	8.94	9.15	6K▲
Horizons Active Canadian Dividend	HAL	7.14	11.34	7.49	9.27	0.79%	4.26	4.84	7.50	7.73	2K▼
iShares Core S&P/TSX Capped Composite	XIC	5.88	11.50	7.39	8.68	0.06%	0.50	0.51	7.22	7.37	219K▲
iShares S&P/TSX Small Cap Index	XCS	0.23	4.19	8.20	5.06	0.60%	7.90	7.09	13.65	13.82	7K▼
First Asset Morningstar Cdn Momentum	WXM	8.83	26.21	7.30	10.95	0.67%	6.28	6.05	9.06	8.65	18K▲
U.S. Equity											
Vanguard U.S. Total Mkt (C$ Hedged)	VUS	6.34	14.77	10.91	11.94	0.16%	8.51	9.13	10.50	9.94	18K↔
iShares US Fundamental Index	CLU	5.03	11.28	9.36	9.93	0.72%	-	-	-	-	5K▼
iShares Core S&P 500 Index	XSP	6.41	14.61	11.12	12.30	0.11%	8.29	8.91	10.28	9.77	401K▲

Name	Ticker	% Returns at July 31, 2018: 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	1.37	10.20	5.04	12.06	0.37%	6.29	5.89	9.25	10.36	8K▼
BMO MSCI EAFE Index (C$ Hedged)	ZDM	2.24	9.17	5.32	8.93	0.23%	7.05	7.48	10.58	10.02	18K▼
iShares International Fundamental Index	CIE	-1.02	10.42	5.44	10.56	0.72%	-	-	-	-	8K▼
iShares MSCI World	XWD	4.96	14.85	8.57	14.32	0.00%	1.75	1.48	9.88	9.52	45K▲
First Asset MSCI Eur. Low Risk Wghtd C$Hdg	RWE	3.55	7.74	6.05	-	0.67%	7.35	-	8.74	-	4K↔
Specialty / Sector											
Vanguard FTSE Emerging Mkts All Cap ETF	VEE	-2.15	8.58	6.68	9.53	0.24%	3.67	3.62	12.52	12.10	62K▲
iShares Gold Bullion Fund ETF	CGL	-7.73	-5.17	2.65	-2.37	0.55%	14.54	14.64	14.54	14.64	31K▼
First Asset Canadian REIT	RIT	4.98	12.33	12.87	12.94	0.93%	8.41	-	6.58	-	11K▼
BMO Global Infrastructure	ZGI	8.06	3.08	4.49	11.00	0.61%	1.46	1.27	10.73	10.51	8K▼
iShares S&P/TSX Capped Financials Index	XFN	3.93	10.69	10.97	11.56	0.61%	9.91	11.10	8.90	10.08	287K▼

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

Notes:

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

List Changes

Additions

NONE

Deletions

NONE

ETFs of Note

Invesco Senior Loan CAD Hedged ETF (TSX: BKL.F) – One of the questions I've received about this pick is why I still like it when a couple others, namely **Mackenzie Floating Rate Income ETF (TSX: MFT)** and **BMO Floating Rate High Yield ETF (TSX: ZFH)** have outperformed it over the past year or so. For the year ending August 31, BKL.F has gained 2.8%, while MFT is up 7.2% and 5.4%. To understand this significant performance differential, we need to look more closely at what these other ETFs actually do.

As a refresher, the Invesco Senior Loan CAD Hedged ETF is a passive ETF that invests in the 100 largest, most liquid senior bank loans issued in the U.S. In comparison, the Mackenzie Floating Rate Income Fund is an actively managed ETF that invests in a diversified portfolio of floating rate loans, issued by mid-market companies, largely in the U.S. There are two key differences with this compared with BKL.F. The first is it is actively managed, meaning the manager is buying and selling loans on a regular basis. Manager Steve Locke and his team use a mix of top down macroeconomic analysis, combined with quantitative and fundamental credit research to find what they believe to be high quality loans that are trading at an attractive yield with the potential for modest capital gains.

The second difference is the issuer size. BKL.F tends to focus more on larger, big cap companies, while MFT invests in more mid-market companies. Mid-market loans are more likely to trade at higher spreads and offer a higher return potential for investors, although they may carry a slightly higher level of risk.

This combination of active management and mid-market focus allow the Manager to generate higher returns in most market conditions. In addition, the manager may also make small currency bets as a way to opportunistically generate excess alpha.

The BMO Floating Rate High Yield ETF is also a much different investment than BKL.F. It provides exposure to a diversified portfolio of high yield bonds through positions in high yield credit default swap index (CDX). CDX provide exposure to the credit movement of the underlying reference portfolio and the value will move with the widening or tightening of credit spreads of the underlying. So far this year, credit spreads of high yield bonds have moved significantly tighter, which has benefitted this ETF. With spreads trading at very tight levels, the potential upside is more limited, which may affect the potential return on a go forward basis. Further, if we see a sharp and significant widening in spreads, the value of the ETF is likely to be negatively affected.

Looking ahead, I am following the Mackenzie offering very closely. Thus far, I have been reasonably impressed with the Manager and the investment process employed. I also understand that the recent spread tightening has been a net benefactor to the ETF and will want to see how it performs in a more volatile credit market. It is on my radar and under serious consideration for inclusion on my ETF Focus List.

In the interim, I continue to favour the passive Invesco offering for its higher quality investment portfolio, reasonable fees, and strong liquidity profile. I expect that if we see a significant credit event, this ETF is likely to hold up better than its peers.

Horizons Active Canadian Dividend ETF (TSX: HAL) – This systematically managed ETF has delivered very strong absolute and risk adjusted returns for investors since its launch in February 2010. For the five years ending July 31, it has gained and annualized 9.6%, outpacing the S&P/TSX Composite, which returned 8.8% over the same period. For the past 12 months, it earned 12.6%, beating the 11.7% of the index.

Manager Sri Iyer and his team at Guardian Capital look for Canadian companies that have the ability to pay, sustain, and grow their dividends. The team uses a ruled based screening process that puts the Canadian equity universe through screens that analyze 31 different factors, looking for positive rates of change. These factors focus on growth, payout ratios, efficiency, valuation, and investor sentiment.

The result is a well-diversified portfolio, holding around 60 names, with the top ten making up just under 30%. It invests in companies of any size, and roughly 43% is in big cap names, with the balance invested in small and mid-caps. The sector mix is dramatically different than the Canadian market, with an overweight in energy, consumer cyclicals, real estate and utilities. It significantly underweight in financials, with modest underweights in consumer defensives and materials. The top holdings look much like you'd expect from a dividend focused ETF, with RBC, Pembina, Dream Global REIT, Rogers, and collision repair operators Boyd Group rounding out the top five.

Valuation looks a bit rich compared to the broader market and the peer group. However, stronger quality metrics and higher forward looking earnings growth rates more than offset the higher valuation, making it one of the more attractive options in the dividend ETF category.

Adding to its attractiveness its volatility profile. It has been one of the least volatile ETFs in the category, while delivering returns that are well above average. Looking at the defensive positioning of the portfolio, there is nothing indicating a higher level of volatility is expected.

The biggest knock on this ETF is its cost. It carries an MER of 0.79%, which is well above the category average. Still, the alpha generated has more than offset this higher cost.

Looking ahead, this remains one of my top picks for a Canadian dividend ETF, with the fundamentally constructed **Invesco Canadian Dividend ETF (TSX: PDC)** being the other. I expect that both will hold up better than the broader market in the event of a selloff, thanks to their focus on quality and valuation, while still providing investors with decent returns in rising markets. Over the long-term, I continue to favour dividend stocks as a core holding for most investors.

iShares U.S. Fundamental Index ETF (NEO: CLU) – Looking at the recent performance of this fundamentally built ETF it's easy to dismiss it compared to the lower cost, cap weighted ETFs. However, I don't believe that recent performance tells the whole story. A significant portion of the cap weighted return has been driven by a few mega-cap tech stocks. Depending on the time period you look at, anywhere from a quarter to a third of the index return has been driven by five stocks, often referred to as the FANGs; Facebook, Amazon, Apple, Netflix, and Google. Combined, these make up roughly 15% of the S&P 500. While the FANGs have been rallying higher, valuation levels have also continued to climb. At the end of July Amazon was trading at more than 112 times forward earnings, Facebook, despite its July haircut was trading at more than 25 times earnings, and Netflix was trading at just shy of 130 times earnings. Clearly these levels are not sustainable over the long-term and some correction, either through an extended period of below average return or a meaningful selloff will need to occur at some point. Obviously when this happens is anyone's guess. The downside of this sharp rally is the valuation levels of the broader U.S. equity market have also been pulled to the upper end of the historic averages, making the cap weighted index ripe for a potential selloff.

One way to help insulate against this risk is to use an ETF that is built using a set of rules that focuses on more than just the size of a company. This fundamentally built ETF may be just the ticket. This ETF scores the U.S. equity universe on several fundamental metrics including dividends, free cash flow, sales and book value. Those that score better based on the fundamental ranking make up a larger portion of the portfolio than those that score poorly. The valuation levels are significantly more attractive than the cap weighted indices, but the growth profile is a little less favourable, given the underweight positioning of some of the high flyers. For example, the FANG stocks make up less than 5% of the portfolio, significantly less than the cap-weighted ETFs.

While a cap weighted ETF for U.S. equities has historically been an excellent choice, I believe that if we hit a period of extended volatility, or we see a major correction in the FANG names, the fundamentally constructed ETF will offer a more attractive risk return profile. I expect this

ETF will also outperform when the market focus returns to valuation and quality. If you are concerned about a potential drawdown in the U.S. equity market, the higher margin of safety offered by CLU may be a better bet than XSP. That said, XSP remains an excellent pick for the long-term and has been a tough one to beat. One concern with CLU is its cost. The MER is 0.72%, compared with 0.11% for XSP. While I believe this higher cost can be offset in a down market, it does act as a headwind in a flat or rising market.

iShares MSCI World Index ETF (TSX: XWD) – With a three month return of 4.96%, this global ETF was the strongest performer of the global equity ETFs on our list. This has not been a fluke as it has outpaced the other ETFs in the category in all time periods out to five years. There have been two drivers of the return in the recent past. The first is the U.S. equity exposure. The U.S. equity market has been one of the strongest performers over the past year, and really since the start of the bull run in early 2009. Further, this currency exposure of this ETF is unhedged, which has been a strong tailwind as we have seen the U.S. dollar appreciate significantly against the Canadian dollar. Going forward, in the short term, I expect the U.S. equity markets to continue to be strong given the pace of corporate earnings and economic growth numbers. Europe and Asia are expected to continue to struggle in light of the ongoing trade skirmish with the U.S. Longer term, I expect the U.S. to lag.

This trade skirmish is also expected to continue to weigh on the Canadian dollar. Until the trade file is settled, I reckon the Canadian dollar will continue to lag the U.S. greenback. Assuming a trade deal can be reached, the Canadian dollar would be expected to bounce back sharply and find a new higher level. In the event of a market selloff, the U.S. dollar would be expected to rally, which will allow this unhedged ETF to outperform a fully hedged ETF. For smaller investors, this remains an excellent way to get a one-ticket global equity solution. Larger accounts can buy 60% XUS & 40% ZEA for roughly the same exposure at lower cost

Vanguard FTSE Emerging Markets All Cap ETF (TSX: VEE) – Emerging markets have been under significant pressure in recent months on a number of fronts. Between rising U.S. interest rates, a strengthening U.S. dollar, and the ongoing global trade disputes, market sentiment has continued to worsen. Factor in Argentina's recent fiscal woes, Turkey's economic mess, Brazilian elections and South Africa's contentious land reform bill, and the fear of contagion in the emerging markets continues to spread. While I am always reluctant to suggest one try to time the markets, there are far too many unknowns in the emerging markets now for me to be comfortable with any meaningful EM exposure. While there is strong upside over the long-term, I see much more risk to the downside in the very near term. Given this, I would likely wait for the various situations to settle, providing some additional visibility around the overall fiscal health of the region before making any additional allocations.

Fixed Income

Fund	Ticker	Asset Class	Construction Method	MER	Assets ($ mil)	Notes
Invesco Senior Loan CAD Hgd	TSX: BKL.F	Leveraged Loans	Cap Weighted	0.82%	$69	• Trailed peer group on higher costs • Has a higher quality portfolio than its peers • Invests in loans with floating rates. • Mgmt fee cut will help returns in future
Vanguard Canadian Short Term Bond	TSX: VSB	Short Term Fixed Income	Cap Weighted	0.11%	$941	• Bank of Canada held rates at 1.25% • ST yields eased in a less volatile mkt • BoC raised in July to 1.25%. • Invests in bonds with 1 – 5 yr. maturities • Holds about 29% corporates
BMO Short Corporate Bond Index	TSX: ZCS	Short Term Fixed Income	Cap Weighted	0.11%	$1,400	• Corporates trailed governments • Higher YTM and lower duration than index • Holds corp bonds with 1-5 yr. maturities
iShares Core Canadian Universe Bond Index ETF	TSX: XBB	Traditional Bond	Cap Weighted	0.19%	$2,501	• Strong quarter as yields eased across the curve. Government outpaced corporates • BoC likely to move again before year end • More volatility expected heading into fall • As expected, outpaced VAB in volatile mkts
Invesco Tactical Bond ETF	TSX: PTB	Tactical Bond	Fund of ETFs	0.54%	$150	• Actively managed with P-Shares Bond ETFs • RRBs and higher costs weighed in period • High yield and LT gov bds, pushed higher • Modestly higher duration exposure through LT Gov Bds, and RRB's. Running at 44% in short-term, 19% in HY. Duration @ 8.5 yrs • A "one-ticket" bond portfolio • Drawback is cost, coming in at 0.52%

		Annualized Returns (%)				Calendar Year Returns (%)						Upside		Downside	
Fund	3mth	1 Yr	3 Yr	5 Yr	10Yr	2017	2016	2015	2014	2013	2012	3Yr	5Yr	3Yr	5Yr
Invesco Senior Loan	0.38	1.92	2.62	2.33	-	1.36	9.47	-2.29	0.49	3.77	-	0	0	-31	-35
Vanguard Cdn Sht Term Bond	0.24	0.59	0.31	1.43	-	-0.36	1.25	2.02	2.80	1.58	1.76	72	69	43	40
BMO Short Corp. Bond Index	0.13	0.85	1.04	2.09	-	1.03	2.02	2.36	3.46	2.13	3.80	86	77	27	22
iShares Core Cdn Unv Bond	0.60	1.75	0.96	3.04	4.01	2.42	1.25	3.30	8.28	-1.31	3.01	104	108	82	87
Invesco Tactical Bond	0.03	0.60	1.08	2.93	-	3.08	2.98	2.02	7.68	-2.11	-	92	100	69	78

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%	$103	• CDA & US dividend ETFs were the largest contributors to performance in the period • Int'l stocks were biggest headwinds • Invests in a portfolio of fixed income and high yielding equity ETFs from BMO • Target mix is 50% equity 50% bonds. • Currently 61% equity, 39% bonds, 0% cash • Volatility profile comparable to XTR • Well positioned for long-term growth • A decent one ticket solution for income focused investors. Yields approximately 4.5%
iShares Diversified Monthly Income	TSX: XTR	Fixed Income Balanced	Fund of ETFs	0.60%	$605	• Modestly outperformed ZMI as U.S. equity ETFs pushed returns higher. • Remains highly sensitive to rates, with more fixed income exposure. • Fixed income portfolio appears to be more diversified with some exposure to HY • Equity sleeve is more richly valued • Invests in a mix of income focused ETFs • Emphasis on cash flow. Yields 5.4%

		Annualized Returns (%)				Calendar Year Returns (%)						Upside		Downside	
Fund	3mth	1 Yr	3 Yr	5 Yr	10Yr	2017	2016	2015	2014	2013	2012	3Yr	5Yr	3Yr	5Yr
BMO Monthly Income Fund	2.05	4.70	3.73	4.92	-	4.97	5.97	-0.58	9.40	3.34	10.24	95	88	89	83
iShares Div. Monthly Income	2.09	3.81	4.73	4.22	4.08	6.61	12.99	-6.04	6.51	2.06	8.37	132	94	90	106

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

Canadian Equity

Fund	Ticker	Asset Class	Construction Method	MER	Assets ($ mil)	Notes
Invesco S&P/TSX Composite Low Volatility ETF	TSX: TLV	Canadian Equity	Rules Based	0.34%	$350	• Trailed on underweight energy, materials & industrials. Overweight REITs helped in Q2 • 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 big sector bets. • Rebal. quarterly. Weighted by volatility
Invesco Canadian Dividend ETF	TSX: PDC	Cdn Dividend & Income Equity	Rules Based / Cap Weighted	0.55%	$357	• Lagged on underweight to industrials & materials. Overweight energy helped in Q2 • Offers a very attractive yield of more than 5%, well above index & peers • Invests in the 45 largest TSX traded stocks with stable or rising dividends in past 5 yrs.
Invesco FTSE RAFI Canadian Fundamental	TSX: PXC	Canadian Equity	Fundamental	0.51%	$258	• Strong energy & financials offset by underweight industrials, tech and materials • Energy and financials make up 70% of ETF • Valuations solid. Outlook mixed on high exposure to energy and potential oil fall
Horizons Active Canadian Dividend	TSX: HAL	Cdn Dividend & Income Equity	Active - Fundamental	0.79%	$29	• Strong showing, outpacing index and peers • Systematic investment process • Focusing on fundamentally strong companies with high & growing dividend payouts. • 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%	$4,086	• Financials & industrials drove gains in Q2 • Low cost exposure to the TSX Composite • Concentrated in energy, financials & materials. Less concentrated than PXC
iShares S&P/TSX Small Cap Index	TSX: XCS	Canadian Small / Mid-Cap Equity	Cap Weighted	0.60%	$120	• Small caps trailed large and mids in Q2 • Invests 200 Canadian small cap stocks. • Valuations between small and mids continues to widen. Now very compelling option
First Asset Morningstar Canadian Momentum	TSX: WXM	Canadian Equity	Rules Based	0.67%	$279	• 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	3mth	1 Yr	3 Yr	5 Yr	10Yr	2017	2016	2015	2014	2013	2012	Upside 3Yr	Upside 5Yr	Downside 3Yr	Downside 5Yr
	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
Invesco S&P/TSX Composite Low Volatility ETF	3.15	4.57	7.54	9.30	-	10.15	14.90	0.40	16.56	11.35	-	79	78	54	43
Invesco Canadian Dividend ETF	4.98	4.70	7.59	8.56	-	10.26	23.37	-8.76	11.74	20.24	15.31	103	96	104	95
Invesco FTSE RAFI Canadian Fundamental	4.84	13.43	10.70	8.49	-	7.16	29.01	-9.81	6.66	16.19	-	126	112	108	131
Horizons Active Canadian Dividend	7.14	11.34	7.49	9.27	-	7.18	20.05	-7.20	12.59	19.76	8.78	103	94	105	79
iShares Core S&P/TSX Capped Composite	5.88	11.50	7.39	8.68	4.82	8.98	21.00	-8.62	10.95	12.46	7.01	100	99	101	100
iShares S&P/TSX Small Cap Index ETF	0.23	4.19	8.20	5.06	2.67	2.56	38.35	-13.2	-3.27	7.70	-2.63	152	133	168	165
First Asset Morningstar Canadian Momentum	8.83	26.21	7.30	10.95	-	10.05	9.24	-9.03	17.10	26.76	-	95	97	92	62

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%	$715	• Small and mid-cap names outperformed • 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%	$162	• Lack of tech exposure was headwind • Fundamentals lagged the broader markets • Starting to favour the this over traditional cap weighted given valuation • 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%	$4,488	• Replicates the S&P 500, hedged to CAD. If you want the unhedged, you can use XUS • Valuations look high compared to CLU even factoring in growth projections • I continue to favour the unhedged XUS over this version for two reasons. First, I see potential for stronger USD near term. Further unhedged will benefit in periods of market volatility on flight to safety trade.

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
Fund	3mth	1 Yr	3 Yr	5 Yr	10Yr	2017	2016	2015	2014	2013	2012	3Yr	5Yr	3Yr	5Yr
Vanguard MSCI U.S. Broad Market (C$ Hedged)	6.34	14.77	10.91	11.94	-	20.28	11.36	-0.81	13.13	33.90	15.36	68	62	43	53
iShares US Fundamental Index	5.03	11.28	9.36	9.93	8.71	14.82	15.15	-4.07	12.79	35.44	15.39	-	-	-	-
iShares Core S&P 500 Index	6.41	14.61	11.12	12.30	9.10	20.71	11.07	0.54	14.02	32.33	15.41	69	63	43	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%	$260	• Low vol kept pace with broader market • Unhedged currency dragged in period • Valuation remains higher than traditional cap weighted or fundamental ETFs.
BMO MSCI EAFE Index (C$ Hedged)	TSX: ZDM	International Equity	Cap Weighted	0.23%	$639	• Fully hedged currency position dragged. • Replicates MSCI EAFE net of fees. • I'm favouring unhedged ZEA for volatile environment. Expect it to be better near term
iShares International Fundamental Index ETF	TSX: CIE	International Equity	Fundamental	0.72%	$205	• Overweight to energy & financials weighed • Unhedged currency helped with falling CAD • 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	0.00%	$622	• 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%	$58	• Outperformed in period • Remains a lower risk way to play Europe • Valuation looks a bit high compared to index, while growth outlook is lower • Provides exposure to the 100 least volatile stocks in the MSCI Europe Index • Weights set by risk, not market cap

		Annualized Returns (%)				Calendar Year Returns (%)						Upside		Downside	
Fund	3mth	1 Yr	3 Yr	5 Yr	10Yr	2017	2016	2015	2014	2013	2012	3Yr	5Yr	3Yr	5Yr
iShares MSCI EAFE Min Vol.	1.37	10.20	5.04	12.06	-	13.74	-5.81	27.81	12.91	24.14	-	80	86	76	65
BMO MSCI EAFE Idx (C$ Hdg)	2.24	9.17	5.32	8.93	-	16.17	6.42	4.71	5.12	26.95	17.04	81	71	74	64
iShares Int'l Fundamental Idx	-1.02	10.42	5.44	10.56	5.20	16.73	2.75	12.43	1.61	32.74	13.06	-	-	-	-
iShares MSCI World	4.96	14.85	8.57	14.32	-	14.42	4.11	17.42	14.31	35.69	11.82	96	96	102	102
FA MSCI Eur LR Weighted ETF	3.55	7.74	6.05	-	-	13.54	1.38	10.82	-	-	-	64	-	45	-

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%	$840	• EM continues to struggle under weight of higher US dollar and trade worries. • Turkey crisis latest concern • Longer term outlook remains strong • Most cost-effective way to play EM
iShares Gold Bullion Fund ETF	TSX: CGL	Commodity	Other	0.55%	$297	• Inflation still well contained. As 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	0.93%	$340	• Actively managed REIT portfolio • REITs continue to trade at big discounts • Fundamentals remain very strong • Better diversified than either XRE or ZRE
BMO Global Infrastructure	TSX: ZGI	Global Equity	Cap Weighted	0.61%	$237	• Strong showing on energy holdings • 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%	$1,015	• Invests in the largest banks and insurance companies that trade on the TSX • Insurers & BNS struggled, muting gains • You may want to take some profits

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside	
Fund	**3mth**	**1 Yr**	**3 Yr**	**5 Yr**	**10Yr**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**3Yr**	**5Yr**	**3Yr**	**5Yr**
Vanguard FTSE EM All Cap	-2.15	8.58	6.68	9.53	-	22.55	8.10	0.21	8.37	1.05	15.11	90	96	102	101
iShares Gold Bullion Fund ETF	-7.73	-5.17	2.65	-2.37	-	11.68	8.25	-11.3	-1.50	-28.7	7.08	-	-	-	-
First Asset Canadian REIT ETF	4.98	12.33	12.87	12.94	11.80	11.72	16.88	15.44	11.19	0.05	17.65	65	-	4	-
BMO Global Infrastructure	8.06	3.08	4.49	11.00	-	2.97	17.16	-4.05	30.36	22.43	12.87	103	103	105	106
iShares S&P/TSX Cpd Fincl	3.93	10.69	10.97	11.56	8.82	12.54	23.36	-3.71	11.89	26.00	16.42	60	49	22	3

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

ETF Descriptions

(From Managers)

Fixed Income

Invesco Senior Loan CAD Hedged (TSX: BKL) - Invesco 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 TM, 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.

iShares Core Canadian Universe Bond Index ETF (TSX: XBB) - The fund seeks to provide income by replicating, to the extent possible, the performance of the FTSE TMX Canada Universe Bond Index (the "Index"), net of expenses. Under normal market conditions, the fund will primarily invest in Canadian fixed income securities. The Index is a market capitalization-weighted index consisting of a broadly diversified range which may include any or all of federal, provincial, corporate and municipal bonds. The investment strategy of the fund is to invest in a regularly rebalanced portfolio of bonds, selected by BlackRock from time to time, that closely matches the characteristics of the Index.

Invesco Tactical Bond ETF (TSX: PTB) – The Invesco Tactical Bond ETF seeks to achieve income and capital growth by investing primarily in securities of Invesco 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

Invesco 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 Invesco 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.

Invesco 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 Invesco ETF invests primarily in Canadian equity securities. PDC invests in liquid, high-yielding securities of Canadian corporations with a track record of growing dividends.

Invesco FTSE RAFI Canadian Fundamental (TSX: PXC) - The Invesco 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 Small Cap Index (TSX: XCS) - The investment seeks to replicate, net of expenses, the S&P/TSX Small Cap Index. The index is comprised of smaller (by market capitalization) securities listed on the TSX, selected by S&P using its industrial classifications and guidelines for evaluating issuer capitalization, liquidity and fundamentals.

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.

Disclaimer

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 patters. 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, 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.