D . A . P A T E R S O N & A S S O C I A T E S I N C .

Minimizing Risk to Maximize Returns

RECOMMENDED LIST OF FUNDS

October 2018

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Contents

The Recommended List

	Name	Returns at September 30, 2018 3 Mth	1 Yr	3 Yr	5 Yr	Sharpe Ratio	Alpha	Beta	Correlations TSX	S&P 500	MSCI EAFE	FTSE/TMX Cdn Bond Universe	MER
	Fixed Income - Core												
1	Dynamic Advantage Bond Fund	-0.6%	0.6%	0.6%	1.5%	0.11	0.02%	0.39	0.446	0.473	0.495	0.731	1.43%
2	Franklin Bissett Core Plus Bond Fund	-0.9%	1.4%	1.7%	2.8%	0.16	-0.01%	0.89	0.267	0.501	0.530	0.945	1.47%
3	Leith Wheeler Corporate Advantage Sr. F	0.0%	2.4%	3.3%	N/A	0.23	0.10%	0.46	0.372	0.571	0.633	0.719	0.00%
4	Lysander-Canso Sht Trm & Fltng Rate	0.3%	1.0%	1.6%	1.7%	0.32	0.09%	0.34	0.161	0.446	0.522	0.528	1.34%
5	Invesco 1-5 Yr Laddered Corp Bond	-0.1%	0.2%	0.4%	1.3%	0.10	-0.03%	1.02	0.206	0.503	0.540	0.863	0.99%
	Fixed Income - Specialty												
1	IA Clarington Floating Rate Income	1.0%	2.4%	2.7%	N/A	0.41	0.22%	0.12	0.540	0.128	0.354	0.070	1.85%
2	Manulife Strategic Income Fund	0.4%	-1.1%	1.6%	4.3%	0.25	0.16%	0.72	0.027	0.473	0.523	0.685	2.00%
3	PIMCO Monthly Income Fund	0.2%	-0.3%	2.7%	3.4%	0.24	0.25%	0.12	0.485	0.184	0.309	0.152	1.38%
4	NinePoint Diversified Bond Fund - NEW	0.2%	1.1%	2.6%	3.5%	0.28	0.11%	0.60	0.447	0.526	0.705	0.572	2.07%
5	RBC Global Corporate Bond	0.2%	-1.4%	2.1%	2.6%	0.18	0.06%	0.57	0.392	0.344	0.444	0.728	1.75%
	Canadian Equity - Core												
1	CI Cambridge Cdn Equity	3.4%	5.4%	8.2%	8.5%	0.33	0.27%	0.66	0.734	0.625	0.563	0.161	2.44%
2	Fidelity Canadian Large Cap Fund	-2.5%	-0.6%	3.7%	5.9%	0.26	0.21%	0.43	0.554	0.679	0.603	0.386	2.52%
3	Manulife Dividend Income Fund	4.0%	9.0%	11.6%	11.7%	0.54	0.57%	0.56	0.761	0.516	0.480	0.239	2.29%
4	RBC North American Value Fund	1.0%	7.5%	10.0%	9.3%	0.36	0.30%	0.72	0.805	0.702	0.619	0.119	1.93%
5	Signature Select Canadian Fund	0.0%	7.2%	10.9%	9.3%	0.33	0.24%	0.81	0.819	0.617	0.627	0.030	2.44%

	Name	3 Mth	1 Yr	3 Yr	5 Yr	Sharpe Ratio	Alpha	Beta	TSX	S&P 500	MSCI EAFE	FTSE/TMX Cdn Bond Universe	MER
		Returns at September 30, 2018							Correlations				
	Canadian Small Mid Cap Equity												
1	CI Cambridge Pure Canadian Equity	0.7%	4.0%	7.3%	9.1%	0.27	0.37%	0.81	0.771	0.328	0.353	0.000	2.43%
2	IA Clarington Canadian Small Cap	1.0%	4.4%	8.6%	6.9%	0.22	0.24%	0.71	0.781	0.163	0.133	-0.234	2.93%
3	Sentry Small Cap Income Fund	3.4%	5.0%	9.7%	9.7%	0.32	0.49%	0.63	0.746	0.614	0.572	0.079	2.45%
	US Equity - Core												
1	Capital Group U.S. Equity Fund	1.5%	16.3%			0.43	-0.03%	0.79	0.454	0.897	0.747	0.332	2.02%
2	Manulife U.S. Equity Fund	4.3%	20.6%	13.4%	16.2%	0.43	-0.14%	0.94	0.219	0.961	0.724	0.401	2.46%
3	RBC O'Shaughnessy U.S. Value Fund	4.7%	14.1%	13.8%	10.2%	0.24	0.08%	0.52	0.609	0.446	0.350	-0.229	1.55%
4	TD U.S. Blue Chip	4.1%	29.6%	18.0%	20.6%	0.40	-0.20%	1.21	0.169	0.900	0.823	0.437	2.38%
5	Invesco U.S. Companies Fund	3.9%	20.6%	12.5%	16.3%	0.38	-0.31%	1.07	0.259	0.941	0.743	0.385	2.76%
	US Small Mid-Cap Equity												
1	Fidelity Small Cap America	4.4%	16.8%	8.2%	14.4%	0.35	0.40%	0.60	0.206	0.849	0.630	0.429	2.47%
2	TD U.S. Mid - Cap Growth Fund	5.5%	20.4%	13.6%	17.9%	0.41	0.56%	0.68	0.220	0.902	0.707	0.460	2.55%
3	Invesco U.S. Small Companies Class	3.3%	15.7%	10.7%	10.9%	0.28	0.11%	0.62	0.304	0.769	0.563	0.351	2.95%
	Global / International Equity - Core												
1	EdgePoint Global Portfolio	3.4%	15.4%	14.9%	16.4%	0.43	0.44%	0.72	0.408	0.715	0.583	0.122	2.13%
3	IA Clarington Global Equity	0.5%	11.3%	10.1%	9.7%	0.32	-0.09%	0.73	0.497	0.817	0.795	0.295	2.57%
4	Mac Ivy Foreign Equity Fund	3.0%	7.7%	4.1%	7.7%	0.25	-0.24%	0.73	0.112	0.852	0.767	0.580	2.50%
5	Manulife World Investment	-2.1%	5.3%	7.9%	10.2%	0.26	0.14%	0.85	0.283	0.750	0.889	0.622	2.56%
6	Invesco International Companies Fund	-3.7%	0.3%	9.9%	11.7%	0.29	0.28%	0.83	0.462	0.697	0.823	0.494	2.97%

Name		Returns at September 30, 2018							Correlations				
		3 Mth	1 Yr	3 Yr	5 Yr	Sharpe Ratio	Alpha	Beta	TSX	S&P 500	MSCI EAFE	FTSE/TMX Cdn Bond Universe	MER
Global Small Mid Cap Equity													
1	Brandes Global Small Cap	-4.3%	-5.1%	4.7%	9.6%	0.26	-0.18%	0.83	0.459	0.722	0.796	0.351	2.69%
2	Fidelity NorthStar Fund	-2.3%	2.3%	1.3%	9.1%	0.31	0.05%	0.59	0.041	0.733	0.682	0.613	2.52%
3	Invesco Global Endeavour	0.7%	10.0%	7.5%	11.7%	0.33	-0.05%	0.85	0.267	0.816	0.805	0.496	2.58%
Specialty / Sector Funds													
1	BMO Asian Growth & Income Fund	-0.4%	2.0%	3.3%	5.0%	0.14	-0.16%	0.66	0.277	0.637	0.753	0.642	2.62%
2	Brandes Emerging Markets	-3.4%	-7.1%	10.5%	4.4%	0.10	-0.27%	0.91	0.528	0.238	0.487	0.230	2.70%
3	Invesco Emerging Markets Fund	-8.7%	-4.7%	9.7%	8.5%	0.19	0.03%	0.93	0.425	0.483	0.649	0.362	2.79%
4	Dynamic Power Global Growth Class	-3.1%	10.9%	16.2%	15.0%	0.24	-0.13%	1.18	0.096	0.580	0.598	0.443	4.03%
5	Manulife Global Infrastructure Fund	-2.9%	-1.9%	2.8%	6.4%	0.17	-0.26%	0.67	0.424	0.577	0.640	0.653	2.74%
Balanced / Income Funds													
1	CI Signature High Income Fund	1.0%	2.9%	4.0%	4.5%	0.22	0.01%	0.74	0.641	0.680	0.683	0.480	1.59%
2	EdgePoint Global Growth & Income Portfolio	2.1%	10.7%	11.0%	12.2%	0.45	0.38%	0.62	0.426	0.722	0.601	0.151	2.03%
3	Fidelity Canadian Balanced Fund	-0.2%	5.5%	4.4%	6.3%	0.29	0.12%	0.82	0.554	0.751	0.718	0.658	2.27%
4	Manulife Monthly High Income Fund	2.7%	6.9%	6.5%	7.9%	0.47	0.39%	0.45	0.567	0.679	0.545	0.379	2.02%
6	TD Monthly Income Fund	0.5%	3.3%	7.0%	6.3%	0.32	0.10%	0.76	0.891	0.426	0.427	0.144	1.48%
Income Options													
1	Invesco 1-5 Yr Laddered Corp Bond	-0.1%	0.2%	0.4%	1.3%	0.10	-0.03%	1.02	0.206	0.503	0.540	0.863	0.99%
2	Sentry Canadian Income Fund A	1.8%	3.1%	5.1%	7.0%	0.32	0.27%	0.47	0.629	0.726	0.545	0.300	2.34%
3	BMO Monthly High Income Fund II	-0.3%	0.4%	5.6%	4.1%	0.14	-0.18%	0.82	0.876	0.243	0.283	0.045	2.12%

	Name	3 Mth	1 Yr	3 Yr	5 Yr	Sharpe Ratio	Alpha	Beta	TSX	S&P 500	MSCI EAFE	FTSE/TMX Cdn Bond Universe	MER
		Returns at September 30, 2018							Correlations				
	Passive Options												
1	TD Canadian Bond Index Fund	-1.2%	0.9%	0.8%	2.4%	0.13	-0.06%	0.98	0.091	0.420	0.427		
2	RBC Canadian Index Fund	-0.9%	5.0%	8.8%	7.0%	0.25	-0.05%	0.98	1.000	0.291	0.394		
3	TD U.S. Index Fund	5.6%	21.0%	15.0%	17.9%	0.46	-0.10%	1.00	0.289	0.997	0.779		
4	TD International Index Fund	-0.5%	5.3%	6.9%	8.3%	0.21	-0.12%	1.00	0.383	0.782	0.993		

Benchmark Returns at September 30, 2018

Benchmark	3 mth	1 Yr.	3 Yr.	5 Yr.	10 Yr.
Fixed Income					
FTSE TMX 90 Day T-Bill Index	0.35%	1.08%	0.66%	0.74%	0.78%
FTSE TMX Short Term Bond Index	0.01%	0.82%	0.70%	1.60%	2.80%
FTSE TMX Canadian Bond Universe	-0.97%	1.64%	1.58%	3.26%	4.44%
Canadian Equity					
S&P/TSX 60 Capped Index	-0.65%	6.48%	9.95%	8.56%	4.95%
S&P/TSX Composite	-0.57%	5.87%	9.70%	7.80%	6.30%
S&P/TSX Completion Index TR	-0.34%	3.93%	9.05%	5.63%	7.16%
S&P/TSX Small Cap Index TR	-2.81%	0.07%	11.21%	4.24%	4.98%
U.S. Equity					
S&P 500 C$	5.89%	22.30%	16.15%	19.46%	14.25%
Russell 2000 C$	1.82%	19.53%	16.39%	16.30%	13.36%
Global & Specialty Equity					
MSCI EAFE C$	-0.30%	7.10%	8.53%	9.84%	7.99%
MSCI World C$	3.32%	16.01%	12.89%	15.07%	11.36%
MSCI World Small / Mid Cap Index C$	0.62%	14.08%	12.78%	14.74%	12.90%
MSCI Europe C$	-0.87%	4.07%	7.14%	9.20%	7.62%
S&P/TSX Capped REIT Index	3.54%	16.20%	11.00%	9.02%	10.25%
MSCI Emerging Markets C$	-2.63%	3.27%	11.50%	8.89%	7.90%
MSCI Pacific C$	0.64%	12.55%	11.38%	11.03%	8.93%
MSCI Pacific ex Japan C$	-2.22%	8.28%	11.60%	8.89%	10.00%
MSCI ACWI C$	2.63%	14.46%	12.73%	14.39%	10.97%
MSCI All China C$	-6.15%	-5.56%	4.90%	10.95%	9.60%

Data Sources:

Fundata

FTSE / TMX

Bank of Canada

MSCI

Returns as of September 30, 2018

List Changes

Additions

NinePoint Diversified Bond Fund (NPP 200 – Front End Units, NPP 237 – Low Load Units) – The past few quarters have been a challenge for bond investors with central banks starting to remove stimulus and moving towards normalizing their interest rate policies. Over the past two years, the FTSE/TMX Canada Universe Bonds Index is lower by an annualized 0.7% to the end of September. The environment is not likely to get any easier in the next little while either, with worries over inflation becoming more real, the yield curve continues to flatten and worries over it inverting remain in view. Further, there are growing concerns over the credit quality of many of the issues in the lowest rated part of the investment grade bond universe. With these challenges, a low-cost passive bond fund, or even a core only product may not be your best option.

That's where this Fund comes in. The **NinePoint Diversified Bond Fund** is a diversified North American-focused bond fund with a flexible mandate allowing the manager to invest across the capital structure. The Fund focuses on corporate bonds for their higher return potential, and takes an absolute return approach, aiming for a 4% to 6% return, net of fees over a rolling three-year period, regardless of interest rates

Fixed income veteran Mark Wisniewski took over this Fund a year or so ago but has run this and similar strategies for years at Davis-Rea and Gluskin Sheff. He is supported on the Fund by two associates; Chris Cockeram and Etienne Bordeleau. Their disciplined investment process blends top-down macro views, thematic tactical trades, and bottom-up security selection. Management tools at their disposal include the ability to alter interest-rate sensitivity, currency exposure, security mix, and credit quality to either capture potential upside or to reduce or manage risk.

Given the current credit environment, the Fund is defensively positioned. Duration is 1 year, compared to roughly 7.2 years for the broader Canadian bond market. The yield to maturity of 3.2% is also higher than the benchmark. To achieve this, the fund is heavily weighted toward corporate bonds, with nearly 68% in credit and 16% in high yield, which is more defensive than it was a few months ago, when it had greater exposure to high yield issues. Given the current market, the managers don't expect to dramatically change that positioning but will continue to improve credit quality where possible. They are also exploring ways to participate in the upside of any potential flight-to-safety trade in government bonds while avoiding the downside associated with the lower yield and higher duration.

Fund performance has outpaced its peers and benchmark since Mr. Wisniewski took the reins a year or so ago. With its defensive positioning, I'd expect it to lag in a bond rally but outperform in volatile periods.

Another interesting feature of this fund is it is available in a corporate class structure, which makes it more tax friendly for non-registered investors.

The biggest concern I have is the fund's cost. Its 2.10% MER is well above the category average. That said, given the active approach and focus on capital preservation, I think the excess return will more than offset the higher costs. It is also available for fee based accounts with an MER of approximately 1.1%.

I wouldn't use this as my only fixed-income exposure but would use it as part of an otherwise well-diversified portfolio. It has the potential to reduce overall volatility while helping improve returns over the long-term

Deletions

NONE

Funds of Note

Dynamic Advantage Bond Fund (DYN 258 – Front End Units, DYN 538 – Low Load Units) – The Managers of this core bond offering have been defensively positioned for several quarters, and now that yields are finally moving higher in a meaningful way, the Fund is being rewarded with above average performance. It has a flexible mandate and can invest across the various fixed income sectors including government bonds, corporate bonds, real return, and high yield bonds. The Managers are very active in managing the interest rate and credit exposure of the Fund.

At the end of September, it held just under 90% in Canadian bonds, 7% in the U.S., and the rest in the UK. The asset mix looks very different from the FTSE/TMX Canada Universe Bond, with only 0.6% in Government of Canada bonds, compared with nearly 36% in the index. It holds nearly 40% in Canadian corporate issues and 25% in provincial bonds. This positioning results in a yield to maturity that is well above the benchmark, with a credit quality that is firmly investment grade.

The Managers have some worries over inflation and have nearly a quarter of the Fund in inflation protected bonds. In the past few quarters, as bond yields have risen, the Managers have been adding duration exposure to the portfolio. At the end of September, duration sat at 5.47 years, compared with 7.45 years for the broader market.

Looking ahead, it appears that interest rates are expected to push higher in the next while as the pace of economic growth continues to be reasonably strong. There are also worries that the central banks are behind the curve on inflation. With the Fund's lower than benchmark duration, higher than benchmark yield and exposure to real return bonds, it is well positioned to benefit if their expectations play out.

I continue to like this Fund for it's defensive positioning and see it as a strong holding for more defensive investors.

Fidelity Canadian Large Cap Fund (FID 231 – Front End Units, FID 031 – Low Load Units) – Manager Dan Dupont has been concerned about market valuations for several quarters, resulting in the Fund's very defensive positioning. Unfortunately for investors, this has led to much underperformance. However, in September and October, market volatility has increased as worries over the pace of economic growth, the effect of higher interest rates, and the headwinds caused by tariffs are having on equity valuations have seen a correction in many equity markets. Over this period, the Fund has outperformed significantly, thanks to its positioning.

In the recent volatility, Mr. Dupont has been putting some of his cash to work but continues to focus on protecting capital. The Fund is overweight the defensive sectors including telecoms and consumer staples. Unlike most of his peers in the Canadian equity space, he has no exposure to Canadian banks and a 10% weight in gold. This can serve as a nice haven if we see an extreme bout of volatility. Even with the recent repricing in the equity markets, Mr. Dupont sees many reasons for caution including his view that we are very late in both the economic and credit cycles, high levels of consumer debt will begin to weigh on sentiment and spending, and housing prices remain stretched. In this type of environment, he believes a defense first positioning is warranted.

While the Fund may have trailed its peers in the recent runup in growth names, I firmly believe that this is one of the better funds to hold for the long-term. I expect that if the recent market volatility continues, investors will be rewarded with continued above average returns, strong downside protection, and a much smoother ride.

CI Signature Select Canadian Fund (CIG 677 – Front End Units, CIG 1777 – Low Load Units) – This core Canadian equity fund was flat on the quarter, outpacing the broader market but trailing the peer group. A strong showing from several of its technology names including Shopify and Alibaba were offset by weakness from its energy holdings. It is very well diversified holding more than 100 names, with the top ten making up a third of the portfolio. More than half the Fund is in Canadian equities, 23% in U.S. equities, and 18% in international equities with the balance in cash. The largest sector weights are financial services, energy, and technology. Still, the valuation levels of the portfolio are very attractive when compared to the broader market and the peer group.

This positioning is expected to be a positive as the market leadership turns from the growth at any price names that have driven markets higher over the past 18 months, to higher quality, more value focused companies. The Manager remains bullish on all risk assets, but on equities specifically. Even with interest rates moving higher, overall financial conditions remain rather simulative based on historic levels, making a strong case for gains in stocks.

Sentry Small/Mid Cap Income Fund (CIG 50221 – Front End Units, CIG 53221 – Low Load Units) – Even with more than $1.8 billion in assets under management, this small-cap offering is one of the better funds available in the Canadian small cap space. Led by Sentry portfolio manager Aubrey Hearn, it continues to deliver above-average risk-adjusted returns for investors.

Mr. Hearn uses a bottom-up security selection process that looks for small- and mid-cap companies in Canada and the U.S. that have a history of delivering high return on capital, low leverage, rising free cash flow, low earnings volatility, strong management teams, high barriers to entry, sustainable competitive advantages, and the ability to consistently grow their dividends over time. Valuation is also a consideration in the process, as the manager doesn't want to overpay for an investment.

With about 60 names, the portfolio is well diversified. The top 10 holdings comprise about a third of the fund.

The sector mix is the result of the stock selection process, and often looks dramatically different than its benchmark and its peer group. The fund currently has overweight positions in consumer cyclicals, industrials, communications, and tech. It is underweight materials and energy.

Somewhat surprising for a fund with an income mandate, it is underweight real estate and utilities, which are staples of more traditional income offerings. It is also nearly 40% invested outside of Canada. Valuation levels are higher than the benchmark, but this is offset by a very healthy earnings growth outlook.

Absolute performance has trailed slightly in the shorter term, with the fund placing in middle of the pack over the past three years to Sept. 30. However, volatility has been well below the peer group, resulting in much stronger risk-adjusted numbers. In addition, the fund's performance in down markets has been excellent, participating in just a third of the market drops over the past three years.

Given the focus on capital preservation and downside protection, I continue to believe in this fund and see it as one of the stronger small/mid-cap offerings available. It has a solid management team, with recent additions deepening bench strength, and uses a disciplined, sound, and repeatable investment process.

In the short term, we may see higher levels of volatility, but the fund would be expected to be less volatile than its peers. Longer term, I expect the fund to continue generating above-average returns with below-average levels of volatility.

Capital Group U.S. Equity Fund (CIF 847 – Front End Units, CIF 867 – Low Load Units) – This fund has a modest four-year track record here in Canada, but it is modelled on Capital International's oldest portfolio, the **Investment Company of America**, which was launched in 1933. The fund is managed with a multi-manager approach, whereby the portfolio is divided into different sleeves that are managed independently by managers of different backgrounds and styles. A portion of portfolio is also made up of top picks from the firm's own analyst teams.

Because each sub-advisor uses their own unique, research-driven approach to stock selection, the result is a portfolio that tends to be somewhat style agnostic.

The firm's Portfolio Coordinating Group is responsible for monitoring the portfolio in real time and sets the weight between the managers and analysts within the fund, based on their outlook of the investing environment.

The portfolio is often quite different from its benchmark. For example, at the end of June, it was overweight energy and healthcare and underweight in financials, industrials, and technology. It holds 57 names, with the top 10 making up 41% of the fund. Valuation metrics currently look more attractive than the S&P 500.

The compensation structure for the portfolio is unique. Incentive bonuses are paid to the managers based on their rolling one-, three-, five-, and eight-year performance numbers, with more emphasis being placed on the longer-term numbers.

Performance has been above average, with lower levels of portfolio volatility, resulting in better risk-adjusted performance. Moreover, the fund has done an excellent job protecting capital in down markets, delivering less than 60% of the downside of the index over the past three years.

Costs are very reasonable, with an MER of 2.03% for the front-end units and 2.20% for the low-load units, both of which are below the category average. The lower fee hurdle will help in this category where outperformance is often very difficult.

Given the emphasis on risk management, I wouldn't expect this fund to shoot the lights out, but I would expect it to deliver index-like or better returns with volatility levels that are slightly better than the broader market.

All these factors add up to a compelling reason to consider this fund a core U.S. equity holding.

Fidelity Small Cap America Fund (FID 261 – Front End Units, FID 061 – Low Load Units) – Like the Fidelity Canadian Large Cap Fund discussed above, it has been a tough couple of years for this U.S. small cap offering. Managed by Steve MacMillan, it has struggled to keep pace in the growth rally in 2016, 2017, and the first half of this year. However, as volatility has returned to the markets, this Fund has begun to show signs of why it has been one of my favourites for the past few years. To the end of September, the Fund was posting above average returns, and modestly outpacing the peer group. However, in October, the Fund outpaced the peer group by more than 550 basis points, as the defensive positioning and focus on quality has seen its holdings fall significantly less than the peer group and market.

Looking at the environment, Mr. MacMillan believes a cautious positioning is warranted and has been adding more exposure to the more defensive sectors including utilities, consumer staples, real estate, and cash. At the end of September, the Fund held nearly 10% in cash. The portfolio remains concentrated, holding roughly 50 names with the top ten making up slightly more than half of the Fund.

In the small cap space, this remains one of my favourites for the disciplined management process, focus on quality and downside protection offered.

Manulife World Investment Fund (MMF 4336 – Front End Units, MMF 4236 – Low Load Units) – I have been a fan of this high quality international equity fund for years now. It is managed by Calgary based Mawer Investments and is a mirror of their highly respected Mawer International Equity Fund. Lead manager David Ragan and his team use a fundamentally driven, bottom up investment process that looks to find well-managed, wealth creating companies that are trading at discount to what the Managers believe it to be worth. They look for companies that have both a history of, and the potential to continue generating a high return on invested capital. They are looking for companies anywhere in the world, outside of Canada and the U.S. While the Manager is aware of the macro environment, they focus the majority of their efforts on bottom up security selection. In the current environment, the Manager notes that valuations are high, and as a result, he remains cautious. He has a high level of confidence in each of the companies in the Fund, however concedes that if there were a significant correction, all stocks are likely to be sold off heavily. However, with their focus on quality, I expect that this Fund is likely to hold in better than most of its peers and has the potential to bounce back more quickly.

Costs are a bit higher than average, but given the longer-term performance, focus on risk management, and volatility profile, I believe this to be an excellent international equity offering. Further, if you are using it in a fee-based account, you can access this fund in an F-class version more cheaply than you can buy it from Mawer directly.

BMO Monthly High Income II Fund (GGF 619 – Front End Units, GGF 941 – Low Load Units) – Managed by the team of Kevin Hall and Michelle Robitaille, this Canadian dividend fund has the goal of providing a high and consistent level of monthly income, with a very modest level of volatility. It has done that, paying a monthly distribution of $0.06 per unit, which equates to an annualized yield of just shy of 5.8%.

The Fund has struggled in the past year or two as market leadership has been focused on the "growth at any price" type companies, which in Canada has included many high flying cannabis names. Given the lack of a dividend offered by such companies, they are not going to be found in this fund. Instead, you have a portfolio of high yielding mid and large sized companies across a wide range of industries. Not surprisingly, the largest sector weights are in the highest yielding including financials, energy, real estate, and utilities. About half the Fund is in large cap names with the rest in small and mid-cap names. The dividend yield of the underlying portfolio is well above both the index and peer group.

The portfolio currently has a value tilt to it, offering a level of valuation that is more attractive than both the benchmark and peer group. While valuation may skew towards value, the underlying companies are still poised to deliver earnings growth in the coming quarters. This combination makes for a strong potential of share price appreciation, if you have the patience to wait out a growth focused market. As equity market volatility spikes, I would expect this Fund to hold up better than the index and peer group.

Looking ahead, the Manager remains positive on Canadian equities, citing the announcement of the trade deal between Canada, Mexico and the U.S., good earnings growth, rising oil prices, and a strong U.S. economy as key reasons for optimism. Still, the portfolio positioning remains somewhat defensive, which is likely warranted as we head into a potentially volatile period.

Fixed Income Core

Fund	Style	Managers	MER	Assets ($ mil)	Notes
Dynamic Advantage Bond	Multi-Strategy	Michael McHugh Domenic Bellissimo	1.43%	$362.4	• Defensive positioning helped in rising yield world • With yields rising, Mgrs added duration. Now 5.7 yrs • Lower duration should help in rising yield market
Franklin Bissett Core Plus Bond Fund	Top Down Macro Fundamental Security section	Thomas O'Gorman Darcy Briggs	1.49%	$1,775.9	• Outpaced index on higher weighting to corporates, lower duration, and higher yield to maturity. • Top down macro with bottom up security selection • Flexible mandate. Can invest up to 25% in high yield • 56% corps, 34% in govs, 6% in loans, rest in muni's
Leith Wheeler Corporate Advantage	Top Down Macro Fundamental Security section	Jim Gilliland Catherine Heath Dhruv Mallick	0.79%	$136.7	• Preferreds were biggest contributor to returns in Q3 • Sold into strength. Expecting higher yields from here • Mix of top down macro, bottom up security selection • Managers take a defense first approach. Will lag in rising markets but outperform in falling markets.
Lysander-Canso Sht Trm & Fltng Rate	Fundamental Credit Analysis	John Carswell	1.32%	$199.9	• Very short duration of 0.3 yrs. Well below index • Focused on short-term and floating rate debt • Bottom up, deep value security selection process • Concentrated, high conviction portfolio
Invesco 1-5 Year Laddered Corp Bond	Rules Based	Invesco Management Team	0.99%	$312.9	• Trailed peers on longer duration in rising rate Q3 • Offers Yield to Maturity of 3.2% and duration of 3.1 • Duration shortening as bonds roll down to maturity

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		
Fund	**3mt**	**1 Yr**	**3 Yr**	**5 Yr**	**10Yr**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**3Yr**	**5Yr**	**3Yr**	**5Yr**	**Risk**
Dynamic Advantage Bond	-0.6	0.6	0.6	1.5	3.4	0.2	1.6	0.7	4.3	-0.1	4.2	24%	40%	13%	22%	2.05%
Quartile	1	3	4	4	3	4	2	4	4	1	1					
Frkln Bissett Core Plus Bond	-0.9	1.4	1.7	2.8	3.7	2.9	3.3	0.6	7.3	-1.4	3.3	86%	90%	52%	67%	3.65%
Quartile	2	1	1	2	2	1	1	4	2	2	3					
Leith Wheeler Corp.Advantage	0.1	1.4	3.0	-	-	3.0	4.4	1.6				46%	N/A	-13%	N/A	2.34%
Quartile	1	2	1	-	-	1	1	3								
Lys. Cnso Sht Trm Fltng Rate	0.4	1.0	1.6	1.7	-	0.9	2.8	1.4	2.2	-	-	30%	34%	-31%	-26%	0.84%
Quartile	1	2	1	1	-	1	1	2	3	-	-					
PShrs 1-5 Yr Lad. Corp Bond	-0.1	0.2	0.4	1.3	-	-0.2	1.3	1.8	2.8	1.4	3.0	61%	65%	34%	40%	1.50%
Quartile	3	4	3	2	-	3	2	2	1	1	1					

Note: Risk is the annualized three or five-year standard deviation, whichever is longest
Upside and downside capture ratios are run against the FTSE TMX Canadian Universe Bond Index, except for PowerShares 1-5 Year Laddered Corporate Bond Fund, which is against the FTSE TMX Canadian Short Term Bond Index

Fixed Income Specialty

Fund	Style	Managers	MER	Assets ($ mil)	Notes
IA Clarington Floating Rate Income Fund	Bottom up Credit	Jeff Sujitno	1.85%	$1,167.2	• Defensive positioning was headwind in Q3 • Focus is on quality and yield generation • Floating rate strategy lessens duration risk. • Expecting coupon type return for the Fund in 2018
Manulife Strategic Income	Tactical	Dan Janis Thomas Goggins	2.00%	$9,043.0	• Dialed duration back in Q3. Now at 2.6 from 3.2 • Yield sits at 4.2%, well above FTSE/TMX Universe • Selectively embracing credit risk, with eye on quality
PIMCO Monthly Income Fund	Tactical	Alfred Murata Daniel Ivascyn	1.38%	$17,599.7	• Actively managed mix of high quality core holdings & riskier trades in high yield, mortgages, and EM debt • Remains defensive. Duration focused in U.S. issues
NinePoint Diversified Bond Fund	Tactical	Mark Wisniewski Chris Cockeram Etienne Bordeleau	2.10%	$358.9	• Actively managed, unconstrained bond Fund • Targets an annualized 4% to 6% return • Focus on earning yield at a reasonable level of risk • Mix of top down macro / bottom up credit selection
RBC Global Corporate Bond	Credit Analysis	Frank Gambino Marty Balch Soo Boo Cheah	1.73%	$10,877.0	• Invests mainly in investment grade corporate bonds from issuers around the world. • U.S. investment grade, and EM bonds were a head-wind in Q3. High Yield was strong contributor. • Overweight Canada & U.S. IG, underweight HY • Duration remains in line with benchmark.

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		
Fund	3mt	1 Yr	3 Yr	5 Yr	10Yr	2017	2016	2015	2014	2013	2012	3Yr	5Yr	3Yr	5Yr	Risk
IA Clarington Floating Rate Inc	1.0	2.4	2.7	-	-	2.4	6.5	0.9	3.9	-	-	7%	-	-22%	-	1.79%
Quartile	4	4	4	-	-	2	3	2	2							
Manulife Strategic Income	0.4	-1.1	1.6	4.3	6.4	2.6	3.1	5.5	8.1	4.5	9.1	14%	39%	0%	12%	4.07%
Quartile	1	4	2	1	1	4	4	1	1	2	3					
PIMCO Monthly Income Fund	0.2	-0.4	4.4	4.7	-	6.4	7.1	2.4	5.3	6.3	23.7	21%	19%	-20%	-28%	2.43%
Quartile	1	3	1	1	-	1	1	3	4	1	1					
NinePoint Diversified Bond	0.2	1.1	2.6	3.5	-	4.3	5.1	1.8	3.3	2.9	10.8	14%	20%	-11%	-10%	2.80%
Quartile	1	1	1	2	-	3	4	2	3	3						
RBC Global Corporate Bond	0.2	-1.3	2.1	2.7	4.8	3.6	5.1	-0.6	6.7	-0.6	8.8	20%	22%	2%	4%	3.04%
Quartile	3	4	3	3	2	1	1	4	3	3	2					

Note: Risk is the annualized three or five-year standard deviation, whichever is longest
Upside and downside capture ratios run against the most appropriate benchmark

Canadian Equity Core

Fund	Style	Managers	MER	Assets ($ mil)	Notes
CI Cambridge Canadian Equity	Large Cap Blend	Brandon Snow	2.44%	$4,952.1	• Strong quarter. U.S. holdings were big contributors • Used market vol to put cash to work. Cash now at 1% • Bottom up, benchmark agnostic process. NO BANKS!
Fidelity Canadian Large Cap	Large Cap Value	Daniel Dupont	2.31%	$4,293.6	• Defensive positioning weighed in Q3 • Remains defensive. Expecting more volatility • Has significantly outperformed in October sell-off
Manulife Dividend Income Fund	Large Cap Blend	Alan Wicks Conrad Dabiet Jonathan Popper	2.29%	$4,114.6	• Handily outpaced the index and peer group • Concentrated, yet diversified portfolio of businesses that are creating value faster than broader markets • All cap portfolio, with roughly 35% in small/mid-caps • Holds 55% Cdn equity, 26% US, & 12% cash.
RBC North American Value	Large Cap Blend	Stu Kedwell Doug Raymond	1.89%	$3,130.6	• Strong security selection & underweight to materials boosted relative returns in Q3. 58% in Canada • Believes we are late cycle, but recession unlikely soon • Expect that higher stock prices are possible near term
Signature Select Canadian	Large Cap Value	Eric Bushell	2.44%	$2,646.8	• Weak showing from energy names hurt in Q3 • Bullish on risk assets. Outlook for equities is positive • Valuations look very attractive compared to market

		Annualized Returns (%)				Calendar Year Returns (%)						Upside		Downside		
Fund	3mt	1 Yr	3 Yr	5 Yr	10Yr	2017	2016	2015	2014	2013	2012	3Yr	5Yr	3Yr	5Yr	Risk
CI Cambridge Cdn Equity	3.4	5.4	8.2	8.9	9.5	4.0	16.0	0.6	14.2	27.2	16.7	85%	86%	86%	57%	6.81%
Quartile	1	3	3	2	1	4	1	2	1	1	1					
Fidelity Canadian Large Cap	-2.4	-0.4	4.0	6.2	9.6	-0.1	10.2	3.6	10.6	36.6	6.0%	49%	62%	66%	42%	5.81%
Quartile	4	4	4	4	1	4	3	1	2	1	3					
Manulife Dividend Income	4.0	9.0	11.6	11.7	-	12.8	15.7	-1.1	5.1	9.5	5.8	84%	86%	11%	18%	5.59%
Quartile	1	1	1	1	-	1	3	1	4	4	3					
RBC North American Value	1.0	7.6	10.1	9.4	9.1	11.2	12.7	-0.3	7.6	23.1	11.8	94%	87%	75%	52%	6.74%
Quartile	2	2	2	2	1	1	3	4	3	2	1					
Signature Select Canadian	0.0	7.2	10.9	9.3	7.5	15.8	13.1	-2.4	11.6	19.2	8.2	103%	95%	83%	69%	7.44%
Quartile	4	2	1	2	2	1	2	3	1	3	2					

Note: Risk is the annualized three or five-year standard deviation
Upside and downside capture ratios are run against the S&P/TSX Composite Total Return Index, except for RBC North American Value, which is calculated against the MSCI North America GR CAD

Canadian Small Mid-Cap Equity

Fund	Style	Managers	MER	Assets ($ mil)	Notes
CI Cambridge Pure Canadian Equity	Small Cap Growth	Greg Dean Stephen Groff	2.43%	$386.8	• Strong quarter outpacing index & peers • Overweight in energy was headwind in the quarter • Portfolio has a modest growth tilt to it. High valuation levels somewhat offset high higher growth rates • Managed with a fundamental, bottom up process, Blends core holdings with opportunity trades
IA Clarington Canadian Small Cap	Small Cap Value	Joe Jugovic Ian Cooke	2.93%	$1,013.4	• Outpaced the benchmark on overweight in energy • Remain defensive. Focus on quality and yield • Avoiding sectors where there is excessive optimism, instead looking for opportunities in uncertainty • Focus on quality make it a great long-term pick! • I also like **NEI Ethical Special Equity** and **CI Can-Am Small Cap**, which are very similar funds.
Sentry Small Mid Cap Income Fund	Mid Cap Blend	Aubrey Hearn Michael Simpson	2.45%	$1,751.6	• Outpaced the index and peer group • Cargojet and Parkland Fuel were big contributors • Valuation levels starting to look a bit rich. This may limit gains if market leadership favours value stocks • Significantly overweight consumer & industrials • Pays a monthly distribution. Currently yielding 2.6%

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		
Fund	3mt	1 Yr	3 Yr	5 Yr	10Yr	2017	2016	2015	2014	2013	2012	3Yr	5Yr	3Yr	5Yr	Risk
CI Cambridge Pure Cdn Equity	0.7	4.0	7.3	9.1	-	-0.4	21.9	-5.8	14.7	47.3	34.3	80%	95%	79%	57%	9.07%
Quartile	2	3	3	1	-	4	2	3	1	1	1					
IA Clarington Cdn Small Cap	1.0	4.4	8.6	6.9	9.1	1.9	22.3	-6.8	5.9	37.3	20.2	86%	75%	71%	46%	8.22%
Quartile	2	3	2	2	2	3	2	3	2	1	1					
Sentry Small Mid Cap Income	3.4	5.0	9.8	9.8	13.7	8.4	14.6	-0.2	12.7	36.4	15.5	80%	80%	34%	26%	7.84%
Quartile	1	3	2	2	1	3	3	3	1	1	1					

Note: Risk is the annualized three or five-year standard deviation, whichever is longest
Upside and downside capture ratios are run against the S&P/TSX Completion Index

U.S. Equity Core

Fund	Style	Managers	MER	Assets ($ mil)	Notes
Capital Group U.S. Equity Fund	Large Cap Blend	Christopher Buchbinder Barry Crosthwaite Mark Hickey	2.03%	$142.3	• Trailed the index and peers as healthcare, consumer staples, and tech created a headwind. Attractive valuations • Managed using a unique multi manager structure. • Significant alignment of interests with investors.
Manulife U.S. Equity Fund	Large Cap Blend	Grayson Witcher	2.46%	$538.3	• Mirrors the respected **Mawer U.S. Equity Fund** • Lagged on underperformance resulting from M&A activity • Solid long-term pick for active U.S. equity exposure
RBC O'Shaughnessy U.S. Value	Large Cap Value	Jim O'Shaughnessy Patrick O'Shaughnessy	1.49%	$1,411.1	• Strong return but trailed index & peers. Higher exposure to small cap and high quality stocks weighed • Well positioned with higher return on capital, less reliance on external financing, and more attractive valuation • Should benefit as leadership shifts to value names
TD U.S. Blue Chip	Large Cap Growth	Larry Puglia	2.41%	$3,869.4	• Exposure to FANG stocks weighed in Q2. Take profits! • Growthiest" fund in the category with very rich multiples • Expecting very high volatility in coming months. Caution • Combines bottom up stock picking with top down risk management. Likes market leaders with cash flow
Invesco U.S. Companies	Large Cap Growth	Jim Young	2.76%	$615.3	• Remains **UNDER REVIEW**. Closely watching risk metrics • Trailed peers on weaker tech names in volatile quarter • Manager believes market is fairly valued on relative basis • Has been rotating into more modestly valued companies

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		
Fund	**3mt**	**1 Yr**	**3 Yr**	**5 Yr**	**10Yr**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**3Yr**	**5Yr**	**3Yr**	**5Yr**	**Risk**
Capital Group U.S. Equity	1.5	16.3	13.5	-	-	8.0	15.5	7.9	-	-	-	77%	-	58%	-	8.55%
Quartile	4	3	2	-	-	2	1	4								
Manulife U.S. Equity	4.3	20.6	13.4	16.2	-	11.9	4.5	17.9	19.3	40.5	11.4	92%	91%	108%	109%	9.99%
Quartile	3	2	2	2	-	3	3	2	2	2	2					
RBC O'Shaughnessy US Val	4.7	14.2	13.8	10.2	10.0	21.5	12.6	-8.9	10.7	47.5	12.4	57%	52%	-6%	44%	11.81%
Quartile	3	3	2	4	3	1	1	4	4	1	1					
TD U.S. Blue Chip	4.1	29.5	18.0	20.6	15.4	25.5	-4.7	30.8	16.8	47.6	13.7	120%	113%	136%	130%	13.73%
Quartile	3	1	1	1	1	1	4	1	3	1	1					
Invesco U.S. Companies	3.9	20.6	12.5	16.3	12.6	21.8	-1.9	15.4	25.7	40.8	10.3	100%	100%	140%	140%	11.60%
Quartile	4	2	3	2	1	1	3	2	1	2	2					

Note: Risk is the annualized three or five-year standard deviation, whichever is longest
Upside and downside capture ratios are run against the S&P 500 C$ Total Return Index

U.S. Small Mid-Cap Equity

Fund	Style	Managers	MER	Assets ($ mil)	Notes
Fidelity Small Cap America	Mid Cap Blend	Steve MacMillan	2.27%	$2,547.2	• Outperformed the index and peers in Q3 • Healthcare and industrial names boosted gains • Remains focused on minimizing volatility and risk • Defensive positioning has been a headwind, but is expected to improve with volatility likely to return • Continues to deliver strong downside protection
TD U.S. Mid Cap Growth Fund	Mid Cap Growth	Brian Berghuis John Wakeman	2.56%	$1,786.5	• Outpaced index and peer group in Q3 • Positioned for economic growth – overweight consumer, tech and industrials, Also overweight healthcare. • Valuation very rich, trading well above the index • More volatility expected. Consider rebalancing
Invesco U.S. Small Companies	Small Cap Blend	Rob Mikalachki Virginia Au Jason Whiting	2.95%	$189.9	• Outpaced the index & peer group on industrial and tech • Took some profits on highly valued stocks. Cash at 8% • Expecting more volatility as uncertainty mounts • Will not sacrifice quality. Remain focused on process. • Continue to look for high quality companies with high free cash flow dependability & strong balance sheets

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		
Fund	**3mt**	**1 Yr**	**3 Yr**	**5 Yr**	**10Yr**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**3Yr**	**5Yr**	**3Yr**	**5Yr**	**Risk**
Fidelity Small Cap America	4.4	17.1	8.4	14.7	15.4	6.3	-1.4	24.3	17.5	54.2	19.9	57%	78%	61%	65%	10.99%
Quartile	2	2	4	2	1	3	4	1	1	1	1					
TD U.S. Mid Cap Growth Fund	5.5	20.4	13.6	17.9	15.0	15.7	1.1	25.9	21.5	43.8	9.7	78%	89%	66%	65%	11.49%
Quartile	1	1	2	1	1	3	4	1	1	2	2					
Invesco U.S. Small Companies	3.3	15.7	10.7	11.0	13.4	7.1	14.6	2.5	16.3	33.4	10.0	69%	66%	70%	65%	10.67%
Quartile	2	2	3	3	1	1	2	4	1	4	2					

Note: Risk is the annualized three or five-year standard deviation, whichever is longest
Upside and downside capture ratios are run against the Russell 2000 C$ Total Return Index

Global / International Equity Core

Fund	Style	Managers	MER	Assets ($ mil)	Notes
EdgePoint Global Portfolio	Large Cap Growth	Tye Bousada Geoff MacDonald Ted Chisholm	2.11%	$10,250.5	• Strong industrial, and technology names, • Concentrated Fund of high quality, undervalued businesses with good long-term prospects • Fundamental, bottom up stock selection approach • Look to understand true value of the business and buy in at a price well below that value • Tends to be a more volatile than the index or peers, but manages to protect capital in down markets
IA Clarington Global Equity Fund	Large Cap Value	Joe Jugovic	2.54%	$295.7	• Quality and value focus trailed in Q3 • Avoiding sectors where there is excessive optimism, instead looking for opportunities in uncertainty • Continuing to focus on quality and valuation. • Should provide strong downside protection, but expected to lag in market rally because of quality bias
Mackenzie Ivy Foreign Equity Fund	Large Cap Blend	Paul Musson Matt Moody	2.50%	$4,387.8	• Solid quarter as some names that have struggled recently rebounded including H&M and Omnicom • Remains defensive, holding 27% in cash • Mgr. sees many issues on horizon. • Watching the Manager and Fund very closely. • Historically been one of the best for volatile markets
Manulife World Investment	Large Cap Blend	David Ragan Peter Lampert	2.56%	$1,873.1	• Identical to **Mawer International Equity Fund** • Trailed on exposure to India based companies • Macro environment including trade, debt levels and rates require caution. Managers continue to focus on finding attractive security specific opportunities. • Managed using a fundamentally driven, bottom up GARP process that looks for well-managed, wealth creating companies trading below its true value
Invesco International Companies Fund	Large Cap Growth	Jeff Feng Matt Pedan	2.97%	$457.9	• Ended lower, trailing both index and peers • Industrial and tech names were biggest detractors • Took some profits and redeployed cash into current holdings. Cash is 4%, providing some dry powder • High conviction mix of quality companies with strong mgmt., growth, cash flow & competitive advantage. • Willing to pay up for high quality businesses. • Valuation levels higher than index and peers, but this is offset by higher earnings growth rates.

		Annualized Returns (%)				Calendar Year Returns (%)						Upside		Downside		5 yr.
Fund	**3mt**	**1 Yr**	**3 Yr**	**5 Yr**	**10Yr**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**3Yr**	**5Yr**	**3Yr**	**5Yr**	**Risk**
EdgePoint Global Portfolio	3.4	15.3	14.9	16.4	-	16.7	13.4	12.7	18.7	44.5	11.1	97%	93%	67%	61%	10.04%
	1	1	1	1	-	1	1	2	1	1	3					
IA Clarington Global Equity	0.6	11.4	10.2	-	-	12.5	8.3	8.8	8.2	21.1	12.5	78%	-	76%	-	7.52%
Quartile	4	2	2	-	-	3	1	3	3	3	2					
Mackenzie Ivy Foreign Equity	3.0	7.7	4.0	7.7	7.8	1.7	-0.1	16.0	8.3	31.0	7.9	52%	63%	85%	85%	8.11%
Quartile	2	3	4	4	3	4	3	2	3	2	4					
Manulife World Investment	-2.2	5.3	7.9	10.2	8.4	21.0	-4.0	19.4	7.3	21.6	19.2	91%	94%	89%	84%	10.48%
Quartile	4	2	2	1	1	1	3	2	1	4	3					
Invesco Int'l Comps.	-3.7	0.4	9.9	11.7	8.3	20.5	2.2	17.3	12.2	27.6	15.9	98%	92%	82%	67%	11.06%
Quartile	4	4	1	1	1	1	1	2	1	2	2					

Note: Risk is the annualized three or five-year standard deviation, whichever is longest
Upside and downside capture ratios are run against the MSCI World Gross Index C$ for Global Equity funds & MSCI EAFE Gross Index C$ for International Equity funds

Global / International Small / Mid-Cap Equity

Fund	Style	Managers	MER	Assets ($ mil)	Notes
Brandes Global Small Cap	Small Cap Value	Brandes Management Team	2.71%	$253.1	• Value tilt continued to drag in third quarter • Uses an actively managed, bottom up process looking for names trading below its intrinsic value • Underweight U.S. and holds about 7% in cash. • Will hold cash when no suitable opportunities found • More volatile than its peers. Volatility is an opportunity to pick up mispriced stocks at better prices. • Remains a good long-term pick
Fidelity NorthStar Fund	Mid Cap Blend	Joel Tillinghast Daniel Dupont	2.32%	$7,202.2	• Dupont remains very defensively positioned. Recent weakness created opportunities to deploy cash. • Tillinghast favours high quality companies with lower leverage, strong mgmt & consistent profitability • All cap go anywhere fund run by Joel Tillinghast and Daniel Dupont, each using their distinct styles • Tillinghast is diversified, Dupont is concentrated • Defensive positioning and 7% cash should allow the Fund to hold up better in periods of market volatility
Invesco Global Endeavour	Mid Cap Blend	Jeff Hyrich Erin Greenfield	2.58%	$1,654.6	• Renamed in July 2018 • Positive but trailed on European & industrial stocks • Used volatility to put cash to work in current names • Comfortable with their EM exposure based on their fundamental, bottom up investment analysis • Expecting higher levels of volatility in near-term. • Continue to focus on high quality companies.

		Annualized Returns (%)				Calendar Year Returns (%)						Upside		Downside		5 yr.
Fund	**3mt**	**1 Yr**	**3 Yr**	**5 Yr**	**10Yr**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**3Yr**	**5Yr**	**3Yr**	**5Yr**	**Risk**
Brandes Global Small Cap	-4.3	-5.1	4.7	9.6	11.3	1.7	14.2	22.2	8.1	34.8	33.7	60%	68%	102%	75%	9.74%
Quartile	4	4	4	3	2	4	1	1	3	3	1					
Fidelity NorthStar Fund	-2.2	2.6	1.5	9.4	9.1	4.1	-2.0	24.9	13.5	46.0	8.0	37%	57%	81%	47%	7.79%
Quartile	3	4	4	3	3	4	4	1	1	1	3					
Invesco Global Endeavour	0.7	10.0	7.5	11.7	12.7	15.4	1.3	18.8	11.0	31.9	14.3	74%	81%	98%	88%	9.51%
Quartile	4	2	4	2	1	2	3	1	2	2	1					

Note: Risk is the annualized three or five-year standard deviation, whichever is longest
Upside and downside capture ratios are run against the MSCI World Small/Mid Cap C$ Gross Index

Specialty / Sector Funds

Fund	Style	Managers	MER	Assets ($ mil)	Notes
BMO Asian Growth & Income	Large Cap Blend	Robert Horrocks Kenneth Lowe	2.62%	$724.0	• Outperformed index and peers in choppy markets • Hong Kong and Tech names were big contributors • Managers were active, adding convertible bonds • Managers cautious. Fund is attractively valued
Brandes Emerging Markets Value	Large Cap Value	Brandes Management Team	2.71%	$257.4	• Bottom up deep value approach that looks for quality companies beaten down by the market • EM traded lower on worries over trade war / China • Trades at a big discount to its index and peers
Invesco Emerging Markets Fund	Large Cap Blend	Jeff Feng Matt Peden	2.79%	$234.5	• Trailed the index and peers on tech and consumer. • Used volatility to put some cash to work. • Fundamental, bottom up, with focus on quality • Managers willing to pay up for high quality business
Dynamic Power Global Growth	Large Cap High Growth	Noah Blackstein	2.49%	$1,286.7	• Tough quarter for the Fund, trailing index and peers • Concentrated in tech, consumer, & industrial names • High volatility with potential for high return.
Manulife Global Infrastructure Fund	Large Cap Growth	Craig Noble	2.74%	$227.1	• Remains UNDER REVIEW • Infrastructure expected to do well in market volatility • Low historic correlation to traditional asset classes makes it an excellent diversifier in a portfolio.

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
Fund	**3mt**	**1 Yr**	**3 Yr**	**5 Yr**	**10Yr**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**3Yr**	**5Yr**	**3Yr**	**5Yr**	**Risk**
BMO Asian Growth & Inc.	-0.4	2.0	3.3	5.0	6.9	11.5	-2.9	10.2	6.7	9.3	21.9	47%	53%	73%	64%	9.13%
Quartile	1	3	4	4	3	4	2	4	3	4	1					
Brandes Emerging Mkts Value	-3.5	-7.2	10.5	4.5	7.2	16.6	20.4	-6.9	-1.2	13.3	10.5	86%	81%	81%	103%	13.04%
Quartile	3	4	1	4	1	4	1	4	4	1	4					
Invesco Emerging Markets	-8.7	-4.7	9.7	8.6	-	26.5	7.0	7.7	7.3	10.8	6.6	94%	98%	102%	99%	12.45%
Quartile	4	4	2	1	-	3	2	1	2	1	4					
Dynamic Power Global Growth	-3.1	10.9	16.2	15.0	13.0	51.4	-12.0	24.5	9.1	40.6	7.2	112%	114%	91%	144%	17.89%
Quartile	4	2	1	1	1	1	4	1	2	1	4					
Manulife Global Infrastructure	-2.9	-1.9	2.8	6.4	8.3	4.2	6.8	-3.2	15.8	22.9	12.8	86%	81%	107%	103%	9.84%
Quartile	3	3	4	3	2	4	2	4	1	4	2					

Note: Risk is the annualized three or five-year standard deviation, whichever is longest
Upside and downside capture ratios are run against the most appropriate market index

Balanced / Income Funds

Fund	Style	Managers	MER	Assets ($ mil)	Notes
CI Signature High Income Fund	Tactical	Geoff Marshall Eric Bushell	1.59%	$6,854.2	• Despite weakness in real estate, fund outperformed • Valuations remain tight, but supported by growth • Tactical approach expected to help over long-term
EdgePoint Global Growth & Income Portfolio	Tactical	Tye Bousada Geoff MacDonald Ted Chisholm	2.00%	$8,210.8	• Asset mix determined by potential opportunity set • Currently 53% equity / 31% bonds / 16% cash. • Equities buy well mgd companies with strong growth • Bond sleeve focused on corporate bonds.
Fidelity Canadian Balanced Fund	Strategic	Geoff Stein David Wolf	2.06%	$6,630.7	• Equity valuations higher than index and peers • Bond sleeve positioned for rising yields • Asset mix was 47% bonds/49% equity, rest in cash
Manulife Monthly High Income Fund	Strategic	Alan Wicks Duncan Anderson Jonathan Popper	2.02%	$8,905.3	• Fund recently re-opened to investors • Strong showing with help from retail and financials • Unique, disciplined investment process for equities • Bonds managed using top down macro, bottom up
TD Monthly Income Fund	Tactical	Doug Warwick Gregory Kocik Michael Lough	1.46%	$8,175.8	• Overweight equity exposure helped in Q3 • Equity valuations look reasonable. Bond sleeve is high quality, index like, which may see higher volatility. • Running 66% equity, 31% bonds, 3% cash.

		Annualized Returns (%)				Calendar Year Returns (%)						Upside		Downside		5 yr.
Fund	3mt	1 Yr	3 Yr	5 Yr	10Yr	2017	2016	2015	2014	2013	2012	3Yr	5Yr	3Yr	5Yr	Risk
CI Signature High Income	1.0	2.9	4.0	4.5	6.5	3.1	6.5	-1.0	8.6	8.6	11.6	54%	47%	56%	57%	4.88%
Quartile	2	4	4	4	2	4	2	4	2	4	1					
EdgePoint Glbl Grth & Income	2.1	10.7	11.0	12.3	-	12.1	11.5	9.0	13.9	32.4	9.0	97%	93%	65%	60%	7.06%
Quartile	1	1	1	1	-	1	1	1	1	1	2					
Fidelity Canadian Balanced	-0.3	5.6	4.6	6.6	6.6	4.9	5.5	3.5	11.1	12.7	6.0	91%	104%	85%	67%	5.57%
Quartile	3	1	3	1	1	3	4	1	1	1	2					
Manulife Mthly High Income	2.7	6.9	6.5	7.9	7.2	10.6	10.6	5.8	16.5	15.9	7.5	101%	104%	39%	32%	4.30%
Quartile	1	1	1	1	1	1	3	2	1	1	1					
TD Monthly Income Fund	0.5	3.3	7.0	6.3	6.3	6.7	14.9	-3.8	9.9	8.9	8.5	135%	114%	116%	97%	4.98%
Quartile	2	3	1	2	2	2	1	4	1	4	2					

Note: Risk is the annualized three or five-year standard deviation, whichever is longest
Upside and downside capture ratios are run against the respective balanced benchmarks.

Income Options

Fund	Style	Managers	MER	Assets ($ mil)	Notes
Invesco 1-5 Yr Laddered Corp Bond	Rules Based	PowerShares Management Team	0.99%	$312.9	• Trailed peers on longer duration in rising rate Q3 • Offers Yield to Maturity of 3.2% and duration of 3.1 • Duration shortening as bonds roll down to maturity Laddered portfolio of investment grade corporate bonds in 5 equally weighted maturity buckets. • Variable distribution, yielded 2.55% for past 12 mth
Sentry Canadian Income Fund	Large Cap Blend	Michael Simpson Aubrey Hearn	2.34%	$3,855.6	• CI Investments acquired Sentry in Q3 2017. To date, there has been no change to the investment management team, but we are watching closely. • Defensive positioning helped in Q3 • Pays a monthly distribution of $0.0775 per unit, which works out to an annualized yield of 5.1% • Invests in high yielding equities & REITs in CDA & US. Well diversified. Solid income offering
BMO Monthly High Income II	Large Cap Blend	Kevin Hall Michele Robitaille	2.12%	$1,125.6	• Underweight to consumer discretionary hurt in Q3 • Significant exposure to traditional yield sectors – energy, telecos, utilities, REITs and financials. • Pays a monthly distribution of $0.06 per unit, which works out to an annualized yield of just over 5.8% • Invests in high yielding equities & REITs in Canada • All cap mandate. Invests only in Canadian stocks • Valuations look very attractive vs index & peers

	Annualized Returns (%)					Calendar Year Returns (%)						Upside		Downside		5 yr.
Fund	**3mt**	**1 Yr**	**3 Yr**	**5 Yr**	**10Yr**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**3Yr**	**5Yr**	**3Yr**	**5Yr**	**Risk**
Invesco 1-5 Yr Lad. Corp Bond	-0.1	0.2	0.4	1.3	-	-0.2	1.3	1.8	2.8	1.4	3.0	61%	65%	34%	40%	1.50%
Quartile	3	4	3	2	-	3	2	2	1	1	1					
Sentry Canadian Income Fund	1.8	3.1	5.2	7.3	9.0	3.1	9.5	0.1	15.9	18.6	11.5	59%	65%	70%	34%	5.56%
Quartile	2	4	4	3	1	4	3	2	1	1	1					
BMO Monthly High Income II	-0.3	0.4	5.6	4.1	6.8	3.7	19.8	-9.8	3.7	14.2	7.7	75%	75%	109%	99%	7.09%
Quartile	4	4	4	4	2	4	2	2	4	4	2					

Note: Risk is the annualized three or five-year standard deviation, whichever is longest
Upside and downside capture ratios are run against the most appropriate benchmark for the fund type

Passive Options

Fund	Style	Managers	MER	Assets ($ mil)	Notes
TD Canadian Bond Index Fund	Cap Weighted Passive	Michelle Hegeman	0.83%	$810.8	• At 0.83%, this is a pretty costly option compared to near identical ETF. But it is still the cheapest option for a diversified passive bond mutual fund • The MER is 0.56% for the F-Class • I prefer an active fund over this offering
RBC Canadian Index Fund	Cap Weighted Passive	RBC Global Asset Management	0.69%	$724.6	• I prefer this over the TD Canadian Index Fund because its MER is lower • Lower MER should translate into higher returns
TD U.S. Index Fund	Cap Weighted Passive	Dino Vevaina Wilcox Chan	0.55%	$1,308.4	• This is the lowest cost option for those looking for low cost access to the S&P 500 • There is also a currency hedged version available
TD International Index Fund	Cap Weighted Passive	Dino Vevaina Wilcox Chan	1.00%	$731.8	• MER has dropped from 1.25% to 1.00%, making this a more attractive option. Still, I'd likely lean towards an actively managed fund over this offering. • This remains the best choice for index offerings

		Annualized Returns (%)				Calendar Year Returns (%)						Upside		Downside		5 yr.
Fund	**3mt**	**1 Yr**	**3 Yr**	**5 Yr**	**10Yr**	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**3Yr**	**5Yr**	**3Yr**	**5Yr**	**Risk**
TD Canadian Bond Index	-1.2	0.9	0.8	2.4	3.6	1.7	0.8	2.8	7.9	-2.0	2.8	96%	100%	82%	90%	3.80%
Quartile	4	3	3	2	3	3	4	1	1	2	2					
RBC Canadian Index	-0.9	5.0	8.8	7.0	5.6	8.2	20.1	-9.0	9.8	12.2	6.4	96%	97%	107%	104%	7.42%
Quartile	3	2	2	3	3	2	2	3	2	4	2					
TD U.S. Index	7.5	16.9	16.3	13.0	11.0	20.8	7.3	20.5	22.9	40.0	12.5	97%	97%	104%	103%	9.66%
Quartile	2	2	2	1	1	2	2	1	1	2	1					
TD International Index	-0.5	5.3	6.9	8.3	6.2	16.1	-3.1	18.3	2.0	28.6	14.5	97%	97%	110%	109%	10.99%
Quartile	2	2	3	2	2	3	2	2	2	2	2					

Note: Risk is the annualized three or five-year standard deviation, whichever is longest
Upside and downside capture ratios are run against the most appropriate benchmark for the fund type

Model Portfolios

To assist in the portfolio construction process, we have created a series of model portfolios. The asset mixes were created using our proprietary Portfolio Optimization Model which strives to create an asset mix which delivers the highest level of expected return for each level of expected risk. Our strategic asset mixes for each investor type are outlined below:

Fund	Conservative	Moderate Balanced	Balanced	Balanced Growth	Growth
Fixed Income (Total)	**65% to 100%**	**45% to 70%**	**35% to 50%**	**20% to 40%**	**0% to 20%**
Short Term Fixed Income	45%	-	-	-	-
Traditional Fixed Income	10%	35%	25%	10%	-
Specialty Fixed Income	10%	10%	10%	10%	-
Canadian Equity	**0% to 20%**	**0% to 40%**	**0% to 50%**	**0% to 50%**	**0% to 50%**
Canadian Large Cap	10%	25%	25%	25%	25%
Canadian Small/Mid Cap	10%	10%	10%	10%	10%
U.S. Equity	**0% to 20%**	**0% to 40%**	**0% to 50%**	**0% to 50%**	**0% to 50%**
U.S. Large Cap	-	-	10%	15%	25%
U.S. Small/Mid Cap	-	-	-	10%	10%
International / Global Equity	**0% to 20%**	**0% to 40%**	**0% to 50%**	**0% to 50%**	**0% to 50%**
Large Cap	15%	20%	20%	20%	30%
Small Cap	-	-	-	-	-
Specialty / Sector	**0% to 20%**	**0% to 20%**	**0% to 20%**	**0% to 20%**	**0% to 20%**
Healthcare	-	-	-	-	-
Real Estate	-	-	-	-	-
Resources	-	-	-	-	-
Emerging Markets	-	-	-	-	-
Science & Technology	-	-	-	-	-
Aggressive / Tactical	-	-	-	-	-

The bolded sections represent the high-level asset class and what we believe an acceptable rage for each would be for each investor type. The various sub categories highlight the current allocations for our model portfolios.

Methodology

Fund Ratings which are highlighted in Green indicate an upgraded rating from the previous month. Fund Ratings highlighted in Red indicate a downgraded rating from the previous month. Only funds with greater than 36 months of data are eligible to receive a rating.

The period under review is the most recent 60-month period, or the inception date of the fund, whichever is shorter.

To determine our rankings, fund returns are scored on six key risk reward metrics. The scores are totaled, and a rating assigned based on the results.

Fund Score	Rating
More than 80%	A
65% to 80%	B
55% to 65%	C
40% to 55%	D
Below 40%	F

The metrics are:

Alpha – This is the excess return that a manager has been able to generate. The higher the Alpha, the higher the score.

Sharpe Ratio – This is a measure of risk adjusted performance. It measures how much return an investment has delivered for each unit of risk assumed. The higher the Sharpe Ratio, the more return the investment has delivered for each unit of risk.

Standard Deviation – this is a measure of volatility or risk. It measures the fluctuation that an investment has exhibited. The higher the standard deviation, the more fluctuation the fund has shown, so the lower the score it receives in the ratings model

Information Ratio – is a measure of how consistently a manager has outperformed its benchmark. It is basically the Sharpe Ratio of the monthly excess returns. Like with the Sharpe Ratio, the higher the better.

Batting Average – this is another measure of how consistently the fund has outperformed. While the information ratio will factor in the level of outperformance, batting average is a measure of how frequently. It's like the win/loss percentage in baseball. A batting average of 500 means it has outperformed as often as it has underperformed. The model favours funds that win more than they lose. The higher the batting average, the better the score.

R-Squared – This is a statistical measure that shows how much of the return of an investment are the result of the benchmark. The higher the R-Square, the more the fund behaves like the benchmark. And as we know, if you want to beat the benchmark, you can't be the benchmark. The model favours those funds that have a lower R-Squared.

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 historical standard deviation for the most recent 60 months, or since inception of the fund, whichever is lower.

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

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

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

Correlation measures the similarity in return patterns between the fund and a benchmark. The correlation will range between –1 and +1. A correlation close to +1 indicates that the fund and the index have very similar return 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, ETFs, hedge funds and other exempt market products to financial advisors, individual investors and investment dealers.

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

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

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

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