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CANADIAN ETF Watch

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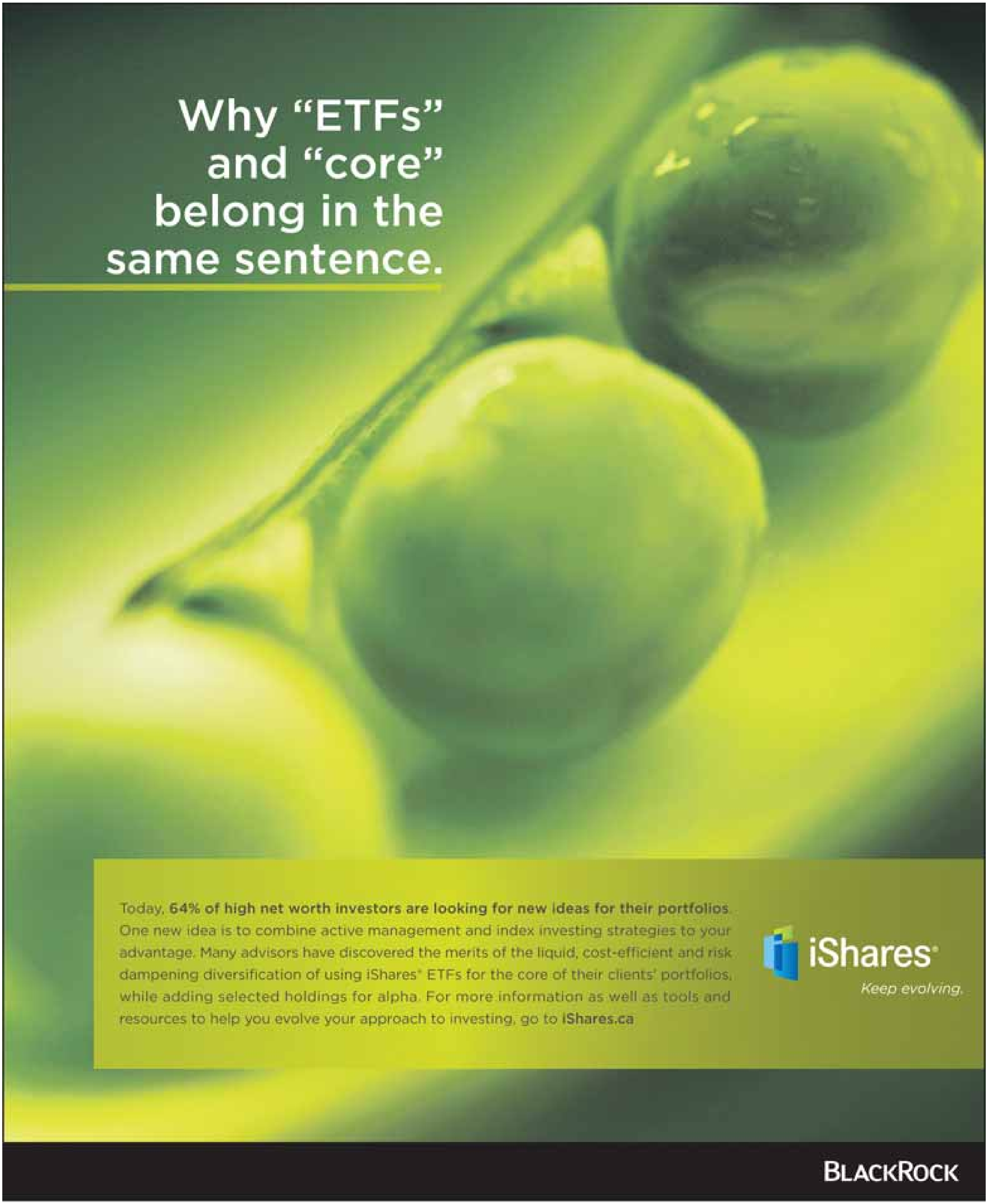
Why "ETFs" and "core" belong in the same sentence.
Today, 64% of high net worth investors are looking for new ideas for their portfolios. One new idea is to combine active management and index investing strategies to your advantage. Many advisors have discovered the merits of the liquid, cost-efficient and risk dampening diversification of using iShares® ETFs for the core of their clients' portfolios, while adding selected holdings for alpha. For more information as well as tools and resources to help you evolve your approach to investing, go to iShares.ca
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Exchange traded funds have emerged as important instruments for investors and advisors alike.

Welcome to the second issue of **Canadian ETF Watch**, our bi-monthly publication. Whether you're an individual investor interested in a diversified, low-cost ETF portfolio, or a financial advisor using ETFs to round out high net worth client portfolios, **Canadian ETF Watch** has the answer.

Exchange traded funds have emerged as important instruments for investors and advisors alike. That's not surprising, but the way they're being used might be: once touted as the ultimate buy-and-hold vehicle – buy the stock market for the equity risk premium and forget about individual stock volatility or manager underperformance – ETFs have become another tool in the kit of active managers, including advisors.

Clearly, ETFs open up new risks for investors, and confusion is a key risk in the fast-growing ETF marketplace – many don't fully comprehend what the product is and what it is supposed to do. Still, that's the evolution of the industry and all the old arguments about broad-market ETFs seem to have been turned aside. While exchange traded funds are taking the investment world by storm, it's not just individual investors making good use of them. Large institutional traders also prize the funds for a few reasons. According to recent reports from Greenwich, the ETF industry is getting a firm footing in the institutional market, and they're using tactical strategies to get their exposure.

ETFs can vary widely from having an index focus such as the SPY, sector focus such as the technology XLK, bond focus such as the TLT, currency focus such as the FXE or commodity focus such as the copper JJC. In addition, ETFs have been issued that are also "bear" focused so that the investor is short the investment holding, and finally, they can be 2x or even 3x leveraged plays of the investment holding. Finally, and most recently, actively managed ETFs have been approved and listed. That is, the portfolio manager actively trades the securities within the ETF based on the stated strategy.

There are lots of ETFs, and more and more appear each week.

At **Radius Financial Education**, our goal is to provide our visitors with informative content that is developed and written for your specific ETF needs. In addition, we will continually strive to add more information to update you with the latest happenings and news in the ETF sector.

We would like to thank our readers for their continued support. We hope you enjoy Canadian ETF Watch Volume 2, Issue 1

Tony Sanfelice, President
Radius Financial Education

CANADIAN ETF Watch

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KPMG. In Step with Market Needs.
The investment management industry is in the midst of unprecedented transformation. Managers and other industry participants around the world are facing a significant number of challenges in all aspects of their business as the industry recovers from the credit crisis, a handful of high-profile scandals, and a weakened global economy, including:
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• Enhanced due diligence and calls for more independent servicing
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Types of ETFs

There are a variety of ***Exchange Traded Funds (ETFs)*** *that provide investors an opportunity to develop a diversified investment portfolio. ETF sponsors are constantly adding to the types of ETFs available, providing investors with more choice. Many ETFs track the performance of an underlying index or benchmark. The underlying index or benchmark may be broad, or sector-specific, or be linked to commodities or currencies. ETFs have evolved, however, to include those that do not passively track an underlying index or benchmark.*

ETFs can be grouped into different categories, which may include:

Index ETFs

ETFs that use an index tracking approach generally follow a pre-selected index, called a benchmark, and the return on the ETF will closely correlate with that of the underlying index. Index ETFs follow a variety of indices, including the broad market (both Canadian and international), sectors such as infrastructure or health care, and commodities (including natural gas, oil and gold), as well as indices that offer exposure to dividends or fixed income. The weightings used in the underlying index could be based on market capitalization of the constituents or on fundamental factors such as financial criteria. Index ETFs may also follow indices that adhere to a certain investment style, such as value or growth.

Inverse and Leveraged ETFs

Inverse ETFs are designed to seek daily investment results that correspond to the inverse daily performance of their underlying index or benchmark. To meet their investment objectives, inverse ETFs use a variety of derivatives such as futures contracts and index swaps to reproduce a daily result that is the opposite of the underlying index or benchmark; so, when the index or benchmark goes down in value on a given day, the inverse ETF will correspondingly go up in value for that given day. Conversely, when the index or benchmark goes up in value, the inverse ETF will correspondingly go down in value. Investing in these ETFs is similar to holding short positions, or using a combination of advanced investment strategies to profit from declining prices.

Leveraged ETFs are designed to seek daily investment results to provide a multiple of the daily performance return of an underlying index or benchmark (for example, 200% the return). They are not intended to provide that same multiple of the return over the mid or long term. Investors should be aware that, while leveraged ETFs typically achieve their stated objective of a multiple of the daily performance of an underlying index on a daily basis, their returns can vary considerably from that stated objective if held for a period longer than one day. Note that some leveraged ETFs are also inverse, in that they track the opposite of the return of an underlying benchmark.

To meet their investment objectives, leveraged ETFs use a variety of derivatives such as futures contracts and index swaps to provide a multiple of the market exposure of the stocks in the fund. Leveraging increases the risk of the investment in such an ETF, in that losses will be magnified by that same multiple.

Inverse and leveraged ETFs are generally intended for use in daily or short-term trading strategies, and are not intended for investors who are looking to hold positions in a security beyond the short-term. Over time, a leveraged fund can drift from its benchmark due to the effects of compounding, especially during periods of market volatility. Therefore, the return on these ETFs for periods longer than a single day will not correlate with the return of the underlying benchmark. Accordingly, significantly more risk is involved in these types of ETFs than in index ETFs.

It is important that investors clearly understand the nature and risks of any ETF prior to investing.

Commodity ETFs

Commodity ETFs provide exposure to commodities such as energy (e.g., natural gas or oil), precious metals (e.g., gold, silver or platinum), or livestock and grains, either by (i) holding the physical commodity directly, (ii) tracking the performance of the spot market price through physical forward contracts, or (iii) investing in or tracking the performance of commodity futures contracts. ETFs that hold the physical commodity provide exposure to the spot price of the commodity without the trouble of storing the commodity. ETFs that hold futures provide exposure to futures without the trouble of rolling them over. Most commodity indices are futures price indices, reflecting a change in the price of commodity futures, not in the commodity price.

Currency ETFs

Currency ETFs provide exposure to currencies and can also hold either the actual currency or futures contracts. Some are designed to be long or short on one currency against others; some are designed to hold a mix of long and short futures positions among several currencies.

Actively Managed ETFs

Index ETFs are generally designed around a passive strategy and therefore typically have lower management fees. Some ETF providers offer actively managed ETFs that operate more closely to the concept of a mutual fund. These ETFs have an active manager making investment decisions, often with the objective of outperforming rather than tracking a particular benchmark index, but usually with lower management fees than a traditional mutual fund.

Exchange Traded Notes (ETNs)

Exchange traded notes are debt obligations of the issuer and trade like ETFs. They do not guarantee any return of principal at maturity and do not pay any interest during their term. While they exhibit no tracking error in that their return at maturity is linked to the return of the underlying index (minus expenses), they do exhibit credit risk linked to the issuer. ETNs offer long and short or inverse exposure to commodities and currencies as well as leveraged exposure.

Source: tmxmoney.com

Three New Year's Resolutions for Investing with ETFs

Cheers to 2011 being a prosperous and successful year for ETF investing.

John Gabriel
ETF Strategist - Canada, Morningstar, Inc.

With 2010 in the books and 2011 now in full swing, many of us have reflected on the past year and come up with New Year's resolutions. Most often these revolve around things like shedding bad habits, losing weight, improved organization or becoming more financially responsible.

Below I offer three resolutions of a different kind. These relate to investing successfully in exchange-traded funds. Whether you plan to invest in an ETF for the first time in 2011, or you've invested in ETFs since the TIPS 35 listed on the TSX in 1989, the following resolutions will help you invest in ETFs more successfully and avoid some adverse investor experiences. I promise that these resolutions will be much easier than quitting smoking or losing (and keeping off) those few extra pounds.

Resolution 1: I Will Know What I Own

Though it might sound too obvious, this is probably the most important rule for investing in ETFs. On countless occasions my colleagues and I have heard complaints from investors like, "my ETF didn't perform anything like I thought it would." Such aggravations can easily be avoided if investors look beyond the name of the fund and take a peek under the hood.

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Take for example the following three "gold" ETFs: iShares S&P/TSX Global Gold Index Fund XGD , iShares Gold Trust IGT and Horizons BetaPro COMEX Gold ETF HUG . Over the past year these funds posted price returns of 12%, 15% and 17%, respectively. The variance in performance stems from the fact that XGD holds stocks of gold mining companies, IGT holds physical gold bullion and HUG holds front month COMEX gold futures contracts and rolls its position every month.

More extreme examples include investors who owned leveraged ETFs for longer than a day or two and were shocked at the effects that volatility (due to daily resetting) could have on performance over longer time horizons. We also strongly urge prospective ETF investors to keep index construction methodology in mind. An equity ETF that weights its constituents based on market capitalization will have different return and risk characteristics than an ETF that employs an equal-weight or fundamentally weighted strategy.

Resolution 2: I Will Construct an Efficient Portfolio

When managing your investment portfolio, you would be wise to draw upon the Modern Portfolio Theory that Harry Markowitz developed back in the 1950s. This theory, which remains very relevant in today's investing world, basically shows us how to manage the risk of a portfolio via diversification across asset classes. According to MPT, an efficient portfolio is one that provides the highest possible expected return at a given level of risk (measured by standard deviation). Investors can change the risk/return profile of a portfolio by adding or subtracting certain asset classes, or by adjusting their weights in the portfolio.

ETFs have democratized several asset classes--including precious metals, currencies and international and emerging market small-cap stocks, to name a few – that were either inaccessible or cost prohibitive to individual investors. The low-cost market access that ETFs have provided for the little guys allows us to fully benefit from MPT as we construct efficient portfolios tailored to any given risk tolerance.

Tools like Morningstar Portfolio X-Ray make it easy to spot overlaps in our portfolios and can be a good way to see how adding non-correlated asset classes to a portfolio can lower its risk. It's good practice to check under the hood of your entire investment portfolio from time in order to time to make sure that your investments remain within the target range set by your asset allocation strategy.

We took this into consideration when designing our ETF analyst reports. Readers of Morningstar research will notice that, when applicable, the Suitability section of an ETF analyst report discusses a given ETF's correlation with other major asset classes to help investors make asset allocation decisions. Remember, when looking to lower a portfolio's risk (i.e. smoothen the ride) investors should seek assets with low or negative correlation with the rest of the portfolio. In other words, we want ETFs that zig when our portfolio zags.

Thanks to the proliferation of ETFs, It's never been easier for an investor to add an allocation to gold, or global real estate, or emerging market bonds, or you name the asset class to their asset mix. To boot, with index tracking ETFs there's no need to worry about style drift or your favorite fund manager leaving for another fund.

Resolution 3: I Will Keep Costs/Fees to a Minimum

This final resolution is fairly straightforward but likely the most important factor to influence your returns. Studies have even shown that fees are the single strongest predictor of a fund's future performance. In short, when compared among others in the same category, the funds with lower fees consistently outperform those with higher fees.

On this point, it's extremely difficult to top ETFs. For one, not only does their passive nature keep costs low, but ETFs (excluding Claymore's Advisor Series shares) don't charge trailer fees – which are often around 1% of assets – to compensate advisors who sell their funds. This can be seen in the fact that the average equity ETF in Canada has a management-expense ratio (MER) of 0.54% versus 2.13% for mutual funds. We see the same thing in fixed income funds, where the average ETF in Canada charges an MER of 0.33%, compared to the 1.35% charged by the average bond mutual fund.

That said, it is still important that prospective ETF purchasers look beyond the stated MER of a fund. As exchange traded products, investors are subject to trading commissions (excluding investors who participate in Claymore's dividend reinvestment plan). There are, however, other potential costs that investors should consider – premiums or discounts and bid-ask spreads.

Premiums and discounts reveal the extent to which an ETF's share price has deviated from its net asset value (NAV). If a fund bounces around its NAV by a large margin (perhaps 0.5% to 1.0% on a daily basis), you might be able to time your purchase to avoid buying when the fund just happens to be at a large premium. Other funds trade at consistent premiums, and no amount of waiting around will reduce that cost. These sometimes relate to market access and liquidity factors as well as simple supply and demand.

Like premiums or discounts, bid-ask spreads are not explicitly stated before you buy a fund. But keeping an eye on this spread can be critical. Thinly traded funds with wide bid-ask spreads reduce returns by forcing investors to buy at a slightly higher price and sell at a slightly lower price. In such cases, I would strongly advise the use of limit orders (not market orders) to ensure fair execution. The ETF quote pages on Morningstar.ca display the bid-ask spread prominently to help investors assess the liquidity of a given ETF. A little bit of browsing should show that a solid number of ETFs in Canada trade at single penny spreads, and the vast majority are well within five cents.

On the topic of fees and expenses, it is also worth alerting investors about the currency conversion charges that most brokerages will charge in order to transact in a U.S.-listed security. It is true that the U.S. ETF market offers a much wider selection, lower expense ratios and more liquidity than its Canadian counterpart. But, if an investor is charged 1.5% on her money to convert to U.S. dollars, and then another 1.5% to repatriate that cash back to Canadian dollars upon its sale, then more often than not that investor would be much better off just sticking with a comparable ETF listed in Canada, despite the higher MER.

John Gabriel, ETF Strategist - Canada, Morningstar, Inc.
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Portfolio Construction 2.0 Series

Part One: Risk Allocation

In the last half century, perhaps one of the most important advances in portfolio management academia was that of Modern Portfolio Theory (MPT).

Alfred Lee
Investment Strategist, BMO ETFs & Global Structured Investments

The concept, which was first introduced by Harry Markowitz in 1952, professed that investing involved a trade-off between risk and expected return.

Therefore, higher expected returns could be achieved through higher levels of risk. In the MPT context, risk was typically defined by standard deviation or variance, but other measures such as value-at-risk (VAR) could also be easily substituted. The theory found that, in a portfolio, when combining assets that are less than perfectly correlated, the risk/return characteristics of that portfolio could be improved through diversification. In fact, the risk/return parameters of the overall portfolio could be more optimal than the weighted average of the assets or each of the assets in isolation. The objective of MPT was to maximize expected return per unit of risk or in other words, increase the "efficiency" of the portfolio. As such, when selecting assets for inclusion in a portfolio, it is important to consider a specific asset's contribution to a portfolio's overall risk, rather than the standalone risk of the asset. According to MPT, at each level of risk tolerance, there is a hypothetical portfolio that maximizes the expected return. Today, MPT has become a foundation to portfolio management. Efficient portfolios can be constructed by holding assets with low correlations to each other.

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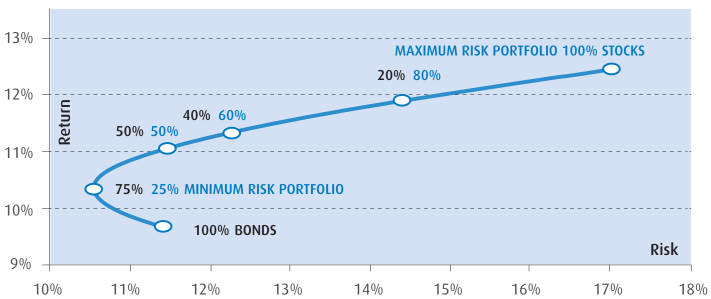
Exchange Traded Funds

By doing so, investors can diversify away non-market or "unsystematic" risk. In essence, a well diversified portfolio would only be left with market risk or what is otherwise called "systematic" risk, which cannot be diversified away. MPT however, while an important tenet to building a portfolio, is not the end game, as it does have its short-comings. For instance, MPT relies on the long-term historical correlation and the variance of returns in order to build a well-diversified portfolio. However, correlations change over time, most particularly evidenced in the last half decade.

As a result, setting a fixed asset allocation based on historical data can expose an investor to substantial risk. As the 2008 financial crisis demonstrated, many traditional assets can be highly correlated during a period of market deleveraging. In those instances, diversification provides very limited downside protection.

Chart 1:
The Efficient Frontier Curve
Stocks and bonds: risk versus return



Source: BMO Asset Management Inc.

Risk measured by standard deviation and return is measured by arithmetic mean. This is for illustrative purposes only and not indicative of any specific instruments.

As asset markets are ever changing, MPT also needs to be adapted to today's environment. Herein we give rise to risk allocation, the next step in the portfolio construction evolution process. Much like MPT, the composition of the parts of the portfolio is important to risk allocation. However, the total risk of the portfolio is the more important consideration for rebalancing which is done when the total portfolio risk or the risk of the individual asset classes deviates from its target thresholds rather than, in MPT, when the dollar value of each asset class diverges from the intended asset allocation.

Simply stated, the goal of asset allocation (or MPT) is to achieve a desired return on assets based on the targeted asset allocation. Risk allocation, on the other hand, is an allocation of risk across assets in an attempt to achieve a desired return for the amount of risk taken.

Therefore, whereas traditional asset allocation can be static, risk allocation tends to have a dynamic asset mix as volatility and correlations change over time. Since the constraint of risk allocation is maintaining total portfolio risk at or below a required level, an important aspect of this process is continuous monitoring of changing correlations among assets. That is why managers who are risk allocators place higher emphasis on assets such as currencies, commodities, fixed income and non-traditional asset classes such as inverse strategies and volatility as these can provide low or even negative correlation especially in times of market duress. Exchange-traded funds ("ETFs") allows investors to efficiently access these areas with cost effectiveness.

In the last several years, we have experienced some unprecedented events both in the economy and asset markets. Traditional asset allocation alone may no longer provide the necessary tools for portfolio construction. Risk allocation, used by many institutional investors, can further help to build optimized portfolios, while more efficiently preserving capital.

BMO Exchange Traded Funds is a diversified family of ETFs that includes a broad range of domestic and global investment solutions. With BMO ETFs, investors can construct efficient multi-asset class portfolios using a risk allocation framework.

Alfred Lee, Investment Strategist, BMO ETFs & Global Structured Investments ***alfred.lee@bmo.com***

Table 1:
Risk Allocation vs. Asset Allocation

	Risk Allocation	Asset Allocation
Objective	To allocate risk across different assets; whereby the portfolio achieves a desired return based on the targeted level of risk.	To allocate assets across different asset classes which the portfolio targets.
Restriction	Total portfolio risk and/ or risk of the individual assets classes are less than or equal to the targeted risk level.	The total or net sum of the asset classes equals 100%.
Rebalancing	Portfolio is rebalanced when total portfolio risk or risk on the individual asset classes diverges or exceeds the targeted level.	Portfolio is rebalanced when the asset classes diverges from target based on percentage or dollar terms.

Sector-Based Investing in a Globalized World

Most investors have long understood the importance of globalization and the impact it has on their investing decisions.

Mary Anne Wiley
Managing Director, Head of iShares Distribution, BlackRock Asset Management Canada Limited

The increasing interdependence amongst international economies has changed how companies operate and has dramatically affected equity market returns.

This phenomenon has become even more apparent since the financial crisis. As we look to 2011, we can expect emerging markets to increase in importance as they maintain their growth while developed countries keep to a slow but steady recovery. With this in mind, it is becoming more important for investors to view developed markets along sector lines.

Investors have often considered sectors in their investment decisions for their domestic portfolios. Now, as a result of increasing globalization, sectors becoming more important for international investing. Global sector-based investing, whether through concentrated investing, sector rotation or other strategies, offers the potential for higher returns. We offer examples of a sample portfolio based on sector rotation, and then we examine the impact of portfolio tilts and overlays on sector exposure in a global portfolio to address the latter concern. Whether an investor or money manager chooses to employ these approaches or not, one fact is clear: sector awareness should be part of the investment process.

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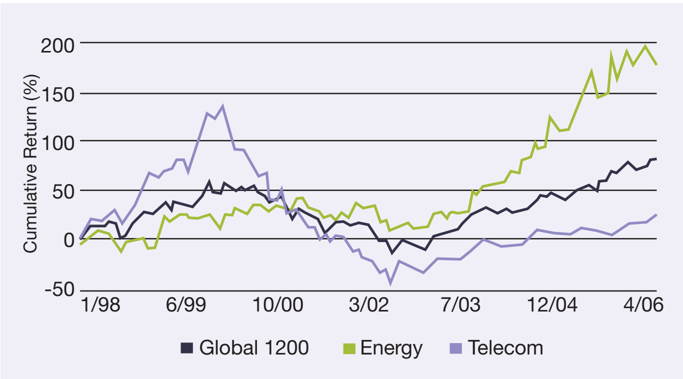
Why a Sector-Based Approach?

Economic cycles have historically moved from expansion to contraction in irregular patterns, both in terms of the length of the cycle and the intensity of the contraction or expansion. Each phase of these business cycles favour companies in different sectors. In Canada, there have been a number of events that have affected the economy. The most serious contraction was experienced during the Great Depression in the early 1930s. It is not the cycle itself that drives sector performance, but rather the resulting economic factors, such as consumer confidence or lending rates. In addition, there are many other factors independent of the economic cycle, such as consumer trends or geopolitical events, that affect a sector, yet sectors can be an effective way to position a portfolio relative to any one of these factors.

With globalization individual companies will become less sensitive to local economic events, and their fortunes more and more affected by the global economy. Thus, globalization has direct implications for the trade-off between country or sector to determine returns. For example, consider that Canada is composed of 10 provinces and three territories, each with its own borders and government, yet it is an integrated market. This doesn't mean there is absolutely no regional effect in Canada but simply that one would typically group stocks by sector, not by region. An investor with a view on Research in Motion Limited and Rogers Communications Inc. would probably base that view on their respective positions in technology and telecommunications, not because the companies have major operations in the province of Ontario. In a perfectly globalized world, countries would be like provinces: country exposures would lose much of their significance, and the dominant framework would consist of sectors.

A Sample Portfolio Based on Sector Rotation

Performance by sector can vary widely depending upon the time period. For example, the following is a portfolio based on the "Global 1200" sectors (based on monthly total returns of the 10 S&P "Global 1200" sectors for the period of January 30, 1998 to September 30, 2006). To illustrate the impact of the dispersion of returns and the potential magnitude of returns possible, we assume the portfolio correctly forecasts the top three sectors each month. This is obviously not a realistic assumption, but it does indicate the limits on investment returns that would have been possible.



Source: BlackRock Asset Management Canada Limited

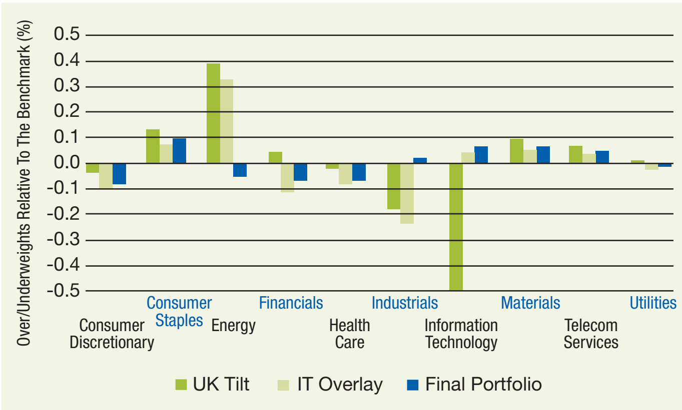
For almost eight years, this portfolio would have generated an annualized return of 72 per cent. In contrast, the same portfolio investing in the three worst-performing sectors each month would have generated an annualized return of -33 per cent. Considering these returns were simulated using portfolios that, when combined, were invested in six of the 10 sectors at all times, this distinction is extremely large. In fact the differences in return for the two strategies had the portfolio been more heavily concentrated – investing in only one sector (the best and worst performing) each month – would have been 163 per cent annualized. Although this is not a realistic portfolio in that it always chooses the winning or losing sectors, it clearly highlights the significance of sector dispersion, and therefore both the risk and opportunity that sector investing represents.

Using Sector Overlays and Portfolio Tilts

The implication of the rising importance of global sectors goes beyond pure sector-based investing. The broad dispersion of sector returns means that such an approach, whether through concentrated investing, sector rotation or some other strategy, can offer significant return potential – but this may not be appropriate for all investors. The greatest risk may actually be with money managers who are not currently considering sectors as part of their international investing strategy. While the typical asset manager has embraced international investing and has generally taken a country-based approach, research suggests that such a strategy ignores an important factor in determining portfolio returns: the global sector.

The concept of style drift is well known and though it is usually applied when discussing the potential pitfalls of selecting an active manager, it is also applicable if managers take unintended bets in their own portfolios. Style drift refers to the fact that an active manager may be allocating portions of the portfolio to areas outside their investment mandate. Similarly, a manager who is making international investment decisions based purely on country factors may have unintended sector exposures – exposures that can have a very profound impact on portfolio returns.

For example, a manager or investor may believe that the United Kingdom is set to outperform the global index and, therefore, decides to overweight the portfolio toward this country. The UK is approximately 1 per cent Information Technology companies, compared to a technology sector weight of nearly 10 per cent in the Global 1200 Index. This means that taking a long position in the UK involves an implicit technology underweight relative to the global index as shown in the UK Tilt portion in the following graph. As demonstrated in the graphic, we have created a sector misweight by selling 5 per cent of the portfolio and investing these proceeds into the UK. Assuming that the manager does not want to take such a large underweight in the IT sector, this can be mitigated by overlaying the portfolio with additional global technology exposure.



Source: BlackRock Asset Management Canada Limited

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The impact of a very simple IT overlay is shown in the middle of the chart, whereby selling a portion of the portfolio to buy an additional amount of global technology significantly reduces the portfolio underweight. Adding only two more sectors to the mix can have a profound effect. As shown at the bottom of the chart, this combined final portfolio dramatically reduces the unintended sector bets that were created as a result of the manager's initial desire to overweight in the UK. The first portfolio achieved an overweight to the UK of 4.43 per cent relative to the index, but also had unintended sector misweights in aggregate of 1.50 per cent. The final portfolio preserves the integrity of the mix with a 4.29 per cent overweight, but achieves this while eliminating close to 80% of the sector misweights, with a resulting aggregate misweight across all sectors of only 0.32 per cent.

This clearly demonstrates that a global sector overlay may mitigate unintended exposures as a result of country tilts. A similar example could be created when the goal might be to tilt the portfolio toward a particular sector using country overlays to mitigate unintended country exposures. The real advantage of this sort of strategy is that it allows managers and investors to implement their particular insights while keeping their portfolio neutral to other factors.

As long as the trends toward globalization and international trade continue, global investing will remain a priority. It's time for investors to optimize their opportunities by going beyond a country-based approach and delving into sector-based strategies. Whether it is to manage overall portfolio exposures through sector rotation or tilting the portfolios towards desired outcomes, it has become impossible to ignore the impact of sector exposure on global portfolio returns.

Mary Anne Wiley, Managing Director, Head of iShares Distribution, BlackRock Asset Management Canada Limited
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With globalization individual companies will become less sensitive to local economic events, and their fortunes more and more affected by the global economy.

2011 CALENDAR OF EVENTS

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Exchange Traded Forum

Tuesday, May 10 & Wednesday, May 11, 2011 – Toronto
Monday, June 20, 2011 – Calgary
Wednesday, June 22, 2011 – Vancouver

ETFs, ETNs, Indexing, Structured Products, Closed End Funds

In it's second year, the **ETF** conference will address the latest trends and developments in this rapidly changing and growing sector. The agenda features industry experts sharing their experiences and forecasts in a format designed for retail and institutional investment professionals.

EXCHANGE TRADED FORUM 2011

exchangetradedforum.com

Niagara Institutional Dialogue

Monday, June 13 to Wednesday, June 15, 2011 – Niagara-on-the-Lake

Niagara Institutional Dialogue is an exchange of ideas, knowledge and practices for Canadian Institutional Investors. A selected group of senior representatives from Canadian pensions, will participate in three days of informative discussions, education and networking.
This confidential closed door event is reserved for select industry participants.

Niagara Institutional Dialogue
An Exchange of New Ideas Knowledge Practices For Institutional Investors

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10th Anniversary World Alternative Investment Summit Canada

Monday, September 19 to Wednesday, September 21, 2011 – Niagara Falls

WAISC is Canada's largest annual gathering of alternative and exempt market investment professionals and service providers. Featuring panel discussions with top-level international speakers, fund managers and leading service providers, WAISC brings together over 400 delegates to explore every side of the alternative and exempt market investment space.

WAISC 2011
World Alternative Investment Summit Canada

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10th Anniversary!

Mutual Fund & Insurance Summit Canada

October 2011 – Toronto

The mutual fund and insurance industries are constantly evolving and creating new ways to stay attractive to serious investors. This Summit is an ideal opportunity to stay on top of trends, topics and products. This two day event will focus on educating developing and seasoned advisors as well as industry participants in what is current and will update on themes from the past. This is the ideal opportunity to meet, learn and network with your peers as well as be educated in new trends.

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Hot Money Blowing Emerging Market Bubbles?

Major reserve-currency issuing countries excessively print money to get out of their own economic difficulties, posing a policy dilemma for emerging economies. That will impose greater pressure on capital inflows, bigger bubbles in asset markets and inflationary pressure.

>> **Jin Zhongxia**, Deputy Director General of the International Department at the People's Bank of China, November 20, 2010 [1]

In my darkest moments I have begun to wonder if the monetary accommodation we have already engineered might even be working in the wrong places.

>> **Richard W. Fisher**, President of the Federal Reserve Bank of Dallas, October 7, 2010 [2]

Tyler Mordy
Director of Research, Horizons HAHN Investment Stewards & Company Inc.

"It was the best of times, it was the worst of times...," goes the memorable opening line of Charles Dickens' famous 1859 novel ***"A Tale of Two Cities".*** Set in London and Paris, the story portrays the plight of the urban poor demoralized by the aristocracies in the years leading up to the French revolution and the backlash that followed. In many of his books, Dickens similarly chronicles his protagonists' attempts to emerge from poverty during the era of late eighteenth century industrialization. In particular, he shines the spotlight on the period's dichotomous conditions – between peasantry and nobility, rural and urban, and the "haves" and "have nots" – and the volatile environment resulting from a hazardous transition.

Dickens' sharp focus on dualities is analogous to today's macro investing environment. While social circumstances may not be entirely comparable, the concept of a two-tiered setting is certainly similar. Today, the most important investment stories underscore the conspicuous contrasts between emerging and Western markets. Recent conditions could not be more different – robust versus anaemic GDP growth, inflationary versus deflationary backdrops and gushing versus trickling credit conduits.

A Global Paradox. We return to a theme in this letter – the bifurcated nature of the global economic recovery and the conundrum it presents to central bankers around the world. Most analysts argue that easy monetary conditions are still appropriate for struggling economies in the West. That may be true. But many are also concerned that these policies are causing emerging market asset bubbles.

It's hard to disagree with the evidence. Since stock market lows in March 2009, the iShares S&P 500 is up approximately 85%. But the MSCI Emerging Markets index has trumped that performance, soaring more than 135% during the same period (in USD terms). Fund flows have similarly diverged. For the year 2010, USD 40 billion poured into emerging market equity ETFs, with over USD 19 billion alone going into iShares' flagship broad emerging market ETF (NYSE:EEM).

Most recently, the Fed's anticipated second foray into quantitative easing sparked a rally in global asset markets (with emerging stock prices again being the biggest beneficiaries). In fact, the QE ship had not even embarked on its second mission when first announced in August, and capital promptly sailed to emerging shores around the world.

It wasn't always this way. Historically in the post-war period, Western countries were the center for global wealth and always led economic recoveries. That is clearly changing. The IMF expects the emerging economies to expand at GDP rates of 7.1 and 6.4%, respectively, in 2010 and 2011. In contrast, advanced economies are forecast to grow at only 2.7 and 2.2%, respectively, with some economies slowing noticeably during the first half of 2011.

Looking ahead, it is difficult to see a change in these dynamics. If Western economies remain mired in soft conditions (which we expect for some time), then monetary policy will stay accommodative – and perhaps increasingly unconventional and frantic. Under that scenario, expect Bernanke et al. to indulge in additional helpings of QE, with benchmark lending rates remaining tethered to near-zero.

This is the global paradox at hand. The tentacles of the Fed's monetary easing are reaching far beyond American borders. Collateral effects in international markets are running high. Chinese officials have been particularly vocal about their worries, citing "imported" inflationary pressures and heightened capital inflows from the US. But can these trends continue indefinitely? And, can emerging market asset prices remain elevated, driven by monetary easing in the West? Let's take a closer look.

Experimental Economics and Confessions from the Fed. To be sure, most monetary mandarins are aware of the above challenges. Fed Chairman Bernanke must be beyond frustrated. After lowering interest rates to generational lows, orchestrating an unprecedented campaign to bailout banks, and engineering multiple rounds of quantitative easing, credit channels have not responded in the usual post-war pattern. Actually, employment growth is still severely muted and official inflation remains benign. In the 12 months to October 2010, the consumer price index increased just 1.2%. The Fed's favourite measure, "core" CPI, which strips out volatile food and energy components, rose just 0.6% over the last year (the smallest annual price increase since the government started recording the data in 1957).

Of course, government inflation figures do not incorporate the rise in asset prices (which we consider a form of monetary inflation). But this is the key point. The Fed's dual mandate – which Bernanke often likes to remind – is simply to promote a high level of employment and low, stable inflation (asset bubbles be damned!). That's it. As long as those objectives are not met, loose monetary policies should be expected to continue.

Richard Fisher, president of the Federal Reserve Bank of Dallas, in a refreshingly candid speech, admitted that in his "darkest moments" he questioned if monetary stimulus was already working in the wrong places (see quote above). Crucially, he noted that the Fed's easy money has created risks of "competitive quantitative easing", a beggar-thy-neighbour phenomenon among central banks trying to sterilize or outdo the effects of each other. Fisher cites the Bank of Japan's governor, Masaaki Shirakawa, quoting his reasons for another bond-buying program in anticipation of the Fed's second round of QE: *"If a central bank tries to seek greater impact from its monetary policy, there is no choice but to jump into such a world."*

Relentless, Rolling Asset Bubbles. This is uncharted monetary territory. Really, no historic precedent exists, making the longer-term outcomes unpredictable. Yet, under these conditions, it is no surprise that capital is flooding into emerging asset markets at an alarming rate. Recently, net flows have been running at an annualized USD 575 billion, 20% higher than pre global financial crisis [3]. While the "domestic equity" category of US mutual funds have experienced outflows of USD 103.7 billion over the last year, the situation could not be more different in the foreign equity category where inflows have surged to USD 51.1 billion during the same period (figures from the Investment Company Institute).

In ETF land, raising money for emerging market ETFs has been no problem. Global X, a relatively new entrant to the ETF manufacturing space with a focus on niche assets (about 10 of its 17 ETFs are emerging market sectors), grew its assets by more than 1,000% this year, having started 2010 with just USD 88 million in assets (endnote 4).

Where to next? Are investor inflows likely to persist? Or, is the party over? Historically, surges in asset inflows have often been contrarian signals. Investors, lured in by past performance, often rush in at the wrong times. Over the short-term, now may be one of those stages. Retail investor sentiment toward the sector is hitting record highs. And, according to Merrill Lynch's "Global Fund Manager Survey", professionals have also drained cash reserves, with the proportion of allocators overweight emerging markets increasing to a net 56%, close to an all time high. Who's left to be the marginal buyer? We are not ruling out a corrective phase in the period directly ahead.

There are also a number of longer-term risks. We are under no illusion that a necessary transition away from export dependency will be a difficult task. Like Dickens' revolutionary milieu (where Europe emerged from its localized economy to become a centralized, capitalist juggernaut), the transition will be marked by the unexpected and uncontrollable. Capital controls will also be important to watch. Leaders from last months' G-20 summit in Seoul released a statement providing political cover to limit currency swings and stem asset bubbles.

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The above are clear downside risks, arguing against an uninterrupted rise in emerging market asset prices. But, taking a longer view, consider the following in support of maintaining "long" positions in select emerging market assets:

1 **"Money manager capitalism".** The late economist, Hyman Minsky (who wrote an excellent non best-seller on financial instability in 1986), theorized that institutional investors – i.e. pension funds, mutual funds, etc. – would come to dominate capital flows during advanced stages of capitalism. It was a prescient forecast. International markets are now more interconnected than ever and capital mobility is high.

Really, this is symptomatic of an advanced, globalized financial system. After a post-war boom in the developed world, a "global glut of managed money seeking returns" now exists and provides a ready pool of capital to chase investment returns (endnote 5). Underfunded pensions in the West are prime examples of institutional money desperately seeking returns. The lower the interest rate levels, the more dire the situation becomes versus expected liabilities Under these conditions, where a surplus of capital is not tied to national boundaries and attractive returns are in short supply, we should expect "managed money" to continue seeking relatively higher returns in the emerging world.

2 **Macro and the Rise of ETFs.** This is a related point to the above. ETFs have further globalized the world of managed money, providing ready vehicles to access global themes. Recently BCA research has highlighted this phenomenon:

"The importance of macro events/drivers (government deficits, financial system health, emphasis on monetary stimulus) over the past decade has been rising and will be an ongoing feature on investors' radar screens for years to come. Moreover, the rise of exchange-traded funds has made it easier for investors to initiate 'macro' bets." (November 2, 2010)

3 **Global Rebalancing and Currency Adjustments.** Asian policymakers, especially those in USD or quasi-USD pegged countries, face a growing dilemma as monetary easing continues to boost inflation and their asset prices. If they raise interest rates proactively, it may encourage more hot money flows (particularly as the world still perceives many exchange rates to be heavily undervalued).

What can be done? A key aspect of global rebalancing is a shift to more domestic-driven growth (rather than remaining hooked on exports). The most practical way to accomplish this objective is to allow steady currency appreciation (i.e. incrementally move away from pegged or quasi-pegged currencies). That will limit external inflationary pressures, head off hot money flows and, ultimately, restore monetary sovereignty to those countries.

(In this regard, we are encouraged that both Van Eck and WisdomTree have filed with the SEC to launch ETFs tracking local-currency emerging Asian bond indexes... an asset class that is underappreciated by global asset allocators. We have long considered emerging Asian bonds a "buy-and-hold" asset class).

4 **Domestic Market Participation.** Domestic financial markets are maturing in the developing world. Notably, local asset managers are reporting robust growth. According to BlackRock's latest ETF report, E Fund Management and China Asset Management, both large Chinese asset managers, saw their ETF assets reach more than USD 7.1 billion (figures as the end of November). This points to a growing enthusiasm among domestic Chinese investors for ETFs. Local participation tends to be less fickle than foreign flows, providing a more stable investor base. This is critical for confidence and continuing growth and liberalization of local capital markets.

5 **It's the Fundamentals, Stupid:** To be sure, monetary easing in the West cannot perpetually prop up emerging asset prices. No rally lasts forever. If it did, there would be no need for research or analysis. Generally speaking, the core reason to stay long emerging markets is that comparative headwinds are less severe given lower leverage, intact banking systems and broadly favourable demographics. These are secular dynamics that will not change overnight.

Looking Ahead. As with many of Dickens' novels, ***"A Tale of Two Cities"*** was published in weekly instalments. The first issue was published in April 1859, and the last one 31 weeks later.

Similarly, the story of emerging markets is not yet fully written. Multiple chapters have yet to unfold. To date, the story of global rebalancing is not occurring as quickly as it should. Fragile dualities still exist in the global financial and monetary system. China and the oil-exporting nations are still running large surpluses, and currency rates have not migrated to more flexible, market-based approaches. Domestic demand is also not replacing a reliance on export markets fast enough. Yet, these are necessary adjustments to a more balanced, sustainable global economy.

These shifts will take time. Indeed, we are only in the foothills of a long journey. Currency wars, capital controls and high volatility should not be ruled out. Yet, on balance, many developing countries have strong fundamentals behind them. In an age of high capital mobility, further asset bubbles have a high probability.

Still, at this juncture, shorter-term cyclical factors are blinking red. While meaningful upside remains over the next several years, the time to go heavily "overweight" again is later.

Tyler Mordy, Director of Research, Horizons HAHN Investment Stewards & Company Inc. ***tmordy@hahninvest.com***

Endnotes:

[1] http://noir.bloomberg.com/apps/news?pid=newsarchive&sid=a7KzG82R3EK8

[2] http://www.dallasfed.org/news/speeches/fisher/2010/fs101007.cfm

[3] http://noir.bloomberg.com/apps/news?pid=newsarchive&sid=a46x79XG91vM

[4] http://www.ft.com/cms/s/0/7c2458b2-f334-11df-a4fa-00144feab49a.html#axzz16OmrN9xB

[5] Minsky, Hyman P, "Stabilizing an Unstable Economy," Yale University Press, 1986.

The story of emerging markets is not yet fully written. Multiple chapters have yet to unfold.

Four Income Ideas for Your Portfolio

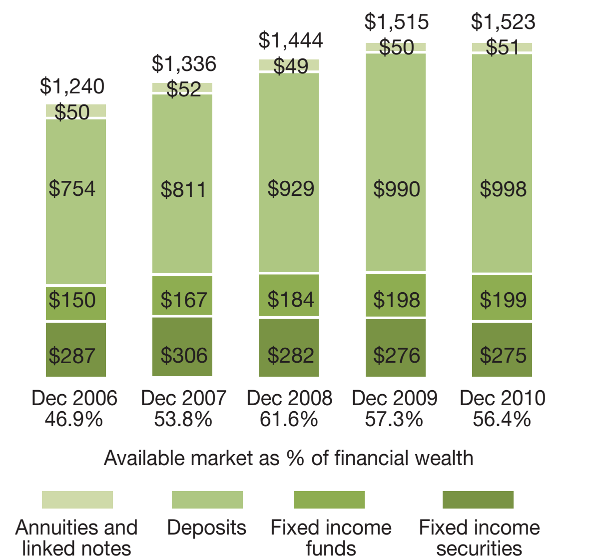
An increasing proportion of Canadian investors are reaching an age where income-oriented investing takes on more prominence in their portfolio.

Before the financial crisis, the trend was already occurring, but the devastation in the equity markets in 2008 and early 2009 seemed to accelerate the migration into fixed-income vehicles.

The flight to safety in late 2008 substantially increased the value of government-backed bonds. According to the Investment Funds Institute of Canada, for the 12 months ended August 31, 2010, fixed-income fund sales totaled $11.1 billion, up from the previous month period ($4.94 billion).

Statistics provided by Investor Economics show the drastic movement towards cash and low risk securities over the last four years, with the biggest growth occurring in fixed-income funds.

Canadian investors are increasingly looking for investment managers who can deliver income.



Source: Investor Economics

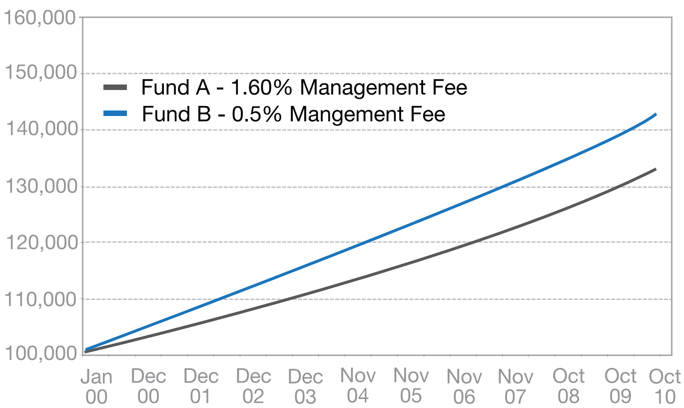
HORIZONS
EXCHANGE TRADED FUNDS

Currently, yields on income funds are at historical lows. According to the Bank of Canada, as of October 13, 2010, the yield of a 10-year Government of Canada bond was 2.35%. A one-year Canada Savings Bond issued November 1, 2010, will yield a paltry 0.65%. That's a far cry from 1982 when the same 1-year bond offered more than 16%.

If you're looking to invest for income in this type of market environment, fees matter more than ever. Paying more than 1.50% on an income fund could eat up more than half the fund's yield. This doesn't even take into account the fact that if rates were to rise rapidly, investors could experience a loss in the price or net-asset-value (NAV) of the fund, since bond prices decline as rates rise.

The chart below shows how fees can substantially reduce returns over time. The chart compares two funds that yield 4% annually, but one charges a 0.50% management fee while the other charges a 1.60% management fee. Compounded on a daily basis, on a $100,000 initial investment, an investor in the lower cost fund would have realized more than $25,000 in savings over an 11-year period. The fees paid by the investor in the more expensive fund equaled nearly 73% of their eventual total return.

Performance of Funds



For illustrative purposes only

As a provider of actively managed ETFs, AlphaPro believes that active management can reduce risk and enhance returns. Our view is that a low-fee, actively managed approach is the best solution for fixed income investing.

The argument to keep fees low is simple – investors retain a greater portion of their return.

Index-tracking ETFs can do a poor job of replicating the return of the index, particularly in the corporate bond space where corporate bonds trade over-the-counter rather than through an exchange, making efficient and cost-effective execution difficult. Corporate bonds do not always have the breadth, liquidity or efficiency that stocks do. Active management can overcome some of these deficiencies.

AlphaPro , through its Horizons AlphaPro family of ETFs and Funds, offers four unique and innovative solutions for income investing, which combine low management fees with exceptional professional management teams.

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Bonds

The Horizons AlphaPro Corporate Bond ETF (HAB:TSX)

The Horizons AlphaPro Corporate Bond ETF (the "Corporate Bond ETF"), is the only actively managed corporate bond ETF in Canada and trades on the Toronto Stock Exchange under the symbol HAB.

The investment objective of the Corporate Bond ETF is to seek long-term moderate capital growth and generate high income. The Corporate Bond ETF will invest primarily in a portfolio of debt securities of Canadian and U.S. companies directly, or through investments in securities of other investment funds, including exchange trade funds.

The Corporate Bond ETF is sub-advised by Natcan Investment Management Inc. ("Natcan"). Natcan's fixed income team, with over $13 billion in assets under management including more than $2 billion in corporate bond assets, are employing an active strategy, selecting between 100 and 150 bonds, which they expect will deliver better risk-adjusted returns than leading corporate bond indices.

Unlike tracking an index, Natcan has flexibility in which bonds they select for the portfolio. Their decisions are based on interest rate expectations, credit analysis, valuation and liquidity.

Corporate bonds are an often overlooked asset class by income-oriented investors who are more familiar with dividend stocks, GICs, high-interest savings accounts and government bonds as sources of income.

Generally speaking, investment grade corporate bonds offer a higher yield and a lower risk profile than most dividend paying stocks. A company facing reduced earnings will almost always cut its dividend before it defaults on debt payments to bondholders.

Although corporate bonds offer a higher risk profile than government bonds, they are usually accompanied by a higher yield. As a result, they have less interest rate sensitivity compared to government bonds.

The corporate bond team at Natcan estimates that investment grade corporate bonds will yield 4% to 5% over the next five years, roughly 200 to 300 basis points more than a 10-year Government of Canada Bond, which they forecast will yield 2% to 3% over the same period.

Horizons AlphaPro Tactical Bond Fund (HAF:TSX)

The Horizons AlphaPro Tactical Bond Fund (the "Tactical Bond Fund") offers investors a way to access top bond fund expertise at an industry low cost of 45 basis points. The Tactical Bond Fund trades on the Toronto Stock Exchange under the ticker symbol HAF:UN.

The Tactical Bond Fund sub-advisor, Fiera Sceptre Inc. ("Fiera Sceptre"), which oversees more than $30 billion in assets under management, will use a top-down tactical asset allocation approach to global bond investing.

The Tactical Bond Fund seeks to achieve its investment objectives through exposure to an actively managed portfolio consisting primarily of ETFs, including inverse ETFs, that provide exposure to global fixed income markets, including government treasury securities, corporate bonds and high yield debt securities. Fiera Sceptre analyzes and selects from a universe of more than 80 global fixed income ETFs based on their outlook for the global fixed income market.

By investing primarily in ETFs, Fiera Sceptre seeks to provide investment diversification which reduces the single issuer risk typically associated with a traditional fixed income portfolio on a cost-effective basis.

Certain types of bonds do better in certain economic conditions. Fiera Sceptre assesses the probability or likelihood of certain market conditions arising, such as inflationary or deflationary environments, and then tactically allocates the portfolio accordingly to the bond ETFs that they expect will do better in these scenarios.

Fiera Sceptre is targeting a yield of 5%, slightly between the expected yields of corporate bonds and high yield bonds. Distributions on the Tactical Bond ETF are currently $0.45 per annum per unit consisting primarily of returns of capital, representing an estimated annualized yield on the ETF's September 30, 2010 of 5.02%.

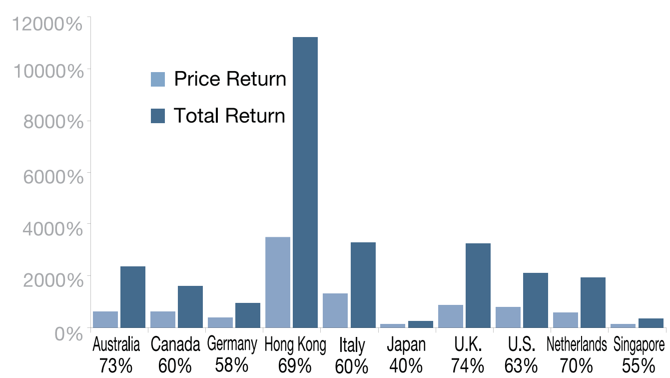
Dividends

If an investor believes that the stock market should follow a positive trajectory, then dividend stock investing can be an effective way to create investment income.

As of October 13, 2010, the dividend yield of S&P/TSX Aristocrats Index was 4.92%. This compares to a weighted yield to maturity of 3.41% on XCB, an ETF that seeks to replicate the DEX All Corporate Bond Index.

For income investors with a higher degree of risk tolerance, dividend stocks can offer attractive yield, and the upside growth potential of equities.

The chart below highlights how the total return of dividend-paying equities is largely accounted for by the dividends. One pitfall dividend investors fall into is not diversifying their sources of dividend income. In Canada, some dividend equity mandates can have a weighting towards financial stocks in excess of 60%. This could be viewed as an unacceptable amount of sector risk, particularly for a portfolio designed to provide a stable source of investment income.



Source: Guardian Capital, MSCI, Macquarie. 30-year data as of July 2009

The Horizons AlphaPro Dividend ETF (HAL:TSX)

The two most popular index-tracking dividend ETFs had 60% and 35% weights in financials, respectively. Whereas, the Horizons AlphaPro Dividend ETF (the "Dividend ETF"), which uses a stringent security selection process that looks at dividend sustainability and growth had only a 17.4% exposure to financials, as of August 19, 2010.

Managed by Leon Frazer & Associates Inc. ("Leon Frazer"), the Dividend ETF, uses a dividend investment strategy that Leon Frazer has utilized for more than 50 years. The Dividend ETF trades on the Toronto Stock Exchange under the ticker symbol HAL.

The investment objective of the Dividend ETF is to seek long-term total returns consisting of regular dividend income and modest long-term capital growth. The Dividend ETF invests primarily in equity securities of major North American companies with above average dividend yields, and are likely to increase their dividend payments – a historically strong predictor of long-term outperformance. The Dividend ETF will seek to hedge its U.S. currency exposure at all times.

Leon Frazer does not however chase yield at the expense of increasing the Dividend ETF's risk. As highlighted above, the Dividend ETF is significant underweight financial stocks and is broadly diversified across different sectors.

Horizons AlphaPro Global Dividend ETF (HAZ:TSX)

Dividend investors looking for an even greater degree of diversification should consider the Horizons AlphaPro Global Dividend ETF (the "Global Dividend ETF"), which offers exposure to a number of industries that have limited representation in the Canadian stock market.

The sub-advisor to the Global Dividend ETF is Guardian Capital LP ("Guardian Capital"), which has been managing private client and institutional money for more than 40 years and currently oversees more than $13.4 billion in assets under management.

The investment objective of the Global Dividend ETF is to seek long-term returns consisting of regular dividend income and modest long-term capital growth. The Global Dividend ETF invests primarily in equity and equity-related securities of companies with operations located anywhere in the world.

The investment strategy of the Global Dividend ETF is closely tied to finding stocks that offer growth, predictability and sustainability of their dividends. Guardian Capital calls this its "GPS for Income" methodology.

Guardian Capital will select high-quality, dividend-paying companies located globally that, in its view, demonstrate a consistent pattern of growing dividends. The portfolio investments will be diversified among different companies and industry sectors including such leading global brands as McDonald's, Waste Management Inc. and Royal Dutch Shell.

Guardian Capital views industry group and sector as the key drivers of portfolio diversification, and therefore leading drivers of return. The portfolio of the Dividend ETF will target 30 to 70 stocks, representing at least 7 out of the 10 sectors of the MSCI World Index.

In order to access the best dividend paying stocks in each sector, Guardian Capital requires access to the breadth of the global equities market. This is necessary to build a diversified portfolio of the best dividend-paying stocks from each of the world's most important sectors and industry groups.

Horizons AlphaPro: The Next Evolution in Fixed Income Investing

Remember, there's more to income investing than chasing yield. Today's investor needs to find income solutions that provide sustainable sources of income, offer capital appreciation, reduce unnecessary risk and offer low management fees. All four of these low-cost ETFs have industry-leading investment management teams at their helm working to meet those objectives.

To learn more please visit: **HorizonsETFs.com/IncomeMatters**

ETF FUND PERFORMANCE (as of December 31, 2010)

ETF Name	Ticket	Fund Family	Index	1 Year Return
*Horizons BetaPro COMEX Silver Bull Plus ETF	HZU	BetaPro Management	COMEX Silver futures contract	181.3
*Horizons BetaPro COMEX Silver ETF	HUZ	BetaPro Management	COMEX Silver futures contract	77.2
*Horizons BetaPro NYMEX Natural Gas Bear Plus ETF	HND	BetaPro Management	NYMEX Natural Gas futures contracts	63
*Horizons BetaPro COMEX Gold Bullion Bull Plus ETF	HBU	BetaPro Management	COMEX Gold futures contracts	55.3
*Horizons BetaPro S&P/TSX Global Base Metals Bull Plus ETF	HMU	BetaPro Management	S&P/TSX Global Base Metals Index	48
*Horizons BetaPro S&P/TSX Global Gold Bull Plus ETF	HGU	BetaPro Management	S&P/TSX Global Gold Index	44.4
BMO S&P/TSX Equal Weight Global Base Metals Hedged to CAD Index ETF	ZMT	BMO Funds	S&P/TSX Equal Weight Global Base Metals Hedged to CAD Index	42.8
iShares CDN Materials Index Fund	XMA	iShares ETFs	S&P/TSX Capped Materials Index	35.8
iShares CDN SmallCap Index Fund	XCS	iShares ETFs	S&P/TSX SmallCap Index	34.4
*Horizons BetaPro NASDAQ-100 Bull Plus ETF	HQU	BetaPro Management	NASDAQ-100 Index	32
iShares CDN Completion Index Fund	XMD	iShares ETFs	S&P/TSX Completion Index	29.5
*Horizons BetaPro COMEX Gold ETF	HUG	BetaPro Management	COMEX Gold futures contracts	26.8
Claymore Gold Bullion ETF	CGL	Claymore	Not Applicable	26.6
Claymore S&P/TSX Global Mining ETF	CMW	Claymore	S&P/TSX Global Mining Index	26.5
iShares CDN Global Gold Index Fund	XGD	iShares ETFs	S&P/TSX Global Gold Index	26
Claymore S&P/TSX Global Mining ETF (Advisor Class)	CMW.A	Claymore	S&P/TSX Global Mining Index	25.6
iShares CDN Russell 2000 Index - Canadian Dollar Hedged Index Fund	XSU	iShares ETFs	Russell 2000 Index - Canadian Dollar Hedged	25.1
*Horizons BetaPro S&P/TSX 60 Bull Plus ETF	HXU	BetaPro Management	S&P/TSX 60 Index	23.8
iShares CDN REIT Index Fund	XRE	iShares ETFs	S&P/TSX Capped REIT Index	21.9
*Horizons BetaPro S&P 500 Bull Plus ETF	HSU	BetaPro Management	S&P 500 Index	21.8
*Horizons BetaPro US 30-yr Bond Bull Plus ETF	HTU	BetaPro Management	Current Benchmark US 30-year Bond	19.3
*Horizons BetaPro MSCI Emerging Markets Bull Plus ETF	HJU	BetaPro Management	MSCI Emerging Markets Index	18.7
iShares CDN Growth Index Fund	XCG	iShares ETFs	Dow Jones Canada Select Growth Index	18.6
Claymore Global Agriculture ETF	COW	Claymore	MFC Global Agriculture Index	17.9
iShares CDN Composite Index Fund	XIC	iShares ETFs	S&P/TSX Capped Composite Index	17.3
*Horizons BetaPro S&P/TSX Capped Energy Bull Plus ETF	HEU	BetaPro Management	S&P/TSX Capped Energy Index	17.1
Claymore Global Agriculture ETF (Advisor Class)	COW.A	Claymore	MFC Global Agriculture Index	17
Claymore US Fundamental Index ETF - C$ Hedged	CLU	Claymore	FTSE RAFI US 1000 C$ Hedged Index	16.7
Claymore Broad Emerging Markets ETF	CWO	Claymore	BNY Mellon BRIC Select ADR Index	16.2
iShares CDN Value Index Fund	XCV	iShares ETFs	Dow Jones Canada Select Value Index	16
Claymore US Fundamental Index ETF - C$ Hedged (Advisor Class)	CLU.A	Claymore	FTSE RAFI US 1000 C$ Hedged Index	15.8
iShares CDN Income Trust Index Fund	XTR	iShares ETFs	S&P/TSX Income Trust Index	15.6
Claymore Oil Sands Sector ETF	CLO	Claymore	The Sustainable Oil Sands Sector Index	15.3
Claymore Broad Emerging Markets ETF (Advisor Class)	CWO.A	Claymore	BNY Mellon BRIC Select ADR Index	15.2
Claymore S&P/TSX Canadian Dividend ETF	CDZ	Claymore	S&P/TSX Canadian Dividend Aristocrats Index	15.2
Claymore Oil Sands Sector ETF (Advisor Class)	CLO.A	Claymore	The Sustainable Oil Sands Sector Index	14.4
Claymore S&P/TSX Canadian Dividend ETF (Advisor Class)	CDZ.A	Claymore	S&P/TSX Canadian Dividend Aristocrats Index	14.3
Claymore Canadian Fundamental Index ETF	CRQ	Claymore	FTSE RAFI Canada Index	13.7
BMO Dow Jones Canada Titans 60 Index ETF	ZCN	BMO Funds	Dow Jones Canada Titans 60 Index	13.6
iShares CDN LargeCap 60 Index Fund	XIU	iShares ETFs	S&P/TSX 60 Index	13.6
iShares CDN S&P 500 Hedged to Canadian Dollars Index Fund	XSP	iShares ETFs	S&P 500 Hedged to Canadian Dollars Index	13.5
Claymore Global Real Estate ETF	CGR	Claymore	Cohen & Steers Global Realty Majors Index	13.1
BMO S&P/TSX Equal Weighted Banks Index ETF	ZEB	BMO Funds	S&P/TSX Equal Weight Diversified Banks Index	12.9
Claymore Canadian Fundamental Index ETF (Advisor Class)	CRQ.A	Claymore	FTSE RAFI Canada Index	12.8
iShares CDN Dividend Index Fund	XDV	iShares ETFs	Dow Jones Canada Select Dividend Index	12.8
*Horizons AlphaPro Managed S&P/TSX 60 ETF	HAX	AlphaPro Management	S&P/TSX 60 Index	12.3
Claymore Global Real Estate ETF (Advisor Class)	CGR.A	Claymore	Cohen & Steers Global Realty Majors Index	12.2
iShares CDN Long Term Bond Index Fund	XLB	iShares ETFs	DEX Long Term Bond Index	12.1
*Horizons BetaPro S&P/TSX Capped Financials Bull Plus ETF	HFU	BetaPro Management	S&P/TSX Capped Financials Index	12.1
BMO Dow Jones Diamonds Index ETF	ZDJ	BMO Funds	Dow Jones Industrial Average (CAD hedged)	11.9

ETF FUND PERFORMANCE (as of December 31, 2010)				
ETF Name	Ticket	Fund Family	Index	1 Year Return
BMO Emerging Markets Equity Index ETF	ZEM	BMO Funds	Dow Jones Emerging Markets Total Stock Market Specialty Index	11.9
Claymore US Fundamental Index ETF - non-hedged	CLU.C	Claymore	FTSE RAFI US 1000	11.8
iShares CDN Jantzi Social Index Fund	XEN	iShares ETFs	CDN Dow Jones Canada Select Value Index	11.3
BMO S&P/TSX Equal Weight Oil & Gas Index ETF	ZEO	BMO Funds	S&P/TSX Equal Weight Oil & Gas Index	11.3
BMO US Equity Index ETF	ZUE	BMO Funds	Dow Jones U.S. Large-Cap Index (CAD hedged)	11.2
Claymore Global Monthly Advantaged Dividend ETF	CYH	Claymore	Zacks Global Multi-Asset Income Index	11.1
iShares CDN Energy Index Fund	XEG	iShares ETFs	S&P/TSX Capped Energy Index	11
Claymore US Fundamental Index ETF - non-hedged (Advisor Class)	CLU.B	Claymore	FTSE RAFI US 1000	10.9
iShares CDN Real Return Bond Index Fund	XRB	iShares ETFs	DEX Real Return Bond Index	10.6
BMO High Yield US Corporate Bond Hedged to CAD ETF	ZHY	BMO Funds	Not Applicable	10.3
Claymore Global Monthly Advantaged Dividend ETF (Advisor Class)	CYH.A	Claymore	Zacks Global Multi-Asset Income Index	10.2
iShares Alternatives Completion Portfolio Builder Fund	XAL	iShares ETFs	Not Applicable	10.1
Claymore Equal Weight Banc & Lifeco ETF	CEW	Claymore	Not Applicable	10
iShares CDN MSCI Emerging Markets Index Fund	XEM	iShares ETFs	MSCI Emerging Markets Index	10
iShares Growth Core Portfolio Builder Fund	XGR	iShares ETFs	Not Applicable	9.7
Claymore Balanced Growth CorePortfolio ETF	CBN	Claymore	The Sabrient Global Balanced Growth Index	9.5
Claymore Global Infrastructure ETF	CIF	Claymore	MFC Global Infrastructure Index	9.2
iShares Global Completion Portfolio Builder Fund	XGC	iShares ETFs	Not Applicable	8.9
Claymore BRIC ETF	CBQ	Claymore	BNY Mellon BRIC Select ADR Index	8.8
Claymore Equal Weight Banc & Lifeco ETF (Advisor Class)	CEW.A	Claymore	Not Applicable	8.6
Claymore S&P Global Water ETF	CWW	Claymore	S&P Global Water Index	8.6
Claymore Balanced Income CorePortfolio ETF	CBD	Claymore	The Sabrient Global Balanced Income Index	8.5
Claymore Global Infrastructure ETF (Advisor Class)	CIF.A	Claymore	MFC Global Infrastructure Index	8.4
Claymore Balanced Growth CorePortfolio ETF (Advisor Class)	CBN.A	Claymore	The Sabrient Global Balanced Growth Index	8.3
Claymore BRIC ETF (Advisor Class)	CBQ.A	Claymore	BNY Mellon BRIC Select ADR Index	7.9
iShares CDN Financials Index Fund	XFN	iShares ETFs	S&P/TSX Capped Financials Index	7.9
iShares Conservative Core Portfolio Builder Fund	XCR	iShares ETFs	Not Applicable	7.8
Claymore S&P Global Water ETF (Advisor Class)	CWW.A	Claymore	S&P Global Water Index	7.7
Claymore Canadian Financial Monthly Income ETF	FIE.A	Claymore	Not Applicable	7.6
Claymore Balanced Income CorePortfolio ETF (Advisor Class)	CBD.A	Claymore	The Sabrient Global Balanced Income Index	7.3
BMO Mid Federal Bond ETF	ZFM	BMO Funds	Citigroup Canadian Government Bond Index	7.2
Claymore S&P/TSX CDN Preferred Share ETF	CPD	Claymore	S&P/TSX Preferred Share Index	6.6
iShares CDN Corporate Bond Index Fund	XCB	iShares ETFs	DEX All Corporate Bond Index	6.6
iShares CDN Bond Index Fund	XBB	iShares ETFs	DEX Universe Bond Index	6.4
*Horizons BetaPro US Dollar Bear Plus ETF	HDD	BetaPro Management	Canadian Dollar in terms of US Dollar	6
iShares Government Bond Index Fund	XGB	iShares ETFs	DEX All Government Bond Index	6
Claymore S&P/TSX CDN Preferred Share ETF (Advisor Class)	CPD.A	Claymore	S&P/TSX Preferred Share Index	6
iShares CDN MSCI World Index Fund	XWD	iShares ETFs	MSCI World Index	5.7
*Horizons BetaPro Winter-Term NYMEX Crude Oil ETF	HUC	BetaPro Management	NYMEX light sweet crude oil futures contract	4.8
iShares CDN MSCI EAFE Hedged to CAD Dollars Index Fund	XIN	iShares ETFs	MSCI EAFE 100% Hedged to CAD Dollars Index	4.6
iShares CDN Tech Sector Index Fund	XIT	iShares ETFs	S&P/TSX Capped Information Technology Index	4.1
BMO Short Corporate Bond Index ETF	ZCS	BMO Funds	DEX Short Term Corporate Bond Index	3.9
Claymore 1-5 Yr Laddered Corporate Bond ETF	CBO	Claymore	DEX 1-5 Yr Corporate Bond Index	3.8
BMO Short Provincial Bond Index ETF	ZPS	BMO Funds	DEX Short Term Provincial Bond Index	3.5
Claymore 1-5 Yr Laddered Government Bond ETF	CLF	Claymore	DEX 1-5 year Laddered Government Bond Index	3.3
Claymore 1-5 Yr Laddered Corporate Bond ETF (Advisor Class)	CBO.A	Claymore	DEX 1-5 Yr Corporate Bond Index	3.3
iShares CDN Short Term Bond Index Fund	XSB	iShares ETFs	DEX Short Term Bond Index	3.2
BMO Short Federal Bond Index ETF	ZFS	BMO Funds	DEX Short Term Federal Bond Index	2.9
Claymore 1-5 Yr Laddered Government Bond ETF (Advisor Class)	CLF.A	Claymore	DEX 1-5 year Laddered Government Bond Index	2.8
BMO International Equity Hedged to CAD Index ETF	ZDM	BMO Funds	Dow Jones Developed Markets ex-North America Index (CAD Hedged)	1.1

ETF FUND PERFORMANCE (as of December 31, 2010)

ETF Name	Ticket	Fund Family	Index	1 Year Return
Claymore Premium Money Market ETF	CMR	Claymore	Not Applicable	0.4
Claymore Premium Money Market ETF (Advisor Class)	CMR.A	Claymore	Not Applicable	0.2
Claymore International Fundamental Index ETF	CIE	Claymore	The Sabrient Global Balanced Growth Index	-0.2
Claymore International Fundamental Index ETF (Advisor Class)	CIE.A	Claymore	The Sabrient Global Balanced Growth Index	-1
Claymore Japan Fundamental Index ETF C$ Hedged	CJP	Claymore	FTSE RAFI Developed ex US 1000 Index	-1.9
Claymore Japan Fundamental Index ETF C$ Hedged (Advisor Class)	CJP.A	Claymore	FTSE RAFI Developed ex US 1000 Index	-2.7
*Horizons BetaPro S&P/TSX Capped Financials Inverse ETF	HIF	BetaPro Management	S&P/TSX Capped Financials Index	-10.4
*Horizons BetaPro US Dollar Bull Plus ETF	HDU	BetaPro Management	Canadian Dollar in terms of US Dollar	-12.4
*Horizons BetaPro S&P/TSX 60 Inverse ETF	HIX	BetaPro Management	S&P/TSX 60 Index	-14.3
*Horizons BetaPro S&P/TSX Capped Energy Inverse ETF	HIE	BetaPro Management	S&P/TSX Capped Energy Index	-14.5
*Horizons BetaPro NYMEX Crude Oil Bull Plus ETF	HOU	BetaPro Management	NYMEX Crude Oil futures contracts	-16.3
*Horizons BetaPro NYMEX Crude Oil Bear Plus ETF	HOD	BetaPro Management	NYMEX Crude Oil futures contracts	-18.2
*Horizons BetaPro S&P/TSX Capped Financials Bear Plus ETF	HFD	BetaPro Management	S&P/TSX Capped Financials Index	-20.6
*Horizons BetaPro US 30-yr Bond Bear Plus ETF	HTD	BetaPro Management	Current Benchmark US 30-year Bond	-22.4
*Horizons BetaPro S&P/TSX 60 Bear Plus ETF	HXD	BetaPro Management	S&P/TSX 60 Index	-27.1
*Horizons BetaPro S&P/TSX Global Gold Inverse ETF	HIG	BetaPro Management	S&P/TSX Global Gold Index	-27.6
*Horizons BetaPro S&P/TSX Capped Energy Bear Plus ETF	HED	BetaPro Management	S&P/TSX Capped Energy Index	-28.1
*Horizons BetaPro S&P 500 Bear Plus ETF	HSD	BetaPro Management	S&P 500 Index	-30.7
*Horizons BetaPro NASDAQ-100 Bear Plus ETF	HQD	BetaPro Management	NASDAQ-100 Index	-37.3
*Horizons BetaPro Winter-Term NYMEX Natural Gas ETF	HUN	BetaPro Management	NYMEX light sweet crude oil futures contract	-37.6
*Horizons BetaPro MSCI Emerging Markets Bear Plus ETF	HJD	BetaPro Management	MSCI Emerging Markets Index	-38
*Horizons BetaPro COMEX Gold Bullion Bear Plus ETF	HBD	BetaPro Management	COMEX Gold futures contracts	-44.7
Claymore Natural Gas Commodity ETF	GAS	Claymore	NGX Canadian Natural Gas Index	-49.8
*Horizons BetaPro S&P/TSX Global Gold Bear Plus ETF	HGD	BetaPro Management	S&P/TSX Global Gold Index	-52.4
*Horizons BetaPro S&P/TSX Global Base Metals Bear Plus ETF	HMD	BetaPro Management	S&P/TSX Global Base Metals Index	-57
*Horizons BetaPro NYMEX Natural Gas Bull Plus ETF	HNU	BetaPro Management	NYMEX Natural Gas futures contracts	-71.4
*Horizons BetaPro COMEX Silver Bear Plus ETF	HZD	BetaPro Management	COMEX Silver futures contract	-77.4
iShares US IG Corporate Bond CAD-Hedged Index Fund	XIG	iShares ETFs	Markit iBoxx USD Liquid Investment Grade Index	
iShares US High Yield Bond CAD-Hedged Index Fund	XHY	iShares ETFs	Markit iBoxx USD Liquid High Yield Index	
iShares S&P Latin America 40 Index Fund	XLA	iShares ETFs	S&P Latin America 40 Index	
iShares S&P CNX Nifty India Index Fund	XID	iShares ETFs	S&P CNX Nifty Index	
iShares MSCI Brazil Index Fund	XBZ	iShares ETFs	MSCI Brazil Index	
iShares China Index Fund	XCH	iShares ETFs	FTSE/Xinhua China 25 Index	
Claymore Inverse 10 Yr Government Bond ETF	CIB	Claymore	Not Applicable	
Claymore China ETF - Common	CHI	Claymore	Not Applicable	
Claymore China ETF - Advisor	CHI.A	Claymore	Not Applicable	
Claymore Canadian Financial Monthly Income ETF - Common	FIE	Claymore	Not Applicable	
Claymore Broad Commodity ETF (Advisor Class)	CBR.A	Claymore	Not Applicable	
Claymore Broad Commodity ETF	CBR	Claymore	Not Applicable	
Claymore Advantaged High Yield Bond ETF (Advisor Class)	CHB.A	Claymore	Barclays Capital US High Yield Very Liquid index	
Claymore Advantaged High Yield Bond ETF	CHB	Claymore	Barclays Capital US High Yield Very Liquid index	
Claymore Advantaged Canadian Bond ETF (Advisor Class)	CAB.A	Claymore	DEX DLUX Capped Bond Index	
Claymore Advantaged Canadian Bond ETF	CAB	Claymore	DEX DLUX Capped Bond Index	
BMO Real Return Bond Index ETF	ZRR	BMO Funds	DEX RRB Non Agency Bond Index	
BMO Nasdaq 100 Equity Hedged to CAD Index ETF	ZQQ	BMO Funds	Not Applicable	
BMO Mid Corporate Bond Index ETF	ZCM	BMO Funds	DEX Mid Term Corporate Bond Index	
BMO Long Federal Bond Index ETF	ZFL	BMO Funds	DEX Long Term Federal Bond Index,	
BMO Long Corporate Bond Index ETF	ZLC	BMO Funds	DEX Long Term Corporate Bond Index	
BMO Junior Oil Index ETF	ZJO	BMO Funds	Dow Jones North America Select Junior Oil Index	
BMO Junior Gold Index ETF	ZJG	BMO Funds	Not Applicable	

ETF FUND PERFORMANCE (as of December 31, 2010)				
ETF Name	Ticket	Fund Family	Index	1 Year Return
BMO Junior Gas Index ETF	ZJN	BMO Funds	Dow Jones North America Select Junior Gas Index	
BMO India Equity Hedged to CAD ETF	ZID	BMO Funds	BNY Mellon India Select DR Index CAD	
BMO Global Infrastructure Index ETF	ZGI	BMO Funds	Dow Jones Brookfield Global Infrastructure Index	
BMO Equal Weight Utilities Index ETF	ZUT	BMO Funds	Dow Jones Canada Select Equal Weight Utilities Index	
BMO Equal Weight U.S. Health Care Hedged to CAD Index ETF	ZUH	BMO Funds	Dow Jones U.S. Large-Cap Health Care Equal Weight Total Stock Market Index Canadian Dollar Hedged	
BMO Equal Weight U.S. Banks Hedged to CAD Index ETF	ZUB	BMO Funds	Dow Jones U.S. Large-Cap Banks Equal Weight Total Stock Market Index Canadian Dollar Hedged	
BMO Equal Weight REITs Index ETF	ZRE	BMO Funds	Dow Jones Canada Select Equal Weight REIT Index	
BMO Emerging Markets Bond Hedged to CAD Index ETF	ZEF	BMO Funds	Barclays Capital Emerging Markets Tradable USD Sovereign Bond Index CAD Hedged	
BMO China Equity Hedged to CAD ETF	ZCH	BMO Funds	BNY Mellon China Select ADR Index CAD	
BMO Aggregate Bond Index ETF	ZAG	BMO Funds	DEX UniverseXM Bond Index	

ETF Spotlight

Founder of Northwest Mutual Funds Joins Pro-Financial Asset Management

Oakville, Ontario, November 2, 2010 - Pro-Financial Asset Management, Inc. is excited to announce that two new members have joined its senior executive team. Michael Butler (President and Partner) and Tony Cox (Chief Operating Officer and Chief Financial Officer) have joined the Oakville-based financial management company as it expands its Pro-Index and Pro-Guaranteed Funds divisions.

"We have seen exceptional growth since we launched our company in 2002," said Pro CEO Stuart McKinnon. "As we continue to develop our services, particularly in the Pro-Index and Pro-Guaranteed Funds divisions, we will count on Michael and Tony to provide leadership based on their experience and entrepreneurial spirit. This is an exciting time for Pro and for our clients. We are delighted to bring two respected, progressive executives to our team."

Michael Butler comes to Pro with over 25 years of experience in the financial services industry. At Sun Life's Spectrum United Mutual Funds, his leadership in providing innovative solutions to investors, plus his creative marketing initiatives, contributed to doubling the company's assets in less than two years. Always an entrepreneur, Michael founded Northwest Mutual Funds in 1997. Combining an attractive proposition to investors with astute marketing and timely acquisitions, he was instrumental in building one of Canada's largest fund companies: Northwest & Ethical Investments LP.

Tony Cox is a chartered accountant who spent 17 years with major accounting firms in London (UK), Montreal, and Toronto. His focus on financial services has allowed him to work on IPOs and to launch and build investment fund management companies for groups including Sun Life, National Bank Financial, and Investment Planning Counsel. He has also been actively involved with the Investment Funds Institute of Canada as a committee member and committee chair.

"Michael and Tony bring more than just experience to Pro," CEO McKinnon said. "They have each established a strong record for new product development and customer service. As an independent firm, we value customer relations as a key factor in our success. Michael and Tony will continue our tradition of service, ultimately helping our clients invest and grow with us in the years ahead."

Pro-Financial Asset Management Inc. was founded in 2002 in response to the rapidly changing needs of Canadian investors and the industry professionals who service them. The firm has become a leader in delivering the award winning FTSE RAFI methodology to Canadian Investors through its Pro-Index Funds and Pro-Guaranteed Funds divisions. This line-up of segregated and index funds ensures that the benefits of fundamental indexing are available to investors through the entire Canadian distribution channel. Pro-Financial Asset Management is fully committed to becoming Canada's leading investment solutions partner and is one of the fastest growing fund families in Canada.

Eric Culjat
Sales + Marketing Assistant
Tel 905-815-6917 | Toll-Free 1-877-566-5145 x6917

FTSE Licenses Custom Index to Pro-Financial Asset Management for the Creation of a New Mutual Fund

New York, December 1, 2010 - FTSE Group (FTSE), the leading global index provider, has licensed Pro-Financial Asset Management to create a new mutual fund for the Canadian marketplace based on the FTSE Custom North American Dividend Index. The index was designed and built by FTSE Custom for Pro-Financial according to their unique specifications. Pro-Financial has issued five other funds based on standard FTSE RAFI™ Indexes, including the:

- **FTSE RAFI™ Canada Index**
- **FTSE RAFI™ US Index**
- **FTSE RAFI™ Global ex US Index**
- **FTSE RAFI™ Emerging Markets Index**
- **FTSE RAFI™ Hong Kong China Index**

Beginning with a starting universe of constituents in the FTSE RAFI™ US 1000 and the FTSE RAFI™ Canada Index, FTSE Custom applied a screening methodology to focus the FTSE Custom North American Dividend index on securities with the highest forecasted dividend yields. Constituents within the index are also equally weighted to promote representation of Canadian companies, which tend to have smaller market capitalization than US companies. Data at October 29th, 2010 showed that the Custom index had a dividend yield of 4.59% as compared with the FTSE North America Index, a cap-weighted counterpart which posted a dividend yield of 1.95%. The index has also outperformed FTSE North America Index on a total return basis over the 3-year, 12-month, year-to-date, 6- and 30 month periods.

"We are pleased to have designed this new custom index for Pro-Financial," Nayan Acharya, Custom Specialist Manager, FTSE Group. "As investors, asset managers, and fund providers seek increasingly tailored measures of performance, FTSE Custom is well positioned to provide these consultative investment solutions."

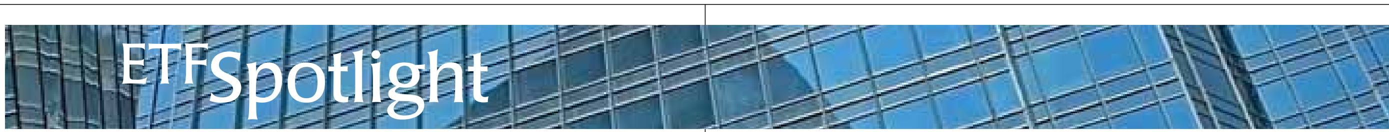
S&P/TSX Launches New Equity Income Index

The S&P/TSX Equity Income Index is a strategy index focused on dividend income. The Index is made up of 50 to 75 of the highest yielding stocks selected from the S&P/TSX Composite.

"The S&P/TSX Equity Income Index and the S&P/TSX Composite Dividend Index will provide investors with exposure to higher yielding stocks on a consistent basis while staying true to our hallmark of a transparent, rules-based methodology," says Abigail Etches, Director at S&P Indices.

Investors can gain exposure to this new S&P/TSX Equity Income Index via Middlefield's latest IPO, Indexplus Dividend Fund, which is currently available for purchase. This offering will close in early February. The Fund has been designed to provide investors with low-cost exposure to the Canadian equity income sector through a combination of indexing and active portfolio management. This Fund follows our proven Index/Active strategy with Indexplus Income Fund which has generated an annualized return of approximately 14% since inception in August 2003 and is currently rated a 5-Star fund by Globefund.

For more information please visit our website at www.middlefield.com or contact **Nancy Tham**, Managing Director, Sales and Marketing, at 1.888.890.1868 (ntham@middlefield.com)



Investor Confidence Index Falls From 104.2 to 100.9 in January

Boston, January 25, 2011 – State Street Global Markets, the investment research and trading arm of State Street Corporation (NYSE:STT), today released the results of the State Street Investor Confidence Index® for January 2011. Globally, Investor Confidence fell 3.3 points from December's revised reading of 104.2 to 100.9, with declines evident across all regions. The risk appetite of North American institutional investors fell to 99.5, a 3.6 point decline from the December level of 103.1. Similarly in Europe, institutional investor confidence decreased 3.9 points to 93.5 from December's revised level of 97.4. The decline in confidence among Asian investors was somewhat more pronounced, resulting in a decline of 5.4 points in the confidence measure in that region, from 102.9 to 97.5.

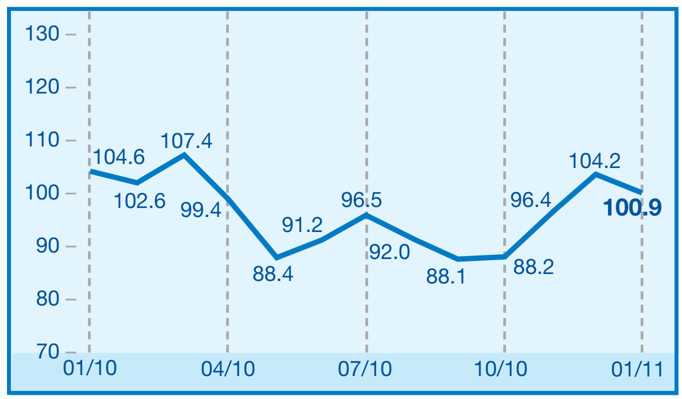
Developed by Harvard University professor Kenneth Froot and Paul O'Connell of State Street Associates, the State Street Investor Confidence Index measures investor confidence on a quantitative basis by analyzing the actual buying and selling patterns of institutional investors. The index assigns a precise meaning to changes in investor risk appetite: the greater the percentage allocation to equities, the higher is risk appetite or confidence. A reading of 100 is neutral; it is the level at which investors are neither increasing nor decreasing their allocations to risky assets. The index differs from survey-based measures in that it is based on the actual trades, as opposed to opinions, of institutional investors.

"Institutional investors reverted to a more cautious stance this month, balancing improved prospects for global growth against what has been a relatively rapid run-up in prices," commented Froot. "With world equity prices up 6.9% over three months and 20% over six months, valuations have moved up a reasonable amount, prompting some in the institutional community to adopt a 'wait-and-see' stance. It remains to be seen whether improved macroeconomic data from the US and policy actions with respect to peripheral European debt will prompt an early reassessment of this stance."

"This month's indicator window spanned the end-of-year holiday period, a time when investors are often more reticent to deploy new risk," added O'Connell. "At the same time, the data we do have for 2011 shows no new net commitments to equity markets. The most evident pattern is a rotation out of the US and into Asia and Europe, reflecting perceptions of relative value across these markets."

January Results

Global	100.9	Europe	93.5
N. America	99.5	Asia-Pacific	97.5



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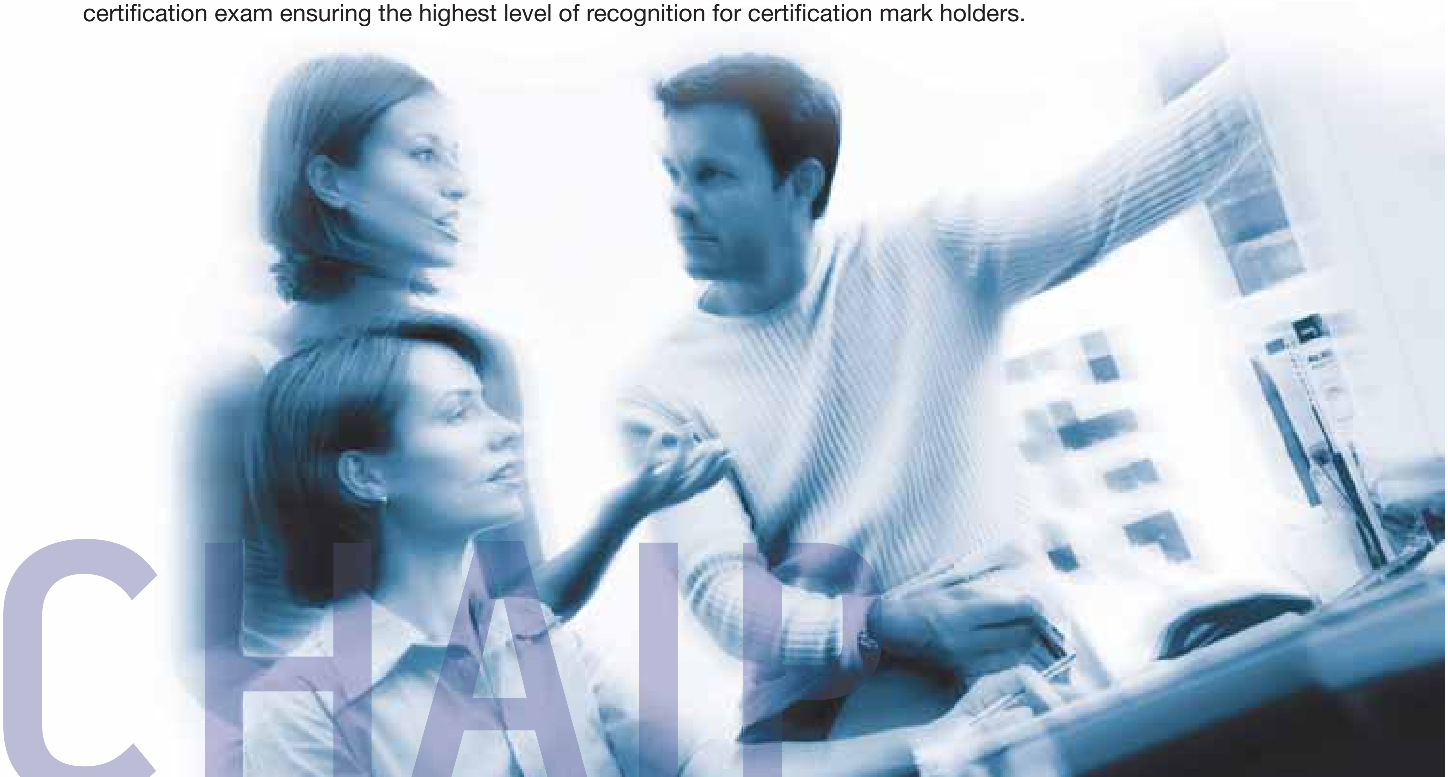

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