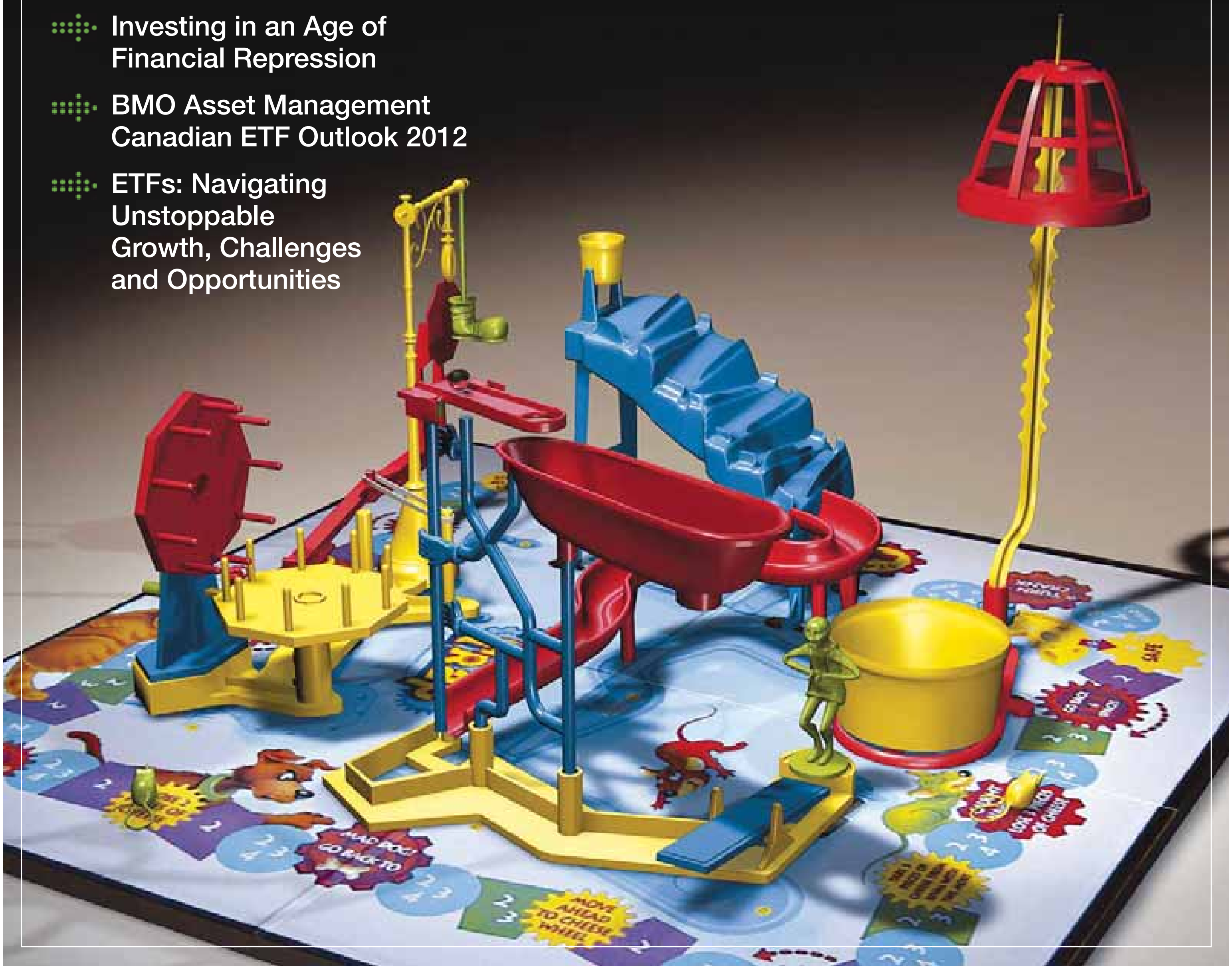
CANADIAN
ETF Watch
VOL 3 ISSUE 2 MARCH 2012
canadianetfwatch.com

The Search for 'Better Risk Adjusted Returns'

- Demystifying Liquidity and Valuation of ETFs
- Investing in an Age of Financial Repression
- BMO Asset Management Canadian ETF Outlook 2012
- ETFs: Navigating Unstoppable Growth, Challenges and Opportunities



On behalf of **Radius Financial Education** I would like to welcome you to our 3rd annual Exchange Traded Forum, **ETF Toronto 2012**, a platform for ETPs, including ETFs, ETNs and Indexing. The purpose of this event is to provide a comprehensive forum of leading industry professionals to share, educate and help you better understand ETPs.

The first quarter of 2012 marked the best ever start for the Exchange Traded Products (ETP) industry, according to BlackRock's latest ETP Landscape Report, as investors continued to return to the market and selected ETPs to invest in a range of asset classes.

The global ETP industry gathered net new assets of $67.3bn during Q1 2012, representing an increase of 50% on Q4 2011 when net new assets stood at $44.8bn, and an increase of 57% on the $42.8bn of inflows recorded in Q1 2011.

Investor interest in fixed income ETPs also hit new highs during the quarter. Fixed income products attracted inflows of $19.5bn, eclipsing the previous quarterly record of $14.7bn set in Q4 2011, and accounted for 29% of all inflows into ETPs globally. Within the asset class, investors showed a clear preference for investment grade and high yield corporate bonds, with these two categories accounting for 85%, or $16.5bn of total fixed income inflows.

The rapid growth of Exchange Traded Funds (ETFs) in recent years is creating an education gap that could leave investors exposed to risk from a lack of understanding of some of the products more complicated variations. In the 20 odd years they've been around, ETFs have grown from a relative small and simple financial product into a trillion-dollar global business using leverage, covered calls, derivatives and much more.

In October of last year, a U.S. Senate sub-committee hearing with panellists representing ETF providers, regulators, exchanges and investors discussed the role ETFs are playing in today's financial markets. "One key area of agreement among panellists was the education gap and the need to improve understanding of complex products such as leveraged and inverse ETFs," says Patricia Lovett-Reid, senior vice president of TD Waterhouse. "As exotic ETFs get launched and use derivatives and swaps to create exposure, there is an education gap."

"When used properly, ETFs can help investors gain fast, cost-effective and tax-efficient access to innovative investment and hedging strategies," Lovett-Reid says. "Remember the 'homework before you play,' rule - do your ETF homework before you go out and play with them." We are happy to be able to provide a forum to make "doing your homework" easier and more efficient.

In closing, it's an honour to be here among such an esteemed group of individuals and I look forward to meeting all of you. I wish you continued success and hope you enjoy **Exchange Traded Forum Toronto 2012**.

Sincerely,

Tony Sanfelice, President
Radius Financial Education

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CANADIAN ETF Watch
canadianetfwatch.com
MARCH 2012 | VOL. 03 NO. 02

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CONTENTS

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.

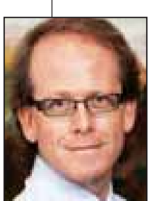
Exchange Traded Notes (ETNs)

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

The Search for 'Better Risk Adjusted Returns'

Investors typically focus on the return of an investment in their portfolio when they try to judge whether it has been successful. Less frequently, they consider investment risk. What is risk?



Barry Gordon
President & Chief Executive Officer

If you ask 10 people, you will get 10 different answers. Some people think of it as the amount of volatility they endure per unit of return. Others view it in terms of correlation to the return of the market. Still others think of risk in a very personal sense – what is the likelihood that an investment allow me to pay my bills versus the potential to lose some portion of my investment? In short, "risk" means different things to different people.

I am not proposing to discuss all meanings here, nor am I going to try to tackle the relative merits of the different means by which to measure risk. What I would like to discuss is a few common risk measurements used to assess investment performance, and leave it to you to decide what "risk" means to you and how it is important in your own personal context.

In an academic sense, there are several commonly used measurements of risk. Perhaps the most famous was developed by Nobel Laureate Bill Sharpe – called the Sharpe ratio not surprisingly – which measures the risk adjusted return of an asset or portfolio. Simply put, it subtracts the "risk free" rate of return (treasury bill returns are typically used) from the actual return of an asset or portfolio, and divides the remainder by the volatility (standard deviation) of the asset, or portfolio's, returns.

Expressed as a formula: **Sharpe Ratio = Excess return/Annualized standard deviation of returns**

Distilled down to its most simple form, the Sharpe ratio tells you whether an investment is taking disproportionate risk, measured in terms of volatility, in order to achieve a level of return. The higher the Sharpe ratio of a portfolio, the better the risk adjusted performance is.

Another commonly used risk metric is an investment's "beta coefficient" – or "beta" for short. Beta is most accurately described as the systematic risk or volatility of an investment relative to the market – the statistical tendency of a security's or portfolio's return to move with the market. In effect, beta is a correlation analysis. If an investment has a beta of 1, it has demonstrated a tendency to move in lockstep in the same direction as the market. A beta of more than 1 indicates the investment is more volatile than the market, and a beta of less than one implies it is less volatile than the market. A negative beta would indicate that an investment moves opposite to the market as a whole.

A third risk metric called the "coefficient of determination", or "R-squared", is often used in tandem with beta. The R-squared of an investment represents the percentage of an investment's performance that can be explained by movements in the broader market. So an investment portfolio that has a high R-squared will indicate that its performance has historically been very similar to the broad market, or index. When you use R-squared and beta in tandem, you can assess whether an investment has been strong on a risk adjusted basis – a high R-squared and a low beta means two thumbs up.

So how can you use these measurements of investment risk in real life? They are all useful in their own way, but ultimately it depends on the individual. Everyone has their own risk tolerances, and investors would be well served to consider risk when assessing the attractiveness of an investment – figure out the risk adjusted return profile of an investment, and make certain that it fits with your needs and strategy. First Asset, the parent company of ETF provider XTF Capital, is focused on producing better risk adjusted returns. The XTF Morningstar lineup of equity ETFs replicate indexes which are driven by analytics produced by Morningstar subsidiary CPMS, and all strive to outperform the market while taking less risk. Likewise our ETFs which incorporate covered call option strategies, generating lower volatility of portfolio returns with tax effective distributions.

Don't just search for returns, search for better risk adjusted returns.

Barry Gordon, President and Chief Executive Officer,
XTF Capital and parent company First Asset Capital Corporation.

Demystifying Liquidity and Valuation of ETFs

In the constantly evolving and fast growing world of Exchange Traded Funds (ETFs), there seems to be no shortage of information available. And yet, there is much that is still misunderstood by those who would count themselves as ETF savvy investors.

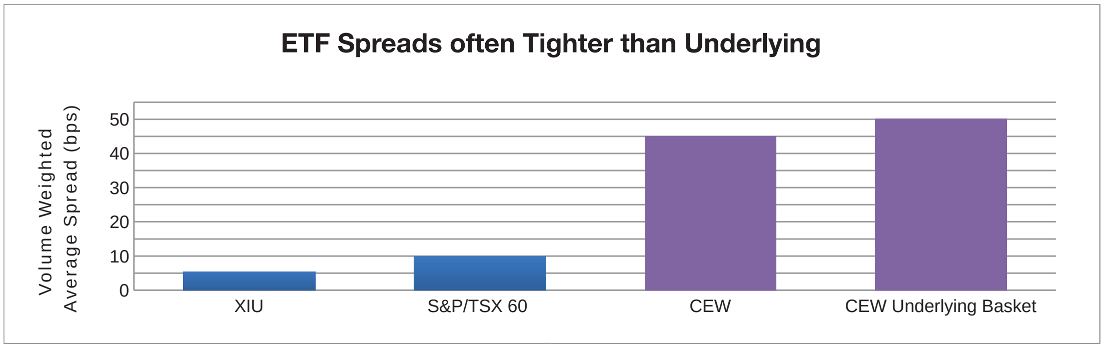
Gary Knight
Vice President
Equity Trading
TMX Group

Two of the most basic concepts that apply to investing in traditional stocks are not wholly applicable to ETFs. What are these anomalies? Liquidity and intraday trading trends. Two important components of ETF investing that I'll explore in this article, in addition to some considerations regarding the order types to use for ETFs.

Hidden Liquidity

At first take, some may see an ETF as they do a stock, with its own distinct liquidity based on its trading activity. However, unlike stocks, ETFs have a secondary source of liquidity: their Designated Broker (DB). All ETFs have DBs that are responsible for the creation and redemption of ETF shares and they create or redeem shares in response to market demand. This is quite unique in the realm of equity securities. The equivalent with stocks would be if a company was able to issue and redeem their company's shares at will throughout the trading day.

When a client places a large order, DBs can create a huge number of ETF units instantly when dealing in popular – and therefore liquid – indices, such as the S&P/TSX 60™. Within seconds, they short sell ETFs to fill a customer order and then purchase the underlying stocks of the ETF to instantly offset the short position. At the end of each day, the DBs can eliminate their short positions in exchange for units with the fund company.



Data Source: Thomson Reuters Time Period: March 2012

This ability to create and redeem units limits the impact of large order. It also means that liquidity ultimately rests in the underlying investments. The less liquid the ETF holdings are, the less liquid the ETF is likely to be.

As an underlying basket is assembled, the expected trading costs and market impact, are effectively dependent on the trade volume of the underlying basket rather than the ETF itself.

Timing is (almost) Everything

One of the very attractive features of ETFs is that they usually trade very close to their Net Asset Value (NAV). This is generally true, except at the open and close each day. At the open and close, ETFs are more likely to trade at a premium or discount for a variety of reasons.

For example, during the open each day, ETF prices may adjust to the difference between the previous day's closing price and their NAV. If the ETF was trading at a premium, it may move down toward its NAV; if it was trading at a discount, the price may rise closer to the NAV.

During the market close each day, traders close positions and hedge their books. These practices often result in some volatility and ETFs may see price changes and greater spreads between the bid and the ask.

The open and close are also unique because it's harder to continuously arbitrage ETFs at those times. Throughout the day, however, ETFs are continuously arbitraged and price is therefore kept very close to the NAV. If an ETF is trading at a discount, arbitragers will buy ETF units and short the underlying stocks.With this transaction, they have neutralized their exposure to the market and locked in a profit, all within a fraction of a second. Conversely, if there's excess demand for an ETF and it starts trading at a premium, arbitragers short the ETF units and buy the underlying stocks. These types of arbitrage opportunities are common throughout the day and while the profits may be just pennies a share, the profit can be quite attractive when executed multiple times a day and on thousands of shares at a time.

For the reasons outlined above, those who regularly trade ETFs are cautious when trading near the market open and market close of each trading day.

Know Your Limit

Market orders are a suitable choice for ETFs with tight spreads and sufficient liquidity relative to your order size. But if the tight spreads and sufficient liquidity are not there, as is often the case with Canadian ETFs, a limit order may be a better choice.

When an ETF has a wide spread, there are several factors to consider:

- When using a limit order, your order will never be filled at a price worse than the market price. There is a best execution obligation that must be met in the marketplace, and so a trade will never be filled at a price worse than your limit price. If the market price is better, your order will fill at the market price rather than your limit price.
- When the spreads are wider, say $0.05 or more, there is a possibility that your order will be filled between the bid and ask. With wide spreads, investors may not be willing to trade at the market price and so may post a limit order between the bid and ask. With a narrow spread, say $0.05 or less, it will be more difficult to trade between the bid and ask. At such times, a limit order at the bid or ask may be the way to go if you want to increase the odds of your order being filled.

While this article has touched on certain of the more commonly misunderstood aspects of trading ETFs, it's just a sampling. Fortunately, the resources on ETFs in the Canadian market are extensive. Publications like Canadian ETF Watch are a great source of information, as are each of the Canadian ETF providers. Toronto Stock Exchange has also built an ETF portal with publications, videos, and general information spanning the most basic information to the more complex. Visit **TMX.com/ETF** to learn more.

Gary Knight, Vice President, Equity Trading, TMX Group
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EXCHANGE TRADED FORUM 2012

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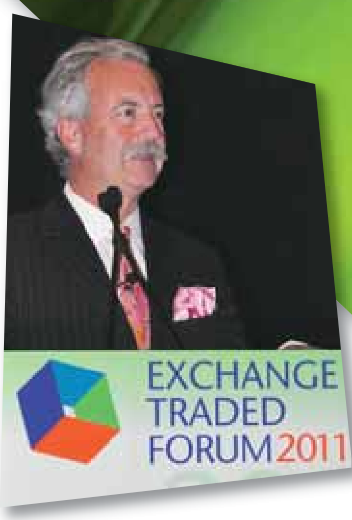

Pat Bolland, Moderator
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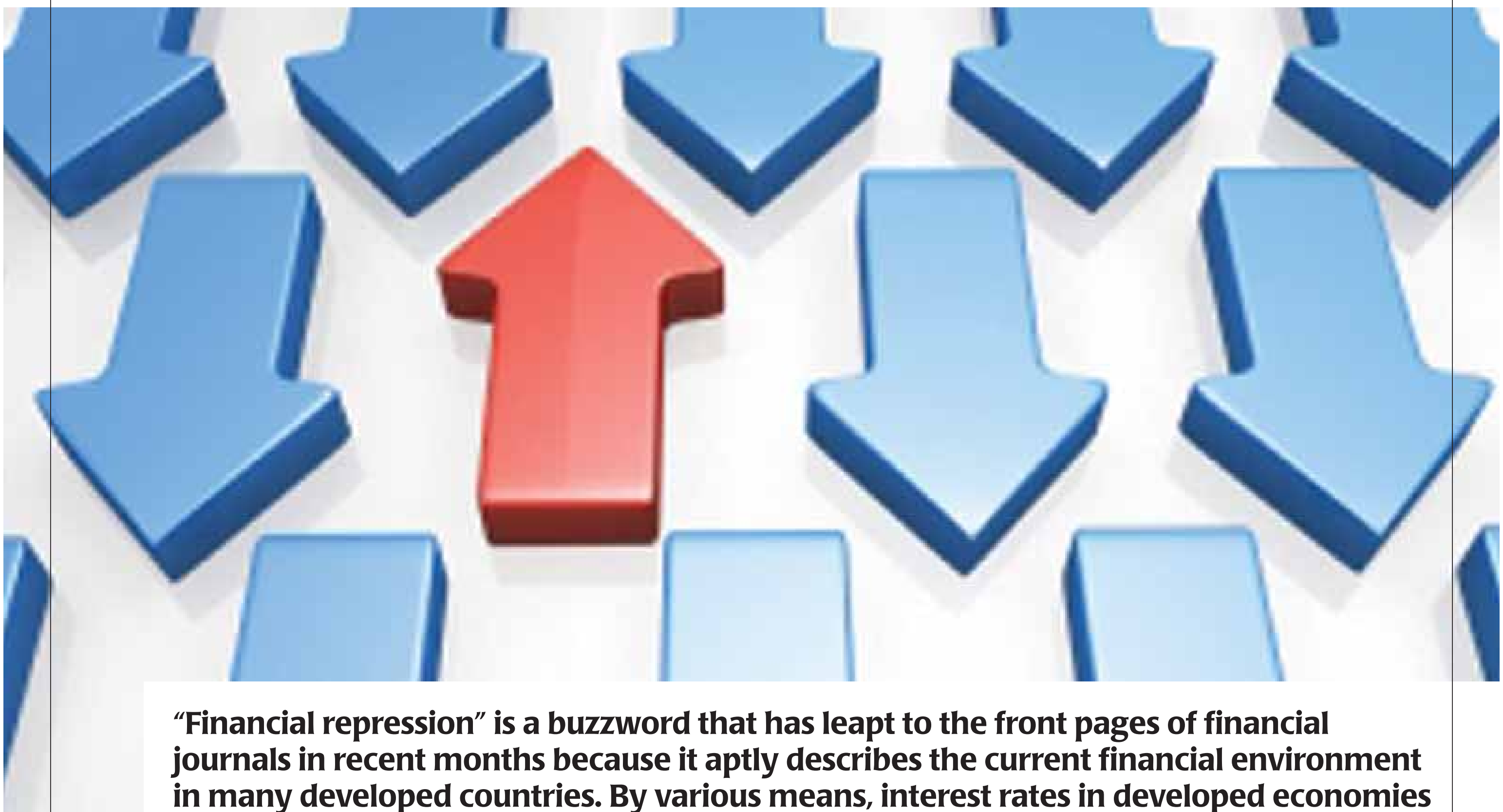
Investing in an Age of Financial Repression



"Financial repression" is a buzzword that has leapt to the front pages of financial journals in recent months because it aptly describes the current financial environment in many developed countries. By various means, interest rates in developed economies are being artificially suppressed below inflation to improve the ability of governments to finance debt without resorting to painful fiscal austerity measures.

Michael Cooke
Head of Distribution
PowerShares
Canada
Invesco

While low rates help reduce the cost of servicing debt as it is rolled over, coupling a low- or zero-interest-rate policy (ZIRP) with moderate, steady inflation can help adjust the debt-to-GDP ratio by reducing the real value of liabilities. Financial repression is effectively a slow transfer of wealth from savers to borrowers, yet it represents the least painful option for addressing a heavy debt burden.

A concept introduced nearly 40 years ago, financial repression has returned to the fore thanks in large part to a recent research paper by U.S. economists Carmen M. Reinhart and M. Belen Sbrancia[1]. According to Reinhart and Sbrancia, financial repression is characterized by "directed lending to government by captive domestic audiences (such as pension funds), explicit or implicit caps on interest rates, regulation of cross-border capital movements, and (generally) a tighter connection between government and banks."

While authorities aren't inclined to advertise this path as official policy, the writing is on the wall, as U.S. Federal Reserve Chairman Ben Bernanke recently indicated that short-term rates in the U.S. will remain close to zero "at least until 2014."

While developed countries like the U.S. are primarily using financial repression to lower the cost of financing massive debt burdens, financial repression isn't an isolated phenomenon. Even Canada seems to be using tactics resembling financial repression to manage its own debt burden and keep exports competitive by limiting currency appreciation.

Déjà Vu All Over Again

History is a useful guide as to how previous episodes of financial repression have unfolded. The last time the U.S. was as highly indebted as it is today (at about US$15 trillion, its debt-to-GDP ratio is hovering close to 100%) was in the aftermath of the Great Depression at the start of World War II. Then, as now, the consequences of allowing interest rates to rise would force the budget deficit even higher. Today, if U.S. interest rates went back to levels preceding the economic collapse of 2008, it would add $300-400 billion to the annual deficit in debt-service costs alone... unsustainable for the U.S. economy.

As a result, it's quite likely that the Fed is repeating its 1940s strategy of purchasing Treasuries to keep interest rates low. During that decade, the 10-year Treasury yield averaged just 1.99%–despite 18% inflation in 1946 (and 9% in 1947) and deficit-to-GDP ratios twice that of today.

10-Year Treasury Yields During the 1940s

Year	Nominal Yield	Real Yield	Gross Public Debt to GDP[2]
1949	1.80%	3.90%	94.54%
1948	2.12%	-0.88%	93.66%
1947	**2.18%**	**-6.62%**	**105.35%**
1946	**1.82%**	**-16.28%**	**121.96%**
1945	1.67%	-0.53%	116.65%
1944	2.10%	-0.20%	92.85%
1943	2.12%	-0.88%	71.83%
1942	2.11%	-6.89%	48.92%
1941	2.07%	-7.83%	45.41%
1940	1.88%	-1.18%	50.00%

Asset Allocation in an Age of Financial Repression

As the 1940s example illustrates, investors holding U.S. Treasuries during a period of financial repression can experience significant losses to real wealth as nominal yields no longer compensate for inflation risk. Consequently, financial repression introduces new complexity to the asset-allocation decision, as traditional "safe havens" come with a new cost.

Investors today need to rethink their traditional strategic fixed-income allocations – particularly on the risk-free side of the spectrum, since inflation risk is no longer compensated. While the risk-free principal repayment component and risk-return characteristics of a U.S. Treasury aren't replicated by other assets, the introduction of negative real yields reduces the opportunity cost of shifting strategic allocations from Treasuries into other asset classes.

For a given amount of duration risk, investors seeking positive real yields with relative safety (compared to benchmark equity indices) may be served by accepting some amount of credit and liquidity risk by shifting a portion of their Treasury allocation into investment-grade corporate bonds, high-yield bonds or low-volatility, dividend-paying equities. Said differently, for investors seeking a specific yield, accessing that yield using U.S. Treasuries would require an inordinate amount of duration risk, if even achievable.

Using PowerShares ETFs as examples, the table below shows the Treasury term an investor would have to use to achieve a similar yield:

	Weighted Average Yield To Maturity or Dividend Yield[3]	Weighted Average Duration[4]	U.S. Treasury Term of Similar Yield[5]
PowerShares 1-5 Year Laddered Investment Grade Corporate Bond Index ETF (PSB)	2.27%	2.67 years	10-year: 1.99% 20-year: 2.78%
PowerShares Fundamental High Yield Corporate Bond (CAD Hedged) Index ETF (PFH)	5.74%	3.75 years	30-year: 3.14%
PowerShares S&P 500 Low Volatility (CAD Hedged) Index ETF (ULV)	3.37%	n/a	30-year: 3.14%

While shifting from Treasuries into corporate bonds and low-volatility equities introduces a degree of additional risk to a portfolio, the historical volatility for these asset classes over the past 10 years is lower than that of broad equity benchmarks:

Index	Standard Deviation (February 2002-January 2012)
S&P 500 Index	16.0%
DEX Investment Grade 1-5 Year Laddered Corporate Bond Index (July 2009 – January 2012, since index inception)	2.1%
RAFI High Yield Bond CAD Hedged Index	9.3%
S&P 500 Low Volatility Index	10.77%

Source: StyleADVISOR

Added Risk Has its Rewards

If credit fundamentals improve within a period of financial repression due to an improvement in the business cycle, the additional risk accepted by moving into both high-yield bonds and low-volatility equities comes with an additional benefit over Treasuries and investment-grade corporate bonds. Improving fundamentals cause risk premiums to decline, and both asset classes will generally see a returns boost relative to less risky assets.

A low-volatility equity strategy holding high dividend-yielding common shares has additional benefits in a period of negative real interest rates. Businesses with pricing power are able to pass moderate inflationary pressures onto their customers, growing revenues to offset higher expenses. This is especially beneficial to equity holders, as earnings and dividends can grow with inflation, thereby providing shareholders with the potential for nominal total returns that more than compensate for the effects of inflation.

For more information on how PowerShares ETFs can help provide yield during periods of financial repression visit powershares.ca/ETFs

Michael Cooke, Head of Distribution, PowerShares Canada, Invesco
michael.cooke@invesco.com

[1]Reinhart, Carmen M. and Sbrancia, M. Belen "The Liquidation of Government Debt." The National Bureau of Economic Research, March 2011

[2]http://www.usgovernmentspending.com/debt_deficit_brief.php

[3]PowerShares Canada, February 16, 2012. Yield is subject to change and should not be construed as an amount an investor would receive from the ETF

[4]Source: www.treasury.gov February 27, 2012

[5]U.S. Department of the Treasury, February 16, 2012

New ETF Listings YTD

December 8, 2011	iShares DEX Floating Rate Note Index Fund To Trade On Toronto Stock Exchange
December 2, 2011	Vanguard Canadian Short-Term Bond Index ETF To Trade on Toronto Stock Exchange
December 2, 2011	Vanguard MSCI Emerging Markets Index ETF To Trade on Toronto Stock Exchange
December 2, 2011	Vanguard Canadian Aggregate Bond Index ETF To Trade on Toronto Stock Exchange
December 2, 2011	Vanguard MSCI U.S. Broad Market Index ETF (CAD-hedged) To Trade on Toronto Stock Exchange
January 23, 2012	PowerShares S&P 500 Low Volatility (CAD Hedged) Index ETF To Trade On Toronto Stock Exchange
January 24, 2012	PowerShares FTSE RAFI US Fundamental (CAD Hedged) Index ETF To Trade On Toronto Stock Exchange
January 24, 2012	PowerShares FTSE RAFI Canadian Fundamental Index ETF To Trade On Toronto Stock Exchange
February 2, 2012	XTF Morningstar Canada Dividend Target 30 Index ETF To Trade On Toronto Stock Exchange
February 2, 2012	XTF Morningstar US Dividend Target 50 Index ETF To Trade On Toronto Stock Exchange
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February 9, 2012	Claymore Managed Futures ETF To Trade On Toronto Stock Exchange
February 13, 2012	Horizons U.S. Floating Rate Bond ETF To Trade On Toronto Stock Exchange
February 13, 2012	Horizons High Yield Bond ETF To Trade On Toronto Stock Exchange
February 13, 2012	XTF Morningstar Canada Value Index ETF To Trade On Toronto Stock Exchange
February 13, 2012	XTF Morningstar Canada Momentum Index ETF To Trade On Toronto Stock Exchange
February 28, 2012	Horizons Silver Yield ETF To Trade On Toronto Stock Exchange
February 28, 2012	Horizons Natural Gas Yield ETF To Trade On Toronto Stock Exchange
February 28, 2012	Horizons Crude Oil Yield ETF To Trade On Toronto Stock Exchange
March 30, 2012	Horizons Auspice Managed Futures Index ETF To Trade On Toronto Stock Exchange
April 2, 2012	Horizons BetaPro S&P 500 VIX Short-Term Futures™ Inverse ETF To Trade On Toronto Stock Exchange
April 11, 2012	iPath Pure Beta Crude Oil CAD Hedged ETN To Trade On Toronto Stock Exchange
April 11, 2012	iPath S&P 500 Dynamic VIX CAD Hedged ETN To Trade On Toronto Stock Exchange
April 11, 2012	iPath S&P 500 VIX Short-Term Futures CAD Hedged ETN To Trade On Toronto Stock Exchange
April 12, 2012	PowerShares Senior Loan (CAD Hedged) Index ETF To Trade On Toronto Stock Exchange

ETFs In Canada

1990
World's first ETF, TIP 35, launches

September 1999
iShares launches in Canada with XIU

October 2000
State Street Global Advisors launches ETF (closes November 2002)

January 2001
TD launches ETFs (closes March 2006)

March 2006
Claymore launches ETFs

January 2007
Horizons launches BetaPro Funds

June 2009
BMO launches ETFs

May 2011
Canadian ETF Association launched

May 2011
Invesco Trimark launches mutual-fund wrapping ETFs

May 2011
XTF launches ETFs

September 2011
RBC launches ETFs

November 2011
Vanguard enters Canada

March 2012
BlackRock acquires Claymore

BMO Asset Management Canadian ETF Outlook 2012

We expect 2012 will see more dramatic growth and change in the industry, with stiffer competition, lowered fees, more product launches, consolidation, and the potential for more regulatory influence.

Rajiv Silgardo
Chief Executive Officer

Exchange Traded Funds (ETFs) continued their strong penetration and growth in Canada in 2011. We estimate the overall assets in the industry grew by a further 13 percent in spite of continued market volatility. With 2011 now in the books, the Canadian ETF industry has recorded estimated compound annual growth rates (CAGRs) of 18.5 percent over the last five years and 28.6 percent over the last 10. Moreover, the past year saw the number of ETF providers in Canada double from four to eight.

We expect 2012 will see more dramatic growth and change in the industry, with stiffer competition, lowered fees, more product launches, consolidation, and the potential for more regulatory influence.

What is it about ETFs that has continued to make them so popular with investors? Many point to their cost effectiveness, real-time transparency into underlying portfolios and investments, liquidity whenever markets are open and the efficient addition of many more investment opportunities and solutions than other products had ever done previously.

BMO Financial Group
Exchange Traded Funds

All of these benefits have allowed investors – from individual investors and investment advisors to institutional investors – to build more sophisticated portfolios with a far better balance between the "hoped for" returns versus the almost guaranteed risks and costs that accompany investments in almost any form.

However, we also see several other benefits that are not typically discussed. These include:

Market De-Segmentation

Most products appeal to a particular segment or niche of investors. For instance, mutual funds are bought mostly by individuals; large institutions like pensions and endowments invest in pooled funds or in separate accounts that may be managed externally or internally; banks and insurance companies, when they hedge their balance sheets, create the appropriate structures themselves with physical stocks and bonds, or with derivatives; money managers (including investment advisors, mutual fund managers, hedge fund managers, sovereign wealth funds, and others) use physical stocks and bonds or derivatives in some form to create the portfolios that they desire.

However, with ETFs, all of the above investors – large and small – can and generally do use the very same ETF or ETFs. For example, SPDR, the S&P 500 Index linked ETF which is listed on the NYSE, is used by individuals as a very efficient and cost-effective way to invest in the US stock market. But it is also used for the very same reason by money managers, by banks and insurance companies, by pension and endowment funds – indeed by any investor who needs quick and easy exposure to the S&P 500. It is a classic example of market de-segmentation. As each successive type of investor has discovered the power of ETFs and the myriad variety of uses for them, demand for more and different ETFs has grown. This has clearly contributed to the ongoing growth of ETFs.

Increased Marketplace Sophistication

We believe that all investors, but individual investors in particular, continue to ratchet up their investment knowledge and sophistication at a reasonably fast pace. As more investors understand the different forms of risk (for example, active risk which is related to security selection, versus market risk which is related to asset allocation) and how they are compensated (in the form of returns) for taking these risks, they are now looking more and more to diversify these sources of risk. Mutual funds are a great way of accessing active risk and returns, while ETFs on the other hand provide quick, easy and cost-effective access to market risk and returns. Carefully combining the two types of products can provide the optimal trade-off between returns, risk and cost. As investors have come to understand this, their demand for ETFs has increased. This has provided yet another reason for their ongoing growth.

Relative Size

In spite of the strong growth posted by ETFs over the last several years, and the significant amount of media attention and focus, they still only make up approximately 6-7 percent of mutual fund assets in Canada. While there are an estimated 4,500 mutual funds in Canada, there are still less than 250 ETFs. All of this points to strong growth from a low base in the years past.

In spite of the strong growth posted by ETFs over the last several years, and the significant amount of media attention and focus, they still only make up approximately 6-7 percent of mutual fund assets in Canada.

So what does 2012 hold in store for Canada's ETF providers? In general, we believe that overall growth for the industry will continue this year, although the competition will be stiffer and market conditions will remain challenging. More specifically:

- All providers will seek to capture share, and one way of doing this is through the launch of new products. There will definitely be more ETFs introduced in 2012, in particular from the newer participants in the industry.
- In a bid to capture share or new territory, some of the newer ETFs will likely create further price competition. However, meaningful innovation that provides real value to end investors will make the difference between success and failure in the long-term. We believe the plain vanilla market capitalization-based ETFs will be cannibalized by cheaper or better constructed alternatives, unless providers can find a new class of investors for those.
- Look for more hybrid structures in 2012, such as mutual funds that invest explicitly in ETFs, to provide long-term strategic investment exposures. Other funds may use them tactically to add value through asset allocation based strategies, or to create very effective and efficient target risk or target return focused strategies.
- There will likely be more launches of active ETFs, with some large and well-known firms looking to enter the space. However, we believe that active strategies in ETF form lose many of the advantages of ETFs, such as real time transparency and cost-effectiveness. On the other hand, if an active ETF maintains these features, then it becomes difficult to provide consistent alpha at scale, given that alpha typically comes from proprietary knowledge and less transparency. We currently have only one provider of active ETFs in Canada, and the aggregate assets in those ETFs are a tiny fraction of outstanding industry-wide ETF assets. Therefore, the overall success of these products is still very much in question.
- One Canadian ETF provider has been acquired in 2012, and the consolidation trend will likely continue. Currently, the top three providers account for more than 90 percent of market share in Canada. This trend could lead to the closing of some of today's existing ETFs.
- Increased regulatory focus is another trend to look for in 2012. In 2011, there was regulatory concern particularly in Europe – over synthetic ETFs that use asset-based swaps to create the desired investment exposures. The concerns with such ETFs stem from less than full transparency into the underlying investments as well as the potential for conflicts of interest. While we did not have similar issues in Canada, we believe that regulators globally will be more focused on this industry in 2012. In particular, they will want to educate themselves more as ETFs continue to multiply and penetrate investor portfolios.

In an environment where the broad investor marketplace continues to become more educated on what ETFs are and how they work, their popularity and growth will no doubt continue. However, ETF providers will need to know the needs of their clients and respond appropriately. That response will have to include both outstanding and innovative products as well as best-in-class investor education and support. To do this well, ETF providers will need to have local investment and client support professionals. Without on-the-ground and well-trained staff, it will be more difficult to compete effectively in the coming months and years.

Rajiv Silgardo, Chief Executive Officer, BMO Financial Group

2012/13 CALENDAR OF EVENTS

Brought to you by radius Financial Education

(division of CHW Inc.)

Exchange Traded Forum ~ Toronto

Wednesday, April 25 to Thursday, April 26
Westin Harbour Castle

ETPs, ETFs, ETNs, Indexing

In its third year, the **Exchange Traded Forum** 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 2012

exchangetradedforum.com

World Alternative Investment Summit Canada ~ Calgary

Monday, May 28
Hotel Arts

WAISC is in its 11th year and is Canada's largest gathering of alternative professionals. For 2012 we are bringing the conference to **Calgary**. More money is raised every year in the newly regulated exempt markets. These products are unique and offer diversification and cash flow to a traditional portfolio of stocks and bonds. The **World Alternative Investment Summit Canada** will educate, connect and update all participants in this rapidly growing and ever changing segment of the Canadian capital markets.

WAISCWEST 2012
World Alternative Investment Summit Canada

waisc.com

Niagara Institutional Dialogue

Monday, June 11 to Wednesday, June 13
Niagara-on-the-Lake ~ Queen's Landing

Niagara Institutional Dialogue is an exchange of ideas, knowledge and practices for Canadian Institutional Investors. A selected group of senior representatives from Canadian pensions and family offices, 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

institutionaldialogue.com

Exchange Traded Forum ~ Western Canada

Monday, June 18 ~ Calgary ~ Hotel Arts
Wednesday, June 20 ~ Vancouver ~ Pan Pacific Vancouver

ETPs, ETFs, ETNs, Indexing

In its second year in western Canada, the **Exchange Traded Forum** conference will address the latest trends and developments in this rapidly changing and growing sector.

EXCHANGE TRADED FORUM 2012

exchangetradedforum.com

radiusfinancialeducation.com

2012/13 CALENDAR OF EVENTS

World Alternative Investment Summit Canada ~ Niagara Falls

Tuesday, September 18 to Thursday, September 20
Fallsview Casino Resort

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 **alternative** investments.

WAISC2012
11th World Alternative Investment Summit Canada
waisc.com

Exchange Traded Forum ~ Montreal

Thursday, October 4
Hotel Omni Mont-Royal

ETPs, ETFs, ETNs, Indexing
In its second year in Montreal, the **Exchange Traded Forum** conference will address the latest trends and developments in this rapidly changing and growing sector.

EXCHANGE TRADED FORUM 2012
exchangetradedforum.com

Retirement Coaching Conference (RCC) ~ Toronto

Monday, October 22 to Tuesday, October 23
Le Méridien King Edward

2011 marked the year that the first Baby Boomers turned 65 and every single day more than 10,000 boomers will retire. This demographic will redefine retirement and clients will need "coaching" in many crucial decisions. This is a huge opportunity for the advisor who gets it right. RCC will focus on all aspects of "retirement planning", enabling a successful experience for clients.

RCC
Retirement Coaching Conference
FOR INVESTMENT ADVISORS

Niagara Institutional Dialogue Interim Meeting

Coming in 2013

We've had an overwhelming request from our **NID** members to host another iterim meeting. Stay tuned for our second annual gathering, coming in 2013.

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

Radius Financial Education

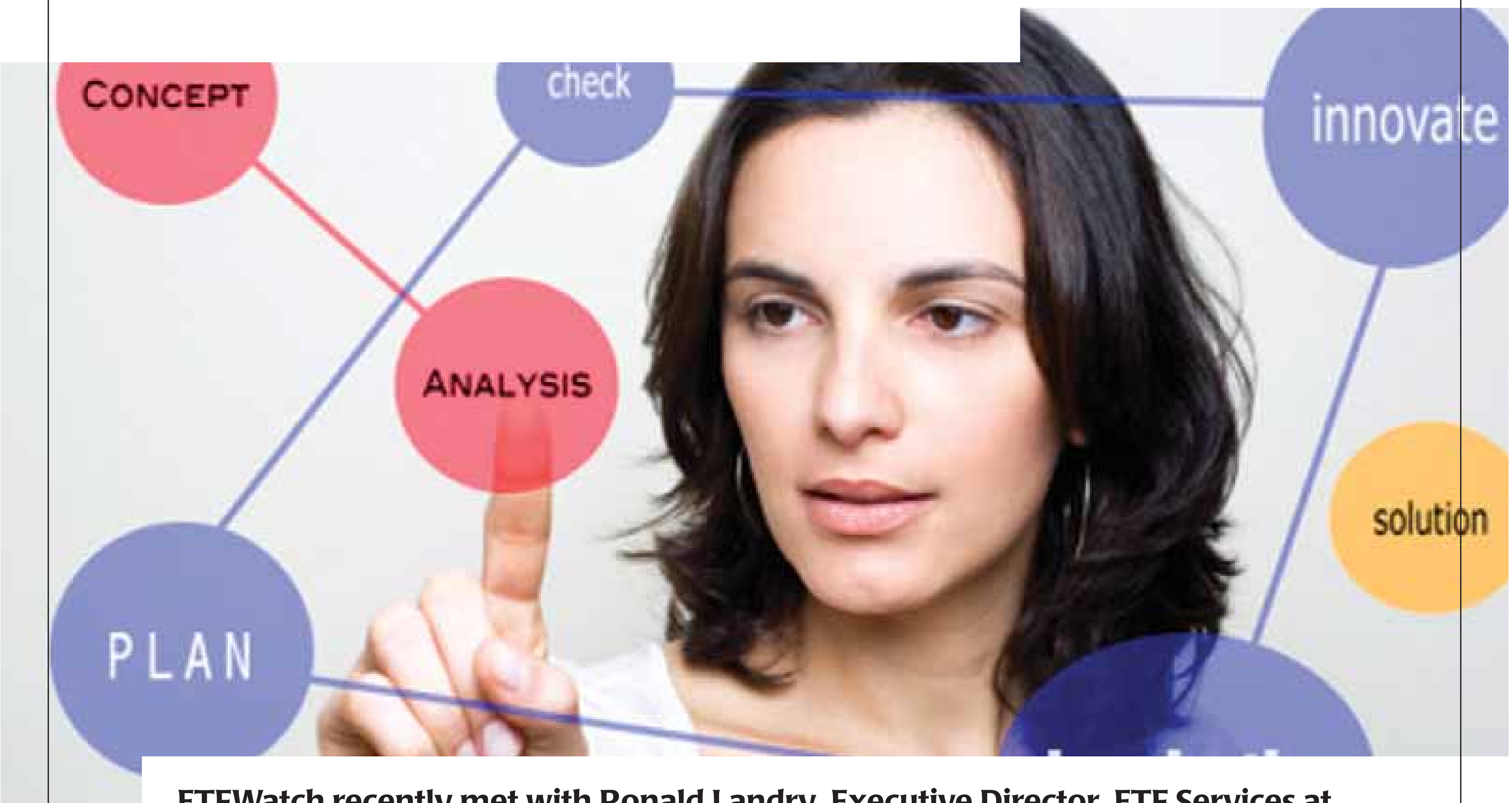
Radius Financial Education (Radius), a division of **CHW Inc.**, has been producing high level conferences within the financial services sector in Canada for over 10 years.

As Canada's leading producer of conferences within the financial sector, **Radius** events focus completely on education and networking through an exchange of unbiased ideas and information, allowing our delegates to be leaders in their chosen fields.

Our top-down approach to the agenda enables us to deliver timely, thought-provoking, cutting edge, and sometimes controversial insight in a stimulating manner. We understand the importance of learning from the best. Each conference offers a well balanced speaker composition consisting of insight from authors, educators, economists, regulatory bodies and industry leaders from around the globe.

For more information, please contact:
Radius Financial Education T 416.306.0151 info@radiusfinancialeducation.com

ETFs: Navigating Unstoppable Growth, Challenges and Opportunities



ETFWatch recently met with Ronald Landry, Executive Director, ETF Services at CIBC Mellon, to discuss the ETF market in Canada.

Ronald Landry
Executive Director,
ETF Services

CIBC MELLON

CETFW *Author Clayton Christensen speaks of "disruptive innovation" in his book "The Innovator's Dilemma". In it, he says that businesses – regardless of whether they offer tangible or intangible products or services – must embrace innovation to the point of constructing new products/services that will actually displace their own current and successful offerings. If they don't innovate, the business will inevitably decline. You've been in financial services almost 20 years and had a long career in mutual funds. Would you agree that ETFs are that current "disruptive innovation" inside the world of investment products that are on the trajectory to displace mutual funds?*

Ronald Landry There's no question that the pace of growth for the ETF industry globally has been impressive. In 2000, there were fewer than 100 products globally and assets under management (aum) were under $100 million. Today, there are almost 3,000 products globally and industry aum exceeds $1.5 trillion. That averages to a global industry CAGR of 23% since 2003. Of the $1.5 trillion – the U.S. market accounts for approximately $1 trillion. The second-largest ETF market after the U.S. is Europe with $326 billion in assets. This is followed by Asia with $82 billion, and Canada with $52 billion in exchange traded products.

At CIBC Mellon, we've been working very closely with ETF providers across Canada since 2002. Over that time, ETFs have definitely proven themselves to be a cost-effective way for investors to obtain exposure to a range of sectors and non-traditional asset classes and to build portfolios of less-correlated assets. ETFs can offer lower costs, greater liquidity and transparency, and some tax efficiency.

These features together with their intraday tradability have contributed to the rapid growth which shows no signs of abating. In fact, research undertaken by Strategic Insights and commissioned by our U.S. parent (BNY Mellon), projects that U.S. ETF assets will reach US$2 trillion by the end of 2015.

However, having said all that, I'm not convinced that we'll see ETFs' assets, volumes or revenue eclipse that of mutual funds in the near short term. The global mutual fund industry remains incredibly strong with aum in excess of $23 trillion, compared to the $1.5-trillion ETF industry. Plus, research indicates that ETFs have been eating into the market shares of individual stocks and managed accounts rather than into actively managed mutual funds.

Certainly, drivers such as the pace of product innovation and increasing investor adoption levels underscore the opportunity that exists for new and existing ETF entrants. More advisors are also now looking at ETFs as another tool to incorporate into portfolio allocation models. Nonetheless, I believe that growth will be tempered by the mounting regulatory scrutiny of capital markets and financial products occurring around the globe.

CETFW ***You mentioned regulatory regimes and their impact inside Canada and globally. To what degree would you say ETF industry growth has been hindered as a result?***

RL Measuring the impact of regulations (whether by revenue or market share lost/gained) is difficult. Take for example, the SEC's announcement last month where they issued a temporary moratorium on approving any new ETF products that use derivatives. What short-term or long- term impact would this type of regulatory decision have on sales or market share of the derivatives-based Pimco Total Return ETF, for example? Will it increase sales for competitor products or help to concentrate market share further into the hands of a few big players? It's difficult to predict.

In terms of the ETF industry, it's estimated that 20% of the assets now come from retail investors while 80% reflect institutional investors. Initially, the products were designed purely for institutional investors. With the product having moved into the mainstream, regulators are concerned that investors may not have the level of sophistication required to understand the mechanics underlying various ETF structures. And, being that regulatory regimes worldwide are anchored on investor protection, we're seeing increased regulatory activity worldwide.

As I mentioned earlier, in the U.S., the SEC has put a number of approvals on hold for derivatives-based ETFs. The SEC is looking at, among other things, investor disclosure, liquidity levels and transparency of underlying instruments, as well as the relationship between these products and market volatility.

In Europe, the European Securities and Markets Authority released proposed guidelines in January setting out greater disclosure and structure requirements for UCITS ETFs (physical and synthetic) as 40% of total ETF assets in Europe are in synthetic ETFs. By comparison, in the U.S., synthetic ETFs represent 3% of total ETF assets. And according to research, Canada has 13 single, long synthetic ETFs which represent about 7% of total ETF assets.

Despite the relatively small number of products, Canadian regulators are active on the ETF front. For example, the OSC specifically mentions ETFs in its "Statement of Priorities" for 2011-2012. In addition to this, the OSC is a member of the technical committee of the International Organization of Securities Commissions (IOSCO) and they're currently working on an ETF consultation paper with recommendations that they hope will be implemented across the G20. It's certain that the product debate regarding liquidity versus transparency will continue, particularly as regulators try to assess whether investors will be able to convert synthetic ETFs into cash or at near NAV in market-stress situations. Any new regulatory mandates are bound to impact product development worldwide.

One of the strengths in our value proposition has long been our ability to provide clients with the technology (including the reporting/information delivery mechanisms) they need to help manage compliance requirements. As the regulatory landscape evolves for ETF providers, CIBC Mellon is committed to adapting operational components and services to help our clients meet regulatory guidelines.

CETFW ***From your perspective, will product innovation continue and, if so, where might the next frontier in ETFs take us?***

RL Most assuredly, we expect development to continue in a number of streams. Fixed income ETFs, for example, are growing rapidly as baby boomers age and look for yield/income and stability. ETFs provide investors access to markets and commodities that would otherwise be difficult for a lone investor to access.

We also see more exchange traded products that provide exposure to emerging markets and non-traditional categories. The universe of commodity ETFs will also expand further with new products tracking copper and other hard commodities; ETFs focusing on emerging markets' commodities; as well as equity ETFs tracking companies that produce those commodities.

The industry is looking at ETFs that offer exposure to spreads between certain indices; exchange traded notes that provide exposure to indices replicating the returns of a basket of merger-arbitrage hedge funds. Plus, if the index providers are constructing new indices, that too will help to drive product innovation in this space.

Leveraged and inverse-leveraged ETFs as well as swap-based ETFs have created some debate recently in terms of classification, liquidity, disclosure and suitability requirements. Yet, both financial advisors and broker dealers continue to embrace these innovative and successful products for hedging strategies. In the U.S., there's more than US$30 billion in assets in various double, triple and inverse exposure ETFs on the market – in equities, bonds and commodities.

I don't think you can have a discussion about product innovation without also addressing underlying product costs and margin flexibility. The interesting development here is that investors appear willing to pay higher expenses, even as much as 80 basis points (bps), for some ETF products if they feel they can obtain higher returns with lower volatility. This pricing opportunity is one more reason why I believe we will continue to see product innovation in the ETF space.

At CIBC Mellon, we truly want to see our clients succeed through product innovation and we seek to work with them in the development process as early as possible. What differentiates CIBC Mellon from other asset servicing competitors in Canada is that we don't compete with our clients by offering ETFs either directly or under another brand name or distribution arm.

Product innovation is also a hallmark of our U.S. parent. In fact, a number of ETF global industry firsts can be traced back to BNY Mellon, including helping clients launch the first emerging markets ETF, the first target-date ETF, the first commodity-based ETF, currency-based ETFs and more. We leverage BNY Mellon's global expertise to deliver locally to our clients.

CETFW ***Going forward, will ETF product innovation be primarily driven to meet the needs of retail consumers or institutional investors?***

RL Demographics have definitely shaped ETF product adoption to date at the consumer level. Prior to the year 2000, ETFs were primarily institutional products. Over the years, those baby boomers with actively-managed mutual funds have been hard-pressed to find portfolio managers capable of beating the index over the long run.

Continued on page 22

Continued from : ETFs: Navigating Unstoppable... page 21

As a result, boomers have gravitated to ETFs which can provide beta and help build core positions. The fact that ETFs can offer full transparency and publish holdings daily is also attractive to mature, older investors.

I believe that there will be greater product innovation targeted at individual consumers, particularly as baby boomers begin to inherit some $11 trillion in trans-generational wealth. Boomers' current desire for yield/income can be seen in dramatic in flows into fixed income ETFs. In the U.S., there was approx.US$50 billion invested in this type of product in 2011. On a global scale, the number of fixed income ETFs available has increased to 600 from 100 over the past five years and there were an additional 100 fixed income ETFs launched globally in Q1 of 2012. Specifically in Canada, we've seen the number of fixed income ETPs increase to 60 from 24 in 2010; more than half of the new ETPs launched in Canada last year were fixed income.

Simultaneously, more mid- to large-size pension plans are converting equity positions to ETFs in their portfolios. From my perspective, that means it's critical to engage institutions and consider their needs as well when considering ETF product development.

Our role is to support our clients throughout the product development life cycle. Our insight into global operational trends affecting product development has been gained through our relationship with BNY Mellon and our participation on global ETF steering committees. We're also an associate member of the Canadian ETF Association (CETFA). So, drawing on this combination of global and local ETF industry involvement, we're able to develop solutions reflective of current trends and industry issues and, ultimately, help our clients focus on future business growth.

CETFW ***Given your role as a service provider to the industry, what are the current operational challenges or concerns that ETF providers are bringing to your attention?***

RL For ETF providers, cost efficiency is critical. The challenge is to control costs while managing complex products – products that need to tap into a global operating platform with stable, adaptable infrastructure for execution in information delivery and currency flows.

Operationally, ETF providers need unique and proven expertise in a number of key areas -- from handling the basket creation/redemption process to accounting to collateral management and securities lending. However, engaging multi-vendor relationships can add expense.

At the end of the day, ETF providers want to partner with a single source, asset servicing provider who can meet all their needs and adapt to their product family, and yet do this cost efficiently. That's where we look to provide comprehensive services to help launch and service the ETF assets. Most important, we have the scale, the access to leading-edge proprietary technology needed to facilitate the ETF basket creations/redemptions in the primary market, as well as the expertise to help our clients drive and sustain growth over the long run.

At CIBC Mellon our focus is on the operational side, so our clients can focus on strategic growth and product distribution.

CETFW ***Can a mutual fund provider transition easily to this sector or will they face various other operational challenges?***

RL A number of the challenges for mutual fund companies are at the front end of the entry process in terms of assessing their brand strength, their core competencies, acceptance from their sales channel, and eventually articulating the value proposition that they will provide to investors through the ETF offering. It requires analysis-- mutual fund providers may be asking themselves if the ETF offering will build out their product family or instead result in brand dilution or product cannibalization.

In terms of the products themselves, ETFs are becoming more complex and moving away from passive management and literally pushing the "beta envelope". This may be an advantage to traditional firms, in terms of finding an easier route to enter the ETF space.

Any or all of the operational challenges can be met with the right asset servicing partner. Partnering with a custodian with a proven track record in this space; and who has the ability to offer customized solutions; and who is not a direct competitor offering ETF funds, can help a mutual fund provider accelerate their market entry.

Currently, CIBC Mellon services more ETF providers than any other custodian in Canada and that speaks volumes with respect to our reputation and expertise in this space. We have also long been a trusted asset servicing provider to the mutual fund industry, where we hold a 44 per cent market share based on assets under administration[1]. Investment funds are our largest client segment at CIBC Mellon and we continue to invest in new capabilities to service our clients.

CETFW ***CIBC Mellon has been servicing ETF providers for the past decade. What do you see as trends for the next decade?***

RL Despite the global political and economic environment, I believe the growth will continue in Canada as the result of four factors – namely, more players; new channels; increased advisor adoption rates; and price competition. I'll speak to each briefly:

(1) Similar to the U.S., Canada has a handful of ETF managers who control the majority of assets. While they had first-mover advantage, this will shift as the industry matures and I believe we'll continue to see more players and new players enter the market. As you know, Vanguard and PowerShares® Funds recently entered the Canadian marketplace. These firms are among the top five ETF providers in the U.S. Vanguard has a 15% market share; PowerShares®, 5.4%. It's also interesting to note that nearly half of the current ETF families operating in the U.S. today didn't exist three years ago; they're all new players. I think you'll see a similar trend occur in Canada. In fact, I'm convinced that the Phase 1 amendments that were released by the Canadian Securities Administrators last month (February 2012) not only will help eliminate current hurdles and help to level the playing field among existing participants in the ETF sector, but also will assist non-Canadian ETF participants entering our market.

(2) The players themselves will look for new channels, for example, BNY Mellon research indicates that a number of firms have been making efforts to add ETFs to defined contribution pension plans in the U.S.. Again, I believe Canada will follow suit.

(3) In Canada, although IIROC doesn't have specific data, there's a sense in the industry that an increasing number of MFDA advisors are now joining IIROC, and as a result, these advisors are incorporating more ETFs into investor portfolios. As advisor adoption rates increase, so too will investor purchases.

(4) In the U.S., we're simultaneously seeing price competition and the introduction of premium pricing models. I expect Canada to follow a similar path. There has been some intense pricing competition, particularly in the U.S. In 2009, for example, Charles Schwab came out with line of ETFs, some as low as 6 bps. In another case, iShares launched an MSCI Emerging Markets Stock ETF at 69 bps; Vanguard quickly followed suit with an identical ETF but offered at 27 bps; Schwab then launched an identical ETF at 25 bps and Vanguard responded by lowering their bps to 22.

The mutual fund industry will still have to deal with ETF price pressure in the short term but, as I mentioned earlier, with increasing product innovation and growing investor appetite for ETFs, there is also tremendous untapped opportunity that exists for those firms choosing to offer ETFs in their product suite in the years ahead and we're happy to support them through the entire product life cycle and ongoing asset servicing.

Ronald Landry, Executive Director, ETF Services, CIBC Mellon

[1]Based on Investor Economics and CIBC Mellon data (as at July 2011 and August 2011 respectively).

TMX – an ETF leader since DAY 1

TMX | Toronto Stock Exchange

Exchange Traded Funds ETFs | TMX

ETF Style
- Broad-based
- Narrow-based
- Equal-weight
- Balanced
- Buy Write
- Preferred Share
- Dividend Income
- Small-cap
- Large-cap
- Growth
- Value
- Spreads
- Volatility

Management Style
- Passive
- Active
- Leveraged
- Inverse
- Bullish
- Bearish

Sectors
- Agriculture
- Base Metals and Materials
- Energy
- Financial
- Healthcare
- Infrastructure
- Information Technology
- Mining
- Oil Sands
- Real Estate
- Socially Responsible
- Utilities
- Water

Fixed Income
- Corporate Bonds
- Convertible Bonds
- Government Bonds
- Long-term
- Short-term
- Money Market
- Laddered
- High Yield
- Target Maturity

Currencies
- Australian Dollar
- Euro
- Pound
- U.S. Dollar
- Yen

Derivatives
- Options
- Leveraged
- Swaps

Commodities
- Copper
- Crude Oil
- Gold
- Grains
- Natural Gas
- Silver

International
- Global Funds
- Japan
- Latin America
- United States
- BRIC (Brazil, Russia, India & China)
- EAFE (Europe, Australia, Asia and the Far East)

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Announcements

Invesco Launches First Senior Loan ETF

Investors continue to demand increased yield, as well as protection against the threat of rising interest rates. To meet these demands Invesco Canada has launched the PowerShares Senior Loan Index ETF, which began trading on the TSX today.

It's Canada's first senior loan ETF and provides access to an asset class with historically higher yield compared to other fixed-income securities. The short duration of such loands provides some security against borrower default, while reducing overall interest-rate sensitivity.

"Senior loans have low correlation to other fixed-income segments," said Michael Cooke, head of distribution for PowerShares Canada. "With this new ETF, Invesco Canada is helping to open up an asset class that has traditionally been traded exclusively by institutional investors."

This new ETF seeks to replicate the performance of the S&P/LSTA U.S. Leveraged Loan 100 Index and gives investors exposure to the largest 100 loan facilities drawn from a larger benchmark – the S&P/LSTA Leveraged Loan Index.

Horizons Offers Advisor Class Long/Short ETF

February 2012 – Horizons Exchange Traded Funds has launched an advisor class of its long-short the Horizons S&P/TSX 60 130/30 Index ETF.

The advisor class units charge a higher management fee, which includes the 0.75% annual service fee paid to the advisor. The purchase and sale process for the advisor class is identical to that of any other exchange traded fund.

The advisor class of the Horizons ETF began trading on the TSX today, and seeks investment results that endeavour to correspond to the performance of the S&P/TSX 60 130/30 Strategy Index, designed to measure the performance of an investment strategy that establishes over and under-weight positions relative to the S&P/TSX 60 Index.

"We are pleased to offer advisor class units on this innovative indexing strategy, which gives advisors more flexibility in how they choose to buy this ETF for their client accounts," said Howard Atkinson, CEO of Horizons ETFs.

"The Long/Short Index has demonstrated that not all indices behave the same since it's seen superior performance when compared to the TSX 60 Index, and gaining exposure to the Long/Short Index for their clients as a core holding should be top of mind for advisors."

RBC to Cut Fees on Target Date ETFs

February 2012 – RBC Global Asset Management is cutting the management fee of each RBC Target Maturity Corporate Bond ETF to 0.20%, but not until January 1 of the ETF's year of maturity.

The reduction reflects the change in the investment management requirements of the ETF as the bonds it holds mature during the maturity year and as its portfolio transitions to cash and cash equivalents.

The firm also announced it would change the name of these ETFs, effective Wednesday, February 29. On that date, the word "index" will be inserted; for example, the RBC Target 2013 Corporate Bond ETF will become the RBC Target 2013 Corporate Bond Index ETF.

The investment objectives and strategies of the RBC Target Maturity Corporate Bond ETFs have not changed.

XTF Capital Rolls Out Next Pair of ETFs

February 2012 – XTF Capital has announced the launch of their latest ETFs, the Morningstar Canada Value Index ETF and Morningstar Canada Momentum Index ETF, which began trading on the TSX this morning.

The Value Index fund is comprised of liquid Canadian equities screened for low price-to-earnings ratios, low price-to-cash flow ratios, low price-to-book value and sales, and upward earnings estimate revisions.

The Momentum Index includes liquid Canadian equities with above-average returns on assets and equity. There is an emphasis on upward earnings estimate revisions and technical price-momentum indicators.

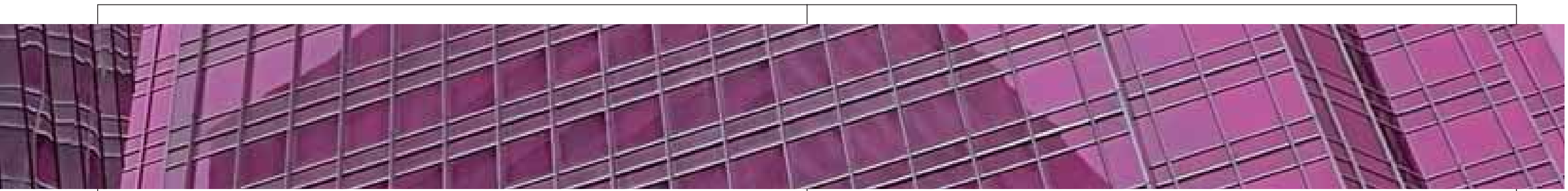
In addition, XTF Capital will launch two more ETFs this coming spring: The Morningstar Canada Liquid Bond Index ETF and XTF Morningstar Emerging Markets Composite Bond Index ETF.

The Liquid Bond Index incorporates the most liquid Canadian dollar-denominated government and investment-grade corporate bonds, while the Emerging Markets Composite Bond Index includes sovereign and corporate bonds issued in U.S. dollars by governments and corporations in Latin America, emerging Europe, Africa, Middle-East and Asia.

National Bank Launches Quebec ETF

February 2012 – National Bank has teamed up with the Caisse de dépôt et placement du Québec to announce the creation of a new ETF that will invest strictly in the securities of Quebec-based companies.

The two organizations are ponying up $30 million to create the XTF Morningstar National Bank Québec Index ETF. The fund will be traded under the symbol QXM.



"This is the very first ETF to allow the individual and any other investor to be exposed to close to sixty Québec-based companies – in one single step," said Laurent Ferreira, executive vice-president and managing director, derivatives at National Bank.

"This new fund… will be intended to promote the growth and recognition of Québec-based companies both locally and in the international financial community," said Jean-Luc Gravel, executive vice-president, equity markets at the Caisse. "By investing $15 million in this new fund – based on this index – the Caisse is reaffirming its commitment to support the reputation of growth-driven companies."

ETF Association Adds Four Members

March 2012 – Four new members have joined the Canadian ETF Association, strengthening its membership.

XTF Capital, the ETF subsidiary of First Asset Capital Corp, has joined as a full member of the association, and will fill one of the managing director positions on the board. They will participate equally with existing members in all operational and policy matters. "We're very excited to have XTF Capital join," said Howard Atkinson, chair of the CETFA, and CEO of Horizons ETFs. "They are the fourth full member of the association and have established themselves as a leading independent Canadian asset manager."

Barry Gordon, president of XTF Captial, is pleased that his group received invitation into the association, which "is doing great work to educate investors on the merits of ETFs and speak as a unified voice with regulators."

The association also welcomes three affiliate members: RBC Dexia Investor Services; Blake, Cassels & Graydon LLP; and CIBC Mellon. As affiliate members, these firms will not be represented on the board, but may participate in CETFA's committees and input on policy direction.

Investor Economics and ETF Insight also joined as affiliate members earlier this year.

"Our new affiliate members represent some of the most respected and well-known investment-focused entities in Canada. With their partnership we feel we've really strengthened the impact the CETFA will have on the Canadian investment landscape," Atkinson said.

Canadian ETF Industry assets near $50 billion

Canadian equity ETFs were the best selling asset class in March

April 18, 2012 – Exchange traded fund assets continued their growth through March 2012 to reach a new record high of $49 billion, according to figures released Wednesday by the Canadian ETF Association.

The CEFTA says the ETF industry could surpass $50 billion in the very near future, if assets continue to grow at their current pace. Assets have grown by 18.1% since last March when they hovered at just over $41.5 billion.

Each month, the CETFA compiles the sales data for the entire Canadian ETF industry with the help of Investor Economics. In order to determine net sales, the CETFA looks at the amount of money that is used for net creations, or the creation of new ETF units. If any ETF experiences net creations, it means more units of that ETFs are being bought than sold. If the industry is in net creations, positive sales are occurring.

According to Investor Economics, net creations for Canadian-listed ETFs amounted to $1.6 billion for the month, which represents roughly 3.4% of beginning assets. Net creations were also highly concentrated amongst the 25 best-selling ETFs, with this group accounting for 81.2% of net creations in March. Though a variety of mandates are present among these 25 ETFs, nine ETFs in the ranking provide exposure to fixed income securities, while eight have underlying exposure to common equities.Canadian equity ETFs were the best selling asset class with $522 million in net creations, with ETFs providing exposure to investment grade fixed income securities backed by corporate issuers placing second after attracting $340 million.

Concentration within the ETF industry remains high with the largest 25 ETFs accounting for 75% of the industry, with the remainder dispersed among 219 ETFs.

S&P, TMX Launch Low Volatility Indices

April 2012 – S&P Indices and TMX Group have announced plans to launch two new indices that will provide market participants with unique measuring tools for specific stock characteristics within the S&P/TSX Composite, the principal broad market measure for the Canadian equity markets.

The S&P/TSX Composite Low Volatility Index measures the performance of the 50 least volatile stocks in the S&P/TSX Composite, and is designed to serve as a benchmark for low volatility strategies. Constituents are weighted relative to the inverse of their corresponding volatility with the least volatile stocks receiving the highest weights.

The S&P/TSX Composite High Beta Index will measure the performance of the 50 constituents of the composite that are the most sensitive to changes in market returns, and serves as a benchmark for investors with a bullish strategic or tactical view of the Canadian stock market.

Both indices have already been licensed by S&P Indices to PowerShares Canada and operate as the basis for potential PowerShares ETFs listed on Toronto Stock Exchange.

"Canadian investors and portfolio managers looking for unique, yet easy-to-understand methods for benchmarking specific market segments," says Abigail Etches, director at S&P Indices. "Product issuers turned to the transparent methodology of these two indices to serve as the basis for new investing and trading strategies for their clients."

Announcements

Jovian Adds to Hahn Stake

April 2012 – Jovian Capital has announced that it has acquired an additional 20% equity interest in Hahn Investment Stewards & Company Inc., through its wholly-owned subsidiary Jovian Asset Management Inc.

The deal brings Jovian's total interest to 70% of HAHN's issued and outstanding voting shares, on a fully-diluted basis. The management, directors and employees at HAHN remain unchanged. "We have been very pleased with the growth of HAHN since our initial investment in July of 2009 and remain fully committed to the fast-growing managed ETF portfolio space," said Philip Armstrong, C.E.O. of Jovian. "We feel that the time is right to increase our stake in HAHN and help it to continue to achieve its enormous growth potential in North America."

HAHN builds and manages globally-diversified portfolios for its clients using exchange-traded funds, and is recognized as an innovator in the investment management industry.

"We believe that our managed ETF Portfolios are revolutionizing portfolio management for investors," said Tyler Mordy, Director of Research for HAHN. "We are excited about HAHN's prospects for growth and opportunities ahead, and this transaction will help us to capture those opportunities," added Mr. Mordy.

Founded by Wilfred Hahn in 2001, HAHN has one of the longest track records in using ETFs to deliver investment returns to its clients, utilizing a disciplined, cost-effective, global macro approach to managing money.

BlackRock Rebrands Claymore ETFs as iShares

April 2012 – BlackRock Investments Canada Inc., which acquired exchange-traded fund provider Claymore Investments Inc. three weeks ago, has killed the Claymore brand.

Nearly all the Claymore ETFs were rebranded Thursday to the iShares name. Ticker symbols for these funds listed on the Toronto Stock Exchange remain unchanged. Canadian ETF giant BlackRock snapped up the No. 2 ETF provider just after U.S. fund powerhouse Vanguard Group Inc. began its assault on Canada in January with its first suite of low-fee ETFs. BlackRock now has more than 80 per cent of the market share in this country.

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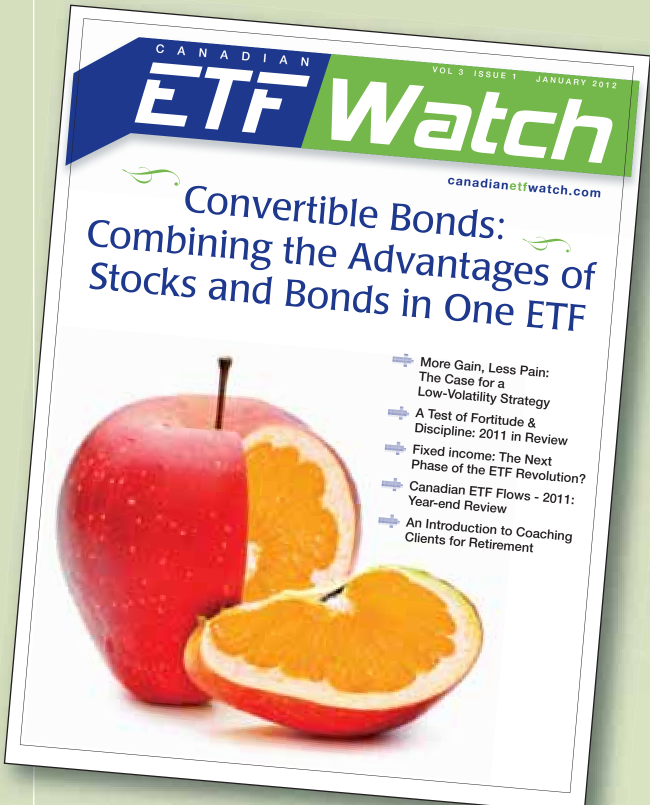

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radius Financial Education

A division of CHW Inc.

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