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CANADIAN ETF Watch

canadianetfwatch.com

The Case For Continued Emerging Markets Exposure

CONFERENCE REVIEW
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- Cash Flow Opportunities Using ETFs
- The Case for Banks
- Adding Value in the New Disclosure Environment
- Exchange Traded Forum 2013: Montreal Review
- Positioning Fixed-income Portfolios for Rising Interest Rates

While Fixed Income ETPs experienced outflows of ($0.7bn) in October largely due to Treasuries, riskier credit exposures remained popular as the search for income and protection against rising interest rates continued. Flows into High Yield funds hit a 21 month high of $2.8bn and Floating-Rate ETPs brought in an additional $0.8bn.

Global ETP flows reached $32.9bn in October as the US debt ceiling was raised and the likelihood of Q4 Fed tapering faded under continued signs of slow US economic growth.

The combination of these factors plus additional signs of modest growth in Europe helped to boost flows into Developed and Emerging Markets Equities.

The industry saw $24.3bn of inflows since October 17th, demonstrating investors were waiting for a resolution to the drama in Washington to move back into the market.

Year-to-date flows of $194.2bn remain on pace with last year's record level, a strong proof point for the secular growth of the industry during what has been a volatile year.

October Equity flows of $35.9bn included $18.0bn from US exposures. Flows into non-US exposures eclipsed $15bn for the second month in a row. Year-to-date Equity flows of $201.3bn are 72% higher than year-to-date 2012 flows of$117.0bn.

Pan European funds accumulated $7.9bn, a third consecutive record-breaking month as valuations remain attractive relative to the US. A greater portion of these flows came from European-listed funds than in the prior two months.

Emerging Markets flows reached $2.4bn, lower than in September but still supportive of the case that the category had been oversold earlier in the year.

Source: Blackrock ETF Research

The Radius Team wishes you all the best during the holiday season and a Happy New Year!

Judy Street, Vice President
Radius Financial Education

MONTREAL

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The Case For Continued Emerging Markets Exposure

Examining the relationship between GDP growth and returns

Atul Tiwari
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Charles Thomas
Investment Analyst, Vanguard Investment Strategy Group

To many investors, emerging markets look like they're in trouble and by extension emerging market exchange traded funds. Countries such as China, having weathered the global recession fairly well, have seen a deceleration in growth over the past few years.

However, the relationship between economic growth and equity market returns is not straightforward. As a result, we suggest investors not abandon emerging markets, and instead include them in a market-weight portfolio. Such a portfolio has the benefit of incorporating all investor beliefs and expectations regarding future prospects for myriad factors, including economic growth.

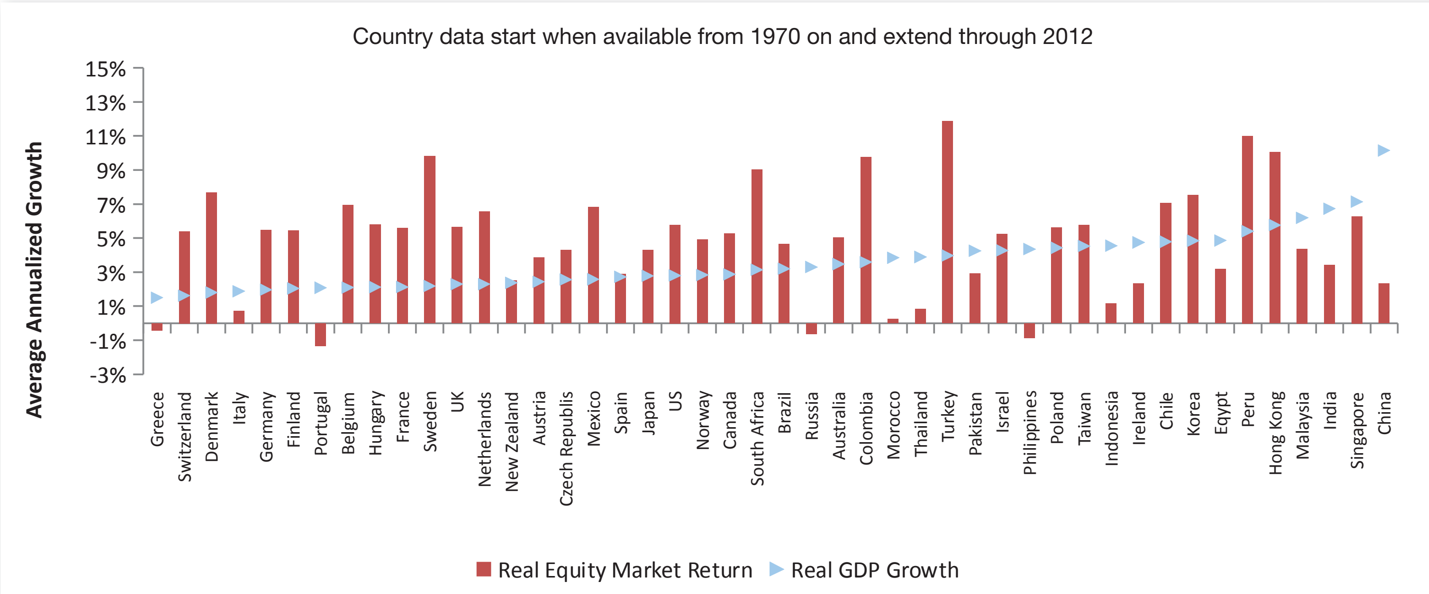
A weak long-run correlation

When we examine historical long-run equity market returns and their relation to economic growth (as measured by real GDP growth), we find a weak correlation across the 46 countries that make up what many would consider to be the investable global equity market. At 4.0% per year, the average real equity market return for the countries with the three highest GDP growth rates was slightly below the 4.2% average return for the countries with the three lowest GDP growth rates, despite the considerable difference in those rates (8.0% a year versus 1.6%, on average). It is clear that the correlation between these two variables is weak.

Vanguard®

GDP growth has a weak relationship with stock returns over the long term

Comparison of annualized real GDP growth and real stock returns across countries



Notes: The figures display each country's average annualized real GDP growth rate along with that country's average annualized real stock return. We include all members of the FTSE All World Index (except the United Arab Emirates, for a lack of return history). The period covered begins in 1970, with the starting point for each country depending on the availability of both returns and GDP data (most developed markets have data from 1970 onward, and most emerging markets have data from 1988 onward). Return data are based on MSCI country indexes spliced with FTSE indexes once the latter are available. Both growth and return data are in real local terms, with the index returns deflated using the GDP deflator from the IMF databases. Source: Vanguard, based on data from the IMF, MSCI, and FTSE.

It's not that economic growth is irrelevant to market returns. However, the relationship between the two is far more subtle than many appreciate and there are other influences are at work. When thinking about the relationship between growth and returns, investors should be mindful of four factors:

- The difference between expected and actual GDP growth.
- The importance of global capital claims on a country's GDP growth.
- The process of "financial deepening" – or expansion of the capital markets – within fast growing emerging countries.
- And, most important, the fact that market valuations reflect the price paid for earnings growth.

When viewed in the context of these four factors, the experience of the past three years, in which emerging markets outpaced the growth of developed markets without outpacing their returns, begins to make more sense.

Economic surprises matter

It is critical to distinguish between expected economic growth and the actual growth relative to expectations. Because markets price in anticipated economic outcomes, it is not the expected growth that matters for returns. Rather, it is the surprise growth – actual growth relative to the prior expectation – that can have an immediate and sometimes profound influence on stock returns.

For example, if the consensus view had been that the Chinese economy would grow at 8% per year, and actual growth was reported at 10%, the 2-percentage-point difference would represent a positive surprise that should quickly drive up stock prices.

Alternatively, if Chinese growth was reported at 6%, the surprise would be negative and stock prices probably would fall, despite the fact that 6% might be considered an excellent growth rate for a typical developed market.

The role of multinationals

A second factor that helps to disconnect economic growth from equity returns is the role that multinationals play in driving a country's GDP growth. One need ask: Who benefits from the growth a country is experiencing?

The premise that GDP growth should equate to the earnings growth that drives market returns assumes that an economy is closed off from the world – no imports, no exports, and no cross-border capital flows. Because nearly all developed and emerging market economies are at least partially open, this assumption is incorrect. In reality, developed market multinationals are producing and capturing some of the economic growth from emerging market economies, creating a wedge between national economic statistics and country-level corporate earnings.

A significant portion of profit growth for developed market multinational companies is driven by GDP growth in the emerging markets where they operate. By comparing growth rates in earnings and GDP across developed and emerging markets, we demonstrate that earnings growth is more aligned between the two categories than the economic statistics might suggest. This is an important reminder not to view GDP growth as a proxy for corporate earnings growth in any stock market.

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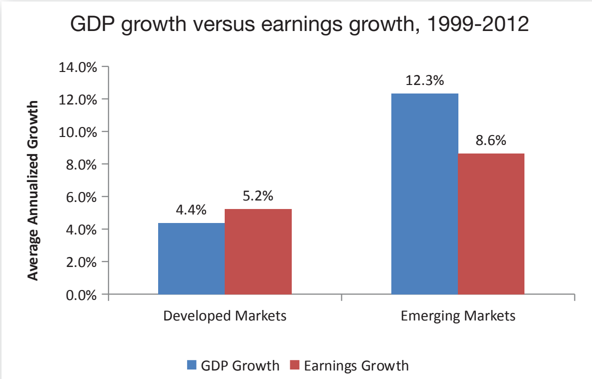
GDP is a poor proxy for equity market earnings



Notes: This graphic shows the average annualized growth in earnings and GDP in nominal U.S. dollar terms. The countries represented are the members of the FTSE Developed and FTSE Emerging Indexes as of December 2012. GDP growth is based on aggregated data for those countries as reported in the IMF's April 2013 World Economic Outlook database. Earnings growth is inferred from the price index and P/E ratios of the same indexes.

Source: Vanguard, based on data from the IMF and FTSE.

Financial deepening

Economic growth, as measured by GDP, comes from two sources – population growth and productivity. Therefore, a change in either of these will impact GDP growth, which many assume ultimately translates into market-capitalization growth. Because emerging market nations account for the majority of the world's population, a common assumption is that these markets will eventually "catch up" with the productivity levels of developed markets, thus bringing their share of global GDP into line with their share of population. If that happens, then one could conclude that their share of global market capitalization should come into line as well.

Although there are caveats to this story, and the progression is not a sure thing, it does seem reasonable that, over the long run, the shares of population, GDP, and market cap should converge. This might seem to suggest that high returns will result from market-cap growth in emerging markets – but it is important to note that market cap can increase not only through price appreciation but also through share issuance.

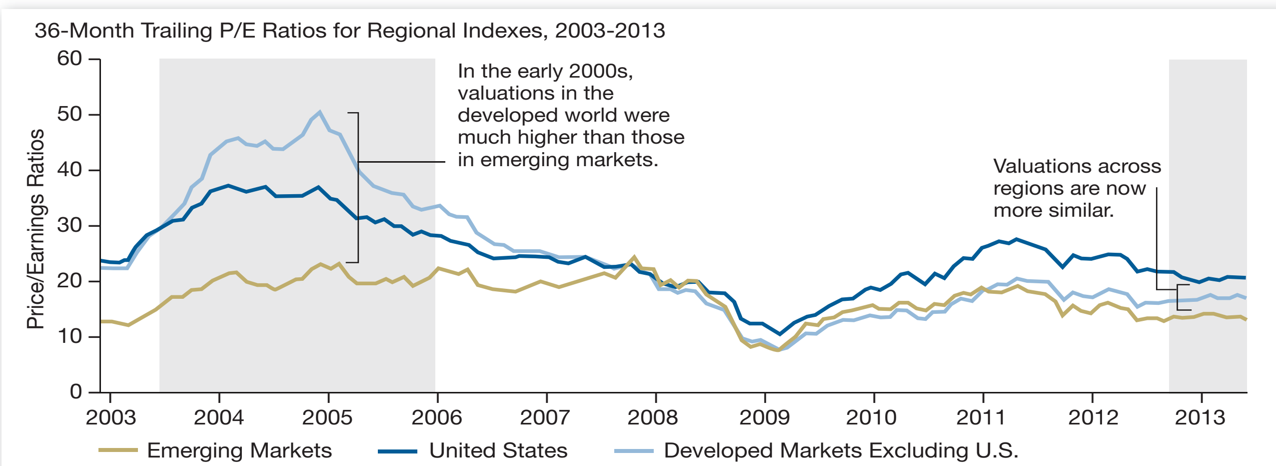
Growth in market cap can occur when companies that are already public increase productivity levels and thereby contribute to share-price appreciation, or when companies contributing to GDP growth go to public markets to raise capital. As more companies and investors participate in the capital markets – a process known as financial deepening – the demand for and supply of capital, as well as the demand for and supply of financial assets, all should grow at a faster pace than in the rest of the world.

The price one pays for expected growth is critical

It's basic financial math that investment returns represent the dollar cash flow of an investment relative to the dollar price initially paid for that investment. Thus, when it comes to stock market returns, what matters is not the expected growth of future cash flows per se but the price paid for that cash-flow stream. Equity valuation metrics, such as price/dividend or price/earnings ratios, are therefore arguably the most relevant and useful measures for estimating future market returns.

Although emerging market equity returns have been impressive over the past decade, it is important to view them in the context of starting valuations. Those valuations were in fact quite low relative to developed markets.

Emerging market valuations are now similar to those in developed market benchmarks



Note: P/E statistics for each region are from the FTSE All World index series. P/E is based on trailing 36-month earnings. Source: Vanguard, based on data from FTSE.

The gap between emerging market and developed market valuations has shrunk considerably over the past decade, and now valuations are fairly similar across most major market regions. Thus, the rising valuations in emerging stock markets have already contributed to returns. With valuations where they are today, investors should be cautious about expecting a repeat of the past decade.

Implications for portfolio construction

The relationship between economic growth and equity market returns is not as straightforward as many investors might assume. Growth expectations, globalization, financial deepening, and valuation levels all play significant roles in disconnecting long-term growth outcomes from equity market returns. As a result, investors should avoid making portfolio decisions based on their expectations for a particular country's or region's economic prospects.

An equity allocation that includes all companies and countries and uses market weights as a guideline is a reasonable starting point for most investors. In addition to incorporating all investor beliefs and expectations, a market-weighted approach can help avoid any tilt toward single-country risk factors. Maintaining broad market exposure allows an investor to achieve the maximum possible diversification across countries and securities. We believe that with a focus on maintaining an appropriate asset allocation and controlling costs, investors can indeed realize positive long-term returns in a lower-growth world.

Atul Tiwari, Managing Director, Vanguard Investments Canada and Charles Thomas, Investment Analyst, Vanguard Investment Strategy Group

Positioning Fixed-income Portfolios for Rising Interest Rates

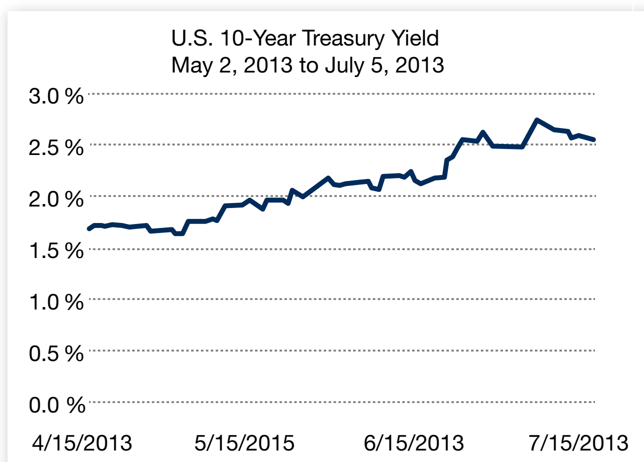
Prospect of rising rates comes into focus

Michael Cooke
Head of Distribution
PowerShares
Canada

For the past few years investors have dealt with how to position their fixed-income portfolios during an extended period of low interest rates. The prospect of rising interest rates was brought to the forefront in May, however, when the U.S. Federal Reserve (the "Fed") hinted that it might begin to taper its quantitative easing program.

From May 2 through July 5 2013, the U.S. 10-year Treasury bond yield jumped from 1.6% to 2.7%, driving bond values down. What made the period particularly challenging for investors was that credit spreads also increased, with high-yield spreads increasing by 59 basis points (bps) and investment-grade credit spreads increasing by 17 bps. This combination of rising rates and increased spreads caused credit-driven areas of the fixed-income market to struggle.

Given these recent market conditions and the uncertainty of future interest-rate increases, investors may be required to position their fixed-income portfolios for the prospect of rising rates.



Source: Bloomberg L.P.

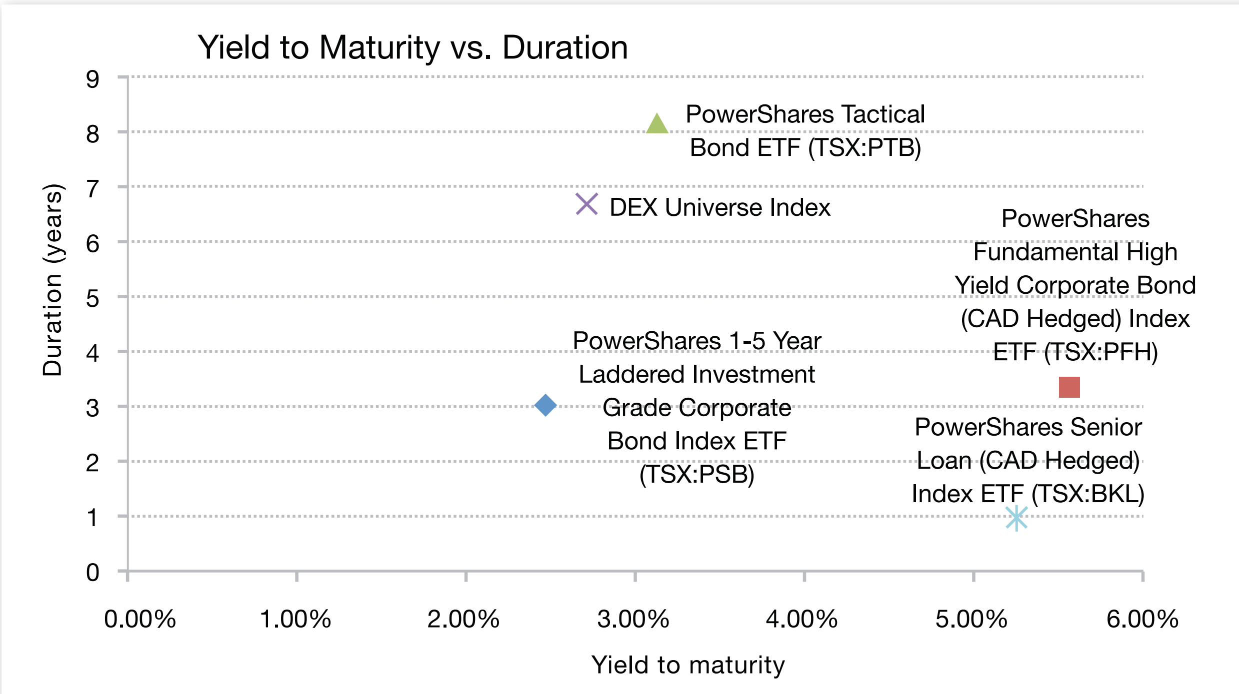
Strategies to consider

Fixed income is used in portfolios for two main reasons: income generation and portfolio diversification to limit downside risk. The current economic environment requires investors to rethink how to achieve these goals while also protecting themselves from rising interest rates. Two key strategies are managing duration risk and diversifying sources of yield. A combination of both may allow investors to effectively reposition their portfolios for rising rates while preserving the benefits of fixed income.

1. Managing duration risk

Duration is an important measure for fixed-income investors to consider. It quantifies how sensitive a bond portfolio is to interest-rate moves and therefore indicates price volatility. For example, a portfolio whose duration is three years will appreciate or depreciate 3% if interest rates move 1% in either direction. Bonds with longer maturities will be more adversely affected by rate increases.

To manage duration risk, investors have two primary options: using shorter duration bonds or floating-rate instruments, such as senior secured bank loans. Shorter-duration bonds will not be impacted as much by rising rates given their shorter maturities and floating-rate instruments will see their yields increase along with rates (due to their frequent interest-rate resets) and their principal will not be affected.



Source: Invesco as at September 30, 2013. Quoted Index yields should not be construed as an amount an investor would receive from the ETF and are subject to change.

Standard performance data @ September 30, 2013							
	1 month %	3 month %	6 month %	1 year %	2 year	Since inception (SI)	SI date
BKL	-0.49	-0.41	1.01	4.22		4.84	4/16/2012
PFH	-0.90	-1.04	0.14	3.26	7.00	5.35	6/21/2011
PSB	-0.24	-0.38	-0.08	2.10	2.81	-0.24	6/15/2011
PTB	-0.81	-2.83	-2.95	-1.65		-1.65	8/24/2012

2. Diversify sources of yield

Investors are also looking to generate yield in their portfolios while mitigating interest-rate risk.

Global bond strategies can offer diversification beyond traditional fixed-income investments and equity investments can generate income while limiting interest rate exposure. Exposure to credit is also effective since credit spreads tend to tighten as rates increase. In fact, over the past 15 years there have been 10 instances where U.S. 10-year Treasury yields rose by 50 bps or more and only the most recent increase (May 2 to July 5, 2013) coincided with an increase in high-yield credit spreads. Generally, interest rates rise during periods of economic recovery or sustained strong growth. Typically, these environments lead to improving credit conditions, which benefit riskier bonds from high-yield corporate issuers and emerging-market governments and corporations.

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Continued from : Positioning fixed-income portfolios for rising interest rates page 9

Looking forward: To taper or not

After an extended period of preparing the markets for the possibility of tapering, the Fed surprised the market with its statement on September 18, 2013 at the Federal Open Market Committee meeting, where it decided to continue the current rate of its Treasury purchase program.

The key takeaway from the Fed statement was its concern about the robustness of current economic activity. The Fed highlighted fiscal policy, poor labour market performance and subdued inflation as important factors in the decision not to taper its bond-buying program. It also cited tighter financial conditions as a risk for the economic outlook.

Even though the Fed has deferred the start of a rising-rate era by holding its policy steady, investors may still expect interest rates to rise when the central bank starts to reduce its bond-buying in the months to come.

Given the uncertainty over the speed and timing in which interest rates could potentially rise, investors may want to take steps to mitigate the impact of further rate increases.

Putting ideas into action

How can investors access fixed-income and other options to help manage the effect of rising interest rates on their portfolios? PowerShares Canada has you covered.

Goal	Strategy
Manage duration	PowerShares 1-5 Year Laddered Investment Grade Corporate Bond Index ETF (TSX:PSB) PowerShares Senior Loan (CAD Hedged) Index ETF (TSX:BKL)
Diversify yield	PowerShares Canadian Preferred Share Index ETF (TSX:PPS) PowerShares Diversified Yield Fund PowerShares Fundamental High Yield Corporate Bond (CAD Hedged) Index ETF (TSX:PFH) PowerShares Tactical Bond ETF (TSX:PTB)

For more information on PowerShares Canada's products, please visit **www.powershares.ca**

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MSCI Canada
FTSE RAFI Canada
Morningstar Canada
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Cash Flow Opportunities Using ETFs

Over the last several years, much has been written about covered call option strategies. Some commentators position them as portfolio panaceas, others that they rarely work as advertised. The truth, as always, lies somewhere in the middle.

Barry H. Gordon
President & Chief Executive Officer
First Asset

As a refresher, a call option written against stock you own is a contract which allows the purchaser to benefit from a rise in the stock price over a limited time period. Each contract has a stated exercise, or "strike" price, which is the price at which the purchaser has the option to buy the underlying stock. If the stock price rises above the exercise price, the purchaser will exercise their option. If the stock price falls below the exercise price, the purchaser will let the worthless option expire. The price of the option will be determined based on the difference between the stock price and the exercise price, the volatility of the underlying stock (where greater volatility leads to a higher price) and the time to expiration of the option contract (where a longer time period leads to a higher price.)

A covered call option (a call option written against a stock you own) can be a great strategy for reducing overall volatility of portfolio returns, generating tax effective cash-flow to supplement dividend yields (option premiums earned in a buy and hold strategy receive capital gains treatment), and for providing good risk-adjusted total returns over time. They are particularly effective in sideways to slightly downward markets, and they can be extremely useful strategies to implement in high volatility sectors. First Asset's methodology of only covering 25% of any one holding makes it very effective in most rising markets as well. However, a strategy that sells call options will, by its very nature, cap upside. In addition, there are a number of different call option strategies available on the market and investors need to be aware that, depending on the amount of a portfolio that is "covered" (write call options on), the portfolio can end up with very different outcomes in different market conditions.

FIRSTASSET™
Exchange Traded Funds

When selecting a covered call option strategy, investors need to consider the exposure to the underlying stocks. A portfolio should never be just a "volatility engine". The investor should always start from a position of wanting exposure to the underlying stocks in the portfolio. Then, investors need to pay close attention to how much of a position is "covered". The more any stock position is covered (even writing out-of-the-money options), the more upside potential is limited. First Asset believes that a covered call option strategy that only ever writes on 25% of each portfolio position provides the best of all worlds – it earns option premiums and lowers volatility of portfolio returns, but leaves 75% of a portfolio completely exposed to the market – so that in upward trending markets, an investor will retain material upside potential.

At First Asset, we believe in always having 75% of any portfolio holding "uncovered", and that it is particularly effective in certain sectors. One of those sectors, in our view, is the technology sector, and we developed First Asset Tech Giants Covered Call ETF (TSX symbol: TXF) to provide a simple, investable and accessible solution for investors. TXF invests, on an equally weighted basis, in the largest 25 technology stocks listed on a North American exchange, and writes at-the-money call options each month on 25% of each portfolio holding. Writing call options on technology stocks can play to their inherent volatility, and the additional cash-flow from the option premiums turns a low/no yielding sector into a strategy that generates significant distributions. First Asset's strategy of only writing on 25% leaves 75% upside potential in the high growth technology sector, and adds portfolio diversification benefits.

Technology stocks only represent approximately 2% of the S&P/TSX Composite Index, so adding TXF to a portfolio increases large cap technology exposure – but on an equal weighted basis to avoid the huge impact of swings in giants like Apple – and also provides all of the benefits of a call option strategy discussed above. The TXF portfolio is also hedged back to Canadian dollars, largely avoiding currency fluctuations from holdings in USD denominated securities. Remembering that covered call option strategies will cap upside in roaring bull markets, for investors seeking an investment solution that will provide greater exposure to large cap technology stocks and retain significant upside potential, but lower overall volatility of returns and additional distributable cash-flow, that technology investments on their own do not typically provide, TXF is a great solution.

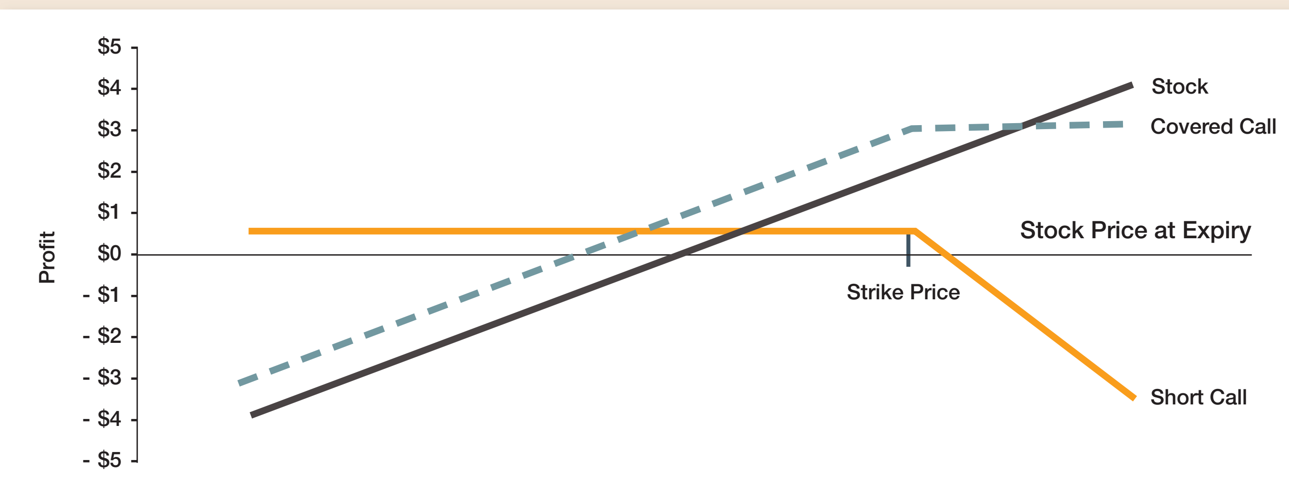
Barry H. Gordon, President and Chief Executive Officer, First Asset

PERFORMANCE [1]	6 m	YTD	1 yr	2 yr	SI[2]
First Asset Tech Giants Covered Call ETF	13.49%	22.31%	29.55%	13.13%	13.92%

[1] As of October 31/2013 [2] Inception date is October 21, 2011

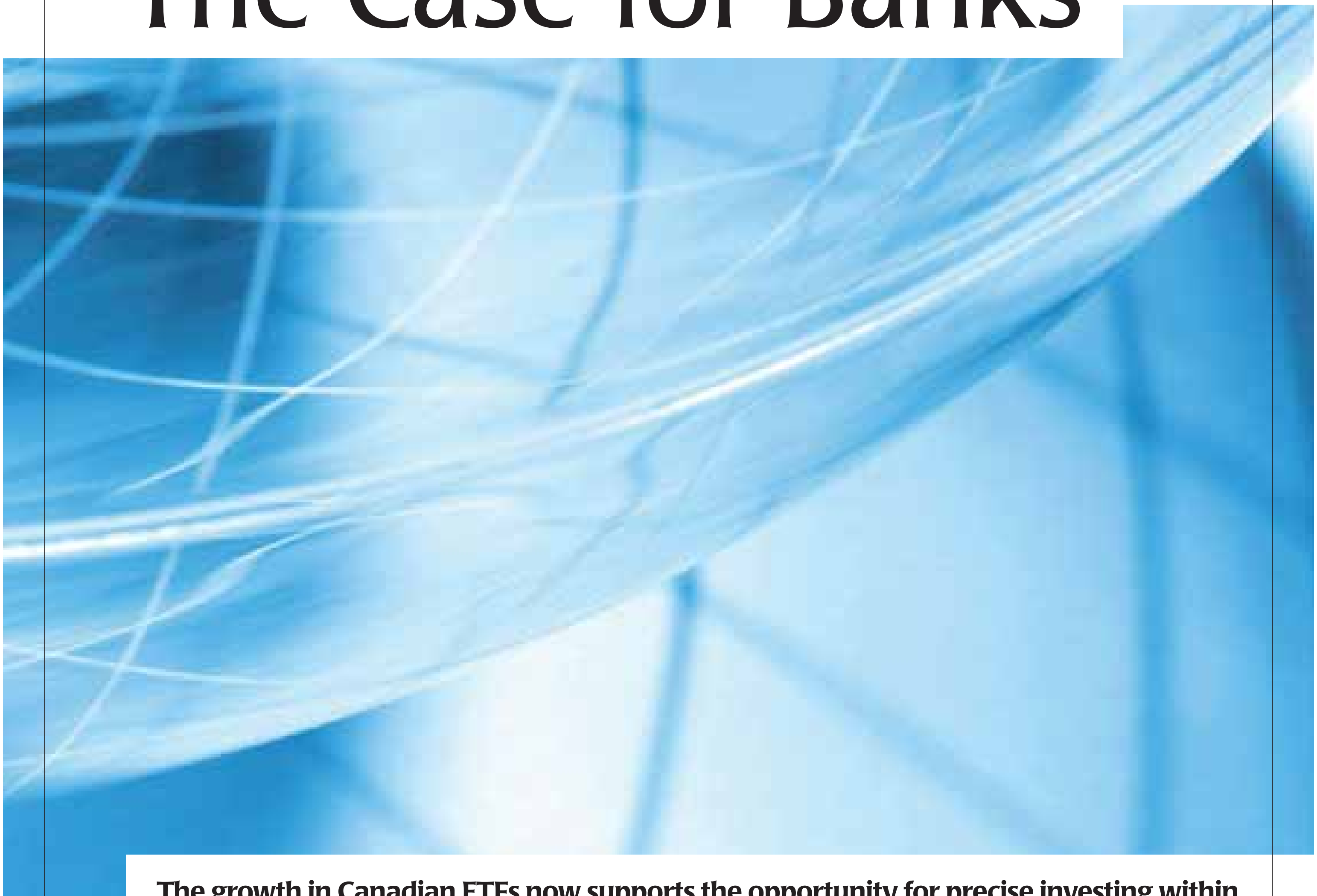
Covered Call Strategy Example

A covered call option strategy is implemented by selling a call option contract while owning an equivalent number of shares of the underlying stock. This is generally considered to be a conservative strategy because it decreases the risk of stock ownership while providing additional income; however, it caps upside potential on price increases above the strike price at which the call option is sold. For example, if you own ABC Co. which is trading at $10 and sell a call option with a strike price of $10.50, you do not get any capital appreciation above $10.50 if the stock price of ABC Co. rises through the $10.50 strike price prior to the expiry of the option.



Disclaimer: This communication is intended for informational purposes only. The Fund is offered by prospectus. Individuals should seek the advice of professionals, as appropriate, and read a Fund's prospectus prior to investing. Copies of the prospectus may be obtained from your investment advisor, First Asset or at **www.sedar.com**. Commissions, trailing commissions, management fees and expenses all may be associated with an investment in ETF Funds. ETF Funds are not guaranteed, their values change frequently and past performance may not be repeated. The indicated rates of return are the historical annual compound total returns including changes in unit value and reinvestment of all distributions and does not take into account sales, redemption, distribution or operational charges or income taxes payable by a security holder that would have reduced returns. Performance is calculated net of fees. The performance information shown is for Common units of TXF, and may not be indicative of the performance of other series of the same fund. Variations in performance data among various series of the same fund is due to differences in management fees attributed to each series. The Fund is managed by First Asset Investment Management Inc. The opinions contained in this article are solely those of First Asset and are subject to change without notice. First Asset is under no obligation to update the information contained herein. The information should not be regarded as a substitute for the exercise of your own judgment.

The Case for Banks



The growth in Canadian ETFs now supports the opportunity for precise investing within the banking industry, while maintaining the traditional benefits of ETFs, including lower cost, diversification, and liquidity. ETFs allow investors to employ both tactical and strategic shifts in their portfolios, to better access specific market opportunities.

Mark Raes
Vice President & Head of Product, BMO ETFs

Banks are intertwined in almost all aspects of the economy, offering investor diversified exposure to growth. With interest rates as a key discussion point, banks benefit from rising interest rates because a large percentage of their business is built on the spread between loans and deposits. As interest rates rise, banks benefit from the widening spread which typically results in improving margins.

Globally, banks have been bolstered by government intervention. The introduction of Basel III standards led to banks improving their Tier 1 capital ratios, lowering leverage, and divesting away riskier businesses. This benefits investors because banks have more robust balance sheets that can better shelter them from market events.

While investing in banks exposes an investor to the growth of the market, it is important to understand that banks are different than the typical growth sectors as natural resources, which are more exposed to global growth and the economic outlook of emerging markets.

Even within the Financial sector, there are differences between insurance companies and banks, so that a more precise investment may be appropriate. Insurance companies operate with a longer term risk profile compared to the shorter term risk profile of banks. Those differences are evident with the divergent performance over time between banks and insurance companies.

Banks represent over 20% of Canada's market cap. In the U.S., banks represent over 10% of the market cap. So while banks are a more precise investment representing an industry and not a sector, they are a highly investible segment of the market.

Source: S&P Dow Jones Indices LLC

Bank equities deliver a steady stream of dividends - in Canada around 4% - that grow over time helping investors get paid as the investment grows. Diversifying amongst the different banks in a country is the most cost effective way of reducing risk and maximizing return opportunities.

Global investors have a high regard for Canadian banks as the banking model to follow. The Canadian banks have managed to deliver steady growth against a backdrop of regulatory changes over the years.

After a significant clean-up in the Financial sector since the credit crisis, the U.S. banking sector has become a more attractive investment opportunity. Banks have divested away their more risky operations and have become far more discriminating in the credit they are extending. As of result of this, U.S. banks have stronger balance sheets, improved asset pool quality, and more stable business operations.

The growth in the diversity of Canadian ETFs is a significant boon to investors, as ETFs now support the opportunity for precise investing within geographic markets, sectors, and industries such as banking. ETFs are a liquid single ticket investment that gives investors the benefit of instant diversification.

Mark Raes, Vice President & Head of Product, BMO ETFs
mark.raes@bmo.com

Adding Value in the New Disclosure Environment

Robyn Graham
Vice President, HAHN Investment Stewards & Company Inc.

Global Changes Afoot in Advisor Compensation

Sweeping change is underway globally which will impact the relationships advisors have with their clients, the type of investment solutions they offer and the way they are compensated for giving advice. In December 2012, the UK implemented the Adviser Charging Regime after a comprehensive retail distribution review. The new regime eliminates embedded commissions on investment products, replacing them with a separate and transparent fee for advice that is negotiated with the client in advance. Proficiency requirements for advisors were also introduced. Australia followed suit in July of 2013, implementing a similar set of reforms.

In Canada, discussion to date has largely been focused on the way mutual fund fees are structured with the initiation of a discussion paper by Canadian Securities Administrators one year ago. Early recommendations have focused on greater fee transparency for investors with the introduction of a mandatory point of sale Fund Fact sheet containing new detailed information related to fund expenses and advisor compensation. Future phases of the project will focus on the implementation of further disclosure requirements.

HAHN INVESTMENT STEWARDS

The Impact of Fee Transparency on Investors and Advisors

A recent survey by Deloittei in the UK concludes that greater fee transparency is likely to significantly impact investor and advisor behavior. The survey reveals a critical lack of understanding concerning how advisors are compensated for the services they provide. Going forward, these fees will be reported separately from investment management and other product manufacturing fees. Some investors will undoubtedly be surprised and will look to their advisor for explanation of the fees they are paying and the benefits they are receiving in turn.

For advisors, the key to thriving in the new fee disclosure environment is preparedness. Advisors must ensure that their fee for service is communicated openly and pro-actively and that their value proposition is clear.

The Advisor Value Proposition

The value an advisor brings to the client experience varies greatly depending on their training and their skills. In our experience, those that excel provide superior value in one of two key areas: providing specialized expertise or a personalized experience.

Advisors with specialized expertise often build their practice by providing professional advice in tax planning, estate planning or retirement income planning and then integrate their services with those of other specialists. As such, they are the keystone in the client relationship, providing necessary and often indispensable ongoing value.

Advisors who provide a personalized experience are the trusted professionals who help their clients navigate an increasingly complex financial world. A client-centric focus means always looking after the client's best interest and taking the time to educate clients about their goals and progress. A financial-planning based approach puts the advisor firmly in the center of the relationship, as the facilitator and manager of the many types of professional advice a client will need in his/her lifetime.

With either approach, it is important for advisors to know strategically how they intend to position their practice and not try to be all things to all clients. Successful advisors collaborate and partner with other professionals to bring the best of the best to their clients.

Outsourced Asset Management – a Rapidly Growing Trend

The need for specialization extends to the sphere of asset management. The complexity of today's global markets requires skill in active asset allocation and investment selection. The unbundling of investment management and advisory fees presents an opportunity for advisors to source the best institutional quality asset managers in the world without bias. Increasingly, advisors are turning to managed portfolio solutions for their clients and focusing their own energies on other value-added activities.

Personalized Asset Management Solutions are Evolving

For investors and advisors seeking personalized asset management, the portfolio solutions available have advanced by quantum leaps in recent years.

Managed portfolios are not new. For high net worth or institutional investors, personalized, professional asset management has always been available. The advent of mutual funds facilitated access to professional management for the small investor in the last quarter of the 20th century. In the proliferation of funds that resulted, however, the investor's needs and goals often remained unsatisfied.

Later attempts to build multi-fund portfolios in line with investors' risk tolerance, time horizon and objectives failed again as underlying multi-fund portfolios were subject to style drift, lack of diversification and duplication of both portfolio holdings and fees. These programs also shared a common default in their belief system – that alpha was generated by managers with skill in security selection.

Positioned as antidotes to the "failure" of active management, index funds emerged at this time and the decades old "active versus passive" debate was born. Index strategies failed to develop mass appeal, however, and throughout the late stage bull market of the 1990's, investors continued to gravitate toward higher risk, illiquid, non transparent investments.

Not until the Global Financial Crisis and resulting market collapse was the emphasis on investment manager skill placed rightly where it belonged – on asset allocation and portfolio construction. Previously, these decisions were often made by consultants, investment committees or marketing departments, with security selection delegated to investment managers with skill in a single asset class.

Active management of global portfolios using individual securities formerly posed liquidity, access and trading cost challenges. These barriers have now been removed with the utilization of exchange traded funds (ETFs). The benefits of using ETFs have not been lost on professional asset managers, who have embraced this portfolio management tool enthusiastically, often exclusively. This new breed of asset manager with specialized expertise in the construction, trading and management of ETF portfolios has come to be known in the investment industry as ETF Strategists, or ETF Asset Managers.

A Better Way to Invest

Personalized asset management requires not only a client-centric focus, but a delivery system that makes customization possible. Today, with the widespread availability of high quality, low cost exchange traded funds, asset managers can focus their time and expertise on harnessing the impact of global macro-economic events and managing risk. ETFs provide superior diversification opportunities through cost-effective access to a greater number of global asset types, but more than this, ETFs facilitate the important active strategy changes that previously would have been prohibitively expensive to implement. With these obstacles now put aside, ETF asset managers can now focus on constructing institutional-quality, personalized investment solutions for investors that did not exist a decade ago.

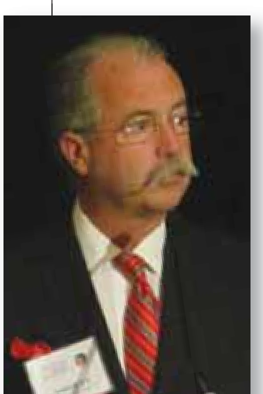
For advisors seeking to outsource active, global investment management to a specialist in this field, resources are now emerging to assist you. In fact, the manager research departments of many financial institutions are now focused on selecting the best and most experienced managed solutions providers for their platforms, a process which today often leads to a short-list of ETF asset allocation strategists with a decade or more of demonstrated skill.

In a transparent fee disclosure environment the actively managed ETF portfolio represents the leading edge of modern portfolio design and implementation – a solution the advisors can comfortably recommend to their clients while focusing on the value-added services of his or her own practice.

Robyn Graham, Vice President, HAHN Investment Stewards & Company Inc. ***rgraham@hahninvest.com***

Montreal

Exchange Traded Forum Montreal took place on Wednesday, October 9 at the Hotel Omni.



Moderator, Pat Bolland

*The Forums created by **Radius Financial Education (Radius)** brought together leading professionals from every segment of this dynamic group of investment providers including investors, advisors, managers, research professionals, regulatory experts and noted financial educators, to review the past, assess the present and discuss strategic options for achieving continued future success.*

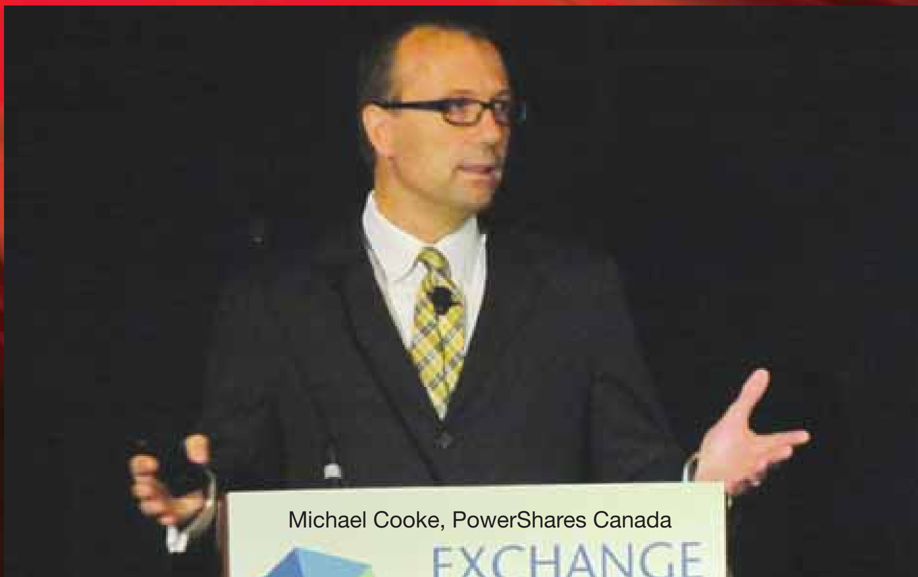
Both 2012 and 2013 have been a time of exponential growth and change in Exchange Traded Products. Building a top down agenda allowed us to focus on educating our attendees on the role Canada has played in this growth, the current trends around the world and the economic environment, rising interest rates, regulatory changes, building better portfolios, Exchange Traded Receipts and issues financial advisors are facing today. Our distinguished list of speakers, each an authority in their field, did just that! They opened up the floor in Montreal to freely exchange ideas, answer questions, share their views and thoughts on the correct usage and benefits of ETFs and what your clients need to know prior to implementing Exchange Traded products in their portfolios.

Radius' goal was to host a truly educational forum and we would like to thank our speakers and sponsors for their invaluable contribution. We would also like to thank all those who completed an evaluation form as these comments are essential and will be the foundation for our **2014 ETF Forums**.

A PRESENTATION OF

Radius Financial Education

exchangetradedforum.com



Michael Cooke, PowerShares Canada


Susanne Alexander
Cougar Global Investments


Yves Rebetez, ETFinsight

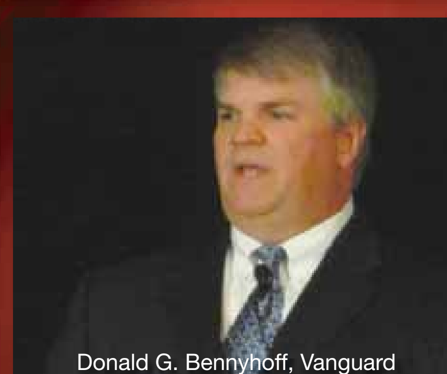

Amelia Nedovich
Toronto Stock Exchange


Steve Higgins, Royal Canadian Mint


Mark Yamada, PUR Investing

Rohit Mehta, First Asset ETFs


Alfred Lee, BMO ETFs


Donald G. Bennyhoff, Vanguard

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2014 CALENDAR OF EVENTS

Brought to you by radius Financial Education

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Exchange Traded Forum (ETF)

Wednesday, April 2 ~ Toronto

Canada's leading event dedicated to **Exchange Traded Products**. Hear from leading financial industry professionals and industry experts who will provide valuable insights into the issues and trends that matter most to Canada's financial professionals. Join us for presentations, advisor/client-focused sessions, roundtable discussions, networking events and knowledge sharing critical issues facing the financial industry. Open to a target audience, attendance to this Forum is complimentary for qualified investment professionals.

EXCHANGE TRADED FORUM

exchangetradedforum.com

Niagara Institutional Dialogue (NID)

Mon., June 9 to Wed., June 11 ~ 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 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 (ETF)

Tuesday, June 17 ~ Vancouver

Canada's leading event dedicated to **Exchange Traded Products**. Hear from leading financial industry professionals and industry experts who will provide valuable insights into the issues and trends that matter most to Canada's financial professionals. Join us for presentations, advisor/client-focused sessions, roundtable discussions, networking events and knowledge sharing critical issues facing the financial industry. Open to a target audience, attendance to this Forum is complimentary for qualified investment professionals.

EXCHANGE TRADED FORUM

exchangetradedforum.com

World Alternative Investment Summit Canada (WAISC)

Mon., Sept. 29 to Wed., Oct. 1 ~ Niagara Falls

WAISC is in its 12th year and is Canada's largest 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 300 delegates to explore every side of **alternative** investments. WAISC is a popular annual event that is not to be missed.

WAISC — World Alternative Investment Summit Canada

waisc.com

World Alternative Investment Summit Canada (WAISC West)

Wednesday, November 12 ~ Vancouver

WAISC West is in its 3rd year and is Canada's largest 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 200 delegates to explore every side of **alternative** investments.

WAISC — World Alternative Investment Summit Canada

waisc.com

Radius Financial Education — radiusfinancialeducation.com (division of CHW Inc.)

Radius Financial Education (Radius), a division of **CHW Inc.,** has been producing high level conferences within the financial services sector in Canada for over 12 years.

As Canada's leading producer of conferences within the financial sector, **Radius** events focus on education and networking through an exchange of independent ideas and information, allowing our delegates to be leaders in their chosen fields. Our top-down approach to the agenda enables us to deliver relevant, 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

Alternatives
meet ETFs

Horizons ETFs offer six alternative-strategy ETFs that can help reduce portfolio volatility, manage overall risk and achieve non-correlated returns. Gain alternative exposure with the liquidity, transparency and low cost of an ETF structure.

HAC	Horizons Seasonal Rotation ETF
HBR	Horizons Auspice Broad Commodity Index ETF
HHF	Horizons Morningstar Hedge Fund Index ETF
HMF	Horizons Auspice Managed Futures Index ETF
HUS.U	Horizons Universa US Black Swan ETF
HUT	Horizons Universa Canadian Black Swan ETF

HHF, Recipient of the 2012 William F. Sharpe
Indexing Achievement Award for Most Innovative ETF

Horizons alternative ETFs trade on the Toronto Stock Exchange. Learn more at
www.HorizonsETFs.com/alternatives.
HETF<GO>

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