

C A N A D I A N

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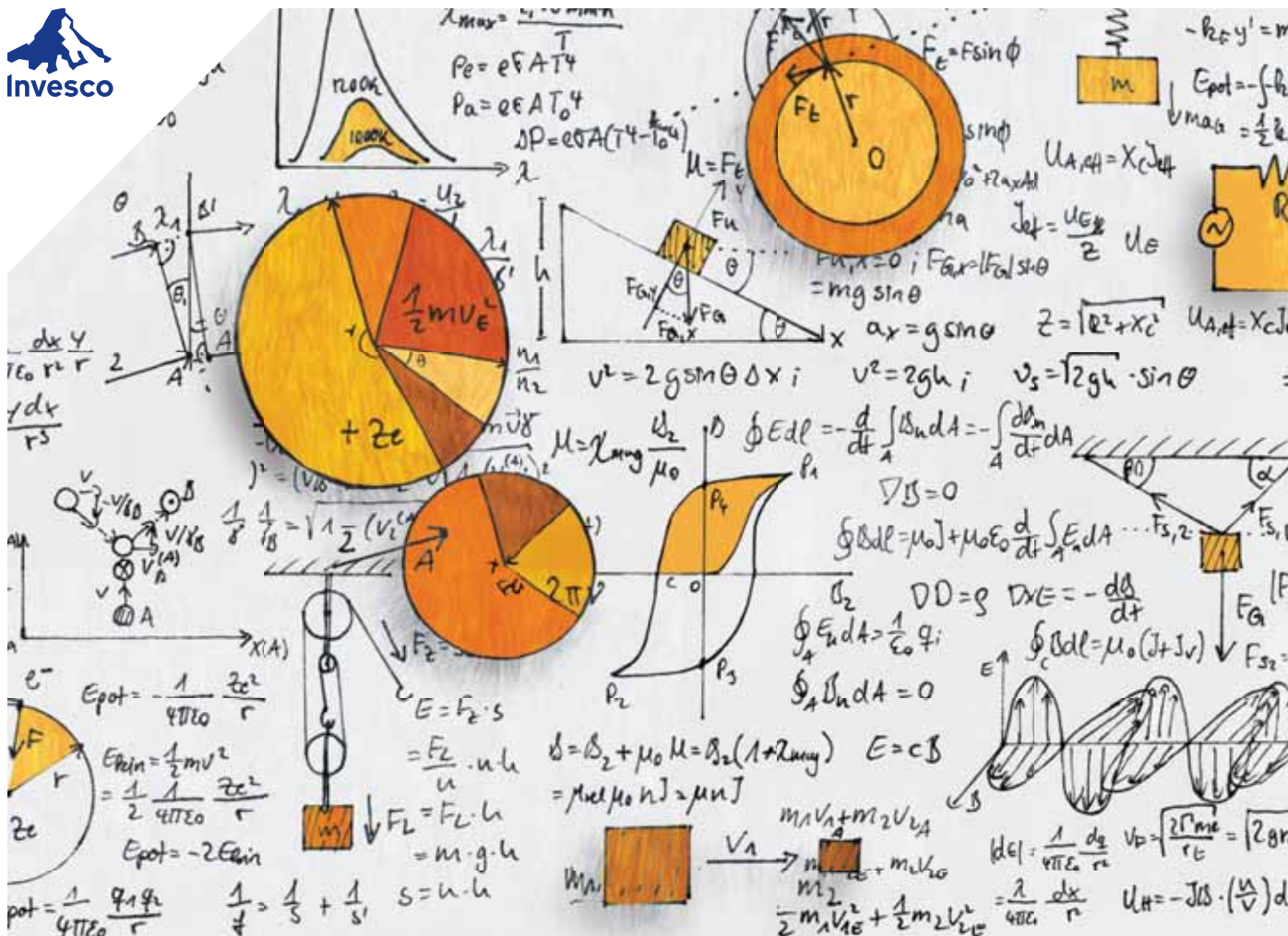
ETF Watch

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Get The Facts About Factor-based Indexing



- Canadian ETF Flows
- ETF Liquidity is More Than Just Trading Volume
- ETF Strategy: Tactical Asset Allocation
- ETF news



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Robust ETP Flows In December Mark Strong 2013 With Equity ETPs Reaching All-Time Record

Global ETP flows accelerated in December to \$24.7bn, following the Fed's decision to begin trimming its \$85bn monthly bond-buying program. This removed market uncertainty and Equity ETPs responded, bringing in the bulk of the inflows for the month at \$28.9bn – entirely from Developed Markets.

Full-year Equity ETP flows set an all-time record at \$247.3bn, overtaking 2008 which was the only other year they had exceeded \$200bn. US exposures gathered \$147.8bn in 2013, followed by Japanese exposures with \$38.2bn. Pan-European funds surged in the second half of the year and finished with \$26.7bn, more than double the total from 2012.

Total 2013 flows of \$235.5bn surpassed \$200bn for the second consecutive year, underscoring the industry's continued secular growth. The composition of flows shifted significantly in favor of Equities versus 2012, illustrating how investors use ETPs to seek efficient, tailored access to varied investment exposures and for diversified buy-and-hold investments.

Fixed Income flows of \$27.5bn, while lower than 2012, remained strong thanks to investors pouring \$35.9bn into Short-Maturity ETPs.

Strategic Beta Equity – which we define as non-market cap weighted Equity ETPs – contributed a record \$65.1bn of inflows in 2013 led by dividend-weighted funds, and nearly doubled the \$34.2bn from last year.

Gold ETP outflows of (\$40.1bn) in 2013 offset all inflows from the past three years combined as the price of Gold fell from its peak and investors turned to Equities for more attractive returns.

Source: Blackrock ETF Research

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**KEYNOTE
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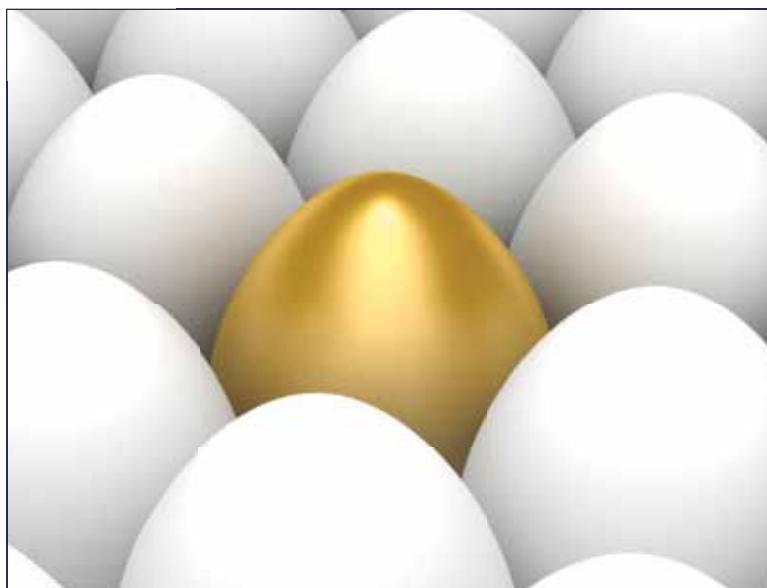
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Canadian ETF Flows: January 2014

Negative Flows but U.S. & EAFE Still Strong

ETF RESEARCH & STRATEGY

February 3, 2014

- January was down modestly with outflows of \$278 mln or -0.4% driven by equity and levered ETFs
- Top two outflows were for Canadian equity exposure still under pressure with \$625 mln combined
- EAFE and U.S. equities remain in strong demand representing six of the top 10 product flows
- Vanguard had top flows in the month, with young providers seeing strong percentage flows

Flows by Category

Equity was down \$217 mln in the month mostly due to steady redemptions from broad Canadian equity ETFs like XIU and HXT, which were offset by continued interest and inflows into U.S. and international equity ETFs like ZDM. Fixed income was mostly flat but still negative at \$40 mln in outflows, and so was commodity at \$11 mln out. Multi-asset ETFs were the only asset class that saw inflow in January at \$8 mln, which went to income products such as FIE, iShares Canadian Financial Monthly Income.

Flows by Provider

Vanguard was the provider with the highest inflows in January, with \$200 mln of inflows spread across every single one of its suite of core asset ETFs. BMO had healthy creations to ZDM and ZSP echoing the continuing interest in international and U.S. markets, respectively. First Asset had a good month with its largest creations going to its Morningstar Value Index ETFs for both U.S. (XXM) and Canada (FXM). First Trust was the largest percentage grower with flows into FSL senior loans. RBC launched four new ETFs in January, including the actively managed quant-driven dividend funds for Canada (RCD), U.S. (RUD) and EAFE regions (RID), as well as a short-term corporate bond ladder (RBO).

Flows by Product: January 2014

Inflows in the month mirrored the prior year's trends, with a bias towards the U.S. as well a short-term bond theme. BMO's ZDM (MSCI EAFE, CAD-hedged) was the top ETF with \$43 mln in creations, while VUN from Vanguard (a wrap of the U.S.-listed VTI) was the most popular vehicle for U.S. exposure. However, ZSP, XUS and VFV, all of which track unhedged versions of the S&P 500, were also all on the top 10 list. Outflows were primarily from broad Canadian equity (XIU, HXT), some sector funds (iShares Capped Energy XEG), rate sensitive aggregate bonds (ZAG, XBB) and prefs (CPD).

ETF Flows by Category - Jan-2014			
Asset Class	AUM (\$M)	Flow (\$M)	% AUM
Equity	\$37,859	-\$216.8	-0.4%
Fixed Income	\$21,960	-\$39.9	-0.2%
Multi-Asset	\$1,537	\$8.2	0.5%
Commodity	\$589	-\$11.3	-2%
Levered Long	\$458	-\$111.7	-22%
Inverse	\$530	\$93.3	19%
Total	\$62,933	-\$278.2	-0.4%

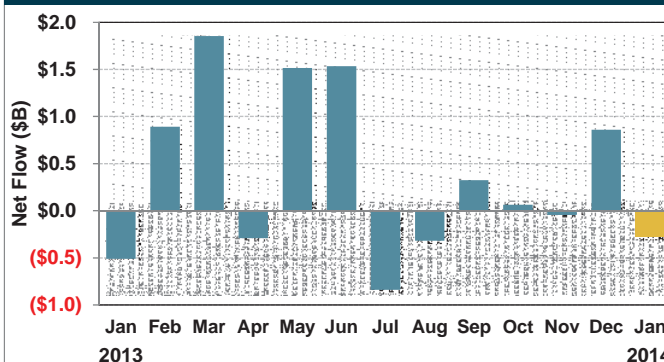
Source: National Bank Financial, Bloomberg

ETF Flows by Provider - Jan-2014			
Provider	AUM (\$M)	Flow (\$M)	% AUM
Vanguard	\$1,958	\$200.3	11%
BMO	\$12,682	\$57.1	0.5%
First Asset	\$538	\$50.7	10%
RBC	\$213	\$25.1	13%
Purpose	\$149	\$17.3	13%
PowerShares	\$1,767	\$14.2	0.8%
First Trust	\$70	\$12.2	21%
Horizons	\$3,895	-\$227.9	-6%
BlackRock	\$41,663	-\$427.2	-1%
Total	\$62,933	-\$278.2	-0.4%

Source: National Bank Financial, Bloomberg

Chart 1: Canadian ETF Flows by Month

Source: National Bank Financial, Bloomberg



January 2014 FLOWS

INFLOWS			
Top Single Long ETF Inflows			
Ticker	Name	Flow (\$M)	% AUM
1 ZDM	BMO MSCI EAFE Hedged to CAD Index ETF	\$43.1	6%
2 VUN	Vanguard US Total Market Index ETF	\$42.5	82%
3 HFR	Horizons Floating Rate Bond ETF	\$39.9	11%
4 VSC	Vanguard Canadian Short-Term Corp	\$30.0	17%
5 CDZ	iShares S&P/TSX Canadian Dividend Aristocrats	\$29.5	3%
6 ZSP	BMO S&P 500 ETF	\$26.4	3%
7 XUS	iShares S&P 500 Index ETF	\$22.4	27%
8 ZUB	BMO Equal Weight US Banks Hedged to CAD	\$21.9	11%
9 VFV	Vanguard S&P 500 Index ETF	\$21.2	9%
10 ZPR	BMO S&P/TSX Laddered Preferred Share	\$21.1	2%

OUTFLOWS			
Top Single Long ETF Outflows			
Ticker	Name	Flow (\$M)	% AUM
1 XIU	iShares S&P/TSX 60 Index Fund	-\$441.6	-4%
2 HXT	Horizon S&P/TSX 60 Index ETF	-\$184.1	-21%
3 HXS	Horizons S&P 500 Index ETF	-\$56.1	-28%
4 ZAG	BMO Aggregate Bond Index ETF	-\$46.1	-6%
5 PSB	PowerShares 1-5 Year Laddered Inv. Grade Corp	-\$34.2	-13%
6 XBB	iShares DEX Universe Bond Index Fund	-\$33.5	-2%
7 XEG	iShares S&P/TSX Capped Energy Fund	-\$32.3	-5%
8 CPD	iShares S&P/TSX Canadian Preferred Share	-\$24.9	-2%
9 XCB	iShares DEX All Corporate Bond Index Fund	-\$23.1	-2%
10 ZLC	BMO Long Corporate Bond Index ETF	-\$22.0	-13%

Source: National Bank Financial, Bloomberg

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First Asset Morningstar US Momentum Index ETF (TSX:YXM)

First Asset Morningstar US Value Index ETF (TSX:XXM)



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Based on the same Morningstar CPMS factor-based methodologies as First Asset's top performing Canadian equity ETFs, XXM and YXM aim to replicate indexes which have demonstrated outstanding historical performance versus the S&P 500 TR Index.

HISTORICAL INDEX PERFORMANCE (%)*	1 YEAR	3 YEARS	5 YEARS	10 YEARS
Morningstar® US Momentum Target 50 Index SM TR	43.01	20.12	22.44	11.60
Morningstar® US Value Target 50 Index SM TR	47.17	24.54	28.34	16.50
S&P 500 TR Index	32.39	16.18	17.94	7.41

Performance as at Dec 31, 2013. Compound annual returns in CAD dollars, as all indexes shown are CAD hedged versions. Source: Morningstar Direct

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Returns of an index do not represent the Fund's returns. An investor cannot invest directly in an index. All performance data for all indices assumes the reinvestment of all distributions. Morningstar index performance data results prior to September 12, 2013 are hypothetical, but are calculated using the same methodology that has been in use by the index provider since the index was first published. Information regarding the Morningstar indexes, including the applicable index methodology, is available at <http://indexes.morningstar.com>. As a result of the risks and limitations inherent in hypothetical performance data, hypothetical results may differ from actual index performance. Top performing Canadian Equity Funds - Source: Morningstar. FXM & WXM's Morningstar performance rankings are solely based on 1 year total return performance as at December 31, 2013, in the CIBC Canadian Equity category for ETFs, which has 31 funds in the ETF group. FXM performance - 1 Year: 26.38%, Since Inception: 21.22%. WXM performance - 1 Year: 25.97%, Since Inception: 19.16%. One year and since inception performance returns as at December 31, 2013. FXM & WXM's inception date is February 13, 2012. All performance figures shown are for the common units of the Funds. The Fund's performance is subject to change every month. First Asset is the fastest growing ETF company in Canada based on asset inflows for 2013 - Source NBF, Canadian ETF Flows - December 2013 and Calendar 2013. January 6, 2014. Please read the Fund's prospectus before investing. Commissions, trailing commissions, management fees and expenses all may be associated with an investment in this Fund. ETFs are not guaranteed, their values change frequently and past performance may not be repeated. Morningstar® is a trademark of Morningstar, Inc. The Funds are not sponsored, endorsed, sold or promoted by Morningstar or any of its affiliates (collectively, "Morningstar"), and Morningstar makes no representation regarding the advisability of investing in these Funds. The Funds are managed by First Asset Investment Management Inc.

Get The Facts About Factor-based Indexing



Looking Beyond Market Beta for Performance.

The exchange traded funds (ETF) industry has been growing rapidly over the past decade, as has investor demand for increasingly new and sophisticated index products to help meet the financial needs of ETF investors.

One relatively new type of ETF investment that looks beyond systematic risk (or beta) to the various other factors that tend to impact relative performance is “factor-based” investing, which has also been referred to as intelligent (or smart) beta. Factor-based investing is based on the notion that factors such as a company’s value, momentum, or size will all have an impact on its risk-adjusted performance. Factor-based indexing is the next generation of ETFs, allowing investment advisors to tilt portfolios toward one or more important factors in an effort to deliver stronger risk-adjusted returns than more traditional, capitalization-weighted indices.

Factor-based investing looks at the many drivers that tend to influence a stock’s risk and return profile. For example, a company’s “value” factor isn’t considered in most passive mandates. But equities with more favourable valuation ratios (such as price-to-earnings and price-to-book) have demonstrated persistent outperformance, particularly when compared to stocks that do not have favourable valuation ratios. Factor-based mandates can be structured to benefit from the potentially higher gains available from those stocks with attractive valuation ratios. Weighing the many considerations when it comes to passive investing, factor-based mandates can take index investing performance to a whole new level, while also potentially lowering risk. Factor-based mandates also tend to maintain weighting restrictions to avoid the overweighting or underweighting of certain investment sectors, providing diversification benefits not available when you simply “buy the market.”




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

To provide Canadian investors with access to factor-based ETFs, First Asset Exchange Traded Funds launched a series of factor-based ETFs based on Morningstar® Indexes almost two years ago. These funds include First Asset Morningstar Canada Momentum Index ETF (WXM), First Asset Morningstar Canada Value Index ETF (FXM), and First Asset Morningstar Canada Dividend Target 30 Index ETF (DXM). In October 2013, First Asset launched the US equity factor-based ETFs: First Asset Morningstar US Momentum Index ETF (YXM) and First Asset Morningstar US Value Index ETF (XXM).

The value and momentum factor-based funds – including FXM and WXM – have been extremely popular in Canada and were among the strongest-performing mandates in the Canadian equity category over 2013. All of First Asset Exchange Traded Funds' factor-based ETFs – which come in both currencies, hedged and unhedged versions – aim to replicate Morningstar Indexes that leverage CPMS investment strategies. CPMS is Morningstar's proprietary equity research platform that integrates fundamental, estimate and technical data, as well as economic and commodity data, for over 4,000 Canadian and U.S. companies.

At First Asset Exchange Traded Funds, we aim to deliver better risk-adjusted results through our factor-based indexing approach, and our factor-based ETFs' performance thus far has been as strong as we had expected. By leveraging Morningstar's CPMS methodology, First Asset has created ETFs that capture value and momentum effects for Canadian investors. These professional portfolio management

solutions were available to only a few individuals just a few years ago. Our leadership and success in factor-based indexing over the past two years should open the door to additional ETF options across other asset classes that can benefit from factor-based analysis. 

To learn more about the benefits of factor-based ETF investing and First Asset Morningstar ETFs, please contact First Asset Exchange Traded Funds at 1.877.642.1289.

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

1. Top performing Canadian Equity Funds-Source: Morningstar. FXM & WXM's Morningstar performance rankings are solely based on 1 year total return performance as at Dec. 31, 2013, in the CIFS Canadian Equity category for ETFs, which has 31 funds in the ETF group. FXM & WXM's performance: 1 Yr - 26.38% and 25.97%, since inception: 21.22% and 19.16%, respectively. FXM & WXM inception date is February 13, 2012. Performance shown is for the common units of the Funds. The Fund's performance is subject to change every month.

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ETF Liquidity is More Than Just Trading Volume



It's a misconception that ETFs with a smaller market capitalization and less trading volume are illiquid and should therefore be avoided. Rather attention should be paid to evaluating fund attributes which differentiate one ETF from another.



Karl Cheong
Senior Vice President,
Head of Product
Development

In recent years, much has been made of exchange-traded funds (ETFs) and the benefits they afford investors. One of the benefits is the stock-like characteristics of ETFs, for example benefits like (intraday trading, exchange listed, various order types – to name a few) however, further examination relating to the depth of the trading market or liquidity for any particular ETF is warranted.

One of the misconceptions is that smaller ETFs with a smaller market capitalization and less trading volume are illiquid and should therefore be avoided. The “stock-like” characteristics of ETFs naturally lead to ETFs being assessed for liquidity just like you would a common stock. However, a core difference is rooted in the open-ended nature of ETFs. While stocks have a fixed number of shares requiring that there be sellers of a stock to satisfy the demand from buyers (“limited offerings”), ETF shares on the other hand can be created or redeemed in large “creation unit” aggregations to satisfy demand (“continuous offerings”). As a result of this structure, there is more liquidity than can be ascertained by simply looking at the market capitalization and daily trading volume of the ETF itself.

Let's take an example of a small market capitalization/low trading volume fund and drill into the specifics.

**Daily Closing Price of First Trust AlphaDEX™
U.S. Dividend Plus ETF**

Date	Last Price	Vol
06/27/13	19.99	550
06/28/13	20.08	10,000
07/04/13	20.24	425
07/05/13	20.21	1,265
07/08/13	20.39	1,650
07/09/13	20.5	1,830
07/10/13	20.47	2,875
07/11/13	20.71	400
07/12/13	20.75	1,635
07/16/13	20.78	83,611
07/17/13	20.81	1,560
07/18/13	20.99	2,650
07/19/13	21.02	675
07/23/13	21.15	225
07/24/13	20.95	15,694
07/26/13	20.98	5,702
07/30/13	20.89	1,337
07/31/13	21.03	4,580

Source: Bloomberg

**FUD Trading Detail on 7/16/13 – A Closer Look
Trade Recap 07/16/13 of First Trust AlphaDEX™
U.S. Dividend Plus ETF**

Date	Volume	Vol
09:39:20	25	20.87
09:39:20	200	20.87
10:41:16	14	20.86
10:41:16	78,900	20.86
10:51:22	300	20.87
10:58:49	90	20.83
10:58:49	100	20.83
11:03:15	7	20.82
11:03:15	400	20.82
11:07:58	1,500	20.78
11:23:36	600	20.80
11:28:37	75	20.80
11:28:37	400	20.80
13:01:16	50	20.77
13:01:16	200	20.77
13:25:44	75	20.74
13:25:44	100	20.74
14:09:39	75	20.78
14:09:39	100	20.78

Source: Bloomberg

The First Trust AlphaDEX™U.S. Dividend Plus ETF (CAD-Hedged) (TSX:FUD) typically trades just 2,306 shares per day. The total market capitalization of the fund is \$5.60 million. In the exhibit below you can see the historical prices and volumes of the ETF. On 7/16/13 an investor purchased nearly 83,611 shares of the ETF. “Stock-like” analysis would suggest that this trade would significantly impact the price of the ETF as this trade would represent 32 times the volume of a typical trading day. Yet, since the security is an ETF, the more appropriate way to assess the impact of the increased trading on the liquidity of the security is to realize that this trade represents a small fraction of the average daily volume of the individual underlying stocks that comprise the ETF’s portfolio holdings.

Despite the fact that the trading volume was extraordinary relative to historical trading levels, the price did not fluctuate accordingly. If you had been using the average daily trading volume (ADV) number to guide your trading strategy, then you might have never imagined you could trade that many shares in one day.

A further look at the actual trades made in FUD during the day on 7/16/2013 allows one to draw a number of reasonable conclusions.

1) Volume is not driving the price of the ETF. A large block (78,900 shares) trade is executed on the heels of a number of smaller block trades with no fluctuation in the price; and

2) One can see that the declining price in the 9:39 am to 11:07 am timeframe is driven by the value of the underlying stocks held in the ETF’s portfolio, not trading volume of the ETF as one might otherwise assume based on typical trading volume analysis.

Based on the above, the following suggestions may prove useful with smaller ETFs:

1) Generally avoid trading on the open or close of the market. At the open, the market maker has to price the ETF relative to the prices of the underlying stocks held in the ETF’s portfolio which tend to be a best estimate based on the data available. Be it financial crisis, geopolitical concerns or company specific issues, prices on the open can be volatile which impacts the ETF’s pricing until the trading day gets underway and the prices of the stocks underlying the ETF are established;

2) Use limit orders – Limit orders are generally preferred over market orders, enabling investors to control the price at which ETF trades may be executed. In doing so, investors can often access much more depth than what is seen at the top of the order book, since ETF shares can be created or redeemed.

3) Stop Orders – if these are part of your strategy, then consider using stop limits as stop orders turn into market orders when triggered.

Continued on page 10

Understanding ETF Implied Liquidity

In the Bloomberg chart below, we can see that the 30-day Average Daily Volume of the ETF is only 1,100 shares as of December 16, however, the ETF's implied liquidity under the trading data section, was 15.5 million shares on December 16. The implied liquidity figure displays the number of ETF shares that could potentially be traded as implied by the trading volume of each stock in the portfolio. If you were a portfolio manager who wanted to invest \$100 million in the ETF, you might be hesitant at first because the ETF usually trades only about \$24,409 notional per day (1,100 shares times \$22.19 per share, as of December 16). However, if you review the liquidity of the underlying holdings of the ETF, you would see that you could potentially trade more than \$363 million notional daily (\$22.19 times 15.5 million shares) without impacting the share prices of the underlying stocks that make up the ETF portfolio.

Why does ETF liquidity matter?

Many investors assume that ETFs tracking specific segments of the market will generally offer very similar returns. However, as the diversity of approaches followed by ETFs has increased over the past decade, so has the divergence in returns, even among funds in the same sector or asset class.

As investors begin to understand ETF liquidity, recognizing that good execution and tight spreads are made possible (even for thinly traded ETFs) by the liquidity of the funds' underlying holdings coupled with the ETF creation and redemption process, more attention can be paid to evaluating fund attributes which differentiate one ETF from another, such as index methodology and portfolio holdings. With this knowledge, investors are much better equipped to begin sorting through the ever-growing universe of ETFs on the basis of information that is relevant in order to achieve their objectives. [E](#)

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Karl Cheong, Senior Vice President, Head of Product Development, First Trust Portfolios Canada

Bloomberg Fund Summary of First Trust AlphaDEX™ U.S. Dividend Plus ETF



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ETF STRATEGY

Tactical Asset Allocation: January 2014

FINANCIAL PRODUCTS RESEARCH

January 9, 2014

- We see mildly improving global growth, contained inflation and accommodating monetary policy
- Equities overweight favouring developed over emerging, with high dividends and smaller caps
- Rates remain a concern so we favour short duration high yield with governments underweight
- Our preference is to overweight U.S. dollar-denominated exposure to U.S. & EAFE stocks

Our recommended ETFs to express National Bank's Asset Allocation Strategy:

Asset Class	Ticker	Fund Name	Price (\$)	Type*	QMV** (\$M)	20D ADV (000)	MER (%)
Equity	U.S. Broad	VTI US	95.49	USL	39,137	3,454	0.05
		VUN CN	28.08	UnH	60	58	0.15***
	U.S. Dividend	ZDY CN	17.60	UnH	63	18	0.34
		VGG CN	27.49	UnH	27	21	0.28***
		UXM/B CN	10.90	UnH	1	5	0.60***
	U.S. Small Cap	IJR US	108.05	USL	14,236	1,009	0.17
		VB US	109.77	USL	8,243	438	0.10
	EAFE	XEF CN	23.67	UnH	82	31	0.30***
		VDU CN	27.96	UnH	45	26	0.28***
Fixed Income	High Yield	ZHY CN	15.96	C\$H	613	108	0.62
		XHY CN	21.54	C\$H	595	83	0.61
		HYI CN	10.72	C\$H	34	51	0.67
	Short Term High Yield	HYS US	106.54	USL	3,681	228	0.55
		SJNK US	30.89	USL	3,108	954	0.40

*Type: US-Listed (USL); CAD with US dollar (USD); CAD with currency hedge (C\$H), and Non-currency hedged (UnH); ** ZSP/U and HXS/Us QMV and 20D ADV include both CAD and USD units; ***Stated Management Fee; Source: NBF, Bloomberg; Data as of 08-Jan-14

Asset Allocation Strategy Report: Carefully stick to the plan! –Jan. 8, 2014

Reference: Martin Lefebvre, Asset Allocation and Investment Strategist

- We expect global growth to gather some steam but still remain tepid in 2014. Inflation should be contained, which will help global monetary policy to stay highly accommodative.
- Although it remains to be seen what the impact of the Fed's reduction of bond purchases will be, we see fewer risks on the horizon. Of course, the potential for deflation in Europe remains a concern, but consensus "bullishness" could well turn out to be the biggest hurdle to overcome this year.
- We recommend keeping government bond exposure at a minimum, with a corresponding overweight position in riskier issuers. Duration should be kept short but closer to benchmark.
- We are maintaining an overweight equity position at the expense of fixed income securities. While it would be tempting to bet on underperformers and undervalued securities to start the year, we believe

Asset Classes	Weight			
	Min	Under	Equal	Over Max
Cash				
Bonds				
(Duration)				
Federal				
Investment Grade				
High Yield (USD)				
Non-traditional Income				
World Equities				
S&P/TSX				
S&P 500 (USD)				
Growth vs. Value				
Large Cap vs. Small Cap				
Defensives vs. Cyclical				
MSCI EAFE (USD)				
MSCI EM (USD)				
Alternative Investments				
Commodities				
Energy				
Base Metals				
Gold				
Hedge Funds (USD)				
REITs				

Source: Consulting Investment Committee, NBF

U.S. and EAFE markets will continue to outperform markets linked to commodity prices. Although double digit growth is not our base case scenario for 2014, we wouldn't be surprised if this turned out to be the case again.

Exceptional year...not so much

Source: NBF, Datastream



- From a fundamental perspective nothing is changed, and we continue to believe that developed market equities will outperform every other asset classes.
- Although double-digit growth is not our base case scenario for this year, we wouldn't be surprised if this turned out to be the case again.
- In fact, over the past decades, 25%-plus equity performances in a context of easy monetary conditions have always been followed by strong growth the subsequent year.

Pressure on interest rates remains upward

Source: NBF, Datastream



- We do not anticipate that bond yields will rise significantly in 2014.
- Nevertheless, since it is the first step towards unwinding some of the extraordinary measures that were put forward during the crisis, upward pressure on yields will likely remain strong as long as the economy keeps improving.
- In short, this means that there is still a fair chance of seeing negative bond returns, albeit not as pronounced as those witnessed last year.

Valuations still attractive

Source: NBF, Datastream



- There is no denying that last year was characterized by multiples' expansion for equities, since earnings growth came out below expectations. However, valuations are still attractive by most metrics.
- When we look at the price-to-forward-earnings ratios, equities remains in line with historical trends for U.S. and Canadian markets, they are well below trend for the EAFE regions and are near historical lows for most emerging markets
- Therefore, while some analysts are already proclaiming that we are in a bubble, to us equities appear to be far from expensive. PE ratios at these levels are also historically associated with good returns over the long run

ETF News



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ICI REPORTS ETF ASSETS AND NET ISSUANCE

WASHINGTON, DC, JANUARY 29, 2014 – The combined assets of the nation's exchange-traded funds (ETFs) were \$1.675 trillion in December, according to ICI. The Institute's monthly statistical collection also includes the value of shares issued and redeemed by exchange-traded funds.

Assets of Exchange-Traded Funds by Type

Millions of dollars

	Nov 2013	Nov 2013	Dec 2012
Total Domestic Equity	1,028,450	998,675	764,732
Domestic (Broad-Based)	761,701	731,096	509,338
Domestic (Sector/Industry)	266,748	267,579	255,394
Global/International Equity	398,846	395,224	328,521
Hybrid	1,448	1,412	656
Bond	245,862	247,661	243,203
All	1,674,607	1,642,972	1,337,112

Value of Shares Issued and Redeemed by All Exchange-Traded Funds

Millions of dollars

	Dec 2013	Nov 2013	2013	2012
Gross Issuance	135,324	88,078	1,336,003	1,154,074
Gross Redemptions	115,353	74,727	1,156,137	968,679
Net Issuance	19,970	13,350	179,865	185,394

Number of Exchange-Traded Funds by Type

	Dec 2013	Nov 2013	Dec 2012
Total Domestic Equity	603	602	575
Domestic (Broad-Based)	292	291	274
Domestic (Sector/Industry)	311	311	301
Global/International Equity	438	436	404
Hybrid	14	14	13
Bond	238	233	202
All	1,293	1,285	1,194

Highlights: Assets of all exchange-traded funds rose in December by \$31.64 billion, or 1.9 percent, to \$1.675 trillion. Over the past 12 months, ETF assets increased \$337.50 billion, or 25.2 percent. Assets in domestic equity ETFs increased \$263.72 billion since December 2012, and global equity ETF assets rose \$70.33 billion during this period. At the end of December 2013, assets of bond funds were \$245.86 billion and hybrid funds were \$1.45 billion.

During December, the value of all ETF shares issued exceeded that of shares redeemed by \$19.97 billion. In December 2012, the value of all ETF shares issued exceeded that of shares redeemed by \$32.58 billion.

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High Beta
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MSCI Canada
FTSE RAFI Canada
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