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Again, we sincerely thank you for taking the time to attend our event to stay current and connected.

We look forward to meeting and speaking with you and wish you continued success with your business.

Sincerely,

Radius Financial Education Team

Data source: Canadian ETF Association

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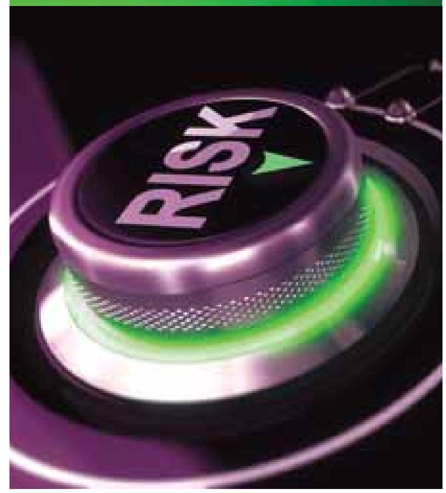


CONTENTS

08 **International Investment and the US Dollar**
FTSE Russell

16 **Investing For a New Media Reality**
BMO Global Asset Management

20 **How to Manage Portfolio Risk**
Purpose Investments

26 **Canadians Continue To Increase Their Allocation to Active ETFs**
Horizons ETFs

International Investment and the US Dollar

Over the 12-month period from June 2014 to June 2015, the US dollar (USD) rose significantly relative to other currencies.

Improving indicators about the state of the US economy, actions by the European Central Bank to stimulate the Eurozone, as well as investor expectations that the US Federal Reserve would begin raising interest rates all contributed to this stark improvement in the market's valuation of the USD. For the 24-month period between June 2015 and June 2017, however, the USD path was essentially trendless – though volatile; the US Federal Reserve Trade Weighted US Dollar Index: Major Currencies ended at a level on June 30, 2017 almost exactly equal to the level observed at the end of June 2015.

For the US based investor, the behavior of the USD is of particular concern. When foreign investments are unhedged and the dollar increases in value, for example, international equity returns are reduced – sometimes dramatically. This is caused by the short position in the USD that is embedded in unhedged international investments. Other states of the US dollar can also affect realized international returns and risks from a US investor perspective. FTSE Russell responded to the need for investors to analyze these positions with the launch in 2015 of a series of five international equity indexes that apply a 50% hedge to the USD.

FTSE Developed Europe 50% Hedged to USD Index
FTSE Developed ex North America 50% Hedged to USD Index
FTSE Emerging 50% Hedged to USD Index
FTSE Japan 50% Hedged to USD Index
FTSE Germany 50% Hedged to USD Index

FTSE Russell

The Currency Exposures Embedded in Unhedged International Investment

Why are they important?

What are their characteristic exposures?

What investment assumptions are made by the hedged and unhedged investor?

Exchange rate movements can have a significant impact on the overall returns to investing outside of the domestic market. The returns to currency can reduce and at times eliminate the returns of foreign stocks. This would have been the real-life experience of a US investor in an unhedged fund or portfolio that tracked the FTSE Developed ex North America (NA) Index over 2014 and 2015, two calendar years during which the dollar rose significantly against most other developed currencies. The outcomes are reported in Table 1; currency losses for the unhedged US investor over these years would have been significant.

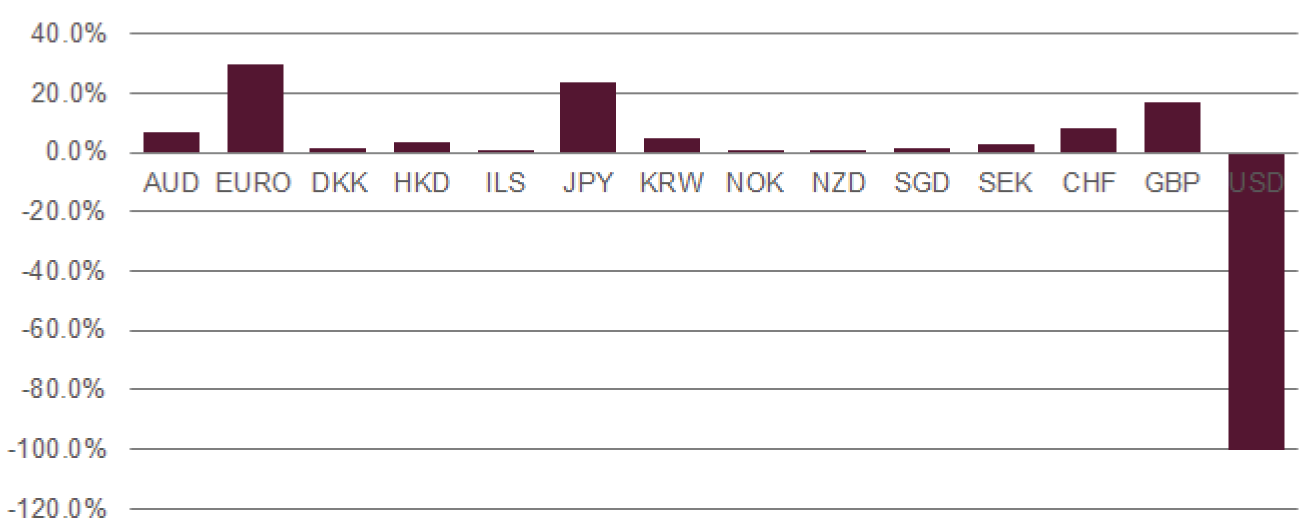
Table 1. Currency losses for the USD based investor in a portfolio tracking the FTSE Developed ex North America Index Calendar Years 2014 and 2015

	FTSE Developed ex North America Index 0% Hedged USD	FTSE Developed ex North America Index 100% Hedged USD	Impact of Currency on Unhedged Return
2014	-4.6%	5.6%	-10.3%
2015	0.0%	5.7%	-5.7%

Source: FTSE Russell Data for the years 2014, 2015; data as of 2017. Past performamce is no guarantee of future results. Please see the end of this paper for important legal information.

Why do we see this outcome when the USD strengthens? The unhedged index implicitly contains an embedded separate basket of currencies; for the FTSE Developed ex NA Index, this currency portfolio consists of a long position in foreign currencies, offset by a 100% short position in the USD. Figure 1 below depicts the currency basket embedded in the FTSE Developed ex NA Index as of June 30, 2017.

Figure 1. Embedded currency basket, FTSE Developed ex North America Index June 30, 2017



Source: FTSE Russell. Data as of June 30, 2017.

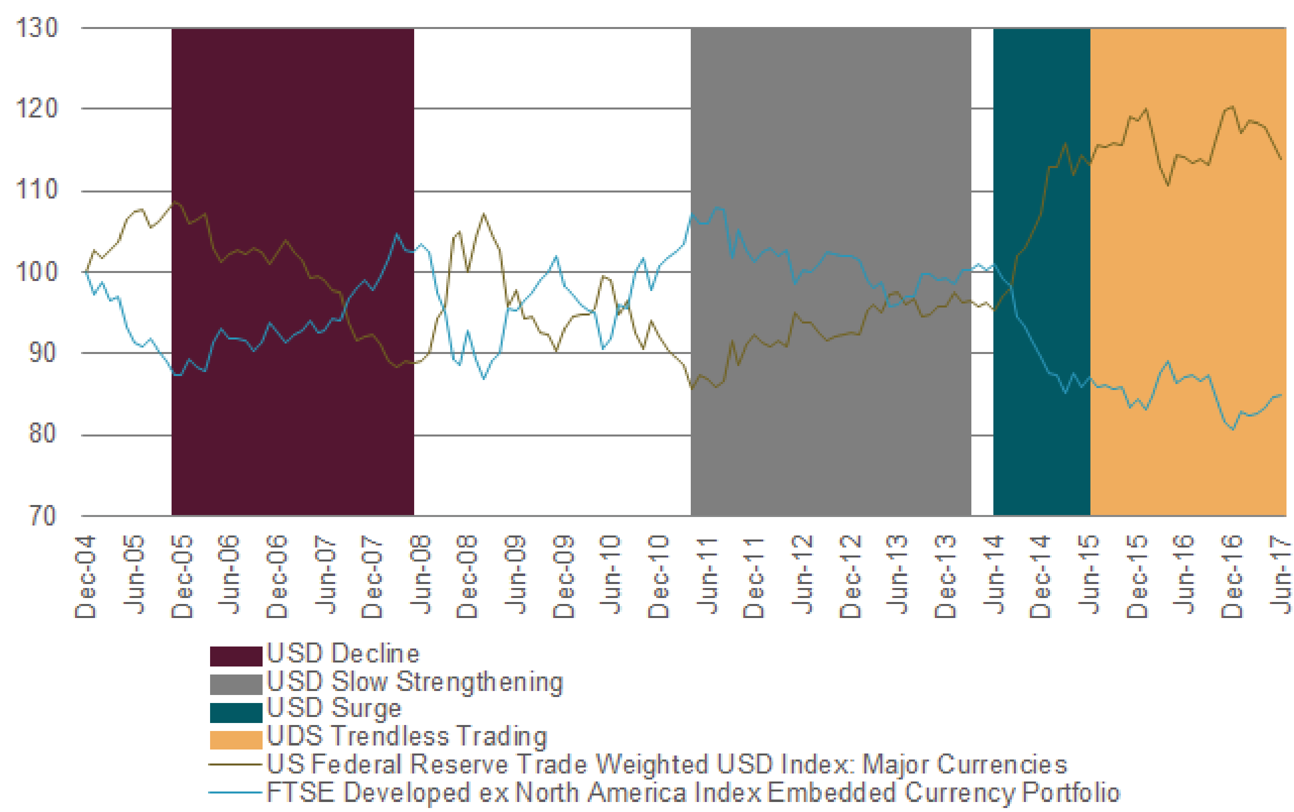
Continued on the next page

An investment that has a short exposure makes money and has a positive performance when the asset or underlying entity loses value. The opposite is also true; the short position will lose money when the underlying asset or position appreciates. We can see the history of this relationship in Figure 2, where we compare the values of the US Federal Reserve Trade Weighted USD Index: Major Currencies to the cumulative return of the currency basket embedded in the FTSE Developed ex NA Index (here we define the embedded currency basket return as the difference between the unhedged and the 100% hedged versions of the index). We highlight four important market states of the US dollar from Figure 2:

- USD decline from November 2005 to March 2008; note the increasing cumulative value of the embedded currency portfolio of the FTSE Developed ex NA Index over this period.
- USD gradual strengthening from April 2011 through January 2014; the embedded currency portfolio experienced a slow decline in value over this time period.
- USD rose significantly from June 2014 through June 2015; the currency portfolio embedded in the unhedged FTSE Developed ex NA Index precipitously lost value over this period.

USD trendless trading: there were notable spikes and declines in the dollar over the 24 months between June 2015 and June 2017, yet the USD value ended this period at the same level as it began. The embedded currency portfolio incurred a slight loss over the period.

Figure 2. Comparison of the cumulative growth of 100 units of the currency basket embedded in the FTSE ex North America Index (unhedged) and the value of the USD as measured by the US Federal Reserve Trade Weighted USD Index: Major currencies (beginning value reset to 100) January 2005 to June 2017



Source: FTSE Russell and US Federal Reserve Bank. Data as of June 30, 2017. Past performamce is no guarantee of future results. Returns prior to index launch dates reflect hypothetical historical performance. Please see the final page for important legal information.

Even though the unhedged international investor may not be consciously or knowingly predicting what the USD is going to do, they are implicitly assuming the USD will lose value. Over certain periods, for instance, during the calendar years 2014 and 2015 as we have shown, the unhedged investor that had a concentrated short position in the USD would have experienced significantly lower investment returns.

What about the investor who is 100% hedged? This investor is making an implicit assumption: that the dollar will rise. This bet is the mirror image – the other side – of the unhedged assumption. The performance statistics of the 100% hedged and the unhedged index reported in Table 2 demonstrate this. The hedged portfolio significantly underperformed the unhedged portfolio during the period of the dollar weakening, from November 2005 to March 2008 – an average underperformance each year of 7.5% with a slightly increased level of volatility. Even during the recent trendless trading period, the hedged index posted higher returns compared to the unhedged, albeit the performance of the two indexes was not as differentiated as in the strongly trending market states.

Table 2. Performance statistics for the FTSE Developed ex North America Index, 100% hedged and 0% hedged to the USD over four market states

Falling Dollar Nov 2005 to March 2008	FTSE Developed ex North America Index 100% Hedged USD	FTSE Developed ex North America Index 0% Hedged USD
Sharpe Ratio	0.3	0.9
Annualized Return, %	7.6	15.1
Annualized StdDev, %	12.2	11.5
Max Drawdown Return, %	-19.3	-14.2
Gradually Strengthening Dollar April 2011 to January 2014	**FTSE Developed ex North America Index 100% Hedged USD**	**FTSE Developed ex North America Index 0% Hedged USD**
Sharpe Ratio	0.7	0.4
Annualized Return, %	8.1	5.9
Annualized StdDev, %	12.8	17.3
Max Drawdown Return, %	-18.4	-23.0
Sharply Strengthening Dollar June 2014 to June 2015	**FTSE Developed ex North America Index 100% Hedged USD**	**FTSE Developed ex North America Index 0% Hedged USD**
Sharpe Ratio	1.2	-0.2
Annualized Return, %	10.8	-2.5
Annualized StdDev, %	8.6	9.8
Max Drawdown Return, %	-4.4	-9.2
Trendless Trading June 2015 to June 2017	**FTSE Developed ex North America Index 100% Hedged USD**	**FTSE Developed ex North America Index 0% Hedged USD**
Sharpe Ratio	0.3	0.3
Annualized Return, %	4.0	3.5
Annualized StdDev, %	12.6	13.4
Max Drawdown Return, %	-15.5	-16.6

Source: FTSE Russell. Data as of June 30, 2017. Past performamce is no guarantee of future results. Returns prior to index launch dates reflect hypothetical historical performance. Please see the end for important legal information.

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How Do International Investors Decide on Their Approach to Hedging Their Currency Exposure?

We have shown that currency exposure is an important determinant of performance in international investing, and decisions about whether to hedge and how much to hedge embody views, or forecasts, on the future performance of the domestic currency (here the USD) versus other major currencies. What else does an investor need to know to make an informed decision about currency? What insights are there from financial theory? From academic research?

Traditionally, discussions in relation to currency hedging have focused on the two extremes: the fully hedged portfolio which eliminates foreign exchange exposure and the unhedged portfolio which leaves currency exposure unmanaged. As we have shown above, these extremes may not be ideal for many investors. In this section we briefly summarize the arguments supporting the most common hedge ratios (here defined as how much or what percentage of the total currency exposure is to be hedged) from a survey of the academic literature.

1. The 100% hedged ratio (fully hedged). Andre Perold and Evan Schulman make an argument for full hedging in an influential paper, based on the position that currency exposure can be removed without sacrificing return in the long run. They argue that currency hedging has a long-term expected return of zero, and thus investors can achieve substantial risk reduction at no loss of expected return. The USD appreciates some years and depreciates relative to foreign currencies in others. Proponents of 100% hedging strategies argue that unless participants have the ability to time these currency movements, they will be best served by a completely hedged approach. We have demonstrated however, that the fully hedged position is in fact implicitly taking a position on the USD over short- and even medium-term horizons. We also note that a 100% hedge does not always reduce index volatility relative to the unhedged index– during the period of the Falling Dollar, November 2005 to March 2008, the hedged index had a higher standard deviation and a higher maximum drawdown (Table 1).

2. The 0% hedged ratio (unhedged). 0% hedging leaves the investor with full currency exposure, so total returns, as we have seen, will include both asset and FX movements. Kenneth Froot makes an argument for unhedged portfolios on the basis that currency hedging does not reduce volatility for long horizons. Froot does concede that hedging can substantially reduce risk in the short-term, but shows that in the long run many fully hedged international investments actually have greater return variance than their unhedged counterparts. According to the theory of Purchasing Power Parity (PPP), currency returns are mean reverting over a long investment horizon and investors should maintain unhedged positions. The proponents of this approach contend that, considering the arguments above, the cost of hedging isn't worthwhile. Again, our examples above show that the unhedged position has very concentrated exposures to currency which can have and have had significant impacts on investment returns over reasonable investment horizons.

3. The somewhere between 0 and 100% hedge ratio. The preferences and priorities of investors can be quite different, further complicating the hedge ratio decision. Fortunately, investors are not forced to choose between fully hedged or unhedged. In fact, transaction costs aside, there are an infinite number of hedging ratios that can be implemented within an international portfolio. Fisher Black derives a formula for an optimal hedge ratio dependent upon the expected return of the market, the market's volatility and the volatility of the exchange rate. Black concludes this optimal hedge ratio often falls between the two extremes of 0% and 100%, and changes through time based on the inputs.

4. The 50% hedge ratio. Studies have shown that a relatively simple alternative, a 50% hedge ratio, can provide substantial volatility reduction without having to give up the entire potential return from foreign currencies. Gardner and Wuilloud make an interesting case for the 50% hedging ratio by investigating the "regret" that results when a hedge implemented based on a mean-variance framework is outperformed by a simple alternative strategy. More broadly, regret results when investors are hedged and foreign currencies rise, and when unhedged and foreign currencies fall. The authors find that moving from the mean-variance optimal hedge ratio to a 50% strategy helps to avoid extreme regret without sacrificing much expected risk-adjusted return. The authors recognize that investors with a long time horizon experience less regret reduction than those with a shorter time horizon. Gorman, Qian and Surz also argue in favor of a 50% currency hedge. They make the following observations:

- currency impacts on both returns and volatility are too great to ignore;
- currency movements are too hard to predict and to time;
- the 50% hedged position represents neutrality (embodies no forecasts);
- the impact on returns and risk of a 50% hedged approach are non-linear in terms of volatility–in other words, generally over half the volatility improvement is realized with a 50% hedge ratio, and;
- this volatility reduction allows for larger allocations to international stocks within a portfolio's risk budget.

The 50% Hedge Ratio: Further Considerations and Historical Performance

Gorman, Qian and Surz's observations supporting a 50% currency hedge ratio for international investments merit a closer look. We have already demonstrated how much embedded currency exposures can impact the level and volatility of returns. We have reported return behavior that supports the contention that the 100% hedged as well as the 0% hedged positions embody a forecast of the performance of the home currency (here again the USD) relative to other currencies. Indeed, we find Gorman et al. persuasive in that any position other than a 50% hedge embodies a currency forecast; a 50% hedged portfolio represents a neutral stance on the domestic currency.

Currency fluctuations are very difficult to forecast and even more difficult to time, as Gorman, et al. stress. Although financial theory states that currencies will eventually converge to purchasing power parity (PPP) levels, empirically currency values can and do diverge for very long periods of time from their PPP values. Using a PPP based forecasting approach may in the very long run turn out to be correct, but investors may face more short-term consequences as they wait for PPP convergence to occur.

Central banks can have a significant impact on currency behavior as they influence exchange rates, the supply of money and short-term interest rates to manage their economies.

Forecasting central bank actions in terms of content and timing is a very difficult task, with many significant market participants unaware of sudden central bank actions. A case in point here is the Swiss Central Bank removal of support for the exchange rate peg of the CHF (the Swiss Franc) to the Euro in January 2015 – a policy reversal that stunned the world and roiled financial markets, especially foreign exchange.

This occurred one week after the Swiss Central Bank had assured markets that the pegged rate would continue to be supported. Major banks and investment companies suffered significant losses because they could not predict that this action would occur when it did.

Investors with conviction as to their ability to forecast currency may of course take positions reflecting those forecasts. But in the absence of such conviction – such ability – they may prefer an equal weighted or neutral approach to exposures. In the case of a home currency, as described above, some consider this is best represented by the 50% hedge ratio in international investment. In Table 3, we report key statistics for this neutral currency exposure as represented by the FTSE Developed ex North America 50% Hedged to USD Index. We compare the 50% hedged index returns to the 100% hedged and 0% hedged alternatives over our entire sample period (January 2005 - June 2017) as well as for our four market states of a Falling Dollar, Gradually Strengthening Dollar, Sharply Strengthening Dollar, and Trendless Trading.

In the far right columns of Table 3, first we compute the difference between the outcomes of the 100% hedged and the 50% hedged indexes; second the difference between the outcomes of the 50% hedged and the 0% hedged indexes. Results vary across the different time periods of analysis and market states. The most consistent result we see in Table 3 is in line with the observations of Gorman, et al., in that the volatility improvement contributed by moving from a 0% hedged to a 50% hedged position was greater than 50%. Here, we reference the numbers highlighted in the chart. During the four periods where the volatility of the 100% hedged index was less than the 0% hedged (Total Period, Gradually Strengthening Dollar, Sharply Strengthening Dollar and the recent period of Trendless Trading) the reduction in volatility that would have been achieved via moving from a 0% hedged to a 50% hedged index was measurably larger than the volatility reduction moving from a 50% hedged to a 100% hedged strategy. It is striking that during the second period – the Falling Dollar – when the 100% hedged index exhibited more volatility than the unhedged, the volatility of the 50% hedged index was almost equal to the 0% hedged. Moving from the 0% hedged index to a 50% hedge ratio, there was an increase of 4 basis points (bp; 0.0 %) of volatility, but moving from 50% to a 100% hedge ratio added another 69 bp (0.7 %) of volatility (annualized standard deviation). Again, these results are all time period dependent, but do align with the results in Gorman et al.

Table 3. Performance statistics for the FTSE Developed ex North America Index, 50% hedged, 100% hedged and 0% hedged to the USD over four market states as well as the total sample period

Total Period Jan 2005 to June 2017	FTSE Developed ex North America Index 100% Hedged USD	FTSE Developed ex North America 50% Hedged to USD Index	FTSE Developed ex North America Index 0% Hedged USD	100% Hedged - 50 % Hedged	50% Hedged - 0% Hedged
Sharpe Ratio	0.5	0.4	0.3	0.1	0.1
Annualized Return, %	7.1	6.4	5.4	0.8	0.9
Annualized StdDev, %	14.0	15.3	17.3	-1.4	-2.0
Max Drawdown Return, %	-50.0	-53.2	-56.4	3.2	3.2
Falling Dollar Nov 2005 to March 2008	**FTSE Developed ex North America Index 100% Hedged USD**	**FTSE Developed ex North America 50% Hedged to USD Index**	**FTSE Developed ex North America Index 0% Hedged USD**	**100% Hedged - 50 % Hedged**	**50% Hedged - 0% Hedged**
Sharpe Ratio	0.3	0.6	0.9	-0.3	-0.3
Annualized Return, %	7.6	11.3	15.1	-3.7	-3.8
Annualized StdDev, %	12.2	11.5	11.5	0.7	0.0
Max Drawdown Return, %	-19.3	-16.5	-14.2	-2.8	-2.3
Gradually Strengthening Dollar April 2011 to January 2014	**FTSE Developed ex North America Index 100% Hedged USD**	**FTSE Developed ex North America 50% Hedged to USD Index**	**FTSE Developed ex North America Index 0% Hedged USD**	**100% Hedged - 50 % Hedged**	**50% Hedged - 0% Hedged**
Sharpe Ratio	0.7	0.5	0.4	0.1	0.1
Annualized Return, %	8.1	7.0	5.9	1.1	1.2
Annualized StdDev, %	12.8	14.8	17.3	-2.0	-2.5
Max Drawdown Return, %	-18.4	-20.7	-23.0	2.3	2.3
Sharply Strengthening Dollar June 2014 to June 2015	**FTSE Developed ex North America Index 100% hedged USD**	**FTSE Developed ex North America Index 50% Hedged to USD Index**	**FTSE Developed ex North America Index USD 0% Hedged**	**100% Hedged - 50 % Hedged**	**50% Hedged - 0% Hedged**
Sharpe Ratio	1.2	0.5	-0.2	0.7	0.7
Annualized Return, %	10.8	4.0	-2.5	6.8	6.5
Annualized StdDev, %	8.6	8.6	9.8	0.0	-1.2
Max Drawdown Return, %	-4.4	-3.6	-9.2	-0.8	5.6

Conclusion

Unhedged international investing brings with it significant currency exposure, namely embedded long positions in foreign currencies coupled with a very large short position in the domestic currency, here the USD. Completely hedging currency exposures results in an implicit long position in the domestic currency. There may be no single hedge ratio that satisfies all investors because the heterogeneous outlooks and risk tolerances of investors can lead participants to implement vastly different strategies. Currency fluctuations are notoriously difficult to forecast, however, and some academics have supported a 50% hedge ratio, suggesting that it represents the neutral position; has been shown to minimize investor regret due to erroneous forecasts; and historically has exhibited attractive asymmetric risk characteristics. The FTSE 50% Hedged Index Series has been designed to assist investors in understanding and evaluating the currency exposures of their international equity investments.


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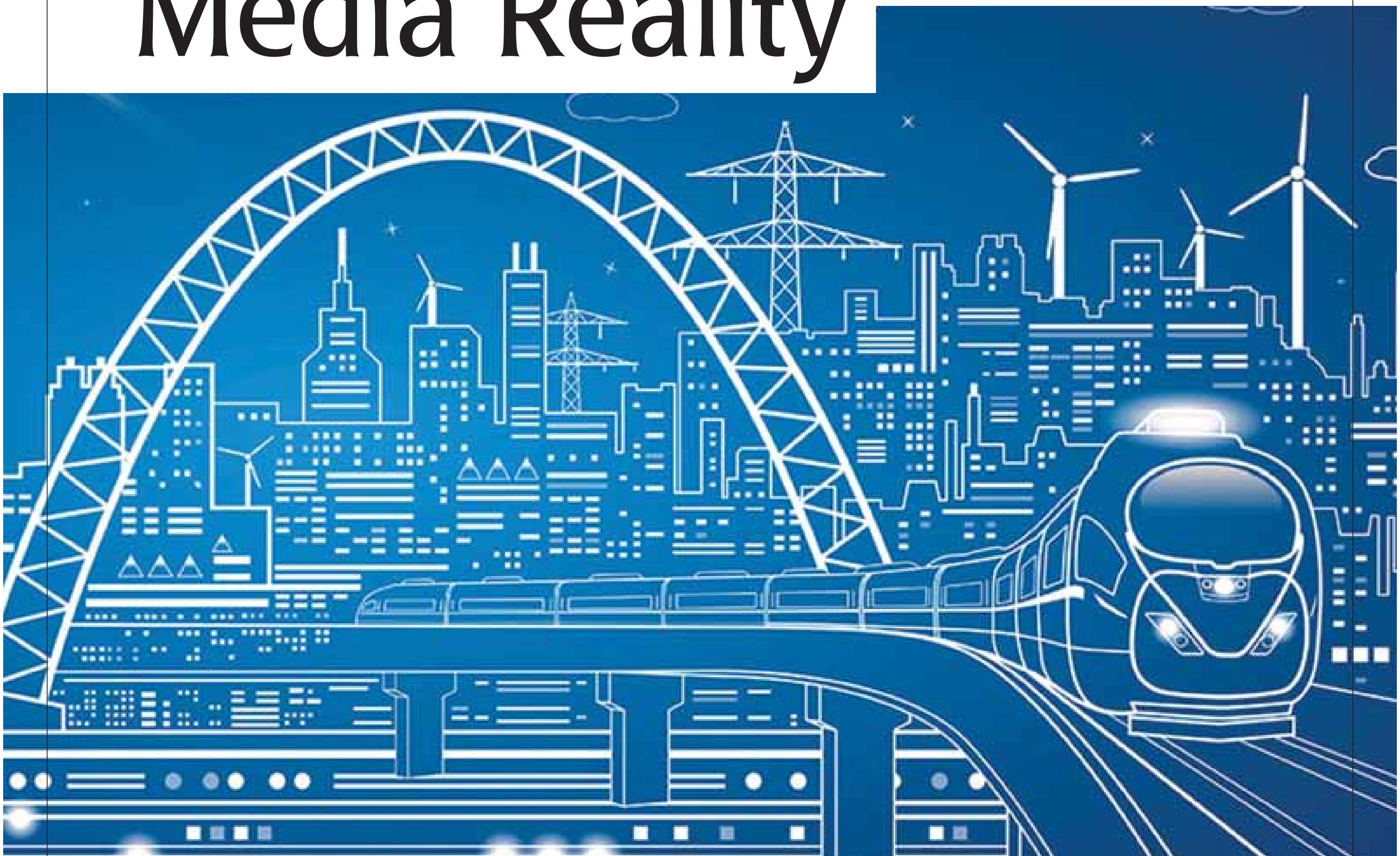
Investing For a New Media Reality



The Benefits of an ETF for Thematic Investing.

Chris Mchaney
Director and Portfolio Manager, ETFs, BMO Asset Management Inc.

Later this year, S&P Dow Jones and MSCI will make significant changes to their industry classification system, which will include renaming the Telecommunication Services sector as Communication Services.

Reflecting the new reality of media and communication today, the new classification will place tech giants such as Facebook, Netflix and Google alongside established telecom names like AT&T and Verizon Communications. As a market leader in ETFs, BMO GAM's latest offering, BMO Global Communications Index ETF (COMM), will provide investors' exposure to this hybrid space. Managing the fund is Chris McHaney, director and portfolio manager with BMO GAM, who explains the origins of the product.

"Over the last 5–10 years, the way people consume media has really changed," he says. "That has caused a disconnect between certain companies and the way they are classified. In Canada, we have Shaw communications, which is classified as consumer discretionary, but then you have Rogers or BCE classified as telecommunications. Over time we can see that these companies are all in the same business."

BMO Global Asset Management

Then there are the Apples and Facebooks of this world, which are clearly huge parts of the media landscape in 2018. If Bell and Rogers didn't see these companies as competition 10 years ago, that is no longer the case today.

"Companies that traditionally have been thought of as IT or technology are moving into the media and communications space," says McHaney. "This (COMM) strategy is trying to represent this new paradigm, and will include traditional media companies, but also those newer to the label of media. Going forward, all of these companies will have a hand in what we consume in media and how we consume it."

Using the Solactive Media & Communications Index as its benchmark, COMM will include holdings from across the communications spectrum. That includes some of the best performing stocks out there today (Alphabet, Apple, Netflix), as well as companies with long tracks records of performance (Rogers, BCE, Disney).

Of the underlying stocks, Apple and Facebook constitute the largest weighting, but it is central to the fund's investment strategy that diversification is paramount.

"What we have done with our construction and weighting methodology is what we do with most of our ETFs – we are thoughtful of the way companies are weighted," says McHaney. "There is no undue weight into any one stock and that helps with stock-specific risk."

In terms of geographical mix, it's not surprising to find the US making up the lion's share with over 60% weighting *– it is home to Silicon Valley after all. Japan is next on the list for representation, and for good reason, explains McHaney.

"It is one of the larger developed economies outside of the US, and they have some larger incumbent companies in the telecom space," he says. "Back in the late 90s and early 2000s, everyone thought of Japan as being at the forefront of mobile phone technology. Three of the larger companies there – SoftBank, NTT, KDDI – were really involved in that growth back then and have grown to be very large companies globally."

COMM provides investors easy access to this broadened landscape through the industry re-classification, but McHaney believes ETFs are the perfect vehicle for thematic investing in general. BMO has led the way for inflows in the space for years now, and its sector -based funds have been central to that success.

"Thematic exposure is very specific and generally an investor is in there for a certain reason," he says. "That reason might not always persist over time; you might like communications today, but two years from now you might not want that same exposure. An ETF provides a very efficient and liquid way for an investor to get exposure on a diversified basis. So they can easily get in and out when they want to."

An ETF also allows Canadian investors a chance to gain geographical exposure to stocks they might not otherwise. The financial and resource sectors dominate here, and McHaney doesn't see that disparity changing anytime soon. For that reason, those seeking diversification in their portfolio should consider ETF alternatives, he explains.

"We have a pretty good artificial intelligence community in Southern Ontario," he says. "That might one day be a really strong growth area, but that is still a ways off. Part of the reason we launch these global funds is that we cover areas that don't have strong representation in Canada. It is being able to balance out a typical Canadian portfolio."

And for those wanting to gain exposure to the media companies of the future, alongside the traditional names in the space, COMM ticks all those boxes.

"It is not something that is huge in a typical Canadian's portfolio exposure," says McHaney. "They can add a growth element in an area that doesn't have a lot of representation in Canadian equities. They can do that very easily through an ETF at a low cost. It is a longer term building block that should have several years to grow as this new area propels how we consume media."

"This type of strategy is trying to represent that new paradigm, and will include traditional media companies, but also those newer to the label of media. Going forward all of those companies will have a hand in what we consume in media and how we consume it."

~ Chris McHaney

*Source , BMO Global Asset Management

Chris Mchaney, Director and Portfolio Manager, ETFs, BMO Asset Management Inc.

The viewpoints expressed by the portfolio manager represents their assessment of the markets at the time of publication. Those views are subject to change without notice as markets change over time. Any statement that necessarily depends on future events may be a forward-looking statement. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Although such statements are based on assumptions that are believed to be reasonable, there can be no assurance that actual results will not differ materially from expectations. Investors are cautioned not to rely unduly on any forward-looking statements. In connection with any forward-looking statements, investors should carefully consider the areas of risk described in the most recent simplified prospectus. This article is for information purposes. The information contained herein is not, and should not be construed as, investment advice to any party. Investments should be evaluated relative to the individual's investment objectives and professional advice should be obtained with respect to any circumstance.

BMO Global Asset Management is a brand name that comprises BMO Asset Management Inc., BMO Investments Inc., BMO Asset Management Corp. and BMO's specialized investment management firms.BMO ETFs are managed and administered by BMO Asset Management Inc., an investment fund manager and portfolio manager and separate legal entity from Bank of Montrealommissions, management fees and expenses all may be associated with investments in exchange traded funds. Please read the ETF Facts or prospectus before investing. Exchange traded funds are not guaranteed, their values change frequently and past performance may not be repeated.

How to Manage Portfolio Risk

The early months of 2018 have been nerve-wracking for many investors, as volatility in equity markets has reared its head once again. Geopolitical headlines, rising interest rates and concerns over global trade and growth have fueled a rocky ride for investors so far this year, making risk management an increasingly valuable tool for those who'd rather avoid the market roller coaster.

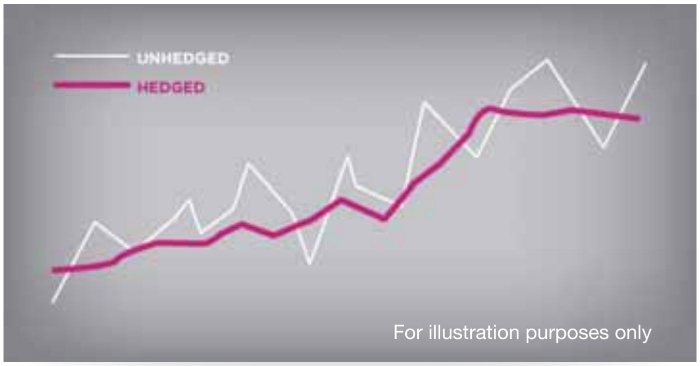
Som Seif
Founder & Chief Executive Officer, Purpose Investments Inc.

Investors today have more ways to manage risk than ever before. And thanks to innovative products such as risk-managed ETFs, these important strategies are also more accessible than ever.

Equity Hedging Strategies

Hedging on the equity side of a portfolio typically involves complementing your long stock holdings with tactical short positions in individual securities or broader market index ETFs. Hedging is sometimes seen as a strategy to boost returns, but that is incorrect. Hedging is really about reducing a portfolio's risk profile. It can be seen as a type of insurance policy for your investment that helps protect against market downturns. There is, of course, a cost to the upside – hedging cuts out major declines but also trims the peaks. When used with more traditional strategies, hedging can provide a smoother and more comfortable investing experience in the overall portfolio.

PURPOSE
INVESTMENTS



For illustration purposes only

Strategies such as Purpose Tactical Hedged Equity Fund (PHE) use a dedicated long/short strategy to generate returns independent of market movements. For example, by targeting 25-75% net market exposure, PHE aims to deliver significantly reduced sensitivity to US equity market volatility. It achieves this by holding a basket of about 70 stocks selected through a disciplined process that focuses on quality, value and momentum, and offsets those exceptional equities with a flexible short position in the S&P 500 Index. In up-trending markets, the strategy increases market exposure, to a maximum of 75%. When the trend reverses based on an analysis of 10 separate moving averages, the hedge is increased, with net market exposure consequently decreasing to as low as 25%.

Purpose International Tactical Hedged Equity Fund (PHW) works much the same way, letting you invest abroad with less turbulence. The strategy first selects equities from major developed international markets using a screening process focused on quality and relative value factors. It then tactically hedges against target market exposure by shorting the equity index futures in each of the markets invested in. In up-markets, net market exposure can be as high as 90%, and in down-trending markets, as low as 40%.

Equity Options Strategies

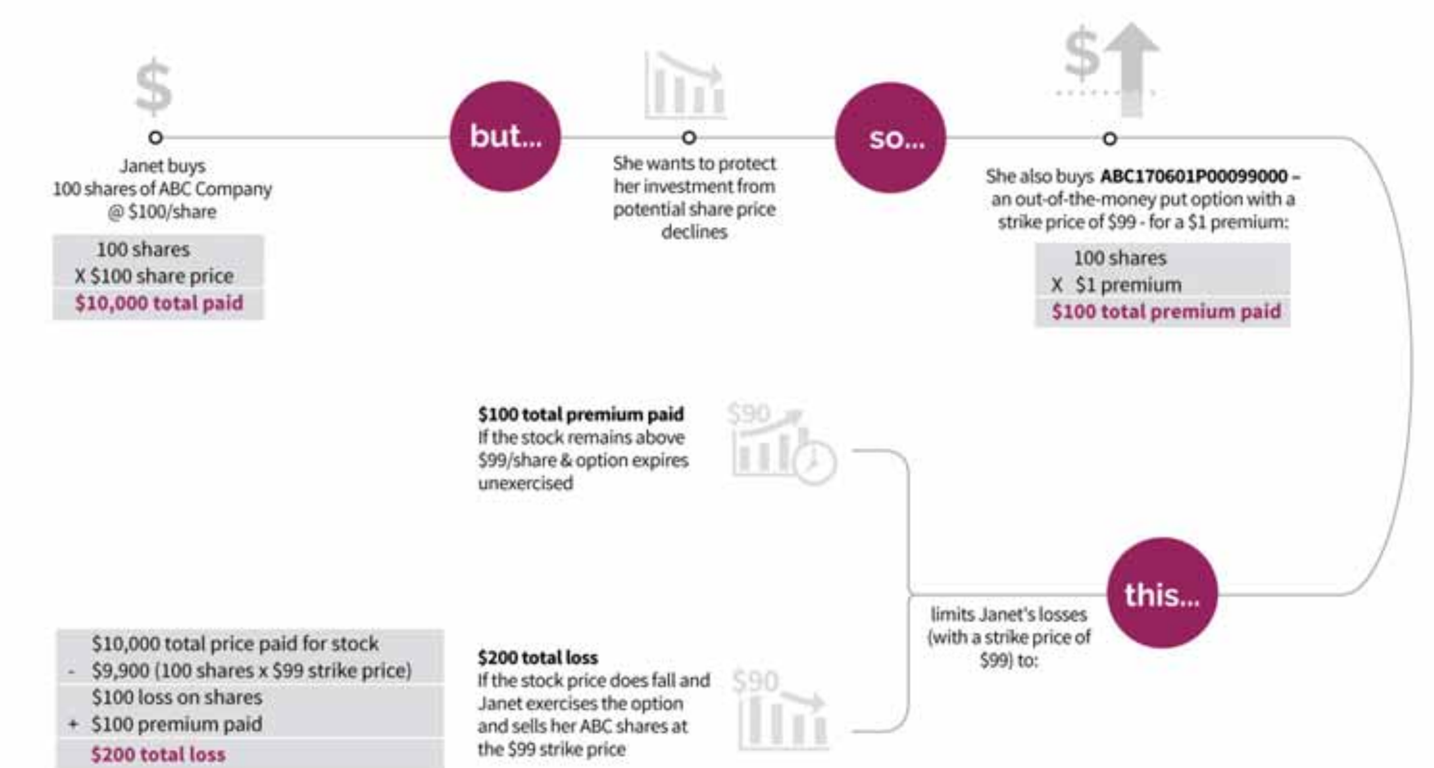
Options are contracts that allow an investor to buy or sell an underlying security – most often a stock or ETF – at a specified price on or before a predetermined date. In addition to helping manage risk through strategy diversification, options can also provide a potential source of income. Similar to hedging, when used in conjunction with a traditional portfolio strategy, options can help make for a smoother investing experience.

Options Explained

A **call option** gives the buyer of the call the right to purchase the stock at the strike price – the price specified in the option contract. The call writer, on the other hand, has the obligation to sell the stock to the buyer, if the call is exercised. A call written on a security already held is called a covered call, and it can provide a source of income while also potentially protecting against risk. There are three common covered call options:

1) Selling an out-of-the-money call (the strike price is above the current stock price) will generate a small amount of income and provide room for the stock to rise before a potential exercise.
2) Selling an in-the-money call (the strike price is below the current stock price) will generate income, but the call writer is more likely to be called away and must be prepared to sell the stock at the strike.
3) A collar strategy (selling a call option and buying a put option on the stock held) can provide downside protection; however, it also limits potential upside. One solution is to collar only a portion of the holding.

A **put option** gives the buyer of the put the right to sell an underlying security at the strike price, which can limit potential losses and help reduce downside risk.



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The writer of the put option, on the other hand, has the obligation to purchase the stock at the specified strike price from the buyer of the put option, if the put is exercised. More sophisticated investors may use strategies that include put writing as a means to generate income and lower overall portfolio volatility.

Investors looking to access such a strategy in ETF or mutual fund format may want to consider Purpose Premium Yield Fund (PYF). PYF is a cash-covered put-writing strategy designed to take advantage of the market's inherent asymmetry. A basket of stocks is initially selected using quality screens, and value and sentiment factors. This basket is the basis for which deep (10%) out-of-the-money puts are written. If the stock prices on securities in the basket remain above the strike prices at expiration, new puts on the same or new stocks will be written. If, on the other hand, the stock price of any of the securities goes below the strike price and the Fund gets "put into" the stock, one of three actions may be executed:

1. If the fundamental quality of the stock is not in question, the stock may be held in the Fund with the view that the share price will rebound and the Fund will realize capital appreciation;

2. If the fundamentals are still relatively attractive but there is concern that the stock price could decline further, the long position may continue to be held but a covered call on the stock will be written; or

3. If the stock is no longer screening favourably, the stock will be sold and a put will be written on a new stock.

Through this strategy, PYF aims to generate a steady stream of attractive, tax-efficient income while mitigating risk.

Managing Risk in Fixed Income

The fixed-income portion of a portfolio faces its own unique risks separate from those in equities. One of the primary concerns today is duration, or the sensitivity of an investment's price to changing interest rates. Typically, when interest rates rise, bond prices fall, and vice versa. There are multiple approaches investors can use to manage the risk posed by interest rates.

Strategies such as Purpose Short Duration Tactical Bond Fund (SBND) and Purpose Tactical Investment Grade Bond Fund (BND) aim to maximize yield opportunity through a mixture of investment-grade corporate bonds and high-yield bonds. They also seek to limit duration risk by selling interest rate futures contracts and call options on US Treasury interest rates and high-yield bonds.

Purpose Total Return Bond Fund (PBD), meanwhile, uses a more tactical approach. The Fund uses a sophisticated methodology that blends passive and active management, with the goal of generating positive total returns through different interest-rate environments. PBD invests in a portfolio of fixed-income securities including government bonds, investment-grade corporate debt, high-yield bonds and cash, and tactically ranks and rotates through the categories based on return expectations.

Investors interested in a more actively managed fixed-income strategy may want to consider Purpose Strategic Yield Fund (SYLD), a diversified portfolio of high-conviction, high-yielding credit opportunities. With a focus on capital preservation, an emphasis on asset value and margin of safety, and general avoidance of highly leveraged companies and industries in secular decline, risk management is at the forefront of every investment decision.

Source: Purpose Investments. Yields and duration as at May 11, 2018.

The Result

Risk-managed strategies are not necessarily substitutes for the traditional equity or fixed-income allocations of a portfolio. Instead, they're complementary pieces of an overall strategy that helps investors build resilient portfolios to achieve their long-term financial goals. Whether it be through hedging, options, or duration management – or ideally, a combination of all of them – actively identifying and reducing risk works to provide investors with a more comfortable investing experience. While there is a tradeoff – risk-management strategies can trim the tops off the biggest peaks – the payoff of reducing the gut-wrenching downturns is worthwhile for many investors.

Purpose Investments Inc. is an asset management firm inspired by the belief that all investors should have access to great investment products along with low fees. Purpose believes in focusing first on managing risk and creating value that is currently missing from the marketplace, thus empowering all Canadians to be better investors.

Commissions, trailing commissions, management fees and expenses all may be associated with investment funds. Please read the prospectus before investing. If the securities are purchased or sold on a stock exchange, you may pay more or receive less than the current net asset value. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.

Som Seif, Founder & Chief Executive Officer, Purpose Investments Inc.


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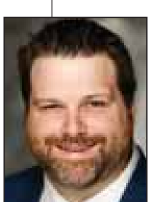
Canadians Continue To Increase Their Allocation to Active ETFs

Canadians appear to like actively managed exchange traded funds ("ETFs").

Actively managed ETFs represent approximately 18% of the total assets invested in Canadian-listed ETFs, which accounts for approximately $26 billion in assets under management ("AUM").



Mark Noble
Senior Vice President and Head of Sales Strategy, Horizons ETFs Management (Canada) Inc.

ETFs 101

ETFs are designed to combine the best features of mutual fund and stock investing. Like a mutual fund, ETFs are open-ended, meaning that new units of the fund can be created or redeemed at a price per unit that reflects the market value of the underlying securities the fund holds. Like a stock, ETFs trade on an exchange with a ticker symbol and can be purchased or sold at any time during the trading day.

The first ETFs launched were designed to aim to replicate a broad index of securities, such as the S&P/TSX 60™ Index or the S&P 500® Index, just to name two well-known examples. Since there is no expectation of trying to outperform these asset class benchmarks, these ETFs are referred to as "passively managed".

Cost is a key component of passive index investing – it needs to be as low as possible since there is no expectation of achieving additional returns beyond the benchmark index. Since ETFs are a low-cost1 and flexible way to offer index exposure, the rise in the use of indexing amongst the investing public coincided with the rise of ETF usage.

ETFs then are simply a type of investment technology. They have the flexibility to hold really any type of liquid investment strategy. Currently in Canada, about 70% of those strategies are passive index strategies. This has led many investors to assume that all ETFs follow a passive investment strategy. This is not true, as passive management and active management are not mutually exclusive.

HORIZONS ETFs

ETF Asset Growth in Canada

	Number of funds			
Total	**374**	**456**	**534**	**553**
Active	107	145	171	184
Passive	185	203	231	231
Strategic beta	82	108	132	138

Source: Strategic Insight as of December 31, 2017

It's important to note that actively managed ETFs do not trade any differently than passive ETFs. Just like a traditional ETF, an actively managed ETF can be purchased anytime during the trading day. For the most part, the underlying liquidity of an actively managed ETF is not any different than a passive strategy.

The Active Approach

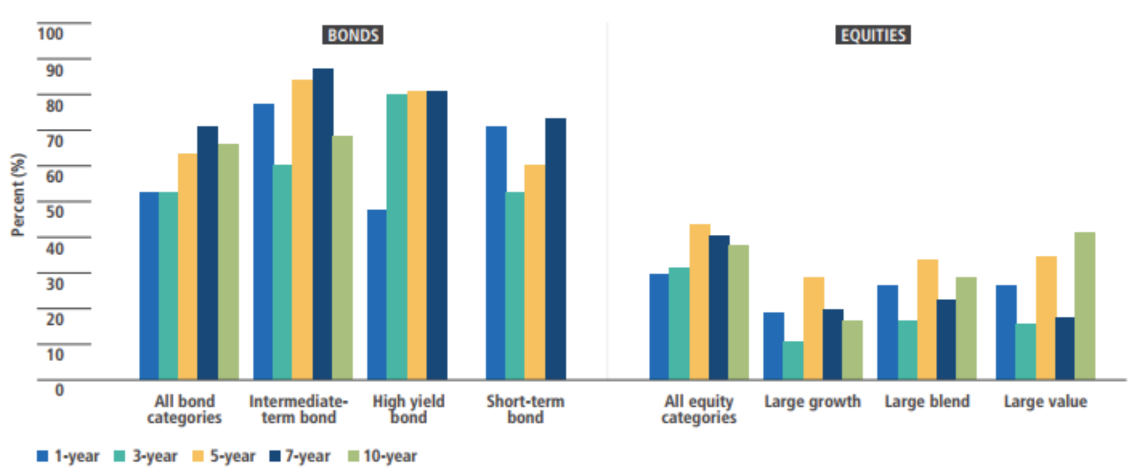
Horizons ETFs Management (Canada) Inc. has long been the leader of actively managed ETFs in Canada, launching our first actively managed ETFs in 2009. Since then, our actively managed ETF business has grown to represent approximately $4.4 billion in AUM. It's the largest family of ETFs in Canada that uses discretionary active management.

A central appeal of ETFs is their low management fees. Fees can have a significant impact on investment performance, since they create an additional hurdle for the investment to overcome in order to be profitable. Simply put, the higher the fee on an investment fund, the better the fund needs to perform in order to generate a competitive return. This fee hurdle has been a big reason that more investors have opted to invest in index strategies, which, after fees, tend to have a superior track-record in aggregate versus actively managed mutual funds in Canada.

According to the S&P Index versus Active Scorecard (SPIVA), about 75% of Canadian equity managers underperform the S&P Composite Index, and less than 10% beat the S&P 500® Index on a five-year basis. When we look at fixed income, these statistics get turned on their heads –with the majority of active managers outperforming due to market inefficiencies in fixed income.

There's a strong case to be made that an active approach has a better track-record in fixed income management, particularly if its fees are not substantially higher than an index strategy.

PIMCO conducted an important investment study in 2017 which showed that historically, actively managed fixed income funds had statistically superior return distributions versus index strategies.



Source: PIMCO, as of April 30, 2017

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Bonds do not trade on an exchange like an equity, which makes their pricing less transparent. In addition, inventories for bonds are heavily reliant on either dealers or, increasingly, ETFs as a source of liquidity.

This liquidity can be constrained in areas such as preferred shares and high yield bonds, which makes indexing difficult. Index ETFs with very large amounts of assets can sometimes be their own worst enemy, particularly when they rebalance their exposure which can cause price disruptions.

Consider a market like Canadian preferred shares, for example. It has approximately a $70 billion market-capitalization and has an index ETF representing more than $2 billion in assets under management – that becomes a huge source of pricing power. Except, in this case, that pricing power is passive; there is no consideration for things like credit quality or the fair value price of the underlying constituents. The ETF is simply required to buy any issues that meet the methodology requirements of the index the ETF seeks to track.

Given that the market depth of liquidity of preferred shares is somewhat limited, this can work against the ETF which could be forced to overpay for new additions to the ETF and forced to sell other issues at a discount.

The performance of the Horizons Active Preferred Share ETF (HPR), one of our largest actively managed ETF, highlights how having an active approach can reduce the impact of this pricing dislocation.

HPR is not forced to buy or sell any issuances in its portfolio. Instead, it uses the investment expertise of Fiera Capital Corporation ("Fiera Capital"), one of the largest fixed income managers in Canada, to actively select the underlying preferred shares.

Some of the key advantages of active management in this example include:

Active Management/Credit Analysis: Fiera Capital undertakes independent credit analysis on every issue it selects. Index strategies do not.

Interest Rate Outlook: If the team at Fiera Capital thinks rates could continue to increase, they will add discounted fixed reset or floating issues to the portfolio. Conversely, if they think rates could decrease, they will buy a fixed rate perpetual.

Rebalancing: HPR is not tied to fixed date rebalancing. The Canadian preferred share market remains relatively shallow in terms of liquidity. HPR is not forced to buy or sell any issues on a fixed date and in some cases it can also take advantage of the price dislocation that occurs when index ETFs rebalance.

Here's the proof of the effectiveness of this approach. Both of Horizons ETFs' active preferred share ETFs – the Horizons Active Preferred Share ETF (HPR) and the Horizons Active Floating Rate Preferred Share ETF (HFP) have outperformed index ETF strategies since their respective inceptions.

Annualized Performance*

	Ticker	1 Month	3 Months	6 Months	YTD	1 Year	3 Years	5 Years	Common Inception	Inception Date
Horizons Active Preferred Share ETF	HPR	-0.40 %	-2.39 %	0.57 %	-0.28 %	6.33 %	4.64 %	2.58 %	13.78 %	2/11/2010
Horizons Active FR Preferred Share ETF	HFP	-0.37 %	-2.41 %	0.78 %	-0.16 %	7.20 %	4.97 %		16.18 %	1/10/2013
iShares S&P/TSX Cdn Preferred Share ETF	CPD	-0.50 %	-2.34 %	-0.14 %	-0.76 %	4.58 %	2.32 %	0.60 %	11.72 %	0/04/2007
BMO Laddered Preferred Share ETF	ZPR	-0.40 %	-2.41 %	-0.02 %	-0.63 %	5.62 %	2.04 %	-0.80 %	15.091	4/11/2012
S&P/TSX Preferred Share Total Return Index		-0.42 %	-2.11 %	0.18 %	-0.57 %	5.08 %	2.74 %	1.00 %	12.13 %	2/06/2007

* Source: Morningstar Direct, as at April 30, 2018.

The indicated rates of return are the historical annual compounded total returns including changes in per unit value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. The rates of return shown in the table are not intended to reflect future values of the ETFs or returns on investment in the ETFs. Only the returns for periods of one year or greater are annualized returns. The index is not directly investable.

Active ETF Mechanics

In Canada, the disclosure for ETFs and mutual funds is generally the same. In the case of Horizons ETFs for example, the ETF's top 10 holdings are disclosed publicly on a monthly basis. We view this as a suitable level of transparency, particularly since most investors in actively managed ETFs are usually seeking longer-term holding periods than index strategies, which can be (and often are) used for trading purposes.

A key feature of ETFs compared to mutual funds is their liquidity – units can be bought and sold throughout the business day on an exchange. In order to ensure that the units trade at or very near their current net asset value ("NAV") throughout the day, an institutional capital markets trader, known as the designated broker, creates and redeems units of the ETF with both the ETF provider and the secondary market.

This process has worked well for actively managed ETFs, many of which now trade at bid/ask spreads equivalent to spreads observed on comparable index ETFs.

We are moving beyond the 'Passive vs. Active' debate. What we are finding is more investors are asking, 'What is the best way to get exposure to a target asset class?'. ETF investors are not limited to indexing strategies and can build portfolios that mix both active and passive strategies in areas where each respective type of strategy may make sense for their personal goals and objectives.

The Active Advantage

Low-cost[1], liquid and professionally managed – that's the active advantage!

Investment Objectives

HPR: The Horizons Active Preferred Share ETF seeks to provide dividend income while preserving capital by investing primarily in preferred shares of Canadian companies. The ETF may also invest in preferred shares of companies located in the United States, fixed income securities of Canadian and U.S. issuers, including other income generating securities, as well as Canadian equity securities and exchange traded funds that issue index participation units. The ETF, to the best of its ability, seeks to hedge its non-Canadian dollar currency exposure to the Canadian dollar at all times.

HFP: The Horizons Active Floating Rate Preferred Share ETF seeks to generate income consistent with prevailing short-term preferred share yields while stabilizing the market value of the ETF from the effects of interest rate fluctuations. Horizons HFP invests primarily in preferred shares of Canadian companies and may also invest in preferred shares of companies located in the United States, fixed-income securities of Canadian and U.S. issuers, including other income generating securities and listed funds. Horizons HFP will generally maintain a portfolio duration of less than 2 years. Horizons HFP may use derivatives, including interest rate swaps and futures contracts, to contribute to the ability of the ETF to seek to deliver a floating rate of income. Horizons HFP, to the best of its ability, seeks to hedge its non-Canadian dollar currency exposure to the Canadian dollar at all times.

CPD: The iShares S&P/TSX Canadian Preferred Share Index ETF seeks to replicate the S&P/TSX Preferred Share Index, net of expenses.

ZPR: The BMO Laddered Preferred Share Index ETF seeks to replicate, to the extent possible, the performance of the Solactive Laddered Canadian Preferred Share Index, net of expenses. The fund invests in and holds the Constituent Securities of the Index in the same proportion as they are reflected in the Index.

Mark Noble, Senior Vice-President and Head of Sales Strategy, Horizons ETFs Management (Canada) Inc.

[1] Relative to the typical MER of comparable, regular mutual funds.

Horizons ETFs is a member of Mirae Asset Global Investments. Commissions, management fees and expenses all may be associated with an investment in exchange traded products managed by Horizons ETFs Management (Canada) Inc. (the "Horizons Exchange Traded Products"). The Horizons Exchange Traded Products are not guaranteed, their values change frequently and past performance may not be repeated. The prospectus contains important detailed information about the Horizons Exchange Traded Products. **Please read the prospectus before investing.**

Certain statements may constitute forward looking information within the meaning of Canadian securities laws. Forward-looking information may relate to a future outlook and anticipated distributions, events or results and may include statements regarding future financial performance. In some cases, forward-looking information can be identified by terms such as "may", "will", "should", "expect", "anticipate", "believe", "intend" or other similar expressions concerning matters that are not historical facts. Actual results may vary from such forward-looking information. Horizons ETFs undertakes no obligation to update publicly or otherwise revise any forward-looking statement whether as a result of new information, future events or other such factors which affect this information, except as required by law.

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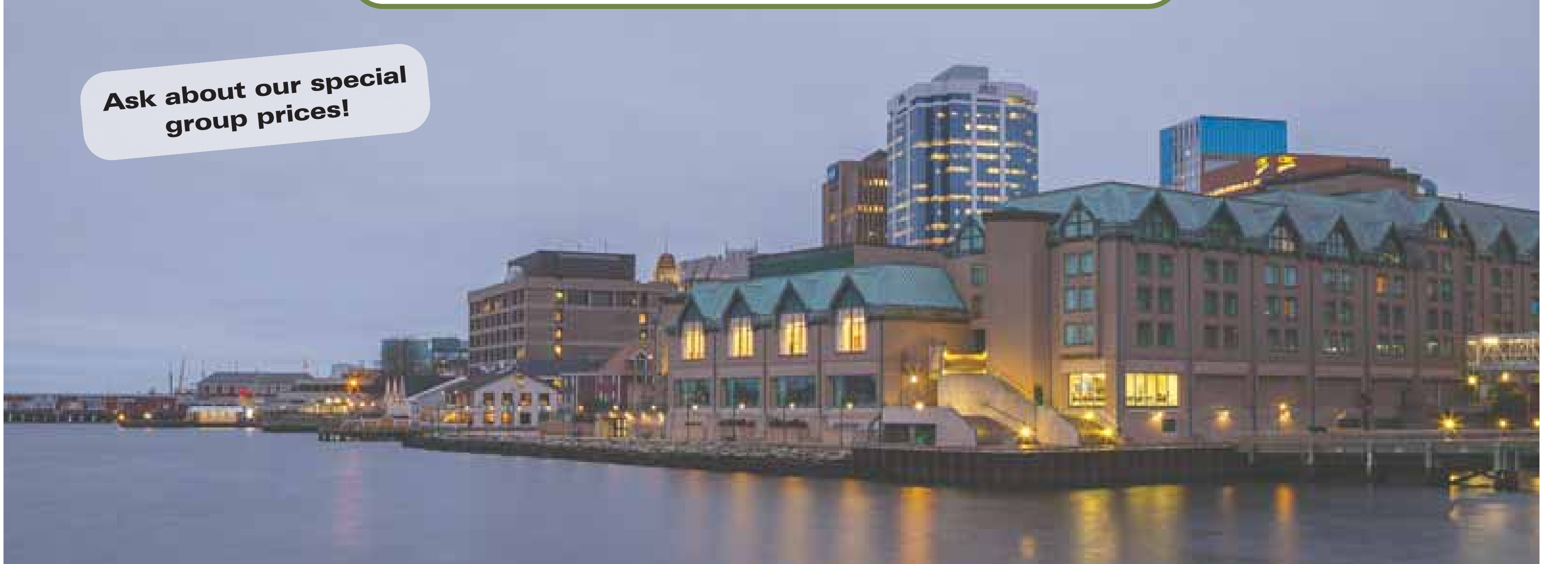

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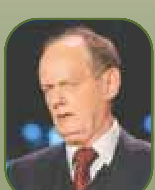

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2018 CALENDAR OF EVENTS

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2018 EVENTS

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Exchange Traded Forum (ETF) 9th Annual

Monday, April 30 & Tuesday, May 1 ~ 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. This is an opportunity for IIROC based financial advisors and also Portfolio Managers to gather together in a great location to network, learn from each other, and participate in the numerous educational opportunities that fill the agenda.

EXCHANGE TRADED FORUM

ExchangeTradedForum.com

TORONTO

Exchange Traded Forum (ETF West) 8th Annual

Wednesday, June 6 ~ Vancouver

Canada's largest and longest standing 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.

EXCHANGE TRADED FORUM

ExchangeTradedForum.com

VANCOUVER

Niagara Institutional Dialogue (NID) 9th Annual

Monday, June 11 to Wednesday, June 13 ~ Niagara-on-the-Lake

Niagara Institutional Dialogue is Canada's premier institutional event with an academic angle and a focus on education & open dialogue. NID is an invitation-only symposium creating a forum for open dialogue and debate issues facing Canada's foremost institutional investors. The distinguished speaking faculty assembled each year includes academics, authors, policymakers, journalists, consultants and select practitioners. 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

InstitutionalDialogue.com

WAIS Canada 17th Annual

Thursday, September 13 & Friday, September 14 ~ Toronto

WAIS Canada is in its 17th year and is Canada's largest gathering of **investment professionals, investors, industry experts and service providers.** Today's WAIS has gone much beyond its original alternative investment only focus attracting investment professionals from all facets of investments. WAIS Canada is a popular annual event that is not to be missed.

WAIS CANADA

waisc.com

Montebello Institutional Dialogue 2nd Annual

Monday, Oct. 1 to Wednesday, Oct. 3 ~ Montebello, Quebec

The **Dialogue Institutionnel Montebello** is produced by Radius and modeled after the immensely successful Niagara Institutional Dialogue (NID) held annually at Queen's Landing, Niagara-on-the-Lake, Ontario, now in its ninth consecutive year. Fairmont Le Chateau Montebello in Montebello, Quebec, was historically founded as a private club in 1930, the resort is the world's largest log cabin, nestled in the heart of the scenic Montebello Village, and has hosted many political figures and royalty. This is an inspiring event at a unique venue, where plan sponsors can gather, discuss, debate and learn from industry experts, authors and their peers.

Montebello Institutional Dialogue

InstitutionalDialogue.com

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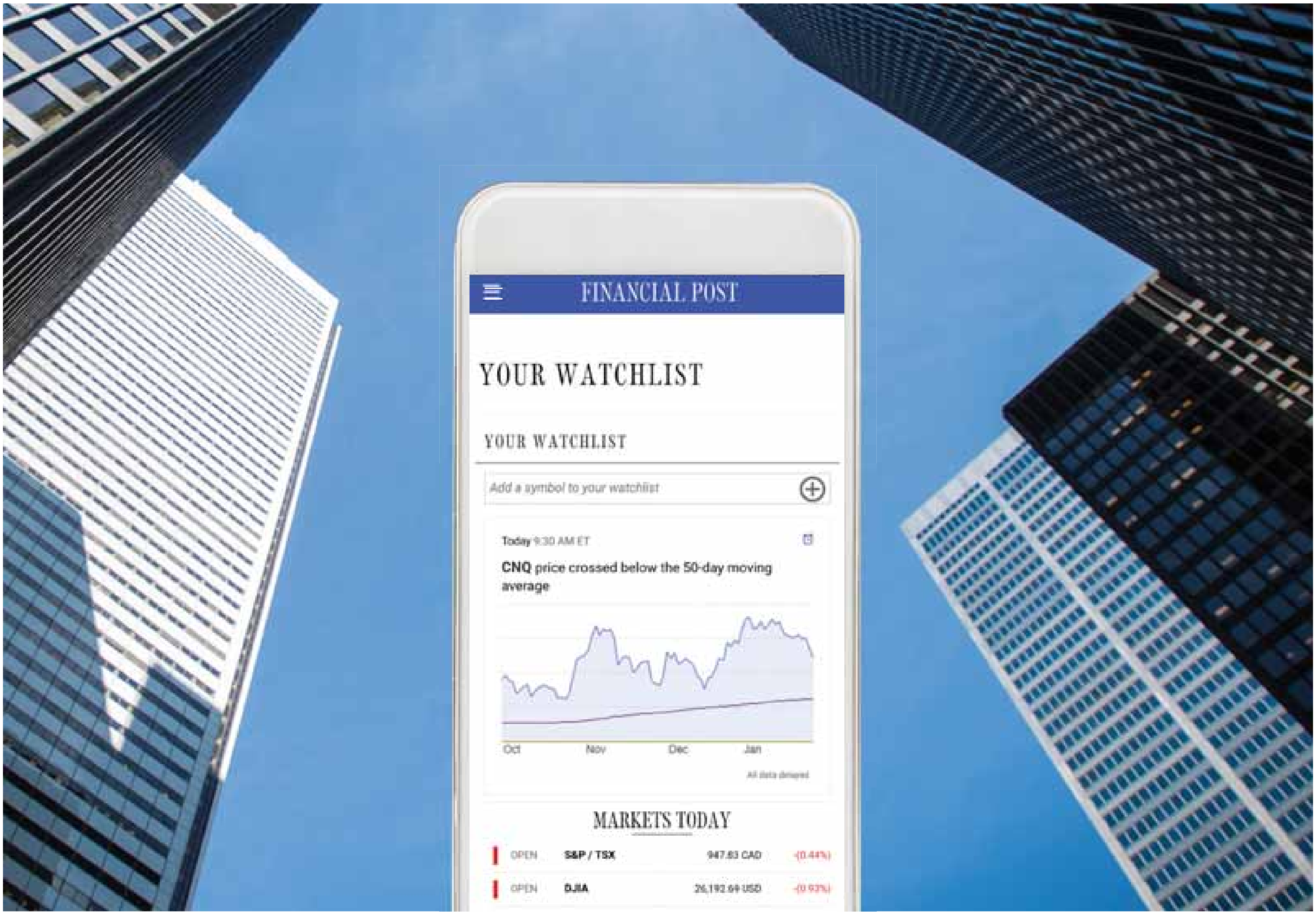
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WAIS 2018 CANADA

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Thursday, Sept. 13 & Friday, Sept. 14

NOW IN ITS 17TH YEAR!

While visiting Toronto, the 4th largest city in North America*...

- Enjoy a 360 view of the city at the **CN Tower**
- Explore 120 vendors, merchants & artisans at the **St. Lawrence Market**
- Walk around the quaint 19th century cobblestone streets of the **Distillery District**
- Enjoy meals at reputable restaurants or a cocktail at **The Drake Hotel**
- View the finest collection of hockey artifacts at the **Hockey Hall of Fame**
- See all the leading celebrities and movies at **TIFF**
- Dive into the sea at **Ripley's Aquarium**
- Finish off with a walk on the beautiful **Harbour Front walkway!**

*U.S. Census Bureau.

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