

Beyond Traditional Indexing

Better Risk Adjusted Returns

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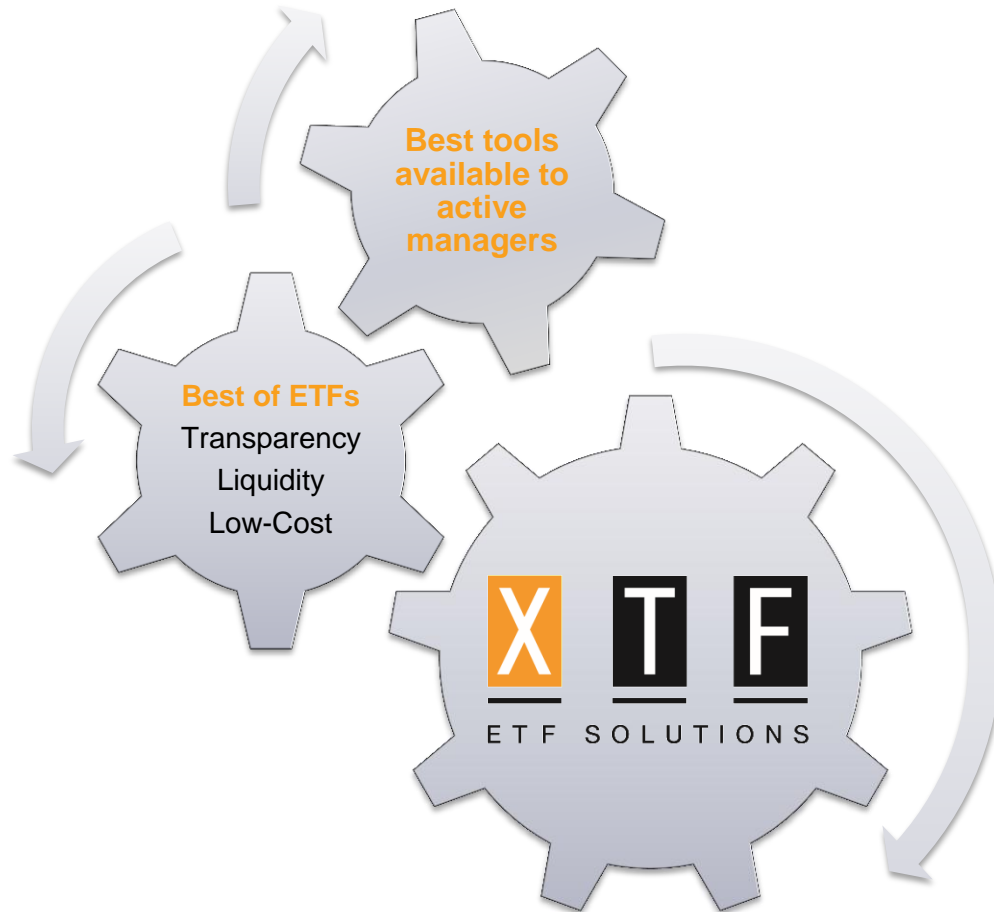
XTF Capital: A First Asset Company

- \$3 billion assets under management
- Independent Canadian investment firm
- Management owned
- Three distinct brands



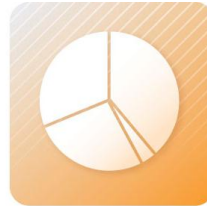
- One unifying thesis - better risk adjusted returns

Why Intelligent Beta ETFs?



Morningstar Indexes

Connecting the Science and Art of Indexing



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5,700+ Morningstar DirectSM licenses

\$164.4 billion in assets under management and advisement

23.5 million retirement plan participants with access to our retirement advice services through 150,000 plan sponsors and 23 plan providers



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155,000+ U.S. Morningstar[®] Advisor WorkstationSM and Morningstar OfficeSM licenses

Connecting the Science and Art of Indexing



Our tagline, "Connecting the Science and Art of Indexing," describes how we develop indexes at Morningstar.

The Science: We draw upon the principles outlined in modern portfolio theory to formulate the scientific framework for developing indexes that give investors beta exposure

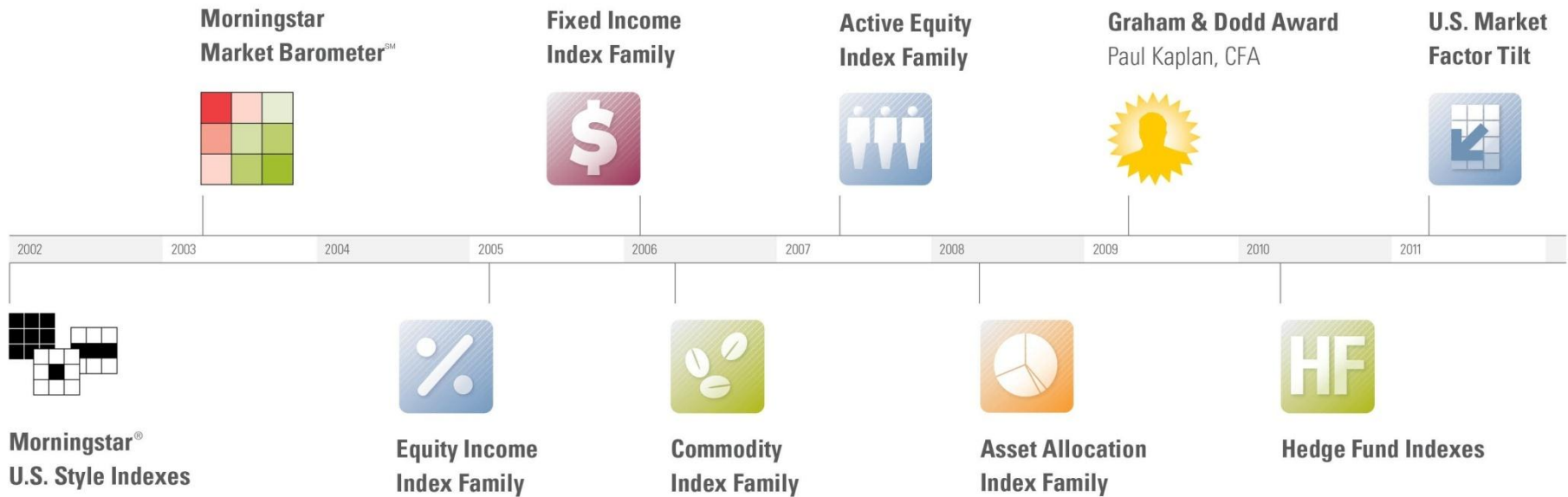
The Art: Leveraging a wide range of investment research from within Morningstar to harness market anomalies, empowering us to offer superior portfolio solutions through the art of research-driven indexing.

Index Evolution

The Evolution of Indexing

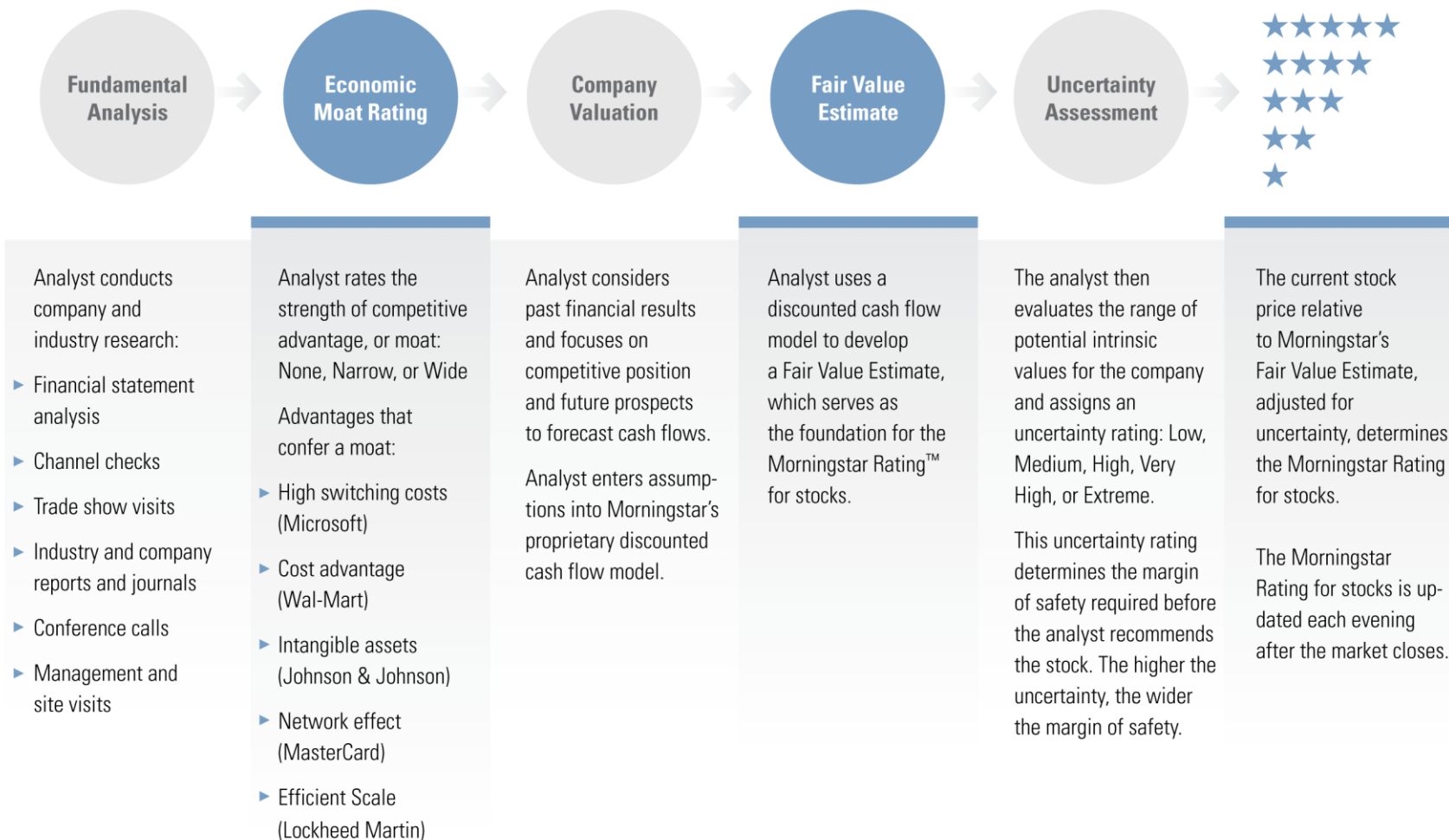
Price-based weightings	Market cap weightings	Capital asset Pricing model introduced	Index as a measure of international investing	Index as an investment	Index as an investment benchmark	Equal weightings	Index as a way to realize alpha	Fundamental weightings
1895	1957	1961	1970	1976	1984	1990	2000	2005

Morningstar Indexes Innovation Timeline

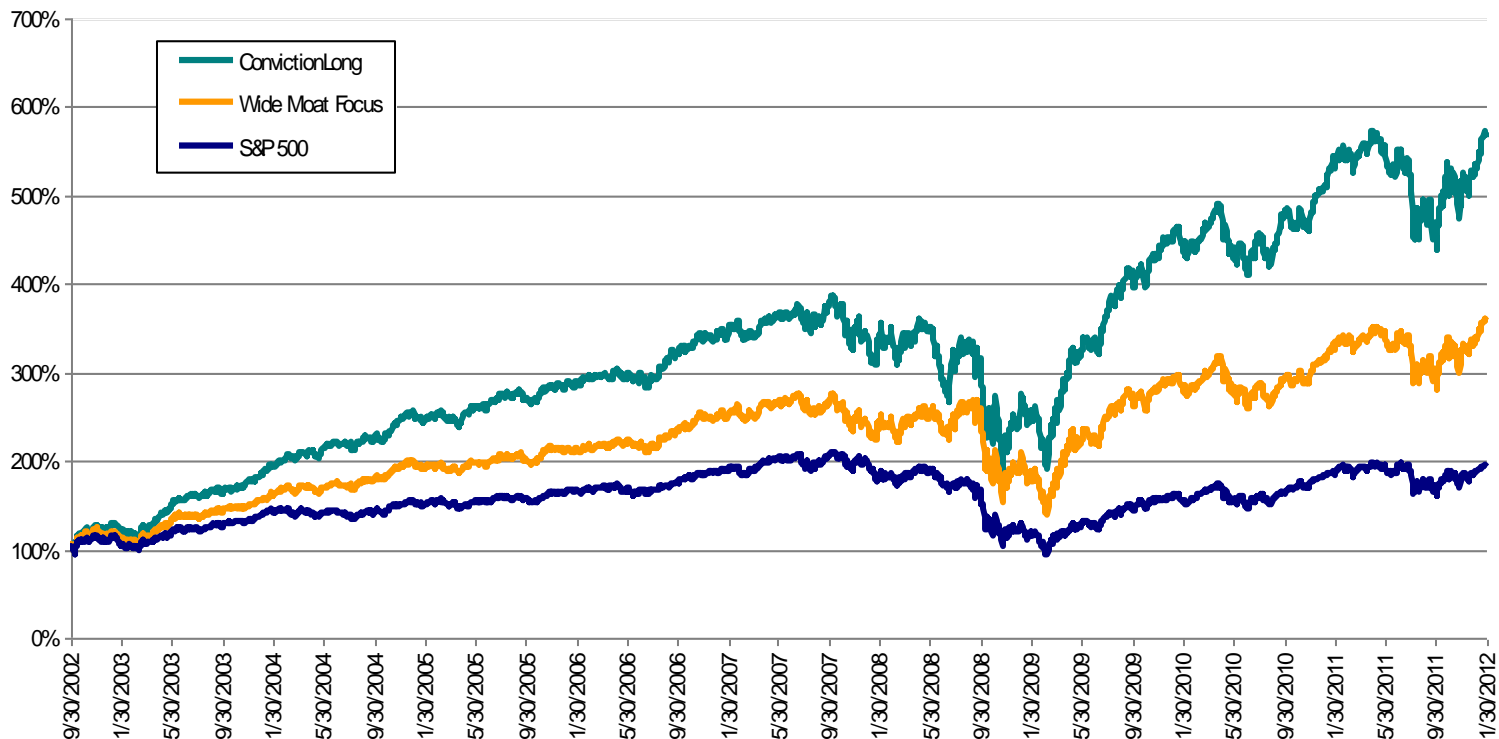


Morningstar Approach to Equity Research to determine Fundamental Drivers

We evaluate stocks as pieces of business



The Morningstar Wide-Moat Focus Index and Conviction Long Strategy Demonstrate the Effectiveness of Our Research Over Time

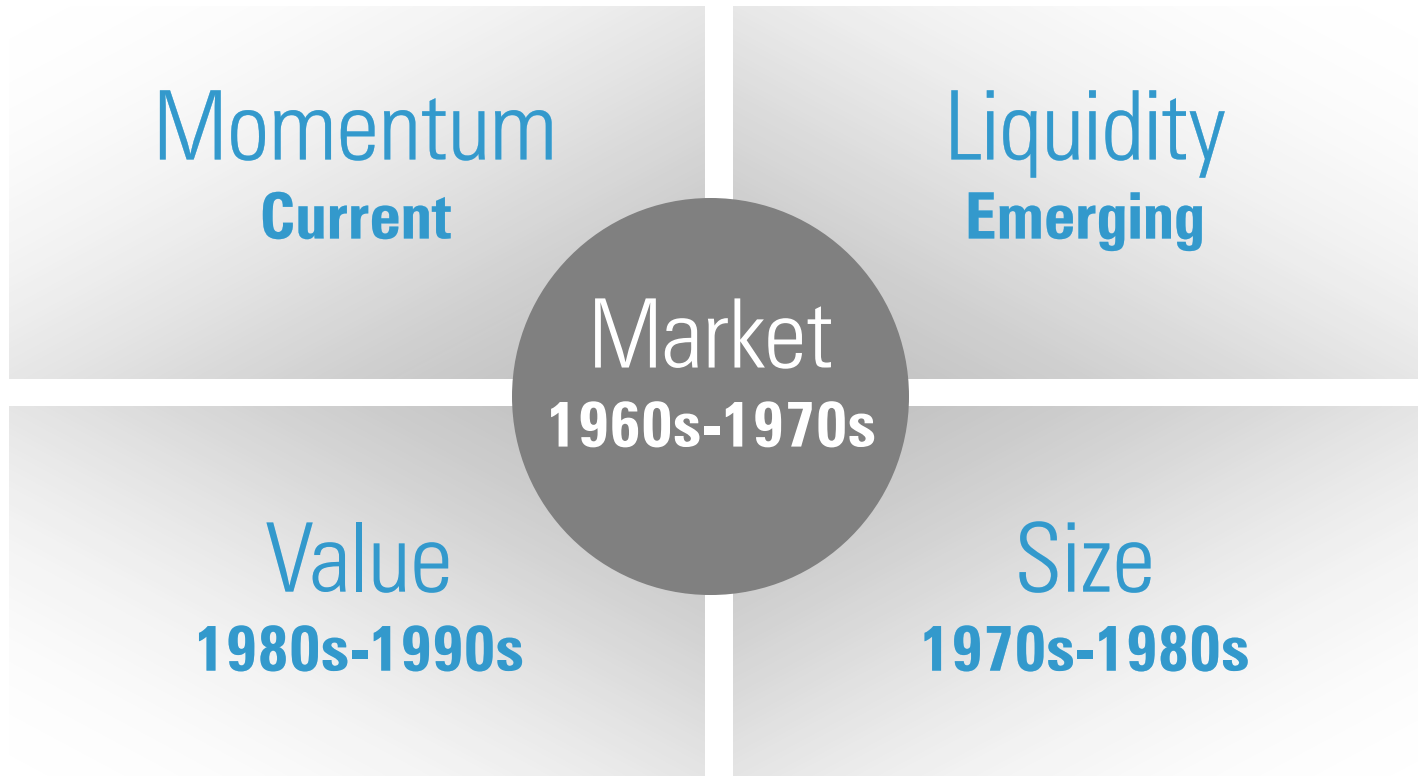


	Trailing 1-Year	Trailing 3-Year*	Trailing 5-Year*	Since Inception* (9/30/2002)
Morningstar Wide Moat Focus Index (Ticker: WMW)	9.00%	26.45%	7.11%	14.61%
Morningstar Conviction Long Strategy	5.89%	31.77%	10.18%	20.38%
S&P 500 Index (cap-weighted)	4.22%	19.25%	0.33%	7.18%

Time-weighted returns through 1/31/2012.

*annualized returns

Explaining Long Run Stock Returns through Factors



Harvesting CPMS for Fundamental Factors

- ▶ Provides data on more than 4,000 companies in North America
- ▶ 30 Toronto-based analysts
- ▶ Reflect fundamentally distinct investment philosophies
- ▶ Allows investors to outperform markets by maintaining regimented style discipline
- ▶ Match clients investment objectives with funds objective
- ▶ Understand which styles are outperforming major markets

CANADIAN Model Portfolios										
Portfolios	Current # Stocks	Percentage Change as of Oct. 4 2011 :				Percentage Change as of Sep. 30 2011 :				Annualized Return since Dec. 31 1985
		1 Day	Month to Date	Quarter to Date	Year to Date	1 Year	3 Year	5 Year	10 Year	
Style Portfolios										
Bargain	30	-0.78	-5.28	-5.28	-36.03	-16.19	-6.01	-3.17	6.87	8.53
Earnings Value	30	0.56	-3.51	-3.51	-24.34	-6.46	14.48	10.88	19.24	16.04
Income	30	-2.02	-5.31	-5.31	-10.29	1.53	4.01	1.82	12.45	13.92
Predictable Growth	30	-1.85	-4.55	-4.55	-11.87	4.71	3.28	3.95	13.02	13.74
Momentum	25	-1.28	-5.24	-5.24	-13.90	9.82	-2.14	1.75	12.39	20.39
Industry Relative	40	-1.63	-5.59	-5.59	-19.26	6.80	21.42	13.80	19.35	15.69
Dangerous	30	-0.27	-4.76	-4.76	-35.90	-27.81	-3.87	-12.55	-10.08	-8.44
Pooled Portfolios										
Triple 5 (I/PG/M)	15	-2.54	-6.44	-6.44	-11.44	5.37	-2.16	5.25	15.38	16.14
Triple 10 (I/PG/M)	30	-1.84	-5.45	-5.45	-14.32	1.52	-1.51	4.88	13.26	16.73
CPMS 200 Portfolios										
Core 20	20	-0.64	-3.09	-3.09	-11.48	3.92	8.55	9.90	12.70	15.09
Indices										
S&P/TSX Equity Total Return		-0.63	-3.78	-3.78	-15.91	-4.40	2.28	2.43	7.92	8.17
S&P/TSX Composite Total Return		-0.66	-3.79	-3.79	-15.22	-3.55	2.66	2.61	7.95	8.19

Morningstar Indexes Licensed by First Asset/XTF

- ▶ Morningstar[®] Canada Value IndexSM
- ▶ Morningstar[®] Canada Momentum IndexSM
- ▶ Morningstar[®] Canada Dividend Target 30 IndexSM
- ▶ Morningstar[®] US Dividend Target 50 IndexSM

Morningstar Canada Value Index



Index Characteristics

- ▶ Designed to provide diversified exposure to stock with relatively low prices given anticipated per-share earnings, book value, cash flow, sales and earnings estimates.
- ▶ Rebalances & Reconstitutions take place on a quarterly basis
- ▶ Securities are equal weighted at each reconstitution

Eligible Universe

- ▶ Trades on the TSX
- ▶ Classified as a Canadian issuer based on country of incorporation, primary stock market activities and headquarters, and primary business activities
- ▶ Meets screens for:
 - ▶ Low Price/Earnings Ratios
 - ▶ Low Price/Cash Flow Ratios
 - ▶ Low Price/Book Value Ratios
 - ▶ Low Price/Sales Ratios

Selection Factors

- ▶ Price to Earnings Ratio (trailing) – 20.00%
- ▶ Price to Latest Cash Flow – 20.00%
- ▶ Current Price/Book Ratio – 20.00%
- ▶ Price to Latest 4 Quarter Sales – 20.00 %
- ▶ Estimate Revision (Current Year) 3 Mo. – 20.00%

Morningstar Canada Value Index

Morningstar Canada Value Index Risk/Return Profile

	Trailing Returns %				Standard Deviation %	Sharpe Ratio	Max Drawdown %
	1-Year	3-Year	5-Year	10-Year			
Morningstar Canada Value Index	0.68	28.94	7.50	14.05	15.22	0.86	-40.75
S&P/TSX Composite	-9.76	15.59	1.65	7.22	15.11	0.34	-43.35

Data from January 01, 2001 to March 31, 2012

Morningstar Canada Momentum Index



Index Characteristics

- ▶ Designed to provide diversified exposure to Canadian issuers which have demonstrated, among other things, positive momentum in earnings and price
- ▶ Rebalances & Reconstitutions take place on a quarterly basis
- ▶ Equal weighted based on specific selection factors

Eligible Universe

- ▶ Trades on the TSX
- ▶ Classified as a Canadian issuer based on country of incorporation, primary stock market activities and headquarters, and primary business activities
- ▶ Meets screens for:
 - ▶ Above Average ROE & ROA
 - ▶ Emphasis on upward earnings estimate revisions and technical price momentum indicators

Selection Factors

- ▶ Trailing Return on Equity – 20.00%
- ▶ 3-Month EPS Estimate Revision (Current Year) – 30.00%
- ▶ Latest Quarterly Earnings Surprise – 10.00%
- ▶ Price Change from Month-End 3 Months Ago – 10.00%
- ▶ Price Change from Month-End 9 Months Ago – 10.00%
- ▶ Percent Change in Price from 12 Month High – 20.00%

Morningstar Canada Momentum Index

Morningstar Canada Momentum Index Risk/Return Profile

	Trailing Returns %				Standard Deviation %	Sharpe Ratio	Max Drawdown %
	1-Year	3-Year	5-Year	10-Year			
Morningstar Canada Momentum Index	3.18	21.12	6.76	14.22	14.94	0.74	-37.67
S&P/TSX Composite	-9.76	15.59	1.65	7.22	15.11	0.34	-43.35

Data from January 01, 2001 to March 31, 2012

Morningstar Canada Dividend Target 30 Index



Index Characteristics

- ▶ Reflects the performance of 30 high-quality dividend paying Canada based equities
- ▶ Rebalances & Reconstitutions take place on a quarterly basis
- ▶ Securities are equal weighted at each reconstitution

Eligible Universe

- ▶ Listed on TSX
- ▶ One of the 100 stocks with the highest 12-month average trading volume
- ▶ Dividend Yield greater than 1%
- ▶ Securities of Canadian-domiciled firms who have Common Shares or Units of Income Trusts

Selection Factors

- ▶ Dividend Yield – 33.33%
- ▶ Cash Flow to Debt – 20.00%
- ▶ 5 Year Normal EPS Growth – 13.33%
- ▶ Return on Equity – 20.00%
- ▶ EPS Estimate Revision – 13.33%

Morningstar Canada Dividend Target 30 Index

Morningstar Canada Dividend Target 30 Index Risk/Return Profile

	Trailing Returns %				Standard Deviation %	Sharpe Ratio	Max Drawdown %
	1-Year	3-Year	5-Year	10-Year			
Morningstar Canada Dividend Target 30 Index	-1.38	22.23	6.17	11.47	12.58	0.72	-36.22
S&P/TSX Composite	-9.76	15.59	1.65	7.22	14.39	0.47	-43.35

Data from January 01, 2002 to March 31, 2012

Morningstar US Dividend Target 50 Index



Index Characteristics

- ▶ Reflects the performance of 50 high-quality dividend paying U.S. based equities
- ▶ Rebalances & Reconstitutions take place on a quarterly basis
- ▶ Securities are equal weighted at each reconstitution

Eligible Universe

- ▶ Trades on the NYSE, NYSE Amex, or NASDAQ exchange
- ▶ Issuer classified as a U.S. based country of incorporation, primary stock market activities, headquarters and primary business activities
- ▶ Has an average daily volume (3 month) in top third of stocks in investable universe

Selection Factors

- ▶ Expected Dividend Yield – 33.33%
- ▶ Cash Flow/Debt – 20.00%
- ▶ 5 Year Normal EPS Growth – 13.33%
- ▶ Return on Equity Latest Quarter – 20.00%
- ▶ 3-Month EPS Estimate Revision – 13.33%

Morningstar US Dividend Target 50 Index

Morningstar US Dividend Target 50 Index Risk/Return Profile

	Trailing Returns %				Standard Deviation %	Sharpe Ratio	Max Drawdown %
	1-Year	3-Year	5-Year	10-Year			
Morningstar US Dividend Target 50 Index	8.90	26.37	6.90	8.15	13.91	0.54	-41.44
S&P 500	8.54	23.42	2.01	4.12	15.85	0.21	-50.95

Data from January 01, 2002 to March 31, 2012

Morningstar National Bank Quebec Index



Index Characteristics

- ▶ Designed to reflect the performance of equities headquartered in the province of Quebec, Canada
- ▶ Rebalances & Reconstitutions take place on a quarterly basis

Eligible Universe

- ▶ Float capitalization equal to or greater than \$150 million (all share classes combined)
- ▶ Minimum share price of \$1
- ▶ Must adhere to the following over the previous 12 full calendar months as of the month-end prior to applicable Rebalancing Date:
 - ▶ Maximum of 20 non-trading days
 - ▶ Minimum trading volume of \$50 million

Weighting Scheme

- ▶ Weighted according to the float capitalization of the constituent securities
- ▶ Float shares calculated using number of shares outstanding less the shares attributed to any control blocks

Morningstar National Bank Quebec Index

Morningstar National Bank Quebec Index

	Trailing Returns %				Standard Deviation %	Sharpe Ratio	Max Drawdown %
	1-Year	3-Year	5-Year	10-Year			
Morningstar National Bank Quebec Index	-6.25	20.94	2.79	—	14.53	0.22	-42.32
S&P/TSX Composite	-9.76	15.59	1.65	7.22	16.67	0.16	-43.35

Data from November 01, 2006 to March 31, 2012

Appendix



What is Factor-Based Investing?

- ▶ Academic research shows that over the long-run beta is not the only factor relevant to predict performance as predicated by Capital-Asset-Pricing-Model
- ▶ Over long periods of time, small-cap stocks and those with relatively favorable valuation ratios tend to outperform market beta portfolios
- ▶ Two schools of thought:
 - 1) Efficient market: Factors represent risk-premiums or proxies thereof
 - 2) Inefficient market: If market prices differ from fair values but the differences tend towards zero over time, value and size premiums will occur without any connection to risk factors
- ▶ CAPM “anomalies” led to the practice of dividing the market into groups of stocks on the basis of market capitalization and valuation ratios, Morningstar Style Box is a popular example

MORNINGSTAR®