FIRST ASSET
A CI Financial Company

FIRST ASSET EUROPEAN BANK ETF
MANAGER COMMENTARY
Fourth Quarter 2017
TSX: FHB

The MSCI Europe Index returned 2.4% during the fourth quarter bringing the full year total return to an attractive 17.3%. The MSCI Europe Banks Index (the "Benchmark") slipped -1.9% during the quarter but outperformed the broader European equity market with a 19.4% return for the year, in Canadian dollars. During the quarter the Euro Banks underperformed the global Financials sector as measured by the MSCI ACWI Financials Index which returned 6.34% in Canadian dollars. The First Asset European Bank ETF (the "Fund") underperformed the broad European index and performed in line with the MSCI Europe Banks Index, with a negative return of 3.4% in Canadian dollars, during the 4th quarter of 2018. For the full year, the Fund outperformed its Benchmark by almost 300 basis points.

The Fund's significant holdings in Sweden and Italy, which performed strongly in the previous quarter, performed poorly in the final quarter.

Italy represents just 6.2% of Benchmark, while the Fund was positioned with a 21% exposure and our positions declined by 12.4% on average. Banco BPM, which had advanced almost 20% in the prior quarter, declined 25% in the fourth quarter. Italian risk premiums increased again in anticipation of yet another election in March or April. In addition to the small revival in political risk, regulatory communications in regard to managing down non-performing loans, created additional selling pressure. We continue to feel very good in regard to our Italian exposures, as risk premiums remain very high and the sector is making notable progress in improving capital adequacy and shareholder return prospects.

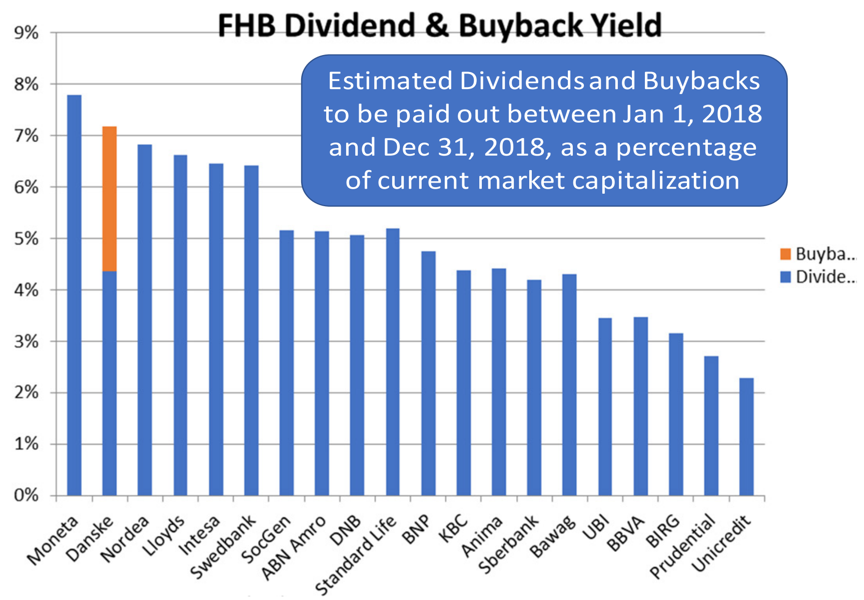
The Fund's notable Nordic exposures in Swedbank and Nordea declined 12% and 10%, respectfully, as Stockholm housing prices continued to slide from June highs. We view the softening in house prices as a healthy development as housing affordability remains a longer-term concern. The local Nordic economy remains strong and the banks are extremely efficient and prudent in managing shareholders capital. In just a few months we will collect dividends of approximately 6.5% of recent share prices, we are being highly/excessively compensated to worry about extremely solid banks.

European banks have significantly lagged their global competitors in recent years and appear to offer the most compelling regional investment opportunity within global Financials. The outlook for European banks has been a relatively hopeless one in recent years, with an extremely low interest rate structure (even negative), weak economies and high political risks, (Brexit), and still a few hundred billion in non-performing loans just in Italy. The MSCI Europe Banks Index has returned only 4.99% over 7 long years, in Canadian dollars. However, we now believe the sector is poised for a catch-up trade relative to global competitors, given less demanding valuations, an improving economic backdrop, a very recent and material decline in regulatory uncertainty (Basel IV) and an anticipated rise in European interest rate structures in the medium term. We have conviction that the sector offers compelling dividend yield and growth relative to the market. We believe our positions in Nordea, Swedbank, Intesa Sanpaolo, Lloyds and Moneta are trading with 2018 dividend yields of 6.5% on average.

The strongest single position during the quarter, and for the second quarter in a row, was Sberbank of Russia, which advanced more than 17%. The Fund's average portfolio weight in Sberbank over the period was 2.8%. We view Sberbank as an incredibly strong capital compounder, operating with an appropriately high risk premium, however our risk budget allocation to such an investment has modest limits.

Currency Hedging – We continue to hedge approximately 45% of British Pound exposure.

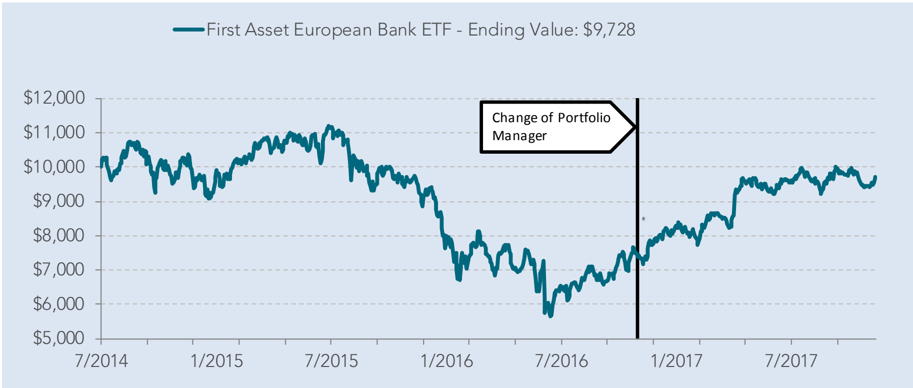
Sector Yield - We view the financial sector as relatively appealing and unique given compelling yield opportunities that will likely benefit from increasing interest rates. The chart below illustrates anticipated capital returns to shareholders via dividends and buybacks as a percentage of current market capitalization for select holdings in the Fund.



Source: Company Reports, Bloomberg

We remain constructive on the global financial sector as risk premiums remain attractive relative to the market. The financial system is healthy, despite low interest rate earnings headwinds and while peripheral Europe remains fragile, the region is making gradual progress in repairing balance sheets. Following a decade of significant underperformance, global financials outperformance may take some getting used to. European banks offer very attractive dividend yields and dividend growth from banks will likely exceed overall market dividend growth. In addition Financials are likely the only sector that will benefit from gradually rising interest rates. We encourage sector investors to acknowledge our demonstrated ability to add value in the sector and consider the Fund as a serious contributor to portfolio objectives.

Fund Performance



Source: First Asset as of November 30, 2017

The rate of return chart shown is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the Fund or returns on investment in the Fund.

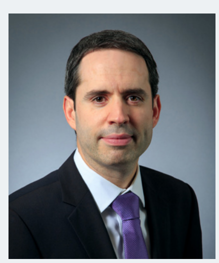
	1 Month	3 Month	6 Month	YTD	1 Year	2 Year	SI
First Asset European Bank ETF	-0.57%	-3.38%	3.18%	22.32%	22.32%	1.98%	-0.96%
MSCI Europe Index CAD	-1.28%	2.40%	4.96%	17.26%	17.26%	6.18%	7.34%
MSCI Europe Banks Index CAD	-1.44%	-1.87%	2.57%	19.36%	19.36%	6.24%	4.00%
MSCI ACWI Financial Index CAD	-0.35%	6.34%	8.28%	16.55%	16.55%	12.78%	13.45%

Source: Morningstar Direct as at December 31, 2017 Inception date: July 23, 2014[1]

The MSCI Europe Index represents the performance of large and mid-cap equities across 15 developed countries in Europe. The Index has a number of sub-Indexes which cover various sub-regions market segments/sizes, sectors and covers approximately 85% of the free float-adjusted market capitalization in each country.
The MSCI Europe Banks Index is composed of large and mid-cap stocks across 15 developed markets countries in Europe
The MSCI ACWI Financials Index captures large and mid-cap representation across 23 developed and 24 emerging market countries

[1]The indicated rates of return are the historical annual compounded total returns, including changes in unit value and do not take into account sales, redemption or optional charges or income taxes payable by a security holder that would have reduced returns. **On November 18, 2016, Signature Global Asset Management, a division of CI Investments Inc., commenced investment advisory and portfolio management services for the Fund.**

John Hadwen, CFA
Vice-President, Portfolio Management
& Portfolio Manager
Signature Global Asset Management



Goshen Benzaquen, MBA
Vice-President, Portfolio Management
& Associate Portfolio Manager
Signature Global Asset Management

Signature Global Asset Management manages a diverse range of equity, balanced and income funds, and is CI Investments' largest in-house portfolio management group. The team of over 40 investment professionals, led by Chief Investment Officer Eric Bushell, manages over $55 billion and has offices in Toronto and Hong Kong.

Investment Philosophy

The Signature investment philosophy is designed to deliver the best possible risk-adjusted returns in today's complex environment and is based on these key elements:

- The globalization of the world economy has resulted in increased complexity, requiring specialized knowledge.
- The increased interconnectivity of the global economy demands collaboration.

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First Asset - **Smart Solutions™**

First Asset, a CI Financial Company, is a Canadian investment firm delivering a comprehensive suite of smart ETF solutions. Rooted in strong fundamentals, First Asset's smart solutions strive to deliver better risk-adjusted returns than the broad market while helping investors achieve their personal financial goals.