

The S&P/TSX Capped REIT Index returned +0.1% for the month-ended April 30th, lagging the +1.8% return for the S&P/TSX Composite Index. Year-to-date, the Capped REIT Index continues to track well relative to the broader index, up +1.4% versus -2.8% for the Composite Index. For the month, the First Asset Canadian REIT ETF (the "Fund") returned +0.9% net of fees.

We continue to see good value in the REIT sector with Canadian REITs trading at a 7% average discount to NAV. As we noted last month, recent (Pure Industrial REIT, Canadian REIT) and proposed (Pure Multi-Family REIT) M&A activity, points to a continued disconnect between public (i.e. REIT) and private (i.e. direct property) real estate valuations. This point was further underscored by Prologis Inc's acquisition of DCT Industrial Trust, announced on April 29th for US\$8.4B including assumed debt in a stock-for-stock transaction. Based on Prologis' prior closing price, DCT shareholders will receive \$67.91 per share, implying a ~16% premium over DCT's unaffected price, an ~11% premium to DCT's 52-week high, a ~27% premium to consensus NAV, a low- to mid-4% cap rate (Prologis management cited 4.4%), and ~US\$120 per square foot. These transaction metrics provide positive read-throughs for WPT Industrial REIT's U.S.-domiciled portfolio, which at the time of writing, is trading at a mid-single digit discount to NAV and a mid-6% implied cap rate. On the acquisition call, Prologis management noted the market "underappreciates quality real estate with growth potential". We agree.

Q1 2018 earnings season kicked off in late-April with Choice Properties REIT reporting results on April 25th. Q1 FFO per unit of \$0.255 was in-line with Street expectations. Net Operating Income ("NOI"), on a same-property same-GLA basis was up +2.3% vs. Q1 2017, driven by step rents on Loblaw leases and higher average rents per square foot on ancillary leases. For 2018, management expects to maintain overall occupancy at ~98%, with ancillary occupancy at ~90%. Notably, Choice Properties' IFRS cap rate was steady at 6.07%. So far, so good.

In mid-April, Industrial Alliance hosted a GTA Housing and Rental Apartment Luncheon. Panelists included senior representatives from CAPREIT, InterRent REIT, Dream Unlimited/Dream Hard Asset Alternatives, Tricon Capital Group, Atrium Mortgage Investment Corp, Firm Capital Corp, Street Capital Group, and Timbercreek Financial. Panelists were constructive on the GTA housing market, with apartment owners particularly bullish. Mark Kenney from CAPREIT noted proforma rents on their King's Club project in partnership with Fist Capital Realty were \$2.50 at project initiation. Fast forward to today and the group is achieving rents above \$3.50 per square foot on pre-leasing.

Also in mid-April, we attended RioCan REIT's Investor Day in Toronto. The Investor Day was well attended, with many U.S.-based investors and analysts participating. We came away with renewed appreciation for RioCan's transit-oriented development pipeline. RioCan appears to be further ahead in its development and residential/mixed-use initiatives than its peers, with a total development pipeline of 26.3M square feet, of which 12.3M square feet (47%) is currently zoned and zoning applications submitted on an additional 5.3M square feet (20%). Nearly all sites will remain income-producing "until the wrecking ball swings", per Jonathan Gitlin, SVP, Investment and Residential. RioCan expects to achieve residential rental rates in the high-\$3s to low-\$4s on its newly constructed projects. The recent abolition of the Ontario Municipal Board ("OMB") (which was long-viewed as "deferential to developers") and launch of the Local Planning Appeal Tribunal ("LPAT") has resulted in uncertain outcomes for unapproved sites – and makes currently zoned land more valuable. According to a recent report released by Bullpen Research & Consulting Inc and Batory Management, approved projects are trading for about 28% more than sites where rezoning had been submitted but not approved, and 35% more than lands without an active development application.

In late April, CIBC hosted its annual Real Estate Conference. Attendance was strong, and panelist dialogue was optimistic, with Canadian commercial real estate fundamentals broadly characterized as healthy, backed by strong demand, attractively priced debt, and widespread expectations of continued robust pricing, particularly for core and urban real estate. M&A activity year-to-date in 2018 of \$9.8B is already tight on the heels of 2017's \$10.9B, which saw the take-outs of Milestone Apartments REIT, Brookfield Canada Office Properties REIT, ONE REIT, and the combination of Edgefront and Nobel to form Nexus REIT. Having lost two – and potentially three – Canadian-listed REITs year-to-date, Sentry's Michael Missaghie highlighted scarcity value attributable to the remaining blue-chip Canadian REITs.

As we look forward to 2018-2019, our sector stance continues to favour multifamily, industrial, seniors housing, and defensive daily necessity-oriented retail. While sentiment continues to weigh on retail-oriented names, we see opportunity in higher quality names, particularly for patient, long-term capital. The fund remains biased in favour of REITs with quality, urban portfolios, exposure to higher growth markets, value add development/intensification potential, and conservative balance sheets.

The Fund's top ten holdings at April 30th included Canadian Apartment Properties REIT, Pure Multi-Family REIT, InterRent REIT, Killam Apartment REIT, Pure Industrial REIT, First Capital Realty, Canadian REIT, Dream Industrial REIT, RioCan REIT, and Tricon Capital Group. Combined, these holdings represent 42% of the Fund.

Fund Performance (%)

	1 Month	3 Month	6 Month	YTD	1 Year	3 Year	5 Year	10 Year	SI
First Asset Canadian REIT ETF	0.91	1.01	3.49	1.03	5.03	9.93	8.92	9.86	10.72
S&P/TSX Capped REIT TR Index	0.06	1.21	5.14	1.40	5.90	4.55	4.06	8.47	9.55
S&P/TSX Composite TR Index	1.82	-1.41	-1.15	-2.78	3.11	3.87	7.77	4.19	7.18

Source: Morningstar as at April 30, 2017

Inception date: Nov 15, 2004¹



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Mr. Goldman actively manages the:

- First Asset Canadian Convertibles Fund
- First Asset Diversified Convertible Debenture Fund
- First Asset North American Convertibles Fund
- First Asset Canadian Convertible Bond Fund
- First Asset Canadian Energy Convertible Debenture Fund
- First Asset Canadian REIT ETF
- First Asset REIT Income Fund
- First Asset Canadian Convertible Bond ETF



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Ms. MacDonald co-manages the:

- First Asset Canadian REIT ETF
- First Asset REIT Income Fund

S&P/TSX Capped REIT Total Return Index is a capitalization-weighted index designed to measure market activity of the real estate sector issuers listed on the Toronto Stock Exchange. The Index is used as a benchmark to help you understand the Fund's performance relative to the general performance of the Canadian real estate sector. The S&P/TSX Composite Total Return Index is a capitalization-weighted index designed to measure market activity of stocks listed on the Toronto Stock Exchange. The Index is used as a benchmark to help you understand the Fund's performance relative to the general performance of the broader Canadian equity market. The S&P 500 Total Return Index tracks 500 large-cap U.S. stocks representing all major industries. The Index is used as a benchmark to help you understand the Fund's performance relative to the general performance of the broader U.S. equity market. MSCI USA IMI Real Estate Index is designed to capture the large, mid and small cap segments of the US real estate equity universe.

1. RIT was originally launched as a TSX-listed closed-end fund on November 15, 2004, and converted into an exchange traded fund on July 14, 2015. Performance shown is since inception of the closed-end fund. In connection with the conversion, and pursuant to unitholder approval, the annual management fee payable by RIT to First Asset, as manager, was reduced to 0.75% (from 1.05%) of the NAV per unit and certain changes were made to the investment objectives, strategies and restrictions applicable to the Fund. Material among these changes is the ability for RIT to invest up to 30% of its portfolio in securities of real estate issuers listed on non-Canadian stock exchanges and RIT is no longer permitted to use leverage. Had these changes been in effect prior to this date the performance could have been different.

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