

Time flies when you're having fun! With 2017 now behind us, the First Asset Canadian REIT ETF is now embarking on its fourteenth calendar year!

REITs delivered healthy total return performance in 2017. For the year, the S&P/TSX Capped REIT TR Index was up +9.9%, outpacing the S&P/TSX Composite TR Index, which was up +9.1%, by approximately 80 basis points. In contrast, the MSCI U.S. REIT Index returned +5.1% in calendar 2017, lagging the S&P 500 TR Index return, which was up a blistering +21.8% (both in U.S. dollar terms). For calendar 2017, the First Asset Canadian REIT ETF (the "Fund") returned +11.9% net of fees.

After a relatively quiet 2016, calendar 2017 was active in terms of interest rate hikes, REIT M&A, unitholder activism and strategic announcements.

Four major M&A transactions were announced in 2017. In January, Milestone Apartments REIT announced that it had been acquired by Starwood Capital (reflecting Starwood's second largest acquisition to-date) and Brookfield Canada Office REIT announced the privatization by parent Brookfield Property Partners LP. In February, Tricon Capital Group announced the acquisition of Silver Bay Realty Trust, which added significant scale in Tricon's single family rental vertical Tricon American Homes. In August, One REIT announced that it had been acquired by SmartREIT and Strathallan Acquisitions. All transactions were completed at double-digit premiums to the respective unaffected price, and benefitted RIT's performance on an absolute and relative basis.

Similarly, investor activism gained momentum in 2017, driven by perceived opportunities to unlock value within the Canadian REIT space. Early in the year, FrontFour Capital and Sandpiper Group targeted Granite REIT (TSX: GRT.UN). In September, Sandpiper Group announced that it had acquired a 10% stake in Agellan Commercial REIT (TSX: ACR.UN) and had proposed strategic changes, including a reorganization of Agellan's Board of Directors. After much debate, Agellan reached an agreement with Sandpiper for board representation and a revised internalization agreement, which we view as a favourable outcome.

Strategic announcements were also highly topical in 2017, with a number of REITs, including RioCan REIT, H&R REIT, and Cominar REIT, announcing significant updates, which included planned disposition programs and capital recycling initiatives. Cominar, in particular, made significant progress on its articulated plan, selling its entire non-core portfolio to Slate Acquisitions for gross proceeds of \$1.14B in December.

As we look forward to 2018, our sector stance continues to favour multifamily, seniors housing, industrial, and defensive daily necessity-oriented retail. While sentiment may continue to weigh on retail-oriented names in the near-term against a backdrop of industry headline risks, we see opportunity in the retail sector, particularly for patient, long-term capital. The Fund continues to overweight REITs with quality, urban portfolios, exposure to higher growth markets, value add development and intensification potential, and conservative balance sheets. Similar to what we saw during the Taper Tantrum in mid-2013, and again in 2015, we anticipate rate and market volatility may create opportunity for patient capital.

On average, Canadian REITs are trading at a mid-single digit discount to Net Asset Value ("NAV"), whereas historically the group has traded at a ~2% average premium to NAV. The range is wide, with some issuers trading at double-digit discounts and others trading at double-digit premiums, underpinning the importance of security selection in the current environment. At the time of writing, we're seeing good opportunity in a number of issuers, including select multi-family residential, diversified, and industrial REITs and REOCs.

For the month of December, the Fund's top performing equity holdings and approximate contributions to total return were: Chartwell Retirement Residences REIT, contributing 20 bps; Smart REIT, contributing 19 bps; and InterRent REIT, contributing 15 bps. Equity holding that detracted from the Fund's performance in December included Pure Multi-Family REIT (-19 bps), RioCan REIT (-7 bps) and Granite REIT (-6 bps).

For the year, the Fund's top performing equity holdings and approximate contributions to total return were: Dream Global REIT, contributing 106 bps; StorageVault Canada, contributing 106 bps; and Canadian Apartment Properties REIT, contributing 99 bps. Equity holding that detracted from the Fund's performance in 2017 included Pure Multi-Family REIT (-17 bps), American Hotel Income Properties REIT (-14 bps) and Boardwalk REIT (-11 bps).

The Fund's top ten holdings at December 31st included Canadian Apartment Properties REIT, First Capital Realty, Tricon Capital Group, RioCan REIT, Morguard North American Residential REIT, H&R REIT, InterRent REIT, Chartwell Retirement Residences, Canadian REIT and Killam Apartment REIT. Combined, these holdings represent ~41% 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	1.00	4.21	3.54	11.93	11.93	12.49	9.85	9.33	10.17
S&P/TSX Capped REIT TR Index	1.45	5.81	6.01	9.85	9.85	7.20	5.14	7.94	8.96
MSCI U.S. REIT Index	-0.40	1.04	1.67	3.74	3.74	4.03	7.99	6.03	5.89
S&P/TSX Composite TR Index	1.20	4.45	8.30	9.10	9.10	6.59	8.63	4.65	6.95
S&P 500 TR Index	1.11	6.64	11.42	21.83	21.83	11.41	15.79	8.50	8.74

Source: Morningstar as at December 31, 2017

Inception date: Nov 15, 2004¹



Lee Goldman, CFA
Senior Vice-President & Portfolio Manager
First Asset Investment Management Inc.

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



Kate MacDonald, CFA, MFin
Portfolio Manager
First Asset Investment Management Inc.

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.

¹The 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. Performance is calculated net of fees. The Fund 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 the Fund 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 the Fund to invest up to 30% of its portfolio in securities of real estate issuers listed on non-Canadian stock exchanges and the Fund will no longer be permitted to use leverage. Had these changes been in effect prior to this date the performance of the Fund could have been different. On August 17, 2007, pursuant to unitholder approval, the Fund's mandate was changed from that of a passively managed fund to that of an actively managed fund including the elimination of the market cap size restriction and the annual management fee payable by the Fund to First Asset, as manager, was increased to 0.75% (from 0.45%) of the NAV per unit. Had these changes been in effect prior to this date the performance of the Fund could have been different.

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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.

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