FIRST ASSET
A CI Financial Company

FIRST ASSET GLOBAL FINANCIAL SECTOR ETF
MANAGER COMMENTARY
Third Quarter 2017
TSX: FSF

Capital Appreciation

The MSCI ACWI Financials Index (the "Benchmark") returned 5.75% during the quarter in US currency and 1.6% in Canadian dollars, slightly ahead of the broad market MSCI ACWI Index. The First Asset Global Financial Sector ETF (the "Fund") outperformed, generating a 4.1% return during the period in Canadian currency. Good stock selection in most regional markets continues to support the Fund's outperformance.

US Financials represent close to 40% of the Benchmark and averaged 42% of the Fund. The Fund's holdings in the US returned 7% during the quarter in US$, 1.8% ahead of the US portion of the Benchmark. This outperformance was achieved despite continued underperformance in our Wells Fargo exposure, which was our only US name with negative returns in the period. The Wells Fargo exposure which remains controversial, returned -2% this quarter. Our position in Wells Fargo warrants remains a favourite position. The Wells Fargo's shares suffered in Q3, 2016 as a result of significant reputational damage following recognition of extremely inappropriate, perhaps fraudulent, sales activity. The bank has historically been awarded a premium valuation based on a favourable business mix, above average returns, relatively consistent earnings progression and Warren Buffett's support. This alarming development resulted in the stock trading at a relative valuation discount to peers, which is an extremely rare occurrence. While the stock has rallied with other US financials we continue to view the position as extremely compelling. Despite the bank's recent challenges they continue to generate attractive returns and continue to return significant capital to shareholders via dividends and buybacks.

Significant contributors to the strong performance in the quarter included AMG +14.6%; Air Lease +14.3%; Citigroup +9.3% and MGIC Investment Corp +11.9%. The US mortgage insurer MGIC position has reached our fair value estimate and been sold. We continue to view the US financial sector as offering very compelling opportunities in select companies. Broadly positive returns in US financials will be somewhat dependent on successful corporate tax reductions in the US market where expectations have appropriately receded. There is also significant room for reductions in regulatory burdens to benefit bank profitability and valuations.

European & UK Financials represent approximately 26% of the Benchmark and Fund exposure increased from 29% during the second quarter toward 33% in the recent quarter. This overweight paid off with strong gains generated in holdings in Italy and Sweden. In addition our small position in Sberbank of Russia returned more than 30% in Canadian currency. Benchmark performance of European Financials was approximately 4% while Fund returns in the region approached 10%.

Italy represents just 1.5% of Benchmark while the Fund was positioned with an 11% exposure, down from 13% in the second quarter. Banco BPM, Anima and Intesa returned 19.7%, 8.8% and 7.8% respectfully. We continue to feel very good in regards to our Italian exposures as risk premiums remain high and recent meetings with local companies have been encouraging in regards to their business outlook.

Amongst European Financials we took note of Nordea's decision to move their headquarters from Sweden to Finland. There is significant potential for this move to lower their capital requirements by 2019 which would support a material increase in already strong dividend growth capacity. The market is currently focused on Nordea's IT cost overruns and ignoring the potential to run a more capital efficient business in a couple of years which encouraged us to take Nordea to a material portfolio weight.

Canadian Financials represent 7% of the Benchmark and 1.5% of the Fund's average equity positions during the quarter. Benchmark performance of Canadian financials was a solid 4.5%, recovering from the second quarter's slightly negative performance. We recognize that Canadian banks are amongst the most resilient banking franchises globally, however we remain somewhat concerned with the relatively poor financial shape of Canadian households and housing affordability.

Asia, including Japan and Australia represent approximately 24% of the Benchmark and average exposure during the quarter was 15% of the Fund. South Korea rocket launches and threats, of course, weighed on returns in the region pushing Japan and Korean financials down 5% in the period. China financials returned a respectable 4% and Australian financials were down 1.5%. The Fund's select positions in the region performed decently, and the regional underweight supported its outperformance during the quarter. The position in Financial Products Group of Japan performed especially well, +20%, and was sold.

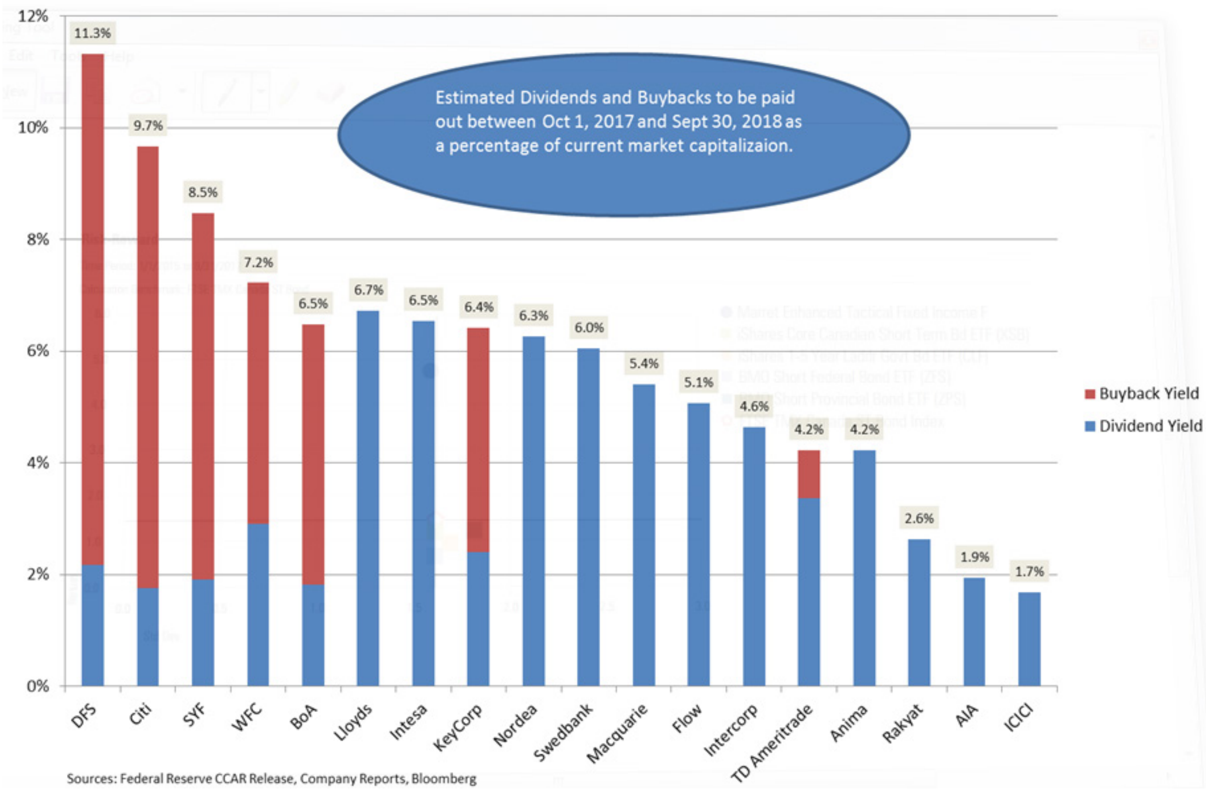
A large underweight in this region can be expected moving forward as we find many Hong Kong and Japanese financials do not adequately prioritize shareholder interests in managing their businesses. We tend to favour India, Indonesia and select opportunities within Australia in the region.

Latam Financials represent 2.4% of Benchmark and 3.6% of the Fund during the quarter. Benchmark performance of Latin American Financials was strongly positive across the region and especially strong in Brazil. Brazil recovered more than 20% in this quarter, following the second quarters 10% decline. The Fund added Brazilian exposure via participation in an IPO for Brazil's largest reinsurance company, Brasil Resseguros SA., which has advanced 11% from deal price. The Fund's positioning in Peruvian financials returned almost 9% in local currency during the period. The Fund is overweight Peru and underweight the rest of Latin America.

Currency Hedging – We have approximately 21% of the US currency exposure hedged and 45% of British Pound exposure. Euro currency hedges have been closed. We view our domestic currency as likely to trend lower over time, however the Bank of Canada's recent rate hikes have likely deferred this potential outcome.

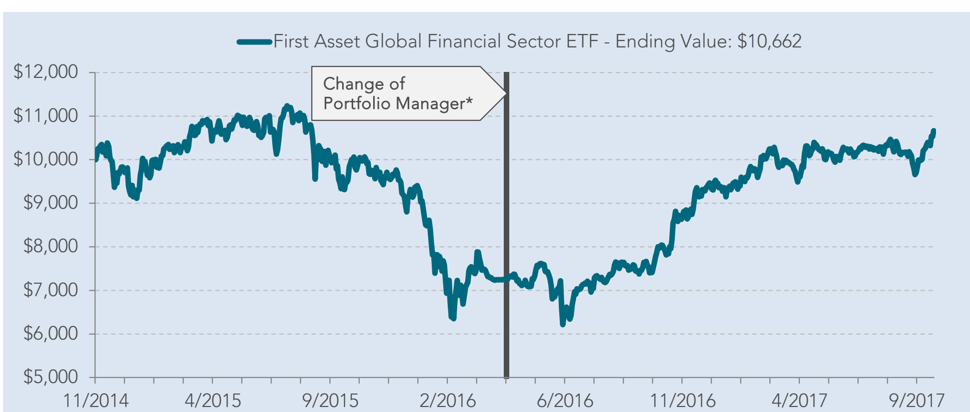
Sector Yield - Following the CCAR (Comprehensive Capital Analysis and Review) release at the end of June we are able to provide our investors with our expectations for dividend and buyback yields on positions owned in the Fund. The Annual CCAR process, in which balance sheets of companies in the financial sector are stressed for economic shocks, reinforces our view that the sector's capital position is solid. Going forward we expect shareholders to enjoy attractive yields both in US and European financials. We view the financial sector as relatively appealing and unique given compelling yield opportunities that will likely benefit from increasing interest rates.

FSF Dividend & Buyback Yield



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. US financials are especially well positioned to benefit from lower US corporate tax rates and relaxed regulation. 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

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 Global Financial Sector ETF	5.19%	4.07%	7.27%	14.59%	42.87%	5.98%	2.27%
MSCI ACWI Index CAD	1.68%	1.29%	2.85%	9.35%	12.91%	11.31%	11.09%
MSCI ACWI Financial Index TR CAD	2.80%	1.82%	4.38%	9.60%	25.62%	13.47%	12.40%

Source: Morningstar Direct as at September 30, 2017

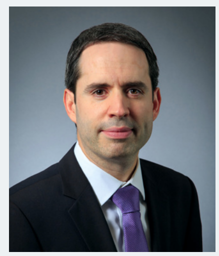
Inception date: Nov 21, 2014[1]

MSCI ACWI Index is a global equity index and is designed to represent performance of the full opportunity set of large and mid-cap stocks across 23 developed and 24 emerging markets which covers more than 2,400 constituents across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market.
The MSCI ACWI Financials Index captures large and mid-cap representation across 23 developed and 24 emerging market countries

The Fund was originally launched as a TSX-listed closed-end fund on November 21, 2014, and converted into an exchange traded fund on April 25, 2016. 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 0.85% (from 1.00%) 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 of the Fund to invest in securities of global financial issuers; thereby broadening the scope of eligible investments both geographically and by type of financial institutions.

On April 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
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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.