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

The MSCI ACWI Financials Index (the "Benchmark") returned 6.3% during the quarter in Canadian dollars, slightly ahead of the broad market MSCI ACWI Index, which returned 5.9% in CAD. The First Asset Global Financial Sector ETF (the "Fund") outperformed both indexes, generating a 7.8% return during the period. For the year, the Fund returned 23.6%, well ahead of the MSCI ACWI Financials Index return of 16.6%. Good stock selection in most regional markets continues to support the Fund's outperformance.

US Financials represent almost 41% of the Benchmark and the Fund's average exposure was in line with that during the period. The Fund's holdings in the US Financials materially outperformed in the quarter, with a return of 20% in Canadian $, compared to the Benchmark's US Financials return of 8.5%. Much of this outperformance was achieved via the recovery in our Wells Fargo exposure, which advanced 27% in the short period. As a reminder, the Wells Fargo exposure was our only US name with negative returns in the prior quarter. Our position in Wells Fargo warrants remains a favourite position, however, we anticipate a transition out of the warrants and into the underlying stock as the valuation normalizes. Other significant contributors to the strong performance in the quarter included SVB Financial +25%; Synchrony Financial +25%; Discover Financial +20%; and Air Lease +13%. We have sold the complete position in SVB Financial as valuation has become relatively demanding. We continue to view the US Financials sector as offering very compelling opportunities in select companies. The pending improvement in US corporate tax rates exceeded our expectations and regulatory headwinds seem to be turning into tailwinds as Republicans attack excessive regulation.

European & UK Financials represent approximately 25% of the Benchmark and Fund exposure increased towards 36% from approximately 33% in the recent quarter. This overweight notably hurt performance as the Benchmark's returns in the region were close to zero, and the Fund's holdings had an average negative return of six percent. 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 1.5% of Benchmark, while the Fund was positioned with a 10% exposure and our positions declined by 15% 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.

Our 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 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.

Canadian Financials represent 7.1% of the Benchmark and the Fund currently has no domestic exposure. Benchmark performance of Canadian Financials was a solid 5.7% in the quarter. Given our healthy economic outlook for the global economy, we expect another good year for domestic Financials, but we feel the risk premiums available here are relatively less compelling than global opportunities when considering the relatively poor financial shape of Canadian households and trade agreement uncertainty.

Asia, including Japan and Australia represent approximately 24.6% of the Benchmark and average exposure during the quarter was 13% of Fund. Overall the Benchmark's returns in this region averaged 8.1% in the period and the Fund's regional exposures did slightly better with a weighted average return of 9.7%. Indonesian Financials advanced 17% and our position in Bank Rakyat slightly outperformed with a 19% gain. We have sold Bank Rakyat early in 2018, as the valuation had become relatively demanding following the stock's 55% advance during 2017.

China Financials advanced 9.9% during the quarter and our underweight in this market, combined with very poor stock selection, negatively impacted the Fund's relative performance. The Fund participated in a couple of China fintech IPOs during the period, with each performing poorly as a result of sudden regulatory announcements. Significant losses were experienced in Quidian, a digital consumer finance business and Yixen, a digital auto finance company. We exited the Quidian position and have added to Yixen on weakness. Our position in Ping An Insurance Group advanced 35% in the period, limiting our overall loss in China exposure to 10% in the period. Despite our poor results in China, we outperformed in the overall region with strong stock selection in Indonesia, India, Hong Kong and Australia.

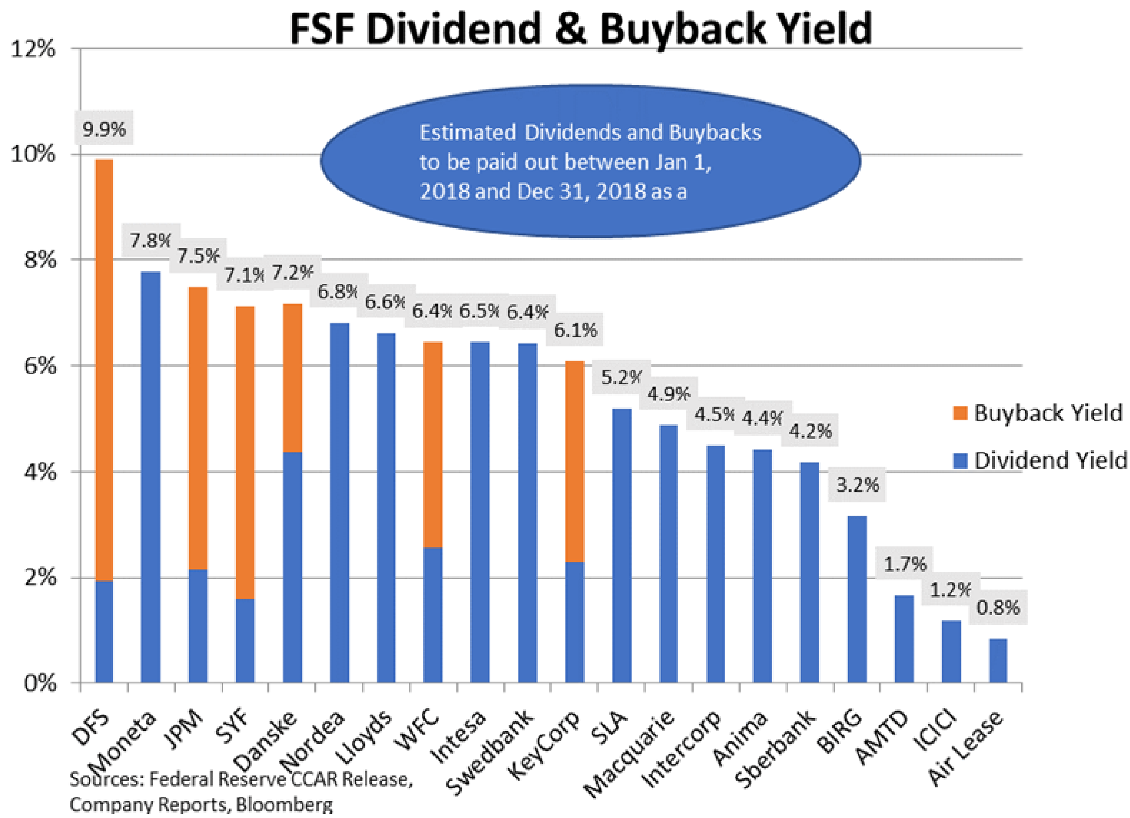
A large underweight in this region can be expected moving forward as we find many Hong Kong and Japanese Financials do not adequately prioritize shareholder interests in managing their businesses. We tend to favour India, Indonesia and select opportunities within Australia in the region.

Latin American (Latam) Financials represent 2.4% of Benchmark and 5.7% of Fund during the quarter. Benchmark performance of Latin American Financials was poor across the region with Brazil, the largest market down 1.3% and Mexico declining more than 15%. Our Latam exposures outperformed as Brasil Resseguros SA, Brazil's largest reinsurance company, returned 14% and our Peruvian Financials exposure in Intercorp advanced 4%. Our Latam exposure increased as we added Mexico's Banorte to the Fund. Banorte is amongst our most promising emerging market positions, in regard to total upside, as election and trade risk concerns have significantly depressed relative valuation.

Currency Hedging – We have approximately 15% of the US dollar exposure hedged, half of Brazilian currency exposure and 45% of British Pound exposure. We view our domestic currency as likely to trend lower over time while acknowledging that this view negatively impacted our returns in 2017.

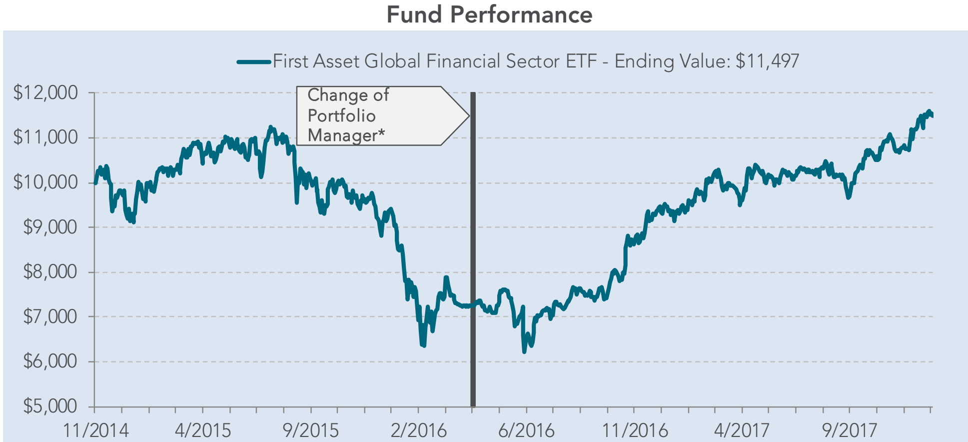
Sector Yield - We view the Financial sector as relatively appealing and unique, given compelling yield opportunities that will likely benefit from increasing interest rates. The chart below illustrates anticipated capital returns to shareholders via dividends and buybacks as a percentage of current market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

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.



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 their overall 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	2.87%	7.84%	12.22%	23.57%	23.57%	11.43%	4.59%
MSCI ACWI Index CAD	-1.18%	5.92%	7.29%	15.83%	15.83%	9.82%	12.21%
MSCI ACWI Financial Index TR CAD	-0.35%	6.34%	8.28%	16.55%	16.55%	12.78%	13.56%

Source: Morningstar Direct as at December 31, 2017

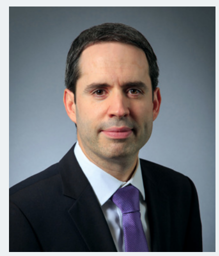
Inception date: Nov 21, 2014[1]

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
A CI Financial Company

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.