

Performance Summary

The First Asset Long Duration Fixed Income ETF (the "Fund") portfolio dropped by 0.44% in the first quarter, falling behind the FTSE/TMX Canada Long-Term All Government Bond Index (the "Benchmark") by 0.33%. The total return outcome of the Fund's portfolio was primarily driven by the significant widening of Canadian government credit spreads, with some modest offset coming from a drop in longer-term Canadian interest rates.

On a relative to Benchmark basis, duration and yield curve positioning was the primary source of underperformance.

Contribution to Performance

Overweight exposure to inflation-linked bonds was beneficial for alpha, given their outperformance relative to their respective nominal government benchmark bonds.

US dollar exposure net of hedges was supportive for alpha, as the US dollar advanced against the Canadian dollar over the quarter. Foreign currency positions in the portfolio are actively managed through a hedging overlay.

Detractors from Performance

Duration and yield curve positioning subtracted the most from the Fund's portfolio alpha, due to the underperformance of our US duration exposure relative to Canadian duration. US 10-year yields rose some 29bps more than their Canadian counterparts over the quarter.

Overweight US dollar emerging market sovereign spread exposure also reduced alpha, as spreads widened in this sphere during the quarter.

Portfolio Positioning

The Fund's portfolio duration sits in line with the Benchmark, with an underweight in the 20-year area and overweight in the 30-year portion of the yield curve. In the spread product domain, we are underweighted in the Canadian government agency and municipal sectors and retain positions in US dollar emerging market sovereign debt and inflation-linked bonds.

Over the fourth quarter, we added to Canadian duration mainly in longer maturities and shifted exposure toward this area of the yield curve from shorter maturity Canadian bonds. Also, we added to our US dollar emerging market sovereign debt holdings and tactically increased our US inflation-linked bond positions early in the period, before moving most of this exposure back to the Canadian market later in the quarter.

Market Summary

Where 2017 was marked by compression of instability and outperformance of risky assets, global markets witnessed the return of uncertainty and volatility in the first quarter of 2018. President Trump's tax bill helped kick off the new year with the expectation that the effects of the law on an already strong U.S. economy would increase inflation expectations. The impact caused government bond yields to rise dramatically in January. By the end of March, the escalation of a possible trade war between China and the U.S. was enough to prompt risk spreads to widen and the U.S. government bond yields to retrace, with the U.S. 10-year Treasury yield ending the quarter at 2.76%. Similarly, the 10-year Canadian bond yield rose for most of 2017, then took a step back in February and March, ending the quarter yielding approximately 2.10%.

Monetary policy for the period resumed its slow pivot of normalization. Both the Bank of Canada ("BoC") and the U.S. Federal Reserve ("Fed") raised rates in the first quarter of the new year. The BoC increased the overnight target rate to 1.25% in January and was cautious regarding the prospects for future shifts, as NAFTA talks continue unresolved. South of the border, the Fed, under newly elected Chairman Powell, raised rates in March to 1.5%-1.75%. The European Central Bank and the Bank of Japan, on the other hand, remain further behind, with both central banks providing accommodative policy, and beginning to signal that the end of such accommodative policy is within sight.

Spreads for risky assets, corporate bond and emerging market debt (US Dollar debt), widened in the first quarter of 2018, but are still significantly below their long-term averages.

Although risky assets have pulled back due to rising rates and increased risks of trade wars, global growth remains constructive. We continue to advocate a well-diversified portfolio of exposures as the best way to navigate the current environment in fixed income, including duration positioning across different portions of the yield curve, credit spreads, interest rate volatility and inflation compensation.

	1 Month	3 Month	6 Month	YTD	1 Year	SI
First Asset Long Duration Fixed Income ETF	1.55%	-0.64%	3.91%	-0.64%	2.87%	0.57%
FTSE TMX Canada Long Term All Governments Index	1.78%	-0.13%	5.17%	-0.13%	4.77%	2.76%

Source: First Asset as at March 30, 2018

Inception date: May 11, 2016

FTSE TMX Canada Long Term Government Bond Index is designed to track the performance of the long term (over 10 years) government of Canada bonds denominated in Canadian Dollars (CAD).

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.

1 (877) 642-1289 | www.firstasset.com | info@firstasset.com



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.

This communication is intended for informational purposes only and is not, and should not be construed as, investment and/or tax advice to any individual. Particular investments and/or trading strategies should be evaluated relative to each individual's circumstances. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. **Commissions, trailing commissions, management fees and expenses all may be associated with investments in exchange traded funds. Please read the prospectus before investing. Exchange traded funds are not guaranteed, their values change frequently and past performance may not be repeated.** The indicated rates of return of the Fund 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 opinions contained in this document are solely those of the Portfolio Manager, Signature Global Asset Management, at the indicated date of the information and are subject to change without notice. Some of the statements contained in this document may be considered forward looking statements which provide current expectations or forecasts of future events. Such forward-looking statements reflect the Portfolio Manager's current expectations or forecasts of future events and are based on information currently available to the Portfolio Manager. Such forward looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors. These factors include, but are not limited to, general economic, political and market factors globally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events. First Asset and the Portfolio Manager do not undertake any obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as expressly required by law. This document includes information that has been obtained from third party sources. Although the Portfolio Manager believes that these independent sources are generally reliable, the accuracy and completeness of such information is not guaranteed and has not been independently verified. The Portfolio Manager and First Asset assume no responsibility for any losses or damages, whether direct or indirect, which arise from the use of this information and expressly disclaims liability for any errors or omissions in this information. The Fund is managed by First Asset Investment Management Inc., a subsidiary of First Asset Capital Corp. (FA Capital).™ First Asset and its logo are trademarks of FA Capital, a wholly owned subsidiary of CI Financial Corp. which is listed on the Toronto Stock Exchange under the symbol "CIX". ©CI FINANCIAL is a registered trademark of CI Investment Inc., used under license. Signature Global Asset Management is a division of CI Investments Inc., and an affiliate of First Asset.