FIRST ASSET
A CI Financial Company

# FIRST ASSET EUROPEAN BANK ETF
## MANAGER COMMENTARY
First Quarter 2017
**TSX: FHB**

The STOXX Europe 600 Bank Index (the "Benchmark") had a local currency return of 5.1% during the first quarter and 5.46% in Canadian dollar terms. European banks did slightly better than the global financial sector as measured by the MSCI ACWI Financial Index, which returned 4.4% during the first quarter in local currencies. Equity positions in the First Asset European Bank ETF (the "Fund") outperformed in the period with local currency returns averaging more than 8% thanks to strong stock selection.

The strongest performers during the quarter were generally banks with the highest sensitivity to movements in short term interest rates. Basically, market participants became enthusiastic over the growing view that European short term rates would be less negative in a year. Spanish banks generated the strongest gains, followed by Italy. These companies have tremendous upside leverage to higher short term interest rates and, an improving outlook on that front has supported strong price appreciation of more than 20% during the quarter in names including UBI Banca of Italy; Sabadell of Spain, Caxiabank of Spain and Banco BPM of Italy. Greece, Russia and Hungary were the only European bank markets that experienced negative returns in the quarter. Many European banks have rallied more than 50% over the past nine months so further upside is likely to be much more moderate.

Unione di Banche Italiane S.P.A (UBI Banca) was the best performing position during the quarter, advancing 38%, contributing 72 basis points to the performance of the Fund in the quarter. This bank ranks highly when looking at upside to higher short term rates and in addition has opportunistically moved to consolidate three small regional banks into their franchise on very attractive terms. UBI Banca, like other Italian banks, has too many non-performing loans, which depresses valuation, supporting reasonable risk premiums.

Banco BPM was a top performing position during the quarter with a 21% return. This bank is a result of a recent merger that has created Italy's third largest bank. The bank has a relatively attractive regional footprint in the country and has taken action to strengthen capital and non-performing loan coverage ratios. Banco BPM remains in a very challenging situation with extremely high non-performing loans and we think all of 2017 pre-provision earnings should be used to improve coverage ratios. However, with a valuation of roughly 36% of tangible book value we view the company's challenges as adequately priced in.

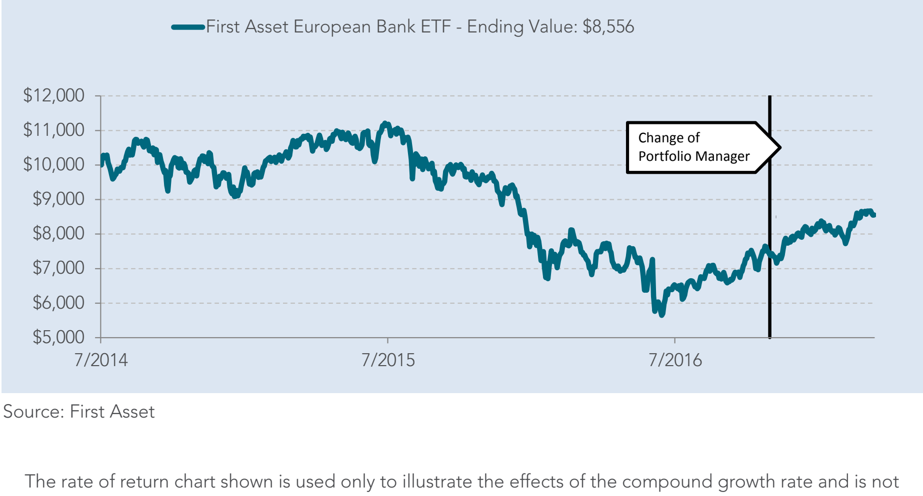
Unicredit completed a €13B Euro rights issue in February and we utilized the post rights exercise period of heavy digestion to build the position at attractive levels. The stock has rallied nicely from those February levels but valuation remains compelling with a medium term outlook. The capital raise will facilitate a more expedient exit of large non-performing loan balances. Unicredit is not a great bank and it operates in two of the worst banking markets in the world (Italy and Germany), valuation however is compelling if one believes they can improve the business returns from inadequate to a decent level.

We believe the market is appropriately composed in regards to the pending French elections. In recent weeks we have had the opportunity to meet with AXA, Natixis and Societe Generale to discuss various challenges, including French political risk, and we believe it is prudent to anticipate a favourable outcome in the election which would boost confidence and economic activity across Europe.

Currency Hedging: we did not feel compelled to become active in currency hedging during the quarter. We view some modest weakening of the Canadian dollar as a high probability.

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. Following a decade of significant underperformance, global financials outperformance may take some time to get used to. European banks offer very attractive dividend yields and dividend growth from banks will likely exceed overall market dividend growth. 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 European Bank ETF | 8.02% | 8.16% | 27.81% | 8.16% | 17.24% | -10.08% | -5.65% |
| STOXX Europe 600 Bank Index | 5.31% | 4.56% | 27.85% | 4.56% | 23.99% | -16.46% | -6.93% |
| MSCI ACWI Financial Index CAD | 0.93% | 5.01% | 20.35% | 5.01% | 29.48% | 8.82% | 13.06% |

Source: Morningstar Direct and Bloomberg as at March 31, 2017 Inception date: July 23, 2014[1]

[1]The 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. **On November 18, 2016, Signature Global Asset Management, a division of CI Investments Inc., commenced investment advisory and portfolio management services for the Fund. Had these changes been in effect prior to this date the performance of the Fund could have been different.** Use of benchmark: The STOXX Europe 600 Banks Index measures the performance of the European Banks sector as a subset of the STOXX Europe 600 Index, which is comprised of 600 of the largest stocks across 18 European countries. The Index is used as a benchmark to help you understand the Fund`s performance relative to the performance of the broader European banks market. The MSCI ACWI Financials Index captures large and mid cap representation across 23 Developed Markets (DM) and 23 Emerging Markets (EM) countries. All securities in the index are classified in the Financials as per the Global Industry Classification Standard (GICS®). The Index is used as a benchmark to help you understand the Fund`s performance relative to the performance of the global Financials market.

**John Hadwen, CFA**
Vice-President, Portfolio Management
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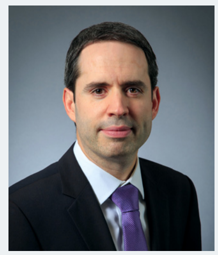
Signature Global Asset Management



**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 - **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.