FIRST ASSET
A CI Financial Company

FIRST ASSET EUROPEAN BANK ETF
MANAGER COMMENTARY
Second Quarter 2017
TSX: FHB

Capital Appreciation

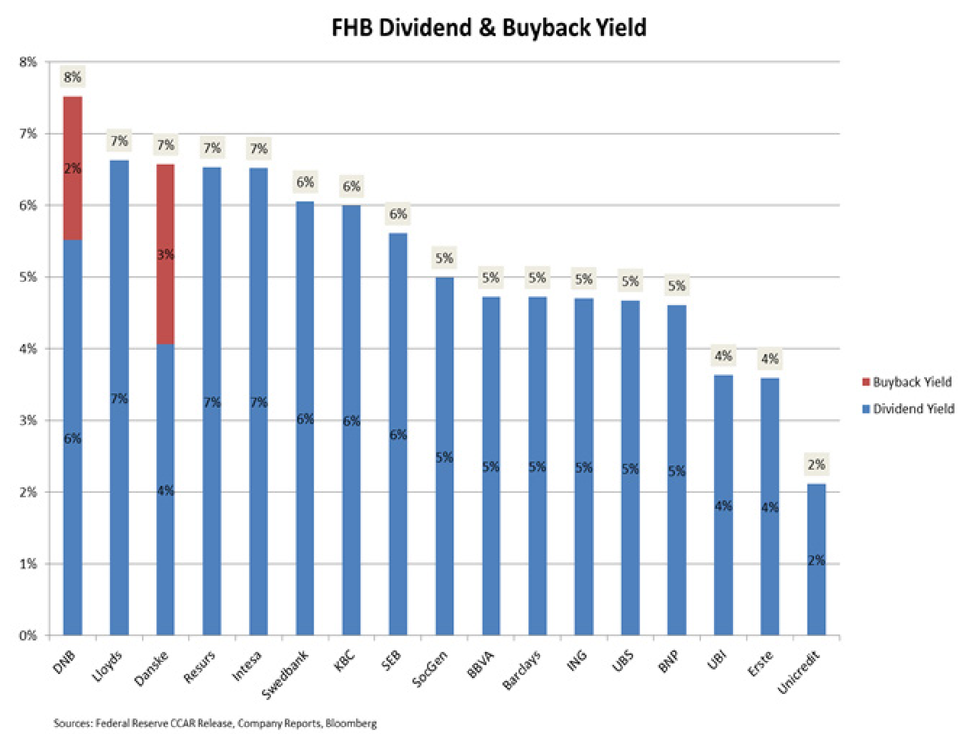
The MSCI Europe Index returned just 1% during the second quarter as the first quarter was quite strong, supporting a 7.1% return YTD. The MSCI Europe Banks Index returned 4.3% in local currency and 8.7% in Canadian dollars during the quarter, adding to the good performance of banks YTD. European banks did slightly better than the global financial sector as measured by the MSCI ACWI Financial Index. The First Asset European Bank ETF (the "Fund") outperformed both the broad European benchmark and the bank index with a return of 9.5% in Canadian dollars during the period. The strongest performers during the quarter were generally banks with the highest sensitivity to movements in short term interest rates. Basically, market participants got excited over the growing view that European short term rates would be less negative in a year. Commerzbank was the strongest performing bank in the MSCI Euro Bank Index, advancing 23%. Unfortunately, we missed that trade, but we still took advantage of the opportunity with other rate sensitive positions. Commerzbank will of course benefit from higher rates, and we suppose that improvement can be material when your starting point is so poor.

Very strong gains occurred in markets such as Greece, Turkey, Hungary, Austria and Italy. In Austria, we have exposure to Erste Bank which advanced 13% and paid a 3% dividend. Erste has exposure to various Central Eastern European markets including Hungary, Romania and a very strong franchise in the Czech Republic. We have no direct exposure in Greece or Turkey, however, our large overweight position in Italy has been very rewarding. Intesa and Unicredit were amongst the best performing banks in Europe over the period, returning 16% and 13%. In addition our holdings in Italian Investment Managers contributed nicely with Anima and Banca Generali generating returns in the mid-teens. We continue to feel confident with 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.

Intesa Sanpalo is a material position in the Fund which has had a very interesting year. For some time Intesa has been viewed as the safest Italian bank to own given relative balance sheet strength and earnings power. The safety status was jeopardized when the bank considered a large domestic acquisition of an insurance company which provided an attractive buying opportunity. The company later assured shareholders that the strategic distraction would not be pursued and the stock recovered nicely. Weeks later the stock was hampered to some degree as media discussed the risk of Intesa being encouraged to absorb a couple of impaired domestic banking franchises. This risk did weigh on our nerves, but in the end Intesa appears to have been well compensated to assume the "good assets" of the impaired banks. What was initially viewed as downside risk for the position actually resulted in an enhanced outlook as Intesa received a few billion in equity and the ability to return additional deteriorating credits to the state. In addition, the macro outlook for Italy improves as the overall financial system resiliency is strengthened.

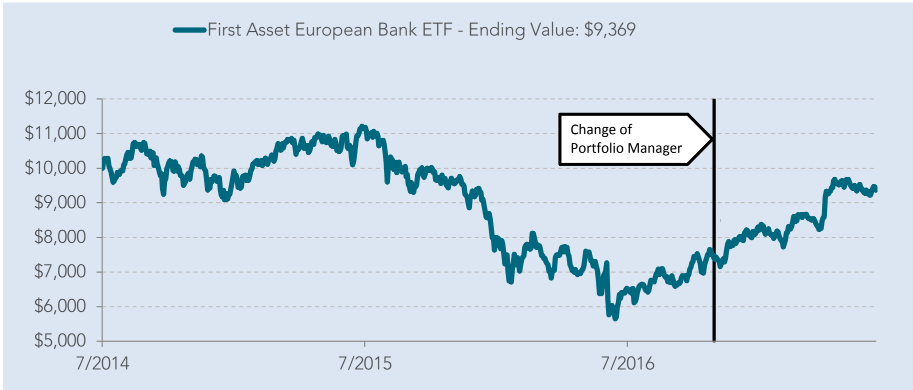
Currency Hedging – We did initiate currency hedging activity during the quarter. We moved to hedge approximately 40% of Euro exposure. Additionally, 45% of British Pound exposure has been hedged. We view our domestic currency as likely to trend lower over time, however the Bank of Canada's July rate hike has likely deferred this potential outcome. Given recent strength in the Euro our move to hedge some of the exposure was in hindsight, unfortunately.

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.



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 its 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

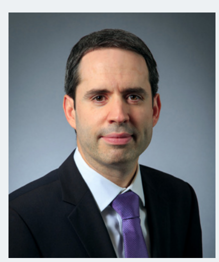
The rate of return chart shown is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the Fund or returns on investment in the Fund.

	1 Month	3 Month	6 Month	YTD	1 Year	2 Year	SI
First Asset European Bank ETF	-0.53%	9.51%	18.43%	18.43%	55.31%	-5.81%	-2.19%
MSCI Europe Index CAD	-4.87%	4.91%	12.27%	12.27%	21.81%	6.38%	7.50%
MSCI Europe Banks Index CAD	-1.57%	8.38%	17.04%	17.04%	58.68%	1.95%	4.41%
MSCI ACWI Financial Index CAD	0.12%	2.51%	7.64%	7.64%	34.14%	9.89%	12.83%

Source: Morningstar Direct and Bloomberg as at June 30, 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:

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 - **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.