

There was a large sell-off in markets toward the end of the year over concerns of slowing global growth, trade tensions, and political uncertainty. Utility and Energy Infrastructure companies fared relatively well, with the S&P/TSX Capped Utility Total Return Index down -3.14% in December, outperforming the S&P/TSX Composite Index which was down -5.40%, over the month. The First Asset Active Utility & Infrastructure ETF (the "Fund") had a total return of -3.68% during the month.

For the year, the S&P/TSX Capped Utility Total Return Index and the S&P/TSX Composite Indexes were down -7.69% and -8.89%, respectively. In comparison, the Fund had a total return of -3.82% for the year.

Top individual contributors to the Fund's performance were EnerCare Inc. (+235 bps), Parkland Fuel Corp. (+112 bps) and Enbridge Income Fund Holdings Inc. (+44 bps). EnerCare Inc.'s stock performed well because it was acquired by Brookfield Infrastructure Partners L.P at a premium. Parkland Fuel Corp. reported good quarterly results and increased forecasts during the first half of 2018. Enbridge Income Fund Holdings Inc. was taken over by Enbridge Inc.

The largest individual detractors from the Fund's performance were AltaGas Ltd. (-150 bps), Boralex Inc. (-116 bps) and Keyera Corp. (-88 bps). AltaGas Ltd. cut its dividend payout by 56%, while Boralex Inc. and Keyera Corp. posted weaker-than-expected results.

In early 2018, the majority of economic data that First Asset tracks in both Canada and the U.S. was exhibiting positive trends. Strong corporate results were being reported, with companies exhibiting good earnings growth. The Fund was fully invested and favoured more pro-cyclical sectors, such as Midstream and Pipelines companies, over more defensive Power and Utilities companies.

Around the middle of 2018, there was a change in economic data. With rising global trade dispute risk, particularly between the U.S. and China, and North American Free Trade Agreement uncertainty, we took a more cautious stance, and became more defensive in the Fund's sector allocations, favouring Utilities and raising the Fund's cash allocation.

Looking ahead to 2019, the set-up for Utility and Energy Infrastructure looks good, with the current defensive tone in the market and these companies providing attractive dividends underpinned by relatively stable cash flows that are less economically sensitive. If central banks start to slow down the pace of interest rate hikes, these companies could see a boost in valuations.

### Fund Performance

	1 Month	3 Month	6 Month	YTD	1 Year	3 Year	5 Year	10 Year	SI
First Asset Active Utility & Infrastructure ETF	-3.68%	-5.02%	-2.97%	-3.82%	-3.82%	5.85%	6.23%	9.67%	5.78%
S&P/TSX Capped Utilities TR Index	-3.14%	-1.29%	-1.55%	-7.69%	-7.69%	6.29%	6.11%	7.22%	6.82%
S&P/TSX Composite Index	-5.40%	-10.11%	-10.62%	-8.89%	-8.89%	6.37%	4.06%	7.92%	5.86%

Source: First Asset as at December 31, 2018

Inception date: February 17, 2005<sup>1</sup>

The S&P/TSX Composite Total Return Index is a capitalization-weighted index designed to measure market activity of stocks listed on the Toronto Stock Exchange. The Index is used as a benchmark to help you understand the Fund's performance relative to the general performance of the broader Canadian equity market.

The S&P/TSX Capped Utility Total Return Index is a capitalization-weighted index designed to measure market activity of the utility sector issuers listed on the Toronto Stock Exchange. The Index is used as a benchmark to help you understand the Fund's performance relative to the general performance of the Canadian utility sector.

1. The Fund was originally launched as a TSX-listed closed-end fund on February 17, 2005, and converted into an exchange traded fund on January 16, 2015. 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 0.65% (from 1.05%) 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 for the Fund to invest up to 30% of its portfolio in securities of issuers listed on non-Canadian stock exchanges and the Fund will no longer be permitted to use leverage. Had these changes been in effect prior to this date the performance of the Fund could have been different. On June 12, 2006, pursuant to unitholder approval, the Fund's mandate was changed from that of an equally-weighted fund to that of an actively managed fund with a focus on the power, pipeline and supporting service and infrastructure trusts and the annual management fee payable by the Fund to First Asset, as manager, was increased to 0.75% (from 0.45%) of the NAV per unit. Had these changes been in effect prior to this date the performance of the Fund could have been different.



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Mr. Goswami manages the:

First Asset Active Canadian Dividend ETF  
First Asset Active Utility & Infrastructure ETF  
First Asset Canadian Dividend Opportunity Fund  
First Asset Utility Plus Fund

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