First Asset European Bank ETF
First Quarter 2019

Performance Summary

- For the first quarter of 2019, First Asset European Bank ETF (TSX:FHB) (the "Fund") returned 4.3% compared with the 4.8% return of its benchmark, the MSCI Europe Banks Index, over the same period. The Fund's relative performance was helped by an underweight position in Spain and Sweden, while good stock selection in France, U.K. and the Netherlands also helped.

Contributors to Performance

- Lloyds Banking Group PLC is now the biggest retail bank in the U.K. after transforming itself into a "plain vanilla" retail bank over the past number of years. Although being one of the most profitable banks in Europe, Lloyds Banking Group's stock sold off heavily in the fourth quarter of 2018 amid Brexit fears and in line with other European banks. The bank's strong performance in the first quarter of 2019 was driven mainly by optimism on a soft Brexit outcome and a modest rerating of the European financial sector. In addition, Lloyds Banking Group announced a better-than-expected capital return and a cost reduction target that has been accelerated to a level above market expectation. We believe current market valuations include an excessive Brexit discount for such a profitable bank.

- Sbanken ASA is a digital bank operating in Norway. The majority of its book is in mortgages, and the bank is looking to expend into other products as well. As was the case with other Nordic banks in 2018, Sbanken was a relative outperformer to the sector as investors perceived Nordic banks to be safer. When we initiated a Fund position in the bank, we believed it offered good value, but as it overperformed the rest of the sector, we sold the Fund's position in the bank as it became less undervalued than its peers.

Detractors from Performance

- Danske Bank A/S is the biggest bank in Denmark, and it has a presence in the Baltic region, which is proving problematic for the bank these days. Danske Bank has performed poorly mainly due to money laundering worries, as 200 billon euro worth of transactions at its Estonian branch are being investigated for potential violations. It is not helping that other Nordics banks are also being investigated for potential money laundering violations, which is the main reason behind the most recent sell-off of the bank's stock. The market appears to be discounting charges as high as 7 or 8 billion euro relative to our expectations of 2-3 billion euro in damages. While it will take some time for the company to put this issue behind it, Danske Bank remains well-capitalized and relatively profitable, which supports an attractive dividend yield above 6%.

- BNP Paribas S.A. is the biggest French bank by market capitalization, with a substantial capital markets business complementing retail operations in France and other European countries. The weakness in the company's share price over the quarter was driven mainly by lower-than-expected revenue growth, as well as losses in the capital markets business as a result of weak market performance in the fourth quarter of 2018. Better cost controls, some reprieve in competition in the French retail business and a positive market performance should boost returns and help the stock be rerated from its current low multiples.

Portfolio Activity

- Intesa Sanpaolo S.p.A. is one of the biggest banks in Italy and considered one of the best-run banks in the system. During the quarter, the bank performed well with the improving outlook for politics in Italy and more optimism regarding euro-zone financials in general. We decided to exit the Fund's position in the bank as we saw better value in other banks.

- CaixaBank S.A. operates mainly in Spain with presence across multiple business lines such as banking insurance and asset management. CaixaBank significantly underperformed its European peers during the quarter as a new issue relating to the index used by CaixaBank in calculating mortgage rates came into light. This issue was on top of a change in outlook on the bank's rates, which CaixaBank is very sensitive to. We believe that at current valuations, the issues faced by Caixa are mostly priced, in and we like its market-leading position in non-interest income business lines such as insurance and asset management. Thus, we decided to add CaixaBank to the Fund's portfolio in the first quarter of 2019.

Outlook

- European banks have significantly lagged their global competitors in recent years and appear to offer the most compelling regional investment opportunity within global financials. The outlook for European banks has been a relatively hopeless one in recent years with an extremely low interest rate structure (even negative), weak economies and high political risks (e.g., Brexit), and still a few hundred billion in non-performing loans in Italy alone. However,

we still believe the sector is poised for a catch-up relative to global competitors given less demanding valuations, an improving economic backdrop, a material decline in regulatory uncertainty (i.e., Basel IV reforms to international banking standards) and an anticipated rise in European interest rate structures in the medium term. Although our thesis might take a little longer to play out, we have conviction that the sector offers compelling dividend yield and growth relative to the European market and global financials in general.

Performance (in %)	**Year-to-date**	**1 year**	**3 year**	**5 year**	**Since inception (7/23/2014)**
First Asset European Bank ETF	4.3	-18.6	3.5	–	-4.4
MSCI Europe Banks Index	4.8	-16.0	5.5	–	-1.6

Source: First Asset, as at March 31, 2019.

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: MSCI Europe Banks Index is composed of large- and mid-cap-sized, listed companies across 15 developed-market countries in Europe. All securities in this index are classified in the banks industry group (within the financials sector) according to the Global Industry Classification Standard (GICS®). This index is used as a benchmark to help you understand the Fund's performance relative to the general performance of European banks.

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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

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