FIRST ASSET EUROPEAN BANK ETF
MANAGER COMMENTARY
Fourth Quarter 2018
TSX: FHB

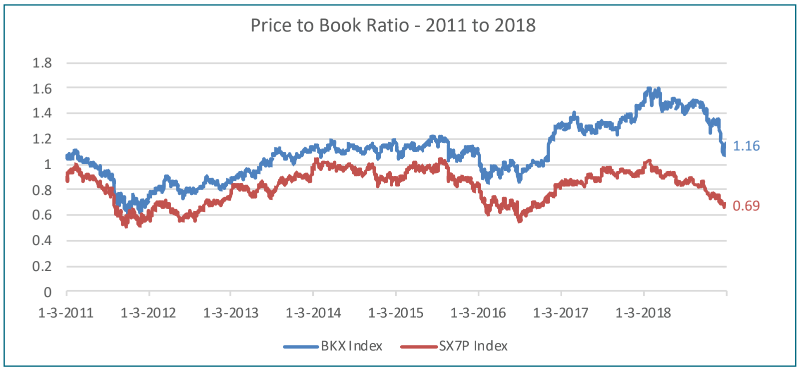
The MSCI Europe Index declined 11.2% during the fourth quarter while the MSCI Europe Banks Index (the "Benchmark") did slightly worse with a 13.5% decline. The euro strengthened against our Loonie by 4.4%. During the quarter, the Euro Banks slightly underperformed the global Financials sector as measured by the MSCI ACWI Financials Index which declined 10.5% in Euro currency. First Asset European Bank ETF ("FHB" or the "Fund") underperformed the broad European benchmark given broad underperformance of Financials in the period. More relevant is FHB's underperformance of the MSCI Europe Banks Index, as FHB declined 13% relative to the bank index, which declined 10.3% in our domestic currency. For the full year, FHB's 19.9% decline slightly outperformed its Benchmark Index which declined 20.7% in Canadian dollars.

The Benchmark experienced double-digit negative performance in all regions except the U.K. There are only two banks in the Benchmark that did not have double-digit declines: Standard Chartered and HSBC. We view these banks as relatively expensive and have not owned for some time. The U.K. represents 35% of the MSCI Europe Banks Index and FHB maintained a large relative underweight in the U.K. HSBC, which represents 20% of this Benchmark, is a key influencer. It declined just 2.2% during the period. We view Lloyds Bank and the Royal Bank of Scotland ("RBS") as attractively valued with Brexit risks overly depressing valuations. We have not yet established a position in RBS, as a more attractive entry point may occur when the U.K. government sells additional shares into the market.

Our Swiss overweight hurt performance, as UBS declined 21%. Switzerland is not in the Benchmark and, thus, the UBS position is a complete overweight and our largest detractor with regard to relative performance. We find UBS' valuation as extremely compelling at less than 9X forward earnings estimates. Italy represents just 7.9% of the Benchmark while the Fund was positioned with an average weight during the quarter of 14%. Our Italian exposures returned -20% during the quarter, 373 basis points worse than Benchmark's Italian returns. Recent economic news in Europe has hurt sentiment, and growth expectations, especially in the more fragile countries such as Italy. While we also view the country as higher risk, the Italian banking system has made tremendous progress which is being ignored.

European and U.K. banks have largely been a value trap for many years. Since December 31, 2010, the European and U.K. banks, as measured by the STOXX Europe 600 Banks Index (SX7P) has lost almost 10%, including reinvested dividends. That being said, we did take the view last summer that European bank valuations had become very compelling relative to U.S. valuations.

The chart (right) illustrates the valuation disconnect between European and U.S. banks as measured by the simple price to book ratio. While we believe the bulk majority of this valuation differential is fundamentally supported, having U.S. banks trading in excess of 170% of the European bank price/book ratio is excessive and from that level of discrepancy European banks could start to outperform U.S. banks. Since the end of June, U.S. and European banks are each down 17% and our view that European banks were positioned to outperform has been wrong thus far.



Source: Bloomberg L.P., Signature Global Asset Management as at December 31, 2018.
BKX: KBW Nasdaq Bank Index
SX7P: STOXX® Europe 600 Banks Index

Fund Performance

	1 Month	3 Month	6 Month	YTD	1 Year	2 Year	3 Year	SI[1]
First Asset European Bank ETF	-4.38%	-12.98%	-16.10%	-19.85%	-19.85%	-0.99%	-5.88%	-5.57%
STOXX Europe 600 Banks Index LCL	-7.70%	-15.55%	-17.87%	-28.04%	-28.04%	-11.82%	-10.17%	-8.06%
MSCI Europe Banks Index (Net Total Return) LCL	-7.18%	-13.54%	-15.87%	-23.40%	-23.40%	-6.53%	-2.27%	-2.68%
MSCI Europe Index (Net Total Return) LCL	-5.33%	-11.24%	-10.18%	-10.59%	-10.59%	0.54%	2.72%	2.88%

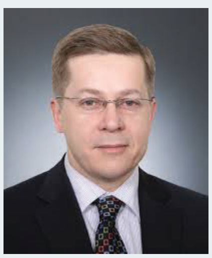
Source: Morningstar Direct as at December 31, 2018

Inception date: August 12, 2014[1]

Use of Benchmark: The MSCI Europe Index represents the performance of large and mid-cap equities across 15 developed countries in Europe. The Index has a number of sub-Indexes which cover various sub-regions market segments/sizes, sectors and covers approximately 85% of the free float-adjusted market capitalization in each country. This Index is used as a benchmark to help you understand the Fund's performance relative to the general performance of the broader European equity markets. The MSCI Europe Banks Index is composed of large and mid-cap stocks across 15 developed markets countries in Europe. This Index is used as a benchmark to help you understand the Fund's performance relative to the general performance of banks within the broader European equity markets. The MSCI ACWI Financials Index captures large and mid-cap representation across 23 developed and 24 emerging market countries. This index is used as a benchmark to help you understand the Fund's performance relative to the general performance of the financial sector within global developed and emerging markets.

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 may have been different.**

SIGNATURE
GLOBAL ASSET MANAGEMENT™



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.

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

FIRST ASSET
EXCHANGE TRADED FUNDS
A CI Financial Company

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.

1902-0459_E (02/19)