CI First Asset Canadian REIT ETF (TSX:RIT)
Manager Commentary
April 2019

Portfolio Activity and Market Commentary

After a strong start to the year, the benchmark S&P/TSX Capped REIT Total Return Index declined 3.3% for the month ended April 30, 2019 versus a gain of 3.2% for the S&P/TSX Composite Total Return Index, -0.3% (in U.S.-dollar terms) for the MSCI US REIT Index and 4.1% (also in U.S.-dollar terms) for the S&P 500 Total Return Index. Year-to-date, the S&P/TSX Capped REIT Total Return Index is up 11.9% versus 16.9% for the S&P/TSX Composite Total Return Index. For the month, CI First Asset Canadian REIT ETF (the “Fund”) returned -2.0%, net of fees.

We continue to see good value in the real estate investment trust (REIT) sector, with Canadian REITs, on average, trading at mid-single-digit average discount to net asset value (NAV).

Year-to-date, it was an active period from an equity issuance perspective in the Canadian market, with over $1.5 billion in equity raised. Investor enthusiasm for REIT equity issuance continued into April, with deals benefiting from strong take-up by institutional investors and a growing roster of U.S.-based investors. On April 1, Canadian Apartment Properties REIT announced a $300-million bought deal at $49.00 per unit. On April 4, Minto Apartment Real Estate Investment Trust (TSX:MI.UN) announced a $150-miilion bought deal at $19.60 per unit. The base deal was over two times oversubscribed. On April 11, Granite Real Estate Investment Trust (TSX:GRT.UN) announced a $200-million bought deal at $61.50 per unit. Institutional demand for Granite Real Estate Investment Trust exceeded $185 million, or 93% of the base deal. On April 15, Dream Industrial Real Estate Investment Trust (TSX:DIR.UN) announced a $125-million bought deal at $11.55 per unit. Institutional demand for Dream Industrial Real Estate Investment Trust exceeded 50% of the base deal. U.S. REIT equity offerings were also been well-received. On April 16, the Fund participated in the Americold Realty Trust (NYSE:COLD) deal at US$29.75 per share. Institutional demand for the US$1.2-billion/40-million share offering was robust, with the deal over four times oversubscribed and the top 25 investors taking down over 75% of the deal. We like Americold Realty Trust for its dominant position in temperature-controlled warehouses and its above-average near-term growth profile. Americold Realty Trust’s acquisition of Cloverleaf Cold Storage Co., Inc., the fifth-largest cold storage provider in the U.S. by refrigerated cubic feet, is expected to be meaningfully accretive to the company’s financial metrics.

U.S. REITs kicked off the first quarter of 2019 earnings season in mid-April. Prologis, Inc, (NYSE:PLD) was first up to bat, delivering a solid "beat and raise" quarter. Industrial operating fundamentals remain strong and landlords are continuing to benefit from robust tenant demand, limited availability and pricing power, which is translating into healthy leasing spreads and net operating income (NOI) growth.

In Canada, on April 25 Choice Properties Real Estate Investment Trust (TSX:CHP.UN) kicked off first-quarter 2019 Canadian REIT earnings announcements with its in-line financial and operating results. The company's same-asset NOI increased 2.4% compared to the first quarter of 2018, driven by strength in retail (+2.5%), followed by industrial (+2.3%) and office (+0.5%). Quarter-end occupancy remained solid at 97.4%. Notably, Choice Properties Real Estate Investment Trust's rental residential development pipeline continues to expand, with seven projects totalling 1,184 residential units in various stages of planning and development.

On April 29, InterRent Real Estate Investment Trust (TSX:IIP.UN) reported solid first-quarter 2019 results. Same-property NOI was up a 11.5% compared to the first quarter 2018, marking the seventh consecutive quarter the company has had same-property NOI above 10%. Same-property average rent per suite was up 8.5% to $1,223, with all regions reporting high-single-digit year-over-year growth, led by Eastern Ontario, Montreal and Ottawa. InterRent Real Estate Investment Trust provided new disclosure during the quarter, estimating the average mark-to-market on rent for its total portfolio at over 25%. The company remains one of the Fund's top holdings.

In late April, RBC Economics Research published an interesting report focused on Canada's housing market, which suggested the number of people aged 20–34 is growing at a healthy clip in Vancouver, Toronto and Montreal. For every millennial leaving a major Canadian city for "more affordable digs" in the same province, between seven and 12 millennials move in from another country or province. Despite high and rising housing costs in Vancouver, Toronto and Montreal, the 20–34-year-old cohort in these three cities rose 96,000, or 2.9%, in 2018 – the most significant increase in the past 12 years – with Toronto seeing the greatest increase (+58,000, or 4.1%). As Canada increases its annual immigration target from 330,000 in 2019 to 350,000 in 2021, the inflow of millennial immigrants is expected to continue to grow over the coming years. Given elevated housing prices, RBC Economics Research expects a greater proportion of these in-bound millennials will rent in the future.

News and Noteworthy

- In early April, we toured two Chartwell Retirement Residences (TSX:CSH.UN) properties and had lunch with the Ontario Retirement Communities Association (ORCA). Representatives from the company and ORCA outlined a number of proposals geared toward improving seniors' access to care and ending hallway health care, which, if implemented, could provide an earnings and NAV boost for the sector. While new supply represents a near-term challenge for certain retirement residence operators, the long-term demand curve remains supportive. In 2017, 7% of Canadians were over 75. By 2030, this number is expected to rise to approximately 11%.

- In early April, Citi/CMBS Research hosted a call on "Coworking," featuring Scott Marshall, President and Chief Development Officer of CBRE Group, Inc.'s Hana co-working flexible office enterprise. The call was timely, given that The We Company ("WeWork") recently filed documents with the U.S. Securities and Exchange Commission relating to an initial public offering and announced to its employees on April 29 its intention to go public. The rapid growth of WeWork and co-working/flexible office more broadly over recent years is having direct implications for office properties. In 2018, co-working providers leased 23.2 million square feet of U.S. office space, representing the second-largest contributor to office leasing activity behind the technology segment. Increasingly, office occupiers are finding future space needs difficult to predict, and as such, are increasingly looking to flexible/turnkey space to satisfy needs. While large occupiers/enterprise tenants represent approximately 20% of co-working users today, the expectation is enterprise tenants will become the dominant user of co-working/shared office space in the future. Recent transaction activity shows that assets with greater than 40% exposure to co-working tend to trade at higher capitalization rates (i.e., lower valuations) versus comparable properties with lesser or no exposure to co-working – and the gap is greater for Class B assets/markets.

- On April 29, Pure Multi-Family REIT LP (TSX:RUF.UN) ceased trading on the Toronto Stock Exchange (TSX) Venture Exchange and commenced trading on the TSX.

Market Outlook

As we look forward to the balance of first-quarter 2019 earnings reports and beyond, our REIT sector stance continues to favour multifamily, industrial, seniors housing and defensive daily necessity-oriented retail. We continue to see significant divergence in valuation by issuer and property type, and we remain biased toward REITs and real estate operating companies with

quality, well-located assets; strong balance sheets; above-average NOI, NAV per-unit and adjusted funds from operations per-unit growth profiles that are attractively valued versus peers and/or direct property. We continue to recycle capital selectivity, and we recently added to the Fund's positions in Minto Apartment Real Estate Investment Trust, Granite Real Estate Investment Trust and Americold Realty Trust.

The Fund's top 10 holdings at month-end included Canadian Apartment Properties Real Estate Investment Trust, Killam Apartment Real Estate Investment Trust, InterRent Real Estate Investment Trust, Morguard North American Residential Real Estate Investment Trust, Dream Industrial Real Estate Investment Trust, First Capital Realty Inc., Allied Properties Real Estate Investment Trust, RioCan Real Estate Investment Trust, Tricon Capital Group Inc. and Pure Multi-Family REIT LP. Combined, these holdings represent 43% of the Fund's portfolio.

Sources: Bloomberg L.P. and First Asset Investment Management, as at April 30, 2019.

Performance (%)	**1 mo.**	**3 mo.**	**6 mo.**	**Year-to-date**	**1 year**	**2 year**	**3 year**	**5 year**	**10 year**	**Since inception***
CI First Asset Canadian REIT ETF	-2.0	4.9	10.1	12.3	15.6	10.2	12.2	12.0	15.6	11.0
S&P/TSX Capped REIT Total Return Index	-3.3	4.2	10.2	11.9	17.3	11.5	10.7	8.5	15.4	10.1
S&P/TSX Composite Total Return Index	3.2	7.6	12.2	16.9	9.6	6.3	9.1	5.6	9.1	7.3
MSCI US REIT Index (Net Return, US$)	-0.3	3.4	10.8	15.6	17.2	5.8	5.4	6.9	13.8	N/A

Sources: Morningstar Direct and First Asset, as at April 30, 2019. * Since-inception date: November 15, 2004.

* The Fund was originally launched as a TSX-listed closed-end fund on November 15, 2004, and converted into an exchange-traded fund on July 14, 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 0.75% (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 real estate 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.

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 securityholder that would have reduced returns. Performance is calculated net of fees.

Use of Benchmarks:

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There are various important differences that may exist between an ETF and the stated index that may affect the performance of each. The objectives and strategies of the ETF result in holdings that do not necessarily reflect the constituents of, and their weights within, the comparable index. Indices are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in an index.

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

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

The MSCI US REIT Index is a market capitalization-weighted index that captures the large-, mid- and small-cap segments of the U.S. real estate equity universe. The index is used as a benchmark to help you understand the Fund's performance relative to the general performance of the U.S. real estate sector.

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