First Asset Global Financial Sector ETF
First Quarter 2019

Performance Summary

- In the first quarter of 2019, First Asset Global Financial Sector ETF (TSX:FSF) (the "Fund") returned 12.5% compared with the MSCI ACWI Financials Index, which returned 6.0%. The main factors contributing to the Fund's outperformance were overweight positions in U.S. financials, especially Synchrony Financial, as well as good stock selection in the Netherlands and France. Foreign exchange exposure negatively impacted the Fund reducing performance 1.97 percentage points for the quarter.

Contributors to Performance

- Synchrony Financial beat fourth-quarter 2018 earnings estimates as loan growth, net interest margins and credit costs remained resilient. Although many market participants expected credit quality to deteriorate, Synchrony Financial's portfolio continues to show strong asset quality. Walmart Inc. dropped its lawsuit against Synchrony Financial, and at the same time, the company was able to agree on the sale of the Walmart credit card portfolio to Capital One Financial Corp. at a reasonable price. Synchrony Financial was also able to renew and extended its relationship with Sam's Club (owned by Walmart). This was viewed as unlikely as the market assumed Synchrony Financial would lose this relationship in 2021 given the deterioration in the Walmart relationship. Synchrony Financial also renewed and extended its relationship with Amazon.com, Inc. earlier than anticipated. All this combined to help the company's stock rebound from near-liquidation valuation levels to more reasonable one, but Synchrony Financial is still offering a significant upside to our price target for the company's stock.

- Silicon Valley Bank specializes in lending to companies in the technology sector, and it has strong relationships with tech companies in California's Silicon Valley and other technology hubs. Negative outlook on the U.S. economy and the notion of a drop in tech spending by companies impacted the bank's stock performance in the fourth quarter of 2018. A combination of better outlook on the U.S. economy, But, a strong set of first-quarter 2019 earnings, combined with a better outlook for the U.S. economy and tech spending, helped the bank's stock to rerate. We believe the bank's unique niche in the growing technology field should help it continue generating strong results at an above-average growth level.

Detractors from Performance

- SunTrust Banks, Inc. is a regional bank focused on the southeastern U.S. and operates across a number of business lines. SunTrust was purchased midway through the quarter and sold off with other banks late in the quarter, thus showing up as a detractor from the Fund's performance. We like the bank's planned merger with BB&T Corp. as it creates a relatively dominant franchise in a growth market.

- Burford Capital Ltd. is the world's largest player in the emerging field of litigation finance. While still growing its core non-recourse business, new commitments in 2018 skewed the company toward principal financing, which carries lower gross returns but also lower risks. The market's reaction to this move was negative, reflecting concerns of investors about the sustainability of Burford Capital's high return on invested capital. We like the company's evolution toward a more diversified investment portfolio and balanced risk profile, and we remain confident Burford Capital is best-positioned to benefit from the rising demand for litigation finance.

Portfolio Activity

- Discover Financial Services, Inc. is one of the biggest credit card companies in the U.S., and like other credit card companies that carry credit risk, the market has been apprehensive regarding late-cycle worries and their impact on these companies. This was especially true during the fourth quarter of 2018 when worries about a looming recession were at their peak. We decided to exit the Fund's position in Discover Financial Services as the company's stock performed well during the first quarter of 2019, in line with reduced fears of a full-blown recession in the U.S. and a realization that loan losses are still not showing signs of spiking.

- 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

- We maintain a positive outlook for the global financials sector as risk premiums remain attractive relative to the broader market. The financial system is healthy despite a prolonged period of low interest rates. While European politics will continue to be a challenge, the breakup of the euro zone is not expected to materialize. U.S. financials, although somewhat recovered during the quarter, have been impacted by recession expectations, despite there being little evidence one is imminent, as strong employment levels persist. Emerging market financials, although not relatively cheap, should continue to offer growth through careful stock selection. With strong capital positions and low growth prospects, we expect the sector to return significant capital to shareholders through growing dividends and share buybacks.

Performance (in %)	Year-to-date	1 year	3 year	5 year	Since inception (11/21/2014)
First Asset Global Financial Sector ETF	12.5	-9.4	13.2	–	1.2
MSCI ACWI Financials Index (Gross Total Return, Unhedged)	6.0	-3.9	12.1	–	9.0

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.

The Fund was originally launched as a TSX-listed closed-end fund on November 21, 2014, and converted into an exchange-traded fund on April 25, 2016. 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 0.85% (from 1.00%) 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 of the Fund to invest in securities of global financial issuers, thereby broadening the scope of eligible investments both geographically and by type of financial institutions. On April 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 ACWI Financials Index captures large- and mid-cap-sized, listed companies across 23 developed-market and 23 emerging-market countries. All securities in the index are classified in the financials sector as per 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 the financial sector within global developed and emerging markets.

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