

The MSCI ACWI Financials Index (the "Benchmark") declined -6.8% during the quarter in Canadian dollars, slightly outperforming the broad market MSCI ACWI Index which returned -7.8% in Canadian dollars. First Asset Global Financial Sector ETF ("FSF" or the "Fund") experienced poor relative performance during the quarter, underperforming the Financials Benchmark in the quarter with a return of negative 14%. For the year, FSF returned -18.7%, lagging the Benchmark loss of 7.5% in Canadian currency.

**North American Financials** represent 48% of the Benchmark and the Fund's average exposure was slightly lower at 44.9%. The Fund was overweight US Financials by 300 basis points and underweight Canadian Financials by 550 basis points. Benchmark North American Financials lost 13.6% during the period while the Fund's positions did poorly, declining 22.4%. The only positive contributor during the period was a small trading gain in Ameritrade. Negative performance was widespread. Importantly, the horrific performance was driven primarily by increasingly negative sentiment which could recover quickly as fundamentals generally remain quite healthy.

The largest detractors in our U.S. positions were Air Lease, Bank OZK and GreenSky, which all declined in excess of 30% during the quarter. Losses of between 25-30% were experienced in Affiliated Managers Group, Invesco and SLM Corp. Synchrony Financial, our largest position, declined almost 24% and Discover declined 22.4%. We continue to view U.S. Financials as fundamentally attractive with reduced regulatory uncertainty, strong balance sheets, terrific capital return and a healthy economy. Flattening yield curves and global trade tensions are obvious negatives. However, we estimate that valuation multiples have generally receded by 24% during 2018, which we feel is a bit crazy. The good news is that the Fund's owned businesses are benefiting from this sell-off through their share buyback activity which is expected to enhance long-term performance.

**European & UK Financials** represent approximately 23.9% of the Benchmark and Fund exposure was materially overweight during the quarter, averaging more than 43%. This overweight hurt performance as the Fund's positions declined 17.5% relative to these regional Benchmark positions which declined 12.5%, in local currencies, during the quarter. Our most damaging positions in the region were market-sensitive names such as UBS (-21%) and Anima (-24%), and French banks BNP (-25%) and Credit Agricole (-24%), and we must not forget Danske that declined almost 24% as well. We continue to own these positions viewing market sentiment as unreasonably harsh. Danske is a name that will remain in the headlines as the bank continues to be reprimanded for weak money laundering supervision of its Estonian business years ago. The risks of substantial fines and client loss appear to be well discounted in the bank's valuation. We did generate small gains in Just Group PLC and in NIBC, a small Dutch bank. We find European bank valuations to be competitively compelling relative to also cheap U.S. Financials and would note that, in a European market context, the banks offer the highest sector yield with superior dividend growth expectations.

**Asia, including Japan and Australia**, represent 23.5% of the Benchmark and average exposure during the quarter was materially lower at 7.6% of the Fund. Overall, the Benchmark's positions in this region lost 9% in the period and FSF's regional exposures did much better with a weighted average return above 5%. Obviously, our large underweight in this region materially hurt relative performance during the quarter as this region did much better than Europe. A few regional markets actually generated positive sector returns during the quarter, including India, Indonesia and the Philippines. ICICI Bank advanced 20% during the quarter and we exited that stock following the nice gain, as valuation had become less compelling relative to global peers. Our largest remaining Asian exposures are Ping An Insurance Company of China and Indonesia's Bank Rakyat.

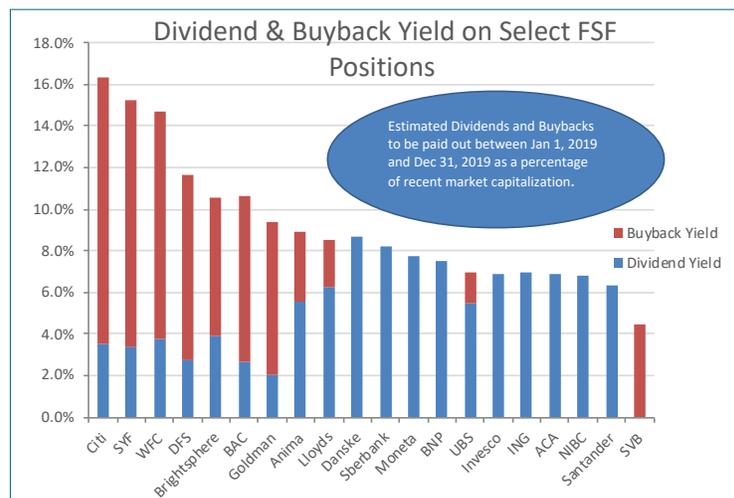
A large underweight in this region can be expected moving forward as we find many Hong Kong and Japanese Financials do not adequately prioritize shareholder interests in managing their businesses. We tend to favour India, Indonesia and select opportunities within Australia in the region.

**Latam (Latin American) Financials** represent 2.6% of the Benchmark and 3.35% of the Fund during the quarter. South American Financials were the standout performers during the quarter with Benchmark performance of almost 19%. Our positioning in the region outperformed with our small position in Banco do Brasil advancing almost 60% following favourable election results. Brazil is one country that is definitely not late cycle, as political uncertainty has weighed on the country's economy for many years now. In addition to the Banco do Brasil position we have switched the Fund's holdings in BBVA Compass Bank into Santander Bank, which increases our exposure to Brazil. Our valuation work suggests that more than a third of Santander's economic value is in their Brazilian franchise.

Our largest regional exposure remains Peru's Intercorp, which had a positive return of 5% over the period. Peruvian loan growth has been improving recently which we expect to enhance returns moving forward.

Currency hedging – We have approximately 20% of the U.S. currency hedged to start the fourth quarter. At the beginning of the fourth quarter, we had hedged almost half of U.S. currency exposure, which was not helpful as the U.S. dollar rallied 5.6% against the Canadian dollar. Hedging activity reduced performance by just over 50 basis points during the quarter relative to being unhedged.

Sector yield - The chart below illustrates anticipated capital returns to shareholders via dividends and buybacks as a percentage of current market capitalization for select holdings in FSF. Going forward, we expect unitholders to enjoy attractive yields both in U.S. and European Financials.



Source: Company Reports, Bloomberg and, Signature Estimates as at December 31, 2018. For Illustrative Purposes Only. The chart shows estimates only, actual results may vary.

## Fund Performance

	1 Month	3 Month	6 Month	YTD	1 Year	2 Year	3 Year	SI <sup>1</sup>
First Asset Global Financial Sector ETF	-9.16%	-14.09%	-16.46%	-18.65%	-18.65%	0.26%	0.34%	-1.61%
MSCI ACWI Index (Net Total Return, Unhedged) CAD	-4.48%	-7.81%	-5.54%	-1.26%	-1.26%	6.95%	6.00%	8.77%
MSCI ACWI Financials Index (Gross Total Return, Unhedged) CAD	-5.35%	-6.79%	-6.02%	-7.52%	-7.52%	3.82%	5.57%	8.03%

Source: First Asset as at December 31, 2018

Inception date: November 21, 2014<sup>1</sup>

1. 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.

Use of Benchmark: MSCI ACWI Index is a global equity index and is designed to represent performance of the full opportunity set of large and mid-cap stocks across 23 developed and 24 emerging markets which covers more than 2,400 constituents across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market. This index is used as a benchmark to help you understand the Fund's performance relative to the general performance of global developed and emerging 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.

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*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 \$50 billion as of December 31, 2018, 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.

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 **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.

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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 document are solely those of the Portfolio Manager, Signature Global Asset Management, at the indicated date of the information and are subject to change without notice. Some of the statements contained in this document may be considered forward looking statements which provide current expectations or forecasts of future events. Such forward-looking statements reflect the Portfolio Manager's current expectations or forecasts of future events and are based on information currently available to the Portfolio Manager. Such forward looking statements are not guarantees of future performance or events and involve risks and uncertainties. Actual results may differ materially from those described in such forward-looking statements as a result of various factors. These factors include, but are not limited to, general economic, political and market factors globally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events. First Asset and the Portfolio Manager do not undertake any obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as expressly required by law. This document includes information that has been obtained from third party sources. Although the Portfolio Manager believes that these independent sources are generally reliable, the accuracy and completeness of such information is not guaranteed and has not been independently verified. The Portfolio Manager and First Asset assume no responsibility for any losses or damages, whether direct or indirect, which arise from the use of this third party information and expressly disclaims liability for any errors or omissions in this information. The Fund is advised by Signature Global Asset Management and managed by First Asset Investment Management Inc. ("First Asset"), a subsidiary CI Financial Corp., which is listed on the Toronto Stock Exchange under the symbol "CIX". ™First Asset and its logo are trademarks of a subsidiary of CI Financial Corp. ®CI FINANCIAL is a registered trademark of CI Investments Inc., used under license. Signature Global Asset Management is a division of CI Investments Inc., and an affiliate of First Asset. Published on February 14, 2019.