

The MSCI Europe Index returned 1.4% during the third quarter while the MSCI Europe Banks Index did much worse with a -2.8% return. The euro was weak in the quarter, declining 2.4% against the Loonie. During the quarter, the Euro banks underperformed the global financials sector as measured by the MSCI ACWI Financial Index which advanced 3.2% in euro currency. The First Asset European Bank ETF (the "Fund") underperformed the broad European benchmark given the broad underperformance of financials in the period. More relevant is the Fund's slight outperformance of the MSCI Europe Banks Index as the Fund declined 3.59% relative to the bank index decline of 4.8% in our domestic currency. For the full year, the Fund's 11% decline outperformed the MSCI Europe Banks Index decline of 12.8% in our currency.

The Euro bank benchmark derived some positive performance during the quarter from Sweden, Norway, Germany and France while all other regions had negative performance. Swedish financials represent 9.3% of the benchmark and advanced 14%. The Fund benefited from an overweight exposure in Sweden weighted at 14.4% and returning 14.35% in the period in local currency. The Fund's average weight in France of 14.5% was above the benchmark's 12.5% and our exposure returned 3.6% relative to the benchmark's 1.2%.

The U.K. represents 34.2% of the MSCI European Banks Index and the Fund maintained a large relative underweight. HSBC, representing 19.4% of this benchmark, is a key influencer and declined 4.7% during the period. The Fund does not own HSBC as we believe it remains relatively expensive. Our U.K. allocation of 5.25% returned -1.25% relative to the benchmark's -5.1%. We view Lloyds bank and 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 benefited performance as UBS returned a positive 1.1%. Switzerland is not in the benchmark and thus the UBS position is a complete overweight. We find the UBS valuation extremely compelling at less than 10X forward earnings estimates.

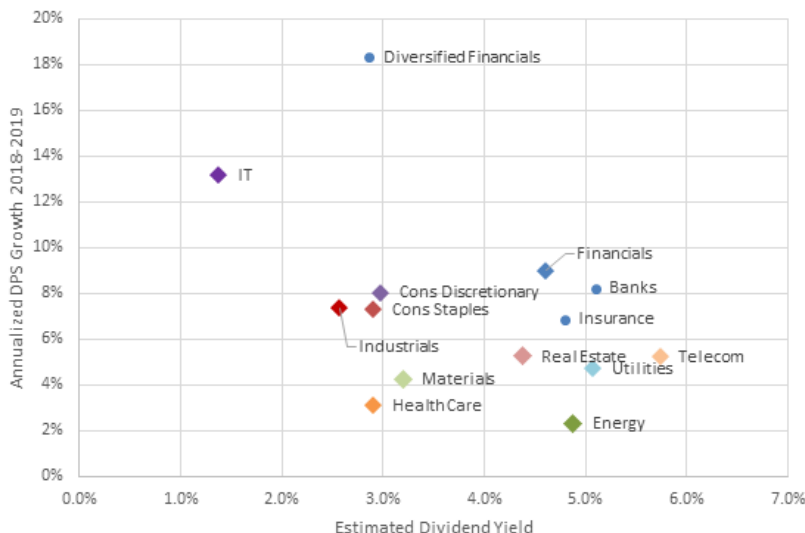
Italy represents just 8.5% of the benchmark while the fund was positioned with an average weight during the quarter of 11%. Our Italian exposures returned -9.6% during the quarter, 37 basis points worse than benchmark Italian returns. We believe the Italian economy is gradually improving and we have seen improving loan growth. Political risk is always an overhang in Italy. However, we find fundamental valuations in Italy financials to be very compelling.

Danske Bank of Denmark was our largest single detractor as the large position and 15.5% negative return generated a 75-basis-point loss for the Fund in the period. The bank's valuation has been negatively impacted by growing news flow regarding their Estonian money laundering activities. The market has been aware of risks surrounding this inquiry for quite some time. Management negligence will surely result in costly fines and has already damaged the bank's reputation. We believe the stock's 33% decline over the past year heavily discounts the settlement risks.

The fund starts the fourth quarter of 2018 without a euro currency hedge as we see the European currency as undervalued. A partial euro currency hedge was in place for part of the third quarter which slightly improved performance given the Loonie's 2.4% advance against the euro during the past quarter.

European banks have significantly lagged their global competitors in recent years and appear to offer a relatively compelling regional investment opportunity within global financials over the medium term. 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. The MSCI European Banks Index has returned only 11.4% over the past 5 years. However, we now believe the sector is poised for a catch-up trade relative to global competitors given less demanding valuations, an improving economic backdrop, a very recent and material decline in regulatory uncertainty (Basel IV) and an anticipated rise in European interest rate structures in the medium term. We have conviction that the sector offers very compelling dividend yield and growth relative to the market as illustrated in the chart below:

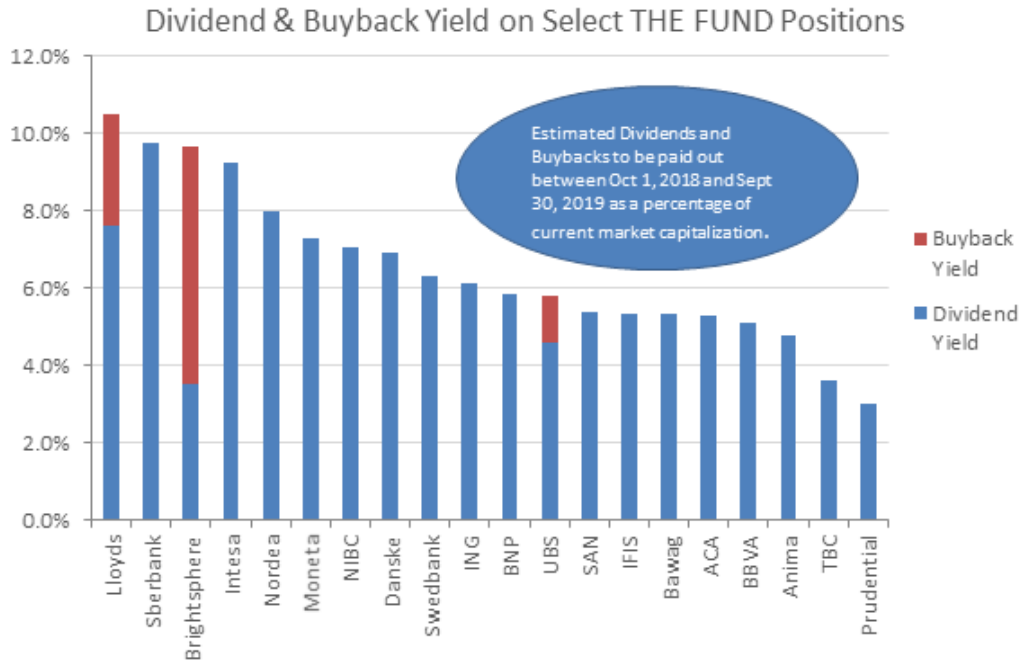
MSCI Europe Index - Div Yield vs Div Growth



Source: MSCI, Bloomberg

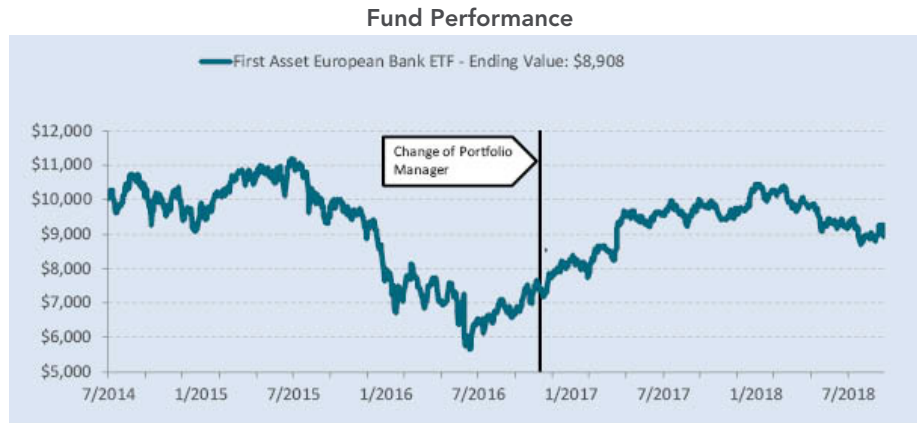
For Illustrative Purposes Only: The chart shows estimates only, actual results may vary.

Sector Yield - We view the financial sector as relatively appealing and unique given compelling yield opportunities that will likely benefit from increasing interest rates. The chart below illustrates anticipated capital returns to shareholders via dividends and buybacks as a percentage of current market capitalization for select holdings in the Fund.



Source: Company Reports, Bloomberg, Signature Estimates.

For Illustrative Purposes Only: The chart shows estimates only, actual results may vary.



Source: First Asset as of September 30, 2018

The rate of return chart shown is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the Fund or returns on investment in the Fund.

Performance (%)	1 Month	3 Month	6 Month	YTD	1 Year	2 Year	3 Year	SI ¹
First Asset European Bank ETF	0.47	-3.59	-10.32	-7.89	-11.01	15.39	-2.05	-2.72
MSCI Europe Index Local	0.34	1.19	5.32	0.74	2.02	9.59	8.70	6.03
MSCI Europe Banks Index Local	0.97	-2.70	-7.35	-11.40	-14.16	10.63	2.21	0.60
MSCI ACWI Financial Index Local	-1.66	-3.10	-4.74	-4.74	5.07	18.43	6.78	7.72

Source: Morningstar Direct as at September 30, 2018

Inception date: August 12, 2014¹

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.**



John Hadwen, CFA
 Vice-President, Portfolio Management
 & Portfolio Manager
 Signature Global Asset Management



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 Vice-President, Portfolio Management
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 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.



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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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