

# CI First Asset MSCI World ESG Impact ETF

Management Report of Fund Performance for the period ended December 31, 2019

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-800-563-5181, by writing to us at CI Investments Inc., 2 Queen Street East, Twentieth Floor, Toronto, ON, M5C 3G7 or by visiting our website at [www.firstasset.com](http://www.firstasset.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## INVESTMENT OBJECTIVE AND STRATEGIES

The CI First Asset MSCI World ESG Impact ETF (the Fund) has been designed to replicate, to the extent possible, the performance of the MSCI World ESG Select Impact ex Fossil Fuels Index (the Index or Benchmark), net of expenses. In respect of the Common Units the Fund has been designed to replicate, to the extent possible, the performance of the MSCI World ESG Select Impact ex Fossil Fuels Index (CAD Hedged) and in respect of the Unhedged Common Units, the Fund has been designed to replicate, to the extent possible, the performance of the MSCI World ESG Select Impact ex Fossil Fuels Index, net of expenses. The investment strategy of the Fund is to invest in and hold the constituent securities of the Index. The Index is based on a traditional market capitalization weighted parent index, the MSCI World Index, which includes World large and mid-capitalization stocks. Constructed using a simple, but effective and transparent process, each security of the parent index is reweighted so that stocks with lower risk are given higher index weights. The final constituents of the Index are determined by ranking these security level risk weights. The Index seeks to emphasize stocks with lower historical return variance and tend to have a bias towards lower size and lower risk stocks. Historically, the Index has exhibited lower realized volatility than the parent index, while maintaining reasonable liquidity and capacity. The only difference between the indices is that the CAD Hedged is 100% hedged to the Canadian dollar by notionally "selling" each foreign currency forward at the one-month forward exchange rate at the end of each month.

## RISK

Unitholders should refer to the prospectus as it contains a detailed discussion of risk and other considerations relating to an investment in the Fund. The prospectus is available free of charge on our website at [www.firstasset.com](http://www.firstasset.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

## RESULTS OF OPERATIONS

As at December 31, 2019, the net asset value of the Fund was \$21.4 million. The Fund had net sales of \$21.2 million for the period. The Fund paid distributions totalling \$0.1 million while the portfolio's performance increased assets by \$0.3 million.

Unlike the end of 2018, when many investors were questioning the sustainability of the upward equity market, 2019 ended the year on a positive note, with U.S. and Canadian stock markets hitting all-time highs. U.S. equities, as measured by the S&P 500 Index, had a very strong year, returning 31.5%, despite trade disputes, cautious central banks and a slowing economy that concerned investors several times. Canadian equities, as measured by the S&P/TSX Composite Index, posted a total return of 22.9%, underperforming the U.S.

At the beginning of the year, investors had been anticipating two interest rate increases by the U.S. Federal Reserve Board (Fed) in 2019. However, early in the year, it was clear that these increases would not come to fruition. The Fed reduced the federal funds rate by 75 basis points (bps) by end of the 2019, in an effort to extend the business cycle, as inflation remained low despite extremely tight labour markets.

## RECENT DEVELOPMENTS

The U.S. economy is expected to slow somewhat in 2020 with real gross domestic product (GDP) growth expected at 1.8% versus 2.3% in 2019. The signing of the U.S.-China phase one trade deal avoided escalating tariffs and has reduced investor anxiety. U.S. inflation is expected to increase somewhat, but still remain near the Fed's target.

Effective September 19, 2019, James McPhedran became a member of the Independent Review Committee (IRC) of CI Funds.

## RELATED PARTY TRANSACTIONS

### **Manager, Trustee and Portfolio Manager**

CI is the Manager, Trustee and Portfolio Manager of the Fund. CI is a subsidiary of CI Financial Corp. The Manager, in consideration of management fees, provided management services required in the day-to-day operations of the Fund.

Management fee rates as at December 31, 2019, for each of the classes are shown below:

	Annual management fee rate (%)
Common Units	0.550
Unhedged Common Units	0.550

The Manager received \$0.01 million in management fees for the period.

### **Management Fees**

100% of management fees were used to pay for investment management and other general administration.

### **Independent Review Committee**

The Fund received standing instructions from the Fund's IRC with respect to the following related party transactions:

- trades in securities of CI Financial Corp.; and
- purchases or sales of securities of an issuer from or to another investment fund managed by the Manager.

The applicable standing instructions require, amongst others, that related party transactions be conducted in accordance with the Manager's policies and procedures and applicable law and that the Manager advise the IRC of any material breach of such policies. The standing instructions also require that investment decisions in respect of related party transactions (a) are free from any influence by an entity related to the Manager and without taking into account any consideration relevant to an entity related to the Manager; (b) represent the business judgment of the Manager uninfluenced by

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considerations other than the best interests of the Fund; (c) are made in compliance with the Manager's policies and procedures; and (d) achieve a fair and reasonable result for the Fund. Transactions made by the Manager under the standing instructions are subsequently reviewed by the IRC on a quarterly basis to monitor compliance.

The Fund relied on the IRC's standing instructions regarding related party transactions during this reporting period.

Except as otherwise noted above, the Fund was not a party to any related party transactions during the period ended December 31, 2019.

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## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past period.

Net Assets per Unit (\$) <sup>(1)(2)(4)</sup>	Increase (decrease) from operations:					Distributions:					Net assets at the end of the period shown <sup>(2)</sup>	
	Net assets at the beginning of period <sup>(2)</sup>	Total revenue	Total expenses (excluding distributions)	Realized gains (losses) for the period	Unrealized gains (losses) for the period	Total increase (decrease) from operations <sup>(2)</sup>	From net investment income (excluding dividends)	From dividends	From capital gains	Return of capital		Total distributions <sup>(2)(3)</sup>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Common Units</b>												
Commencement of operations September 17, 2019												
Listed NEO: CESH												
Dec. 31, 2019	20.00	0.13	(0.27)	(0.07)	1.92	1.71	-	-	-	(0.06)	(0.06)	21.65
<b>Unhedged Common Units</b>												
Commencement of operations September 17, 2019												
Listed NEO: CESH.B												
Dec. 31, 2019	20.00	0.16	(0.13)	(0.01)	0.35	0.37	(0.01)	-	-	(0.05)	(0.06)	21.33

(1) This information is derived from the Fund's audited annual financial statements.

(2) Net assets per unit and distributions per unit are based on the actual number of units outstanding for the relevant class at the relevant time. The increase (decrease) in net assets from operations per unit is based on the weighted average number of units outstanding for the relevant class over the fiscal period.

(3) Distributions are automatically reinvested in additional units of the Fund.

(4) This information is provided for the period ended December 31, 2019.

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## FINANCIAL HIGHLIGHTS (cont'd)

### Ratios and Supplemental Data <sup>(1)(6)</sup>

	Total net assets <sup>(1)</sup> \$000's	Number of units outstanding <sup>(1)</sup> 000's	Management expense ratio before waivers or absorptions <sup>(2)</sup> %	Management expense ratio after taxes <sup>(2)</sup> %	Trading expense ratio <sup>(3)</sup> %	Portfolio turnover rate <sup>(4)</sup> %	Closing market price (\$) <sup>(6)</sup> %
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#### Common Units

Commencement of operations September 17, 2019

Listed NEO: CESH

Dec. 31, 2019	1,082	50	0.67	0.67	1.51	2.21	21.64
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#### Unhedged Common Units

Commencement of operations September 17, 2019

Listed NEO: CESH.B

Dec. 31, 2019	20,268	950	0.73	0.73	1.51	2.21	21.30
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(1) This information is derived from the Fund's audited annual financial statements.

(2) Management expense ratio is calculated based on expenses charged to the Fund (excluding commissions and other portfolio transaction costs) and is expressed as an annualized percentage of daily average net assets for the period, including the Fund's proportionate share of any underlying fund(s) expenses, if applicable. The Effective HST tax rate is calculated using the attribution percentage for each province based on unitholder residency and can be different from 13%.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period, including the Fund's proportionate share of such expenses of any underlying fund(s), if applicable.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the fiscal period. The higher a Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a higher turnover rate and the performance of a Fund. Portfolio turnover rate is calculated by dividing the lesser of the cost of purchases and the proceeds of sales of portfolio securities for the period, and excluding cash and short-term investments maturing in less than one year, and before assets acquired from a merger, if applicable, by the average of the monthly fair value of investments during the period.

(5) This information is provided for the period ended December 31, 2019.

(6) Closing market price.

## PAST PERFORMANCE

In accordance with National Instrument 81-106, Investment Fund Continuous Disclosure, "PAST PERFORMANCE" disclosure consisting of "Year-by-Year Returns" and "Annual Compound Returns" is not required if a Fund has been a reporting issuer for less than a year.

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## SUMMARY OF INVESTMENT PORTFOLIO as at December 31, 2019

Category	% of Net Assets	Category	% of Net Assets	Top 25 Holdings	% of Net Assets
<b>Country allocation</b>		<b>Sector allocation</b>			
U.S.A.	51.3	Consumer Staples	25.3	Tesla Motors Inc.	5.9
Japan	16.4	Health Care	23.5	Procter & Gamble Co. (The)	5.1
Denmark	7.2	Industrials	16.7	Amgen Inc.	3.8
France	4.7	Real Estate	16.4	Welltower Inc.	3.5
Australia	4.1	Consumer Discretionary	9.3	AbbVie Inc.	3.5
Hong Kong	3.9	Utilities	3.2	Colgate-Palmolive Co.	3.3
U.K.	3.2	Information Technology	2.8	Central Japan Railway Co.	3.0
Singapore	2.1	Materials	1.8	Danone	3.0
Ireland	1.2	Communication Services	0.7	East Japan Railway Co.	2.9
Belgium	1.2	Cash & Cash Equivalents	0.3	Kimberly-Clark Corp.	2.8
Portugal	1.2	Other Net Assets (Liabilities)	0.0	Novo Nordisk AS, Series 'B'	2.7
Sweden	1.1			Sun Hung Kai Properties Ltd.	2.5
Norway	1.1			Kao Corp.	2.3
Austria	0.3			CSL Ltd.	2.3
Canada	0.3			Gilead Sciences Inc.	2.2
Cash & Cash Equivalents	0.3			Orsted AS	2.0
Switzerland	0.2			Vestas Wind Systems AS	2.0
Netherlands	0.2			Alexandria Real Estate Equities Inc.	1.9
Other Net Assets (Liabilities)	0.0			General Mills Inc.	1.9
				Healthpeak Properties Inc.	1.8
				Citrix Systems Inc.	1.5
				Vertex Pharmaceuticals Inc.	1.5
				Xylem Inc.	1.5
				West Japan Railway Co.	1.5
				Biogen Inc.	1.4
				<b>Total Net Assets (in \$000's)</b>	<b>\$21,350</b>

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund and updates will be available on a quarterly basis.

## A NOTE ON FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective," and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any

forward-looking statement made by the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchanges rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.