

# CI First Asset CanBanc Income Class ETF

Management Report of Fund Performance for the year 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 investment objectives of the CI First Asset CanBanc Income Class ETF (the Fund) are to provide shareholders with: (i) quarterly distributions, (ii) the opportunity for capital appreciation, and (iii) lower overall volatility of portfolio returns than would be experienced by owning a portfolio of common shares of the six largest Canadian banks directly. The Fund invests in a portfolio of common shares of the banks. Each month, the Fund sells call options on approximately, and not more than, 25% of the common shares of each bank held in the portfolio.

## RISK

There were no changes to the Fund over the period of this report that materially affected the overall level of risk associated with an investment in the Fund. Shareholders 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

The Fund's net assets increased by \$11.3 million to \$150.8 million from December 31, 2018 to December 31, 2019. The Fund had net sales of \$1.3 million for the year. The Fund paid distributions totalling \$9.4 million while the portfolio's performance increased assets by \$19.4 million. The Fund returned 14.1% after fees and expenses for the year ended December 31, 2019. Over the same time period, the Fund's benchmark returned 16.8%. The Fund's benchmark is the S&P/TSX Equal Weight Diversified Banks Total Return Index (the Index or Benchmark).

The Fund employs a near-the-money covered call overlay strategy on approximately 25% of the holdings of each portfolio issuer. In a flat (or down) market, this strategy allows the Fund to outperform the benchmark by generating additional income from options that are not exercised before expiry.

Equity markets were generally positive throughout 2019 despite declining economic data, U.S.-China trade dispute worries, and uncertainty surrounding the U.K.'s exit from the European Union. The equity market was calmed by three unexpected interest rate cuts by the U.S. Federal Reserve Board (Fed), which reduced interest rates and kept money flowing to riskier assets. U.S. equities, as measured by the S&P 500 Index, finished the year with a total return of 31.5%. The Canadian market, as measured by the S&P/TSX Composite Index, posted a total return of 22.9%, dragged down by sharply lower oil prices in the last couple months of the year. Ultimately, it was a strong rebound year for most stock markets.

With the Fed's interest rate decreases, the U.S. 10-year bond yield was volatile. After starting 2019 at approximately 2.7%, the yield dropped to a low of 1.4% in the summer, before recovering somewhat, finishing the year at 1.9%, as a U.S.-China trade deal was agreed on in principle. The Bank of Canada held firm on interest rates throughout the year. The 10-year Government of Canada bond yield was also volatile during the year, starting at 1.9% at the beginning of the year, dropping as low as 1.1% in August, and ending the year at 1.7%.

The Fund invests solely in Canadian banks. Top individual contributors to the Fund's performance included National Bank of Canada, Royal Bank of Canada and Bank of Montreal, which added +603 basis points (bps), +278 bps and +259 bps, respectively, to performance.

The weakest relative performers were The Toronto-Dominion Bank (+231 bps), Canadian Imperial Bank of Commerce (+181 bps) and Bank of Nova Scotia (+174 bps).

Overall, the Fund underperformed its benchmark for the year.

## 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 April 29, 2019, First Asset ETFs were rebranded as CI First Asset ETFs.

On July 1, 2019, First Asset Investment Management Inc. amalgamated with CI Investments Inc. (CI). After the amalgamation, members of the Independent Review Committee (IRC) of the CI family of funds also became members of the First Asset Funds' IRC (together, the CI Funds IRC). Previous members of the First Asset Funds' IRC resigned on June 30, 2019.

Effective September 19, 2019, James McPhedran became a member of the IRC of CI Funds and effective August 15, 2019, John Reucassel resigned as a member of the IRC of CI Funds.

## RELATED PARTY TRANSACTIONS

### **Manager and Portfolio Manager**

CI is the Manager 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.

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Management fee rate as at December 31, 2019, for the class is shown below:

	Annual management fee rate (%)
ETF Shares	0.650

The Manager received \$1.0 million in management fees for the year.

## **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:

- a) trades in securities of CI Financial Corp.; and
- b) 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 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 year.

Except as otherwise noted above, the Fund was not a party to any related party transactions during the year 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 five years.

Net Assets per Share (\$) <sup>(1) (2) (4)</sup>	Increase (decrease) from operations:					Dividends:					Net assets at the end of the year shown <sup>(2)</sup>	
	Net assets at the beginning of year <sup>(2)</sup>	Total revenue	Total expenses (excluding distributions)	Realized gains (losses) for the year	Unrealized gains (losses) for the year	Total increase (decrease) from operations <sup>(2)</sup>	From net investment income (excluding dividends)	From dividends	From capital gains	Return of capital		Total dividends <sup>(2) (3)</sup>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$

### ETF Shares

Commencement of operations June 28, 2010

Listed TSX: CIC

Dec. 31, 2019	10.59	0.47	(0.10)	(0.12)	1.20	1.45	-	(0.55)	-	(0.15)	(0.70)	11.36
Dec. 31, 2018	12.35	0.47	(0.11)	0.37	(1.76)	(1.03)	-	(0.47)	-	(0.23)	(0.70)	10.59
Dec. 31, 2017	11.67	0.44	(0.11)	1.89	(0.82)	1.40	-	(0.45)	-	(0.25)	(0.70)	12.35
Dec. 31, 2016	9.93	0.44	(0.10)	1.62	0.78	2.74	-	(0.49)	-	(0.29)	(0.78)	11.67
Dec. 31, 2015	11.17	0.46	(0.14)	1.47	(2.45)	(0.66)	-	(0.46)	-	(0.27)	(0.73)	9.93

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

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

(3) Dividends are automatically reinvested in additional shares of the Fund.

(4) This information is provided for the years ended December 31.

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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 shares 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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### ETF Shares

Commencement of operations June 28, 2010

Listed TSX: CIC

Dec. 31, 2019	150,808	13,271	0.80	0.80	0.07	13.31	11.37
Dec. 31, 2018	139,488	13,171	0.84	0.84	0.07	23.40	10.59
Dec. 31, 2017	166,327	13,471	0.84	0.84	0.07	84.97	12.33
Dec. 31, 2016	148,506	12,721	0.81	0.81	0.12	64.63	11.66
Dec. 31, 2015	111,258	11,208	1.30	1.30	0.05	8.66	9.97

(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 year, 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 shareholder 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 year, 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 year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. 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 year, 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 year.

(5) This information is provided for the years ended December 31.

(6) Closing market price.

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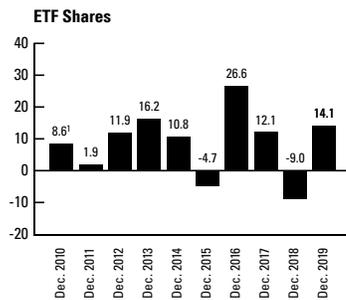
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## PAST PERFORMANCE

This section describes how the Fund has performed in the past. Remember, past returns do not indicate how the Fund will perform in the future. The information shown assumes that dividends made by the Fund in the years shown were reinvested in additional shares of the Fund. In addition, the information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance.

### Year-by-Year Returns

The following chart shows the Fund's annual performance for each of the years shown and illustrates how the Fund's performance has changed from year to year. In percentage terms, the chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year, except where noted.



<sup>1</sup> 2010 return is for the period from August 18, 2010 to December 31, 2010.

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## Annual Compound Returns

The following table shows the Fund's annual compound returns for each year indicated, compared to the S&P/TSX Composite Total Return Index and the S&P/TSX Equal Weight Diversified Banks Total Return Index.

The S&P/TSX Composite Index is a float-adjusted market capitalization weighted index, which is the principal broad measure of the Canadian equity market. It includes common stocks and income trust units of companies incorporated in Canada which are listed on the Toronto Stock Exchange.

The S&P/TSX Equal Weight Diversified Banks Index is the equal-weighted version of the S&P/TSX Diversified Banks Index, a benchmark including commercial banks whose businesses are derived primarily from commercial lending operations and also have significant activity in retail banking and small and medium corporate lending.

A discussion of the performance of the Fund as compared to the benchmark is found in the Results of Operations section of this report.

	<b>One Year (%)</b>	<b>Three Years (%)</b>	<b>Five Years (%)</b>	<b>Ten Years (%)</b>	<b>Since Inception (%)</b>
<b>ETF Shares</b>	14.1	5.2	7.0	n/a	9.0
S&P/TSX Composite Total Return Index	22.9	6.9	6.3	n/a	7.2
S&P/TSX Equal Weight Diversified Banks Total Return Index	16.8	7.2	8.9	n/a	11.4

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