

# CI First Asset MSCI Europe Low Risk Weighted 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 objective of the CI First Asset MSCI Europe Low Risk Weighted ETF (the Fund) is to replicate, to the extent possible, the performance of the MSCI Europe Risk Weighted Top 100 Index (the Index or Benchmark), net of expenses. In respect of the Common Units, the Fund's investment objective is to replicate, to the extent possible, the performance of MSCI Europe Risk Weighted Top 100 Index (CAD Hedged) and in respect of the Unhedged Units, the Fund's investment objective is to replicate, to the extent possible, the performance of the MSCI Europe Risk Weighted Top 100 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 Europe Index, which includes developed Europe 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 and taking the top 100 subset securities. 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 in comparison to 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

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. 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

The Fund's net assets increased by \$0.4 million to \$70.9 million from December 31, 2018 to December 31, 2019. The Fund had net redemptions of \$12.3 million for the year. The Fund paid distributions totalling \$2.6 million while the portfolio's performance increased assets by \$15.3 million. Common Units returned 26.4% after fees and expenses for the year ended December 31, 2019. Over the same time period, the Fund's benchmark returned 27.8%.

Please refer to the "Past Performance" section which outlines the performance of the Fund's other units.

The Fund slightly underperformed the benchmark for the year.

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 concerns, 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 the end of 2019, in an effort to extend the business cycle, as inflation remained low despite extremely tight labour markets.

The Fund's top-performing sectors included the financials, industrials and real estate sectors, which contributed +437 bps, +367 bps and +302 bps, respectively, to performance. Top individual contributors to performance included Swiss Prime Site AG (+83 bps), Nestlé SA (+55 bps) and SEGRO PLC (+54 bps).

The weakest sector performance came from health care (+68 bps), communication services (+42 bps) and energy (+2 bps). Individual detractors from performance included Colruyt NV (-30 bps), Deutsche Wohnen SE (-16 bps) and Vodafone Group Plc (-16 bps).

Any notable changes in the Fund's holdings were related to Index rebalancing activity. Portfolios are obtained from Morningstar and rebalanced as per their direction with respect to constituents and weightings.

## 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.

Economic data continues to soften, which has been reflected in central banks around the world adopting a more cautious approach to monetary policy.

There are a number of risks overhanging equity markets, despite record-high equity performance. Growth in both revenue and earnings continues to slow. It remains to be seen if a bottom has been reached in corporate earnings or if more downside remains. 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.

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

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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, 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:

	<b>Annual management fee rate (%)</b>
<b>Common Units</b>	0.600
<b>Unhedged Common Units</b>	0.600

The Manager received \$0.4 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 Unit (\$) <sup>(1)(2)(4)</sup>	Increase (decrease) from operations:					Distributions:					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 distributions <sup>(2)(3)</sup>
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Common Units</b>												
Commencement of operations January 27, 2014												
Listed TSX: RWE												
Dec. 31, 2019	24.57	0.92	(0.39)	1.49	4.57	6.59	(0.60)	-	(0.61)	-	(1.21)	30.43
Dec. 31, 2018	26.38	0.90	(0.33)	0.62	(2.48)	(1.29)	(0.65)	-	(0.31)	-	(0.96)	24.57
Dec. 31, 2017	23.66	0.98	(0.29)	0.61	1.87	3.17	(0.72)	-	(0.16)	(0.01)	(0.89)	26.38
Dec. 31, 2016	23.89	0.83	(0.16)	(0.62)	0.24	0.29	(0.83)	-	(0.76)	-	(1.59)	23.66
Dec. 31, 2015	21.89	0.68	(0.16)	1.67	(0.85)	1.34	(0.46)	-	-	(0.01)	(0.47)	23.89
<b>Unhedged Common Units</b>												
Commencement of operations January 27, 2014												
Listed TSX: RWE.B												
Dec. 31, 2019	25.16	0.91	(0.39)	0.84	3.43	4.79	(0.55)	-	-	(0.03)	(0.58)	29.12
Dec. 31, 2018	26.36	0.94	(0.35)	0.49	(1.60)	(0.52)	(0.57)	-	(0.27)	-	(0.84)	25.16
Dec. 31, 2017	23.21	0.98	(0.30)	(0.01)	1.98	2.65	(0.56)	-	-	-	(0.56)	26.36
Dec. 31, 2016	26.00	0.82	(0.17)	(0.64)	(2.18)	(2.17)	(0.71)	-	-	-	(0.71)	23.21
Dec. 31, 2015	21.20	0.66	(0.17)	1.76	2.68	4.93	(0.43)	-	-	(0.06)	(0.49)	26.00

(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 year.

(3) Distributions are automatically reinvested in additional units 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)(5)</sup>

	Total net assets <sup>(1)</sup> \$000's	Number of units outstanding <sup>(5)</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> %
<b>Common Units</b>							
Commencement of operations January 27, 2014							
Listed TSX: RWE							
Dec. 31, 2019	57,057	1,875	0.66	0.66	0.12	32.90	30.48
Dec. 31, 2018	50,971	2,075	0.66	0.66	0.22	56.00	24.62
Dec. 31, 2017	52,099	1,975	0.67	0.67	0.15	28.85	26.40
Dec. 31, 2016	38,224	1,615	0.67	0.67	0.09	26.33	23.61
Dec. 31, 2015	53,508	2,240	0.66	0.66	0.21	60.03	23.80
<b>Unhedged Common Units</b>							
Commencement of operations January 27, 2014							
Listed TSX: RWE.B							
Dec. 31, 2019	13,831	475	0.68	0.68	0.12	32.90	29.16
Dec. 31, 2018	19,501	775	0.68	0.68	0.22	56.00	25.28
Dec. 31, 2017	23,062	875	0.68	0.68	0.15	28.85	26.33
Dec. 31, 2016	11,642	502	0.69	0.69	0.09	26.33	23.14
Dec. 31, 2015	16,901	650	0.68	0.68	0.21	60.03	26.06

(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 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 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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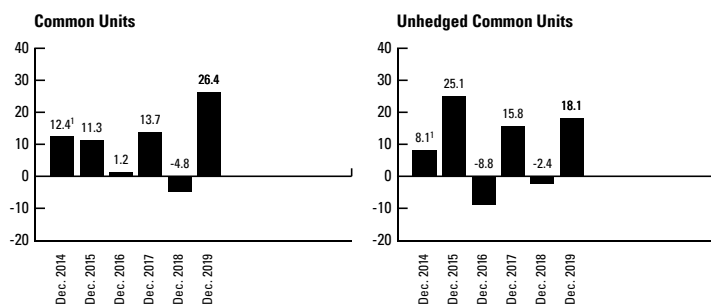
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## PAST PERFORMANCE

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 distributions made by the Fund in the years shown were reinvested in additional units of the relevant classes 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 charts show the Fund's annual performance for each of the years shown and illustrate how the Fund's performance has changed from year to year. In percentage terms, the charts show 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> 2014 return is for the period from February 12, 2014 to December 31, 2014.

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## Annual Compound Returns

The following table shows the Fund's annual compound returns for each year indicated, compared to the MSCI Europe Total Return Index and the MSCI Europe Risk Weighted Top 100 Total Return Index.

The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets countries in Europe. With 439 constituents, the Index covers approximately 85% of the free float-adjusted market capitalization across the European developed markets equity universe.

The MSCI Europe Risk Weighted Top 100 Index is based on a traditional market capitalization weighted parent index, the MSCI Europe Index, which includes developed Europe large and mid-capitalization stocks. 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 and taking the top 100 subset securities.

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

	One Year (%)	Three Years (%)	Five Years (%)	Ten Years (%)	Since Inception (%)
<b>Common Units</b>	26.4	11.0	9.0	n/a	9.7
MSCI Europe Total Return Index (CAD Hedged)	25.7	9.3	8.2	n/a	8.5
MSCI Europe Risk Weighted Top 100 Total Return Index (CAD Hedged)	27.8	11.8	10.2	n/a	11.3
<b>Unhedged Common Units</b>	18.1	10.1	8.8	n/a	8.8
MSCI Europe Total Return Index	23.8	9.8	5.1	n/a	4.0
MSCI Europe Risk Weighted Top 100 Total Return Index	19.1	10.8	9.5	n/a	9.7

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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>			
Switzerland .....	22.4	Financials .....	24.7	Chocoladefabriken Lindt & Sprungli AG .....	2.2
France .....	19.1	Consumer Staples .....	18.7	Swiss Prime Site AG, Registered .....	2.0
U.K. ....	18.4	Industrials .....	15.8	Nestle SA, Registered .....	1.8
Germany .....	10.3	Real Estate .....	11.2	Groupe Bruxelles Lambert SA .....	1.4
Sweden .....	5.1	Communication Services .....	7.5	Swisscom AG .....	1.4
Netherlands .....	4.9	Utilities .....	5.5	Givaudan SA, Registered .....	1.3
Spain .....	4.5	Materials .....	4.9	Carlsberg AS, Series 'B' .....	1.3
Norway .....	3.6	Health Care .....	3.7	ICADE .....	1.3
Belgium .....	3.1	Consumer Discretionary .....	3.4	Covivio .....	1.3
Denmark .....	2.5	Energy .....	2.5	Muenchener Rueckversicherungs-Gesellschaft AG, Registered ...	1.2
Finland .....	2.0	Other Net Assets (Liabilities) .....	1.1	Tryg AS .....	1.2
Ireland .....	1.9	Information Technology .....	0.9	SEGRO PLC .....	1.2
Other Net Assets (Liabilities) .....	1.1	Cash & Cash Equivalents .....	0.1	Zurich Insurance Group AG .....	1.2
Italy .....	1.0			Sampo OYJ, Series 'A' .....	1.2
Cash & Cash Equivalents .....	0.1			Swiss Life Holding AG, Registered .....	1.2
				Swiss Re AG .....	1.2
				Diageo PLC .....	1.2
				SGS SA, Registered .....	1.1
				Heineken Holding NV .....	1.1
				National Grid PLC .....	1.1
				Baloise Holding AG, Registered .....	1.1
				Heineken NV .....	1.1
				Orange SA .....	1.1
				Hannover Rueckversicherungs SE .....	1.1
				RELX PLC .....	1.1
				<b>Total Net Assets (in \$000's)</b>	<b>\$70,888</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.