
First Asset
Canadian Dividend Opportunity Fund

Annual Management Report of Fund Performance
for the period March 22, 2010 to December 31, 2010

Fund: First Asset Canadian Dividend Opportunity Fund

Securities: Listed TSX: DOF.UN

Period: March 22, 2010 to December 31, 2010

Manager & Trustee: First Asset Investment Management Inc.
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Notes:

1. This Annual Management Report of Fund Performance contains financial highlights but does not contain the complete Annual Financial Statements of the Fund. You can get a copy of the Annual Financial Statements at your request, and at no cost, by contacting us (contact information above) or on SEDAR at www.sedar.com. Securityholders may also contact us to request a free copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.
2. This report may contain forward looking statements. Forward looking statements involve risks and uncertainties and are predictive in nature and actual results could differ materially from those contemplated by the forward looking statements.
3. Unless otherwise indicated all information is as at December 31, 2010.
4. None of the websites that are referred to in this Annual Management Report of Fund Performance, nor any of the information on any such websites, are incorporated by reference in this Annual Management Report of Fund Performance.

Investment Objectives and Strategy

The Fund's investment objectives are to provide securityholders with: (i) monthly distributions initially targeted to be 6.0% per annum on the subscription price of \$10.00 per unit (\$0.05 per unit per month or \$0.60 per annum); and (ii) the opportunity for capital appreciation. The Fund's investment strategy is to invest in a portfolio comprised primarily of equity securities of Canadian utility issuers, pipeline issuers and telecom issuers and select higher yielding equity securities of issuers which the Manager believes will benefit from the near term economic environment in Canada and globally.

Risks

There were no changes to the Fund over the period of this report that affected the overall level of risk associated with an investment in the Fund. Readers are directed to Note 10 of the Fund's 2010 Annual Financial Statements which discusses management of financial risks.

Results of Operations

On April 19, 2010, the Fund completed an initial public offering of 15,000,000 units at \$10.00 per unit. On May 17, 2010, an over-allotment option granted to the Fund's syndicate of agents was exercised for 400,000 units at \$10.00 per unit. Total gross proceeds raised was \$154 million by way of cash subscriptions and an exchange option.

For the period ended December 31, 2010, the Net Assets per unit was \$9.92 after payment of distributions to securityholders compared to its opening net asset value per unit of \$9.44 on April 19, 2010. The Fund paid cash distributions of \$0.42 to securityholders during the period. Total return for the Fund for the period from April 19, 2010 to December 31, 2010 was 9.9% compared to the S&P/TSX Composite Total Return Index which returned 13.3%.

The largest factors contributing to the decrease between gross proceeds raised and total Net Assets as at December 31, 2010, of \$150.9 million were (i) \$8.9 million in agent's fees and expenses of issue; (ii) distributions to securityholders of \$6.4 million; (iii) purchase of units for cancellation of \$1.8 million; and (iv) realized losses on sale of investments of \$1.4 million. This was offset in part by an increase in the unrealized gain on portfolio investments of \$12.0 million and net investment income \$3.9 million.

The Fund's power sub-sector returned 4.0% over the period. Northland Power Income Fund (NPI-TSX) was the biggest contributor to the sub-sector's positive performance with a return of 14.0% posting a gain of \$863,561 to the Fund. The Fund's pipeline sub-sector holdings returned 8.2% over the period. Inter Pipeline Fund Limited Partnership Cl. A (IPL.UN-TSX) was the biggest contributor to the sub-sector's performance with a return of 26.4% posting a gain of \$1,507,932 to the Fund. The Fund's telecommunications sub-sector returned 2.9% over the period however, Verizon Communications Inc. (VZ-NYSE) returned -28.8%, over the period resulting in a loss of US\$1,021,520 to the Fund.

The Manager believes that although the pipeline, telecommunication and utility sectors are generally fairly valued, a back-up in yields could have a negative impact on

valuations. However, given the low inflation environment and fragile economic recovery in the U.S., the Manager does not expect interest rates to rise drastically over 2011. The U.S. Federal Reserve has already signaled that interest rates will remain low for an extended period of time, thus mitigating the most serious risk factor for the Fund.

Borrowing

The Fund may borrow against the assets of the Fund to a maximum of 25% of Net Asset Value. The Fund has obtained such leverage by way of a prime brokerage account. The prime broker provides the Fund with margin to execute trades and for working capital purposes. The prime broker is the custodian of the Fund's portfolio which is held as collateral for amounts loaned on margin. Interest on amounts borrowed is based on a floating rate. The amount of borrowings ranged between nil and \$6.0 million during the period and represented 0% of the Fund's Net Assets as at December 31, 2010.

Recent Developments

The Manager anticipates that equity markets will remain stable for 2011 and that the Fund could be positively impacted by a rotation from growth names into more classically defensive sectors such as the pipeline, telecommunication and utility sectors.

Other developments relating to the Fund which were announced or which occurred during the period include:

May 19, 2010: The Fund announced that the TSX accepted the Fund's Notice of Intention to make a Normal Course Issuer Bid. The bid commenced on May 21, 2010 and will expire on May 20, 2011.

International Financial Reporting Standards

On January 12, 2011, the Canadian Accounting Standards Board ("AcSB") made a decision to extend the deferral of the adoption of International Financial Reporting Standards ("IFRS") by investment companies for an additional year to January 1, 2013. This results in a two-year deferral of IFRS adoption by investment companies compared to other publicly accountable entities. At the transition date, the prior fiscal year financial statements will require restatement to IFRS for comparative purposes.

The Fund is continuing with its orderly transition plan to meet the requirements to changeover to IFRS. The Fund has reviewed the existing body of IFRS against its current policies under Canadian GAAP and has noted certain policy differences. The major changes identified include the classification of unitholder's equity (puttable instruments) as a liability unless certain conditions are met, as well as more extensive note disclosure requirements. These changes will not have an impact on the Fund's results of operations or financial position.

Related Party Transactions

The Manager and the Fund are deemed to be related parties. Please refer to the section titled "Management Fees" which outlines the fees paid to the Manager. The Manager and the Fund were not party to any other related party transactions during the period ended December 31, 2010.

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 since inception.

The Fund's Net Assets per Unit ⁽¹⁾

	2010 ⁽²⁾
Net Assets, beginning of period ⁽³⁾	\$9.44
Increase (decrease) from operations	
Total revenue	0.38
Total expenses	(0.12)
Realized gains (losses) for the period	(0.13)
Unrealized gains (losses) for the period	0.78
Total increase (decrease) from operations⁽⁴⁾	0.91
Distributions:	
From income (excluding dividends)	0.00
From dividends	(0.14)
From capital gains	0.00
Return of capital	(0.28)
Total Distributions ⁽⁵⁾	(0.42)
Net Assets as at December 31⁽⁶⁾	\$9.92

Notes:

⁽¹⁾ This information is derived from the Fund's audited annual financial statements. The Net Assets per unit presented in the financial statements differs from the Net Asset Value per unit calculated for fund pricing purposes due to the provisions of CICA Handbook Section 3855. An explanation of the differences can be found in the notes to the financial statements.

⁽²⁾ Results for the period from March 22, 2010 (inception date) to December 31, 2010.

⁽³⁾ Net Assets per unit reflects the issue price of \$10.00 less share issue expenses.

⁽⁴⁾ Net Assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

⁽⁵⁾ Distributions were paid in cash.

⁽⁶⁾ This is not a reconciliation of the beginning and ending Net Assets per unit.

Ratios and Supplemental Data

	2010
Net Asset Value (000's) ⁽¹⁾	\$151,036
Number of units outstanding ⁽¹⁾	15,208,000
Management expense ratio before share issue expenses ⁽²⁾	1.65%
Management expense ratio ⁽²⁾	7.79%
Management expense ratio before waivers or absorptions ⁽²⁾	7.79%
Portfolio turnover rate ⁽³⁾	124.18%
Trading expense ratio ⁽⁴⁾	0.62%
Net Asset Value per unit	\$9.93
Closing market price	\$9.60

Notes:

⁽¹⁾ This information is provided as at December 31 of the year shown.

⁽²⁾ Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The MER for the period ending December 31, 2010 annualizes expenses incurred from inception date to the end of the period and also includes Agents' fees and other offering expenses which are one-time expenses and therefore are not annualized.

⁽³⁾ The Fund's portfolio turnover rate indicates how actively the Fund's investment adviser 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 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 high turnover rate and the performance of a fund.

⁽⁴⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

Management Fees

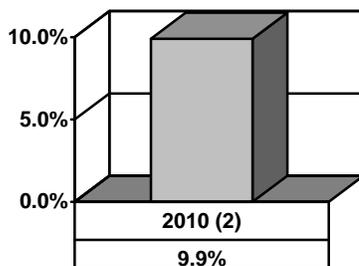
The Manager is responsible for providing or arranging for all investment advisory and portfolio management services required by the Fund including, without limitation, managing the portfolio in a manner consistent with the investment objectives, guidelines and restrictions of the Fund and for arranging for the execution of all portfolio transactions. The Manager is also responsible for the operational and administrative functions of the Fund. As compensation for the management services rendered to the Fund, the Manager is entitled to receive an annual management fee from the Fund in an amount equal to 1.00% of the average daily net asset value of the Fund, which is calculated and paid monthly in arrears.

Past Performance

Please note that the performance information shown in this section assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. Also note that the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns on performance. The performance of the Fund in the past does not necessarily indicate how it will perform in the future.

Year-by-Year Returns ⁽¹⁾

The following bar chart shows the Fund's annual performance for the period shown. The bar chart shows, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period.



⁽¹⁾ Returns based on Net Asset Value per Unit.

⁽²⁾ Total return for the period April 19, 2010 (first day of trading) to December 31, 2010.

Annual Compound Returns

As the Fund was not a reporting issuer throughout the entire period, we have not provided a compound annual return or a comparative index.

Summary of Investment Portfolio

The following is a summary of the Fund's investment portfolio as at December 31, 2010. This is a summary only and will change due to ongoing portfolio transactions of the Fund. A quarterly update is available on www.firstasset.com.

Top 25 Holdings as at December 31, 2010

DESCRIPTION	% of Net Asset Value
TransCanada Corporation	6.00
Northland Power Income Fund	5.69
Inter Pipeline Fund Limited Partnership Cl. A	5.44
Brookfield Renewable Power Fund	5.09
Fort Chicago Energy Partners Limited Partnership Cl. A	4.62
Keyera Facilities Income Fund	4.58
Enbridge Inc.	4.17
Telus Corporation	3.84
Just Energy Income Fund	3.56
Cominar Real Estate Investment Trust	3.53
Verizon Communications Inc.	3.30
Penn West Energy Trust	3.25
AT&T Inc.	3.09
Calloway Real Estate Investment Trust	2.70
Manitoba Telecom Services Inc.	2.57
Enerplus Resources Fund	2.50
BCE Inc.	2.35
Canadian Real Estate Investment Trust	2.24
Jazz Air Income Fund	2.19
Daylight Energy Ltd.	2.14
NAL Oil & Gas Trust	2.12
Boardwalk Real Estate Investment Trust	2.08
Rogers Communications Inc. Cl. B	2.07
Cogeco Cable Inc.	1.96
Pengrowth Energy Trust	1.95
Total Net Asset Value	\$151,036,314

Sector Allocation as at December 31, 2010

INDUSTRY	% of Net Asset Value
Energy	28.33
Telecommunication Services	19.71
Industrials	13.63
Real Estate	13.45
Power	12.75
Utilities	7.87
Consumer Discretionary	2.64
Materials	1.07
Cash and Cash Equivalents	0.59
	100.04
Other Assets, Net of Liabilities	(0.04)
Total Net Asset Value	100.00