

**FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF**



Interim Financial Statements for the period  
**January 27, 2014 to June 30, 2014**



**FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF**

**NOTICE TO READER:**

These interim financial statements and related notes for the period ended June 30, 2014 have been prepared by First Asset Investment Management Inc. The external auditors of the Fund have not audited or reviewed these interim financial statements.

FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF

STATEMENT OF FINANCIAL POSITION (Unaudited)

As at

June 30, 2014

\$

**ASSETS**

**Current assets**

Investments, at fair value (note 2)	11,274,166
Unrealized gain on forward foreign currency contracts	7,240
Cash and cash equivalents	233,656
Due from broker	44,309
Accrued income	39,744
Dividends receivable	1,463
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	11,600,578

**LIABILITIES**

**Current liabilities**

Accounts payable and accrued liabilities	9,481
Management fee payable	5,631
Due to broker	40,397
Distributions payable to holders of redeemable securities (note 8)	86,602
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	142,111
<b>Net Assets attributable to holders of redeemable securities</b>	<hr/>
	11,458,467

**Net assets attributable to holders of redeemable securities per class**

Common Units	6,152,395
Advisor Class Units	539,630
Unhedged Common Units	4,236,858
Unhedge Advisor Class Units	529,584
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	11,458,467

**Net assets attributable to holders of redeemable securities per security**

Common Units	\$21.59
Advisor Class Units	\$21.59
Unhedged Common Units	\$21.18
Unhedge Advisor Class Units	\$21.18

See accompanying notes to financial statements.

FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF

STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the period from January 27, 2014 to June 30, 2014

	2014 \$
<b>INCOME</b>	
Net gains (losses) on investments	
Change in unrealized appreciation of investments	386,286
Dividends	200,096
Net realized gain on forward foreign currency contracts	114,846
Net realized gain on sale of investments	55,824
Change in unrealized appreciation on forward foreign currency contracts	7,240
<b>Net gains (losses) on investments<sup>(1)</sup></b>	<b>764,292</b>
Net realized foreign exchange loss	(6,736)
Change in unrealized depreciation on other assets	(413)
	757,143
<b>EXPENSES</b>	
Management fee (notes 7 and 11) <sup>(2)</sup>	21,534
Withholding taxes (note 9)	16,371
Other operating expenses	3,170
Transaction costs (note 7)	2,914
Dealer service fee (notes 7 and 11) <sup>(2)</sup>	2,850
	46,839
<b>Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)</b>	<b>710,304</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable securities per class</b>	
Common Units	365,627
Advisor Class Units	42,220
Unhedged Common Units	270,298
Unhedge Advisor Class Units	32,159
	710,304
<b>Increase (decrease) in net assets attributable to holders of redeemable securities per security (note 2)</b>	
Common Units	\$1.69
Advisor Class Units	\$1.71
Unhedged Common Units	\$1.37
Unhedge Advisor Class Units	\$1.30

<sup>(1)</sup> Comprised of:

	2014 \$
Financial assets and liabilities designated at FVTPL	642,206
Financial assets and liabilities classified as held for trading	122,086
	764,292

FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF

STATEMENT OF COMPREHENSIVE INCOME (Unaudited) (continued)

<sup>(2)</sup> Management and dealer service fee rates (notes 7 and 11)

	Management Fee	Service Fee
Common Units	0.60%	–
Advisor Class Units	0.60%	0.75%
Unhedged Common Units	0.60%	–
Unhedged Advisor Class Units	0.60%	0.75%

See accompanying notes to financial statements.

FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES (Unaudited)

For the period from January 27, 2014 to June 30, 2014

	2014					Total \$
	Common Units \$	Advisor Class Units \$	Unhedged Common Units \$	Unhedged Advisor Class Units \$		
<b>Net assets attributable to holders of redeemable securities, beginning of period</b>	-	-	-	-	-	-
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	365,627	42,220	270,298	32,159		710,304
<b>Distributions to securityholders (note 8)</b>						
From net investment income	(47,937)	(2,610)	(33,460)	(2,595)		(86,602)
	(47,937)	(2,610)	(33,460)	(2,595)		(86,602)
<b>Redeemable securities transactions (note 6)<sup>(1)</sup></b>						
Issuance of securities	5,834,705	500,020	4,000,020	500,020		10,834,765
	5,834,705	500,020	4,000,020	500,020		10,834,765
<b>Net increase (decrease) in net assets attributable to holders of redeemable securities</b>	6,152,395	539,630	4,236,858	529,584		11,458,467
<b>Net assets attributable to holders of redeemable securities, end of period</b>	6,152,395	539,630	4,236,858	529,584		11,458,467

(1) Redeemable securities issued and outstanding:

	2014			
	Common Units #	Advisor Class Units #	Unhedged Common Units #	Unhedged Advisor Class Units #
<b>Securities outstanding, beginning of period</b>	-	-	-	-
Issuance of securities	285,001	25,001	200,001	25,001
Redemption of securities	(1)	(1)	(1)	(1)
<b>Securities outstanding, end of period</b>	285,000	25,000	200,000	25,000

See accompanying notes to financial statements.

FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF

STATEMENT OF CASH FLOWS (Unaudited)

For the period from January 27, 2014 to June 30, 2014

2014  
\$

**OPERATING ACTIVITIES**

Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	710,304
Adjustments to reconcile cash flows from (used in) operating activities	
Proceeds from sale of investments	1,647,100
Purchases of investments	(989,232)
Change in due from broker	(3,919)
Change in other assets and liabilities	(26,440)
Change in foreign exchange on currency	(60)
Net realized (gain) loss on sale of investments	(55,824)
Change in unrealized (appreciation) depreciation of investments	(386,286)
Change in unrealized (appreciation) depreciation on forward foreign currency contracts	(7,240)
Change in unrealized (appreciation) depreciation on other assets	413
<b>Cash flows used in operating activities</b>	<b>988,816</b>

**FINANCING ACTIVITIES**

Subscriptions received	(755,160)
<b>Cash flows from financing activities</b>	<b>(755,160)</b>

<b>Net increase in cash and cash equivalents during the period</b>	<b>233,656</b>
Cash and cash equivalents, beginning of period	—
<b>Cash and cash equivalents, end of period</b>	<b>233,656</b>

Dividends received, net of withholding tax	182,262
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See accompanying notes to financial statements.



FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited)

As at June 30, 2014

	Number of shares and units	Description	Average Cost \$	Fair Value \$	% of Net Assets
<b>EQUITIES</b>					
<b>Australia</b>					
AUD	2,911	AGL Energy Limited	45,084	45,303	
AUD	4,842	Arcor Limited	51,699	50,772	
AUD	6,406	APA Group	40,045	44,373	
AUD	1,639	ASX Ltd	58,521	58,726	
AUD	23,297	CFS Retail Property Trust Group	45,716	47,780	
AUD	4,362	Coca-Cola Amatil Limited	48,792	41,485	
AUD	615	Commonwealth Bank of Australia	47,492	50,007	
AUD	2,641	Crown Holdings, Inc.	44,528	40,145	
AUD	15,772	GPT Group	58,286	60,888	
AUD	18,741	Scentre Group	60,590	60,292	
AUD	10,143	Sydney Airport	40,464	43,032	
AUD	14,880	Tatts Group Ltd.	44,298	48,918	
AUD	12,872	Telstra Corporation Limited	66,594	67,421	
AUD	10,486	Transurban Group	73,731	77,906	
AUD	1,170	Wesfarmers Ltd.	50,166	49,214	
AUD	4,995	Westfield Corp.	33,718	35,905	
AUD	1,726	Woolworths Limited	61,189	61,115	
<b>Total Australia</b>			<b>870,913</b>	<b>883,282</b>	<b>7.71%</b>
<b>Bermuda</b>					
USD	1,179	Arch Capital Group Ltd.	71,210	72,134	
USD	281	Everest Re Group, Ltd.	45,563	48,036	
USD	580	RenaissanceRe Holdings Ltd.	60,378	66,103	
<b>Total Bermuda</b>			<b>177,151</b>	<b>186,273</b>	<b>1.62%</b>
<b>Britain</b>					
GBP	759	Associated British Foods PLC	42,055	42,147	
GBP	932	British American Tobacco PLC	–	59,036	
GBP	1,471	Bunzl PLC	45,253	43,454	
GBP	8,536	Centrica PLC	52,482	48,597	
GBP	3,222	Compass Group PLC	58,935	59,678	
GBP	1,526	Diageo PLC	53,733	51,860	
GBP	2,026	GlaxoSmithKline PLC	58,928	57,709	
GBP	973	Imperial Tobacco Group PLC	47,516	46,605	
GBP	4,414	National Grid PLC	71,136	67,528	
GBP	566	Reckitt Benckiser Group PLC	53,181	52,572	
GBP	2,275	SSE PLC	65,278	64,926	
GBP	1,176	Unilever PLC	58,120	56,779	
GBP	10,944	WM Morrison Supermarkets plc	39,175	36,555	
<b>Total Britain</b>			<b>645,792</b>	<b>687,446</b>	<b>6.00%</b>
<b>Canada</b>					
	1,022	AltaGas Ltd.	43,768	50,160	
	851	Atco Ltd.	44,023	44,014	
	1,052	Bank of Montreal	–	82,666	
	1,152	Bank of Nova Scotia	73,426	81,953	
	1,953	BCE Inc.	92,252	94,525	
	3,392	Bell Aliant, Inc.	91,953	94,603	

FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited) (continued)

As at June 30, 2014

	Number of shares and units	Description	Average Cost \$	Fair Value \$	% of Net Assets
<b>EQUITIES (continued)</b>					
	851	Canadian Imperial Bank of Commerce	77,070	82,632	
	962	Canadian National Railway Company	59,557	66,763	
	404	Canadian Tire Corporation, Limited	42,255	41,357	
	1,456	Canadian Utilities Limited	56,836	58,240	
	1,517	CI Financial Corporation	53,912	53,171	
	681	Empire Company Limited	46,684	49,413	
	1,123	Enbridge Inc.	53,591	56,857	
	5,211	First Capital Realty, Inc.	90,456	97,029	
	2,629	Fortis, Inc.	82,177	85,363	
	672	George Weston Limited	51,998	52,893	
	1,588	Great-West Lifeco Inc.	49,258	47,926	
	1,114	IGM Financial, Inc.	60,227	56,903	
	1,044	Intact Financial Corporation	71,450	76,818	
	838	Metro Inc.	52,841	55,283	
	1,578	National Bank of Canada	69,316	71,420	
	786	Onex Corporation	53,043	51,892	
	994	Pembina Pipeline Corporation	39,388	45,634	
	1,611	Power Financial Corporation	55,258	53,501	
	2,372	RioCan Real Estate Investment Trust	61,200	64,779	
	1,087	Rogers Communications, Inc.	47,488	46,676	
	713	Royal Bank of Canada	51,122	54,388	
	2,693	Shaw Communications, Inc.	69,431	73,680	
	1,571	TELUS Corporation	59,150	62,479	
	1,317	The Toronto-Dominion Bank	65,849	72,343	
	1,323	Thomson Reuters Corporation	50,096	51,399	
	946	Tim Hortons, Inc.	55,131	55,218	
	1,491	TransCanada Corporation	74,037	75,937	
<b>Total Canada</b>			1,944,243	2,107,915	18.39%
<b>Denmark</b>					
DKK	450	Tryg A/S	46,610	48,414	
<b>Total Denmark</b>			46,610	48,414	0.42%
<b>France</b>					
EUR	327	Aeroports de Paris	42,212	45,886	
EUR	325	Air Liquide SA	43,723	46,733	
EUR	353	Essilor International SA	39,897	39,871	
EUR	265	L'Oreal SA	48,643	48,636	
EUR	387	Sodexo	43,881	44,332	
<b>Total France</b>			218,356	225,458	1.97%
<b>Germany</b>					
EUR	507	Beiersdorf AG	55,571	52,267	
<b>Total Germany</b>			55,571	52,267	0.46%
<b>Hong Kong</b>					
HKD	6,835	Cheung Kong Infrastructure Holdings Limited	46,850	50,396	
HKD	9,899	CLP Holdings Limited	83,861	86,252	
HKD	3,127	Hang Seng Bank Limited	54,548	54,536	
HKD	21,797	Hong Kong & China Gas Company Limited	45,518	50,866	

FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited) (continued)

As at June 30, 2014

	Number of shares and units	Description	Average Cost \$	Fair Value \$	% of Net Assets
<b>EQUITIES (continued)</b>					
HKD	17,266	MTR Corporation Limited	68,904	70,475	
HKD	4,516	Power Assets Holdings Limited	40,385	42,142	
HKD	8,266	The Link REIT	42,971	47,372	
<b>Total Hong Kong</b>			<b>383,037</b>	<b>402,039</b>	<b>3.50%</b>
<b>Japan</b>					
JPY	2,527	Ajinomoto Co., Inc.	39,180	42,192	
JPY	1,221	Eisai Co., Ltd.	51,286	54,484	
JPY	2,645	McDonald's Holdings Company (Japan), Ltd.	76,489	79,120	
JPY	11,819	Nagoya Railroad Co Ltd.	45,263	50,204	
JPY	1,021	Nissin Foods Holdings Co., Ltd.	51,310	55,930	
JPY	2,703	NTT DOCOMO, Inc.	47,601	49,224	
JPY	253	Oriental Land Co Ltd/Japan	45,924	46,167	
JPY	977	Takeda Pharmaceutical Company Limited	49,852	48,270	
JPY	1,093	West Japan Railway Company	49,281	51,255	
<b>Total Japan</b>			<b>456,186</b>	<b>476,846</b>	<b>4.16%</b>
<b>Luxembourg</b>					
EUR	1,269	SES SA	48,556	51,263	
<b>Total Luxembourg</b>			<b>48,556</b>	<b>51,263</b>	<b>0.45%</b>
<b>Netherlands</b>					
EUR	1,326	Unilever NV	55,980	61,794	
<b>Total Netherlands</b>			<b>55,980</b>	<b>61,794</b>	<b>0.54%</b>
<b>New Zealand</b>					
NZD	20,542	Auckland International Airport	70,135	74,713	
NZD	5,397	Ryman Healthcare Limited	38,875	43,034	
<b>Total New Zealand</b>			<b>109,010</b>	<b>117,747</b>	<b>1.03%</b>
<b>Singapore</b>					
SGD	30,985	CapitaMall Trust	55,593	52,286	
SGD	21,616	ComfortDelGro Corporation Limited	36,530	46,172	
SGD	6,144	Oversea-Chinese Banking Corporation	50,754	50,133	
SGD	5,542	Singapore Airlines Ltd.	48,628	49,103	
SGD	8,122	Singapore Exchange Ltd.	48,477	48,229	
SGD	23,547	Singapore Press Holdings Limited	82,776	83,895	
SGD	13,336	Singapore Technologies Engineering Ltd.	44,567	43,299	
SGD	13,611	Sngspore Telecommunications Ltd.	42,502	44,773	
SGD	16,923	StarHub Limited	61,837	60,295	
<b>Total Singapore</b>			<b>471,664</b>	<b>478,185</b>	<b>4.18%</b>
<b>Switzerland</b>					
USD	381	ACE Limited	40,424	42,076	
CHF	36	Barry Callebaut AG	48,047	52,105	
CHF	23	Givaudan SA	38,720	40,858	
CHF	17	Lindt & Spruengli AG	89,218	92,171	
CHF	896	Nestle SA	73,671	73,935	
CHF	509	Novartis AG	46,114	49,093	
CHF	550	Schindler Holding AG	91,221	88,662	
CHF	954	Swiss Prime Site AG	84,358	84,221	

FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited) (continued)

As at June 30, 2014

	Number of shares and units	Description	Average Cost \$	Fair Value \$	% of Net Assets
<b>EQUITIES (continued)</b>					
CHF	103	Swisscom AG	64,178	63,775	
<b>Total Switzerland</b>			<b>575,951</b>	<b>586,896</b>	<b>5.12%</b>
<b>United States</b>					
USD	280	3M Co.	40,455	42,720	
USD	1,132	Abbott Laboratories	47,670	49,291	
USD	118	Alleghany Corporation	50,087	55,066	
USD	1,064	Alliant Energy Corporation	62,433	68,974	
USD	1,558	Altria Group, Inc.	61,163	69,566	
USD	1,217	Ameren Corporation	51,486	52,966	
USD	1,153	American Electric Power Company, Inc.	62,541	68,468	
USD	1,328	American Water Works Co., Inc.	63,863	69,948	
USD	545	AmerisourceBergen Corporation	40,483	42,180	
USD	1,365	AT&T Inc.	50,252	51,411	
USD	595	Automatic Data Processing, Inc.	49,549	50,245	
USD	85	AutoZone, Inc.	50,245	48,527	
USD	418	Becton, Dickinson and Company	53,579	53,913	
USD	405	Berkshire Hathaway Inc.	51,350	54,596	
USD	444	Brown-Forman Corporation	39,851	44,535	
USD	905	Campbell Soup Company	41,307	44,159	
USD	1,903	CenterPoint Energy, Inc.	48,982	51,769	
USD	745	Church & Dwight Co., Inc.	53,752	55,508	
USD	883	Cincinnati Financial Corporation	45,547	45,183	
USD	1,716	CMS Energy Corporation	53,257	56,954	
USD	1,008	Colgate-Palmolive Company	69,797	73,171	
USD	1,572	ConAgra Foods, Inc.	51,141	49,697	
USD	1,255	Consolidated Edison, Inc.	74,576	77,185	
USD	389	Costco Wholesale Corporation	48,747	47,716	
USD	600	CVS Caremark Corporation	45,986	48,149	
USD	862	Dominion Resources, Inc.	65,729	65,639	
USD	758	Dr Pepper Snapple Group, Inc.	47,428	47,297	
USD	762	DTE Energy Company	58,651	63,211	
USD	971	Duke Energy Corporation	75,451	76,732	
USD	349	Ecolab Inc.	39,292	41,375	
USD	859	Edison International	48,020	53,168	
USD	725	Eli Lilly and Company	43,371	48,010	
USD	681	Entergy Corporation	48,813	59,553	
USD	1,102	Exelon Corporation	36,372	42,820	
USD	412	Exxon Mobil Corporation	41,881	44,156	
USD	379	Federal Realty Investment Trust	46,491	48,786	
USD	1,482	General Mills, Inc.	80,583	82,905	
USD	1,016	Hormel Foods Corporation	50,239	53,384	
USD	740	Integrus Energy Group, Inc.	45,200	56,066	
USD	774	Johnson & Johnson	79,845	86,218	
USD	985	Kellogg Company	65,785	68,931	
USD	580	Kimberly-Clark Corporation	69,073	68,692	
USD	580	Kinder Morgan Management, LLC.	47,081	48,762	
USD	377	Laboratory Corp of America Holdings	38,880	41,120	

FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited) (continued)

As at June 30, 2014

	Number of shares and units	Description	Average Cost \$	Fair Value \$	% of Net Assets
<b>EQUITIES (continued)</b>					
USD	263	Lockheed Martin Corporation	45,954	45,012	
USD	1,045	Loews Corporation	50,208	48,987	
USD	934	Marsh & McLennan Companies, Inc.	48,731	51,553	
USD	751	McCormick & Company, Inc.	54,358	57,267	
USD	706	McDonald's Corporation	74,595	75,756	
USD	658	Medtronic, Inc.	43,547	44,687	
USD	759	Merck & Co., Inc.	46,045	46,769	
USD	1,308	Mondelez International Inc.	48,100	52,399	
USD	603	NextEra Energy, Inc.	61,457	65,808	
USD	1,409	NiSource Inc.	53,830	59,041	
USD	1,181	Northeast Utilities	57,772	59,438	
USD	1,045	Paychex, Inc.	47,484	46,260	
USD	962	PepsiCo, Inc.	86,843	91,524	
USD	1,364	Pfizer Inc.	46,921	43,121	
USD	1,306	PG&E Corporation	62,285	66,772	
USD	446	Philip Morris International Inc.	39,445	40,052	
USD	857	Pinnacle West Capital Corporation	50,904	52,771	
USD	1,997	PPL Corporation	69,542	75,576	
USD	327	Praxair, Inc.	46,172	46,258	
USD	1,191	Public Service Enterprise Group Incorporated	46,253	51,746	
USD	898	Reynolds American Inc.	48,081	57,725	
USD	1,311	SCANA Corporation	70,012	75,113	
USD	569	Sempra Energy	58,333	63,444	
USD	368	Stericycle, Inc.	45,638	46,418	
USD	1,460	Sysco Corporation	57,260	58,239	
USD	680	Target Corporation	42,974	41,959	
USD	601	The Chubb Corporation	57,115	59,009	
USD	643	The Clorox Company	61,644	62,585	
USD	1,398	The Coca-Cola Company	59,176	63,033	
USD	626	The Hershey Company	69,990	64,925	
USD	458	The JM Smucker Company	48,117	51,974	
USD	735	The Procter & Gamble Company	63,163	61,503	
USD	1,682	The Southern Company	77,656	81,266	
USD	412	The Travelers Companies, Inc.	37,620	41,269	
USD	525	Torchmark Corporation	43,800	45,793	
USD	511	United Parcel Service, Inc.	54,614	55,877	
USD	583	Verisk Analytics, Inc.	39,858	37,271	
USD	1,009	Verizon Communications Inc.	53,010	52,555	
USD	1,030	W.R. Berkley Corporation	46,164	50,818	
USD	735	Wal-Mart Stores, Inc.	60,940	58,740	
USD	856	Waste Management, Inc.	40,213	40,765	
USD	1,499	Wisconsin Energy Corporation	71,962	74,915	
USD	2,146	Xcel Energy, Inc.	69,374	73,626	

FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited) (continued)

As at June 30, 2014

Number of shares and units	Description	Average Cost \$	Fair Value \$	% of Net Assets
<b>EQUITIES (continued)</b>				
<b>Total United States</b>		4,693,444	4,908,341	42.84%
<b>Total equities</b>		10,752,464	11,274,166	98.39%
Adjustment for transaction costs		(1,341)	-	-
<b>Total investments</b>		<b>10,751,123</b>	<b>11,274,166</b>	<b>98.39%</b>
Total unrealized gain on forward foreign currency contracts			9,002	0.08%
Total unrealized loss on forward foreign currency contracts			(1,762)	(0.02)%
Other assets, net of liabilities			177,061	1.55%
<b>Net assets attributable to holders of redeemable securities</b>			<b>11,458,467</b>	<b>100.00%</b>

UNREALIZED GAIN ON FORWARD FOREIGN CURRENCY CONTRACTS

Settlement Date	Currency Buy	Position	Currency Sell	Position	Contract Rates	Counterparty	Credit Rating*	Unrealized Gain (\$)
6-Aug-14	CAD	525,172	AUD	523,000	1.0042	National Bank of Canada	A	243
6-Aug-14	CAD	235,354	HKD	1,707,000	0.1379	National Bank of Canada	A	655
6-Aug-14	CAD	275,452	JPY	26,120,000	0.0106	National Bank of Canada	A	515
6-Aug-14	CAD	2,977,621	USD	2,786,000	1.0688	National Bank of Canada	A	7,589
								<b>9,002</b>

UNREALIZED LOSS ON FORWARD FOREIGN CURRENCY CONTRACTS

Settlement Date	Currency Buy	Position	Currency Sell	Position	Contract Rates	Counterparty	Credit Rating*	Unrealized Loss (\$)
6-Aug-14	CAD	314,432	CHF	262,000	1.2001	National Bank of Canada	A	(616)
6-Aug-14	CAD	228,924	EUR	157,000	1.4581	National Bank of Canada	A	(260)
6-Aug-14	CAD	396,379	GBP	218,000	1.8183	National Bank of Canada	A	(886)
								<b>(1,762)</b>

\* Credit rating provided by Standard & Poor's.

See accompanying notes to financial statements.

FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (Unaudited)

June 30, 2014

(A) THE FUND

First Asset MSCI World Low Risk Weighted ETF (the "Fund") is an exchange traded fund that seeks to replicate, to the extent possible, the performance of the MSCI World Risk Weighted Top 200 Index (the "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, MSCI World Index, which includes 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 200 subset securities. The Indexes seek to emphasize stocks with lower historical return variance and tend to have a bias towards lower size and lower risk stocks.

(B) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables show the fair value hierarchy classification of financial instruments measured or disclosed at their fair value.

As at June 30, 2014				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Equities	11,274,166	-	-	11,274,166
Derivatives	-	9,002	-	9,002
	11,274,166	9,002	-	11,283,168
<b>Financial liabilities</b>				
Derivatives	-	1,762	-	1,762
	-	1,762	-	1,762

(C) INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES PER SECURITY

The increase (decrease) in net assets attributable to holders of redeemable securities per security for the period ended June 30, 2014 is calculated as follows:

	2014			
	Common Units	Advisor Class Units	Unhedged Common Units	Unhedge Advisor Class Units
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	\$ 365,627	\$ 42,220	\$ 270,298	\$ 32,159
Weighted average securities outstanding during the period	216,823	24,740	197,917	24,740
Increase (decrease) in net assets attributable to holders of redeemable securities per security	\$1.69	\$1.71	\$1.37	\$1.30

FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (Unaudited)

(D) MANAGEMENT OF FINANCIAL RISKS

Currency risk

The tables below indicate the foreign currencies to which the Fund has significant exposure in Canadian dollar terms, including the underlying principal amount of forward foreign currency contracts. The tables also illustrate the potential impact on the net assets attributable to holders of redeemable securities of the Fund, all other variables held constant, as a result of a 5% change in these currencies relative to the Canadian dollar. The Fund's Common Units and Advisor Class Units are hedged back to Canadian dollar.

As at June 30, 2014

Common Units and Advisor Class Units

Currency	Investments	Cash	Other	Forward Foreign Currency Contracts	Total	Impact on Net Assets
Australia dollar	\$ 515,858	\$ -	\$ -	(525,172)	\$ (9,314)	(466)
Switzerland franc	\$ 318,188	\$ -	\$ -	(314,462)	\$ 3,756	188
Denmark krone	\$ 28,275	\$ -	\$ -	-	\$ 28,275	1,414
Euro Dollar	\$ 228,226	\$ -	\$ -	(228,924)	\$ (698)	(35)
United Kingdom pound	\$ 401,485	\$ -	\$ -	(396,379)	\$ 5,106	255
Hong Kong dollar	\$ 234,801	\$ -	\$ -	(235,354)	\$ (553)	(28)
Japan yen	\$ 278,490	\$ -	\$ -	(275,452)	\$ 3,038	152
New Zealand dollar	\$ 68,767	\$ -	\$ -	-	\$ 68,767	3,438
Singapore dollar	\$ 279,272	\$ -	\$ -	-	\$ 279,272	13,964
United States dollar	\$ 2,999,953	\$ -	\$ -	(2,977,621)	\$ 22,332	1,117
<b>Total</b>	<b>\$ 5,353,315</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(4,953,334)</b>	<b>\$ 399,981</b>	<b>19,999</b>
<b>As a % of Net Assets</b>	<b>80.0%</b>	<b>-%</b>	<b>-%</b>	<b>(74.0)%</b>	<b>6.0%</b>	<b>0.3%</b>

Unhedged Common Units and Unhedged Advisor Class Units

Currency	Investments	Cash	Other	Forward Foreign Currency Contracts	Total	Impact on Net Assets
Australia dollar	\$ 367,424	\$ -	\$ -	-	\$ 367,424	18,371
Switzerland franc	\$ 226,632	\$ -	\$ -	-	\$ 226,632	11,332
Denmark krone	\$ 20,139	\$ -	\$ -	-	\$ 20,139	1,007
Euro Dollar	\$ 162,556	\$ -	\$ -	-	\$ 162,556	8,128
United Kingdom pound	\$ 285,961	\$ -	\$ -	-	\$ 285,961	14,298
Hong Kong dollar	\$ 167,238	\$ -	\$ -	-	\$ 167,238	8,362
Japan yen	\$ 198,356	\$ -	\$ -	-	\$ 198,356	9,918
New Zealand dollar	\$ 48,980	\$ -	\$ -	-	\$ 48,980	2,449
Singapore dollar	\$ 198,913	\$ -	\$ -	-	\$ 198,913	9,946
United States dollar	\$ 2,136,737	\$ -	\$ -	-	\$ 2,136,737	106,837
<b>Total</b>	<b>\$ 3,812,936</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ 3,812,936</b>	<b>190,647</b>
<b>As a % of Net Assets</b>	<b>80.0%</b>	<b>-%</b>	<b>-%</b>	<b>-%</b>	<b>80.0%</b>	<b>4.0%</b>

Other price risk

The table below indicates how net assets attributable to holders of redeemable securities would have increased or decreased had the value of the Fund's benchmark increased or decreased by 10%. This change is estimated based on the historical correlation between the return of the Fund's securities as compared to the return of the benchmark as at period end, with all other variables held constant. Regression analysis has been utilized to estimate the historical correlation. The analysis uses daily data points from Launch Date to the applicable period end. The historical correlation may not be representative of the future correlation, and accordingly the impact on net assets attributable to holders of redeemable securities could be different.

Benchmark	Impact on net assets attributable to redeemable securities June 30, 2014 \$
MSCI World Risk Weighted Top 200 Index	1,071,046



## FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF

# NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

### 1. GENERAL INFORMATION

Each of the First Asset Exchange Traded Funds (individually, a Fund, and collectively, the Funds) is established as an open-end mutual fund trust under the laws of the Province of Ontario and governed by a Declaration of Trust. The manager, trustee and investment manager of the Funds is First Asset Investment Management Inc. (First Asset). The Funds' registered office is at 95 Wellington Street West, Suite 1400, Toronto, Canada.

Each Fund offers two classes of securities called Common Units and Advisor Class Units and, if applicable, Unhedged Common Units and Unhedged Advisor Class Units. The only difference between the Common Units and the Advisor Class Units is the management fee payable by a Fund due to the service fee payable by First Asset in respect of the Advisor Class Units (as described in Note 7). The primary difference between the currency hedged securities and the unhedged securities, if any, of a Fund is that the exposure in relation to the unhedged securities of such Fund to currencies other than the Canadian dollar are not hedged back to the Canadian dollar. Accordingly, the net asset value attributable to holders of redeemable securities per security of each class will not be the same as a result of the different fees allocable to each class of securities and the different currency hedging strategy. All classes of securities of the Funds are currently listed on the Toronto Stock Exchange (TSX).

The following table indicates the date upon which each Fund was established by Declaration of Trust (Inception Date) and the date upon which each class of securities of each Fund started trading on the TSX (Launch Date).

Fund	TSX Ticker Symbol	Inception Date	Common Units	Advisor Class Unhedged Common Units	Unhedged Common Units	Unhedged Advisor Class Units
First Asset Can-60 Covered Call ETF	LXF	May 16, 2011	June 1, 2011	June 1, 2011		
First Asset Can-Energy Covered Call ETF	OXF	May 16, 2011	June 1, 2011	June 1, 2011		
First Asset Can-Financials Covered Call ETF	FXF	May 16, 2011	June 4, 2011	June 4, 2011		
First Asset Can-Materials Covered Call ETF	MXF	May 16, 2011	June 4, 2011	June 4, 2011		
First Asset Canadian Convertible Bond ETF	CXF	May 24, 2011	June 7, 2011	June 7, 2011		
First Asset Tech Giants Covered Call ETF	TXF	October 17, 2011	October 26, 2011	October 26, 2011		
First Asset Morningstar Canada Dividend Target 30 Index ETF	DXM	January 13, 2012	February 6, 2012	February 6, 2012		
First Asset Morningstar US Dividend Target 50 Index ETF	UXM	January 13, 2012	February 6, 2012	February 6, 2012	October 22, 2013	October 22, 2013
First Asset Morningstar National Bank Quebec Index ETF	QXM	January 13, 2012	February 6, 2012	February 6, 2012		
First Asset Morningstar Canada Momentum Index ETF	WXM	January 13, 2012	February 15, 2012	February 15, 2012		
First Asset Morningstar Canada Value Index ETF	FXM	January 13, 2012	February 15, 2012	February 15, 2012		
First Asset Morningstar Emerging Markets Composite Bond Index ETF	EXM	January 13, 2012	October 1, 2012	October 1, 2012		
First Asset Government Bond Barbell Index ETF	GXF	June 6, 2012	July 10, 2012	July 10, 2012		
First Asset Corporate Bond Barbell Index ETF	KXF	June 6, 2012	July 10, 2012	July 10, 2012		
First Asset All Canada Bond Barbell Index ETF	AXF	June 6, 2012	July 10, 2012	July 10, 2012		
First Asset Provincial Bond Index ETF	PXF	January 3, 2013	January 21, 2013	January 21, 2013		
First Asset 1-5 Year Laddered Government Strip Bond Index ETF	BXF	May 30, 2013	June 11, 2013	June 11, 2013		
First Asset Morningstar US Value Index ETF	XXM	October 11, 2013	October 22, 2013	October 22, 2013	October 22, 2013	October 22, 2013
First Asset Morningstar US Momentum Index ETF	YXM	October 11, 2013	October 22, 2013	October 22, 2013	October 22, 2013	October 22, 2013
First Asset MSCI Canada Low Risk Weighted ETF	RWC	January 27, 2014	February 19, 2014	February 19, 2014		
First Asset MSCI Europe Low Risk Weighted ETF	RWE	January 27, 2014	February 11, 2014	February 11, 2014	February 11, 2014	February 11, 2014
First Asset MSCI USA Low Risk Weighted ETF	RWU	January 27, 2014	February 19, 2014	February 19, 2014	February 19, 2014	February 19, 2014
First Asset MSCI World Low Risk Weighted ETF	RWW	January 27, 2014	February 11, 2014	February 11, 2014	February 11, 2014	February 11, 2014

Refer to section A of the Fund Specific Notes for details of the investment objectives and strategies of each Fund.

The Schedule of Investment Portfolio for each Fund is as at June 30, 2014. The Statements of Financial Position for each Fund are as at June 30, 2014, December 31, 2013 and January 1, 2013, where applicable. The Statements of Comprehensive Income, Statements of Changes in Net Assets Attributable to Holders of Redeemable Securities and Statements of Cash Flows for each Fund are for the six-month period ended June 30, 2014 and 2013, except for Funds or classes established during the period, in which case the information for that Fund or class is provided for the period from Inception Date of the Fund or Launch Date of the class to June 30 of the applicable year.

These interim financial statements of the Funds for the period ended June 30, 2014 were approved and authorized for issuance by the Board of Directors of First Asset on August 25, 2014.

## NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The financial statements of the Funds have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) as issued by International Accounting Standards Board (IASB). The Funds adopted International Financial Reporting Standards (IFRS) on January 1, 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Funds prepared their financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Canada Handbook (Canadian GAAP).

Subject to certain transition elections disclosed in note 12, each of the Funds has consistently applied the same accounting policies in its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 12 and section E of the Fund Specific Notes disclose the impact of the transition to IFRS on the Funds' reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Funds' financial statements prepared under Canadian GAAP.

The financial statements have been prepared on a going concern basis using the historical cost convention except for financial assets and financial liabilities measured at fair value through profit or loss. The Funds' accounting policies for measuring fair value of investments and derivatives are consistent with those used in measuring the net asset value (NAV) for transactions with securityholders.

In applying IFRS, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Significant estimates include the valuation of investments, classification of redeemable securities and classification of the Funds as investment entities. These estimates are based on information available as at the reporting date. Actual results could differ from those estimates.

#### Functional and presentation currency

The primary objective of the Funds is to generate returns in Canadian dollars, their capital-raising currency. The liquidity of the Funds is managed on a day-to-day basis in Canadian dollars in order to handle the issuance and redemption of the Funds' redeemable securities. The Funds' performance is evaluated in Canadian dollars. Therefore, First Asset considers Canadian dollars as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Canadian dollars, which is the functional currency of the Funds, and all values are rounded to the nearest dollar.

#### Financial instruments

##### (i) Classification and recognition of financial instruments

The Funds classify financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*.

##### **Financial assets and liabilities at fair value through profit or loss**

The category of financial assets and liabilities at fair value through profit or loss (FVTPL) is sub-divided into:

*Financial assets and liabilities held for trading:* Financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. All derivatives and liabilities from short sales of financial instruments are classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Funds' policy is not to apply hedge accounting.

*Financial instruments designated as fair value through profit or loss upon initial recognition:* All investments held by the Funds (other than derivatives and securities sold short) are designated as fair value through profit or loss upon initial recognition. The Funds include equities, bonds, and other interest-bearing investments in this category. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Funds, as set out in each Fund's prospectus.

Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and each Fund's designation of such instruments. Regular way purchases and sales of financial assets and liabilities are recognized at their trade date.

##### **Loans and receivables**

All other financial assets not measured at FVTPL are measured at amortized cost. Included in this category are subscriptions receivable, accrued income, dividends receivable, interest receivable and due from broker. Financial assets are shown at the amount required to be received, discounted, when appropriate, at the contract's effective interest rate.

##### **Other financial liabilities**

All other financial liabilities not measured at FVTPL are measured at amortized cost. Included in this category are due to broker, accounts payable and accrued liabilities, management fee payable, redemption payable and distributions payable to holders of redeemable securities. Financial liabilities are shown at the amount required to be paid, discounted, when appropriate, at the contract's effective interest rate.

##### (ii) Valuation of financial instruments

Financial assets and financial liabilities at FVTPL are recorded in the Statements of Financial Position at fair value upon initial recognition. All transaction costs, such

## NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

as brokerage commissions incurred in the purchase and sale of securities for such instruments are recognized directly in profit or loss. All other financial assets and liabilities (other than those classified as FVTPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue. For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Funds recognize the difference in the Statements of Comprehensive Income, unless specified otherwise.

After initial measurement, the Funds measure financial instruments which are classified as FVTPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded as unrealized appreciation (depreciation) on investments in the Statements of Comprehensive Income. Net realized gain (loss) on sale of investments and unrealized appreciation (depreciation) on investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds.

Other financial assets and liabilities (other than those classified as FVTPL) are measured at amortized cost.

The Funds' obligation for net assets attributable to holders of redeemable securities is presented at the residual amount (total assets less total liabilities of each Fund).

The Funds meet the definition of an investment entity within IFRS 10 *Consolidated Financial Statements* and are required to measure their subsidiaries, if any, at FVTPL rather than consolidate them. The fair values of each specific type of investment and derivative are determined in the following manner:

#### **Portfolio investments**

In the case of publicly traded securities, fair value means the close or last traded price when the price falls within the day's bid-ask spread. For bonds and debentures, fair value means the most recent price provided by independent security pricing services. In the circumstance where the close or last traded price falls outside of the bid-ask spread, then fair value is determined by using bid price for long positions and ask price for short positions, or a different point within the bid-ask spread that First Asset determines to be more representative of fair value.

#### **Derivatives**

Outstanding option positions are valued at an amount equal to the current fair value that would have the effect of closing the position. Any difference resulting from revaluation and gains or losses realized upon expiration or exercise of the options are recognized in the Statements of Comprehensive Income.

Certain Funds are permitted to invest in forward foreign currency contracts to hedge foreign currency exposure on the investment portfolio. The value of forward currency contracts is recorded as the unrealized gain or loss that would be realized if the position was to be closed out and recorded as an unrealized appreciation (depreciation) on forward foreign currency contracts in the Statements of Financial Position. Upon maturity of the contracts, the difference between the carrying value and the fair value is included in net realized gain or loss on forward foreign currency contracts in the Statements of Comprehensive Income.

First Asset Morningstar Emerging Markets Composite Bond Index ETF has entered into a forward purchase and sale agreement (the Forward Agreement) which is valued at an amount equal to the gain or loss that would be realized if the position was to be closed out in accordance with its terms, in which case fair value shall be based on the current fair value of the underlying interests. On settlement, the Forward Agreement would equal the difference between the fair value of the Common Share Portfolio (defined in section F of the Fund Specific Notes) and the securities held by First Asset Morningstar Emerging Markets Composite Bond Fund, net of expenses.

#### **Other financial assets and liabilities**

Other assets and liabilities are short-term in nature and are carried at amortized cost.

#### **(iii) Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount presented in the Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### **Income recognition**

##### **(i) Interest income for distribution purposes**

The interest for distribution purposes shown in the Statements of Comprehensive Income represents the coupon interest received by the Funds accounted for on an accrual basis. The Funds do not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. The interest for distribution purposes is the tax basis of calculating the interest received and which is subject to tax.

##### **(ii) Dividend revenue**

Dividend revenue is recognized when the Funds' right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the Statements of Comprehensive Income.

##### **(iii) Income from options**

Premiums received from writing options are included in the Statements of Financial Position as a liability and subsequently adjusted daily to fair value. When a written option expires unexercised, the Funds will realize a gain equal to the premium received. When a written option is closed, the Funds will realize a gain or loss equal to the difference between the cost at which the contract was closed and the premium received.

## NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (iv) Securities lending

The Funds have entered into a securities lending program with their custodian. These transactions involve the temporary exchange of securities for collateral with a commitment to re-deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income from securities lending is included in the Statements of Comprehensive Income and is recognized when earned.

The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the assets of that Fund. Collateral received consists of qualified securities and securities that are immediately convertible into, or exchanged for securities of the same type, the same term and in the same number as those loaned by each Fund with market values of at least 102% of the market value of the loaned securities. Aggregate values of securities on loan and related collateral held as at June 30, 2014, December 31, 2013 and January 1, 2013 are disclosed as a footnote to the Statements of Comprehensive Income.

#### Investment transactions and expense recognition

Expenses directly attributable to a class are charged to that class. Other expense, income, realized gains and losses from investment transactions are allocated proportionately to each class based on the relative NAV of each class. Realized and unrealized gains and losses on forward foreign currency contracts entered into to hedge currency exposure of hedged classes are allocated only to that class.

#### Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term investments with a term to maturity of less than three months from date of purchase. Cash and cash equivalents are categorized as held for trading and therefore are carried at fair value. Short-term investments are valued at cost plus accrued interest, which approximates fair value.

#### Redeemable participating securities

Redeemable participating securities are classified as financial liabilities and are redeemable at the securityholder's option at prices disclosed in note 6.

#### Foreign currency translation

Transactions during the period, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transaction gains and losses on financial instruments classified as FVTPL are included in the Statements of Comprehensive Income as part of "net realized gain (loss) on sale of investments" and foreign exchange gains and losses relating to cash are presented as "net realized foreign exchange gain (loss)".

#### Increase (decrease) in net assets attributable to holders of redeemable securities per security

Increase / (decrease) in net assets attributable to holders of redeemable securities per security of each class is calculated by dividing the "Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)" as disclosed in the Statements of Comprehensive Income, by the weighted average number of securities outstanding during the period. Refer to Section C of the Fund Specific Notes for the calculation.

### 3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Funds' financial statements are listed below. The Funds will adopt any applicable standards when they become effective.

#### **IFRS 9, Financial Instruments - Classification and Measurement**

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after January 1, 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to January 1, 2015. In February 2014, the IASB tentatively decided to require an entity to apply IFRS 9 for annual periods beginning on or after January 1, 2018.

### 4. MANAGEMENT OF FINANCIAL RISK

In the normal course of business, the Funds are exposed to various financial risks, including credit risk, liquidity risk and market risk (consisting of interest rate risk, currency risk and other price risk). The Funds' overall risk management program seeks to minimize potentially adverse effects of these risks on the Funds' financial performance by employing professional, experienced portfolio advisors, by monitoring daily the Funds' positions and market events and by diversifying the investment portfolio within the constraints of the investment guidelines and periodically may use derivatives to hedge certain risk exposure. To assist in managing risk, First Asset maintains a governance structure that oversees the Funds' investment activities and monitors compliance with the Funds' stated investment strategies, investment guidelines and securities regulations. Please refer to section D of the Fund Specific Notes for specific risk disclosures related to each Fund.

## NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

### 4. MANAGEMENT OF FINANCIAL RISK (continued)

#### (i) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Funds.

For those Funds that invest in fixed income securities or derivative contracts, the value presented on the Schedule of Investment Portfolio includes consideration of the creditworthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the Funds. The Funds' holdings are continually monitored in regards to credit quality and relative value. Generally, the greater the credit rating of a security, the lower the probability of it defaulting on its obligations. In order to mitigate credit risk, First Asset attempts to focus on only highly creditworthy issuers that are less likely to suffer harshly during a downturn in the economic environment. As well, credit risk is managed by selecting Schedule I Banks operating in Canada as counterparties to the forward foreign currency contracts, if applicable, and by regular monitoring of credit exposures. Carrying amounts for accrued income represent minimal credit risk exposure as they will be settled in the short term. Credit ratings are obtained from Standard & Poor's. Where more than one rating is obtained for a security, the lowest rating has been used. See the Schedule of Investment Portfolio for the credit ratings of counterparties from over-the-counter derivative contracts, where applicable.

The Funds may enter into securities lending transactions with approved counterparties. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient approved credit rating and the market value of collateral held by the Fund must be at least 102% of the fair value of securities loaned.

As well, in entering into the Forward Agreement, First Asset Morningstar Emerging Markets Composite Bond Index ETF (top fund) is exposed to credit risk associated with the counterparty. Depending on the relative value of First Asset Morningstar Emerging Markets Composite Bond Fund (bottom fund) and the Common Share Portfolio, the top fund's exposure to the credit risk of the counterparty may be significant. As at a reporting period, if the value of the Common Share Portfolio held by the top fund is greater than the value of the bottom fund, then there is no credit risk. Otherwise, the maximum credit exposure is represented by the value of the Forward Agreement. The counterparty credit risk is mitigated as First Asset monitors the credit ratings of the counterparty.

All transactions executed by the Funds in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

#### (ii) Liquidity risk

Liquidity risk is the risk that the Funds may not be able to meet their obligation on time or at a reasonable price.

The Funds' exposure to liquidity risk is concentrated in the daily redemptions of securities. Since the delivery of redemptions is typically in the form of securities, the Funds are not exposed to any significant liquidity risk.

Generally, the Funds invest in securities that are considered readily realizable as they are actively traded on public exchanges. Certain securities may be less liquid than other securities and involve the risk that First Asset may not be able to dispose of them at the current market prices. As such, it may be difficult to significantly alter the composition of a Fund's portfolio in a short period of time. First Asset works to mitigate this risk by focusing on only highly creditworthy issuers.

As well, the Funds' financial liabilities are short-term in nature and there is sufficient cash, or the ability to raise cash, to settle these amounts as they come due.

The maturity of the Funds' financial liabilities are all between 1 and 3 months, except for the redeemable securities which are redeemable on demand at the holder's option. First Asset does not expect that this contractual maturity is representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

#### (iii) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

Certain Funds invest in interest bearing financial instruments. As such, these Funds are exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Prices of longer-term fixed income securities will generally fluctuate more in response to interest rate changes than would shorter-term securities. For portfolios that contain fixed income securities, First Asset reviews the remaining term-to-maturity dates on a regular basis to ensure diverse and balanced exposure.

#### (iv) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Certain Funds invest a portion of their assets in securities that are denominated in a currency other than the Canadian dollar, which represents the functional currency of the Fund. Consequently, these Funds are exposed to currency risk as the value of the portfolio securities denominated in currencies other than the Canadian dollar will vary due to changes in foreign currency exchange rates. For Funds with hedged classes, currency risk is mitigated by entering into forward foreign currency contracts and, as such, the hedged classes do not have significant exposure to currency risk.

#### (v) Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all

## NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

### 4. MANAGEMENT OF FINANCIAL RISK (continued)

similar financial instruments traded in the market.

All investments in securities present a risk of loss of capital. The maximum market price risk resulting from these investments is equivalent to their fair value. The value of the portfolios will be influenced by factors which are not within the control of the Funds including the performance of the portfolio securities, the condition of the equity markets generally and other factors. Market price risk is mitigated through the careful selection and diversification of securities within the limits of the Funds' investment objectives and strategies as well as the daily monitoring of the Funds' investment portfolio by First Asset.

### 5. FAIR VALUE MEASUREMENT HIERARCHY

Funds classify financial instruments into three levels based on inputs used to value the financial instruments. Level 1 securities are valued based on quoted prices in active markets for identical securities. Level 2 securities are valued based on significant observable market inputs, such as quoted prices from similar securities and quoted prices in inactive markets or based on observable inputs to models. Level 3 securities are valued based on significant unobservable inputs that reflect First Asset's determination of assumptions that market participants might reasonably use in valuing the securities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Funds determine whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

Financial assets and liabilities transferred from Level 1 to Level 2 are the result of securities no longer being traded in an active market. For the periods ended June 30, 2014 and December 31, 2013, there were no transfers of financial assets and liabilities from Level 1 to Level 2.

Financial assets and liabilities transferred from Level 2 to Level 1 are the result of securities now being traded in an active market. For the periods ended June 30, 2014 and December 31, 2013, there were no transfers of financial assets and liabilities from Level 2 to Level 1.

The Funds did not hold any significant positions of Level 3 investments at the beginning of, during, or at the end of the reporting periods.

Refer to section B of the Fund Specific Notes for the relevant disclosure.

### 6. REDEEMABLE SECURITIES

Each Fund is authorized to issue an unlimited number of redeemable, transferable Common Units and Advisor Class Units, including unhedged classes if applicable, each of which represents an undivided interest in the net assets of the Fund. Each class of securities is convertible into any other class of securities on the basis of their respective net asset values.

On any trading day, a designated broker or underwriter may place a subscription order for an integral multiple of the prescribed number of securities (PNU) of each Fund. A trading day is each day on which the TSX is open for business.

If the subscription order is accepted, the Fund will issue securities to the designated broker or underwriter within three trading days from the effective day of the subscription. For each PNU issued, a designated broker or underwriter must deliver payments consisting of (i) a basket of applicable securities and cash in an amount so that the value of the securities and cash is equal to the net asset value of the PNU of the Fund at the valuation time on the effective day of the subscription; or (ii) if approved by First Asset, cash in an amount sufficient so that the value of the cash is equal to the net asset value of the PNU of the Fund at the valuation time on the effective day of the subscription, in each case plus any applicable subscription fee determined by First Asset.

Securities of each Fund may also be issued to securityholders of such Fund on the automatic reinvestment of all distributions in accordance with the distribution policy of the Fund.

Securityholders may exchange an integral multiple of the PNU of each Fund on any trading day for baskets of securities and cash. The exchange price will be equal to the net asset value of the applicable PNU of the Fund tendered for exchange at the valuation time on the effective day of the exchange request, payable generally within three trading days from the effective day of the exchange request by (i) delivery of a basket of securities and cash in an amount sufficient so that the value of the securities and cash is equal to the applicable net asset value of the PNU of the Fund; or (ii) if approved by First Asset, cash in an amount sufficient so that the value of the cash is equal to the applicable net asset value of the PNU of the Fund, in each case less any applicable redemption fee determined by First Asset. The securities will be redeemed in the exchange.

On any trading day, securityholders of each Fund may also redeem securities of such Fund at a redemption price per security equal to 95% of the applicable closing price for such securities on the TSX on the effective day of the redemption less any applicable redemption fee determined by First Asset.

Securityholders that have delivered a redemption request prior to the distribution record date for any distribution will not be entitled to receive that distribution.



## NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

### 7. EXPENSES

As compensation for the services it provides to the Funds, the Funds pay First Asset an annual management fee on the Common and Advisor Class Units, including unhedged classes if applicable, as disclosed in a footnote to the Statements of Comprehensive Income, calculated daily and paid monthly in arrears plus, in respect of the Advisor Class Units, and Unhedged Advisor Class Units if applicable, an additional amount for the service fee payable to dealers, calculated daily and paid as soon as practicable after the end of each calendar quarter.

First Asset is responsible for all costs and expenses of the Funds, except for the management fee, brokerage expenses and commissions, the costs of any financial instruments used to achieve the investment objective of the Funds, reasonable costs associated with the Independent Review Committee, income taxes, withholding taxes, any applicable goods and services or other sales taxes including GST/HST, costs of complying with any new governmental or regulatory requirement introduced after the Funds were established, any costs associated with the printing and distribution of any documents that securities regulatory authorities require to be sent to securityholders, any transaction costs incurred by the custodian and any extraordinary expenses plus applicable taxes. As such, from the management fee, First Asset pays for all other costs and expenses relating to the operation of the business of the Funds including administration, legal, accounting, custody, audit, registrar and transfer agency fees. As a result, the Funds do not have any other expenses.

In addition to covering brokerage services on security transactions, commissions paid to dealers may also cover research services provided to First Asset. The value of research services included in commissions and other transaction costs during the period is presented as a footnote to the Statements of Comprehensive Income.

First Asset Morningstar Emerging Markets Composite Bond Index ETF pays a fee under the Forward Agreement as disclosed in the Fund Specific Notes.

### 8. DISTRIBUTIONS

Each Fund distributes to its securityholders on a monthly or quarterly basis. The amounts of distributions are based on First Asset's assessment of anticipated cash flow of the Funds from time to time.

If, in any year, after such distributions, there would otherwise remain in a Fund additional net realized capital gains, the Fund intends to make, on or before December 31 of that year, a special distribution of such portion of the remaining net realized capital gains as is necessary to ensure that the Fund will not be liable for income tax under the Income Tax Act (Canada) (the Tax Act). Such special capital gains distribution may be paid in securities and subsequently consolidated. They are reported as taxable distributions and increase each securityholder's adjusted cost base for their securities. Neither the number of securities held by the securityholder, nor the net asset value per security of the Fund change as a result of any non-cash capital gains distributions.

### 9. TAXATION

Each Fund qualifies as a mutual fund trust under the provisions of the Tax Act, and accordingly, is not subject to tax on its net taxable income for the tax year, including net realized capital gains, which is paid or payable to its securityholders as at the end of the tax year which ends December 15. Such distributed income is taxable in the hands of the securityholders. Income tax on net realized capital gains not paid or payable is generally recoverable, as redemptions occur, by virtue of refunding provisions contained in the Tax Act. No provision for income taxes has been recorded in the accompanying financial statements as all income and net realized taxable capital gains are distributed to securityholders.

As at the Funds' taxation year-ends, certain Funds had capital and non-capital loss carryforwards for income tax purposes and are disclosed in a footnote on the Statements of Changes in Net Assets Attributable to Holders of Redeemable Securities. Capital losses may be carried forward indefinitely to be applied against future capital gains. Non-capital losses may be utilized to reduce taxable income of future years and expire in the year(s) indicated in the footnote.

The Funds may be subject to withholding taxes, deducted at the source of the income, imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income. For the purpose of the Statements of Cash Flows, cash flows from investments are presented net of withholding taxes.

### 10. CAPITAL MANAGEMENT

Each Fund manages its capital in accordance with its investment objectives and strategies outlined in section A of the Fund Specific Notes and the risk management practices disclosed in note 4 and endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet distributions and redemptions. In order to manage their capital structures, the Funds may adjust the amount of distributions paid to securityholders.

### 11. RELATED PARTY TRANSACTIONS

First Asset manages and administers the business operations and affairs of the Funds, and is also responsible for providing all investment advisory and portfolio management services required by the Funds. These services are in the normal course of operations and are recorded at the amount of the consideration agreed to by the parties.

An affiliate of First Asset administers the Funds' relationship with the Funds' Independent Review Committee on behalf of First Asset, however, it receives no compensation for doing so. Members of the Independent Review Committee receive fees from the Funds for services rendered to the Funds.

The above services are reported in the Statements of Comprehensive Income as management fee, dealer service fees and Independent Review Committee fees, as

## NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

### 12. TRANSITION TO IFRS

applicable. Management fee payable and accounts payable and accrued liabilities are amounts generally payable to First Asset. The effect of the Funds' transition to IFRS is summarized as follows:

#### Transition election

The Funds did not apply any transition exceptions or exemptions to full retrospective application of IFRS, except for the voluntary exemption to designate a financial asset or financial liability at fair value through profit or loss upon transition to IFRS. All financial assets designated at fair value through profit or loss upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

#### Statement of cash flows

Under Canadian GAAP, the Funds were exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative period without exception.

#### Classification of redeemable securities issued by the Fund

Under Canadian GAAP, the Funds accounted for their redeemable securities as equity. Under IFRS, IAS 32 requires that securities of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. Each Fund's redeemable securities do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS. Other than presentation, there was no impact to the net assets attributable to holders of redeemable securities of each Fund as a result of the change in classification.

#### Revaluation of investments at FVTPL

Under Canadian GAAP, the Funds measured the fair values of their investments in accordance with Section 3855, *Financial Instruments - Recognition and Measurement*, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Funds measure the fair values of their investments using the guidance in IFRS 13, *Fair Value Measurement*, which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. A reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS due to revaluation of investments at FVTPL is found in section E of the Fund Specific Notes.

#### Reclassification adjustments

Withholding taxes which were previously netted against dividend income under Canadian GAAP, have been reclassified and presented separately as an expense under IFRS, as presented in the Statements of Comprehensive Income







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