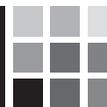


FIRST ASSET U.S. & CANADA LIFECO INCOME ETF



Annual Management Report of Fund Performance for the year ended
December 31, 2014

Fund:

First Asset U.S. & Canada Lifeco Income ETF

Securities:

Common Units - Listed Toronto Stock Exchange ("TSX"): FLI
Advisor Class Units - Listed TSX: FLI.A

Period:

January 1, 2014 to December 31, 2014

Manager, Trustee & Investment Advisor:

First Asset Investment Management Inc. ("First Asset")
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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. Holders 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, 2014.
4. None of the websites that are referred to in this report, nor any of the information on any such websites, are incorporated by reference in this report.
5. The Fund was previously called "First Asset U.S. & Canada LifeCo Income Fund" until its conversion into an exchange-traded fund on September 3, 2014.

Investment Objectives and Strategies

The Fund's investment objectives are to provide unitholders with (i) quarterly cash distributions; (ii) the opportunity for capital appreciation; and (iii) lower overall volatility of portfolio returns than would be experienced by owning a portfolio of publicly-traded common equity securities of the ten largest U.S. and Canadian life insurance companies by market capitalization directly. The Fund invests on an equal weight basis in the portfolio which consists of publicly-traded common equity securities of the ten largest U.S. and Canadian life insurance companies, and rebalances and reconstitutes the portfolio annually and in connection with certain corporate events. The Fund intends to sell call options each month on up to 25% of the portfolio securities of each security held in the portfolio.

Risks

On September 3, 2014, the Fund automatically converted from a closed-end fund into an exchange-traded fund ("ETF"). In connection with its conversion, the Fund filed a final prospectus dated August 25, 2014 with the securities regulatory authorities of all of the provinces and territories of Canada. Holders 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 and on SEDAR at www.sedar.com. As discussed in the prospectus, the following risk factors may apply to the Fund following its conversion into an ETF:

Corresponding Net Asset Value Risk – Similar to other ETFs, the closing trading price of the Securities may be different from its net asset value (or "NAV"). As a result, dealers may be able to acquire or redeem a prescribed number of units (or "PNU") at a discount or a premium to the closing trading price per Security. Such price differences may be due, in large part, to supply and demand factors in the secondary trading market for Securities being similar, but not identical, to the same forces influencing the price of the underlying securities of the Fund at any point in time. As the designated brokers and dealers may subscribe for or redeem a PNU at the applicable NAV per Security, First Asset expects that large discounts or premiums to the NAV per Security will not be sustained.

Designated broker/Dealer Risk - As the Fund will only issue Securities directly to designated brokers and dealers, in the event that a purchasing designated broker or dealer is unable to meet its settlement obligations, any resulting costs and losses incurred will be borne by the Fund.

Absence of an Active Market for the Units and Lack of Operating History - The Fund has limited operating history as an ETF. Although the Securities are listed on the TSX, there can be no assurance that an active public market for the Securities will develop or be sustained.

Multi-Class Structure Risk - The Securities are available in multiple classes. If the Fund cannot pay the expenses or satisfy the obligations entered into by the Fund for the sole benefit of one of those classes of Securities using that class of Security's proportionate share of the assets, the Fund may have to pay those expenses or satisfy those obligations out of another class of Security's proportionate share of the assets, which would lower the investment return of such other class of Securities. In addition, a creditor of the Fund may seek to satisfy its claim from the assets of the Fund as a whole, even though its claim or claims relate only to a particular class of Securities.

Readers are also directed to note 4 and the Fund Specific Notes of the Fund's 2014 annual financial statements, which discusses management of financial risks.

Results of Operations

On September 3, 2014, the Fund converted from a closed-end investment fund to an open-end exchange traded fund ("ETF") (the "Conversion"). In connection with the Conversion:

- The Fund's name changed from "First Asset U.S. & Canada LifeCo Income Fund" to "First Asset U.S. & Canada Lifeco Income ETF".
- The Fund's existing units were re-designated as Common Units of the ETF, and their ticker symbol changed from ULC.UN to FLI.
- A new class of advisor units of the ETF ("Advisor Class Units") were created under the ticker symbol FLI.A and started trading on the TSX on September 9, 2014.

For the period ended December 31, 2014, the Fund's Common Units returned 10.1% and the Advisor Class Units returned 3.9%. The Fund's Common Units and Advisor Class Units had per unit distributions of \$0.51 and \$0.09, respectively, during the period.

The U.S. Federal Reserve Board (the "Fed") tapered its asset purchase program over the period, bringing it to an end in October. Despite the general expectation that tapering would result in interest rate increases, U.S. and Canadian interest rates remained low amid weakening global growth and geopolitical concerns in Ukraine and the Middle East. U.S. 10-year bond yields fell from 3.0% to 2.2% between December 31, 2013 and the end of 2014, with Canadian 10-year bond yields following a similar decline, from 2.8% to 1.8%. Sustained low interest rates continued to challenge life insurers, with the S&P 500 Life & Health Insurance Index returning 11.4% for 2014, underperforming against the broader S&P 500 Index return of 13.7%.

The Fund's investment exposure is focused on the equity securities of the 10 largest (by market capitalization) U.S. and Canadian life insurance companies. Good performance from Canadian life insurers and a strong U.S. dollar contributed favourably to the Fund's performance. Top individual contributors included Sun Life Financial Inc. ("Sun Life"), Lincoln National Corp., and Manulife Financial Corp. In the third quarter of 2014, Sun Life delivered stronger than estimated operating results, with consistent strength in its asset management franchise, MFS Investment Management. Individual stocks that weighed on returns included Prudential Financial Inc. and Aflac Inc.

Recent Developments

First Asset believes that there will likely be interest rate increases over the next 12 to 24 months, based on improving macro-economic conditions. Should the Fed begin to raise interest rates in the coming year, it will bode well for the U.S. life insurance sector. Within Canada, growth in core earnings and dividends, along with expansion of return on equity from capital deployment, will help to boost performance. If the yield curve flattens and long-term interest rates remain low, it will have a negative impact on the sector as a whole.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Fund adopted International Financial Reporting Standards (IFRS) on January 1, 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. The Fund's 2014 annual financial statements are prepared in accordance with IFRS, and include 2013 comparative financial information and an opening Statement of Financial Position as at January 1, 2013, also prepared in accordance with IFRS. Note 12 and the Fund Specific Notes of the December 31, 2014 annual financial statements disclose the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements prepared under Canadian generally accepted accounting principles as defined in Part V of the CPA Canada Handbook (Canadian GAAP).

Related Party Transactions

First Asset is deemed to be a related party to the Fund. Please refer to the "Management Fee" section below which outlines fees paid to First Asset.

First Asset and the Fund were not party to any other related party transactions during the period ended December 31, 2014. F.A. Administration Services Inc., an affiliate of First Asset, administers the Fund's relationship with the Fund's Independent Review Committee on behalf of First Asset, however, it receives no compensation for doing so.

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 SECURITY⁽¹⁾

	Common Class	
	2014	2013 ⁽²⁾
Net Assets, beginning of period	\$10.62	\$9.43
Increase (decrease) from operations		
Total revenue	0.22	0.07
Total expenses	(0.12)	(0.04)
Realized gains (losses) for the period	0.38	(0.09)
Unrealized gains (losses) for the period	0.52	1.49
Total increase from operations⁽⁴⁾	1.00	1.43
Distributions		
From income (excluding dividends)	0.00	0.00
From dividends	0.00	0.00
From capital gains	0.11	0.00
Return of capital	0.40	(0.24)
Total Distributions⁽⁵⁾	(0.51)	(0.24)
Net Assets, end of period⁽⁶⁾	\$11.15	\$10.62

	Advisor Class	
	2014 ⁽³⁾	
Net Assets, beginning of period	\$10.94	
.Increase (decrease) from operations		
Total revenue	0.06	
Total expenses	(0.06)	
Realized gains (losses) for the period	0.28	
Unrealized gains (losses) for the period	0.14	
Total increase from operations⁽⁴⁾	0.42	
Distributions		
From income (excluding dividends)	0.00	
From dividends	0.00	
From capital gains	0.00	
Return of capital	(0.09)	
Total Distributions⁽⁵⁾	(0.09)	
Net Assets, end of period⁽⁶⁾	\$11.27	

Notes:

- (1) This information is derived from the Fund's audited annual financial statements. The term "net assets" used in this report and the term "net assets attributable to holders of redeemable securities" used in the Fund's financial statements are interchangeable. The Fund adopted IFRS on January 1, 2014. Previously, the Fund prepared its financial statements in accordance with Canadian GAAP. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which requires that if an asset or 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. Comparative figures above have been restated to reflect the accounting policy adjustments made in accordance with IFRS.
- (2) Results for the period from July 26, 2013 (inception date) to December 31, 2013. Opening net assets per security reflects the issue price of \$10.00 less offering expenses.
- (3) Results for the period from September 9, 2014 (launch date) to December 31, 2014.
- (4) Net assets and distributions are based on the actual number of securities outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of securities 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 security.

RATIOS AND SUPPLEMENTAL DATA

	2014 Common Class	2013 Common Class
Total net asset value (000s) ⁽¹⁾	\$129,630	\$145,736
Number of securities outstanding ⁽¹⁾	11,625,000	13,725,000
Management expense ratio excluding offering expenses ⁽²⁾	1.14 %	0.74 %
Management expense ratio ⁽²⁾	1.14 %	6.48 %
Management expense ratio before waivers or absorptions ⁽²⁾	1.14 %	6.48 %
Portfolio turnover rate ⁽³⁾	34.00 %	6.77 %
Trading expense ratio ⁽⁴⁾	0.13 %	0.29 %
Net asset value per security	\$11.15	\$10.62
Closing market price	\$11.17	\$10.25

	2014 Advisor Class
Total net asset value (000s) ⁽¹⁾	\$563
Number of securities outstanding ⁽¹⁾	50,000
Management expense ratio ⁽²⁾	1.68 %
Management expense ratio before waivers or absorptions ⁽²⁾	1.68 %
Portfolio turnover rate ⁽³⁾	34.00 %
Trading expense ratio ⁽⁴⁾	0.13 %
Net asset value per security	\$11.27
Closing market price	\$11.20

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.
- (3) The Fund's portfolio turnover rate indicates how actively First Asset manages the Fund's 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 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 Fee

First Asset manages and administers the business, operations and affairs of the Fund, and is also responsible for providing all investment advisory and portfolio management services required by the Fund. As compensation for the services it provides to the Fund, First Asset receives an annual management fee from the Fund. Prior to the Conversion, First Asset received an annual management fee from the Fund in an amount equal to 0.75% of the net asset value of the Fund, which was calculated daily and paid monthly in arrears. Post Conversion, the Fund pays First Asset an annual management fee of 0.75% on the net asset value of the Common and Advisor Class Units, calculated daily and paid monthly in arrears, and in respect of the Advisor Class Units, an amount equal to the service fee payable to registered dealers which is equal to 0.75%, calculated daily and paid quarterly in arrears.

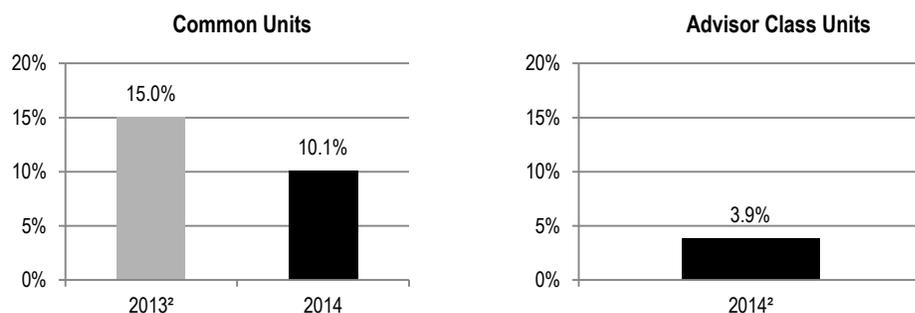
Other than investment advisory and portfolio management, the services provided by First Asset to the Fund include authorizing the payment of operating expenses, determining the amount of distributions by the Fund, and ensuring the Fund complies with its continuous disclosure and reporting requirements obligations under applicable law.

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 charts show annual performance for each class of the Fund's securities for the financial years shown and illustrate how the Fund's performance has changed from year to year. The bar charts show, in percentage terms, 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.



ANNUAL COMPOUND RETURNS

The table below summarizes the Fund's annual compound total returns for the periods ended December 31 as indicated. As a basis for comparison we have provided the performance of the S&P 500 Total Return Index ("Index A") and the S&P 500 Life & Health Insurance Index ("Index B"). The S&P 500 Total Return Index tracks 500 large-cap U.S. stocks representing all major industries and is used as a benchmark to help you understand the Fund's performance relative to the general performance of the broader U.S. equity market. The S&P 500 Life & Health Insurance Index is a subset of the S&P 500 Total Return Index. As the criteria for determining the constituents of the Fund and the indices differ, it is not expected that the Fund's performance will mirror that of the indices. Further, the return of the indices is calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses.

Period	Common Units ⁽¹⁾	Index A	Index B
1 year	10.1%	13.7%	11.4%
Since inception	19.0%	19.7%	20.13%

⁽¹⁾ Returns based on net asset value per security.

⁽²⁾ Return for the period August 22, 2013 (first day of trading) to December 31, 2013.

⁽³⁾ Return for the period September 9, 2014 (launch date) to December 31, 2014. No annual compound return is provided as term is shorter than full reporting period.

Summary of Investment Portfolio

The following is a summary of the Fund's investment portfolio as at December 31, 2014. 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.

HOLDINGS AS AT DECEMBER 31, 2014

Description	% of Net Asset Value
LONG POSITIONS	
Lincoln National Corporation	11.29
Torchmark Corporation	10.45
Principal Financial Group, Inc.	10.44
Sun Life Financial Inc.	10.31
MetLife, Inc.	10.15
Unum Group	10.04
Prudential Financial, Inc.	9.90
Manulife Financial Corp.	9.77
Great-West Lifeco Inc	9.47
Aflac, Inc.	9.11
Cash and Cash Equivalents	0.50
CALL OPTIONS	
Sun Life Financial Inc.	(0.03)
MetLife Inc.	(0.03)
Prudential Financial Inc.	(0.02)
Great-West Lifeco Inc.	(0.02)
Unum Group	(0.01)
Lincoln National Corp.	(0.01)
Manulife Financial Corp.	(0.01)
Aflac Inc.	(0.01)
Principal Financial Group Inc.	0.00
Total Net Asset Value	\$130,193,050

SECTOR ALLOCATION AS AT DECEMBER 31, 2014

Industry	% of Net Asset Value
Financials	100.78
Cash and Cash Equivalents	0.50
	101.28
Other Liabilities, Net of Assets	(1.28)
Total Net Asset Value	100.00

Industry	% of Net Asset Value
CALL OPTIONS	
Financials	(0.14)
	(0.14)

