

FIRST ASSET CANADIAN REIT ETF
(formerly, First Asset Canadian REIT Income Fund)



Interim Financial Statements for the period
January 1, 2015 to June 30, 2015

FIRST ASSET CANADIAN REIT ETF

NOTICE TO READER:

These interim financial statements and related notes for the six-month period ended June 30, 2015 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 CANADIAN REIT ETF

STATEMENTS OF FINANCIAL POSITION (Unaudited)

As at

	June 30, 2015 \$	December 31, 2014 \$
ASSETS		
Current assets		
Investments, at fair value (note 2)	64,336,916	68,638,630
Cash and cash equivalents	2,331,923	680,107
Due from broker	2,060,133	2,134,796
Dividends receivable	264,648	318,488
Interest receivable	38,722	42,753
	69,032,342	71,814,774
LIABILITIES		
Current liabilities		
Unrealized loss on forward foreign currency contracts	163,120	104,937
Accounts payable and accrued liabilities	110,783	140,167
Management fee payable	40,771	–
Due to broker	1,900,121	2,124,487
Distributions payable to holders of redeemable securities (note 8)	247,699	421,089
Bank indebtedness (note 12)	–	3,996,077
	2,462,494	6,786,757
Net assets attributable to holders of redeemable securities	66,569,848	65,028,017
Net assets attributable to holders of redeemable securities per security	\$13.44	\$13.13

See accompanying notes to financial statements.

FIRST ASSET CANADIAN REIT ETF

STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

For the six months ended June 30

	2015 \$	2014 \$
INCOME		
Net gains (losses) on investments		
Dividends	1,412,123	1,628,877
Interest for distribution purposes	128,236	131,282
Change in unrealized appreciation (depreciation) of investments	(492,548)	3,848,147
Net realized gain on sale of investments	3,178,858	1,963,381
Change in unrealized appreciation (depreciation) on forward foreign currency contracts	(58,184)	29,657
Net realized loss on forward foreign currency contracts	(245,384)	(31,894)
Return of capital from income trust investments	(313,474)	(489,905)
Net gains (losses) on investments⁽¹⁾	3,609,627	7,079,545
Net realized foreign exchange gain	27,371	20,164
Change in unrealized appreciation (depreciation) on other assets	6,353	(818)
	3,643,351	7,098,891
EXPENSES		
Management fee (notes 7 and 11) ⁽²⁾	251,361	263,456
Dealer service fee (notes 7 and 11) ⁽²⁾	99,741	104,956
Securityholder reporting costs	53,754	51,191
Withholding taxes (note 9)	51,676	50,334
Harmonized Sales Tax	46,417	48,425
Transaction costs (note 7) ⁽³⁾	41,549	32,891
Custodial and fund valuation fees	24,744	26,716
Interest expense and borrowing charges	16,446	6,986
Audit fees	15,295	14,550
Legal fees	12,500	8,355
Independent Review Committee fees (note 11)	1,841	1,620
	615,324	609,480
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	3,028,027	6,489,411
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per security (note 2)	\$0.61	\$1.16

(1) Comprised of:

	2015 \$	2014 \$
Financial assets and liabilities designated at FVTPL	3,913,195	7,081,782
Financial assets and liabilities classified as held for trading	(303,568)	(2,237)
	3,609,627	7,079,545

(2) Management and dealer service fee rates (notes 7 and 11)

	Management Fee	Service Fee
	0.75%	0.30%

(3) Brokerage commissions and soft dollar (note 7)

	2015 \$	2014 \$
Total soft dollar commissions	-	440

See accompanying notes to financial statements.

FIRST ASSET CANADIAN REIT ETF

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

For the six months ended June 30

	2015 \$	2014 \$
Net assets attributable to holders of redeemable securities, beginning of period	65,028,017	68,755,334
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	3,028,027	6,489,411
Distributions to holders of redeemable securities (note 8)		
From net investment income	(598,854)	(638,768)
From capital gains	(887,342)	–
Return of capital	–	(1,032,921)
Total distributions to holders of redeemable securities	(1,486,196)	(1,671,689)
Redeemable securities transactions (note 6)⁽¹⁾		
Purchase of units	–	(392,432)
Total redeemable securities transactions	–	(392,432)
Net increase in net assets attributable to holders of redeemable securities	1,541,831	4,425,290
Net assets attributable to holders of redeemable securities, end of period	66,569,848	73,180,624

⁽¹⁾ Redeemable securities issued and outstanding

	2015 #	2014 #
Securities outstanding, beginning of period	4,953,986	5,599,063
Purchase of securities	–	(32,900)
Securities outstanding, end of period	4,953,986	5,566,163

See accompanying notes to financial statements.

FIRST ASSET CANADIAN REIT ETF

STATEMENTS OF CASH FLOWS (Unaudited)

For the six months ended June 30

	2015	2014
	\$	\$
OPERATING ACTIVITIES		
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	3,028,027	6,489,411
Adjustments to reconcile cash flows from (used in) operating activities		
Proceeds from sale of investments	24,593,054	24,350,161
Purchases of investments	(17,918,503)	(19,126,735)
Change in due from broker	(149,555)	(53,216)
Change in other assets and liabilities	69,272	17,094
Change in foreign exchange on currency	6,189	(13)
Net realized (gain) loss on sale of investments	(3,178,858)	(1,963,380)
Return of capital from income trust investments	313,474	489,905
Change in unrealized (appreciation) depreciation of investments	492,549	(3,848,147)
Change in unrealized (appreciation) depreciation on forward foreign currency contracts	58,184	(29,657)
Change in unrealized (appreciation) depreciation on other assets	(6,353)	818
Cash flows from operating activities	7,307,479	6,326,240
FINANCING ACTIVITIES		
Distributions to securityholders	(1,659,586)	(2,781,949)
Borrowings of bank indebtedness	(3,996,077)	(2,697,301)
Purchase of securities	-	(392,432)
Cash flows used in financing activities	(5,655,663)	(5,871,682)
Net increase in cash and cash equivalents during the period	1,651,816	454,558
Cash and cash equivalents, beginning of period	680,107	653,624
Cash and cash equivalents, end of period	2,331,923	1,108,182
Interest received, net of withholding tax	132,267	142,816
Dividends received, net of withholding tax	1,465,962	1,635,070
Interest paid	(16,446)	(6,986)

See accompanying notes to financial statements.

FIRST ASSET CANADIAN REIT ETF

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited)

As at June 30, 2015

Number of shares, units and par value	Description	Average Cost \$	Fair Value \$	% of Net Assets
LIMITED PARTNERSHIP UNITS				
180,000	American Hotel Income Properties REIT LP	1,830,500	1,855,800	
48,073	Brookfield Property Partners LP	1,045,585	1,327,776	
Total limited partnership units		2,876,085	3,183,576	4.79%
EQUITIES				
Canada				
156,500	Agellan Commercial Real Estate Investment Trust	1,548,354	1,381,895	
68,000	Allied Properties Real Estate Investment Trust	1,662,715	2,409,920	
211,000	Amica Mature Lifestyles Inc.	1,388,949	1,692,220	
90,300	Artis Real Estate Investment Trust	975,382	1,238,013	
43,500	Boardwalk Real Estate Investment Trust	2,282,040	2,463,405	
51,100	BPO Properties Ltd.	1,109,927	1,381,233	
53,000	Calloway Real Estate Investment Trust	1,404,002	1,532,760	
74,100	Canadian Apartment Properties Real Estate Investment Trust	1,622,826	2,045,160	
66,600	Canadian Real Estate Investment Trust	2,131,008	2,827,170	
210,100	Chartwell Retirement Residences	1,523,073	2,411,948	
132,000	Crombie Real Estate Investment Trust	1,717,198	1,646,040	
60,000	CT Real Estate Investment Trust	586,642	726,000	
75,000	Dream Global Real Estate Investment Trust	744,644	744,750	
211,552	Dream Industrial Real Estate Investment Trust	1,943,470	1,730,496	
54,700	First Asset Active Canadian REIT ETF	543,948	544,812	
112,377	First Capital Realty, Inc.	1,802,395	2,009,301	
32,800	Granite Real Estate Investment Trust	1,281,492	1,409,088	
126,759	H&R Real Estate Investment Trust	2,493,451	2,844,472	
119,000	Inovalis Real Estate Investment Trust	1,151,020	1,076,950	
386,900	InterRent Real Estate Investment Trust	979,496	2,445,208	
206,200	Killam Properties Inc.	2,061,838	2,101,178	
9,300	Mainstreet Equity Corporation	175,026	341,682	
5,740	Morguard Corporation	503,760	859,565	
200,200	Morguard North American Residential Real Estate Investment Trust	2,317,960	1,957,956	
133,600	Morguard Real Estate Investment Trust	1,571,253	2,201,728	
26,900	Northern Property Real Estate Investment Trust	653,366	602,022	
264,200	Pure Industrial Real Estate Trust	965,457	1,244,382	
175,000	Pure Multi-Family REIT LP	970,735	1,107,750	
74,000	Regal Lifestyle Communities Inc.	673,156	887,260	
70,000	Retrocom Real Estate Investment Trust	281,365	248,500	
83,500	RioCan Real Estate Investment Trust	1,926,604	2,235,295	
94,100	Sienna Senior Living Inc.	991,973	1,453,845	
20,625	Slate Office REIT	7,219	206	
50,000	Slate Retail REIT	638,988	652,000	
66,800	Timbercreek Senior Mortgage Investment Corporation	579,183	551,768	
127,700	Tricon Capital Group, Inc.	621,573	1,393,207	
USD 181,400	WPT Industrial Real Estate Investment Trust	1,541,636	2,775,465	
Total Canada		45,373,124	55,174,650	82.88%
United States				
166,800	Milestone Apartments Real Estate Investment Trust	1,716,946	2,091,672	

FIRST ASSET CANADIAN REIT ETF

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited) (continued)

As at June 30, 2015

Number of shares, units and par value	Description	Average Cost \$	Fair Value \$	% of Net Assets
EQUITIES (continued)				
Total United States		1,716,946	2,091,672	3.14%
Total equities		47,090,070	57,266,322	86.02%
CONVERTIBLE DEBENTURES				
617,000	Altus Group Ltd. 6.75%, June 30, 2017	595,220	1,110,600	
USD 1,000,000	Pure Multi-Family REIT LP 6.50%, September 30, 2020	1,036,750	1,236,510	
843,000	Tricon Capital Group, Inc. 6.38%, August 31, 2017	844,169	1,539,908	
Total convertible debentures		2,476,139	3,887,018	5.84%
Adjustment for transaction costs		(40,526)	-	-%
Total investments		52,401,768	64,336,916	96.65%
Total unrealized loss on forward foreign currency contracts			(163,120)	(0.25)%
Other assets, net of liabilities			2,396,052	3.60%
Net assets attributable to holders of redeemable securities			66,569,848	100.00%

UNREALIZED LOSS ON FORWARD FOREIGN CURRENCY CONTRACTS

Settlement Date	Currency Buy	Position	Currency Sell	Position	Contract Rates	Counterparty	Credit Rating*	Unrealized Loss (\$)
14-Aug-15	CAD	4,210,850	USD	3,500,000	1.2031	Canadian Imperial Bank of Commerce	A+	(163,120)
								(163,120)

* Credit rating provided by Standard & Poor's.

PORTFOLIO CONCENTRATION

As a percentage of net assets (%)	June 30, 2015	December 31, 2014
Limited Partnership Units	4.79	4.20
Equities		
Canada	82.88	87.86
United States	3.14	4.44
Bonds	-	0.24
Convertible Debentures	5.84	8.81
Total unrealized loss on forward foreign currency contracts	(0.25)	(0.16)
Other assets, net of liabilities	3.60	(5.39)

See accompanying notes to financial statements.

FIRST ASSET CANADIAN REIT ETF

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (Unaudited)

June 30, 2015

(A) THE FUND

First Asset Canadian REIT ETF (the "Fund") was formed as an investment trust under the laws of the Province of Ontario on October 28, 2004 under the name First Asset Equal Weight REIT Income Fund. The Fund changed its name to First Asset REIT Income Fund on August 17, 2007. It subsequently changed its name to First Asset Canadian REIT Income Fund on June 20, 2012.

Prior to its conversion into an exchange traded fund on July 14, 2015 (the "ETF Conversion"), the Fund's investment objectives were to provide holders with the benefits of high monthly cash distributions together with the opportunity for capital appreciation through the active management of a portfolio of real estate investment trusts ("REITs") and real estate corporations ("REOCs") that are listed on Canadian stock exchanges.

In conjunction with the ETF Conversion, the Fund's investment objective was restated as follows: "to seek long-term total returns consisting of regular income and long-term capital appreciation from an actively managed portfolio comprised primarily of securities of Canadian real estate investment trusts, real estate operating corporations and entities involved in real estate related services."

On June 30, 2015, unitholders approved the ETF Conversion, including changes to the Fund's investment objectives, strategies and restrictions and certain other provisions in the Fund's declaration of trust. The ETF Conversion was implemented on July 14, 2015, and in connection with the ETF Conversion: the Fund's name changed to "First Asset Canadian REIT ETF"; the Fund's existing units were re-designated as common units of the ETF and their ticker symbol changed to RIT from RIT.UN; the management fee was reduced to 0.75% from 1.05% of the Fund's net asset value; and, on July 21, 2015, the Fund commenced offering Advisor Class Units under the ticker symbol RIT.A.

The Manager, Trustee and Investment Advisor of the Fund is First Asset Investment Management Inc. ("First Asset").

(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, 2015

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Limited partnership units	3,183,576	–	–	3,183,576
Equities	57,266,322	–	–	57,266,322
Convertible debentures	–	3,887,018	–	3,887,018
Short-term notes	–	1,500,000	–	1,500,000
	60,449,898	5,387,018	–	65,836,916
Financial liabilities				
Derivatives	–	163,120	–	163,120
	–	163,120	–	163,120

As at December 31, 2014

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Limited partnership units	2,725,881	–	–	2,725,881
Equities	60,026,999	–	–	60,026,999
Bonds	–	155,625	–	155,625
Convertible debentures	–	5,730,125	–	5,730,125
	62,752,880	5,885,750	–	68,638,630
Financial liabilities				
Short-term notes	–	3,996,077	–	3,996,077
Derivatives	–	104,937	–	104,937
	–	4,101,014	–	4,101,014

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

(B) FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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, 2015 and December 31, 2014, 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, 2015 and December 31, 2014, there were no transfers of financial assets and liabilities from Level 2 to Level 1.

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

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

The increase (decrease) in net assets attributable to holders of redeemable securities per security for the six month period ended June 30, 2015 and 2014 is calculated as follows:

	2015	2014
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	\$3,028,027	\$6,489,411
Weighted average securities outstanding during the period	4,953,986	5,574,872
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per security	\$0.61	\$1.16

(D) MANAGEMENT OF FINANCIAL RISKS**Interest rate risk**

	Fair Value	
	June 30, 2015	December 31, 2014
	\$	\$
Less than 1 year	–	26,445
1-3 years	2,650,508	3,990,461
3-5 years	–	717,500
Greater than 5 years	1,236,510	1,151,344

As at June 30, 2015, if the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, net assets could possibly have decreased or increased, respectively, by approximately \$55,093 or 0.08% of net assets (December 31, 2014 — \$85,268 or 0.13%).

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.

As at June 30, 2015

Currency	Investments	Cash	Other	Forward Foreign Currency Contracts	Total	Impact on Net Assets
United States dollar	\$4,011,975	\$491,057	\$–	(\$4,210,850)	\$292,182	\$14,609
Total	\$4,011,975	\$491,057	\$–	(\$4,210,850)	\$292,182	\$14,609
As a % of Net Assets	6.0%	0.7%	–%	(6.3)%	0.4%	0.0%

FIRST ASSET CANADIAN REIT ETF

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

(D) MANAGEMENT OF FINANCIAL RISKS (continued)

As at December 31, 2014

Currency	Investments	Cash	Other	Forward Foreign Currency Contracts	Total	Impact on Net Assets
United States dollar	\$4,116,713	\$30,569	\$-	(\$3,729,495)	\$417,787	\$20,889
Total	\$4,116,713	\$30,569	\$-	(\$3,729,495)	\$417,787	\$20,889
As a % of Net Assets	6.3%	0.0%	-%	(5.7)%	0.6%	0.0%

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 January 1, 2008 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, 2015	December 31, 2014
S&P/TSX Capped REIT Total Return Index	\$ 5,540,171	\$ 5,904,140

(E) REDEEMABLE SECURITIES

Prior to the conversion into an ETF

The Fund was authorized to issue an unlimited number of transferable and redeemable securities of one class, each of which represented an equal, undivided interest in the net assets of the Fund.

Securityholders were entitled to redeem their securities on the last business day of each month at the lesser of 95% of the market price (being a 10 day weighted average trading price) per security on the applicable monthly redemption date or the closing market price on the applicable monthly redemption date.

Securityholders were entitled to redeem their securities outstanding on the Redemption Date, the second last business day of November of each year. Securityholders were entitled to receive a redemption price equal to 100% of the net asset value per security on the Redemption Date less any costs of funding the redemption, including commissions. For the purposes of calculating this net asset value per security, the value of the portfolio securities was equal to the weighted average trading price of such securities over the last three business days prior to the Redemption Date.

After the conversion into an ETF

The Fund is authorized to issue an unlimited number of redeemable, transferable Common Units and Advisor Class Units, each of which represents an undivided interest in the net assets of the Fund. Whole units of each class of securities are convertible into whole units of any other class of securities of the Fund on the basis of their respective net asset values, with any remaining fractional units redeemed at their net asset value.

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 the 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 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 the 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 the Fund on any trading day for baskets of securities and cash, or in the discretion of First Asset, cash only. 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 delivery of (i) a basket of securities and cash in

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

(E) REDEEMABLE SECURITIES (continued)

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 only 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 the Fund may also redeem securities of the Fund at a redemption price per security equal to 95% of the 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.

(F) BANK INDEBTEDNESS

The amount of the loan ranged between nil and \$4.0 million during the period (2014 — nil and \$4.0 million) and represented 0% of the Fund's net assets as at June 30, 2015 (December 31, 2014 — 6.15%). The loan facility was terminated in July 2015 in connection with the conversion of the Fund into an ETF.

(G) RELATED PARTY TRANSACTIONS

As at June 30, 2015, the Fund held 54,700 units of the First Asset Active REIT ETF, an investment fund managed by First Asset, having a fair value of \$544,812 and representing 0.82% of the Fund's net assets. The trades were executed by an unrelated broker and through the facilities of the TSX at prevailing market prices on the days of the transactions. None of the related parties received any fees in connection with the trades. The trades were executed in reliance on a standing instruction issued by both funds' Independent Review Committee.

FIRST ASSET CANADIAN REIT ETF

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

June 30, 2015

1. GENERAL INFORMATION

These notes are an integral part of these financial statements, and contain important information about the following First Asset closed-end investment funds (individually, a Fund, and collectively, the Funds):

Corporation Structure	Trust Structure	Dual Trust Structure
Can-60 Income Corp.	First Asset Canadian REIT ETF*	Canadian Advantaged Convertibles Fund
Can-Financials Income Corp.	First Asset Morningstar U.S. Consumer Defensive Index Fund	Canadian Convertibles Fund
CanBanc 8 Income Corp.	First Asset Hamilton Capital European Bank Fund	First Asset Diversified Convertible Debenture Fund
CanBanc Income Corp.	JFT Strategies Fund	First Asset DCD Portfolio Fund
First Asset CanBanc Split Corp.	Preferred Share Investment Fund	North American Advantaged Convertibles Fund
	Triax Diversified High-Yield Trust	Convertibles Portfolio Fund
Limited Partnership	Utility Split Trust	
First Asset Energy & Resource Fund		

*Formerly First Asset Canadian REIT Income Fund

Refer to section A of the Fund Specific Notes for details of the organization of the Funds, investment objectives and strategies and inception dates of each Fund.

The manager of each Fund is First Asset Investment Management Inc. (First Asset).

Each Fund's registered office is at 95 Wellington Street West, Suite 1400, Toronto, Canada.

The Schedule of Investment Portfolio for each Fund is as at June 30, 2015. The Statements of Financial Position for each Fund are as at June 30, 2015 and December 31, 2014, 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, 2015 and 2014, 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, 2015 were approved and authorized for issuance by the Board of Directors of First Asset on August 26, 2015.

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 the 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).

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.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Funds based their assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Funds. Such changes are reflected in the assumptions when they occur.

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 issue 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.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

If applicable, the Note Receivable (defined in section G of the Fund Specific Notes) is recorded at amortized cost. The fair value of the Note Receivable approximates its carrying value as the amount bears interest from the date of issue at the prime rate of interest.

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 as brokerage commissions incurred in the purchase and sale of securities for such instruments, as well as fees incurred in conjunction with the Forward Agreement(s) (defined below), 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 redemption amount. The term "redeemable securities" represents Capital units for split trust structures, trust units for all other trust structures, limited partnership units for limited partnership structures, Class A shares for split corporation structures and equity shares for all other corporation structures. For split trust or split corporation structures, preferred securities or preferred shares are also carried at the redemption amount and are presented as liabilities in the Statements of Financial Position.

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,

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Investments held that are not traded in an active market are recorded at estimated fair value as determined by First Asset using appropriate and accepted industry valuation techniques including valuation models. The fair value of a security determined using valuation models requires the use of inputs and assumptions, which, at times, may not be supported by observable market data.

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.

Top funds of dual trust structures have entered into one or more forward purchase and sales agreements (the Forward Agreement(s)) which are 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 fair value of the Forward Agreements would equal the difference between the fair value of the Common Share Portfolio (defined in the Fund Specific Notes) and the value of the securities held by the bottom funds, 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.

(iv) Securities lending

The Common Share Portfolios (defined in the Fund Specific Notes) of the top funds of dual trust structures are subject to a securities lending program. 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.

Collateral received consists of qualified securities, 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 the Funds, or cash or letters of credit 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, 2015 and 2014 are disclosed as a footnote to the Statements of Comprehensive Income.

Investment transactions and expense recognition

If applicable, 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.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 section F of the Fund Specific Notes.

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 translated 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 and unrealized gain (loss) on sale of investments" and foreign exchange gains and losses relating to cash and other assets and liabilities 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, if applicable, 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

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments (IFRS 9), which replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory.

IFRS 9, Financial Instruments - Classification and Measurement

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which clarifies the principles for recognizing revenue and cash flows arising from contracts with customers. The standard is effective for annual periods beginning on or after January 1, 2018, with early application permitted. First Asset is currently assessing the impact of adopting this standard, but it is not expected to have a material impact to the Funds.

4. MANAGEMENT OF FINANCIAL RISKS

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. Refer to section D of the Fund Specific Notes for specific risk disclosures related to each Fund.

(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

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

4. MANAGEMENT OF FINANCIAL RISKS (continued)

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 top 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 Agreements, the top funds are exposed to credit risk associated with the counterparty. Depending on the relative value of the bottom trust and the Common Share Portfolio, the top funds' 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 counterparties.

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.

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.

The top funds will partially settle the Forward Agreement prior to the termination date in order to fund distributions, redemptions, purchases of securities in the market and operating expenses. For all other funds, the 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 to 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 Fund's reporting currency. Consequently, these Funds are exposed to currency risk as the value of the portfolio securities denominated in currencies other than the Fund's reporting currency will vary due to changes in foreign currency exchange rates. Those Funds that are hedged back to the Fund's reporting currency 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 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.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

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.

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

6. REDEEMABLE SECURITIES

The Funds are structured as either trusts, limited partnerships, or corporations. Details surrounding the securities offered by each Fund is found in section F of the Fund Specific Notes.

7. EXPENSES

First Asset manages and administers the business, operations and affairs of the Funds. For Triax Diversified High Yield Trust, Preferred Share Investment Trust, JFT Strategies Fund and First Asset Hamilton Capital European Bank Fund, First Asset has retained a portfolio manager or investment sub-advisor to provide the portfolio management services required by these Funds and is responsible for overseeing those portfolio management services. For all other Funds, First Asset is responsible for providing all investment advisory and portfolio management services required by the Funds. As compensation for the services it provides to the Funds, First Asset is entitled to receive an annual management fee from the Funds calculated as a percentage of the net asset value of the Funds. This fee is calculated daily and paid monthly in arrears. If applicable, First Asset pays the portfolio manager or investment sub-advisor out of its management fee. In the case of Utility Split Trust and First Asset Diversified Convertible Debenture Fund, First Asset is also entitled to an annual trustee fee based on the net asset value of the Fund, calculated daily and paid monthly in arrears. In certain circumstances, First Asset is also entitled to an amount equal to the service fee payable to registered dealers. This fee is calculated daily and paid quarterly in arrears.

The annual management fee, trustee fee, and service fee rates, if applicable, are disclosed in a footnote to the Statements of Comprehensive Income.

The Funds are responsible for all costs relating to their operation and administration.

In addition to covering brokerage services on security transactions, commissions paid to dealers may also cover research services provided to First Asset or the relevant portfolio manager of the Funds. 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.

Top funds of dual trust structures pay a fee under the Forward Agreement as disclosed in the Fund Specific Notes.

For JFT Strategies Fund, the Portfolio Manager is entitled to an annual performance fee (the "Performance Fee"), payable on December 31 (the "Determination Date") of each year, equal to 20% of the appreciation in the net asset value of the units in that calendar year. For this purpose, the Performance Fee is calculated separately for each of the Class A units and the Class F units. The appreciation in the net asset value of each class of units is calculated by subtracting the High Water Mark for the applicable class of units from the Adjusted NAV per unit for that class of units on the relevant Determination Date and multiplying the result by the number of units of that class outstanding on such Determination Date (before giving effect to any redemption of units of such class on such date). The "High Water Mark" of each class of units on any date is the greater of: (i) \$10.00; and (ii) the net asset value per unit of that class as of the last Determination Date on which a Performance Fee was paid in respect of such class (after giving effect to the Performance Fee paid on such date). The High Water Mark for units of a class will be appropriately adjusted in the event of a consolidation or subdivision of units of that class. The "Adjusted NAV per unit" of a class of units is the net asset value per unit of that class on the relevant Determination Date, excluding any accrual for the Performance Fee that would otherwise be included in the net asset value per unit calculation on such date, plus the amount of any distribution declared by the Fund to the holder of that unit since the date as of which the High Water Mark was set. The Performance Fee, plus applicable taxes, shall be calculated and accrued daily and payable annually on December 31, if earned.

For First Asset Energy & Resource Fund, the General Partner and the Investment Advisor are entitled to share a performance bonus equal to 20% of the amount by which the percentage increase in the NAV per unit in a fiscal year, starting from the NAV per unit on August 1, 2007 exceeds a threshold annualized increase of 12% (the "Performance Bonus"). The Performance Bonus will be calculated on the last day of each fiscal year of the Fund based on the cumulative increase in the NAV per unit, excluding the effect of any distributions to Limited Partners, and will be subject to adjustment based upon the annual valuation conducted by an independent valuator retained by the Fund. For the purpose of calculating the Performance Bonus, to the extent that the increase in the NAV per unit in any given year does not exceed the threshold, then the amount by which such increase falls below the threshold will be carried forward and deducted from the amount of any increase in the NAV based on which the Performance Bonus is calculated in subsequent years. Any Performance Bonus payable shall accrue, with interest, until such time as the investment portfolio of the Fund generates sufficient cash to pay the accrued Performance Bonus. Interest on the unpaid portion of any Performance Bonus shall be calculated at the prime rate for most credit-worthy customers established by a Canadian chartered bank minus 2%. Interest shall be compounded on an annual basis

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

7. EXPENSES (continued)

and shall be paid in respect of the period during which the Performance Bonus remains unpaid.

8. DISTRIBUTIONS

Except for First Asset Energy & Resource Fund and JFT Strategies Fund, 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.

For all Funds structured as trusts and corporations, if, in any year, after such distributions, there would otherwise remain in the Funds additional net income or net realized capital gains, the Funds will make, on or before December 31 of that year, a special distribution of such portion of the remaining net income or net realized capital gains as is necessary to ensure that the Funds will not be liable for income tax under the Income Tax Act (Canada) (the Tax Act).

9. TAXATION

Each Fund structured as a trust 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. 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.

Each Fund structured as a corporation qualifies and intends to continue to qualify as a mutual fund corporation under the Tax Act. Mutual Fund corporations are generally subject to tax in the same manner as other public corporations except that income taxes payable on realized capital gains are refundable on a formula basis when shares of the Fund are redeemed or capital gains dividends are paid by the Fund to its shareholders. The Fund is subject to a special tax at the rate of 33 1/3% on taxable dividends received from taxable Canadian corporations. The tax is refundable to the Fund upon the payment of taxable dividends to its securityholders at the rate of \$1 for every \$3 of dividends paid.

First Asset Energy & Resource Fund, which is structured as a limited partnership, is not liable for income tax as all income (loss) for the year is allocated to securityholders.

The tax year end for all Funds is December 31.

As at the Funds' taxation year-ends, certain Funds have capital and non-capital loss carryforwards for income tax purposes and are disclosed in a footnote to 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 while maintaining sufficient liquidity to meet redemptions and distributions, if any. In order to manage their capital structures, the Funds may adjust the amount of any distributions paid to securityholders.

Under a normal course issuer bid, each Fund (other than First Asset Hamilton Capital European Bank Fund) has the ability to repurchase units up to a maximum of 10% of the public float at the time the bid commenced. Under the bid, units are repurchased at their market price through the facilities of the Toronto Stock Exchange ("TSX"). Units repurchased pursuant to a normal course issuer bid or a redemption of units are held by certain Funds for recirculation and are not included in the Funds' units outstanding. Repurchased or redeemed units which are not recirculated within 16 months after the date of repurchase are canceled.

11. RELATED PARTY TRANSACTIONS

First Asset manages and administers the business operations and affairs of the Funds, and, in most circumstances, 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, and are reimbursed for out-of-pocket expenses. For Funds structured as corporations, the independent directors are paid an annual fee and are reimbursed for their out-of-pocket expenses.

The above services are reported in the Statements of Comprehensive Income as management fee, dealer service fees, directors' fees and Independent Review Committee fees, as applicable. Management fee payable are amounts generally payable to First Asset.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

11. RELATED PARTY TRANSACTIONS (continued)

Any other fund specific related party transactions are disclosed in the Fund Specific Notes, if applicable.

12. BANK OR BROKER MARGIN INDEBTEDNESS

First Asset, on behalf of certain Funds, has entered into a revolving term facility with a Canadian bank. The proceeds of each loan facility are used to purchase additional securities in accordance with the investment guidelines and restrictions relating to the respective Fund, in order to attempt to increase the potential returns of the Fund. Amounts borrowed under the facility are collateralized by a security interest in the assets and undertakings of the Fund. Amounts borrowed bear interest at the bank's prime rate or, if incurred by way of banker's acceptance, at rates slightly below prime. The terms, conditions, interest rates and expenses are typical for a loan of this nature.

For certain other Funds, leverage is obtained by way of a prime brokerage arrangement. This arrangement provides the Funds with margin to execute trades and for working capital purposes. The prime broker is also the custodian of the Funds' portfolio, a portion of which is required to be deposited as collateral for amounts borrowed under this arrangement. Interest on amounts borrowed is based on a floating rate.

