

FIRST ASSET CANADIAN REIT ETF

(formerly, First Asset Canadian REIT Income Fund)



Interim Management Report of Fund Performance for the period
January 1, 2015 to June 30, 2015

Fund:

First Asset Canadian REIT ETF
(formerly, *First Asset Canadian REIT Income Fund*)

Securities:

Common Units - Listed Toronto Stock Exchange ("TSX"): RIT (formerly, RIT.UN - see Recent Developments)
Advisor Class Units - Listed TSX: RIT.A

Period:

January 1, 2015 to June 30, 2015

Manager, Trustee & Investment Advisor:

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Notes:

1. This interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the Fund. You can get a copy of the interim 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 June 30, 2015.
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. On July 14, 2015 the Fund converted into an exchange-traded fund ("ETF"). In connection with the 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; and a new class of advisor units of the ETF were created under the ticker symbol RIT.A.

Investment Objectives and Strategies

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."

Results of Operations

For the six-month period ended June 30, 2015, the net assets per security of the Fund was \$13.44 after payment of distributions to securityholders compared to \$13.13 on December 31, 2014. The Fund paid cash distributions of \$0.30 per security during the period. The Fund's total return was 4.6% for the period.

The Fund's net assets as at June 30, 2015 was \$66.6 million, an increase from \$65.0 million as at December 31, 2014. The largest factor contributing to this increase was net gains on investments of \$3.6 million. This was offset in part by distributions of \$1.5 million.

During the six-month period ended June 30, 2015, equity markets were volatile, partially as a result of uncertainty over Greece's debt. Early in the year, the Syriza party won the Greek election with a pledge to give relief to Greek citizens from austerity measures that were imposed as part of the conditions for the loans the country had received, while still remaining in the European Union. European officials rejected recent proposals from Greece, prompting concerns that Greece would be forced to exit the eurozone, the likelihood of which increased as Greece continued to require financial assistance, but remained hesitant to make financial concessions in areas such as pension cuts and taxes. Financial markets experienced further volatility, particularly in the energy sector, as crude oil inventories continued to rise even as rig counts declined in both Canada and the U.S. As anticipated, the Organization of the Petroleum Exporting Countries chose to keep its production quotas unchanged.

While global growth was not robust over the period, economic activity in the U.S. continued to improve, with inflation remaining in check. These factors resulted in the expectation for a U.S. Federal Reserve Board ("Fed") interest rate increase later this year or in early 2016. In contrast, the European Central Bank started buying government bonds under its expanded quantitative easing plan designed to boost price growth in the region, and targeted 1.1 trillion euros in bond purchases. The Bank of Canada ("BoC") surprised markets in January with a 25 basis points ("bps") rate cut, citing weakness in oil prices and the impact of this weakness on Canada's gross domestic product ("GDP") growth.

Against this backdrop, the S&P/TSX Capped REIT Index outperformed the broader market in the first half of 2015. For the period, the Fund returned a comparatively strong 4.6% net of fees. The S&P/TSX Capped REIT Total Return Index and the S&P/TSX Composite Total Return Index returned 2.6% and 0.9% respectively.

Stock selection was a key contributor to the Fund's performance during the period. The top three individual contributors were WPT Industrial Real Estate Investment Trust ("WPT Industrial"), Tricon Capital Group Inc. ("Tricon") and Amica Mature Lifestyles Inc. ("Amica"). In May, WPT Industrial announced that its board of directors had formed a special committee to explore strategic alternatives. The trust's units responded favourably to the news, and rose approximately 10% in one day. If sold, it is expected that WPT Industrial could command a low 6% capitalization rate, in line with recent transactions of U.S. industrial warehouses and distribution centre assets. Tricon has generated strong performance year-to-date on solid operational and financial results generated by its U.S. residential real estate businesses. Amica's shares rallied on recent transaction activity in the seniors housing segment. In June, Regal Lifestyle Communities Inc. ("Regal Lifestyle") announced its acquisition by Revera Inc. and Health Care REIT, Inc. for \$12.00 per share in cash, representing a premium of 27.1% to the prior day's close, a 30% premium to net asset value ("NAV"), and an implied capitalization rate of 6.1%. Amica's shares rose in response to the news, as its portfolio merits a comparatively lower capitalization rate (and correspondingly higher NAV) given the company's asset location, quality and scale.

Amid lower oil prices, the Fund's exposure to Alberta detracted from its performance. The weakest-performing holdings in the Fund included Altus Group Ltd., Boardwalk Real Estate Investment Trust ("Boardwalk REIT") and Morguard Real Estate Investment Trust ("Morguard REIT"). Altus Group delivered lower-than-expected results for the first quarter of 2015, driven by accelerated investments in new products and markets, as well as oil & gas-related weakness in its Geomatics division. Boardwalk REIT and Morguard REIT were also impacted by softer fundamentals and lower growth prospects as a result of their geographic exposure to Alberta (65% and 31% of first-quarter 2015 net operating income, respectively).

Retail and office fundamentals remain challenged, given a number of recent retailer closures, and supply concerns and deteriorating fundamentals affecting office, particularly in Edmonton and Calgary. While the direct impact to Canadian retail REITs has been fairly muted thus far, media reports relating to retailer bankruptcies (Nine West) and store closures (Target, Future Shop, Blacks, The Gap) reflect the challenges faced by Canadian

retailers in today's environment. As per CBRE Research, the first quarter of 2015 marked the largest downsizing by Calgary energy firms on record. Over 800,000 square feet of Downtown office space was returned to landlords as energy firms slashed capital budgets and headcount. A recent trip to Calgary and discussions with REIT leasing staff responsible for Calgary office assets confirmed demand for central business district ("CBD") and suburban office remained weak through Q2. Absent a sustained increase in oil pricing, the dynamic is not expected to improve in the near-term. Tenants are expected to remain in a "wait and see" mode for the foreseeable future.

First Asset added a new position in Regal Lifestyle in March at an average price of \$9.07, with the view that the company was an ideal acquisition target given its relatively small size, lack of control position and its well-occupied, newer-vintage portfolio. This thesis was proven correct with the takeover of Regal Lifestyle at \$12.00 in June.

BORROWING

Prior to the ETF Conversion, First Asset, on behalf of the Fund, had entered into a revolving term facility with a Canadian bank. Under the facility, the Fund could borrow up to 10% of its total assets. The proceeds of the loan facility were used to purchase additional securities in accordance with the investment guidelines and restrictions relating to the Fund, in order to attempt to increase the potential returns of the Fund. Amounts borrowed under the facility were collateralized by a security interest in the assets and undertakings of the Fund. Amounts borrowed were charged 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 were typical for a loan of this nature. The amount of the loan ranged between nil and \$4.0 million during the period and represented 0% of the Fund's net assets as at June 30, 2015. The loan facility was terminated in July 2015.

Recent Developments

Canada's GDP contracted in April for the fourth month in a row, and for the fifth time in six months. Against this backdrop, some economists expect the BoC to cut rates by 25 bps at its next policy meeting. Canadian REITs were trading at a 425-bps spread to the 10-year Canada bond yield at June 30, which was well above the long-term average of 323 bps and the normalized (ex-financial crisis) long-term average of 284 bps. This should provide Canadian REITs with a margin of safety against potentially rising interest rates. First Asset continues to focus on investments in companies with value add development and intensification opportunities, exposure to higher growth markets, lower payout and leverage ratios, and less dependence on the capital markets to execute their strategy. Continued earnings growth, M&A activity and interest rates remaining at or near their current levels could drive valuations up in the second half of 2015.

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.

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.

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 and the Fund were not party to any other related party transactions during the period ended June 30, 2015. 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 for the past five years.

THE FUND'S NET ASSETS PER SECURITY⁽¹⁾

	2015	2014	2013	2012	2011	2010
Net Assets, beginning of period	\$13.13	\$12.28	\$13.07	\$11.76	\$10.81	\$9.02
Increase (decrease) from operations						
Total revenue	0.31	0.65	0.60	0.60	0.63	0.61
Total expenses	(0.12)	(0.22)	(0.18)	(0.17)	(0.17)	(0.14)
Realized gains (losses) for the period	0.53	0.59	1.25	1.01	1.52	1.46
Unrealized gains (losses) for the period	(0.11)	0.49	(1.73)	0.73	(0.28)	0.47
Total increase (decrease) from operations⁽²⁾	0.61	1.51	(0.06)	2.17	1.70	2.40
Distributions						
From income (excluding dividends)	0.00	(0.05)	0.00	0.00	0.00	0.00
From dividends	(0.12)	(0.20)	(0.22)	(0.09)	(0.02)	0.00
From capital gains	(0.18)	(0.48)	(1.16)	(0.36)	(1.34)	0.00
Return of capital	0.00	(0.01)	(0.01)	(0.15)	(0.01)	(0.60)
Total Distributions⁽³⁾	(0.30)	(0.74)	(1.39)	(0.60)	(1.37)	(0.60)
Net Assets, end of period⁽⁴⁾	\$13.44	\$13.13	\$12.28	\$13.02	\$11.76	\$10.81

Notes:

- (1) This information is derived from the Fund's audited annual and unaudited interim 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 International Financial Reporting Standards ("IFRS") on January 1, 2014. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as defined in Part V of the CPA Canada Handbook. 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. Accordingly, the opening net assets as at January 1, 2013 was restated to reflect the accounting policy adjustments made in accordance with IFRS. All figures presented for periods prior to January 1, 2013 remain in accordance with Canadian GAAP.
- (2) 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.
- (3) Distributions were paid in cash or reinvested in additional securities of the Fund. Return of capital distributions may be a result of tax loss carryforwards, the character of the distributions received from the underlying portfolio securities and/or shelter from ongoing expenses and issue costs.
- (4) This is not a reconciliation of the beginning and ending net assets per security.

RATIOS AND SUPPLEMENTAL DATA

	2015	2014	2013	2012	2011	2010
Total net asset value (000s) ⁽¹⁾	\$66,570	\$65,028	\$68,747	\$87,587	\$79,831	\$84,513
Number of securities outstanding ⁽¹⁾	4,953,986	4,953,986	5,599,063	6,701,406	6,778,941	7,799,485
Management expense ratio excluding offering expenses ⁽²⁾	1.54 %	1.44 %	1.46 %	1.38 %	1.49 %	1.43 %
Management expense ratio ⁽²⁾	1.54 %	1.44 %	1.24 %	2.00 %	1.49 %	1.43 %
Management expense ratio before waivers or absorptions ⁽²⁾	1.54 %	1.44 %	1.24 %	2.00 %	1.49 %	1.43 %
Portfolio turnover rate ⁽³⁾	26.57 %	49.85 %	62.85 %	61.41 %	66.54 %	71.32 %
Trading expense ratio ⁽⁴⁾	0.12 %	0.08 %	0.17 %	0.15 %	0.23 %	0.27 %
Net asset value per security	\$13.44	\$13.13	\$12.28	\$13.07	\$11.78	\$10.84
Closing market price	\$13.25	\$12.41	\$11.74	\$12.53	\$11.19	\$10.30

Notes:

- (1) This information is provided as at December 31 of the year shown, except 2015, which is provided as at June 30.
- (2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transactions costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The MER for the periods ending December 31, 2012 and 2013 include agents' fees and other offering expenses, which are one-time expenses and therefore are not annualized.
- (3) The Fund's portfolio turnover rate indicates how actively 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 plus an amount equal to the service fee (the "Service Fee") payable to registered dealers which was equal to 0.30% annually of the net asset value of the Fund held by clients of the registered dealers, calculated daily and paid quarterly in arrears. After the 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.

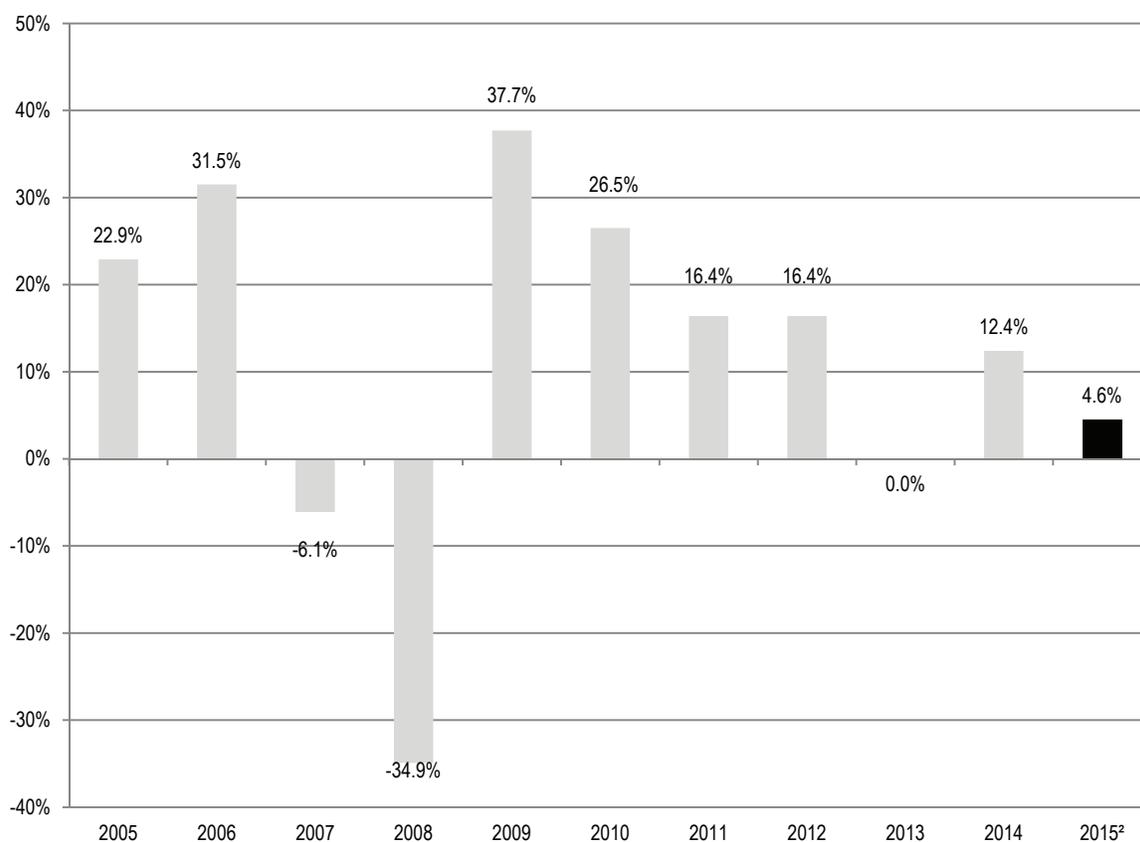
In addition to investment advisory and portfolio management, the services provided by First Asset to the Fund include, without limitation, implementation of the Fund's investment strategies, negotiating contracts with certain third-party service providers, authorizing the payment of operating expenses incurred on behalf of the Fund, maintaining certain accounting and financial records, calculating the amount and determining the frequency of distributions by the Fund, ensuring that securityholders are provided with financial statements and other reports as are required from time to time by applicable law, ensuring that the Fund complies with all other regulatory requirements including continuous disclosure obligations under applicable securities law and administering redemptions and other transactions in securities.

Past Performance

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

YEAR-BY-YEAR RETURNS⁽¹⁾

The following bar chart shows the Fund's annual performance for the financial years shown and illustrates how the Fund's performance has changed from year to year. The bar chart shows, 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.



⁽¹⁾ Returns based on net asset value per security. In connection with the ETF Conversion, the annual management fee payable to First Asset, as manager, in respect of the common units of the ETF, was reduced to 0.75% (from 1.05%) of the net asset value of the Fund, the Fund ceased using leverage in order to achieve its investment objectives and certain changes were made to the investment objectives, investment strategies and investment restrictions applicable to the Fund. If these changes had been in effect when the Fund was created, the performance would have been different.

⁽²⁾ Returns for the period January 1, 2015 to June 30, 2015.

Summary of Investment Portfolio

The following is a summary of the Fund's investment portfolio as at June 30, 2015. This is a summary only and will change due to ongoing portfolio transactions of the Fund. A quarterly update is available on www.firstasset.com.

TOP 25 HOLDINGS AS AT JUNE 30, 2015

Description	% of Net Asset Value
H&R Real Estate Investment Trust	4.27
Canadian Real Estate Investment Trust	4.25
WPT Industrial Real Estate Investment Trust	4.17
Boardwalk Real Estate Investment Trust	3.70
InterRent Real Estate Investment Trust	3.67
Chartwell Retirement Residences	3.62
Allied Properties Real Estate Investment Trust	3.62
Cash and Cash Equivalents	3.50
RioCan Real Estate Investment Trust	3.36
Morguard Real Estate Investment Trust	3.31
Killam Properties Inc.	3.16
Milestone Apartments Real Estate Investment Trust	3.14
Canadian Apartment Properties Real Estate Investment Trust	3.07
First Capital Realty, Inc.	3.02
Morguard North American Residential Real Estate Investment Trust	2.94
American Hotel Income Properties REIT LP	2.79
Dream Industrial Real Estate Investment Trust	2.60
Amica Mature Lifestyles Inc.	2.54
Crombie Real Estate Investment Trust	2.47
Tricon Capital Group, Inc. - Fixed Income	2.31
Calloway Real Estate Investment Trust	2.30
Sienna Senior Living Inc.	2.18
Granite Real Estate Investment Trust	2.12
Tricon Capital Group, Inc. - Equity	2.09
Agellan Commercial Real Estate Investment Trust	2.08
Total Net Asset Value	\$66,569,848

SECTOR ALLOCATIONS AS AT JUNE 30, 2015

Industry	% of Net Asset Value
Residential REITs	20.95
Diversified REITs	17.86
Real Estate Operating Companies	11.47
Industrial REITs	10.75
Health Care Facilities	9.68
Retail REITs	9.60
Office REITs	7.31
Asset Management & Custody Banks	4.41
Cash and Cash Equivalents	3.50
Real Estate Services	1.67
Diversified Real Estate Activities	1.29
Thriffs & Mortgage Finance	0.83
Investment Fund	0.82
	100.14
Other Liabilities, Net of Assets	(0.14)
Total Net Asset Value	100.00



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