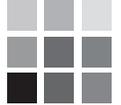


# FIRST ASSET HAMILTON CAPITAL EUROPEAN BANK ETF



Annual Management Report of Fund Performance for the year ended  
**December 31, 2015**

**Fund:**

First Asset Hamilton Capital European Bank ETF

**Securities:**

Common Units - Listed Toronto Stock Exchange ("TSX"): FHB

Advisor Class Units - Listed TSX: FHB.A

**Period:**

January 1, 2015 to December 31, 2015

**Manager & Trustee:**

First Asset Investment Management Inc. ("First Asset")

95 Wellington Street West, Suite 1400

Toronto, Ontario M5J 2N7

(416) 642-1289 or (877) 642-1289

[www.firstasset.com](http://www.firstasset.com) • [info@firstasset.com](mailto:info@firstasset.com)

**Portfolio Manager:**

Hamilton Capital Partners Inc.

55 York Street, Suite 1202

Toronto, Ontario M5J 1R7

**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](http://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, 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.

## Investment Objectives and Strategies

The Fund's investment objective is to seek long-term total returns consisting of long-term capital appreciation and regular dividend income from an actively managed portfolio comprised primarily of equity securities of European banks.

The Fund will seek to achieve its investment objective through the application of specialized analysis and expertise and intends to invest in a portfolio of equity securities that in the view of the Portfolio Manager represents a diversified portfolio of the most attractive opportunities in the European banking sector. The Fund's investments may be selected from any subsector or capitalization level of the European banking sector.

## Risks

There were no changes to the Fund over the period of this report that materially affected the overall level of risk associated with an investment in the Fund. Holders should still refer to the prospectus of the Fund dated July 20, 2015 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](http://www.firstasset.com) and on SEDAR at [www.sedar.com](http://www.sedar.com). Readers are also directed to note 5 and the Fund Specific Notes of the Fund's 2015 annual financial statements, which discusses management of financial risks.

## Results of Operations

For the year ended December 31, 2015, the Fund's Common Units returned -3.4%. This compares to the STOXX Europe 600 Banks Index and the broad market index, the MSCI Europe Index, which returned -3.3% and 4.9% respectively. The following tables highlight the performance of the Fund's Common Units and Advisor Class Units on a net asset value basis and market price basis.

Net Asset Value	December 31, 2015	December 31, 2014	Return
FHB	\$9.24	\$9.62	(3.4)%
FHB.A	\$9.18	\$9.59	(4.2)%

Market Value	December 31, 2015	December 31, 2014	Return
FHB	\$9.23	\$9.73	(4.5)%
FHB.A	\$9.34 <sup>(2)</sup>	\$9.50 <sup>(1)</sup>	(1.7)%

(1) Closing market price taken from last trade on December 17, 2014.

(2) Closing market price taken from last trade on December 7, 2015

The above returns, whether based on net asset value or market price, assume the reinvestment of all distributions. The Fund's Common Units had per unit cash distributions of \$0.06 during the year.

The Fund's net assets were \$61.9 million as at December 31, 2015, an increase from \$26.5 million as at December 31, 2014. The largest factor contributing to this increase is \$42.2 million in net subscriptions. This was offset in part by net losses on investments of \$5.2 million.

European bank stocks responded positively to the European Central Bank's ("ECB") implementation of quantitative easing in the first quarter of 2015. At €60 billion per month, the ECB's program is to continue until at least September 2016. The move helped push down longer-term interest rates and the euro. In the latter half of the year, with markets tumbling amid global growth concerns, there was speculation that additional action from the central bank would be required. In December, although the ECB pledged to extend the timeline and range of assets available for purchase under the program, markets were disappointed by its decision not to increase the value of monthly purchases.

Worries of a global economic slowdown, particularly in China, weighed on major global indices in the late summer and early autumn. The sell-off postponed the U.S. Federal Reserve Board's first interest rate increase in almost a decade. Although the market largely recovered through October and November, concerns re-emerged at the end the year.

Bank reform (for popolari banks) and proposed bankruptcy reform in Italy were announced, both of which are positive for the country's banks and their stocks. Bank reform is expected to spur consolidation and bankruptcy reform should be capital positive, with electoral reform increasing the probability of fiscal reforms becoming entrenched.

From a geographic perspective, a number of national elections impacted stocks in 2015. Two elections in Greece saw the far-left party, Syriza, take control. The January election saw the reversal of some of the pro-growth and austerity policies, which led to contentious negotiations between

Greece and its creditors. Greece's debt issues weighed heavily on its economy and the government ultimately agreed to a third bailout package, breaking a campaign promise. Snap elections were called in September and despite the betrayal, Syriza returned to power, in coalition with the right-wing Independent Greeks, with a new mandate of moving forward with the latest bailout.

In May, the U.K. saw the surprise majority victory for the pro-business Conservative government, which was greeted positively by the market. Late in the year, the Iberian Peninsula saw elections that weakened the grip of pro-reform governments. In Spain, anti-establishment parties – one pro-business and the other far-left – saw power split in the December national election, leaving the ruling party with a weak minority. In Portugal, the ruling conservative coalition lost their majority in October and eventually ceded power to a coalition of the left.

Despite market and macro-economic volatility, earnings for the European banking sector continued to recover during the year, with falling loan losses being the primary driver of earnings normalization.

Underweight allocations to banks with large emerging markets exposure contributed to the Fund's performance, as these banks suffered declines amid global economic concerns. Holdings in eurozone banks, whose stocks responded positively to the ECB's quantitative easing measures, contributed to performance. An overweight exposure to Italian banks was also beneficial, as they rose on the prospect of mergers and acquisitions following bank reforms.

Top individual contributors included Intesa Sanpaolo SPA ("Intesa"), Erste Group Bank AG ("Erste Bank") and Societe Generale SA ("Societe Generale"). Intesa Sanpaolo SPA, while not a popolari bank, still stands to benefit from the changes in the bankruptcy rules implemented by the Italian government. The company is viewed as a best-in-class bank, with peer-leading capital levels, and its strategic shift toward more fee-income businesses has garnered it a higher multiple and a favourable market reaction. Austrian bank, Erste Bank, rose as a result of its restructuring plans and return to profitability, and the ECB's quantitative easing announcement. Erste Bank was also less impacted by global growth concerns because of its exposure to higher growth Central and Eastern European countries. Societe Generale outperformed the broader sector, particularly in the second half of the year, when the company reported two consecutive quarters of strong earnings results. In particular, its second quarter net profit came in at approximately 40% above consensus expectations.

The Fund hedges much of its currency exposure and, therefore, did not benefit as much as the comparable indices given the euro's decline against other currencies. An underweight allocation to some of the STOXX Europe 600 Banks Index's best performing stocks detracted from the Fund's performance. In addition, the Fund had a +10% cash position at various times earlier in 2015 in an effort to mitigate risk when Greece and its creditors were in negotiations. This downside protection ultimately harmed the Fund's relative performance.

Individual detractors from performance included holdings in Commerzbank AG ("Commerzbank"), CaixaBank and UBS AG ("UBS"). Commerzbank underperformed the broader sector as a result of capital concerns and market debate over the bank's turnaround potential. An overweight allocation to CaixaBank weighed on its relative performance. After several years of recovery, Spanish banks faced a number of challenges in 2015: the ECB review of the inclusion of deferred tax assets in regulatory capital, concerns over the removal of mortgage rate floors and political uncertainty in the country. CaixaBank, located in the prosperous region of Catalonia, has also seen its stock hurt by the ongoing discussion of a possible secession of the region from Spain. An underweight holding in UBS detracted from the Fund's relative performance, as the Index also benefited from the devaluation of Swiss franc against the euro.

The Portfolio Manager purchased new holdings in Erste Bank, Nordea Bank AB, Banco de Sabadell SA and Skandinaviska Enskilda Banken AB ("SEB"). For the most part, the additions were made in order to further diversify the Fund's holdings. In the case of SEB, it was purchased with the proceeds of the sale of holdings in Swedbank AB for its more attractive relative valuation.

Holdings eliminated from the Fund included Raiffeisen International Bank-Holding AG, because of concerns about its capital levels owing to its large Central and Eastern Europe exposure, and Credit Suisse Group, also as a result of capital concerns.

## Recent Developments

Global market turmoil in the latter half of the year made for a challenging market environment. Although Europe does not operate in a vacuum, and will be impacted by any global slowdown, the Portfolio Manager believes that the underlying fundamentals continue to improve in Europe, albeit at a modest pace.

Moreover, with the ECB in place to steady sovereign yields and increase inflation, and gross domestic product largely improving across the continent (with some exceptions), it is expected that the recovery in European bank earnings will continue. As earnings continue to recover, so will bank stock valuations, particularly those in the periphery countries of the eurozone, to which the Fund is more heavily weighted. The Fund continues to be positioned to take advantage of attractive valuations and what the Portfolio Manager still sees as one of the best risk-reward opportunities in the global banking sphere.

On October 23, 2015, CI Financial Corp. announced that it had agreed to acquire First Asset Capital Corp. The transaction, which closed on November 30, 2015, resulted in a change of control of First Asset.

## Related Party Transactions

First Asset and the Portfolio Manager are deemed to be related parties to the Fund. Please refer to the "Management Fee" section below which outlines fees paid to these parties. F.A. Administration Services Inc., an affiliate of First Asset, administers the Fund's relationship with the Fund's Independent Review Committee ("IRC") on behalf of First Asset, however, it receives no compensation for doing so.

The Fund has received standing instructions from its IRC with respect to the certain related party transactions: (a) since November 30, 2015, trades in securities of CI Financial Corp. (referred to as "Related Issuer Trades"), which indirectly owns and controls First Asset; (b) purchases or sales of securities of an issuer from or to another investment fund managed by First Asset (referred to as "Inter-Fund Trades"); (c) purchases or sales by the Fund of securities of another investment fund managed by First Asset (referred to as "Related Fund Trades"); and (d) mergers of funds with another fund that is subject to National Instrument 81-102 ("Fund Mergers").

The applicable standing instructions require that related party transactions be conducted in accordance with First Asset's policies and procedures. First Asset is required to advise the IRC of any material breach of a condition of the standing instructions. The standing instructions require, among other things, that the investment decision in respect to related party transactions (a) are made by First Asset free from any influence by any entities related to First Asset and without taking into account any consideration to any affiliate of First Asset; (b) represent the business judgment of First Asset uninfluenced by considerations other than the best interests of the Fund; and (c) are made in compliance with First Asset's policies and procedures. Transactions made by First Asset in respect of the Fund under the standing instructions are subsequently reviewed by the IRC on a semi-annual basis to monitor compliance.

First Asset, the Portfolio Manager and the Fund were not party to any related party transactions during the year ended December 31, 2015.

## 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<sup>(1)</sup>

	Common Units	
	2015	2014 <sup>(2)</sup>
<b>Net Assets, beginning of period</b>	\$9.62	\$10.00
<b>Increase (decrease) from operations</b>		
Total revenue	0.16	0.03
Total expenses	(0.13)	(0.05)
Realized gains (losses) for the period	(0.87)	(0.22)
Unrealized gains (losses) for the period	(0.39)	(0.86)
<b>Total decrease from operations<sup>(3)</sup></b>	<b>(1.23)</b>	<b>(1.10)</b>
<b>Distributions</b>		
From income (excluding dividends)	(0.01)	0.00
From dividends	0.00	0.00
From capital gains	0.00	0.00
Return of capital	(0.05)	0.00
<b>Total Distributions<sup>(4)</sup></b>	<b>(0.06)</b>	<b>0.00</b>
<b>Net Assets, end of period<sup>(5)</sup></b>	<b>\$9.24</b>	<b>\$9.62</b>

**THE FUND'S NET ASSETS PER SECURITY<sup>(1)</sup>**

	Advisor Class Units	
	2015	2014 <sup>(2)</sup>
<b>Net Assets, beginning of period</b>	\$9.59	\$10.00
<b>Increase (decrease) from operations</b>		
Total revenue	0.17	0.04
Total expenses	(0.21)	(0.09)
Realized gains (losses) for the period	(0.80)	(0.23)
Unrealized gains (losses) for the period	(0.28)	(0.30)
<b>Total decrease from operations<sup>(3)</sup></b>	<b>(1.12)</b>	<b>(0.58)</b>
<b>Distributions</b>		
From income (excluding dividends)	0.00	0.00
From dividends	0.00	0.00
From capital gains	0.00	0.00
Return of capital	0.00	0.00
<b>Total Distributions</b>	<b>0.00</b>	<b>0.00</b>
<b>Net Assets, end of period<sup>(5)</sup></b>	<b>\$9.18</b>	<b>\$9.59</b>

**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.
- (2) Results for the period from July 18, 2014 (inception date) to December 31, 2014.
- (3) 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.
- (4) Distributions were paid in cash.
- (5) This is not a reconciliation of the beginning and ending net assets per security.

## RATIOS AND SUPPLEMENTAL DATA

	2015 Common Units	2014 Common Units
Total net asset value (000s) <sup>(1)</sup>	\$60,724	\$25,738
Number of securities outstanding <sup>(1)</sup>	6,573,000	2,675,000
Management expense ratio <sup>(2)</sup>	1.25%	1.15%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	1.25%	1.66%
Portfolio turnover rate <sup>(3)</sup>	82.28%	15.35%
Trading expense ratio <sup>(4)</sup>	0.48%	0.71%
Trading expense ratio (adjusted) <sup>(5)</sup>	0.37%	0.32%
Net asset value per security	\$9.24	\$9.62
Closing market price <sup>(6)</sup>	\$9.23	\$9.73

	2015 Advisor Class Units	2014 Advisor Class Units
Total net asset value (000s) <sup>(1)</sup>	\$1,166	\$719
Number of securities outstanding <sup>(1)</sup>	127,014	75,000
Management expense ratio <sup>(2)</sup>	2.09%	1.91%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	2.09%	2.43%
Portfolio turnover rate <sup>(3)</sup>	82.28%	15.35%
Trading expense ratio <sup>(4)</sup>	0.48%	0.71%
Trading expense ratio (adjusted) <sup>(5)</sup>	0.37%	0.32%
Net asset value per security	\$9.18	\$9.59
Closing market price <sup>(6)</sup>	\$9.34	\$9.50

### 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.
- (5) The adjusted trading expense ratio reflects fees paid to the Fund during the period by certain securityholders in connection with cash-only subscriptions or redemptions of a prescribed number of units of the Fund, to offset, as applicable, brokerage expenses, commissions, transaction costs and other costs or expenses that the Fund incurs or expects to incur in purchasing or selling portfolio securities on the market in connection with such cash-only subscriptions or redemptions.
- (6) If the securities traded during the period, the closing market price on the last trading day during the period that the securities traded, as reported on the TSX.

## Management Fee

First Asset manages and administers the business operations and affairs of the Fund. First Asset has retained the Portfolio Manager to provide portfolio management services required by the Fund. As compensation for the services it provides to the Fund, the Fund pays First Asset an annual management fee on the Common and Advisor Class Units at the maximum annual rate set out below. The fee is based on the net asset value of the relevant class, and is calculated daily and paid monthly in arrears, except for the portion of the Advisor Class management fee that is in respect of the service fee payable to dealers which is calculated daily and paid quarterly in arrears. First Asset pays the Portfolio Manager out of its management fee. The services provided by First Asset to the Fund include, without limitation, the proper oversight to ensure 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 purchases, redemptions and other transactions in securities.

As a percentage of management fee

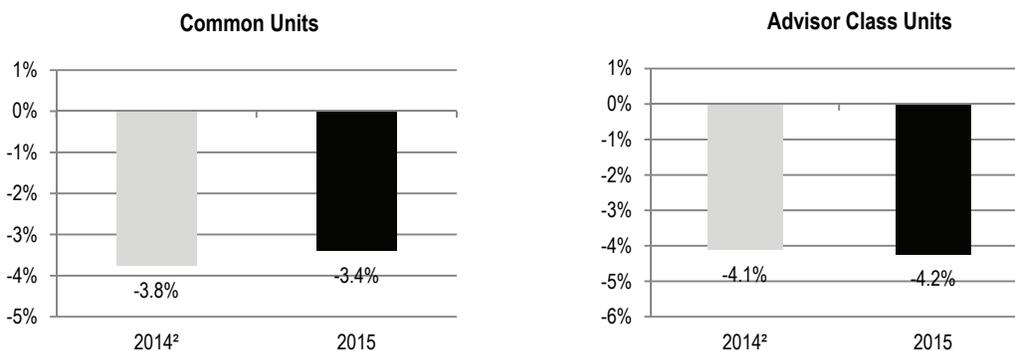
	Maximum annual management fee rate	Dealer compensation	General administration and profit
Common Units	0.85%	–	100%
Advisor Class Units	1.60%	47%	53%

## 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<sup>(1)</sup>

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 STOXX Europe 600 Banks Index (EUR) ("Index A") and the MSCI Europe Index (Local) ("Index B"). The STOXX Europe 600 Banks Index measures the performance of the European Banks sector as a subset of the STOXX Europe 600 Index, which is comprised of 600 of the largest stocks across 18 European countries. This index is used as a benchmark to help you understand the Fund's performance relative to the performance of the broader European banks market. The MSCI Europe Index captures large and mid-cap equities across 15 Developed Markets (DM) countries in Europe, covering approximately 85% of the free float-adjusted market capitalization across the DM equity universe. This index is used as a benchmark to help you understand the Fund's performance relative to the general performance of the broader European equity market. 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 <sup>(1)</sup>	Advisor Class Units <sup>(1)</sup>	Index A	Index B
1 year	(3.4)%	(4.2)%	(3.3)%	4.9%
Since inception	(4.9)%	(5.7)%	(3.5)%	3.5%

<sup>(1)</sup> Returns based on net asset value per security.

<sup>(2)</sup> Return for the period July 23, 2014 to December 31, 2014.

## Summary of Investment Portfolio

The following is a summary of the Fund's investment portfolio as at December 31, 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](http://www.firstasset.com).

### TOP 25 HOLDINGS AS AT DECEMBER 31, 2015

Description	% of Net Asset Value
Commerzbank AG	5.98
Banco Popolare SC	5.52
Barclays PLC	5.22
Intesa Sanpaolo SpA	4.99
Societe Generale SA	4.92
BNP Paribas SA	4.76
CaixaBank SA	4.71
Erste Group Bank AG	4.23
Bank of Ireland	4.20
Deutsche Bank AG	4.17
Lloyds Banking Group PLC	4.15
HSBC Holdings PLC	3.99
UniCredit SpA	3.96
Credit Agricole SA	3.90
Jyske Bank A/S	3.76
UBS Group AG	3.72
Banco Bilbao Vizcaya Argentaria SA	3.50
DNB ASA	3.24
Unione di Banche Italiane SpA	3.14
Danske Bank A/S	3.11
Royal Bank of Scotland Group PLC	2.93
Banco de Sabadell SA	2.61
Banco Santander SA	2.56
Skandinaviska Enskilda Banken AB	2.23
Nordea Bank AB	1.78
<b>Total Net Asset Value</b>	<b>\$61,890,425</b>

### SECTOR ALLOCATIONS AS AT DECEMBER 31, 2015

Industry	% of Net Asset Value
Financials	98.73
Cash and Cash Equivalents	1.27
	<b>100.00</b>
<b>Other Assets, Net of Liabilities</b>	<b>0.00</b>
<b>Total Net Asset Value</b>	<b>100.00</b>

