

FIRST ASSET U.S. & CANADA LIFECO INCOME ETF



Interim Management Report of Fund Performance for the period
January 1, 2016 to June 30, 2016

Fund:

First Asset U.S. & Canada Lifeco Income ETF

Securities:

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

Period:

January 1, 2016 to June 30, 2016

Manager, Trustee & Investment Advisor:

First Asset Investment Management Inc. ("First Asset")
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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, 2016.
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 objectives are to provide securityholders with (i) quarterly cash distributions; (ii) the opportunity for capital appreciation; and (iii) lower overall volatility of portfolio returns than would be experienced by owning a portfolio of publicly-traded common equity securities of the ten largest U.S. and Canadian life insurance companies by market capitalization directly. The Fund invests on an equal weight basis in the portfolio which consists of publicly-traded common equity securities of the ten largest U.S. and Canadian life insurance companies, and rebalances and reconstitutes the portfolio annually and in connection with certain corporate events. The Fund sells call options each month on up to 25% of the portfolio securities of each issuer held in the portfolio.

Results of Operations

For the six-month period ended June 30, 2016, the Fund's Common Units returned -6.4%, in line with the S&P 500 Life & Health Insurance Index return of -6.4% and compared to the broader S&P 500 Total Return Index, which returned 3.8%. 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	June 30, 2016	December 31, 2015	Return
FLI	\$10.12	\$11.22	(6.4)%
FLIA	\$10.24	\$11.34	(6.8)%

Market Value	June 30, 2016	December 31, 2015	Return
FLI	\$10.12	\$11.24	(8.3)%
FLIA	\$11.17 ⁽¹⁾	\$12.11 ⁽²⁾	(6.5)%

(1) Closing market price taken from last trade on June 1, 2016.

(2) Closing market price taken from last trade on December 4, 2015.

The above returns, whether based on net asset value or market price, assume the reinvestment of all distributions. The Fund's Common Units and Advisor Class Units had per unit distributions of \$0.36 and \$0.32, respectively, during the period.

The Fund's net assets as at June 30, 2016 was \$97.4 million, a decrease from \$122.6 million as at December 31, 2015. The largest factors contributing to this decrease were net redemptions of \$13.2 million, net losses on investments of \$7.4 million and distributions of \$3.6 million.

Equity markets were volatile over the first half of 2016. Toward the beginning of the year, global markets declined over concerns of slow global growth, weak oil markets and the potential for further tightening of monetary policy by the U.S. Federal Reserve Board ("Fed"). At one point, the S&P/TSX Composite Total Return Index was down close to 9.0%. China's policy instability, with the introduction and suspension of stock market "circuit breakers," forced stock buying by government agencies and speculation about further currency devaluation, added to negative market sentiment.

From their January lows, markets rose over 20.0%, driven in part by more dovish comments from the Fed, citing weak wage inflation and risks from abroad. The Fed lowered its growth and inflation forecasts for the U.S. economy in 2016 and delayed its expectations for interest rate increases for the balance of the year. Messaging from the Fed has been difficult for markets to interpret as it has shifted its stance a number of times during the first six months of the year.

More recently, equity markets declined sharply following the U.K.'s vote to leave the European Union, referred to as "Brexit," and its unknown implications for European and global markets. Several central banks stated that they were closely monitoring the situation and standing by to see if any fiscal stimulus measures would be required, as monetary easing policy alone has yet to propel growth.

Oil prices rose by over 80.0% from February lows, closing at US\$48.33 per barrel. Supply disruptions in the Canadian oil sands caused by wildfires around Fort McMurray, as well as lower production levels in Nigeria relating to sabotage, explains some of the recent strength. Oil continues to be in an oversupply condition, with the overhang of increased production from both Iran and Iraq remaining. Regions such as Alberta that are dependent on oil have seen a slowdown in economic activity.

Overall, there was a trend of negative revenue and earnings growth in both the S&P/TSX Composite Total Return Index and the S&P 500 Total Return Index in the first half of the year. Interestingly, the last two recessions were preceded by periods that had consecutive quarters of revenue and earnings declines. Even during those periods in which a recession did not materialize, the markets declined.

The Fund is entirely invested in large-capitalization Canadian and U.S. insurance companies, as described in the mandate. Life company stocks outperformed the broader market as speculation grew that interest rates would begin to rise, which is positive for the industry. Top individual

contributors to the Fund's performance included Aflac Incorporated ("Aflac"), Torchmark Corporation ("Torchmark") and Sun Life Financial Inc. ("Sun Life"), which added 190 basis points ("bps"), 64 bps and 57 bps. Aflac outperformed all other holdings, with particularly strong fourth quarter earnings, while Torchmark and Sun Life stock rose as a result of solid first quarter earnings. Due to the Fund's specific mandate, the performance of the underlying stocks is generally closely correlated.

Individual detractors from performance included holdings in Lincoln National Corporation (-206 bps), amid lower earnings estimates; MetLife, Inc. (-152 bps), after weaker results in two consecutive quarters; and Manulife Financial Corporation (-111 bps), over concerns over its U.S. business segment.

As the composition of the Fund's portfolio is passive, changes in the economy, markets or unusual events do not have an impact on the way the investment strategy is implemented. The Fund was rebalanced in January 2016, as per its mandate.

Recent Developments

Looking forward, estimates for global growth have been revised downwards, consistent with signals from bond markets and few inflationary concerns for the immediate future. Government debt yields are expected to remain low (and negative in some countries) as various central banks contemplate additional monetary stimulus measures.

Virtually all major developed market equity indices are now trading above historic Price-to-Earnings averages, and the current earnings season is expected to reveal the sustainability of these valuations, particularly given the trend towards negative revenue and earnings growth (in North American markets at least). Equity markets have proven resilient, however, to both fluctuations in job numbers as well and the U.K.'s Brexit vote. First Asset expects that the Fed will likely leave interest rates as they are until a more stable trend in job creation exists and global uncertainties subside, particularly in light of the upcoming U.S. presidential election. This should lend strength to commodity-oriented and emerging markets in the second half of 2016.

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. 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) 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 and the Fund were not party to any related party transactions during the period ended June 30, 2016.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance since inception.

THE FUND'S NET ASSETS PER SECURITY⁽¹⁾

	Common Units			
	2016	2015	2014	2013 ⁽²⁾
Net Assets, beginning of period	\$11.22	\$11.15	\$10.62	\$9.43
Increase (decrease) from operations				
Total revenue	0.13	0.24	0.22	0.07
Total expenses	(0.05)	(0.10)	(0.12)	(0.04)
Realized gains (losses) for the period	0.54	0.97	0.38	(0.09)
Unrealized gains (losses) for the period	(1.45)	(0.44)	0.52	1.49
Total increase (decrease) from operations⁽⁴⁾	(0.83)	0.67	1.00	1.43
Distributions				
From income (excluding dividends)	0.00	0.00	0.00	0.00
From dividends	0.00	0.00	0.00	0.00
From capital gains	(0.36)	(0.47)	0.11	0.00
Return of capital	0.00	(0.11)	0.40	(0.24)
Total Distributions⁽⁵⁾	(0.36)	(0.58)	(0.51)	(0.24)
Net Assets, end of period⁽⁶⁾	\$10.12	\$11.22	\$11.15	\$10.62

	Advisor Class Units		
	2016	2015	2014 ⁽³⁾
Net Assets, beginning of period	\$11.34	\$11.27	\$10.94
Increase (decrease) from operations			
Total revenue	0.14	0.23	0.06
Total expenses	(0.09)	(0.20)	(0.06)
Realized gains (losses) for the period	0.56	1.09	0.28
Unrealized gains (losses) for the period	(1.31)	(1.15)	0.14
Total increase (decrease) from operations⁽⁴⁾	(0.70)	(0.03)	0.42
Distributions			
From income (excluding dividends)	0.00	0.00	0.00
From dividends	0.00	0.00	0.00
From capital gains	(0.32)	(0.27)	0.00
Return of capital	0.00	(0.21)	(0.09)
Total Distributions⁽⁵⁾	(0.32)	(0.48)	(0.09)
Net Assets, end of period⁽⁶⁾	\$10.24	\$11.34	\$11.27

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. Comparative figures above have been restated to reflect the accounting policy adjustments made in accordance with IFRS.
- (2) Results for the period from July 26, 2013 (inception date) to December 31, 2013. Opening net assets per security reflects the issue price of \$10.00 less offering expenses.
- (3) Results for the period from September 9, 2014 (launch date) to December 31, 2014.
- (4) Net assets and distributions are based on the actual number of securities outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of securities outstanding over the financial period.
- (5) Distributions were paid in cash.
- (6) This is not a reconciliation of the beginning and ending net assets per security.

RATIOS AND SUPPLEMENTAL DATA

	2016 Common Units	2015 Common Units	2014 Common Units	2013 Common Units
Total net asset value (000s) ⁽¹⁾	\$96,671	\$121,426	\$129,630	\$145,736
Number of securities outstanding ⁽¹⁾	9,550,000	10,825,000	11,625,000	13,725,000
Management expense ratio excluding offering expenses ⁽²⁾	0.98%	0.91%	1.14%	0.74%
Management expense ratio ⁽²⁾	0.98%	0.91%	1.14%	6.48%
Management expense ratio before waivers or absorptions ⁽²⁾	0.98%	0.91%	1.14%	6.48%
Portfolio turnover rate ⁽³⁾	18.43%	36.12%	34.00%	6.77%
Trading expense ratio ⁽⁴⁾	0.16%	0.13%	0.13%	0.29%
Net asset value per security	\$10.12	\$11.22	\$11.15	\$10.62
Closing market price ⁽⁵⁾	\$10.12	\$11.24	\$11.17	\$10.25

	2016 Advisor Class Units	2015 Advisor Class Units	2014 Advisor Class Units
Total net asset value (000s) ⁽¹⁾	\$768	\$1,134	\$563
Number of securities outstanding ⁽¹⁾	75,000	100,000	50,000
Management expense ratio ⁽²⁾	1.76%	1.73%	1.68%
Management expense ratio before waivers or absorptions ⁽²⁾	1.76%	1.73%	1.68%
Portfolio turnover rate ⁽³⁾	18.43%	36.12%	34.00%
Trading expense ratio ⁽⁴⁾	0.16%	0.13%	0.13%
Net asset value per security	\$10.24	\$11.34	\$11.27
Closing market price ⁽⁵⁾	\$11.17	\$12.11	\$11.20

Notes:

- (1) This information is provided as at December 31 of the year shown, except 2016, which is provided as at June 30.
- (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. The management expense ratio for the period ending December 31, 2013 includes 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.
- (5) 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, 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, 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. 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 purchases, redemptions and other transactions in securities.

As a percentage of management fee

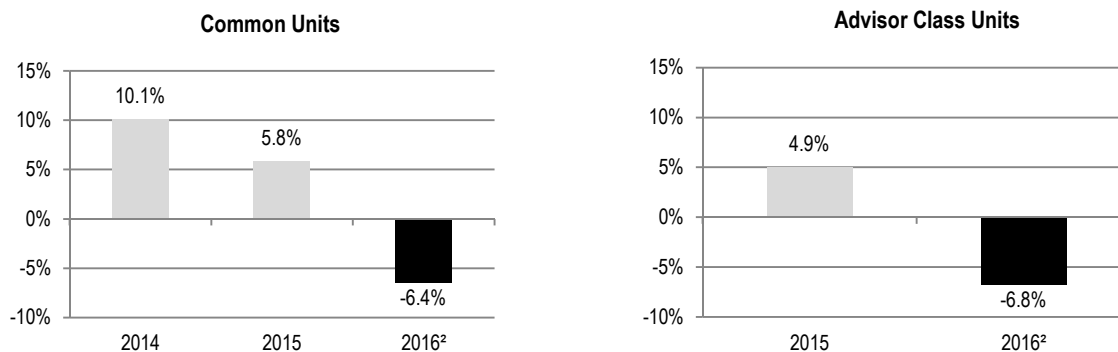
	Maximum annual management fee rate	Dealer compensation	General administration and profit
Common Units	0.75%	–	100%
Advisor Class Units	1.50%	50%	50%

Past Performance

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

YEAR-BY-YEAR RETURNS⁽¹⁾

The following bar charts show annual performance for each class of the Fund's securities for the financial years shown and illustrate how the Fund's performance has changed from year to year. The bar charts show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.



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

⁽²⁾ Returns for the period January 1, 2016 to June 30, 2016.

Summary of Investment Portfolio

The following is a summary of the Fund's investment portfolio as at June 30, 2016. This is a summary only and will change due to ongoing portfolio transactions of the Fund. A quarterly update is available on www.firstasset.com.

HOLDINGS AS AT JUNE 30, 2016

Description	% of Net Asset Value
LONG POSITIONS	
Aflac, Inc.	11.48
Sun Life Financial Inc.	11.19
Great-West Lifeco Inc.	10.55
Torchmark Corporation	10.51
Unum Group	10.04
Manulife Financial Corp.	10.02
Principal Financial Group, Inc.	9.77
Prudential Financial, Inc.	9.25
Lincoln National Corporation	8.75
MetLife, Inc.	8.42
Cash and Cash Equivalents	0.92
CALL OPTIONS	
Torchmark Corporation	(0.07)
Prudential Financial, Inc.	(0.04)
Aflac, Inc.	(0.03)
Manulife Financial Corp.	(0.03)
Principal Financial Group, Inc.	(0.02)
Unum Group	(0.01)
Great-West Lifeco Inc.	(0.01)
MetLife, Inc.	(0.01)
Sun Life Financial Inc.	(0.01)
Lincoln National Corporation	0.00
Total Net Asset Value	\$97,439,101

SECTOR ALLOCATION AS AT JUNE 30, 2016

Industry	% of Net Asset Value
Financials	99.75
Cash and Cash Equivalents	0.92
	100.67
Other Liabilities, Net of Assets	(0.67)
Total Net Asset Value	100.00

Industry	% of Net Asset Value
CALL OPTIONS	
Financials	(0.22)
	(0.22)

