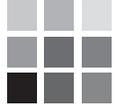


# FIRST ASSET PREFERRED SHARE ETF



Interim Management Report of Fund Performance for the period  
**May 4, 2016 to June 30, 2016**

**Fund:**

First Asset Preferred Share ETF

**Securities:**

ETF Units - Listed Toronto Stock Exchange ("TSX"): FPR

**Period:**

May 4, 2016 to June 30, 2016

**Manager & Trustee:**

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

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**Portfolio Manager:**

Signature Global Asset Management

2 Queen Street East

20th Floor

Toronto, Ontario M5C 3G7

**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](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 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 objective is to provide unitholders with (i) regular distributions; and (ii) the opportunity for capital appreciation from the performance of a portfolio comprised primarily of preferred shares of North American issuers. This actively managed portfolio will be comprised primarily of investment grade preferred shares and to a lesser extent investment grade corporate debt and convertible bonds. At least 75% of the preferred shares and corporate debt in the portfolio of the Fund shall be rated investment grade at the end of every reporting period (June 30th and December 31st).

## Results of Operations

The Fund commenced operations on May 17, 2016 with an initial net asset value of \$20.00 and subscriptions totaling \$1 million. As at June 30, 2016, the Fund's net asset value per ETF Unit was \$20.31 and the Fund paid cash distributions of \$0.08 per ETF Unit during the period. For the period, the Fund returned 2.0%, compared to the return of the S&P/TSX Preferred Share Total Return Index of 0.5%. The largest factor contributing to the increase between gross proceeds raised and total net assets as at June 30, 2016 of \$13.2 million was subscriptions of \$13.2 million.

Global yields declined as a result of weak growth, deflation fears and investors' search for safe-haven investments. European markets had a difficult first half of 2016 as worries leading up to the U.K.'s vote on whether to exit the European Union ("Brexit"), as well as the result, led to uncertainty. Brexit risks depressed the U.K. financials sector ahead of the vote and resulted in a decline in the U.K. pound sterling immediately afterward. In North America, the U.S. Federal Reserve Board ("Fed") delayed making any interest rate increases during the first half of the year, despite its intentions in December 2015.

The preferred share market has seen several changes in the recent past, including retail investors leaving the market and institutional investors entering it, but at a higher yield.

The Fund's mandate is flexible, able to hold U.S. dollar preferred shares and corporate bonds, and as such may deviate significantly from the benchmark at times.

## Recent Developments

The Portfolio Manager believes the U.S. economy should remain healthy and U.S. dollar strength should continue. It is unlikely that the Fed will increase interest rates during the second half of 2016, as markets continue to be volatile.

The Portfolio Manager makes investment selections based on issuer credit quality, the purpose of the preferred share issues, competitive pricing and the structure of the investment.

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

	2016 <sup>(2)</sup>
<b>Net Assets, beginning of period</b>	\$20.00
<b>Increase (decrease) from operations</b>	
Total revenue	0.28
Total expenses	(0.01)
Realized gains (losses) for the period	0.00
Unrealized gains (losses) for the period	0.49
<b>Total increase from operations<sup>(3)</sup></b>	<b>0.76</b>
<b>Distributions</b>	
From income (excluding dividends)	0.00
From dividends	(0.08)
From capital gains	0.00
Return of capital	0.00
<b>Total Distributions<sup>(4)</sup></b>	<b>(0.08)</b>
<b>Net Assets, end of period<sup>(5)</sup></b>	<b>\$20.31</b>

#### Notes:

- (1) This information is derived from the Fund's 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.
- (2) Results for the period from May 4, 2016 (inception date) to June 30, 2016.
- (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

	2016
Total net asset value (000s) <sup>(1)</sup>	\$13,205
Number of securities outstanding <sup>(1)</sup>	650,000
Management expense ratio <sup>(2)</sup>	0.85%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	5.12%
Portfolio turnover rate <sup>(3)</sup>	0.44%
Trading expense ratio <sup>(4)</sup>	0.09%
Net asset value per security	\$20.31
Closing market price <sup>(5)</sup>	\$20.35

### Notes:

- (1) This information is provided as at June 30 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 the Portfolio Manager 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. 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 at the maximum rate set out below. The fee is based on the net asset value of the Fund and is calculated daily and paid monthly 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 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.

	As a percentage of management fee		
	Maximum annual management fee rate	Dealer compensation	General administration and profit
	0.65%	–	100%

For the period ended June 30, 2016, First Asset waived or absorbed expenses of the Fund totaling \$15,639.

## Past Performance

Please note that the performance information shown in this section assumes that all distributions made by the Fund in the period 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 chart shows the Fund's performance for the period shown. The bar chart shows, in percentage terms, how much an investment made on the first day of the financial period would have grown or decreased by the last day of the financial period.



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

<sup>(2)</sup> Returns for the period May 11, 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](http://www.firstasset.com).

### TOP 25 HOLDINGS AS AT JUNE 30, 2016

Description	% of Net Asset Value
Royal Bank of Canada	9.39
Bank of Montreal	8.39
Sun Life Financial Inc.	7.91
Great-West Lifeco Inc.	6.94
Enbridge Inc.	6.86
Bank of Nova Scotia	6.75
Manulife Financial Corporation	6.11
Brookfield Office Properties Inc.	5.52
Toronto-Dominion Bank	5.21
National Bank of Canada	5.10
TransCanada Corporation	3.08
Power Corporation of Canada	2.86
BCE Inc.	2.67
Power Financial Corp.	2.44
Fortis Inc.	2.33
CU Inc.	2.18
Husky Energy Inc.	2.10
Loblaw Companies Limited	1.95
George Weston Ltd.	1.91
Brookfield Asset Management Inc.	1.78
Citigroup Inc.	1.66
E-L Financial Ltd.	1.46
HSBC Bank Canada	1.23
TransCanada Corp	0.85
Cash and Cash Equivalents	0.16
<b>Total Net Asset Value</b>	<b>\$13,204,681</b>

### SECTOR ALLOCATIONS AS AT JUNE 30, 2016

Industry	% of Net Asset Value
Financials	72.75
Energy	12.89
Consumer Staples	3.86
Telecommunication Services	2.67
Utilities	2.33
Industrials	2.18
Cash and Cash Equivalents	0.16
	<b>96.84</b>
<b>Other Assets, Net of Liabilities</b>	<b>3.16</b>
<b>Total Net Asset Value</b>	<b>100.00</b>

