

FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF



Interim Financial Statements for the period
January 1, 2016 to June 30, 2016

NOTICE TO READER:

These interim financial statements and related notes for the six-month period ended June 30, 2016 have been prepared by First Asset Investment Management Inc. The external auditors of the Fund have not audited or reviewed these interim financial statements.

STATEMENTS OF FINANCIAL POSITION (Unaudited)

As at

	June 30, 2016 \$	December 31, 2015 \$
ASSETS		
Current assets		
Investments, at fair value (note 2)	48,976,470	42,144,086
Unrealized gain on forward foreign currency contracts	185,647	129,551
Cash and cash equivalents	165,335	153,394
Dividends receivable	170,361	129,481
	<u>49,497,813</u>	<u>42,556,512</u>
LIABILITIES		
Current liabilities		
Unrealized loss on forward foreign currency contracts	138,474	1,248,559
Accounts payable and accrued liabilities	44,807	40,416
Management fee payable	23,501	20,842
Distributions payable to holders of redeemable securities (note 9)	219,259	195,513
	<u>426,041</u>	<u>1,505,330</u>
Net assets attributable to holders of redeemable securities	<u>49,071,772</u>	<u>41,051,182</u>
Net assets attributable to holders of redeemable securities per class		
Common Units	41,732,144	33,712,844
Advisor Class Units	1,026,847	1,191,187
Unhedged Common Units	5,611,380	5,464,278
Unhedged Advisor Class Units	701,401	682,873
	<u>49,071,772</u>	<u>41,051,182</u>
Net assets attributable to holders of redeemable securities per security		
Common Units	\$25.76	\$23.91
Advisor Class Units	\$25.67	\$23.82
Unhedged Common Units	\$28.06	\$27.32
Unhedged Advisor Class Units	\$28.06	\$27.31

See accompanying notes to financial statements.

STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

For the six months ended June 30

	2016 \$	2015 \$
INCOME		
Net gains (losses) on investments		
Change in unrealized appreciation on forward foreign currency contracts	1,166,180	215,714
Change in unrealized appreciation (depreciation) of investments	834,220	(370,916)
Dividends	751,225	573,666
Net realized gain (loss) on forward foreign currency contracts	642,163	(1,411,513)
Net realized gain on sale of investments	564,389	1,487,705
Net gains (losses) on investments⁽¹⁾	3,958,177	494,656
Other income	7,641	11,225
Securities lending income ⁽²⁾	654	472
Net realized foreign exchange gain (loss)	(16,534)	8,318
Change in unrealized appreciation (depreciation) on other assets	(4,803)	2,065
	3,945,135	516,736
EXPENSES		
Management fee (notes 8 and 12) ⁽³⁾	134,417	98,209
Withholding taxes (note 10)	67,018	71,579
Transaction costs (note 8) ⁽⁴⁾	35,220	68,526
Harmonized Sales Tax	10,696	7,509
Dealer service fee (notes 8 and 12) ⁽³⁾	6,967	4,662
Securityholder reporting costs	2,565	-
Independent Review Committee fees (note 12)	1,506	1,228
Interest expense	427	392
	258,816	252,105
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	3,686,319	264,631
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per class		
Common Units	3,373,141	(36,157)
Advisor Class Units	92,058	(11,238)
Unhedged Common Units	198,982	279,703
Unhedged Advisor Class Units	22,138	32,323
	3,686,319	264,631
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per security (note 2)		
Common Units	\$2.17	\$(0.03)
Advisor Class Units	\$1.86	\$(0.42)
Unhedged Common Units	\$0.99	\$1.40
Unhedged Advisor Class Units	\$0.89	\$1.29

STATEMENTS OF COMPREHENSIVE INCOME (Unaudited) (continued)

For the six months ended June 30

⁽¹⁾ Comprised of:

	2016 \$	2015 \$
Financial assets and liabilities designated at FVTPL	2,149,834	1,701,680
Financial assets and liabilities classified as held for trading	1,808,343	(1,207,024)
	<u>3,958,177</u>	<u>494,656</u>

⁽²⁾ Securities lending

The value of securities loaned and collateral received from securities lending at June 30 is as follows:

	2016 \$	2015 \$
Value of securities loaned	2,273,162	887,107
Value of collateral received	2,392,471	927,940
Gross amount generated from the securities lending transactions	1,308	944
Amounts paid to State Street Bank and Trust Co. (50% of gross amount)	(654)	(472)
Net securities lending income as reported in the Statement of Comprehensive Income	<u>654</u>	<u>472</u>

⁽³⁾ Management and dealer service fee rates (notes 8 and 12)

	Management Fee	Service Fee
Common Units	0.60%	—
Advisor Class Units	0.60%	0.75%
Unhedged Common Units	0.60%	—
Unhedged Advisor Class Units	0.60%	0.75%

⁽⁴⁾ Brokerage commissions and soft dollar (note 8)

	2016 \$	2015 \$
Total soft dollar commissions	<u>276</u>	<u>2</u>

See accompanying notes to financial statements.

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

For the six months ended June 30, 2016

	Common Units \$	Advisor Class Units \$	Unhedged Common Units \$	Unhedged Advisor Class Units \$	Total \$
Net assets attributable to holders of redeemable securities, beginning of period	33,712,844	1,191,187	5,464,278	682,873	41,051,182
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	3,373,141	92,058	198,982	22,138	3,686,319
Distributions to holders of redeemable securities (note 9)⁽¹⁾					
From net investment income	(381,452)	(5,911)	(51,880)	(3,610)	(442,853)
	(381,452)	(5,911)	(51,880)	(3,610)	(442,853)
Redeemable securities transactions (note 7)⁽²⁾					
Issuance of securities	7,415,606	—	—	—	7,415,606
Redemption of securities	(2,387,995)	(250,487)	—	—	(2,638,482)
	5,027,611	(250,487)	—	—	4,777,124
Net increase (decrease) in net assets attributable to holders of redeemable securities	8,019,300	(164,340)	147,102	18,528	8,020,590
Net assets attributable to holders of redeemable securities, end of period	41,732,144	1,026,847	5,611,380	701,401	49,071,772

For the six months ended June 30, 2015

	Common Units \$	Advisor Class Units \$	Unhedged Common Units \$	Unhedged Advisor Class Units \$	Total \$
Net assets attributable to holders of redeemable securities, beginning of period	19,334,024	576,904	4,668,875	583,505	25,163,308
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	(36,157)	(11,238)	279,703	32,323	264,631
Distributions to holders of redeemable securities (note 9)⁽¹⁾					
From net investment income	(289,733)	(5,122)	(50,380)	(3,632)	(348,867)
	(289,733)	(5,122)	(50,380)	(3,632)	(348,867)
Redeemable securities transactions (note 7)⁽²⁾					
Issuance of securities	11,863,116	586,566	—	—	12,449,682
Redemption of securities	(3,015,819)	—	—	—	(3,015,819)
	8,847,297	586,566	—	—	9,433,863
Net increase (decrease) in net assets attributable to holders of redeemable securities	8,521,407	570,206	229,323	28,691	9,349,627
Net assets attributable to holders of redeemable securities, end of period	27,855,431	1,147,110	4,898,198	612,196	34,512,935

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

For the six months ended June 30

⁽¹⁾ Capital and non-capital losses (note 10)

As at December 31, 2015, capital and non-capital losses for income tax purposes available to be carried forward are as follows:

Capital Losses	Non-Capital Losses
\$487,142	\$-

⁽²⁾ Redeemable securities issued and outstanding

	2016				2015			
	Common	Advisor	Unhedged	Unhedged	Common	Advisor	Unhedged	Unhedged
	Units	Class	Common	Advisor	Units	Class	Common	Advisor
	#	#	#	#	#	#	#	#
Securities outstanding, beginning of period	1,410,000	50,000	200,000	25,000	835,000	25,000	200,000	25,000
Issuance of securities	310,000	-	-	-	500,000	25,000	-	-
Redemption of securities	(100,000)	(10,000)	-	-	(125,000)	-	-	-
Securities outstanding, end of period	1,620,000	40,000	200,000	25,000	1,210,000	50,000	200,000	25,000

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS (Unaudited)

For the six months ended June 30

	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	3,686,319	264,631
Adjustments to reconcile cash flows from (used in) operating activities		
Proceeds from sale of investments	10,012,749	11,775,184
Purchases of investments	(15,454,167)	(19,108,944)
Change in other assets and liabilities	(36,537)	(39,219)
Change in foreign exchange on currency	(2,096)	590
Net realized (gain) loss on sale of investments	(564,389)	(1,487,705)
Change in unrealized (appreciation) depreciation of investments	(834,220)	370,916
Change in unrealized (appreciation) depreciation on forward foreign currency contracts	(1,166,180)	(215,714)
Change in unrealized (appreciation) depreciation on other assets	4,803	(2,065)
Cash flows used in operating activities	(4,353,718)	(8,442,326)
FINANCING ACTIVITIES		
Subscriptions received	7,421,337	11,863,116
Distributions to securityholders	(419,107)	(409,572)
Redemption of securities	(2,636,571)	(3,015,819)
Cash flows from financing activities	4,365,659	8,437,725
Net increase (decrease) in cash and cash equivalents during the period	11,941	(4,601)
Cash and cash equivalents, beginning of period	153,394	148,482
Cash and cash equivalents, end of period	165,335	143,881
Dividends received, net of withholding tax	643,327	519,021
Interest paid	(427)	(392)

See accompanying notes to financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited)

As at June 30, 2016

	Number of Shares	Description	Average Cost \$	Fair Value \$	% of Net Assets
EQUITIES					
Australia					
AUD	11,633	AGL Energy Ltd.	205,101	216,998	
AUD	5,178	ASX Ltd.	196,756	229,129	
AUD	15,441	Brambles Ltd.	166,933	185,003	
AUD	1,814	CSL Ltd.	199,155	196,782	
AUD	89,600	DUET Group	199,698	216,610	
AUD	28,825	Goodman Group	194,373	198,185	
AUD	50,018	Scentre Group	196,805	237,971	
AUD	48,930	Stockland	210,218	222,858	
AUD	48,885	Telstra Corporation Limited	273,962	262,834	
AUD	46,887	The GPT Group	203,209	245,291	
AUD	27,010	Transurban Group	253,186	313,167	
AUD	66,957	Vicinity Centres	188,725	214,964	
AUD	5,336	Wesfarmers Ltd.	221,083	206,915	
AUD	20,450	Westfield Corp.	171,047	210,608	
Total Australia			2,880,251	3,157,315	6.43%
Belgium					
EUR	1,994	Groupe Bruxelles Lambert S.A.	209,561	211,339	
Total Belgium			209,561	211,339	0.43%
Bermuda					
USD	4,092	Arch Capital Group Ltd.	319,614	382,628	
USD	4,288	Axis Capital Holdings Limited	277,914	306,286	
USD	1,389	Everest Re Group, Ltd.	300,221	329,517	
USD	2,515	RenaissanceRe Holdings Ltd.	339,693	383,586	
Total Bermuda			1,237,442	1,402,017	2.86%
Britain					
USD	1,443	Aon PLC	206,422	204,700	
GBP	2,274	British American Tobacco PLC	156,866	191,197	
GBP	6,631	Bunzl PLC	230,134	265,008	
GBP	8,242	Compass Group PLC	170,066	203,473	
GBP	5,552	Diageo PLC	194,272	201,114	
GBP	7,083	GlaxoSmithKline PLC	195,072	197,302	
GBP	12,797	National Grid PLC	222,211	243,497	
GBP	1,576	Reckitt Benckiser Group PLC	168,766	204,934	
GBP	10,379	RELX PLC	223,174	247,942	
GBP	6,392	SSE PLC	183,419	172,450	
GBP	3,247	Unilever PLC	168,940	201,753	
USD	1,369	Willis Towers Watson PLC	215,658	221,013	
Total Britain			2,335,000	2,554,383	5.21%
Canada					
	3,019	Bank of Montreal	231,865	247,407	
	6,780	BCE Inc.	369,136	414,529	
	2,224	Canadian Imperial Bank of Commerce	211,328	215,817	
	7,326	CI Financial Corp.	236,457	197,436	
	19,091	First Capital Realty, Inc.	367,783	423,056	
	4,789	Fortis Inc.	174,574	209,136	

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited) (continued)

As at June 30, 2016

	Number of Shares	Description	Average Cost \$	Fair Value \$	% of Net Assets
EQUITIES (continued)					
	2,176	George Weston Limited	214,282	243,298	
	6,622	Great-West Lifeco Inc.	222,342	225,678	
	10,120	H&R Real Estate Investment Trust	219,712	227,801	
	4,032	Intact Financial Corp.	341,566	372,113	
	2,880	Loblaw Companies Limited	204,845	199,037	
	5,114	Metro Inc.	155,706	230,181	
	2,913	Onex Corporation	207,862	230,127	
	6,138	Power Corp of Canada	190,413	168,795	
	6,636	Power Financial Corporation	223,159	196,757	
	8,238	RioCan Real Estate Investment Trust	222,149	241,621	
	4,123	Rogers Communications Inc.	188,814	215,633	
	3,334	Royal Bank of Canada	251,733	254,518	
	5,030	Saputo Inc.	170,365	193,001	
	9,433	Shaw Communications, Inc.	253,135	233,938	
	6,439	Smart REIT	207,367	245,970	
	5,543	TELUS Corporation	223,565	230,589	
	3,024	The Bank of Nova Scotia	192,113	191,449	
	4,795	The Toronto-Dominion Bank	258,163	266,027	
	5,041	Thomson Reuters Corporation	234,574	263,493	
Total Canada			5,773,008	6,137,407	12.51%
France					
EUR	1,207	Aéroports de Paris	175,510	172,455	
EUR	825	L'Oreal SA	173,148	204,732	
Total France			348,658	377,187	0.77%
Germany					
EUR	3,051	MAN SE	406,924	404,495	
Total Germany			406,924	404,495	0.82%
Hong Kong					
HKD	18,861	Cheung Kong Infrastructure Holdings Limited	185,770	210,123	
HKD	30,508	CLP Holdings Limited	316,287	403,973	
HKD	10,111	Hang Seng Bank Limited	216,573	224,101	
HKD	205,137	HK Electric Investments & HK Electric Investments Ltd.	219,956	247,938	
HKD	103,708	Hong Kong & China Gas Company Limited	227,956	245,832	
HKD	45,490	MTR Corporation Limited	234,941	299,275	
HKD	15,517	Swire Pacific Ltd.	243,430	227,938	
Total Hong Kong			1,644,913	1,859,180	3.79%
Ireland					
USD	4,746	XL Group PLC	225,054	205,311	
Total Ireland			225,054	205,311	0.42%
Israel					
ILS	37	Azrieli Group Ltd.	2,057	2,041	
ILS	41,072	Bank Hapoalim BM	280,252	268,703	
ILS	48,509	Bank Leumi Le-Israel BM	231,536	221,332	
ILS	134	Mizrahi Tefahot Bank Ltd.	2,066	2,006	
Total Israel			515,911	494,082	1.01%

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited) (continued)

As at June 30, 2016

	Number of Shares	Description	Average Cost \$	Fair Value \$	% of Net Assets
EQUITIES (continued)					
Italy					
EUR	35,028	Terna Rete Elettrica Nazionale SpA	220,923	252,387	
Total Italy			220,923	252,387	0.51%
Japan					
JPY	5,996	McDonald's Holdings Company (Japan), Ltd.	170,705	212,152	
Total Japan			170,705	212,152	0.43%
New Zealand					
NZD	23,539	Ryman Healthcare Limited	200,146	203,133	
Total New Zealand			200,146	203,133	0.41%
Singapore					
SGD	113,558	CapitaMall Trust	212,765	233,396	
SGD	25,736	Oversea-Chinese Banking Corporation Limited	220,119	215,803	
SGD	22,816	Singapore Airlines Ltd.	225,314	234,689	
SGD	30,140	Singapore Exchange Ltd.	204,249	221,612	
SGD	104,604	Singapore Press Holdings Limited	388,840	398,696	
SGD	59,045	Sngspore Telecommunications Ltd.	207,452	235,304	
SGD	91,842	StarHub Limited	325,540	335,874	
SGD	130,587	Suntec Real Estate Investment Trust	206,818	223,033	
SGD	10,737	United Overseas Bank Ltd.	217,884	190,840	
Total Singapore			2,208,981	2,289,247	4.67%
Spain					
EUR	22,615	Iberdrola SA	200,920	198,611	
Total Spain			200,920	198,611	0.41%
Switzerland					
CHF	52	Chocoladefabriken Lindt & Spruengli AG	371,832	402,061	
USD	1,852	Chubb Limited	255,168	314,383	
CHF	2,601	Nestle SA	234,012	260,573	
CHF	2,437	Swiss Prime Site AG	242,595	286,540	
CHF	371	Swisscom AG	246,231	238,733	
Total Switzerland			1,349,838	1,502,290	3.06%
United States					
USD	1,076	3M Co.	198,601	244,713	
USD	2,621	Aflac, Inc.	210,923	245,625	
USD	448	Alleghany Corporation	254,975	319,755	
USD	4,440	Alliant Energy Corporation	163,847	228,919	
USD	2,872	Altria Group, Inc.	187,918	257,212	
USD	2,487	American Electric Power Company, Inc.	169,917	226,381	
USD	1,298	American Tower Corp.	156,973	191,514	
USD	2,826	American Water Works Co., Inc.	195,708	310,162	
USD	4,320	Arthur J Gallagher & Co.	254,342	267,054	
USD	1,365	Ashland Inc	202,572	203,456	
USD	5,697	AT&T Inc.	242,441	319,698	
USD	2,061	Atmos Energy Corp	196,695	217,663	
USD	2,138	Automatic Data Processing, Inc.	215,605	255,088	
USD	247	AutoZone, Inc.	206,050	254,647	
USD	923	AvalonBay Communities Inc.	217,357	216,233	
USD	4,093	BB&T Corp	205,083	189,288	

FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited) (continued)

As at June 30, 2016

	Number of Shares	Description	Average Cost \$	Fair Value \$	% of Net Assets
EQUITIES (continued)					
USD	1,012	Becton, Dickinson and Company	166,963	222,889	
USD	1,756	Berkshire Hathaway Inc.	300,670	330,196	
USD	1,208	Boston Properties Inc.	198,677	206,928	
USD	1,537	Brown-Forman Corporation	175,648	199,131	
USD	6,725	CenterPoint Energy, Inc.	173,539	209,610	
USD	2,600	Church & Dwight Co., Inc.	255,798	347,421	
USD	3,243	Cincinnati Financial Corporation	219,446	315,413	
USD	2,115	Cintas Corp.	235,026	269,539	
USD	3,653	CMS Energy Corporation	148,507	217,567	
USD	3,738	Colgate-Palmolive Company	302,326	355,352	
USD	2,514	Consolidated Edison, Inc.	189,711	262,631	
USD	1,398	Costco Wholesale Corporation	242,160	285,119	
USD	1,698	Crown Castle International Corp.	201,864	223,673	
USD	1,817	CVS Health Corp	203,698	225,921	
USD	2,072	Danaher Corporation	220,534	271,781	
USD	2,024	DaVita HealthCare Partners Inc.	204,876	203,241	
USD	2,207	Dominion Resources, Inc.	190,000	223,365	
USD	1,819	Dr Pepper Snapple Group, Inc.	165,473	228,272	
USD	1,796	DTE Energy Company	172,317	231,194	
USD	2,466	Duke Energy Corporation	225,155	274,751	
USD	1,434	Ecolab Inc.	189,895	220,873	
USD	2,228	Edison International	164,257	224,739	
USD	2,189	Entergy Corporation	217,566	231,266	
USD	1,285	Equifax Inc.	190,688	214,278	
USD	2,949	Eversource Energy	176,634	229,409	
USD	1,666	Exxon Mobil Corporation	177,827	202,819	
USD	1,274	Federal Realty Investment Trust	211,537	273,910	
USD	1,590	Fiserv, Inc.	172,700	224,520	
USD	1,092	General Dynamics Corporation	202,816	197,467	
USD	3,722	General Mills, Inc.	250,442	344,744	
USD	1,470	Genuine Parts Company	169,381	193,295	
USD	1,167	Henry Schein, Inc.	206,681	267,955	
USD	1,339	Honeywell International Inc.	178,465	202,276	
USD	1,526	Illinois Tool Works Inc.	182,873	206,426	
USD	1,188	International Flavors & Fragrances Inc.	158,366	194,508	
USD	2,103	Johnson & Johnson	257,400	331,291	
USD	3,064	Kellogg Company	252,571	324,903	
USD	1,618	Kimberly-Clark Corporation	228,143	288,886	
USD	765	Lockheed Martin Corporation	182,301	246,558	
USD	4,873	Loews Corporation	240,577	260,041	
USD	1,295	M&T Bank Corp.	196,262	198,841	
USD	258	Markel Corp	312,725	319,243	
USD	3,567	Marsh & McLennan Companies, Inc.	239,824	317,138	
USD	1,672	McCormick & Company, Inc.	153,091	231,626	
USD	1,970	McDonald's Corporation	241,394	307,883	
USD	1,969	Medtronic PLC	173,770	221,883	
USD	2,954	Merck & Co., Inc.	210,074	221,013	
USD	10,000	New York Community Bancorp Inc.	217,975	194,675	
USD	1,450	NextEra Energy, Inc.	178,460	245,558	
USD	715	Northrop Grumman Corporation	199,068	206,403	

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited) (continued)

As at June 30, 2016

	Number of Shares	Description	Average Cost \$	Fair Value \$	% of Net Assets
EQUITIES (continued)					
USD	2,022	Omnicom Group Inc.	201,741	213,990	
USD	3,870	Patterson Companies Inc.	223,077	240,694	
USD	3,430	Paychex, Inc.	202,061	265,045	
USD	11,670	People's United Financial Inc.	218,001	222,184	
USD	2,600	PepsiCo, Inc.	313,261	357,719	
USD	4,339	Pfizer Inc.	165,883	198,410	
USD	2,583	PG&E Corporation	162,074	214,422	
USD	1,736	Philip Morris International Inc.	186,566	229,332	
USD	2,126	Pinnacle West Capital Corporation	158,347	223,810	
USD	4,012	PPL Corporation	158,257	196,692	
USD	1,764	Praxair, Inc.	257,502	257,475	
USD	594	Public Storage	150,311	197,169	
USD	5,475	Republic Services, Inc.	290,818	364,834	
USD	836	Roper Technologies Inc.	172,317	185,179	
USD	2,262	SCANA Corporation	153,488	222,263	
USD	1,541	Sempra Energy	190,434	228,188	
USD	866	Simon Property Group, Inc.	198,597	243,942	
USD	1,466	Stryker Corporatipn	191,476	228,144	
USD	3,158	Synopsys, Inc.	207,311	221,798	
USD	3,351	Sysco Corporation	159,097	220,818	
USD	3,160	The Allstate Corporation	258,488	287,067	
USD	2,144	The Clorox Company	286,949	385,335	
USD	4,691	The Coca-Cola Company	238,842	276,160	
USD	2,083	The Hershey Company	242,712	307,012	
USD	1,116	The Home Depot Inc.	197,647	185,068	
USD	1,232	The JM Smucker Company	165,286	243,856	
USD	1,748	The PNC Financial Services Group Inc.	217,329	184,766	
USD	3,026	The Procter & Gamble Company	300,831	332,742	
USD	6,014	The Progressive Corporation	223,551	261,648	
USD	4,668	The Southern Company	260,478	325,123	
USD	2,096	The Travelers Companies, Inc.	265,575	324,036	
USD	1,005	Thermo Fisher Scientific Inc.	185,708	192,855	
USD	3,690	Torchmark Corporation	246,013	296,254	
USD	4,195	UDR Inc.	197,872	201,142	
USD	2,026	United Parcel Service, Inc.	250,476	283,429	
USD	4,121	US Bancorp	224,111	215,844	
USD	2,152	Varian Medical Systems Inc.	231,333	229,817	
USD	3,686	Verizon Communications Inc.	219,126	267,306	
USD	3,760	W.R. Berkley Corporation	227,412	292,596	
USD	2,265	Wal-Mart Stores, Inc.	202,709	214,792	
USD	3,596	Waste Management, Inc.	225,408	309,489	
USD	2,779	WEC Energy Group Inc.	166,330	235,674	
USD	3,958	Wells Fargo & Company	275,204	243,288	
USD	5,033	Xcel Energy, Inc.	214,677	292,698	

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited) (continued)

As at June 30, 2016

	Number of Shares	Description	Average Cost \$	Fair Value \$	% of Net Assets
EQUITIES (continued)					
Total United States			23,089,844	27,515,934	56.07%
Total equities			43,018,079	48,976,470	99.81%
Adjustment for transaction costs			(27,517)	—	—%
Total investments			42,990,562	48,976,470	99.81%
Total unrealized gain on forward foreign currency contracts				185,648	0.38%
Total unrealized loss on forward foreign currency contracts				(138,475)	(0.28)%
Other assets, net of liabilities				48,129	0.09%
Net assets attributable to holders of redeemable securities				49,071,772	100.00%

UNREALIZED GAIN ON FORWARD FOREIGN CURRENCY CONTRACTS

Settlement Date	Currency Buy	Position	Currency Sell	Position	Contract Rates	Counterparty	Credit Rating*	Unrealized Gain (\$)
12-Aug-16	CAD	1,628,628	EUR	1,100,000	1.4806	Canadian Imperial Bank of Commerce	A+	39,605
12-Aug-16	CAD	124,508	EUR	85,000	1.4648	Canadian Imperial Bank of Commerce	A+	1,720
12-Aug-16	CAD	1,761,109	GBP	940,000	1.8735	Canadian Imperial Bank of Commerce	A+	128,928
12-Aug-16	CAD	2,170,976	USD	1,660,000	1.3078	Canadian Imperial Bank of Commerce	A+	15,394
								185,647

UNREALIZED LOSS ON FORWARD FOREIGN CURRENCY CONTRACTS

Settlement Date	Currency Buy	Position	Currency Sell	Position	Contract Rates	Counterparty	Credit Rating*	Unrealized Loss (\$)
12-Aug-16	CAD	2,161,334	AUD	2,275,000	0.9500	Canadian Imperial Bank of Commerce	A+	(35,292)
12-Aug-16	CAD	505,374	AUD	535,000	0.9446	Canadian Imperial Bank of Commerce	A+	(11,195)
12-Aug-16	CAD	1,796,602	SGD	1,900,000	0.9456	Canadian Imperial Bank of Commerce	A+	(36,038)
12-Aug-16	CAD	22,673,333	USD	17,500,000	1.2956	Canadian Imperial Bank of Commerce	A+	(51,177)
12-Aug-16	EUR	295,000	CAD	430,919	1.4607	Canadian Imperial Bank of Commerce	A+	(4,772)
								(138,474)

* Credit rating provided by Standard & Poor's.

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited) (continued)

PORTFOLIO CONCENTRATION

As a percentage of net assets (%)	June 30, 2016	December 31, 2015
Equities		
Australia	6.43	5.41
Belgium	0.43	0.56
Bermuda	2.86	3.52
Britain	5.21	4.76
Canada	12.51	14.27
France	0.77	1.19
Germany	0.82	2.12
Hong Kong	3.79	4.13
Ireland	0.42	1.18
Israel	1.01	0.90
Italy	0.51	0.54
Japan	0.43	0.47
New Zealand	0.41	0.50
Singapore	4.67	5.36
Spain	0.41	—
Switzerland	3.06	3.16
United States	56.07	54.59
Total unrealized gain on forward foreign currency contracts	0.38	0.32
Total unrealized loss on forward foreign currency contracts	(0.28)	(3.04)
Other assets, net of liabilities	0.09	0.06

See accompanying notes to financial statements.

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (Unaudited)

June 30, 2016

(A) THE FUND

First Asset MSCI World Low Risk Weighted ETF (the "Fund") is an exchange traded fund that seeks to replicate, to the extent possible, the performance of the MSCI World Risk Weighted Top 200 Index Hedged to CAD (the "CAD Hedged Index"), net of expenses, and in respect of the Unhedged Units, the Fund's investment objective is to replicate, to the extent possible, the performance of the MSCI World Risk Weighted Top 200 Index (the "Index"), net of expenses. The investment strategy of the Fund is to invest in and hold the constituent securities of the applicable index.

Each of the Index and the CAD Hedged Index (collectively, the "Indexes") are based on a traditional market capitalization weighted parent index, the MSCI World Index, which includes large and mid-capitalization stocks. Constructed using a simple, but effective and transparent process, each security of the parent index is reweighted so that stocks with lower risk are given higher index weights. The final constituents of the Indexes are determined by ranking these security level risk weights and taking top 200 subset securities. The Indexes seek to emphasize stocks with lower historical return variance and tend to have a bias towards lower size and lower risk stocks. Historically, the Indexes have exhibited lower realized volatility in comparison to the parent index, while maintaining reasonable liquidity and capacity.

The only difference between the Index and the CAD Hedged Index is that the CAD Hedged Index is 100% hedged to the Canadian dollar by notionally "selling" each foreign currency forward at the one-month forward exchange rate at the end of each month.

(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, 2016

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities	48,976,470	—	—	48,976,470
Derivatives	—	185,647	—	185,647
	48,976,470	185,647	—	49,162,117
Financial liabilities				
Derivatives	—	138,474	—	138,474
	—	138,474	—	138,474

As at December 31, 2015

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities	42,144,086	—	—	42,144,086
Derivatives	—	129,551	—	129,551
	42,144,086	129,551	—	42,273,637
Financial liabilities				
Derivatives	—	1,248,559	—	1,248,559
	—	1,248,559	—	1,248,559

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

(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, 2016 and 2015 is calculated as follows:

	2016			
	Common Units	Advisor Class Units	Unhedged Common Units	Unhedged Advisor Class Units
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	\$3,373,141	\$92,058	\$198,982	\$22,138
Weighted average securities outstanding during the period	1,556,587	49,444	200,000	25,000
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per security	\$2.17	\$1.86	\$0.99	\$0.89

	2015			
	Common Units	Advisor Class Units	Unhedged Common Units	Unhedged Advisor Class Units
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	\$(36,157)	\$(11,238)	\$279,703	\$32,323
Weighted average securities outstanding during the period	1,126,200	26,600	200,000	25,000
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per security	\$(0.03)	\$(0.42)	\$1.40	\$1.29

(D) MANAGEMENT OF FINANCIAL RISKS**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, 2016

Common Units and Advisor Class Units

Currency	Investments	Cash	Other	Forward Foreign Currency Contracts	Total	Impact on Net Assets
Australia dollar	\$2,751,146	\$810	\$13,019	(\$2,666,708)	\$98,267	\$4,913
Switzerland franc	\$1,035,090	\$2,695	\$11,444	\$—	\$1,049,229	\$52,461
Denmark krone	\$—	\$181	\$914	\$—	\$1,095	\$55
Euro Dollar	\$1,258,255	\$22,674	\$6,198	(\$1,322,217)	(\$35,090)	(\$1,755)
United Kingdom pound	\$1,854,830	\$7,819	\$11,729	(\$1,761,109)	\$113,269	\$5,663
Hong Kong dollar	\$1,620,007	\$11,603	\$19,131	\$—	\$1,650,741	\$82,537
Israel new shekel	\$430,521	(\$14,105)	\$96	\$—	\$416,512	\$20,826
Japan yen	\$184,860	\$159	\$—	\$—	\$185,019	\$9,251
New Zealand dollar	\$177,001	\$2,410	\$—	\$—	\$179,411	\$8,971
Sweden krona	\$—	\$9,954	\$—	\$—	\$9,954	\$498
Singapore dollar	\$1,994,749	\$20,186	\$—	(\$1,796,602)	\$218,333	\$10,917
United States dollar	\$26,021,621	\$26,955	\$45,524	(\$24,844,308)	\$1,249,792	\$62,490
Total	\$37,328,080	\$91,342	\$108,055	(\$32,390,944)	\$5,136,533	\$256,827
As a % of Net Assets	87.3%	0.2%	0.3%	(75.8)%	12.0%	0.6%

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

(D) MANAGEMENT OF FINANCIAL RISKS (continued)

Unhedged Common Units and Unhedged Advisor Class Units

Currency	Investments	Cash	Other	Forward Foreign Currency Contracts	Total	Impact on Net Assets
Australia dollar	\$406,169	\$120	\$1,922	\$—	\$408,211	\$20,411
Switzerland franc	\$152,817	\$398	\$1,689	\$—	\$154,904	\$7,745
Denmark krone	\$—	\$27	\$135	\$—	\$162	\$8
Euro Dollar	\$185,764	\$3,347	\$915	\$—	\$190,026	\$9,501
United Kingdom pound	\$273,840	\$1,154	\$1,732	\$—	\$276,726	\$13,836
Hong Kong dollar	\$239,172	\$1,713	\$2,825	\$—	\$243,710	\$12,185
Israel new shekel	\$63,561	(\$2,082)	\$14	\$—	\$61,493	\$3,075
Japan yen	\$27,292	\$23	\$—	\$—	\$27,315	\$1,366
New Zealand dollar	\$26,132	\$356	\$—	\$—	\$26,488	\$1,324
Sweden krona	\$—	\$1,470	\$—	\$—	\$1,470	\$73
Singapore dollar	\$294,498	\$2,980	\$—	\$—	\$297,478	\$14,874
United States dollar	\$3,841,737	\$3,980	\$6,721	\$—	\$3,852,438	\$192,622
Total	\$5,510,982	\$13,485	\$15,953	\$—	\$5,540,420	\$277,020
As a % of Net Assets	87.3%	0.2%	0.3%	0.0%	87.8%	4.4%

As at December 31, 2015

Common Units and Advisor Class Units

Currency	Investments	Cash	Other	Forward Foreign Currency Contracts	Total	Impact on Net Assets
Australia dollar	\$1,889,169	\$5,205	\$8,041	(\$1,743,595)	\$158,820	\$7,941
Switzerland franc	\$1,103,202	\$766	\$7,954	(\$23,851)	\$1,088,071	\$54,404
Denmark krone	\$—	\$185	\$976	\$—	\$1,161	\$58
Euro Dollar	\$1,537,270	\$4,870	\$2,434	(\$1,526,266)	\$18,308	\$915
United Kingdom pound	\$1,662,205	\$5,455	\$7,779	(\$1,684,483)	(\$9,044)	(\$452)
Hong Kong dollar	\$1,441,252	\$5,874	\$—	\$—	\$1,447,126	\$72,356
Israel new shekel	\$313,015	\$118	\$—	\$—	\$313,133	\$15,657
Japan yen	\$165,250	\$5	\$1,609	\$—	\$166,864	\$8,343
New Zealand dollar	\$172,959	\$820	\$—	\$—	\$173,779	\$8,689
Singapore dollar	\$1,722,882	\$9,656	\$5,697	(\$1,615,614)	\$122,620	\$6,131
United States dollar	\$20,844,829	\$30,226	\$40,310	(\$20,583,242)	\$332,123	\$16,606
Total	\$30,852,033	\$63,181	\$74,799	(\$27,177,051)	\$3,812,962	\$190,648
As a % of Net Assets	88.4%	0.2%	0.2%	(77.9)%	10.9%	0.5%

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

(D) MANAGEMENT OF FINANCIAL RISKS (continued)

Unhedged Common Units and Unhedged Advisor Class Units

Currency	Investments	Cash	Other	Forward Foreign Currency Contracts	Total	Impact on Net Assets
Australia dollar	\$332,712	\$917	\$1,416	\$—	\$335,045	\$16,752
Switzerland franc	\$194,291	\$135	\$1,401	\$—	\$195,827	\$9,791
Denmark krone	\$—	\$32	\$172	\$—	\$204	\$10
Euro Dollar	\$270,738	\$858	\$429	\$—	\$272,024	\$13,600
United Kingdom pound	\$292,740	\$961	\$1,370	\$—	\$295,071	\$14,754
Hong Kong dollar	\$253,827	\$1,035	\$—	\$—	\$254,862	\$12,743
Israel new shekel	\$55,127	\$21	\$—	\$—	\$55,148	\$2,757
Japan yen	\$29,103	\$1	\$283	\$—	\$29,387	\$1,469
New Zealand dollar	\$30,461	\$145	\$—	\$—	\$30,606	\$1,530
Singapore dollar	\$303,427	\$1,700	\$1,003	\$—	\$306,131	\$15,307
United States dollar	\$3,671,104	\$5,323	\$7,099	\$—	\$3,683,526	\$184,176
Total	\$5,433,530	\$11,128	\$13,173	\$—	\$5,457,831	\$272,890
As a % of Net Assets	88.4%	0.2%	0.2%	\$—	88.8%	4.4%

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 Launch Date 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, 2016	December 31, 2015
MSCI World Risk Weighted Top 200 Index	\$ 4,433,223	\$ 3,786,097

(E) RELATED PARTY TRANSACTIONS

During the period, the Fund has engaged in trading securities of CI Financial Corp. (referred to as "Related Issuer Trades"), which indirectly owns and controls First Asset. The Related Issuer Trades were executed by an unrelated broker and through the facilities of the TSX at prevailing market prices on the days of the transactions. No related parties received any fees in connection with the trades. The trades were executed in reliance on a standing instruction issued by the Fund's Independent Review Committee. As at June 30, 2016, the Fund held 7,326 shares of CI, with a fair value of \$197,436 and representing less than 1% of the Fund's net assets. (December 31, 2015 - 6,418 shares of CI, with a fair value of \$196,391 and representing less than 1% of the Fund's net assets).

FIRST ASSET MSCI WORLD LOW RISK WEIGHTED ETF

NOTES TO THE FINANCIAL STATEMENTS (Unaudited)

June 30, 2016

1. GENERAL INFORMATION

These notes are an integral part of these financial statements and contain important information about the First Asset Exchange Traded Funds (individually, a Fund, and collectively, the Funds). The following table indicates the date upon which each Fund was established or the prospectus date of the initial public offering for Funds that were originally established as closed-end investment trusts (Inception Date). The date upon which each class of securities of each Fund started trading on the Toronto Stock Exchange (TSX) (Launch Date) is also indicated below.

Fund	TSX Ticker Symbol	Inception Date	Common Units / Corporate Class	Advisor Class Units	Unhedged Common Units (CAD and/or USD)	Unhedged Advisor Class Units (CAD and/or USD)
TRUSTS						
First Asset Can-Energy Covered Call ETF	OXF	May 16, 2011	June 1, 2011	June 1, 2011		
First Asset Can-Materials Covered Call ETF	MXF	May 16, 2011	June 4, 2011	June 4, 2011		
First Asset Canadian Convertible Bond ETF	CXF	May 24, 2011	June 7, 2011	June 7, 2011		
First Asset Tech Giants Covered Call ETF	TXF	October 17, 2011	October 26, 2011	October 26, 2011		
First Asset Morningstar Canada Dividend Target 30 Index ETF	DXM	January 13, 2012	February 6, 2012	February 6, 2012		
First Asset Morningstar US Dividend Target 50 Index ETF	UXM	January 13, 2012	February 6, 2012	February 6, 2012	October 22, 2013	October 22, 2013
First Asset Morningstar National Bank Quebec Index ETF	QXM	January 13, 2012	February 6, 2012	February 6, 2012		
First Asset Morningstar Canada Momentum Index ETF	WXM	January 13, 2012	February 15, 2012	February 15, 2012		
First Asset Morningstar Canada Value Index ETF	FXM	January 13, 2012	February 15, 2012	February 15, 2012		
First Asset Provincial Bond Index ETF	PXF	January 3, 2013	January 21, 2013	January 21, 2013		
First Asset 1-5 Year Laddered Government Strip Bond Index ETF	BXF	May 30, 2013	June 11, 2013	June 11, 2013		
First Asset Morningstar US Value Index ETF	XXM	October 11, 2013	October 22, 2013	October 22, 2013	October 22, 2013	October 22, 2013
First Asset Morningstar US Momentum Index ETF	YXM	October 11, 2013	October 22, 2013	October 22, 2013	October 22, 2013	October 22, 2013
First Asset MSCI Canada Low Risk Weighted ETF	RWC	January 27, 2014	February 19, 2014	February 19, 2014		
First Asset MSCI Europe Low Risk Weighted ETF	RWE	January 27, 2014	February 11, 2014	February 11, 2014	February 11, 2014	February 11, 2014
First Asset MSCI USA Low Risk Weighted ETF	RWU	January 27, 2014	February 11, 2014	February 11, 2014	February 19, 2014	February 19, 2014
First Asset MSCI World Low Risk Weighted ETF	RWW	January 27, 2014	February 19, 2014	February 19, 2014	February 11, 2014	February 11, 2014
First Asset Hamilton Capital European Bank ETF	FHB	July 18, 2014	July 29, 2014	July 29, 2014		
First Asset Active Canadian Dividend ETF	FDV	July 18, 2014	September 9, 2014	September 9, 2014		
First Asset U.S. & Canada LifeCo Income ETF	FLI	August 25, 2014	September 3, 2014	September 9, 2014		
First Asset Morningstar International Value Index ETF	VXM	October 20, 2014	November 18, 2014	November 18, 2014	November 18, 2014	November 18, 2014
First Asset Morningstar International Momentum Index ETF	ZXM	October 20, 2014	November 18, 2014	November 18, 2014	November 18, 2014	November 18, 2014
First Asset Utility & Infrastructure ETF	FAI	January 12, 2015	January 16, 2015	January 23, 2015		
First Asset Active Credit ETF	FAO	January 12, 2015	January 19, 2015	January 23, 2015	January 19, 2015	January 23, 2015
First Asset Core Canadian Equity ETF	CED	January 12, 2015	January 20, 2015	January 20, 2015		
First Asset Core U.S. Equity ETF	CES	January 12, 2015	January 20, 2015	January 20, 2015	January 20, 2015	January 20, 2015
First Asset Core Balance Balanced ETF	CBB	January 12, 2015	February 10, 2015	February 10, 2015		
First Asset Energy Giants Covered Call ETF	NXF	January 26, 2015	February 10, 2015	February 10, 2015		
First Asset Canadian REIT ETF	RIT	July 10, 2015	July 14, 2015	July 21, 2015		
First Asset Global Financial Sector ETF	FSF	April 11, 2016	April 25, 2016			
First Asset Preferred Share ETF	FPR	May 4, 2016	May 17, 2016			
First Asset Long Duration Fixed Income ETF	FLB	May 4, 2016	May 17, 2016			
CORPORATE CLASS						
First Asset CanBanc Income Class ETF	CIC	September 18, 2015	September 24, 2015			
First Asset Core Canadian Equity Income Class ETF	CSY	April 1, 2016	May 4, 2016			
First Asset Short Term Government Bond Index Class ETF	FGB	February 23, 2016	March 1, 2016			
First Asset Global Momentum Class ETF	FGL	February 23, 2016	March 1, 2016			
First Asset Global Momentum (CAD hedged) Class ETF	FGM	February 23, 2016	March 1, 2016			
First Asset Global Value Class ETF	FGU	February 23, 2016	March 1, 2016			
First Asset Global Value (CAD hedged) Class ETF	FGV	February 23, 2016	March 1, 2016			
First Asset MSCI Canada Quality Index Class ETF	FQC	April 1, 2016	May 4, 2016			

The Funds listed under the heading Corporate Class are ETF share classes of First Asset Fund Corp. (Fund Corporation), established under the laws of the Province of Ontario as a mutual fund corporation.

The remaining funds (individually, a Trust, and collectively, the Trusts) are established as investment funds under the laws of the Province of Ontario and governed by a Declaration of Trust. Each Trust offers one class of security called Units or Common Units and, if applicable, Advisor Class Units, Unhedged Common Units and

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) (continued)

1. GENERAL INFORMATION (continued)

Unhedged Advisor Class Units. First Asset Core U.S. Equity ETF and First Asset Active Credit ETF also offer U.S. dollar denominated Unhedged Common Units and Unhedged Advisor Class Units. The only difference between the Common Units and the Advisor Class Units is the management fee payable by a Fund due to the service fee payable by First Asset in respect of the Advisor Class Units (as described in note 8). The exposure in relation to the unhedged securities of a Fund to currencies other than the Canadian dollar is not hedged back to the Canadian dollar. Accordingly, the net asset value attributable to holders of redeemable securities per security of each class will not be the same as a result of the different fees allocable to each class of securities and/or the different currency hedging strategy, as applicable. All classes of securities of the Funds are currently listed on the Toronto Stock Exchange (TSX).

Refer to the Fund Specific Notes for details of the investment objectives and strategies of each Fund.

The manager of each Fund is First Asset Investment Management Inc. (First Asset). First Asset is a subsidiary of CI Financial Corp. (TSX: CIX).

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, 2016. The Statements of Financial Position for each Fund are as at June 30, 2016 and December 31, 2015, 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, 2016 and 2015, 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 annual financial statements of the Funds for the period ended June 30, 2016 were approved and authorized for issuance by the Board of Directors of First Asset on August 26, 2016.

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 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.

Functional and presentation currency

The financial statements are presented in Canadian dollars (CAD), which is the currency of the primary economic environment in which the Funds operate and is considered the functional currency of the Funds. For First Asset Active Credit ETF and First Asset Core U.S. Equity ETF, all information is stated in Canadian dollars except for all per unit information for the U.S. dollar classes which is stated in U.S. dollars.

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

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.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 residual amount (total assets less total liabilities of each Fund).

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, fair value means the most recent price provided by independent security pricing services, except in the case of First Asset Active Credit ETF where bonds and bank debt are valued at the bid price provided by independent security pricing services or broker quotes. 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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) (continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Funds have entered into a securities lending program with their custodian. 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.

The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the assets of that Fund. Collateral received consists of qualified securities and securities that are immediately convertible into, or exchangeable for securities of the same type, the same term and in the same number as those loaned by each Fund with market values of at least 102% of the market value of the loaned securities. State Street Bank and Trust Company is entitled to receive payments out of the gross amount generated from the securities lending transactions of the Funds and bears all operational costs directly related to securities lending as well as the cost of borrow default indemnification. Aggregate values of securities on loan and related collateral held as well as the gross amount generated from the securities lending transactions of the Funds to the revenue from securities lending disclosed in the Funds' Statements of Comprehensive Income as at June 30, 2016 and 2015 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. Realized and unrealized gains and losses on forward foreign currency contracts entered into to hedge currency exposure of hedged classes are allocated only to that class.

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

Each Fund's redeemable securities do not meet the criteria in IAS 32 for classification as equity and, therefore, have been classified as financial liabilities. These securities are redeemable at the securityholder's option at prices disclosed in note 7.

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 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 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 January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. First Asset is currently assessing the impact of adopting this standard.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) (continued)

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 15, Revenue from Contracts with Customers

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. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting year. Significant judgments and estimates include the valuation of investments and derivatives, classification of redeemable securities and classification of the Funds as investment entities.

First Asset has made an assessment of the Funds' ability to continue as a going concern and is satisfied that the Funds have the resources to continue in business for the foreseeable future. Furthermore, First Asset is not aware of any material uncertainties that may cast significant doubt upon the Funds' ability to continue as a going concern. Therefore, the financial statements of the Funds continue to be prepared on a going concern basis.

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 in these notes. 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.

5. MANAGEMENT OF FINANCIAL RISK

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. Please refer to 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 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 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.

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.

The Funds' exposure to liquidity risk is concentrated in the daily redemptions of securities. Since the delivery of redemptions is typically in the form of securities, the Funds are not exposed to any significant liquidity risk.

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 maturity of the Funds' financial liabilities are all between 1 and 3 months, except for the redeemable securities which are redeemable on demand at the holder's

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) (continued)

5. MANAGEMENT OF FINANCIAL RISK (continued)

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, within the limits of the Funds' investment objectives and strategies.

(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 Canadian dollar, which represents the functional currency of the Funds. Consequently, these Funds are exposed to currency risk as the value of the portfolio securities denominated in currencies other than the Canadian dollar will vary due to changes in foreign currency exchange rates. For Funds with hedged classes, currency risk is mitigated by entering into forward foreign currency contracts and, as such, the hedged classes do not have significant exposure to currency risk. Significant currency risk exposure impacting the hedged and unhedged classes of each Fund is disclosed in the Fund Specific Notes.

The US\$ Common Units and US\$ Advisor Class Units of First Asset Active Credit ETF do not have significant exposure to currency risk as the Fund's underlying portfolio is denominated in U.S. dollars and these two classes of securities are similarly denominated in U.S. dollars, which essentially eliminates the impact of fluctuations in exchange rates for securityholders.

(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.

6. 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.

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, 2016 and December 31, 2015, 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, 2016 and December 31, 2015, there were no transfers of financial assets and liabilities from Level 2 to Level 1.

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

Refer to the Fund Specific Notes for the relevant disclosure.

7. REDEEMABLE SECURITIES

Each Trust is authorized to issue an unlimited number of redeemable, transferable Units or Common Units and Advisor Class Units, including unhedged and US\$ classes if applicable, each of which represents an undivided interest in the net assets of the Fund. In the case of multi class Trusts, whole units of each class of securities are convertible into whole units of any other class of securities of the Trust on the basis of their respective net asset values, with any remaining fractional units redeemed at their net asset value.

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) (continued)

7. REDEEMABLE SECURITIES (continued)

The authorized capital the Fund Corporation includes an unlimited number of non-cumulative, redeemable, non-voting classes of shares (each a Corporate Class), issuable in an unlimited number of series, and one class of voting shares designated as Class J Shares. Each Corporate Class is a separate investment fund having specific investment objectives and is specifically referable to a separate portfolio of investments. Each Corporate Class is authorized to issue an unlimited number of exchange traded fund shares (ETF Shares). The ETF Shares are Canadian dollar denominated.

On any trading day, a designated broker or underwriter may place a subscription order for an integral multiple of the prescribed number of securities (PNS) of each Fund. A trading day is each day on which the TSX is open for business.

If the subscription order is accepted, the Fund will generally issue securities to the designated broker or underwriter within three trading days from the effective day of the subscription. For each PNS 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 the securities and cash is equal to the net asset value of the PNS 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 PNS 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 each 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 PNS of each 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 PNS 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 an amount sufficient so that the value of the securities and cash is equal to the applicable net asset value of the PNS 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 PNS 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 each Fund may also redeem securities of such Fund at a redemption price per security equal to 95% of the applicable 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.

8. EXPENSES

As compensation for the services it provides to the Funds, the Funds pay First Asset an annual management fee on the applicable ETF Shares or, in case of the Trusts, on Units or Common and Advisor Class Units, including unhedged and U.S. dollar classes if applicable, as disclosed in a footnote to the Statements of Comprehensive Income, calculated daily and paid monthly in arrears plus, in respect of the Advisor Class Units, including unhedged and/or US\$ Advisor Class Units if applicable, an additional amount for the service fee payable to dealers, calculated daily and paid as soon as practicable after the end of each calendar quarter. If applicable, First Asset pays any portfolio manager or investment sub-advisor out of its management fee.

First Asset Hamilton Capital European Bank ETF, First Asset Active Canadian Dividend ETF, First Asset U.S. & Canada Lifeco Income ETF, First Asset Utility and Infrastructure ETF, First Asset Active Credit ETF, First Asset Core Canadian Equity ETF, First Asset Core U.S. Equity ETF, First Asset Core Balanced ETF, First Asset Canadian REIT ETF, First Asset CanBanc Income ETF and First Asset Core Canadian Equity Income ETF are responsible for all costs relating to their operations and administration.

For all other Funds, First Asset is responsible for all costs and expenses of the Funds, except for the management fee, brokerage expenses and commissions, the costs of any financial instruments used to achieve the investment objective of the Funds, reasonable costs associated with the Independent Review Committee, income taxes, withholding taxes, any applicable goods and services or other sales taxes including GST/HST, costs of complying with any new governmental or regulatory requirement introduced after the Funds were established, any costs associated with the printing and distribution of any documents that securities regulatory authorities require to be sent to securityholders, any transaction costs incurred by the custodian and any extraordinary expenses plus applicable taxes. From the management fee, First Asset pays for all other costs and expenses relating to the operation of the business of the Funds including the service fee in respect of the Advisor Units, if applicable, administration, legal, accounting, custody, audit, registrar and transfer agency fees and fees payable to other service providers, including Index Providers, if applicable. As a result, these Funds do not have any other expenses. In addition to covering brokerage services on security transactions, commissions paid to dealers may also cover research services provided to First Asset. 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.

9. DISTRIBUTIONS

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.

If, in any year, after such distributions, there would otherwise remain in a Fund additional net realized capital gains, the Fund intends to make, on or before December 31 of that year, a special distribution of such portion of the remaining net realized capital gains as is necessary to ensure that the Fund will not be liable for income tax

NOTES TO THE FINANCIAL STATEMENTS (Unaudited) (continued)

9. DISTRIBUTIONS (continued)

under the Income Tax Act (Canada) (the Tax Act). Such special capital gains distribution may be paid in securities and subsequently consolidated. They are reported as taxable distributions and increase each securityholder's adjusted cost base for their securities. Neither the number of securities held by the securityholder, nor the net asset value per security of the Fund change as a result of any non-cash capital gains distributions.

10. TAXATION

Each Trust qualifies, or is expected to qualify, 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 which ends December 15. 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.

The remaining Funds are separate Corporate Classes of the Fund Corporation. The Fund Corporation qualifies and intends to continue to qualify as a mutual fund corporation under the Tax Act and has a tax year which ends December 31. 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 Corporation are redeemed or capital gains dividends are paid by the Fund Corporation to its shareholders. The Fund Corporation 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 Corporation upon the payment of taxable dividends to its securityholders at the rate of \$1 for every \$3 of dividends paid.

As at the Funds' taxation year-ends, certain Funds have capital and non-capital loss carryforwards for income tax purposes which 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.

11. CAPITAL MANAGEMENT

Each Fund manages its capital in accordance with its investment objectives and strategies outlined in the Fund Specific Notes and the risk management practices disclosed in note 5 and endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet distributions and redemptions. In order to manage their capital structures, the Funds may adjust the amount of distributions paid to securityholders.

12. RELATED PARTY TRANSACTIONS

First Asset manages and administers the business operations and affairs of the Funds, and, other than First Asset Hamilton Capital European Bank ETF, First Asset Active Credit ETF, First Asset Global Financial Sector ETF, First Asset Preferred Share ETF and First Asset Long Duration Fixed Income ETF, 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 (IRC) on behalf of First Asset, however, it receives no compensation for doing so. Members of the IRC receive fees from the Funds for services rendered to the Funds. In the case of the Fund Corporation, 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 and accounts payable and accrued liabilities are amounts generally payable to First Asset.

The Funds may have direct or indirect holdings in CI Financial Corp., the ultimate parent company of First Asset, or other funds managed by First Asset as identified in the Fund Specific Notes, if applicable.

