

# Annual Management Report of Fund Performance

for the year ended December 31, 2016



## First Asset Core Canadian Equity ETF

**Fund:**

First Asset Core Canadian Equity ETF

**Securities:**

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

Advisor Class Units - Listed TSX: CED.A

**Period:**

January 1, 2016 to December 31, 2016

**Manager, Trustee & Investment Advisor:**

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

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Toronto, ON M5C 3G7

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**Notes:**

1. This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. You can get a copy of the annual financial statements at your request, and at no cost, by contacting us (contact information above) or on SEDAR at [www.sedar.com](http://www.sedar.com). Holders may also contact us to request a free copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.
2. This report may contain forward looking statements. Forward looking statements involve risks and uncertainties and are predictive in nature and actual results could differ materially from those contemplated by the forward looking statements.
3. Unless otherwise indicated all information is as at December 31, 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.

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## Investment Objectives and Strategies

The Fund's investment objective is to seek to provide holders with: (i) long term capital appreciation with an attractive risk-adjusted rate of return; and (ii) consistent dividend income; through investing the First Asset ETF's portfolio to gain exposure to equity securities of primarily large capitalization Canadian issuers.

The Fund uses a multi-factor portfolio optimization strategy to allocate the Fund's assets to gain exposure to equity securities of primarily large capitalization Canadian issuers in order to try to create a well-diversified portfolio with strong fundamentals, attractive levels of dividend income and a historical risk adjusted rate of return greater than a broad capitalization weighted Canadian equity fund. In order to achieve the investment objectives, the Fund may invest directly in equity securities and/or indirectly in such securities through other exchange traded funds (ETFs), including those managed by First Asset.

## Risks

There were no changes to the Fund over the period of this report that materially affected the overall level of risk associated with an investment in the Fund. Holders should still refer to the prospectus of the Fund dated January 24, 2017 as it contains a detailed discussion of risk and other considerations relating to an investment in the Fund. The prospectus is available free of charge on our website at [www.firstasset.com](http://www.firstasset.com) and on SEDAR at [www.sedar.com](http://www.sedar.com). Readers are also directed to note 5 and the Fund Specific Notes of the Fund's 2016 annual financial statements, which discusses management of financial risks.

## Results of Operations

For the year ended December 31, 2016, the Fund's Common Units returned 16.0% compared to the S&P/TSX Composite Total Return Index which returned 21.1%. The following tables highlight the performance of the Fund's Common Units and Advisor Class Units on a net asset value basis and market price basis.

<b>Net Asset Value</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>	<b>Return</b>
CED	\$20.37	\$18.00	16.0%
CED.A	\$20.37	\$18.00	15.0%

<b>Market Value</b>	<b>December 31, 2016</b>	<b>December 31, 2015</b>	<b>Return</b>
CED	\$20.36 <sup>(2)</sup>	\$17.89 <sup>(1)</sup>	14.5%

(1) Closing market price taken from last trade on December 30, 2015.

(2) Closing market price taken from last trade on December 28, 2016.

\*Performance not shown for Advisor Class Units (CED.A) as there was no comparable trade on or about December 31, 2016.

The above returns, whether based on net asset value or market price, assume the reinvestment of all distributions. The Fund's Common Units and Advisor Class Units had per unit distributions of \$0.47 and \$0.31, respectively, during the year.

The Fund's net assets as at December 31, 2016, were \$18.8 million, an increase from \$14.0 million as at December 31, 2015. The largest factors contributing to this increase were net subscriptions of \$2.8 million and net gains on investments of \$2.5 million, offset in part by distributions of \$0.4 million.

The Canadian stock market experienced several spikes in volatility, but overall finished the year quite strongly. Global markets started the year with a fairly large sell-off over concerns of lower global growth, weak oil markets and the potential for further monetary policy tightening by the U.S. Federal Reserve Board ("Fed"). At one point, the S&P/TSX Composite Index was down almost 9%. Negative sentiment deepened as a result of Chinese policy instability, including the introduction and suspension of stock market circuit breakers, forced stock buying by government agencies and speculation of further devaluation of China's currency.

From the January lows, markets rallied over 20%, driven in part by cautious comments from the Fed over concerns about weak wage inflation and risks from abroad. The Fed lowered its growth and inflation forecasts for the U.S. economy in 2016, and pulled back its expectations for interest rate increases for the balance of the year.

In June, equity markets sold off sharply following the U.K. vote to exit the European Union, also known as "Brexit", amid unknown implications for the European and global markets. However, the downturn ended up being short-lived, as markets quickly rebounded. After a relatively quiet summer and early fall, the U.S. presidential election in November caught the market's attention. Not only was Donald Trump's victory a surprise to most analysts, but the market's reaction was equally unpredictable, with stock markets rebounding post-election as investors focused on the U.S. President-elect's pro-growth platform.

# First Asset Core Canadian Equity ETF

*Management Report of Fund Performance for the year ended December 31, 2016*

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Oil prices rallied strongly from their February lows through early June, partly as a result of supply disruptions in the Canadian oil sands caused by wild fires. The price of crude oil spent most of the summer and autumn below US\$50 per barrel, but received a boost in December as members of the Organization of the Petroleum Exporting Countries agreed to production cuts in 2017, and other major producers, including Russia, also agreed to reduce production. West Texas Intermediate crude finished the year at US\$53.72 per barrel, up from US\$37.04 at the end of 2015.

The Fund's absolute performance is driven by its exposure to Canadian large- and mid-capitalization stocks, achieved through holding a basket of First Asset ETFs. Performance tracks that of the Fund's underlying ETFs, which include:

- First Asset Morningstar Canada Momentum Index ETF
- First Asset Morningstar Canada Value Index ETF
- First Asset Morningstar Canada Dividend Target 30 Index ETF
- First Asset MSCI Canada Low Risk Weighted ETF

For more detailed performance and information regarding these underlying ETFs, please see their respective Management Reports of Fund Performance.

## Recent Developments

While economies worldwide seem to be recovering, U.S. President Donald Trump's administration will likely cause some uncertainty in 2017. The initial market reaction has been positive, and it will be interesting to see if that enthusiasm continues.

## Related Party Transactions

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

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

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

Except as otherwise noted below, First Asset and the Fund were not party to any related party transactions during the year ended December 31, 2016.

*Related Fund Trades* – During the period, the Fund engaged in Related Fund Trades or held positions in Related Funds at the end of the period. The Related Fund 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 both funds' IRC.

# First Asset Core Canadian Equity ETF

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## 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>

<b>Common Units</b>	<b>Year Ended Dec. 31, 2016</b>	<b>Period from Inception to Dec. 31, 2015</b>
Commencement of operations January 12, 2015	<b>\$</b>	<b>\$</b>
<b>Net assets, beginning of period</b>	18.00	20.00
<b>Increase (decrease) from operations</b>		
Total revenue	0.50	0.56
Total expenses	(0.07)	(0.06)
Realized gains (losses) for the period	(0.69)	(0.53)
Unrealized gains (losses) for the period	3.23	(3.55)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>2.97</b>	<b>(3.58)</b>
<b>Distributions</b>		
From income (excluding dividends)	-	-
From dividends	(0.44)	(0.24)
From capital gains	-	-
Return of capital	(0.03)	(0.20)
<b>Total distributions<sup>(3)</sup></b>	<b>(0.47)</b>	<b>(0.44)</b>
<b>Net assets, end of the period<sup>(4)</sup></b>	<b>20.37</b>	<b>18.00</b>
<b>RATIOS AND SUPPLEMENTAL DATA</b>		
Total net asset value (\$000's) <sup>(5)</sup>	18,337	13,500
Number of securities outstanding <sup>(5)</sup>	900,000	750,000
Management expense ratio (%) <sup>(6)</sup>	1.01	0.99
Management expense ratio before waivers or absorptions (%) <sup>(6)</sup>	1.50	1.34
Portfolio turnover rate (%) <sup>(7)</sup>	49.77	41.56
Trading expense ratio (%) <sup>(8)</sup>	0.77	0.06
Net asset value per security (\$)	20.37	18.00
Closing market price (\$) <sup>(9)</sup>	20.36	17.89

\*Footnotes for the tables are found at the end of the Financial Highlights section.

# First Asset Core Canadian Equity ETF

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## Financial Highlights (continued)

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

Advisor Class Units	Year Ended Dec. 31, 2016	Period from Inception to Dec. 31, 2015
	\$	\$
Commencement of operations January 12, 2015		
<b>Net assets, beginning of period</b>	18.00	20.00
<b>Increase (decrease) from operations</b>		
Total revenue	0.50	0.49
Total expenses	(0.22)	(0.23)
Realized gains (losses) for the period	(0.72)	(0.43)
Unrealized gains (losses) for the period	3.12	(1.55)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	2.68	(1.72)
<b>Distributions</b>		
From income (excluding dividends)	-	-
From dividends	(0.29)	(0.11)
From capital gains	-	-
Return of capital	(0.02)	(0.18)
<b>Total distributions<sup>(3)</sup></b>	(0.31)	(0.29)
<b>Net assets, end of the period<sup>(4)</sup></b>	20.37	18.00

### RATIOS AND SUPPLEMENTAL DATA

Total net asset value (\$000's) <sup>(5)</sup>	509	450
Number of securities outstanding <sup>(5)</sup>	25,000	25,000
Management expense ratio (%) <sup>(6)</sup>	1.85	1.83
Management expense ratio before waivers or absorptions (%) <sup>(6)</sup>	2.35	2.17
Portfolio turnover rate (%) <sup>(7)</sup>	49.77	41.56
Trading expense ratio (%) <sup>(8)</sup>	0.77	0.06
Net asset value per security (\$)	20.37	18.00
Closing market price (\$) <sup>(9)</sup>	20.03	18.98

#### Notes:

- (1) This information is derived from the Fund's audited annual financial statements. The term "net assets" used in this report and the term "net assets attributable to holders of redeemable securities" used in the Fund's financial statements are interchangeable.
- (2) Net assets and distributions are based on the actual number of securities outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of securities outstanding over the financial period.
- (3) Distributions were paid in cash.
- (4) This is not a reconciliation of the beginning and ending net assets per security.
- (5) This information is provided as at December 31 of the year shown.
- (6) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period, including the Fund's proportionate share of such expenses of any underlying fund in which the Fund has invested and is expressed as an annualized percentage of daily average net asset value during the period.
- (7) The Fund's portfolio turnover rate indicates how actively First Asset manages the Fund's portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of a fund.
- (8) 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, including the Fund's proportionate share of such expenses of any underlying fund in which the Fund has invested.
- (9) 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.

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## Management Fee

First Asset manages and administers the business operations and affairs of the Fund, and is also responsible for providing all investment advisory and portfolio management services required by the Fund. As compensation for the services it provides to the Fund, the Fund pays First Asset an annual management fee on the Common and Advisor Class Units at the maximum annual rate set out below. The fee is based on the net asset value of the relevant class, and is calculated daily and paid monthly in arrears, except for the portion of the Advisor Class management fee that is in respect of the service fee payable to dealers which is calculated daily and paid quarterly in arrears. In addition to investment advisory and portfolio management, the services provided by First Asset to the Fund include, without limitation, implementation of the Fund's investment strategies, negotiating contracts with certain third-party service providers, authorizing the payment of operating expenses incurred on behalf of the Fund, maintaining certain accounting and financial records, calculating the amount and determining the frequency of distributions by the Fund, ensuring that securityholders are provided with financial statements and other reports as are required from time to time by applicable law, ensuring that the Fund complies with all other regulatory requirements including continuous disclosure obligations under applicable securities law and administering purchases, redemptions and other transactions in securities. The maximum annual management fee rate set out below does not duplicate fees payable for the same service by any of the underlying funds in which the Fund has invested.

	<b>Maximum annual management fee rate</b>	<b>As a percentage of management fee Dealer compensation</b>	<b>General administration and profit</b>
Common Units	0.15%	-	100%
Advisor Class Units	0.90%	83%	17%

For the year ended December 31, 2016, First Asset waived or absorbed expenses of the Fund totaling \$78,407.

# First Asset Core Canadian Equity ETF

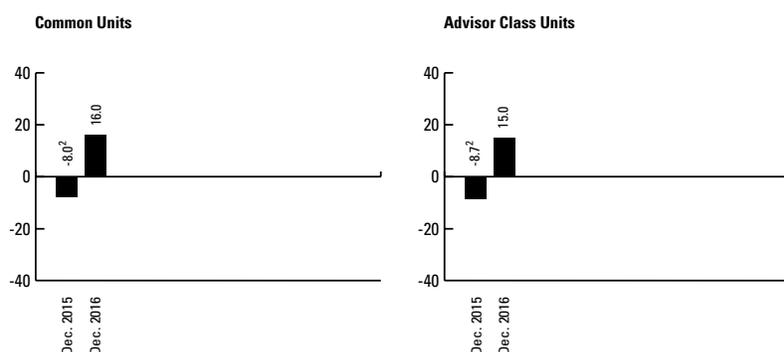
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## Past Performance

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

### YEAR-BY-YEAR RETURNS <sup>(1)</sup>

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



### ANNUAL COMPOUND RETURNS

The table below summarizes the Fund's annual compound total returns for the periods ended December 31 as indicated. As a basis for comparison we have provided the performance of a broad-based index, the S&P/TSX Composite Total Return Index ("Index A"). The S&P/TSX Composite Total Return Index is a capitalization-weighted index designed to measure market activity of stocks listed on the Toronto Stock Exchange and is used as a benchmark to help you understand the Fund's performance relative to the general performance of the broader Canadian equity market. As the criteria for determining the constituents of the Fund and the index differ, it is not expected that the Fund's performance will mirror that of the index. Further, the return of the index is calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expense.

Period	Common Units <sup>(1)</sup>	Index A
1 year	16.0	21.1
3 years	n/a	n/a
5 years	n/a	n/a
10 years	n/a	n/a
Since inception	3.4	7.6

Period	Advisor Class Units <sup>(1)</sup>	Index A
1 year	15.0	21.1
3 years	n/a	n/a
5 years	n/a	n/a
10 years	n/a	n/a
Since inception	2.5	7.6

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

(2) Return for the period January 20, 2015 to December 31, 2015.

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## Summary of Investment Portfolio

The following is a summary of the Fund's investment portfolio as at December 31, 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 HOLDINGS AS AT DECEMBER 31, 2016

Description	% of Net Asset Value
First Asset Morningstar Canada Dividend Target 30 Index ETF	30.05
First Asset MSCI Canada Low Risk Weighted ETF	28.07
First Asset Morningstar Canada Momentum Index ETF	21.09
First Asset Morningstar Canada Value Index ETF	20.75
Cash and Cash Equivalents	0.17
<b>Total Net Asset Value</b>	<b>\$18,845,895</b>

### SECTOR ALLOCATION AS AT DECEMBER 31, 2016

Industry	% of Net Asset Value
Investment Fund	99.96
Cash and Cash Equivalents	0.17
	<b>100.13</b>
<b>Other assets, net of liabilities</b>	<b>(0.13)</b>
<b>Total Net Asset Value</b>	<b>100.00</b>