

# Annual Management Report of Fund Performance

for the period ended December 31, 2016



## First Asset Cambridge Core U.S. Equity ETF

**Fund:**

First Asset Cambridge Core U.S. Equity ETF

**Securities:**

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

Unhedged ETF Units - Listed TSX: FCY.B

**Period:**

September 12, 2016 to December 31, 2016

**Manager & Trustee:**

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

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Toronto, ON M5C 3G7

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

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

**Portfolio Manager:**

Cambridge Global Asset Management

2 Queen Street East, 18<sup>th</sup> Floor

Toronto, Ontario M5C 3G7

**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 provide securityholders with long term capital growth from an actively managed portfolio investing primarily in equity and equity-related securities of large and mid-capitalization United States issuers.

## 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 September 12, 2016 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

The Fund commenced operations on September 23, 2016, with an initial net asset value per unit of \$20 and subscriptions totalling \$1 million for the ETF Units and \$1 million for the Unhedged ETF Units. For the period, the Fund's ETF Units returned 7.6% compared to the S&P 500 Total Return Index which returned 5.3%. The largest factor contributing to the increase between the initial subscription and total net assets as at December 31, 2016, of \$5.4 million was additional subscriptions of \$3.0 million.

The following tables highlight the performance of the Fund's ETF Units on a net asset value basis and market price basis.

<b>Net Asset Value</b>	<b>December 31, 2016</b>	<b>September 23, 2016</b>	<b>Return</b>
FCY	\$21.50	\$20.00	7.6%
FCY.B	\$21.82	\$20.00	9.2%

<b>Market Value</b>	<b>December 31, 2016</b>	<b>September 23, 2016</b>	<b>Return</b>
FCY	\$21.50	\$20.00	7.6%

\*Performance not shown for Unhedged ETF Units (FCY.B) as there were no comparable trades 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 ETF Units and Unhedged ETF Units each had per unit cash distributions of \$0.02 during the period.

Equity markets declined when the fourth quarter of 2016 began as uncertainty set in ahead of the U.S. presidential election, the results of which were an equity rebound that lasted through the end of the year. The prospects for pro-business policy measures from the incoming U.S. administration provided the catalyst necessary to drive up global interest rates, as well as energy and equity prices. Equity markets were also buoyed by signs of improving economic indicators in the eurozone, as well as in the U.S. and Canada.

Interest rates moved higher during the period, gaining roughly 80 basis points ("bps") and 70 bps in the U.S. and Canada, respectively. The price of crude oil rose 16% amid the prospects for greater economic activity and promised oil production cuts by the Organization of the Petroleum Exporting Countries. Natural gas and base metals prices also recovered, while gold prices fell 12% as a result of rising interest rates. Despite the increase in oil prices and the strong performance of the S&P/TSX Composite Index, the Canadian dollar fell 2.3% against its U.S. counterpart, as the latter strengthened because of enthusiasm over U.S. economic growth prospects.

The increase in optimism caused bond prices to fall significantly, driving down U.S. bond prices more than 2% over the quarter, while pushing up the S&P 500 Index by 3.8% (5.4% in Canadian-dollar terms), led by strong performance in the financials sector. Small-capitalization stocks outperformed, given their more domestic focus, with the Russell 2000 Index rising 8.4% (11.4% in Canadian-dollar terms).

A significant weighting in the financials, consumer staples and industrials sectors contributed significantly to the Fund's performance. Individual positions in Bank of America Corporation, Marriott International, Inc. and Allison Transmission Holdings Inc. also contributed to performance. There were no major detractors from performance in the short time since the Fund commenced operations on September 23, 2016.

# First Asset Cambridge Core U.S. Equity ETF

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

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## Recent Developments

While the U.S. presidential election results have fuelled developed equity markets, it remains to be seen whether the incoming administration's planned implementation of tax cuts and infrastructure spending will ultimately boost investment fundamentals in the coming months. Interest rates may rise as a result of these pro-growth initiatives, or because of the improving global economy, rising inflation expectations and changing central bank policies.

This optimism is tempered by the negative trade and inflationary implications of the new U.S. government's platform. Indeed, U.S. earnings forecasts, which anticipate a 12% increase during 2017, are relatively unchanged from pre-election expectations, which implies that recent gains have been driven predominately by price-to-earnings expansion. In addition to worries over U.S. economic policy, the Portfolio Manager believes it is possible that rising inflation, and with it higher interest rates, could lead to a contraction of price-to-earnings multiples. Other potential negative factors include continuing fallout from the U.K.'s exit from the European Union and its impact on European trade with the U.S., as well as concerns about China's liquidity, trade barriers and capital flows. The Fund's conservative stance will be maintained until there is greater clarity on these issues or until more attractive opportunities are found. Given the considerable political and macro-economic uncertainty, market participants remain keenly focused on developments in these areas. The Portfolio Manager continues to focus on identifying the most attractive portfolio candidates for investment from a return/risk perspective.

## Related Party Transactions

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

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

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

First Asset, the Portfolio Manager and the Fund were not party to any related party transactions during the period ended December 31, 2016.

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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>

ETF Units	Period from Inception to Dec. 31, 2016
Commencement of operations September 12, 2016	\$
<b>Net assets, beginning of period</b>	20.00
<b>Increase (decrease) from operations</b>	
Total revenue	0.07
Total expenses	(0.06)
Realized gains (losses) for the period	1.30
Unrealized gains (losses) for the period	0.21
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	1.52
<b>Distributions</b>	
From income (excluding dividends)	(0.01)
From dividends	-
From capital gains	(0.38)
Return of capital	-
<b>Total distributions<sup>(3)</sup></b>	(0.39)
<b>Net assets, end of the period<sup>(4)</sup></b>	21.50

### RATIOS AND SUPPLEMENTAL DATA

Total net asset value (\$000's) <sup>(5)</sup>	1,075
Number of securities outstanding <sup>(5)</sup>	50,000
Management expense ratio (%) <sup>(6)</sup>	0.89
Management expense ratio before waivers or absorptions (%) <sup>(6)</sup>	2.03
Portfolio turnover rate (%) <sup>(7)</sup>	38.31
Trading expense ratio (%) <sup>(8)</sup>	0.20
Net asset value per security (\$)	21.50
Closing market price (\$) <sup>(9)</sup>	21.50

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

# First Asset Cambridge Core U.S. Equity ETF

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## Financial Highlights (continued)

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

	Period from Inception to Dec. 31, 2016
<b>Unhedged ETF Units</b>	<b>\$</b>
Commencement of operations September 12, 2016	
<b>Net assets, beginning of period</b>	20.00
<b>Increase (decrease) from operations</b>	
Total revenue	0.08
Total expenses	(0.06)
Realized gains (losses) for the period	1.68
Unrealized gains (losses) for the period	0.59
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>2.29</b>
<b>Distributions</b>	
From income (excluding dividends)	(0.01)
From dividends	-
From capital gains	(0.32)
Return of capital	-
<b>Total distributions<sup>(3)</sup></b>	<b>(0.33)</b>
<b>Net assets, end of the period<sup>(4)</sup></b>	<b>21.82</b>

### RATIOS AND SUPPLEMENTAL DATA

Total net asset value (\$000's) <sup>(5)</sup>	4,364
Number of securities outstanding <sup>(6)</sup>	200,000
Management expense ratio (%) <sup>(6)</sup>	0.89
Management expense ratio before waivers or absorptions (%) <sup>(6)</sup>	2.05
Portfolio turnover rate (%) <sup>(7)</sup>	38.31
Trading expense ratio (%) <sup>(8)</sup>	0.20
Net asset value per security (\$)	21.82
Closing market price (\$) <sup>(9)</sup>	22.08

#### 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 period 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 the Portfolio Manager manages the Fund's portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. 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. First Asset has retained the Portfolio Manager to provide portfolio management services required by the Fund. As compensation for the services it provides to the Fund, the Fund pays First Asset an annual management fee at the maximum rate set out below. The fee is based on the net asset value of the Fund and is calculated daily and paid monthly in arrears. First Asset pays the Portfolio Manager out of its management fee.

The services provided by First Asset to the Fund include, without limitation, the proper oversight to ensure implementation of the Fund's investment strategies, negotiating contracts with certain third-party service providers, authorizing the payment of operating expenses incurred on behalf of the Fund, maintaining certain accounting and financial records, calculating the amount of distributions by the Fund, ensuring that securityholders are provided with financial statements and other reports as are required from time to time by applicable law, ensuring that the Fund complies with all other regulatory requirements including continuous disclosure obligations under applicable securities law and administering redemptions and other transactions in securities.

	<b>Maximum annual management fee rate</b>	<b>As a percentage of management fee Dealer compensation</b>	<b>General administration and profit</b>
ETF Units	0.70%	-	100%
Unhedged ETF Units	0.70%	-	100%

For the period ended December 31, 2016, First Asset waived or absorbed expenses of the Fund totaling \$20,501.

# First Asset Cambridge Core U.S. Equity ETF

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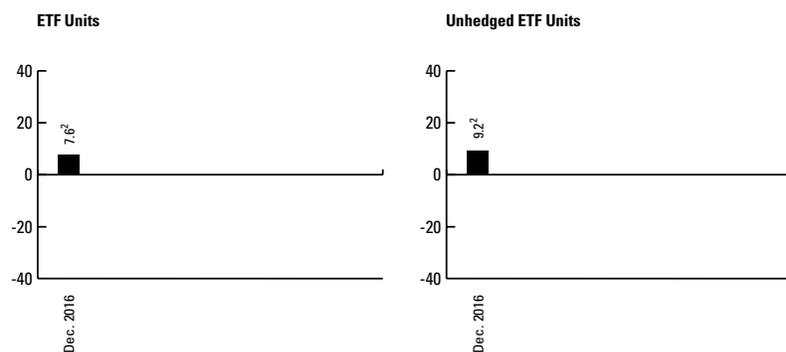
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## Past Performance

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

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

The following bar charts show the performance for each class of the Fund's securities for the period shown. The bar charts show, in percentage terms, how much an investment made on the first day of the financial period would have grown or decreased by the last day of the financial period.



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

(2) Return for the period September 20, 2016 to December 31, 2016.

## ANNUAL COMPOUND RETURNS

As the Fund was not a reporting issuer throughout the entire period, we have not provided a compound annual return or a comparative index.

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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 25 HOLDINGS AS AT DECEMBER 31, 2016

Description	% of Net Asset Value
Cash and Cash Equivalents	7.98
Amazon.com, Inc.	5.03
Alphabet, Inc.	4.97
Walgreens Boots Alliance, Inc.	4.94
Enterprise Products Partners LP	4.27
Wells Fargo & Co.	4.09
Chubb Ltd.	4.09
Crown Holdings, Inc.	4.07
AutoZone, Inc.	4.06
Broadcom Ltd.	4.02
Roper Technologies, Inc.	4.01
Activision Blizzard, Inc.	4.00
Amgen, Inc.	3.98
Palo Alto Networks, Inc.	3.97
Cerner Corp.	3.95
Starbucks Corp.	3.94
Fluor Corp.	3.91
Dollar Tree, Inc.	3.69
Athene Holding Ltd.	3.14
Union Pacific Corp.	3.04
Allison Transmission Holdings, Inc.	3.04
Kinder Morgan, Inc.	3.03
Synchrony Financial	3.02
Marriott International, Inc.	3.01
Computer Sciences Corp.	2.97
<b>Total Net Asset Value</b>	<b>\$5,439,052</b>

### SECTOR ALLOCATION AS AT DECEMBER 31, 2016

Industry	% of Net Asset Value
Information Technology	19.93
Consumer Discretionary	19.73
Financials	14.33
Industrials	14.00
Cash and Cash Equivalents	7.98
Health Care	7.93
Energy	7.30
Consumer Staples	4.94
Materials	4.07
	<b>100.21</b>
<b>Other assets, net of liabilities</b>	<b>(0.21)</b>
<b>Total Net Asset Value</b>	<b>100.00</b>