

Annual Management Report of Fund Performance

for the period ended December 31, 2016



First Asset MSCI Canada Quality Index Class ETF

Fund:

First Asset MSCI Canada Quality Index Class ETF

Securities:

ETF Shares - Listed Toronto Stock Exchange ("TSX"): FQC

Period:

April 1, 2016 to December 31, 2016

Manager:

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

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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. 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.
5. MSCI is a trademark of MSCI Inc. The Fund and the securities referred to herein are not sponsored, endorsed or promoted by MSCI Inc. or any of its affiliates (collectively, "MSCI") and MSCI bears no liability with respect to any such fund or securities or any index on which such fund or securities are based. The Fund's prospectus contains a more detailed description of the limited relationship MSCI has with First Asset and any related funds.
6. The Fund is an ETF share class of First Asset Fund Corp.

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Investment Objectives and Strategies

The Fund's investment objective is to replicate, to the extent possible, the performance of the MSCI Canada Quality Index (the "Index"), net of expenses. The investment strategy of the Fund is to invest in and hold the constituent securities of the Index.

The Index is based on the MSCI Canada Index, its parent index, which includes large and mid-cap stocks of the Canadian equity market. The Index aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity (ROE), stable year-over-year earnings growth and low financial leverage.

Risks

The Fund is a separate share class of First Asset Fund Corp. (the "Company"). Each fund within the corporate class structure is a separate share class of the Company and each class may be available in more than one series. Each class and series has its own fees and expenses which are tracked separately. Those fees and expenses will be deducted in calculating the net asset value of that class or series, thereby reducing the net asset value of the relevant class or series. If one class or series is unable to pay its expenses or liabilities, the Company is legally responsible to pay those expenses and as a result, the net asset value of the other classes or series may also be reduced. A mutual fund corporation is effectively permitted to flow through certain income to investors in the form of dividends. These are capital gains and dividends from taxable Canadian corporations. However, a mutual fund corporation cannot flow through other income including interest, trust income and foreign dividends. If this type of income, calculated for the Company as a whole, is greater than the expenses or other deductions from taxable income available to the Company, the Company would generally become taxable. First Asset tracks the income and expenses of each class or series of shares of the Company separately, so that if the Company becomes taxable, First Asset would usually allocate the tax to those classes or series whose taxable income exceeded expenses. If the Company has taxable net income, this could be disadvantageous for two types of investors: (a) investors in a Registered Plan and (b) investors with a lower marginal tax rate than the Company. Investors in Registered Plans do not immediately pay income tax on income received, therefore income that a fund is permitted to flow through to a Registered Plan will not be subject to any immediate income tax. If the Company cannot distribute the income, investors in a Registered Plan will indirectly bear the income tax incurred by the Company. The corporate tax rate applicable to mutual fund corporations is higher than some personal income tax rates, depending on the Province or Territory in which the investor resides and depending on the investor's marginal tax rate. As such, if the income is taxed inside the Company rather than distributed to the investor (and the investor pays the tax), the investor may indirectly bear a higher rate of tax on that income.

Holders should refer to the prospectus of the Fund dated April 1, 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 and on SEDAR at 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 May 4, 2016, with an initial net asset value of \$20 per ETF Share. For the period, the Fund returned 9.6% compared to the Index which returned 9.7%. The difference in the performance of the Fund relative to the Index can be attributed primarily to the fees and expenses incurred by the Fund.

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

Net Asset Value	December 31, 2016	May 4, 2016	Return
FQC	\$21.60	\$20.00	9.6%

Market Value	December 31, 2016	May 4, 2016	Return
FQC	\$21.66	\$20.00	10.9%

The above returns, whether based on net asset value or market price, assume the reinvestment of all distributions. The Fund paid cash distributions of \$0.30 per ETF Share during the period.

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.

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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.

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.

From a sector allocation perspective, the materials sector contributed 180 basis points (“bps”) to the Fund’s performance, while the consumer staples and industrials sectors contributed 157 bps and 148 bps, respectively. The top three individual contributors to performance were Saputo Inc. (+95 bps), Agrium Inc. (+88 bps) and Canadian National Railway Company (+79 bps).

Lower-quality base metals companies in the broader index outperformed in the latter part of the year, causing the Fund, which holds “quality” companies, to underperform. The sector that detracted most from the Fund’s performance was the energy (-3 bps) sector. The largest individual detractors from performance were Metro Inc. (-12 bps), PrairieSky Royalty Ltd. (-15 bps) and Gildan Activewear Inc. (-48 bps). The Fund’s management fee of 60 bps also detracted from performance.

Recent Developments

While the U.S. economy and, to a lesser extent, 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.

On May 3, 2016, the assets of Can-Financials Income Corp. (the “Merged Fund”) merged into the Fund. As a result of the merger, each shareholder of the Merged Fund received 0.37989 ETF Shares of the Fund. On May 4, 2016, the Fund commenced trading on the Toronto Stock Exchange (TSX: FQC).

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 period ended December 31, 2016.

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Related Issuer Trades – During the period, the Fund engaged in Related Issuer Trades. 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 IRC.

Fund Mergers – see Recent Developments section above.

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Financial Highlights

The following table shows selected key financial information about the Fund and is intended to help you understand the Fund's financial performance since inception.

THE FUND'S NET ASSETS PER SECURITY^{(1)*}

	Period from Inception to Dec. 31, 2016
	\$
Commencement of operations April 1, 2016	
Net assets, beginning of period	20.00
Increase (decrease) from operations	
Total revenue	0.35
Total expenses	(0.16)
Realized gains (losses) for the period	0.76
Unrealized gains (losses) for the period	1.57
Total increase (decrease) from operations⁽²⁾	2.52
Distributions	
From income (excluding dividends)	-
From dividends	(0.30)
From capital gains	-
Return of capital	-
Total distributions⁽³⁾	(0.30)
Net assets, end of the period⁽⁴⁾	21.60
RATIOS AND SUPPLEMENTAL DATA	
Total net asset value (\$000's) ⁽⁵⁾	14,485
Number of securities outstanding ⁽⁵⁾	670,545
Management expense ratio (%) ⁽⁶⁾	1.00
Management expense ratio before waivers or absorptions (%) ⁽⁶⁾	1.00
Portfolio turnover rate (%) ⁽⁷⁾	69.63
Trading expense ratio (%) ⁽⁸⁾	0.03
Net asset value per security (\$)	21.60
Closing market price (\$) ⁽⁹⁾	21.66

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

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Financial Highlights (continued)

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 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 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, 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 at the maximum annual 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. 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.

Maximum annual management fee rate	As a percentage of management fee	
	Dealer compensation	General administration and profit
0.60%	-	100%

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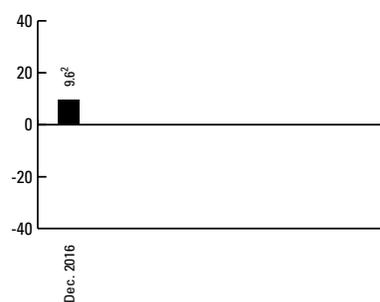
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Past Performance

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

YEAR-BY-YEAR RETURNS ⁽¹⁾

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



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

(2) Return for the period May 4, 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.

TOP 25 HOLDINGS AS AT DECEMBER 31, 2016

Description	% of Net Asset Value
Magna International, Inc.	5.21
Canadian Imperial Bank of Commerce	5.13
Canadian National Railway Co.	5.06
Saputo, Inc.	5.00
Intact Financial Corp.	5.00
Agrium, Inc.	4.95
CGI Group, Inc.	4.94
Potash Corp. of Saskatchewan, Inc.	4.92
Constellation Software, Inc.	4.77
Alimentation Couche-Tard, Inc.	4.76
Canadian Pacific Railway Ltd.	4.74
Great-West Lifeco, Inc.	4.69
Metro, Inc.	4.66
Dollarama, Inc.	4.23
SNC-Lavalin Group, Inc.	3.90
CI Financial Corp.	3.81
Canadian Tire Corp., Ltd.	3.71
BCE, Inc.	3.42
CCL Industries, Inc.	3.29
Gildan Activewear, Inc.	3.12
Power Financial Corp.	3.09
Keyera Corp.	2.79
CAE, Inc.	2.04
Linamar Corp.	1.45
The Jean Coutu Group PJC, Inc.	0.79
Total Net Asset Value	\$14,484,938

SECTOR ALLOCATION AS AT DECEMBER 31, 2016

Industry	% of Net Asset Value
Financials	21.72
Consumer Discretionary	17.73
Industrials	15.75
Consumer Staples	15.21
Materials	13.16
Information Technology	9.71
Telecommunication Services	3.42
Energy	2.79
Cash and Cash Equivalents	0.31
	99.80
Other assets, net of liabilities	0.20
Total Net Asset Value	100.00