

Annual Management Report of Fund Performance

for the year ended December 31, 2017



First Asset Canadian Convertible Bond Fund

Fund:

First Asset Canadian Convertible Bond Fund

Securities:

Class A, Class F

Manager, Trustee, Administrator & Investment Advisor:

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

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First Asset Canadian Convertible Bond Fund

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This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-877-642-1289, by writing to us at First Asset Investment Management Inc., 2 Queen Street East, Suite 1200, Toronto, ON, M5C 3G7 or by visiting our website at www.firstasset.com or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

INVESTMENT OBJECTIVES AND STRATEGIES

The investment objectives of the First Asset Canadian Convertible Bond Fund (the "Fund") are to provide holders with quarterly distributions and the opportunity for capital appreciation through investment predominantly in Canadian debentures that are convertible into equity of Canadian issuers, investments in convertible debentures of non-Canadian issuers, as well as fixed income instruments and equities.

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 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.

RESULTS OF OPERATIONS

The Fund's net assets increased by \$24.7 million to \$66.3 million from December 31, 2016 to December 31, 2017. The Fund had net sales of \$24.6 million for the year. The Fund paid distributions totalling \$3.7 million while the portfolio's performance increased assets by \$3.8 million. Class A securities returned 6.4% after fees and expenses for the one-year period ended December 31, 2017. The Fund's benchmark returned 8.3%. The benchmark is a combination of the Bank of America Merrill Lynch Canada High Yield Index - 50% and the S&P/TSX Composite Total Return Index - 50%. Please refer to the "Past Performance" section which outlines the performance of the Fund's other classes of securities.

Despite an unpredictable start to the current U.S. administration, U.S. and global stock markets enjoyed a strong 2017, with the S&P 500 Index up approximately 22% and the MSCI World Index up just over 23%. Volatility was low, as investors appeared to shrug off potential concerns. The Canadian equity market, while still a decent performer, particularly in the second half of the year, underperformed, with a total return of 9%. Despite a rise in crude oil prices in the latter part of the year, the energy sector was down over 10%, which impacted the rest of the Canadian market.

Emmanuel Macron's victory in the French presidential election seemed to put an end to the nationalistic movement that has been trending since June 2016, when the U.K. voted to exit the European Union ("EU"). In the U.K., Prime Minister Theresa May called a snap election to solidify her mandate, but ended up losing her majority government. Despite that, the U.K. triggered Article 50, starting the exit process from the EU. In December, after failing to pass any substantive legislative changes during the year, the U.S. administration pushed through legislation to overhaul the U.S. tax system that is expected to lower corporate and personal taxes. Speculation regarding these tax changes seemed to propel U.S. markets in the last few months of the year.

The U.S. Federal Reserve Board ("Fed") raised the federal funds rate by 25 basis points ("bps") three times in 2017. With the U.S. economy performing well, the market

anticipates two more increases in 2018. The Fed indicated that it will begin decreasing the size of its balance sheet.

Despite the Fed's three interest rate increases, U.S. 10-year bond yields ended 2017 at 2.4%, which is close to where they started the year, and up from their September lows of 2.1%. In Canada, strong economic data moved the Bank of Canada ("BoC") to raise interest rates twice in the second half of the year. Government of Canada ("GoC") bond yields rose, with the 10-year GoC bond yield ending the year at 2.1%, up 1.7% from the beginning of the year.

Security selection tends to be the largest factor affecting the performance of convertible debenture funds, and this year was no exception. The Fund had several holdings that performed well, all from different industries. The top three individual contributors to performance were convertible debentures issued by Twin Butte Energy Ltd. ("Twin Butte"), New Flyer Industries Inc. ("New Flyer") and Cargojet Inc. ("Cargojet"). Including realized gains, unrealized gains, and accrued and collected interest, these holdings added 1.9%, 1.8% and 1.0%, respectively, to the Fund's performance. The investment in Twin Butte debentures had been written off when the company filed for bankruptcy in 2016. Since that time, a group led by debenture holders was able to help start a process that led to the sale of the company. As a result, the debentures received a recovery payment equal to approximately 55 cents on the dollar. New Flyer and Cargojet both reported solid financial results, which resulted in an increase in both their stock and convertibles prices.

The performance of individual holdings was the most important factor in the Fund's performance on the downside as well. As the economy performed well during the year, there were no sector-specific areas of weakness. The largest individual detractors from the Fund's performance were the convertible debentures of Genalta Power Inc. ("Genalta") and Cardinal Energy Ltd. ("Cardinal"), and an equity holding in Exchange Income Corp. Including realized losses, unrealized losses, and accrued and collected interest, these holdings detracted 0.6%, 0.2% and 0.2%, respectively, from the Fund's performance. Genalta continued to struggle with low electricity prices in Alberta and, as a result, in November this private holding was written down from 70 cents to 50 cents on the dollar. The fall in oil prices impacted Cardinal, but it recovered somewhat in the second half of the year as prices rebounded. After a mid-year sell-off of its shares as a result of weak results, Exchange Income Corp. rebounded later in the period.

The Fund's overall risk level was not particularly impacted during 2017. Tight credit spreads and strong equity markets, particularly in the U.S., helped performance. Even though bond yields rose slightly, they did not significantly impact the Fund.

The Fund was generally in net redemptions for much of the year, so many securities were sold for liquidity purposes. Some positions were also sold amid concerns with their underlying credit, or if bonds were called. In addition, a few holdings were added for their attractive price and good credit at the time of purchase.

First Asset Canadian Convertible Bond Fund

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During the year, new issues were added to the Fund, including Chemtrade Logistics Income Fund ("Chemtrade", 4.8%, May 2024), American Hotel Income Properties REIT L.P. (5.0%, Jun. 2022), Osisko Gold Royalties Ltd. (4.0%, Dec. 2022), Surge Energy Inc. (5.8%, Dec. 2022), Diversified Royalty Corp. (5.3%, Dec. 2022), Medical Facilities Corp. (5.9%, Dec. 2019), Goeasy Ltd. (5.8%, Jul. 2022) and Rogers Sugar Inc. (5.0%, Dec. 2024). An existing position in Cargojet (4.7%, Dec. 2021) was increased. Holdings in Discovery Air Inc. (8.4%, Jun. 2018) and Aecon Group Inc. (5.5%, Dec. 2018) were eliminated, while the Fund's position in Student Transportation Inc. (5.3%, Sep. 2021) was trimmed.

RECENT DEVELOPMENTS

The global economy is experiencing synchronized growth for the first time in years. The Fed will likely continue to raise interest rates in a measured fashion in 2018, and the BoC is likely to do the same. Further increases in central bank interest rates could cause bond yields to rise, but a significant increase is not expected.

Individual company credit will continue to play a crucial role in the Fund's performance. First Asset seeks companies with strong balance sheets that can withstand economic weakness. The Fund continues to be well diversified by both issuer and sector in order to reduce the risk of any particular macro-economic event, while maintaining its exposure to any economic recovery.

Effective as of close of business on March 10, 2017, the First Asset Canadian Convertible Debenture Fund merged into the Fund.

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, 2017.

Inter-Fund Trades – During the year, the Fund engaged in Inter-Fund Trades. The Inter-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.

Related Fund Trades – During the year, the Fund engaged in Related Fund Trades or held positions in Related Funds at the end of the year. 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.

Fund Mergers – see Recent Developments section above.

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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 for the past five years.

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

Class A Commencement of operations October 23, 2009	Year Ended				
	Dec. 31, 2017	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
	\$	\$	\$	\$	\$
Net assets, beginning of year	10.23	9.43	10.28	10.78	11.05
Increase (decrease) from operations					
Total revenue	0.47	0.58	0.60	0.71	0.73
Total expenses	(0.26)	(0.25)	(0.25)	(0.26)	(0.26)
Realized gains (losses) for the year	0.42	(0.30)	0.15	(0.16)	(0.17)
Unrealized gains (losses) for the year	(0.05)	1.36	(0.72)	(0.08)	(0.02)
Total increase (decrease) from operations ⁽²⁾	0.58	1.39	(0.22)	0.21	0.28
Distributions					
From income (excluding dividends)	(0.26)	(0.35)	(0.40)	(0.48)	(0.51)
From dividends	(0.03)	(0.03)	(0.01)	-	(0.01)
From capital gains	(0.31)	-	-	-	-
Return of capital	-	(0.22)	(0.19)	(0.12)	(0.08)
Total distributions ⁽³⁾	(0.60)	(0.60)	(0.60)	(0.60)	(0.60)
Net assets, end of the year ⁽⁴⁾	10.27	10.23	9.43	10.28	10.78

RATIOS AND SUPPLEMENTAL DATA

Total net asset value (\$000's) ⁽⁵⁾	49,043	30,387	35,977	58,558	78,220
Number of securities outstanding ⁽⁵⁾	4,774,310	2,971,601	3,816,719	5,698,888	7,254,185
Management expense ratio (%) ⁽⁶⁾	2.47	2.49	2.50	2.36	2.38
Portfolio turnover rate (%) ⁽⁷⁾	54.31	28.14	9.75	20.12	22.05
Trading expense ratio (%) ⁽⁸⁾	0.06	0.05	0.06	0.07	0.07
Net asset value per security (\$)	10.27	10.23	9.43	10.28	10.78

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

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Financial Highlights (cont'd)

THE FUND'S NET ASSETS PER SECURITY ⁽¹⁾

Class F	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014	Year Ended Dec. 31, 2013
Commencement of operations October 23, 2009	\$	\$	\$	\$	\$
Net assets, beginning of year	11.37	10.29	11.03	11.39	11.50
Increase (decrease) from operations					
Total revenue	0.52	0.64	0.65	0.76	0.77
Total expenses	(0.15)	(0.14)	(0.13)	(0.13)	(0.13)
Realized gains (losses) for the year	0.41	(0.26)	0.16	(0.16)	(0.18)
Unrealized gains (losses) for the year	0.04	1.42	(0.81)	(0.20)	(0.04)
Total increase (decrease) from operations ⁽²⁾	0.82	1.66	(0.13)	0.27	0.42
Distributions					
From income (excluding dividends)	(0.35)	(0.36)	(0.40)	(0.50)	(0.54)
From dividends	(0.05)	(0.02)	(0.01)	-	(0.01)
From capital gains	(0.20)	-	-	-	-
Return of capital	-	(0.22)	(0.19)	(0.10)	(0.05)
Total distributions ⁽³⁾	(0.60)	(0.60)	(0.60)	(0.60)	(0.60)
Net assets, end of the year ⁽⁴⁾	11.64	11.37	10.29	11.03	11.39

RATIOS AND SUPPLEMENTAL DATA

Total net asset value (\$000's) ⁽⁵⁾	17,301	11,172	8,942	10,333	11,214
Number of securities outstanding ⁽⁵⁾	1,485,827	982,398	868,727	936,858	984,550
Management expense ratio (%) ⁽⁶⁾	1.22	1.19	1.24	1.09	1.12
Portfolio turnover rate (%) ⁽⁷⁾	54.31	28.14	9.75	20.12	22.05
Trading expense ratio (%) ⁽⁸⁾	0.06	0.05	0.06	0.07	0.07
Net asset value per security (\$)	11.64	11.37	10.29	11.03	11.39

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 year.

(3) Distributions were paid in cash or reinvested in additional securities of the Fund.

(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 year, 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 year.

(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 year, including the Fund's proportionate share of such expenses of any underlying fund in which the Fund has invested.

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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 or arranging for 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 as set out below. The fee is based on the net asset value of the Class A securities and Class F securities, and is calculated daily and paid monthly in arrears. Out of the management fees received, First Asset pays for sales and trailing commissions to dealers on the distribution of the Fund's securities, as well as for general administration, investment advice and profit. 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. Where the Fund invests in other investment funds, in accordance with the provisions of National Instrument 81-102, First Asset ensures that there is no duplication of management fees charged by the Fund and any other underlying investment fund for the same service.

	Maximum annual management fee rate	As a percentage of management fee	
		Dealer compensation	General administration and profit
Class A	1.90%	51%	49%
Class F	0.75%	-	100%

First Asset Canadian Convertible Bond Fund

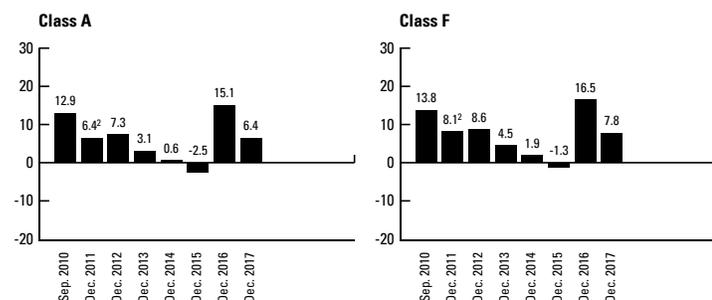
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Past Performance

Please note that the performance information shown in this section assumes that all distributions made by the Fund in the years 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 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.



1 2010 return is for the period from October 23, 2009 to September 30, 2010.

2 2011 return is for the period from October 1, 2010 to December 31, 2011.

ANNUAL COMPOUND RETURNS

The table below summarizes the Fund's annual compound total returns for the years ended December 31 as indicated. As a basis for comparison, we have provided a Blended Index composed of: (50% - Bank of America Merrill Lynch Canada High Yield Index and 50% - S&P/TSX Composite Total Return Index) ("Blended Index"); the Bank of America Merrill Lynch Canada High Yield Index ("Index A") and the S&P/TSX Composite Total Return Index ("Index B"). The Bank of America Merrill Lynch Canada High Yield Index tracks the performance of below investment grade debt issued by Canadian corporations in both the Canadian and U.S. markets. 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. Since convertible bonds are hybrid instruments that combine the properties of both high yield bonds and equity, it is best to use the combination of an equity index and high yield index as a benchmark. A discussion on the relative performance of the Fund as compared to its benchmark index can be found under the Results of Operations section of this report. Further, the return of the indices is calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses.

	One Year (%)	Three Years (%)	Five Years (%)	Ten Years (%)	Since Inception (%)
Class A	6.4	6.1	4.4	n/a	5.9
Blended Index	8.3	7.3	7.4	n/a	8.1
Index A	7.5	7.9	6.2	n/a	8.2
Index B	9.1	6.6	8.6	n/a	7.9
Class F	7.8	7.4	5.7	n/a	7.2
Blended Index	8.3	7.3	7.4	n/a	8.1
Index A	7.5	7.9	6.2	n/a	8.2
Index B	9.1	6.6	8.6	n/a	7.9

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

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Summary of Investment Portfolio as at December 31, 2017

Category	% of Net Asset Value	Category	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Country allocation		Sector allocation			
Canada	96.3	Industrials	16.9	Pure Multi-Family REIT L.P., 6.50%, September 30, 2020	4.5
Cash and Cash Equivalents	2.4	Financials	15.7	Northland Power Inc., 5.00%, June 30, 2019	4.1
Other assets, net of liabilities	1.3	Real Estate	15.1	Atlantic Power Corp., 5.75%, June 30, 2019	3.9
		Utilities	14.8	AG Growth International Inc., 5.25%, December 31, 2018	3.7
		Energy	13.9	Pembina Pipeline Corp., 5.75%, December 31, 2018	3.0
		Materials	7.0	Mainstreet Health Investments Inc., 5.00%, January 31, 2022 ...	3.0
		Consumer Discretionary	5.4	Gibson Energy Inc., 5.25%, July 15, 2021	3.0
		Consumer Staples	3.7	Tricon Capital Group Inc.	3.0
		Cash and Cash Equivalents	2.4	Element Financial Corp., 5.13%, June 30, 2019	2.9
		Investment Fund	2.2	Timbercreek Financial Corp., 5.40%, July 31, 2021	2.8
		Health Care	1.6	Cardinal Energy Ltd., 5.50%, December 31, 2020	2.8
		Other assets, net of liabilities	1.3	Cargojet Inc., 4.65%, December 31, 2021	2.6
				New Flyer Industries Inc.	2.4
				Cash and Cash Equivalents	2.4
				American Hotel Income Properties REIT L.P., 5.00%, June 30, 2022	2.3
				goeasy Ltd., 5.75%, July 31, 2022	2.3
				Altus Group Ltd.	2.2
				AG Growth International Inc., 5.25%, December 31, 2019	2.2
				First Asset Canadian Convertible Liquid Universe ETF	2.2
				Diversified Royalty Corp., 5.25%, December 31, 2022	2.1
				Osisko Gold Royalties Ltd., 4.00%, December 31, 2022	2.1
				Cargojet Inc.	1.9
				Rogers Sugar Inc., 5.00%, December 31, 2024	1.9
				Genalta Power Inc., 11.00%, May 31, 2018	1.9
				Chemtrade Logistics Income Fund	1.9
				Total Net Asset Value	\$66,343,131

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.

A NOTE ON FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective," and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any

forward-looking statement made by the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchanges rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.