

Annual Financial Statements

for the year ended December 31, 2017



First Asset Mutual Funds

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First Asset Mutual Funds

INDEPENDENT AUDITORS' REPORT

To the Securityholders of

First Asset Canadian Convertible Bond Fund
First Asset Canadian Dividend Opportunity Fund
First Asset Canadian Energy Convertible Debenture Fund
First Asset Global Dividend Fund
First Asset REIT Income Fund
First Asset Utility Plus Fund
(collectively, the "Funds")

We have audited the accompanying financial statements of each of the Funds, which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable securities and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

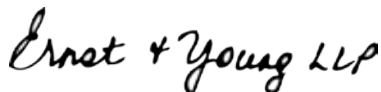
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2017 and 2016, and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

The logo for Ernst & Young LLP is written in a black, cursive script font.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 26, 2018

First Asset Canadian Convertible Bond Fund

STATEMENTS OF FINANCIAL POSITION

As at December 31

	2017	2016
	\$	\$
ASSETS		
Current assets		
Investments, at fair value (note 2)	63,869,172	39,972,855
Cash and cash equivalents	1,593,882	1,658,675
Due from broker	500,000	-
Unrealized gain on forward foreign currency contracts	-	1,339
Subscriptions receivable	5,200	15,000
Dividends receivable	51,845	18,490
Interest receivable	607,474	298,184
	<u>66,627,573</u>	<u>41,964,543</u>
LIABILITIES		
Current liabilities		
Bank overdraft	-	-
Due to broker	-	-
Unrealized loss on forward foreign currency contracts	20,904	83,088
Call option positions, at fair value	-	-
Distributions payable to holders of redeemable securities (note 9)	-	192,999
Management fee payable	90,676	56,720
Redemptions payable	75,440	26,184
Accounts payable and accrued liabilities	97,422	46,107
	<u>284,442</u>	<u>405,098</u>
Net assets attributable to holders of redeemable securities	<u>66,343,131</u>	<u>41,559,445</u>
Net assets attributable to holders of redeemable securities per class		
Class A	49,042,547	30,387,157
Class F	17,300,584	11,172,288
	<u>66,343,131</u>	<u>41,559,445</u>
Net assets attributable to holders of redeemable securities per security		
Class A	10.27	10.23
Class F	11.64	11.37

See accompanying notes to financial statements.

First Asset Canadian Convertible Bond Fund

STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31

(in \$ except for number of securities)

	2017	2016
	\$	\$
INCOME		
Net gains (losses) on investments and derivatives		
Dividends	404,651	119,384
Interest for distribution purposes	2,504,822	2,408,822
Change in unrealized appreciation (depreciation) of investments	(250,451)	5,798,501
Change in unrealized appreciation (depreciation) of options	-	-
Change in unrealized appreciation (depreciation) on forward foreign currency contracts	60,844	68,939
Net realized gain (loss) on sale of investments	1,850,626	(1,317,665)
Net realized gain (loss) on sale of options	-	-
Net realized gain (loss) on forward foreign currency contracts	866,141	103,818
Net gains (losses) on investments and derivatives ⁽¹⁾	5,436,633	7,181,799
Other income		
Securities lending income ⁽²⁾	40,300	7,935
Net realized gain (loss) on foreign exchange	(153,294)	(38,691)
Change in unrealized appreciation (depreciation) on other assets	(1,214)	(2,108)
Other income	-	-
Total other income	(114,208)	(32,864)
Total income	5,322,425	7,148,935
EXPENSES		
Custodian and fund valuation fees	24,269	24,106
Securityholder reporting costs	171,271	103,522
Management fee (notes 8 and 12) ⁽³⁾	1,073,108	709,695
Transaction costs (note 8) ⁽⁴⁾	38,544	23,886
Withholding taxes (note 10)	-	-
Harmonized Sales Tax	132,195	89,150
Audit fees	13,000	13,400
Legal fees	8,001	6,804
Independent Review Committee fees (note 12)	2,682	1,759
Interest expense	-	174
Other expenses	-	-
Total expenses before absorption	1,463,070	972,496
Expenses absorbed by the Manager	-	-
Total expenses after absorption	1,463,070	972,496
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	3,859,355	6,176,439
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per class		
Class A	2,794,180	4,661,203
Class F	1,065,175	1,515,236
	3,859,355	6,176,439
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per security (note 2)		
Class A	0.58	1.39
Class F	0.82	1.66
Weighted average number of securities		
Class A	4,838,671	3,343,446
Class F	1,295,107	914,499

See accompanying notes to financial statements.

First Asset Canadian Convertible Bond Fund

STATEMENTS OF COMPREHENSIVE INCOME (cont'd)

Years ended December 31

⁽¹⁾ Comprised of:

	2017	2016
	\$	\$
Financial assets and liabilities designated at FVTPL	4,509,648	7,009,042
Financial assets and liabilities classified as held for trading	926,985	172,757
	5,436,633	7,181,799

⁽²⁾ Securities lending (note 2)

	2017	2016
	\$	\$
Value of securities loaned	4,318,120	2,484,630
Value of collateral received	4,538,549	2,616,686
Gross amount generated from the securities lending transactions	67,161	13,221
Charges	(26,861)	(5,286)
Net securities lending income as reported in the Statements of Comprehensive Income	40,300	7,935

⁽³⁾ Management fee rate (notes 8 and 12)

	%
Management fee	
Class A	1.90
Class F	0.75

⁽⁴⁾ Commissions (note 8)

	2017	2016
	\$	\$
Brokerage commissions	37,041	23,104
Soft dollar commissions	265	486

See accompanying notes to financial statements.

First Asset Canadian Convertible Bond Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES

Years ended December 31

	2017	2016
	\$	\$
Class A		
Net assets attributable to holders of redeemable securities, beginning of year	30,387,157	35,976,817
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	2,794,180	4,661,203
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(1,311,192)	(1,232,368)
From capital gains	(1,567,567)	-
Return of capital	-	(701,105)
	(2,878,759)	(1,933,473)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	876,514	850,171
Distributions reinvested	2,262,760	1,219,319
Redemption of securities	(17,943,911)	(10,386,880)
Issued on transfer of assets from Merged Fund (note A)	33,544,606	-
	18,739,969	(8,317,390)
Net increase (decrease) in net assets attributable to holders of redeemable securities	18,655,390	(5,589,660)
Net assets attributable to holders of redeemable securities, end of year	49,042,547	30,387,157
Class F		
Net assets attributable to holders of redeemable securities, beginning of year	11,172,288	8,942,008
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	1,065,175	1,515,236
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(535,940)	(351,371)
From capital gains	(265,139)	-
Return of capital	-	(206,351)
	(801,079)	(557,722)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	7,512,921	3,072,636
Distributions reinvested	640,475	425,819
Redemption of securities	(2,289,196)	(2,225,689)
Issued on transfer of assets from Merged Fund (note A)	-	-
	5,864,200	1,272,766
Net increase (decrease) in net assets attributable to holders of redeemable securities	6,128,296	2,230,280
Net assets attributable to holders of redeemable securities, end of year	17,300,584	11,172,288

See accompanying notes to financial statements.

First Asset Canadian Convertible Bond Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES (cont'd)

Years ended December 31

	2017	2016
	\$	\$
The Fund		
Net assets attributable to holders of redeemable securities, beginning of year	41,559,445	44,918,825
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	3,859,355	6,176,439
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(1,847,132)	(1,583,739)
From capital gains	(1,832,706)	-
Return of capital	-	(907,456)
	(3,679,838)	(2,491,195)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	8,389,435	3,922,807
Distributions reinvested	2,903,235	1,645,138
Redemption of securities	(20,233,107)	(12,612,569)
Issued on transfer of assets from Merged Fund (note A)	33,544,606	-
	24,604,169	(7,044,624)
Net increase (decrease) in net assets attributable to holders of redeemable securities	24,783,686	(3,359,380)
Net assets attributable to holders of redeemable securities, end of year	66,343,131	41,559,445

See accompanying notes to financial statements.

First Asset Canadian Convertible Bond Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES (cont'd) Years ended December 31

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

As at December 31, 2017, capital and non-capital losses for income tax purposes available to be carried forward are as follows:

	\$
Capital losses	-
Non-capital losses	
2027	-
2028	-
2029	-
2030	-
2031	-
2032	-
2033	-
2034	-
2035	-
2036	-
2037	-
Total	-

⁽²⁾ Redeemable securities issued and outstanding

	2017 #	2016 #
Class A		
Securities outstanding, beginning of year	2,971,601	3,816,719
Issuance of securities	84,420	83,508
Reinvested distributions	217,447	120,823
Redemption of securities	(1,714,707)	(1,049,449)
Securities issued on transfer of assets from Merged Fund	3,215,549	-
Securities outstanding, end of year	4,774,310	2,971,601
Class F		
Securities outstanding, beginning of year	982,398	868,727
Issuance of securities	644,140	279,505
Reinvested distributions	54,717	38,126
Redemption of securities	(195,428)	(203,960)
Securities issued on transfer of assets from Merged Fund	-	-
Securities outstanding, end of year	1,485,827	982,398

See accompanying notes to financial statements.

First Asset Canadian Convertible Bond Fund

STATEMENTS OF CASH FLOWS

Years ended December 31

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	3,859,355	6,176,439
Adjustments to reconcile cash flows from (used in) operating activities		
Proceeds from sale of investments	33,034,746	19,485,514
Purchases of investments	(22,287,959)	(11,700,694)
Change in due to/from broker	(500,000)	-
Change in other assets and liabilities	(258,588)	85,988
Change in foreign exchange on currency	-	-
Change in unrealized (appreciation) depreciation of investments	250,451	(5,798,501)
Change in unrealized (appreciation) depreciation of options	-	-
Change in unrealized (appreciation) depreciation on forward foreign currency contracts	(60,844)	(68,939)
Change in unrealized (appreciation) depreciation on other assets	1,214	2,108
Net realized (gain) loss on sale of investments	(1,850,626)	1,317,665
Net realized (gain) loss on sale of options	-	-
Cash flows from (used in) operating activities	12,187,749	9,499,580
FINANCING ACTIVITIES		
Subscriptions received	8,900,911	3,936,307
Distributions to securityholders	(969,602)	(888,434)
Redemption of securities	(20,183,851)	(12,688,349)
Cash flows from (used in) financing activities	(12,252,542)	(9,640,476)
Net increase (decrease) in cash and cash equivalents during the year	(64,793)	(140,896)
Cash and cash equivalents (bank overdraft), beginning of year	1,658,675	1,799,571
Cash and cash equivalents (bank overdraft), end of year	1,593,882	1,658,675
Supplementary Information:		
Dividends received, net of withholding tax	371,296	114,248
Interest received, net of withholding tax	2,195,532	2,533,023
Interest paid	-	(174)

See accompanying notes to financial statements.

First Asset Canadian Convertible Bond Fund

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2017

Number of Shares, Units and Par Value	Description	Average Cost \$	Fair Value \$	% of Net Assets
EQUITIES				
40,200	Altus Group Ltd.	1,169,976	1,484,586	
21,739	Cargojet Inc.	816,712	1,274,992	
40,909	Chartwell Retirement Residences	552,087	665,180	
64,187	Chemtrade Logistics Income Fund	1,111,506	1,245,228	
25,748	Exchange Income Corp.	803,627	917,659	
144,200	First Asset Canadian Convertible Bond ETF	1,439,448	1,434,790	
781,250	Genalta Power Inc., Warrants	-	-	
700,000	Genalta Power Inc., Warrants	-	-	
29,700	New Flyer Industries Inc.	2,085,169	1,603,800	
22,562	Northland Power Inc.	556,379	526,823	
170,233	Tricon Capital Group Inc.	1,742,728	1,966,191	
Total Equities		10,277,632	11,119,249	16.76%
BONDS				
2,750,000	Genalta Power Inc., 11.00%, May 31, 2018	2,750,000	1,375,000	
1,000,000	Parkland Fuel Corp., 5.50%, May 28, 2021	1,041,000	1,034,000	
Total Bonds		3,791,000	2,409,000	3.63%
CONVERTIBLE DEBENTURES				
Consumer Discretionary				
1,400,000	Diversified Royalty Corp., 5.25%, December 31, 2022	1,401,494	1,410,500	
700,000	Exchange Income Corp., 5.25%, June 30, 2023	709,625	722,750	
1,435,000	goeasy Ltd., 5.75%, July 31, 2022	1,455,635	1,492,400	
		3,566,754	3,625,650	5.46%
Consumer Staples				
500,000	Premium Brands Holdings Corp., 5.00%, April 30, 2020	783,750	1,165,000	
1,200,000	Rogers Sugar Inc., 5.00%, December 31, 2024	1,200,000	1,273,440	
		1,983,750	2,438,440	3.68%
Energy				
962,000	Bellatrix Exploration Ltd., 6.75%, September 30, 2021	980,140	889,850	
1,850,000	Cardinal Energy Ltd., 5.50%, December 31, 2020	1,910,000	1,831,500	
1,344,420	Gasfrac Energy Services Inc., 7.00%	1,161,796	-	
1,885,000	Gibson Energy Inc., 5.25%, July 15, 2021	1,989,831	1,979,250	
300,000	Kelt Exploration Ltd., 5.00%, May 31, 2021	319,875	450,000	
1,304,000	Pembina Pipeline Corp., 5.75%, December 31, 2018	1,370,761	1,993,034	
1,025,000	Surge Energy Inc., 5.75%, December 31, 2022	1,021,777	1,035,250	
2,656,000	Twin Butte Energy Ltd., 6.25%, December 31, 2018	1	26,560	
		8,754,181	8,205,444	12.37%
Financials				
1,865,000	Element Fleet Management Corp., 5.13%, June 30, 2019	2,018,757	1,892,975	
600,000	Fiera Capital Corp., 5.00%, June 30, 2023	600,000	612,300	
500,000	Firm Capital Mortgage Investment Corp., 5.30%, May 31, 2022	504,375	509,375	
800,000	Timbercreek Financial Corp., 5.30%, June 30, 2024	775,000	796,000	
1,800,000	Timbercreek Financial Corp., 5.40%, July 31, 2021	1,810,780	1,836,000	
642,000	Timbercreek Financial Corp., 5.45%, March 31, 2022	647,642	649,929	
		6,356,554	6,296,579	9.49%
Health Care				
1,060,000	Medical Facilities Corp., 5.90%, December 31, 2019	1,082,525	1,070,600	
		1,082,525	1,070,600	1.61%

See accompanying notes to financial statements.

First Asset Canadian Convertible Bond Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2017

	Number of Shares, Units and Par Value	Description	Average Cost \$	Fair Value \$	% of Net Assets
CONVERTIBLE DEBENTURES (cont'd)					
Industrials					
	2,424,000	AG Growth International Inc., 5.25%, December 31, 2018	2,569,963	2,425,454	
	1,419,000	AG Growth International Inc., 5.25%, December 31, 2019	1,443,604	1,479,024	
	1,500,000	Cargojet Inc., 4.65%, December 31, 2021	1,587,870	1,734,375	
	600,000	Exchange Income Corp., 5.35%, March 31, 2020	614,219	610,500	
	1,098,000	Student Transportation Inc., 6.25%, June 30, 2019	1,133,505	1,130,940	
			7,349,161	7,380,293	11.12%
Materials					
	1,200,000	Chemtrade Logistics Income Fund, 4.75%, May 31, 2024	1,204,375	1,209,000	
	800,000	Chemtrade Logistics Income Fund, 5.25%, June 30, 2021	813,000	822,400	
	1,300,000	Osisko Gold Royalties Ltd., 4.00%, December 31, 2022	1,300,000	1,358,500	
			3,317,375	3,389,900	5.11%
Real Estate					
USD	1,250,000	American Hotel Income Properties REIT L.P., 5.00%, June 30, 2022	1,595,679	1,550,526	
USD	1,650,000	Mainstreet Health Investments Inc., 5.00%, January 31, 2022	2,156,275	1,984,673	
	685,000	Northview Apartment REIT, 5.75%, June 30, 2019	721,685	730,381	
	700,000	NorthWest Healthcare Properties REIT, 5.25%, July 31, 2021	711,340	718,900	
USD	2,287,000	Pure Multi-Family REIT L.P., 6.50%, September 30, 2020	2,970,929	3,008,771	
	1,000,000	Tricon Capital Group Inc., 5.60%, March 31, 2020	1,180,000	1,200,000	
USD	600,000	Tricon Capital Group Inc., 5.75%, March 31, 2022	807,090	826,947	
			10,142,998	10,020,198	15.11%
Utilities					
USD	2,046,000	Atlantic Power Corp., 5.75%, June 30, 2019	2,537,023	2,568,919	
	2,300,000	Genalta Power Inc., 8.00%, May 31, 2018	2,053,571	1,150,000	
	810,000	Innergex Renewable Energy Inc., 4.25%, August 31, 2020	844,762	882,900	
	500,000	Northland Power Inc., 4.75%, June 30, 2020	587,500	567,500	
	2,495,000	Northland Power Inc., 5.00%, June 30, 2019	2,629,384	2,744,500	
			8,652,240	7,913,819	11.93%
Total Convertible Debentures			51,205,538	50,340,923	75.88%
Adjustment for transaction costs			(20,104)		
Total Investments			65,254,066	63,869,172	96.27%
Total unrealized loss on forward foreign currency contracts				(20,904)	(0.03)%
Other assets, net of liabilities				2,494,863	3.76%
Net Assets Attributable to Holders of Redeemable Securities				66,343,131	100.00%

UNREALIZED LOSS ON FORWARD FOREIGN CURRENCY CONTRACTS

Settlement Date	Currency Buy	Currency Position	Currency Sell	Position	Contract Rates	Counterparty	Credit Rating*	Unrealized Loss (\$)
January 12, 2018	CAD	10,001,280	USD	8,000,000	1.2502	Canadian Imperial Bank of Commerce	A-1+	(20,904)
								(20,904)

*Credit rating provided by S&P Global Ratings.
See accompanying notes to financial statements.

First Asset Canadian Convertible Bond Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2017

PORTFOLIO CONCENTRATION

For Portfolio Concentration as at December 31, 2017, refer to the Schedule of Investment Portfolio disclosed above.

	% of Net Assets December 31, 2016
Equities	11.36
Convertible Debentures	84.83
Total unrealized loss on forward foreign currency contracts	(0.20)
Other assets, net of liabilities	4.01

See accompanying notes to financial statements.

First Asset Canadian Convertible Bond Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(A) THE FUND

First Asset Canadian Convertible Bond Fund (the "Fund") is an open-end mutual fund established by way of a Declaration of Trust, made as of October 23, 2009 under the laws of the Province of Ontario under the name Canadian Convertible Bond Fund. On June 4, 2012, the Fund changed its name to First Asset Canadian Convertible Bond Fund.

Effective as of close of business on March 10, 2017, the following Funds merged:

Terminating Fund	Continuing Fund
First Asset Canadian Convertible Debenture Fund	First Asset Canadian Convertible Bond Fund

The Manager adopted the acquisition method of accounting for the merger of the Funds. Under this method, one of the Funds is identified as the acquiring Fund and is referred to as the "Continuing Fund", and the other Fund involved in the merger is referred to as the "Terminating Fund". This identification is based on a comparison of the relative net asset value of the Funds as well as consideration of the continuation of such aspects of the Continuing Fund as investment objectives and practices and type of portfolio securities.

Effective as of the close of business on March 10, 2017, the Continuing Fund acquired all of the net assets of the Terminating Fund in exchange for securities in the Continuing Fund. The value of the securities of the Continuing Fund issued in connection with this merger, was equal to the net assets transferred from the Terminating Fund. The cost associated with the merger was borne by the Manager.

The merger occurred on a tax-deferred basis.

Terminating Fund	Continuing Fund	Net Assets Acquired (\$)	Class A Securities Issued
First Asset Canadian Convertible Debenture Fund	First Asset Canadian Convertible Bond Fund	33,544,606	3,215,549

The Terminating Fund's results are not included in these financial statements.

The Fund's investment objectives 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.

The Manager, Trustee, Administrator and Investment Advisor of the Fund is First Asset Investment Management Inc. ("First Asset").

(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 December 31, 2017

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Equities	11,119,249	-	-	11,119,249
Bonds	-	1,034,000	1,375,000	2,409,000
Convertible debentures	-	49,164,363	1,176,560	50,340,923
Total	11,119,249	50,198,363	2,551,560	63,869,172
Financial liabilities				
Derivatives	-	20,904	-	20,904
Total	-	20,904	-	20,904

See accompanying notes to financial statements.

First Asset Canadian Convertible Bond Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(B) FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

As at December 31, 2016

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities	4,721,626	-	-	4,721,626
Convertible debentures	-	32,241,229	3,010,000	35,251,229
Derivatives	-	1,339	-	1,339
Total	4,721,626	32,242,568	3,010,000	39,974,194
Financial liabilities				
Derivatives	-	83,088	-	83,088
Total	-	83,088	-	83,088

There were no transfers between Level 1, 2 and 3 during the years ended December 31, 2017 and 2016.

During the year ended December 31, 2017, the reconciliation of Level 3 investments measured using non-observable inputs is presented as follows:

	\$
Beginning balance	3,010,000
Purchases	950,000
Sales	(500,000)
Net transfers (out of) Level 3	-
Net transfers (in to) Level 3	-
Realized gains (losses)	53,571
Change in unrealized appreciation (depreciation)	(962,011)
Ending balance	2,551,560

During the year ended December 31, 2016, the reconciliation of Level 3 investments measured using non-observable inputs is presented as follows:

	\$
Beginning balance	3,816,000
Purchases	-
Sales	-
Net transfers (out of) Level 3	-
Net transfers (in to) Level 3	-
Realized gains (losses)	-
Change in unrealized appreciation (depreciation)	(806,000)
Ending balance	3,010,000

See accompanying notes to financial statements.

First Asset Canadian Convertible Bond Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(B) FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

The following section discusses the significant unobservable inputs for Level 3 positions and quantitatively outlines the inputs used to calculate fair value in accordance with IFRS 13, *Fair Value Measurement*.

As at December 31, 2017

Recovery Rate and Liquidation Price

A common approach for valuing bonds issued by companies facing significant financial distress is to use the recovery rate method, where the expected recovery rate is a key input. The expected recovery rate is the proportion that an entity can expect to recover on its initial investment given the current financial distress, and the potential for the issuer to continue facing financial distress. For bonds, the liquidation approach is used, which is similar to the recovery rate method, and uses the liquidation prices as a key input.

	Fair Value \$	Valuation Techniques	Significant Unobservable Inputs	Value of Inputs Used
Genalta Power Inc., 11.00%, May 31, 2018	1,375,000	Weighted Average Recovery	EBITDA Multiple	8x
Genalta Power Inc., 8.00%, May 31, 2018	1,150,000	Weighted Average Recovery	EBITDA Multiple	8x

Genalta Power Inc. ("Genalta") is a company incorporated and with primary operations in Alberta, Canada. Genalta builds, owns, operates and maintains independent power production facilities fuelled by waste, excess or underutilized energy sources. Genalta aims to enable clients to dispose of waste energy efficiently, while producing power to create discounted energy solutions or energy that can be sold back on to the power grids.

As at December 31, 2017, the valuation technique used to price Genalta Power Inc.'s fixed income investment is the weighted average recovery technique, which estimates scenarios in which the company will succeed in capital transactions to pay down all their remaining debt, or a liquidation sale of the assets through the Companies' Creditor Arrangement Act ("CCAA").

Sensitivity Analysis of Level 3 Financial Assets and Liabilities

The following table summarizes the potential effect of using reasonably possible alternative assumptions for financial assets and financial liabilities held as at December 31, 2017 that are classified in Level 3 of the fair value hierarchy.

	Valuation Techniques	Significant Unobservable Inputs	Lower Range	Upper Range	Lower Range (\$)	Upper Range (\$)
Genalta Power Inc., 11.00%, May 31, 2018	Weighted Average Recovery	EBITDA Multiple	5x	10x	825,000	1,732,500
Genalta Power Inc., 8.00%, May 31, 2018	Weighted Average Recovery	EBITDA Multiple	5x	10x	690,000	1,449,000

As at December 31, 2016

Recovery Rate and Liquidation Price

A common approach for valuing bonds issued by companies facing significant financial distress is to use the recovery rate method, where the expected recovery rate is a key input. The expected recovery rate is the proportion that an entity can expect to recover on its initial investment given the current financial distress, and the potential for the issuer to continue facing financial distress. For bonds, the liquidation approach is used, which is similar to the recovery rate method, and uses the liquidation prices as a key input.

	Fair Value \$	Valuation Techniques	Significant Unobservable Inputs	Value of Inputs Used
Genalta Power Inc., 11.00%, April 5, 2017	1,750,000	Weighted Average Recovery	EBITDA Multiple Financing Success	7x 100%
Genalta Power Inc., 8.00%, April 5, 2017	1,260,000	Weighted Average Recovery	EBITDA Multiple Financing Success	7x 100%

As at December 31, 2016, the valuation technique used to price Genalta's fixed income investment is the weighted average recovery technique estimates scenarios in which the company will succeed in capital transactions to pay down all their remaining debt, or a liquidation sale of the assets through the CCAA.

See accompanying notes to financial statements.

First Asset Canadian Convertible Bond Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(B) FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

Sensitivity Analysis of Level 3 Financial Assets and Liabilities

The following table summarizes the potential effect of using reasonably possible alternative assumptions for financial assets and financial liabilities held as at December 31, 2016 that are classified in Level 3 of the fair value hierarchy.

	Valuation Techniques	Significant Unobservable Inputs	Lower Range	Upper Range	Lower Range (\$)	Upper Range (\$)
Genalta Power Inc., 11.00%, April 5, 2017	Weighted Average Recovery	EBITDA Multiple Financing Success	6x 0%	8x 100%	475,000	2,500,000
Genalta Power Inc., 8.00%, April 5, 2017	Weighted Average Recovery	EBITDA Multiple Weighted Average	6x 0%	8x 100%	342,000	1,800,000

(C) MANAGEMENT OF FINANCIAL RISKS

Credit risk

Credit Rating	% of Net Assets	
	December 31, 2017	December 31, 2016
BBB	9.33	17.08
BB	10.66	4.54
B	1.34	-
Not Rated	58.18	63.21

Interest rate risk

	Fair Value	
	December 31, 2017	December 31, 2016
	\$	\$
Less than 1 year	2,525,000	11,932,148
1 - 3 years	25,328,558	15,063,711
3 - 5 years	20,282,875	8,136,420
Greater than 5 years	4,613,490	118,950

As at December 31, 2017, if the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, net assets could possibly have decreased or increased, respectively, by approximately \$1,452,098 or 2.19% of net assets (December 31, 2016 - \$669,600 or 1.61%).

First Asset Canadian Convertible Bond Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(C) MANAGEMENT OF FINANCIAL RISKS (cont'd)

Currency risk

The tables below indicate the foreign currencies to which the Fund has significant exposure in Canadian dollar terms, including any 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 December 31, 2017

Currency	Investments \$	Cash \$	Other \$	Forward Foreign Currency Contracts \$	Total \$	Impact on Net Assets \$
United States dollar	9,939,836	118,139	101,640	(10,022,184)	137,431	6,872
Total	9,939,836	118,139	101,640	(10,022,184)	137,431	6,872
As a % of Net Assets	15.0	0.2	0.2	(15.1)	0.3	-

As at December 31, 2016

Currency	Investments \$	Cash \$	Other \$	Forward Foreign Currency Contracts \$	Total \$	Impact on Net Assets \$
United States dollar	5,252,289	65,175	25,501	(5,013,660)	329,305	16,465
Total	5,252,289	65,175	25,501	(5,013,660)	329,305	16,465
As a % of Net Assets	12.6	0.2	0.1	(12.1)	0.8	-

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(s) 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(s), as at year end, with all other variables held constant. 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.

Impact on Net Assets Attributable to Redeemable Securities

Benchmark	December 31, 2017	December 31, 2016
	\$	\$
50% Bank of America Merrill Lynch Canada High Yield Index and 50% S&P/TSX Composite Total Return Index	2,873,488	1,497,617

(D) RELATED PARTY TRANSACTIONS

The Fund invests in redeemable securities of other investment funds ("underlying funds") managed by First Asset to gain exposure to the investment objectives and strategies of the underlying funds. Each underlying fund is generally financed through the capital invested by the Fund, along with other investors, which entitles securityholders to a proportionate share of the underlying fund's net assets. The Fund does not provide additional financial or other support to the underlying funds. All underlying funds were established in and carry out their operations in Canada. The Fund's interests in underlying funds are reported at fair value in its Statements of Financial Position and in its Schedule of Investment Portfolio, which represents the Fund's maximum exposure to financial loss.

As at December 31, 2017

Underlying Fund	% of Net Assets	Ownership Interest %
First Asset Canadian Convertible Bond ETF	2.16	8.01
Total	2.16	

See accompanying notes to financial statements.

First Asset Canadian Convertible Bond Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(E) OFFSETTING OF FINANCIAL INSTRUMENTS

The following table shows the net impact on the Fund's Statements of Financial Position if all rights to offset were exercised.

As at December 31, 2017

	Amounts Eligible for Offset			Net Exposure
	Gross Assets/ (Liabilities)	Financial Instruments	Collateral Received/(Paid)	
	\$	\$	\$	\$
Derivative assets - Foreign currency forward contracts	-	-	-	-
Total	-	-	-	-
Derivative liabilities - Foreign currency forward contracts	(20,904)	-	-	(20,904)
Total	(20,904)	-	-	(20,904)

See accompanying notes to financial statements.

First Asset Canadian Dividend Opportunity Fund

STATEMENTS OF FINANCIAL POSITION

As at December 31

	2017	2016
	\$	\$
ASSETS		
Current assets		
Investments, at fair value (note 2)	43,780,422	34,293,283
Cash and cash equivalents	2,726,956	13,121,763
Due from broker	-	-
Unrealized gain on forward foreign currency contracts	-	-
Subscriptions receivable	500	500
Dividends receivable	151,654	128,126
Interest receivable	-	1,052
	46,659,532	47,544,724
LIABILITIES		
Current liabilities		
Bank overdraft	-	-
Due to broker	-	-
Unrealized loss on forward foreign currency contracts	7,029	182,794
Call option positions, at fair value	-	-
Distributions payable to holders of redeemable securities (note 9)	-	145,670
Management fee payable	76,351	76,752
Redemptions payable	50,370	92,798
Accounts payable and accrued liabilities	59,574	49,357
	193,324	547,371
Net assets attributable to holders of redeemable securities	46,466,208	46,997,353
Net assets attributable to holders of redeemable securities per class		
Class A	42,262,861	43,048,389
Class F	4,203,347	3,948,964
	46,466,208	46,997,353
Net assets attributable to holders of redeemable securities per security		
Class A	10.08	9.97
Class F	10.04	9.83

See accompanying notes to financial statements.

First Asset Canadian Dividend Opportunity Fund

STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31

(in \$ except for number of securities)

	2017	2016
	\$	\$
INCOME		
Net gains (losses) on investments and derivatives		
Dividends	1,155,071	1,010,544
Interest for distribution purposes	395	46,286
Change in unrealized appreciation (depreciation) of investments	2,643,238	(2,300,956)
Change in unrealized appreciation (depreciation) of options	-	-
Change in unrealized appreciation (depreciation) on forward foreign currency contracts	175,765	277,978
Net realized gain (loss) on sale of investments	968,069	2,911,243
Net realized gain (loss) on sale of options	26,972	22,044
Net realized gain (loss) on forward foreign currency contracts	268,294	34,283
Net gains (losses) on investments and derivatives ⁽¹⁾	5,237,804	2,001,422
Other income		
Securities lending income ⁽²⁾	5,895	17,173
Net realized gain (loss) on foreign exchange	(117,006)	172,840
Change in unrealized appreciation (depreciation) on other assets	(199,066)	(366,301)
Other income	-	-
Total other income	(310,177)	(176,288)
Total income	4,927,627	1,825,134
EXPENSES		
Custodian and fund valuation fees	23,749	22,946
Securityholder reporting costs	124,762	105,780
Management fee (notes 8 and 12) ⁽³⁾	974,750	1,058,098
Transaction costs (note 8) ⁽⁴⁾	65,589	149,132
Withholding taxes (note 10)	10,091	14,690
Harmonized Sales Tax	102,911	110,132
Audit fees	13,000	13,400
Legal fees	8,001	7,796
Independent Review Committee fees (note 12)	1,892	2,232
Interest expense	959	967
Other expenses	-	-
Total expenses before absorption	1,325,704	1,485,173
Expenses absorbed by the Manager	-	-
Total expenses after absorption	1,325,704	1,485,173
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	3,601,923	339,961
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per class		
Class A	3,283,483	300,812
Class F	318,440	39,149
	3,601,923	339,961
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per security (note 2)		
Class A	0.71	0.06
Class F	0.82	0.11
Weighted average number of securities		
Class A	4,640,076	4,935,396
Class F	388,323	370,347

See accompanying notes to financial statements.

First Asset Canadian Dividend Opportunity Fund

STATEMENTS OF COMPREHENSIVE INCOME (cont'd)

Years ended December 31

⁽¹⁾ Comprised of:

	2017	2016
	\$	\$
Financial assets and liabilities designated at FVTPL	4,766,773	1,667,117
Financial assets and liabilities classified as held for trading	471,031	334,305
	5,237,804	2,001,422

⁽²⁾ Securities lending (note 2)

	2017	2016
	\$	\$
Value of securities loaned	4,489,329	4,916,203
Value of collateral received	4,717,264	5,175,751
Gross amount generated from the securities lending transactions	9,823	28,618
Charges	(3,928)	(11,445)
Net securities lending income as reported in the Statements of Comprehensive Income	5,895	17,173

⁽³⁾ Management fee rate (notes 8 and 12)

	%
Management fee	
Class A	2.00
Class F	1.00

⁽⁴⁾ Commissions (note 8)

	2017	2016
	\$	\$
Brokerage commissions	60,505	144,971
Soft dollar commissions	4,412	10,070

See accompanying notes to financial statements.

First Asset Canadian Dividend Opportunity Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES

Years ended December 31

	2017	2016
	\$	\$
Class A		
Net assets attributable to holders of redeemable securities, beginning of year	43,048,389	57,898,938
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	3,283,483	300,812
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(39,835)	-
From capital gains	(192,613)	(1,974,879)
Return of capital	(2,536,343)	(954,014)
	(2,768,791)	(2,928,893)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	66,313	511,560
Distributions reinvested	1,235,759	1,019,123
Redemption of securities	(18,035,364)	(13,753,151)
Issued on transfer of assets from Merged Fund (note A)	15,433,072	-
	(1,300,220)	(12,222,468)
Net increase (decrease) in net assets attributable to holders of redeemable securities	(785,528)	(14,850,549)
Net assets attributable to holders of redeemable securities, end of year	42,262,861	43,048,389
Class F		
Net assets attributable to holders of redeemable securities, beginning of year	3,948,964	3,649,622
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	318,440	39,149
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(13,853)	-
From capital gains	(14,537)	(150,063)
Return of capital	(205,178)	(72,492)
	(233,568)	(222,555)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	1,367,226	1,138,947
Distributions reinvested	129,698	141,727
Redemption of securities	(1,327,413)	(797,926)
Issued on transfer of assets from Merged Fund (note A)	-	-
	169,511	482,748
Net increase (decrease) in net assets attributable to holders of redeemable securities	254,383	299,342
Net assets attributable to holders of redeemable securities, end of year	4,203,347	3,948,964

See accompanying notes to financial statements.

First Asset Canadian Dividend Opportunity Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES (cont'd)

Years ended December 31

	2017	2016
	\$	\$
The Fund		
Net assets attributable to holders of redeemable securities, beginning of year	46,997,353	61,548,560
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	3,601,923	339,961
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(53,688)	-
From capital gains	(207,150)	(2,124,942)
Return of capital	(2,741,521)	(1,026,506)
	(3,002,359)	(3,151,448)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	1,433,539	1,650,507
Distributions reinvested	1,365,457	1,160,850
Redemption of securities	(19,362,777)	(14,551,077)
Issued on transfer of assets from Merged Fund (note A)	15,433,072	-
	(1,130,709)	(11,739,720)
Net increase (decrease) in net assets attributable to holders of redeemable securities	(531,145)	(14,551,207)
Net assets attributable to holders of redeemable securities, end of year	46,466,208	46,997,353

See accompanying notes to financial statements.

First Asset Canadian Dividend Opportunity Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES (cont'd)

Years ended December 31

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

As at December 31, 2017, capital and non-capital losses for income tax purposes available to be carried forward are as follows:

	\$
Capital losses	-
Non-capital losses	-
2027	-
2028	-
2029	-
2030	-
2031	-
2032	-
2033	-
2034	-
2035	-
2036	-
2037	-
Total	-

⁽²⁾ Redeemable securities issued and outstanding

	2017 #	2016 #
Class A		
Securities outstanding, beginning of year	4,319,447	5,507,032
Issuance of securities	6,564	49,729
Reinvested distributions	122,688	98,838
Redemption of securities	(1,788,518)	(1,336,152)
Securities issued on transfer of assets from Merged Fund	1,534,640	-
Securities outstanding, end of year	4,194,821	4,319,447
Class F		
Securities outstanding, beginning of year	401,714	355,325
Issuance of securities	136,695	111,181
Reinvested distributions	13,000	14,013
Redemption of securities	(132,648)	(78,805)
Securities issued on transfer of assets from Merged Fund	-	-
Securities outstanding, end of year	418,761	401,714

See accompanying notes to financial statements.

First Asset Canadian Dividend Opportunity Fund

STATEMENTS OF CASH FLOWS

Years ended December 31

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	3,601,923	339,961
Adjustments to reconcile cash flows from (used in) operating activities		
Proceeds from sale of investments	32,987,738	62,702,449
Purchases of investments	(23,248,521)	(50,064,973)
Change in due to/from broker	-	-
Change in other assets and liabilities	(211,726)	(358,266)
Change in foreign exchange on currency	-	-
Change in unrealized (appreciation) depreciation of investments	(2,643,238)	2,300,956
Change in unrealized (appreciation) depreciation of options	-	-
Change in unrealized (appreciation) depreciation on forward foreign currency contracts	(175,765)	(277,978)
Change in unrealized (appreciation) depreciation on other assets	199,066	366,301
Net realized (gain) loss on sale of investments	(968,069)	(2,911,243)
Net realized (gain) loss on sale of options	(26,972)	(22,044)
Cash flows from (used in) operating activities	9,514,436	12,075,163
FINANCING ACTIVITIES		
Subscriptions received	1,278,534	1,650,107
Distributions to securityholders	(1,782,572)	(2,033,934)
Redemption of securities	(19,405,205)	(14,522,772)
Cash flows from (used in) financing activities	(19,909,243)	(14,906,599)
Net increase (decrease) in cash and cash equivalents during the year	(10,394,807)	(2,831,436)
Cash and cash equivalents (bank overdraft), beginning of year	13,121,763	15,953,199
Cash and cash equivalents (bank overdraft), end of year	2,726,956	13,121,763
Supplementary Information:		
Dividends received, net of withholding tax	1,121,452	1,056,689
Interest received, net of withholding tax	1,447	45,234
Interest paid	(959)	(967)

See accompanying notes to financial statements.

First Asset Canadian Dividend Opportunity Fund

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2017

	Number of Shares, Units and Par Value	Description	Average Cost \$	Fair Value \$	% of Net Assets
LIMITED PARTNERSHIP UNITS					
	51,600	Pure Multi-Family REIT L.P., Class 'A'	459,240	389,580	
Total Limited Partnership Units			459,240	389,580	0.84%
EQUITIES					
Consumer Discretionary					
	25,900	EnerCare Inc.	474,176	531,209	
	17,200	Quebecor Inc., Class 'B'	295,671	407,640	
			769,847	938,849	2.02%
Consumer Staples					
	13,300	Cott Corp.	220,460	279,034	
			220,460	279,034	0.60%
Energy					
	29,400	AltaGas Ltd., Subscription Receipt	895,475	834,078	
	14,200	Enbridge Inc.	807,543	698,072	
	30,200	Keyera Corp.	1,183,467	1,069,684	
	21,537	Pembina Pipeline Corp.	669,469	980,149	
	16,600	TransCanada Corp.	1,014,833	1,015,588	
			4,570,787	4,597,571	9.88%
Financials					
	6,300	Bank of Nova Scotia	488,736	511,056	
	116,000	ECN Capital Corp.	391,032	455,880	
	35,400	Manulife Financial Corp.	867,076	928,188	
	4,601	Royal Bank of Canada	418,822	472,293	
	8,800	Toronto-Dominion Bank (The)	555,332	648,120	
			2,720,998	3,015,537	6.49%
Health Care					
	30,000	Sienna Senior Living Inc.	523,500	546,600	
			523,500	546,600	1.18%
Industrials					
	20,100	Air Canada	274,539	520,188	
	4,200	Canadian Pacific Railway Ltd.	814,871	964,572	
USD	13,850	Waste Connections Inc.	1,000,507	1,231,047	
			2,089,917	2,715,807	5.85%
Information Technology					
	19,100	Open Text Corp.	820,151	853,961	
			820,151	853,961	1.84%
Investment Funds					
	2,479,000	First Asset Active Canadian Dividend ETF	22,799,368	24,021,510	
			22,799,368	24,021,510	51.70%
Materials					
	17,000	Kinder Morgan Canada Ltd.	289,000	289,170	
	13,300	Osisko Gold Royalties Ltd., Warrants, 2019/02/26	7,237	18,753	
			296,237	307,923	0.66%
Real Estate					
	51,700	Crombie REIT	637,860	713,460	
	29,200	H&R REIT	659,837	623,712	
	110,900	Pure Industrial Real Estate Trust	564,956	750,793	
	64,600	Tricon Capital Group Inc.	599,650	746,130	
USD	32,900	WPT Industrial REIT	414,072	524,344	
			2,876,375	3,358,439	7.23%

See accompanying notes to financial statements.

First Asset Canadian Dividend Opportunity Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2017

Number of Shares, Units and Par Value	Description	Average Cost \$	Fair Value \$	% of Net Assets
EQUITIES (cont'd)				
	Utilities			
68,100	Algonquin Power & Utilities Corp.	806,572	957,486	
32,300	Boralex Inc., Class 'A'	639,396	759,050	
44,500	Northland Power Inc.	948,952	1,039,075	
		2,394,920	2,755,611	5.93%
Total Equities		40,082,560	43,390,842	93.38%
Adjustment for transaction costs		(19,999)		
Total Investments		40,521,801	43,780,422	94.22%
Total unrealized loss on forward foreign currency contracts			(7,029)	(0.02)%
Other assets, net of liabilities			2,692,815	5.80%
Net Assets Attributable to Holders of Redeemable Securities			46,466,208	100.00%

UNREALIZED LOSS ON FORWARD FOREIGN CURRENCY CONTRACTS

Settlement Date	Currency Buy	Position	Currency Sell	Position	Contract Rates	Counterparty	Credit Rating*	Unrealized Loss (\$)
January 12, 2018	CAD	3,362,930	USD	2,690,000	1.2502	Canadian Imperial Bank of Commerce	A-1+	(7,029)
								(7,029)

PORTFOLIO CONCENTRATION

For Portfolio Concentration as at December 31, 2017, refer to the Schedule of Investment Portfolio disclosed above.

	% of Net Assets December 31, 2016
Equities	
Canada	72.57
Convertible Debentures	0.40
Total unrealized loss on forward foreign currency contracts	(0.39)
Other assets, net of liabilities	27.42

*Credit rating provided by S&P Global Ratings.
See accompanying notes to financial statements.

First Asset Canadian Dividend Opportunity Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(A) THE FUND

First Asset Canadian Dividend Opportunity Fund (the "Fund") was formed as a closed-end investment trust under the laws of the Province of Ontario on March 22, 2010. On April 19, 2012, the Fund converted into an open-end mutual fund (the "Conversion"). As part of the conversion process, the units were re-designated as Class A units as of the close of business on April 19, 2012. Also, Class F units of the Fund were created as of April 19, 2012.

Effective as of close of business on March 10, 2017, the following Funds merged:

Terminating Fund	Continuing Fund
First Asset Canadian Dividend Opportunity Fund II	First Asset Canadian Dividend Opportunity Fund

The Manager adopted the acquisition method of accounting for the merger of the Funds. Under this method, one of the Funds is identified as the acquiring Fund and is referred to as the "Continuing Fund", and the other Fund involved in the merger is referred to as the "Terminating Fund". This identification is based on a comparison of the relative net asset value of the Funds as well as consideration of the continuation of such aspects of the Continuing Fund as investment objectives and practices and type of portfolio securities.

Effective as of the close of business on March 10, 2017, the Continuing Fund acquired all of the net assets of the Terminating Fund in exchange for securities in the Continuing Fund. The value of the securities of the Continuing Fund issued in connection with this merger, was equal to the net assets transferred from the Terminating Fund. The cost associated with the merger was borne by the Manager.

The merger occurred on a tax-deferred basis.

Terminating Fund	Continuing Fund	Net Assets Acquired (\$)	Class A Securities Issued
First Asset Canadian Dividend Opportunity Fund II	First Asset Canadian Dividend Opportunity Fund	15,433,072	1,534,640

The Terminating Fund's results are not included in these financial statements.

The Fund's investment objectives are to provide holders with monthly distributions and the opportunity for capital appreciation, by investing in an actively managed portfolio comprised primarily of high-quality dividend paying Canadian equity securities of Canadian utility issuers, pipeline issuers and telecommunications issuers and select higher yielding equity securities. The portfolio also includes securities of dividend issuers like banks and financial services issuers that have strong track records of maintaining and raising distributions.

The Manager, Trustee and Investment Advisor of the Fund is First Asset Investment Management Inc. ("First Asset").

(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 December 31, 2017

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Equities	43,390,842	-	-	43,390,842
Limited partnership units	389,580	-	-	389,580
Total	43,780,422	-	-	43,780,422
Financial liabilities				
Derivatives	-	7,029	-	7,029
Total	-	7,029	-	7,029

See accompanying notes to financial statements.

First Asset Canadian Dividend Opportunity Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(B) FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

As at December 31, 2016

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities	34,102,963	-	-	34,102,963
Convertible debentures	-	190,320	-	190,320
Total	34,102,963	190,320	-	34,293,283
Financial liabilities				
Derivatives	-	182,794	-	182,794
Total	-	182,794	-	182,794

There were no transfers between Level 1, 2 and 3 during the years ended December 31, 2017 and 2016.

(C) MANAGEMENT OF FINANCIAL RISKS

Credit risk

Credit Rating	% of Net Assets	
	December 31, 2017	December 31, 2016
BBB+	-	0.40

Interest rate risk

	Fair Value	
	December 31, 2017 \$	December 31, 2016 \$
Less than 1 year	-	-
1 - 3 years	-	-
3 - 5 years	-	-
Greater than 5 years	-	190,320

As at December 31, 2017, if the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, net assets could possibly have decreased or increased, respectively, by nil or 0.00% of net assets (December 31, 2016 - \$11,568 or 0.02%).

Currency risk

The tables below indicate the foreign currencies to which the Fund has significant exposure in Canadian dollar terms, including any 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 December 31, 2017

Currency	Investments \$	Cash \$	Other \$	Forward Foreign Currency Contracts \$	Total \$	Impact on Net Assets \$
	United States dollar	1,755,392	2,283,058	14,355	(3,369,959)	682,846
Total	1,755,392	2,283,058	14,355	(3,369,959)	682,846	34,142
As a % of Net Assets	3.8	4.9	-	(7.3)	1.4	0.1

See accompanying notes to financial statements.

First Asset Canadian Dividend Opportunity Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(C) MANAGEMENT OF FINANCIAL RISKS (cont'd)

Currency risk (cont'd)

As at December 31, 2016

Currency	Investments	Cash	Other	Forward Foreign Currency Contracts	Total	Impact on Net Assets
	\$	\$	\$	\$	\$	\$
United States dollar	1,770,570	10,122,981	17,351	(11,617,100)	293,802	14,690
Total	1,770,570	10,122,981	17,351	(11,617,100)	293,802	14,690
As a % of Net Assets	3.8	21.5	-	(24.7)	0.6	-

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(s) 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(s), as at year end, with all other variables held constant. 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.

Impact on Net Assets Attributable to Redeemable Securities

Benchmark	December 31, 2017	December 31, 2016
	\$	\$
S&P/TSX Composite Total Return Index	2,775,240	2,177,315

(D) RELATED PARTY TRANSACTIONS

The Fund invests in redeemable securities of other investment funds ("underlying funds") managed by First Asset to gain exposure to the investment objectives and strategies of the underlying funds. Each underlying fund is generally financed through the capital invested by the Fund, along with other investors, which entitles securityholders to a proportionate share of the underlying fund's net assets. The Fund does not provide additional financial or other support to the underlying funds. All underlying funds were established in and carry out their operations in Canada. The Fund's interests in underlying funds are reported at fair value in its Statements of Financial Position and in its Schedule of Investment Portfolio, which represents the Fund's maximum exposure to financial loss.

As at December 31, 2017

Underlying Fund	% of Net Assets	Ownership Interest %
First Asset Active Canadian Dividend ETF	51.70	78.70
Total	51.70	

As at December 31, 2016

Underlying Fund	% of Net Assets	Ownership Interest %
First Asset Active Canadian Dividend ETF	34.81	54.26
Total	34.81	

See accompanying notes to financial statements.

First Asset Canadian Dividend Opportunity Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(E) OFFSETTING OF FINANCIAL INSTRUMENTS

The following table shows the net impact on the Fund's Statements of Financial Position if all rights to offset were exercised.

As at December 31, 2017

	Amounts Eligible for Offset			Net Exposure
	Gross Assets/ (Liabilities)	Financial Instruments	Collateral Received/(Paid)	
	\$	\$	\$	\$
Derivative assets - Foreign currency forward contracts	-	-	-	-
Total	-	-	-	-
Derivative liabilities - Foreign currency forward contracts	(7,029)	-	-	(7,029)
Total	(7,029)	-	-	(7,029)

See accompanying notes to financial statements.

First Asset Canadian Energy Convertible Debenture Fund

STATEMENTS OF FINANCIAL POSITION

As at December 31

	2017	2016
	\$	\$
ASSETS		
Current assets		
Investments, at fair value (note 2)	7,794,554	11,218,554
Cash and cash equivalents	384,847	712,270
Due from broker	-	-
Unrealized gain on forward foreign currency contracts	-	-
Subscriptions receivable	-	-
Dividends receivable	4,563	1,072
Interest receivable	43,590	60,697
	8,227,554	11,992,593
LIABILITIES		
Current liabilities		
Bank overdraft	-	-
Due to broker	-	-
Unrealized loss on forward foreign currency contracts	1,176	12,463
Call option positions, at fair value	-	-
Distributions payable to holders of redeemable securities (note 9)	-	81,892
Management fee payable	13,449	19,615
Redemptions payable	31,520	23,480
Accounts payable and accrued liabilities	38,987	22,765
	85,132	160,215
Net assets attributable to holders of redeemable securities	8,142,422	11,832,378
Net assets attributable to holders of redeemable securities per class		
Class A	7,479,585	11,151,240
Class F	662,837	681,138
	8,142,422	11,832,378
Net assets attributable to holders of redeemable securities per security		
Class A	4.84	5.11
Class F	5.90	6.06

See accompanying notes to financial statements.

First Asset Canadian Energy Convertible Debenture Fund

STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31

(in \$ except for number of securities)

	2017	2016
	\$	\$
INCOME		
Net gains (losses) on investments and derivatives		
Dividends	27,111	14,560
Interest for distribution purposes	335,944	706,180
Change in unrealized appreciation (depreciation) of investments	1,896,070	8,466,439
Change in unrealized appreciation (depreciation) of options	-	-
Change in unrealized appreciation (depreciation) on forward foreign currency contracts	11,287	12,716
Net realized gain (loss) on sale of investments	(1,646,546)	(7,243,841)
Net realized gain (loss) on sale of options	-	-
Net realized gain (loss) on forward foreign currency contracts	62,935	20,792
Net gains (losses) on investments and derivatives ⁽¹⁾	686,801	1,976,846
Other income		
Securities lending income ⁽²⁾	205	99
Net realized gain (loss) on foreign exchange	(17,607)	(6,679)
Change in unrealized appreciation (depreciation) on other assets	(7)	(444)
Other income	-	-
Total other income	(17,409)	(7,024)
Total income	669,392	1,969,822
EXPENSES		
Custodian and fund valuation fees	19,823	21,193
Securityholder reporting costs	59,609	61,462
Management fee (notes 8 and 12) ⁽³⁾	193,769	239,074
Transaction costs (note 8) ⁽⁴⁾	2,216	8,466
Withholding taxes (note 10)	-	-
Harmonized Sales Tax	31,925	32,060
Audit fees	13,000	13,400
Legal fees	8,001	-
Independent Review Committee fees (note 12)	368	456
Interest expense	12	-
Other expenses	-	-
Total expenses before absorption	328,723	376,111
Expenses absorbed by the Manager	-	-
Total expenses after absorption	328,723	376,111
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	340,669	1,593,711
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per class		
Class A	308,956	1,488,104
Class F	31,713	105,607
	340,669	1,593,711
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per security (note 2)		
Class A	0.16	0.64
Class F	0.27	0.78
Weighted average number of securities		
Class A	1,881,157	2,312,212
Class F	116,659	135,535

See accompanying notes to financial statements.

First Asset Canadian Energy Convertible Debenture Fund

STATEMENTS OF COMPREHENSIVE INCOME (cont'd)

Years ended December 31

⁽¹⁾ Comprised of:

	2017	2016
	\$	\$
Financial assets and liabilities designated at FVTPL	612,579	1,943,338
Financial assets and liabilities classified as held for trading	74,222	33,508
	686,801	1,976,846

⁽²⁾ Securities lending (note 2)

	2017	2016
	\$	\$
Value of securities loaned	424,557	2,142
Value of collateral received	446,069	2,250
Gross amount generated from the securities lending transactions	341	164
Charges	(136)	(65)
Net securities lending income as reported in the Statements of Comprehensive Income	205	99

⁽³⁾ Management fee rate (notes 8 and 12)

	%
Management fee	
Class A	2.00
Class F	1.00

⁽⁴⁾ Commissions (note 8)

	2017	2016
	\$	\$
Brokerage commissions	1,936	8,058
Soft dollar commissions	-	-

See accompanying notes to financial statements.

First Asset Canadian Energy Convertible Debenture Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES

Years ended December 31

	2017	2016
	\$	\$
Class A		
Net assets attributable to holders of redeemable securities, beginning of year	11,151,240	12,102,188
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	308,956	1,488,104
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(43,507)	(283,379)
From capital gains	-	-
Return of capital	(809,419)	(867,684)
	(852,926)	(1,151,063)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	14,253	662,443
Distributions reinvested	109,903	130,347
Redemption of securities	(3,251,841)	(2,080,779)
	(3,127,685)	(1,287,989)
Net increase (decrease) in net assets attributable to holders of redeemable securities	(3,671,655)	(950,948)
Net assets attributable to holders of redeemable securities, end of year	7,479,585	11,151,240
Class F		
Net assets attributable to holders of redeemable securities, beginning of year	681,138	891,777
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	31,713	105,607
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(4,468)	(15,969)
From capital gains	-	-
Return of capital	(48,308)	(51,028)
	(52,776)	(66,997)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	86,206	77,859
Distributions reinvested	29,439	41,530
Redemption of securities	(112,883)	(368,638)
	2,762	(249,249)
Net increase (decrease) in net assets attributable to holders of redeemable securities	(18,301)	(210,639)
Net assets attributable to holders of redeemable securities, end of year	662,837	681,138

See accompanying notes to financial statements.

First Asset Canadian Energy Convertible Debenture Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES (cont'd)

Years ended December 31

	2017	2016
	\$	\$
The Fund		
Net assets attributable to holders of redeemable securities, beginning of year	11,832,378	12,993,965
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	340,669	1,593,711
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(47,975)	(299,348)
From capital gains	-	-
Return of capital	(857,727)	(918,712)
	(905,702)	(1,218,060)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	100,459	740,302
Distributions reinvested	139,342	171,877
Redemption of securities	(3,364,724)	(2,449,417)
	(3,124,923)	(1,537,238)
Net increase (decrease) in net assets attributable to holders of redeemable securities	(3,689,956)	(1,161,587)
Net assets attributable to holders of redeemable securities, end of year	8,142,422	11,832,378

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

As at December 31, 2017, capital and non-capital losses for income tax purposes available to be carried forward are as follows:

	\$
Capital losses	13,462,351
Non-capital losses	
2027	-
2028	-
2029	-
2030	-
2031	-
2032	-
2033	-
2034	-
2035	-
2036	-
2037	-
Total	-

⁽²⁾ Redeemable securities issued and outstanding

	2017	2016
	#	#
Class A		
Securities outstanding, beginning of year	2,180,687	2,443,369
Issuance of securities	2,782	132,962
Reinvested distributions	22,249	26,143
Redemption of securities	(660,846)	(421,787)
Securities outstanding, end of year	1,544,872	2,180,687
Class F		
Securities outstanding, beginning of year	112,341	155,719
Issuance of securities	14,316	12,893
Reinvested distributions	4,966	7,121
Redemption of securities	(19,227)	(63,392)
Securities outstanding, end of year	112,396	112,341

See accompanying notes to financial statements.

First Asset Canadian Energy Convertible Debenture Fund

STATEMENTS OF CASH FLOWS

Years ended December 31

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	340,669	1,593,711
Adjustments to reconcile cash flows from (used in) operating activities		
Proceeds from sale of investments	4,490,274	3,578,475
Purchases of investments	(816,750)	(2,053,695)
Change in due to/from broker	-	-
Change in other assets and liabilities	23,665	158,743
Change in foreign exchange on currency	-	-
Change in unrealized (appreciation) depreciation of investments	(1,896,070)	(8,466,439)
Change in unrealized (appreciation) depreciation of options	-	-
Change in unrealized (appreciation) depreciation on forward foreign currency contracts	(11,287)	(12,716)
Change in unrealized (appreciation) depreciation on other assets	7	444
Net realized (gain) loss on sale of investments	1,646,546	7,243,841
Net realized (gain) loss on sale of options	-	-
Cash flows from (used in) operating activities	3,777,054	2,042,364
FINANCING ACTIVITIES		
Subscriptions received	100,459	745,274
Distributions to securityholders	(848,252)	(1,057,486)
Redemption of securities	(3,356,684)	(2,437,911)
Cash flows from (used in) financing activities	(4,104,477)	(2,750,123)
Net increase (decrease) in cash and cash equivalents during the year	(327,423)	(707,759)
Cash and cash equivalents (bank overdraft), beginning of year	712,270	1,420,029
Cash and cash equivalents (bank overdraft), end of year	384,847	712,270
Supplementary Information:		
Dividends received, net of withholding tax	23,620	16,031
Interest received, net of withholding tax	353,051	878,520
Interest paid	(12)	-

See accompanying notes to financial statements.

First Asset Canadian Energy Convertible Debenture Fund

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2017

	Number of Shares, Units and Par Value	Description	Average Cost \$	Fair Value \$	% of Net Assets
EQUITIES					
		Energy			
	14,000	Cardinal Energy Ltd.	259,000	71,260	
	28,598	Parex Resources Inc.	395,889	519,340	
	25,000	Whitecap Resources Inc.	286,720	223,750	
			941,609	814,350	10.01%
		Utilities			
	23,585	Algonquin Power & Utilities Corp.	250,000	331,605	
			250,000	331,605	4.07%
Total Equities			1,191,609	1,145,955	14.08%
BONDS					
		Energy			
	300,000	Crew Energy Inc., 6.50%, March 14, 2024	300,000	291,450	
	1,143,711	Estrella International Energy Services Ltd., 4.00%, December 31, 2018	1,143,711	114,371	
			1,443,711	405,821	4.98%
Total Bonds			1,443,711	405,821	4.98%
CONVERTIBLE DEBENTURES					
		Energy			
	400,000	Bellatrix Exploration Ltd., 6.75%, September 30, 2021	386,500	370,000	
	500,000	Cardinal Energy Ltd., 5.50%, December 31, 2020	500,000	495,000	
	825,300	Gasfrac Energy Services Inc., 7.00%	833,204	-	
	500,000	Gibson Energy Inc., 5.25%, July 15, 2021	500,000	525,000	
	450,000	Kelt Exploration Ltd., 5.00%, May 31, 2021	459,937	675,000	
	420,000	Pembina Pipeline Corp., 5.75%, December 31, 2018	441,525	641,928	
	350,000	Surge Energy Inc., 5.75%, December 31, 2022	350,000	353,500	
	688,000	Terrace Energy Corp., 0.00%, April 2, 2021	688,000	3,646	
	350,000	TerraVest Capital Inc., 7.00%, June 30, 2020	329,000	420,840	
	812,000	Twin Butte Energy Ltd., 6.25%, December 31, 2018	240,162	8,120	
	417,000	Zargon Oil & Gas Ltd., 8.00%, December 31, 2019	340,892	342,982	
			5,069,220	3,836,016	47.11%
		Utilities			
USD	450,000	Atlantic Power Corp., 5.75%, June 30, 2019	449,754	565,012	
	500,000	Boralex Inc., 4.50%, June 30, 2020	500,000	620,000	
	400,000	Innergex Renewable Energy Inc., 4.25%, August 31, 2020	388,700	436,000	
	450,000	Northland Power Inc., 4.75%, June 30, 2020	450,000	510,750	
	250,000	Northland Power Inc., 5.00%, June 30, 2019	256,646	275,000	
			2,045,100	2,406,762	29.56%
Total Convertible Debentures			7,114,320	6,242,778	76.67%
Adjustment for transaction costs			-	-	-
Total Investments			9,749,640	7,794,554	95.73%
Total unrealized loss on forward foreign currency contracts				(1,176)	(0.01)%
Other assets, net of liabilities				349,044	4.28%
Net Assets Attributable to Holders of Redeemable Securities				8,142,422	100.00%

See accompanying notes to financial statements.

First Asset Canadian Energy Convertible Debenture Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2017

UNREALIZED LOSS ON FORWARD FOREIGN CURRENCY CONTRACTS

Settlement Date	Currency Buy	Position	Currency Sell	Position	Contract Rates	Counterparty	Credit Rating*	Unrealized Loss (\$)
January 12, 2018	CAD	562,572	USD	450,000	1.2502	Canadian Imperial Bank of Commerce	A-1+	(1,176)
								(1,176)

PORTFOLIO CONCENTRATION

For Portfolio Concentration as at December 31, 2017, refer to the Schedule of Investment Portfolio disclosed above.

	% of Net Assets December 31, 2016
Equities	9.34
Convertible Debentures	85.48
Total unrealized loss on forward foreign currency contracts	(0.11)
Other assets, net of liabilities	5.29

**Credit rating provided by S&P Global Ratings.
See accompanying notes to financial statements.*

First Asset Canadian Energy Convertible Debenture Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(A) THE FUND

First Asset Canadian Energy Convertible Debenture Fund (the "Fund") was formed as a closed-end investment trust under the laws of the Province of Ontario on December 15, 2009 under the name Canadian Energy Convertible Debenture Fund.

On July 8, 2011, the Fund converted into an open-end mutual fund (the "Conversion"). As part of the conversion process, the units were re-designated as Class A units as of the close of business on July 8, 2011. Also, Class F units of the Fund were created as of August 25, 2011.

On June 4, 2012, the Fund changed its name to First Asset Canadian Energy Convertible Debenture Fund.

The Fund's investment objectives are to provide holders with monthly distributions and the opportunity for capital appreciation by investing in an actively-managed portfolio comprised primarily of convertible debentures of Canadian energy issuers.

The Manager, Trustee and Investment Advisor of the Fund is First Asset Investment Management Inc. ("First Asset").

(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 December 31, 2017

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities	1,145,955	-	-	1,145,955
Bonds	-	405,821	-	405,821
Convertible debentures	-	6,120,287	122,491	6,242,778
Total	1,145,955	6,526,108	122,491	7,794,554
Financial liabilities				
Derivatives	-	1,176	-	1,176
Total	-	1,176	-	1,176

As at December 31, 2016

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities	1,104,748	-	-	1,104,748
Convertible debentures	-	9,885,064	228,742	10,113,806
Total	1,104,748	9,885,064	228,742	11,218,554
Financial liabilities				
Derivatives	-	12,463	-	12,463
Total	-	12,463	-	12,463

There were no transfers between Level 1, 2 and 3 during the years ended December 31, 2017 and 2016.

See accompanying notes to financial statements.

First Asset Canadian Energy Convertible Debenture Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(B) FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

During the year ended December 31, 2017, the reconciliation of Level 3 investments measured using non-observable inputs is presented as follows:

	\$
Beginning balance	228,742
Purchases	-
Sales	-
Net transfers (out of) Level 3	-
Net transfers (in to) Level 3	-
Realized gains (losses)	-
Change in unrealized appreciation (depreciation)	(106,251)
Ending balance	122,491

During the year ended December 31, 2016, the reconciliation of Level 3 investments measured using non-observable inputs is presented as follows:

	\$
Beginning balance	686,227
Purchases	-
Sales	-
Net transfers (out of) Level 3	-
Net transfers (in to) Level 3	-
Realized gains (losses)	-
Change in unrealized appreciation (depreciation)	(457,485)
Ending balance	228,742

The following section discusses the significant unobservable inputs for Level 3 positions and quantitatively outlines the inputs used to calculate fair value in accordance with IFRS 13, *Fair Value Measurement*.

As at December 31, 2017

Estimated Recovery Value

The value expected to be received upon liquidation of the company's assets after deducting the value of its liabilities.

	Fair Value \$	Valuation Techniques	Significant Unobservable Inputs	Value of Inputs Used
Estrella International Energy Services Ltd., 4.00%, December 31, 2018	114,371	Estimated Recovery Value	Estimated Recovery Value	\$10

Sensitivity Analysis of Level 3 Financial Assets and Liabilities

The following table summarizes the potential effect of using reasonably possible alternative assumptions for financial assets and financial liabilities held as at December 31, 2017 that are classified in Level 3 of the fair value hierarchy.

	Valuation Techniques	Significant Unobservable Inputs	Lower Range	Upper Range	Lower Range (\$)	Upper Range (\$)
Estrella International Energy Services Ltd., 4.00%, December 31, 2018	Estimated Recovery Value	Estimated Recovery Value	\$5	\$20	57,185	228,742

See accompanying notes to financial statements.

First Asset Canadian Energy Convertible Debenture Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(B) FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

As at December 31, 2016

Recent Trades

Recent trade prices are commonly used to value financial instruments traded in grey markets, which are unobservable inputs for Level 3 financial instruments. The recent trade prices are prices obtained from broker networks for the most recent trades made within these grey markets.

	Fair Value \$	Valuation Techniques	Significant Unobservable Inputs	Value of Inputs Used
Estrella International Energy Services Ltd., 12.00%, December 31, 2017	228,742	Recent Redemption Price	Recent Redemption Price	\$20

Sensitivity Analysis of Level 3 Financial Assets and Liabilities

The following table summarizes the potential effect of using reasonably possible alternative assumptions for financial assets and financial liabilities held as at December 31, 2016 that are classified in Level 3 of the fair value hierarchy.

	Valuation Techniques	Significant Unobservable Inputs	Lower Range	Upper Range	Lower Range (\$)	Upper Range (\$)
Estrella International Energy Services Ltd., 12.00%, December 31, 2017	Recent Redemption Price	Recent Redemption Price	\$19	\$21	217,305	240,179

(C) MANAGEMENT OF FINANCIAL RISKS

Credit risk

Credit Rating	% of Net Assets	
	December 31, 2017	December 31, 2016
BBB	22.89	19.99
BB	13.39	14.21
B	8.12	-
Not Rated	37.25	51.28

Interest rate risk

	Fair Value	
	December 31, 2017	December 31, 2016
	\$	\$
Less than 1 year	-	2,660,611
1 - 3 years	4,430,003	2,922,505
3 - 5 years	1,927,146	4,431,565
Greater than 5 years	291,450	99,125

As at December 31, 2017, if the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, net assets could possibly have decreased or increased, respectively, by approximately \$169,116 or 2.08% of net assets (December 31, 2016 - \$251,529 or 2.13%).

See accompanying notes to financial statements.

First Asset Canadian Energy Convertible Debenture Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(C) MANAGEMENT OF FINANCIAL RISKS (cont'd)

Currency risk

The tables below indicate the foreign currencies to which the Fund has significant exposure in Canadian dollar terms, including any 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 December 31, 2017

Currency	Investments	Cash	Other	Forward Foreign Currency Contracts	Total	Impact on Net Assets
	\$	\$	\$	\$	\$	\$
United States dollar	565,012	20,158	90	(563,748)	21,512	1,076
Total	565,012	20,158	90	(563,748)	21,512	1,076
As a % of Net Assets	6.9	0.3	-	(6.9)	0.3	-

As at December 31, 2016

Currency	Investments	Cash	Other	Forward Foreign Currency Contracts	Total	Impact on Net Assets
	\$	\$	\$	\$	\$	\$
United States dollar	863,184	26,116	139	(792,075)	97,364	4,868
Total	863,184	26,116	139	(792,075)	97,364	4,868
As a % of Net Assets	7.3	0.2	-	(6.7)	0.8	-

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(s) 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(s), as at year end, with all other variables held constant. 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.

Impact on Net Assets Attributable to Redeemable Securities

Benchmark	December 31, 2017	December 31, 2016
	\$	\$
50% Bank of America Merrill Lynch Canada High Yield Index and 50% S&P/TSX Capped Energy Total Return Index	246,951	482,414

(D) OFFSETTING OF FINANCIAL INSTRUMENTS

The following table shows the net impact on the Fund's Statements of Financial Position if all rights to offset were exercised.

As at December 31, 2017

	Gross Assets/ (Liabilities)	Amounts Eligible for Offset		Net Exposure
		Financial Instruments	Collateral Received/(Paid)	
		\$	\$	
Derivative assets - Foreign currency forward contracts	-	-	-	-
Total	-	-	-	-
Derivative liabilities - Foreign currency forward contracts	(1,176)	-	-	(1,176)
Total	(1,176)	-	-	(1,176)

See accompanying notes to financial statements.

First Asset Global Dividend Fund

STATEMENTS OF FINANCIAL POSITION

As at December 31

	2017	2016
	\$	\$
ASSETS		
Current assets		
Investments, at fair value (note 2)	12,286,589	14,099,285
Cash and cash equivalents	306,231	467,009
Due from broker	-	-
Unrealized gain on forward foreign currency contracts	75,107	44,707
Subscriptions receivable	-	-
Dividends receivable	50,317	51,607
Interest receivable	4	-
	12,718,248	14,662,608
LIABILITIES		
Current liabilities		
Bank overdraft	-	-
Due to broker	-	-
Unrealized loss on forward foreign currency contracts	10,392	59,095
Call option positions, at fair value	-	-
Distributions payable to holders of redeemable securities (note 9)	-	60,410
Management fee payable	16,275	19,022
Redemptions payable	3,899	10,614
Accounts payable and accrued liabilities	55,890	36,323
	86,456	185,464
Net assets attributable to holders of redeemable securities	12,631,792	14,477,144
Net assets attributable to holders of redeemable securities per class		
Class A	8,396,121	10,197,485
Class A1	1,394,037	1,732,241
Class F	829,137	690,250
Class F1	2,012,497	1,857,168
	12,631,792	14,477,144
Net assets attributable to holders of redeemable securities per security		
Class A	10.24	9.77
Class A1	12.13	11.90
Class F	10.64	10.01
Class F1	12.88	12.47

See accompanying notes to financial statements.

First Asset Global Dividend Fund

STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31

	2017	2016
	\$	\$
INCOME		
Net gains (losses) on investments and derivatives		
Dividends	457,305	514,693
Interest for distribution purposes	51	-
Change in unrealized appreciation (depreciation) of investments	419,916	(207,234)
Change in unrealized appreciation (depreciation) of options	-	-
Change in unrealized appreciation (depreciation) on forward foreign currency contracts	79,103	442,208
Net realized gain (loss) on sale of investments	428,172	384,436
Net realized gain (loss) on sale of options	-	-
Net realized gain (loss) on forward foreign currency contracts	463,384	96,654
Net gains (losses) on investments and derivatives ⁽¹⁾	1,847,931	1,230,757
Other income		
Securities lending income ⁽²⁾	2,642	3,453
Net realized gain (loss) on foreign exchange	(225,136)	98,606
Change in unrealized appreciation (depreciation) on other assets	(5,188)	(208)
Other income	-	-
Total other income	(227,682)	101,851
Total income	1,620,249	1,332,608
EXPENSES		
Custodian and fund valuation fees	24,414	23,096
Securityholder reporting costs	68,432	67,141
Management fee (notes 8 and 12) ⁽³⁾	207,210	239,108
Transaction costs (note 8) ⁽⁴⁾	4,115	5,014
Withholding taxes (note 10)	33,517	51,551
Harmonized Sales Tax	40,955	39,001
Audit fees	13,000	13,400
Legal fees	8,001	2,066
Independent Review Committee fees (note 12)	568	562
Interest expense	39	163
Other expenses	-	-
Total expenses before absorption	400,251	441,102
Expenses absorbed by the Manager	-	-
Total expenses after absorption	400,251	441,102
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	1,219,998	891,506

See accompanying notes to financial statements.

First Asset Global Dividend Fund

STATEMENTS OF COMPREHENSIVE INCOME (cont'd)

Years ended December 31

(in \$ except for number of securities)

	2017	2016
	\$	\$
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per class		
Class A	893,644	762,449
Class A1	105,003	918
Class F	85,353	66,689
Class F1	135,998	61,450
	<hr/> 1,219,998	<hr/> 891,506
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per security (note 2)		
Class A	0.97	0.66
Class A1	0.81	-
Class F	1.12	0.98
Class F1	0.89	0.54
Weighted average number of securities		
Class A	924,843	1,152,485
Class A1	130,298	188,659
Class F	76,273	68,072
Class F1	152,413	112,902

See accompanying notes to financial statements.

First Asset Global Dividend Fund

STATEMENTS OF COMPREHENSIVE INCOME (cont'd)

Years ended December 31

⁽¹⁾ Comprised of:

	2017	2016
	\$	\$
Financial assets and liabilities designated at FVTPL	1,305,444	691,895
Financial assets and liabilities classified as held for trading	542,487	538,862
	1,847,931	1,230,757

⁽²⁾ Securities lending (note 2)

	2017	2016
	\$	\$
Value of securities loaned	-	649,293
Value of collateral received	-	681,920
Gross amount generated from the securities lending transactions	4,489	5,755
Charges	(1,847)	(2,302)
Net securities lending income as reported in the Statements of Comprehensive Income	2,642	3,453

⁽³⁾ Management fee rate (notes 8 and 12)

	%
Management fee	
Class A	1.75
Class A1	1.65
Class F	0.75
Class F1	0.65

⁽⁴⁾ Commissions (note 8)

	2017	2016
	\$	\$
Brokerage commissions	5,778	3,457
Soft dollar commissions	-	-

See accompanying notes to financial statements.

First Asset Global Dividend Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES

Years ended December 31

	2017	2016
	\$	\$
Class A		
Net assets attributable to holders of redeemable securities, beginning of year	10,197,485	12,105,328
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	893,644	762,449
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(33,118)	(28,804)
From capital gains	-	-
Return of capital	(414,836)	(531,337)
	(447,954)	(560,141)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	3,310	65,176
Distributions reinvested	355,205	440,317
Redemption of securities	(2,605,569)	(2,615,644)
	(2,247,054)	(2,110,151)
Net increase (decrease) in net assets attributable to holders of redeemable securities	(1,801,364)	(1,907,843)
Net assets attributable to holders of redeemable securities, end of year	8,396,121	10,197,485
Class A1		
Net assets attributable to holders of redeemable securities, beginning of year	1,732,241	2,633,241
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	105,003	918
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(6,918)	(3,737)
From capital gains	-	-
Return of capital	(55,936)	(85,176)
	(62,854)	(88,913)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	67,450	115,024
Distributions reinvested	25,304	34,969
Redemption of securities	(473,107)	(962,998)
	(380,353)	(813,005)
Net increase (decrease) in net assets attributable to holders of redeemable securities	(338,204)	(901,000)
Net assets attributable to holders of redeemable securities, end of year	1,394,037	1,732,241

See accompanying notes to financial statements.

First Asset Global Dividend Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES (cont'd)

Years ended December 31

	2017	2016
	\$	\$
Class F		
Net assets attributable to holders of redeemable securities, beginning of year	690,250	387,018
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	85,353	66,689
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(5,788)	(3,666)
From capital gains	-	-
Return of capital	(32,671)	(32,882)
	(38,459)	(36,548)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	167,830	390,043
Distributions reinvested	9,797	11,304
Redemption of securities	(85,634)	(128,256)
	91,993	273,091
Net increase (decrease) in net assets attributable to holders of redeemable securities	138,887	303,232
Net assets attributable to holders of redeemable securities, end of year	829,137	690,250
Class F1		
Net assets attributable to holders of redeemable securities, beginning of year	1,857,168	1,223,176
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	135,998	61,450
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(15,172)	-
From capital gains	-	-
Return of capital	(61,102)	(59,793)
	(76,274)	(59,793)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	268,133	646,917
Distributions reinvested	10,526	13,728
Redemption of securities	(183,054)	(28,310)
	95,605	632,335
Net increase (decrease) in net assets attributable to holders of redeemable securities	155,329	633,992
Net assets attributable to holders of redeemable securities, end of year	2,012,497	1,857,168

See accompanying notes to financial statements.

First Asset Global Dividend Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES (cont'd)

Years ended December 31

	2017	2016
	\$	\$
The Fund		
Net assets attributable to holders of redeemable securities, beginning of year	14,477,144	16,348,763
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	1,219,998	891,506
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(60,996)	(36,207)
From capital gains	-	-
Return of capital	(564,545)	(709,188)
	(625,541)	(745,395)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	506,723	1,217,160
Distributions reinvested	400,832	500,318
Redemption of securities	(3,347,364)	(3,735,208)
	(2,439,809)	(2,017,730)
Net increase (decrease) in net assets attributable to holders of redeemable securities	(1,845,352)	(1,871,619)
Net assets attributable to holders of redeemable securities, end of year	12,631,792	14,477,144

See accompanying notes to financial statements.

First Asset Global Dividend Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES (cont'd)

Years ended December 31

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

As at December 31, 2017, capital and non-capital losses for income tax purposes available to be carried forward are as follows:

	\$
Capital losses	8,957,352
Non-capital losses	
2027	-
2028	-
2029	-
2030	-
2031	-
2032	-
2033	-
2034	-
2035	-
2036	-
2037	-
Total	-

⁽²⁾ Redeemable securities issued and outstanding

	2017 #	2016 #
Class A		
Securities outstanding, beginning of year	1,043,937	1,268,701
Issuance of securities	330	7,078
Reinvested distributions	35,372	46,572
Redemption of securities	(259,404)	(278,414)
Securities outstanding, end of year	820,235	1,043,937
Class A1		
Securities outstanding, beginning of year	145,568	215,772
Issuance of securities	5,668	9,757
Reinvested distributions	2,097	3,054
Redemption of securities	(38,429)	(83,015)
Securities outstanding, end of year	114,904	145,568
Class F		
Securities outstanding, beginning of year	68,937	39,712
Issuance of securities	16,277	41,213
Reinvested distributions	942	1,172
Redemption of securities	(8,235)	(13,160)
Securities outstanding, end of year	77,921	68,937
Class F1		
Securities outstanding, beginning of year	148,932	96,796
Issuance of securities	20,829	53,312
Reinvested distributions	828	1,144
Redemption of securities	(14,331)	(2,320)
Securities outstanding, end of year	156,258	148,932

See accompanying notes to financial statements.

First Asset Global Dividend Fund

STATEMENTS OF CASH FLOWS

Years ended December 31

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	1,219,998	891,506
Adjustments to reconcile cash flows from (used in) operating activities		
Proceeds from sale of investments	4,498,279	3,471,347
Purchases of investments	(1,837,494)	(646,365)
Change in due to/from broker	-	-
Change in other assets and liabilities	12,917	(9,586)
Change in foreign exchange on currency	-	-
Change in unrealized (appreciation) depreciation of investments	(419,916)	207,234
Change in unrealized (appreciation) depreciation of options	-	-
Change in unrealized (appreciation) depreciation on forward foreign currency contracts	(79,103)	(442,208)
Change in unrealized (appreciation) depreciation on other assets	5,188	208
Net realized (gain) loss on sale of investments	(428,172)	(384,436)
Net realized (gain) loss on sale of options	-	-
Cash flows from (used in) operating activities	2,971,697	3,087,700
FINANCING ACTIVITIES		
Subscriptions received	506,723	1,239,360
Distributions to securityholders	(285,119)	(242,129)
Redemption of securities	(3,354,079)	(3,758,522)
Cash flows from (used in) financing activities	(3,132,475)	(2,761,291)
Net increase (decrease) in cash and cash equivalents during the year	(160,778)	326,409
Cash and cash equivalents (bank overdraft), beginning of year	467,009	140,600
Cash and cash equivalents (bank overdraft), end of year	306,231	467,009
Supplementary Information:		
Dividends received, net of withholding tax	425,077	467,463
Interest received, net of withholding tax	46	-
Interest paid	(39)	(163)

See accompanying notes to financial statements.

First Asset Global Dividend Fund

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2017

	Number of Shares, Units and Par Value	Description	Average Cost \$	Fair Value \$	% of Net Assets
EQUITIES					
Australia					
AUD	15,370	Ancor Ltd.	216,806	232,264	
AUD	6,600	Australia and New Zealand Banking Group Ltd.	197,293	185,889	
			414,099	418,153	3.31%
Belgium					
USD	2,850	Anheuser-Busch InBev NV, ADR	382,384	398,370	
			382,384	398,370	3.15%
Canada					
	4,000	Enbridge Inc.	197,570	196,640	
			197,570	196,640	1.56%
France					
EUR	1,870	Air Liquide SA	261,289	295,558	
EUR	9,110	AXA SA	248,121	339,027	
EUR	680	LVMH Moët Hennessy-Louis Vuitton SA	126,631	251,066	
			636,041	885,651	7.01%
Germany					
EUR	1,990	Siemens AG	264,914	347,758	
			264,914	347,758	2.75%
Japan					
JPY	800	Fanuc Corp.	171,392	240,780	
JPY	4,500	Kao Corp.	210,123	381,340	
			381,515	622,120	4.93%
Netherlands					
EUR	9,270	Royal Dutch Shell PLC, Class 'A'	343,332	387,520	
			343,332	387,520	3.07%
Spain					
EUR	31,041	Banco Santander SA	281,665	255,884	
			281,665	255,884	2.03%
Sweden					
SEK	16,300	Nordea Bank AB	258,702	247,696	
			258,702	247,696	1.96%
Switzerland					
CHF	4,100	Nestlé SA, Registered, Series 'B'	352,034	441,753	
CHF	840	Roche Holding AG Genussscheine	310,192	266,225	
			662,226	707,978	5.60%
United Kingdom					
USD	6,370	Nielsen Holdings PLC	330,016	290,519	
USD	15,080	RELX Group	361,040	447,799	
GBP	97,140	Vodafone Group PLC	391,582	386,917	
			1,082,638	1,125,235	8.91%
United States					
USD	1,390	3M Co.	268,401	409,921	
USD	4,200	Abbott Laboratories	258,624	300,325	
USD	1,680	Becton, Dickinson & Co.	272,355	450,587	
USD	3,840	Bristol-Myers Squibb Co.	266,094	294,838	
USD	9,400	CA Inc.	338,797	391,963	
USD	2,560	Chevron Corp.	338,276	401,553	
USD	3,920	Colgate-Palmolive Co.	330,952	370,578	
USD	10,650	Comcast Corp., Class 'A'	411,225	534,424	
USD	2,750	JPMorgan Chase & Co.	216,038	368,474	
USD	5,190	MetLife Inc.	223,462	328,782	
USD	6,070	Microsoft Corp.	335,251	650,566	

See accompanying notes to financial statements.

First Asset Global Dividend Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2017

	Number of Shares, Units and Par Value	Description	Average Cost \$	Fair Value \$	% of Net Assets
EQUITIES (cont'd)					
United States (cont'd)					
USD	4,300	Oracle Corp.	262,106	254,730	
USD	2,910	PepsiCo Inc.	325,782	437,238	
USD	6,200	Pfizer Inc.	268,196	281,367	
USD	4,370	U.S. Bancorp	232,511	293,371	
USD	4,400	Walgreens Boots Alliance Inc.	390,455	400,353	
USD	6,900	Wells Fargo & Co.	446,170	524,514	
			5,184,695	6,693,584	52.99%
Total Equities			10,089,781	12,286,589	97.27%
Adjustment for transaction costs			(11,549)		
Total Investments			10,078,232	12,286,589	97.27%
Total unrealized gain on forward foreign currency contracts				75,107	0.59%
Total unrealized loss on forward foreign currency contracts				(10,392)	(0.08)%
Other assets, net of liabilities				280,488	2.22%
Net Assets Attributable to Holders of Redeemable Securities				12,631,792	100.00%

UNREALIZED GAIN ON FORWARD FOREIGN CURRENCY CONTRACTS

Settlement Date	Currency Buy	Position	Currency Sell	Position	Contract Rates	Counterparty	Credit Rating*	Unrealized Gain (\$)
January 5, 2018	CAD	486,671	CHF	378,240	1.2867	Canadian Imperial Bank of Commerce	A-1+	295
January 5, 2018	CAD	47,298	CHF	36,760	1.2867	Canadian Imperial Bank of Commerce	A-1+	29
January 5, 2018	CAD	241,036	GBP	141,271	1.7062	Canadian Imperial Bank of Commerce	A-1+	1,583
January 5, 2018	CAD	23,425	GBP	13,730	1.7062	Canadian Imperial Bank of Commerce	A-1+	154
January 5, 2018	CAD	482,961	JPY	42,928,004	0.0113	Canadian Imperial Bank of Commerce	A-1+	5,461
January 5, 2018	CAD	46,937	JPY	4,171,996	0.0113	Canadian Imperial Bank of Commerce	A-1+	531
January 5, 2018	CAD	5,382,514	USD	4,247,229	1.2673	Canadian Imperial Bank of Commerce	A-1+	61,115
January 5, 2018	CAD	523,104	USD	412,771	1.2673	Canadian Imperial Bank of Commerce	A-1+	5,939
								75,107

UNREALIZED LOSS ON FORWARD FOREIGN CURRENCY CONTRACTS

Settlement Date	Currency Buy	Position	Currency Sell	Position	Contract Rates	Counterparty	Credit Rating*	Unrealized Loss (\$)
January 5, 2018	CAD	26,470	AUD	27,459	0.9640	Canadian Imperial Bank of Commerce	A-1+	(439)
January 5, 2018	CAD	272,370	AUD	282,541	0.9640	Canadian Imperial Bank of Commerce	A-1+	(4,511)
January 5, 2018	CAD	118,401	EUR	78,834	1.5019	Canadian Imperial Bank of Commerce	A-1+	(219)
January 5, 2018	CAD	1,218,290	EUR	811,166	1.5019	Canadian Imperial Bank of Commerce	A-1+	(2,261)
January 5, 2018	CAD	15,192	SEK	100,978	0.1504	Canadian Imperial Bank of Commerce	A-1+	(262)
January 5, 2018	CAD	156,319	SEK	1,039,022	0.1504	Canadian Imperial Bank of Commerce	A-1+	(2,700)
								(10,392)

*Credit rating provided by S&P Global Ratings.
See accompanying notes to financial statements.

First Asset Global Dividend Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2017

PORTFOLIO CONCENTRATION

For Portfolio Concentration as at December 31, 2017, refer to the Schedule of Investment Portfolio disclosed above.

	% of Net Assets December 31, 2016
Equities	
Australia	1.54
Belgium	2.96
Britain	11.90
Canada	2.82
France	5.11
Germany	3.04
Japan	3.73
Netherlands	2.52
Spain	2.06
Switzerland	4.93
United States	56.78
Total unrealized gain on forward foreign currency contracts	0.31
Total unrealized loss on forward foreign currency contracts	(0.41)
Other assets, net of liabilities	2.71

See accompanying notes to financial statements.

First Asset Global Dividend Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(A) THE FUND

First Asset Global Dividend Fund (the "Fund") is an open-end mutual fund established by way of a Declaration of Trust, made as of May 23, 2006 under the laws of the Province of Ontario, under the name Criterion Global Dividend Fund. On June 5, 2012, the Fund changed its name to First Asset Global Dividend Fund.

The investment objective of the Fund is to provide securityholders with the opportunity for long-term capital appreciation by investing, directly or indirectly, primarily in equity securities of companies located anywhere in the world.

The Manager, Trustee, Administrator and Investment Advisor of the Fund is First Asset Investment Management Inc. ("First Asset").

Jarislowsky, Fraser Limited is the Investment Sub-Advisor of the Fund.

(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 December 31, 2017

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Equities	12,286,589	-	-	12,286,589
Derivatives	-	75,107	-	75,107
Total	12,286,589	75,107	-	12,361,696
Financial liabilities				
Derivatives	-	10,392	-	10,392
Total	-	10,392	-	10,392

As at December 31, 2016

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Equities	14,099,285	-	-	14,099,285
Derivatives	-	44,707	-	44,707
Total	14,099,285	44,707	-	14,143,992
Financial liabilities				
Derivatives	-	59,095	-	59,095
Total	-	59,095	-	59,095

There were no transfers between Level 1, 2 and 3 during the years ended December 31, 2017 and 2016.

See accompanying notes to financial statements.

First Asset Global Dividend Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(C) 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 any 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 December 31, 2017

Class A and Class F (Hedged)

Currency	Investments \$	Cash \$	Other \$	Forward Foreign Currency Contracts \$	Total \$	Impact on Net Assets \$
Australian dollar	305,386	-	-	(303,789)	1,597	80
British pound	282,573	-	5,183	(262,724)	25,032	1,252
Euro	1,370,675	3,692	14,240	(1,339,171)	49,436	2,472
Japanese yen	454,347	-	1,713	(523,906)	(67,846)	(3,392)
Swedish krona	180,898	-	-	(174,474)	6,424	321
Swiss franc	517,051	-	8,532	(533,645)	(8,062)	(403)
United States dollar	5,718,609	118,818	7,082	(5,838,564)	5,945	297
Total	8,829,539	122,510	36,750	(8,976,273)	12,526	627
As a % of Net Assets	95.7	1.3	0.4	(97.3)	0.1	-

Class A1 and Class F1 (Unhedged)

Currency	Investments \$	Cash \$	Other \$	Forward Foreign Currency Contracts \$	Total \$	Impact on Net Assets \$
Australian dollar	112,767	-	-	-	112,767	5,638
British pound	104,343	-	1,914	-	106,257	5,313
Euro	506,138	1,363	5,258	-	512,759	25,638
Japanese yen	167,773	-	633	-	168,406	8,420
Swedish krona	66,799	-	-	-	66,799	3,340
Swiss franc	190,927	-	3,151	-	194,078	9,704
United States dollar	2,111,663	43,875	2,615	-	2,158,153	107,908
Total	3,260,410	45,238	13,571	-	3,319,219	165,961
As a % of Net Assets	95.7	1.3	0.4	-	97.4	4.9

See accompanying notes to financial statements.

First Asset Global Dividend Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(C) MANAGEMENT OF FINANCIAL RISKS (cont'd)

As at December 31, 2016

Class A and Class F (Hedged)

Currency	Investments	Cash	Other	Forward Foreign Currency Contracts	Total	Impact on Net Assets
	\$	\$	\$	\$	\$	\$
Australian dollar	167,348	-	-	(158,256)	9,092	455
British pound	1,001,373	-	12,193	(1,051,830)	(38,264)	(1,913)
Euro	1,381,462	3,948	8,550	(1,228,295)	165,665	8,283
Japanese yen	405,005	-	1,669	(373,614)	33,060	1,653
Swiss franc	535,289	-	5,630	(481,213)	59,706	2,985
United States dollar	6,777,648	130,186	10,352	(6,378,240)	539,946	26,997
Total	10,268,125	134,134	38,394	(9,671,448)	769,205	38,460
As a % of Net Assets	94.3	1.2	0.4	(88.8)	7.1	0.4

Class A1 and Class F1 (Unhedged)

Currency	Investments	Cash	Other	Forward Foreign Currency Contracts	Total	Impact on Net Assets
	\$	\$	\$	\$	\$	\$
Australian dollar	55,783	-	-	-	55,783	2,789
British pound	333,791	-	4,064	-	337,855	16,893
Euro	460,487	1,316	2,850	-	464,653	23,233
Japanese yen	135,002	-	556	-	135,558	6,778
Swiss franc	178,430	-	1,877	-	180,307	9,015
United States dollar	2,259,217	43,396	3,450	-	2,306,063	115,303
Total	3,422,710	44,712	12,797	-	3,480,219	174,011
As a % of Net Assets	95.4	1.2	0.4	-	97.0	4.9

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(s) 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(s), as at year end, with all other variables held constant. 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.

Impact on Net Assets Attributable to Redeemable Securities

Benchmark	December 31, 2017	December 31, 2016
	\$	\$
MSCI World Index (Local) and MSCI World Index (CAD)	657,621	757,034

(D) OFFSETTING OF FINANCIAL INSTRUMENTS

The following table shows the net impact on the Fund's Statements of Financial Position if all rights to offset were exercised.

As at December 31, 2017

	Amounts Eligible for Offset			Net Exposure
	Gross Assets/ (Liabilities)	Financial Instruments	Collateral Received/(Paid)	
	\$	\$	\$	
Derivative assets - Foreign currency forward contracts	75,107	(10,392)	-	64,715
Total	75,107	(10,392)	-	64,715
Derivative liabilities - Foreign currency forward contracts	(10,392)	10,392	-	-
Total	(10,392)	10,392	-	-

See accompanying notes to financial statements.

First Asset REIT Income Fund

STATEMENTS OF FINANCIAL POSITION

As at December 31

	2017	2016
	\$	\$
ASSETS		
Current assets		
Investments, at fair value (note 2)	34,925,135	32,895,803
Cash and cash equivalents	1,207,817	2,077,985
Due from broker	-	-
Unrealized gain on forward foreign currency contracts	-	-
Subscriptions receivable	79,754	28,944
Dividends receivable	147,990	139,294
Interest receivable	-	-
	36,360,696	35,142,026
LIABILITIES		
Current liabilities		
Bank overdraft	-	-
Due to broker	-	-
Unrealized loss on forward foreign currency contracts	4,965	58,052
Call option positions, at fair value	-	-
Distributions payable to holders of redeemable securities (note 9)	-	61,803
Management fee payable	55,204	52,464
Redemptions payable	7,212	317,601
Accounts payable and accrued liabilities	79,674	72,107
	147,055	562,027
Net assets attributable to holders of redeemable securities	36,213,641	34,579,999
Net assets attributable to holders of redeemable securities per class		
Class A	29,338,990	28,398,294
Class F	6,874,651	6,181,705
	36,213,641	34,579,999
Net assets attributable to holders of redeemable securities per security		
Class A	18.45	17.51
Class F	20.42	19.10

See accompanying notes to financial statements.

First Asset REIT Income Fund

STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31

(in \$ except for number of securities)

	2017	2016
	\$	\$
INCOME		
Net gains (losses) on investments and derivatives		
Dividends	974,376	918,497
Interest for distribution purposes	-	38,397
Change in unrealized appreciation (depreciation) of investments	1,612,287	2,778,471
Change in unrealized appreciation (depreciation) of options	-	-
Change in unrealized appreciation (depreciation) on forward foreign currency contracts	53,087	37,165
Net realized gain (loss) on sale of investments	1,621,468	1,452,502
Net realized gain (loss) on sale of options	-	-
Net realized gain (loss) on forward foreign currency contracts	155,378	27,353
Net gains (losses) on investments and derivatives ⁽¹⁾	4,416,596	5,252,385
Other income		
Securities lending income ⁽²⁾	34,934	35,381
Net realized gain (loss) on foreign exchange	(50,988)	(11,576)
Change in unrealized appreciation (depreciation) on other assets	(1,123)	(871)
Other income	239	2,341
Total other income	(16,938)	25,275
Total income	4,399,658	5,277,660
EXPENSES		
Custodian and fund valuation fees	21,900	23,159
Securityholder reporting costs	96,610	78,969
Management fee (notes 8 and 12) ⁽³⁾	647,991	599,267
Transaction costs (note 8) ⁽⁴⁾	21,549	19,467
Withholding taxes (note 10)	35,462	31,516
Harmonized Sales Tax	82,200	77,099
Audit fees	13,000	13,400
Legal fees	2,000	5,010
Independent Review Committee fees (note 12)	1,358	1,487
Interest expense	213	642
Other expenses	-	-
Total expenses before absorption	922,283	850,016
Expenses absorbed by the Manager	-	-
Total expenses after absorption	922,283	850,016
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	3,477,375	4,427,644
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per class		
Class A	2,797,226	3,686,467
Class F	680,149	741,177
	3,477,375	4,427,644
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per security (note 2)		
Class A	1.75	2.32
Class F	2.07	2.48
Weighted average number of securities		
Class A	1,600,367	1,591,191
Class F	328,619	298,614

See accompanying notes to financial statements.

First Asset REIT Income Fund

STATEMENTS OF COMPREHENSIVE INCOME (cont'd)

Years ended December 31

⁽¹⁾ Comprised of:

	2017	2016
	\$	\$
Financial assets and liabilities designated at FVTPL	4,208,131	5,187,867
Financial assets and liabilities classified as held for trading	208,465	64,518
	4,416,596	5,252,385

⁽²⁾ Securities lending (note 2)

	2017	2016
	\$	\$
Value of securities loaned	10,991,604	8,786,730
Value of collateral received	11,550,321	9,240,662
Gross amount generated from the securities lending transactions	58,217	58,964
Charges	(23,283)	(23,583)
Net securities lending income as reported in the Statements of Comprehensive Income	34,934	35,381

⁽³⁾ Management fee rate (notes 8 and 12)

	%
Management fee	
Class A	2.00
Class F	1.00

⁽⁴⁾ Commissions (note 8)

	2017	2016
	\$	\$
Brokerage commissions	20,884	18,622
Soft dollar commissions	973	1,238

See accompanying notes to financial statements.

First Asset REIT Income Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES

Years ended December 31

	2017	2016
	\$	\$
Class A		
Net assets attributable to holders of redeemable securities, beginning of year	28,398,294	24,238,243
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	2,797,226	3,686,467
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(52,794)	(1,026)
From capital gains	-	(50,233)
Return of capital	(1,227,112)	(1,224,926)
	(1,279,906)	(1,276,185)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	5,400,709	9,413,183
Distributions reinvested	721,747	642,754
Redemption of securities	(6,699,080)	(8,306,168)
	(576,624)	1,749,769
Net increase (decrease) in net assets attributable to holders of redeemable securities	940,696	4,160,051
Net assets attributable to holders of redeemable securities, end of year	29,338,990	28,398,294
Class F		
Net assets attributable to holders of redeemable securities, beginning of year	6,181,705	3,738,504
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	680,149	741,177
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(17,663)	(40,348)
From capital gains	-	(7,993)
Return of capital	(246,355)	(194,899)
	(264,018)	(243,240)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	3,359,238	6,139,375
Distributions reinvested	157,112	135,605
Redemption of securities	(3,239,535)	(4,329,716)
	276,815	1,945,264
Net increase (decrease) in net assets attributable to holders of redeemable securities	692,946	2,443,201
Net assets attributable to holders of redeemable securities, end of year	6,874,651	6,181,705

See accompanying notes to financial statements.

First Asset REIT Income Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES (cont'd)

Years ended December 31

	2017	2016
	\$	\$
The Fund		
Net assets attributable to holders of redeemable securities, beginning of year	34,579,999	27,976,747
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	3,477,375	4,427,644
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(70,457)	(41,374)
From capital gains	-	(58,226)
Return of capital	(1,473,467)	(1,419,825)
	(1,543,924)	(1,519,425)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	8,759,947	15,552,558
Distributions reinvested	878,859	778,359
Redemption of securities	(9,938,615)	(12,635,884)
	(299,809)	3,695,033
Net increase (decrease) in net assets attributable to holders of redeemable securities	1,633,642	6,603,252
Net assets attributable to holders of redeemable securities, end of year	36,213,641	34,579,999

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

As at December 31, 2017, capital and non-capital losses for income tax purposes available to be carried forward are as follows:

	\$
Capital losses	-
Non-capital losses	
2027	-
2028	-
2029	-
2030	-
2031	-
2032	-
2033	-
2034	-
2035	-
2036	-
2037	-
Total	-

⁽²⁾ Redeemable securities issued and outstanding

	2017	2016
	#	#
Class A		
Securities outstanding, beginning of year	1,621,470	1,521,458
Issuance of securities	296,218	554,074
Reinvested distributions	39,661	37,462
Redemption of securities	(367,112)	(491,524)
Securities outstanding, end of year	1,590,237	1,621,470
Class F		
Securities outstanding, beginning of year	323,733	218,375
Issuance of securities	167,769	332,517
Reinvested distributions	7,854	7,271
Redemption of securities	(162,664)	(234,430)
Securities outstanding, end of year	336,692	323,733

See accompanying notes to financial statements.

First Asset REIT Income Fund

STATEMENTS OF CASH FLOWS

Years ended December 31

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	3,477,375	4,427,644
Adjustments to reconcile cash flows from (used in) operating activities		
Proceeds from sale of investments	7,274,086	6,678,683
Purchases of investments	(6,069,663)	(8,064,940)
Change in due to/from broker	-	-
Change in other assets and liabilities	488	(4,653)
Change in foreign exchange on currency	-	-
Change in unrealized (appreciation) depreciation of investments	(1,612,287)	(2,778,471)
Change in unrealized (appreciation) depreciation of options	-	-
Change in unrealized (appreciation) depreciation on forward foreign currency contracts	(53,087)	(37,165)
Change in unrealized (appreciation) depreciation on other assets	1,123	871
Net realized (gain) loss on sale of investments	(1,621,468)	(1,452,502)
Net realized (gain) loss on sale of options	-	-
Cash flows from (used in) operating activities	1,396,567	(1,230,533)
FINANCING ACTIVITIES		
Subscriptions received	8,709,137	15,590,719
Distributions to securityholders	(726,868)	(736,463)
Redemption of securities	(10,249,004)	(12,348,048)
Cash flows from (used in) financing activities	(2,266,735)	2,506,208
Net increase (decrease) in cash and cash equivalents during the year	(870,168)	1,275,675
Cash and cash equivalents (bank overdraft), beginning of year	2,077,985	802,310
Cash and cash equivalents (bank overdraft), end of year	1,207,817	2,077,985
Supplementary Information:		
Dividends received, net of withholding tax	930,218	883,447
Interest received, net of withholding tax	-	38,448
Interest paid	(213)	(642)

See accompanying notes to financial statements.

First Asset REIT Income Fund

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2017

	Number of Shares, Units and Par Value	Description	Average Cost \$	Fair Value \$	% of Net Assets
LIMITED PARTNERSHIP UNITS					
	98,100	American Hotel Income Properties REIT L.P.	928,419	916,254	
	25,284	Brookfield Property Partners L.P.	528,418	704,159	
	174,900	Pure Multi-Family REIT L.P., Class 'A'	977,289	1,320,495	
	Total Limited Partnership Units		2,434,126	2,940,908	8.12%
EQUITIES					
Canada					
	29,434	Agellan Commercial REIT	221,947	351,442	
	27,200	Allied Properties REIT	796,451	1,144,576	
	12,600	Altus Group Ltd.	161,594	465,318	
	33,629	Artis REIT	385,502	474,169	
	9,500	Brookfield Asset Management Inc., Class 'A'	429,667	519,840	
	44,700	Canadian Apartment Properties REIT	1,051,827	1,668,204	
	85,830	Chartwell Retirement Residences	942,148	1,395,596	
	45,000	Choice Properties REIT	581,094	600,750	
	28,277	CREIT	1,169,617	1,309,225	
	78,750	Crombie REIT	983,497	1,086,750	
	17,400	CT REIT	246,725	252,300	
	90,300	Dream Global REIT	768,778	1,103,466	
	125,780	Dream Industrial REIT	925,589	1,106,864	
	32,600	Firm Capital Mortgage Investment Corp.	414,193	424,778	
	20,000	First Asset Canadian REIT ETF	320,198	320,800	
	77,255	First Capital Realty Inc.	1,477,448	1,600,724	
	13,500	Granite REIT	496,159	664,875	
	66,898	H&R REIT	1,410,692	1,428,941	
	50,300	Inovalis REIT	335,674	501,491	
	151,182	InterRent REIT	590,253	1,380,292	
	91,934	Killam Apartment REIT	962,131	1,307,301	
USD	51,500	Mainstreet Health Investments Inc.	677,634	540,090	
	4,663	Morguard Corp.	496,121	836,915	
	99,028	Morguard North American Residential REIT	733,913	1,488,391	
	40,071	Morguard REIT	613,288	552,980	
	200,000	Nexus REIT	415,029	404,000	
	205,500	Pure Industrial Real Estate Trust	944,157	1,391,235	
	62,691	RioCan REIT	1,563,316	1,527,153	
	42,000	Sienna Senior Living Inc.	683,567	765,240	
	34,200	SmartCentres REIT	1,006,530	1,057,122	
	166,845	StorageVault Canada Inc.	243,874	438,802	
	60,000	Summit Industrial Income REIT	432,000	441,000	
	10,200	Timbercreek Financial Corp.	92,947	98,124	
	131,300	Tricon Capital Group Inc.	1,039,211	1,516,515	
USD	66,875	WPT Industrial REIT	540,511	1,065,822	
			24,153,282	31,231,091	86.24%
United States					
USD	3,500	Simon Property Group Inc.	578,047	753,136	
			578,047	753,136	2.08%
Total Equities			24,731,329	31,984,227	88.32%
Adjustment for transaction costs			(37,636)		
Total Investments			27,127,819	34,925,135	96.44%
Total unrealized loss on forward foreign currency contracts				(4,965)	(0.01)%
Other assets, net of liabilities				1,293,471	3.57%
Net Assets Attributable to Holders of Redeemable Securities				36,213,641	100.00%

See accompanying notes to financial statements.

First Asset REIT Income Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2017

UNREALIZED LOSS ON FORWARD FOREIGN CURRENCY CONTRACTS

Settlement Date	Currency Buy	Position	Currency Sell	Position	Contract Rates	Counterparty	Credit Rating*	Unrealized Loss (\$)
January 12, 2018	CAD	2,375,304	USD	1,900,000	1.2502	Canadian Imperial Bank of Commerce	A-1+	(4,965)
								(4,965)

PORTFOLIO CONCENTRATION

For Portfolio Concentration as at December 31, 2017, refer to the Schedule of Investment Portfolio disclosed above.

	% of Net Assets December 31, 2016
Limited Partnership Units	4.81
Equities	
Canada	87.91
United States	2.41
Total unrealized loss on forward foreign currency contracts	(0.17)
Other assets, net of liabilities	5.04

*Credit rating provided by S&P Global Ratings.
See accompanying notes to financial statements.

First Asset REIT Income Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(A) THE FUND

First Asset REIT Income Fund (the "Fund") is an open-end mutual fund established by way of a Declaration of Trust, made as of June 4, 2010 under the laws of the Province of Ontario under the name Criterion REIT Income Fund. On June 4, 2012, the Fund changed its name to First Asset REIT Income Fund.

The Fund's investment objectives are to provide holders with quarterly distributions and the opportunity for capital appreciation through investment primarily in real estate investment trusts ("REITs"), equity securities of corporations carrying on business in the real estate sector and debt or convertible debt issued by REITs and real estate corporations.

The Manager, Trustee, Administrator and Investment Advisor of the Fund is First Asset Management Inc. ("First Asset").

(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 December 31, 2017

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Equities	31,984,227	-	-	31,984,227
Limited partnership units	2,940,908	-	-	2,940,908
Total	34,925,135	-	-	34,925,135
Financial liabilities				
Derivatives	-	4,965	-	4,965
Total	-	4,965	-	4,965

As at December 31, 2016

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Equities	31,232,697	-	-	31,232,697
Limited partnership units	1,663,106	-	-	1,663,106
Total	32,895,803	-	-	32,895,803
Financial liabilities				
Derivatives	-	58,052	-	58,052
Total	-	58,052	-	58,052

There were no transfers between Level 1, 2 and 3 during the years ended December 31, 2017 and 2016.

See accompanying notes to financial statements.

First Asset REIT Income Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(C) 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 any 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 December 31, 2017

Currency	Investments \$	Cash \$	Other \$	Forward Foreign Currency Contracts \$	Total \$	Impact on Net Assets \$
United States dollar	2,359,048	78,666	18,790	(2,380,269)	76,235	3,812
Total	2,359,048	78,666	18,790	(2,380,269)	76,235	3,812
As a % of Net Assets	6.5	0.2	0.1	(6.6)	0.2	-

As at December 31, 2016

Currency	Investments \$	Cash \$	Other \$	Forward Foreign Currency Contracts \$	Total \$	Impact on Net Assets \$
United States dollar	2,545,590	32,179	23,006	(2,489,653)	111,122	5,556
Total	2,545,590	32,179	23,006	(2,489,653)	111,122	5,556
As a % of Net Assets	7.4	0.1	-	(7.2)	0.3	-

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(s) 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(s), as at year end, with all other variables held constant. 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.

Impact on Net Assets Attributable to Redeemable Securities

Benchmark	December 31, 2017	December 31, 2016
	\$	\$
S&P/TSX Capped REIT Total Return Index	2,811,324	2,641,314

(D) RELATED PARTY TRANSACTIONS

The Fund invests in redeemable securities of other investment funds ("underlying funds") managed by First Asset to gain exposure to the investment objectives and strategies of the underlying funds. Each underlying fund is generally financed through the capital invested by the Fund, along with other investors, which entitles securityholders to a proportionate share of the underlying fund's net assets. The Fund does not provide additional financial or other support to the underlying funds. All underlying funds were established in and carry out their operations in Canada. The Fund's interests in underlying funds are reported at fair value in its Statements of Financial Position and in its Schedule of Investment Portfolio, which represents the Fund's maximum exposure to financial loss.

As at December 31, 2017

Underlying Fund	% of Net Assets	Ownership Interest %
First Asset Canadian REIT ETF	0.89	0.11
Total	0.89	

See accompanying notes to financial statements.

First Asset REIT Income Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(E) OFFSETTING OF FINANCIAL INSTRUMENTS

The following table shows the net impact on the Fund's Statements of Financial Position if all rights to offset were exercised.

As at December 31, 2017

	Gross Assets/ (Liabilities)	Amounts Eligible for Offset		Net Exposure
		Financial Instruments	Collateral Received/(Paid)	
	\$	\$	\$	\$
Derivative assets - Foreign currency forward contracts	-	-	-	-
Total	-	-	-	-
Derivative liabilities - Foreign currency forward contracts	(4,965)	-	-	(4,965)
Total	(4,965)	-	-	(4,965)

See accompanying notes to financial statements.

First Asset Utility Plus Fund

STATEMENTS OF FINANCIAL POSITION

As at December 31

	2017	2016
	\$	\$
ASSETS		
Current assets		
Investments, at fair value (note 2)	15,076,075	17,977,198
Cash and cash equivalents	1,203,848	605,985
Due from broker	-	-
Unrealized gain on forward foreign currency contracts	-	3,237
Subscriptions receivable	155	5,130
Dividends receivable	68,479	72,678
Interest receivable	19,664	3,995
	<u>16,368,221</u>	<u>18,668,223</u>
LIABILITIES		
Current liabilities		
Bank overdraft	-	-
Due to broker	-	-
Unrealized loss on forward foreign currency contracts	4,076	45,698
Call option positions, at fair value	-	-
Distributions payable to holders of redeemable securities (note 9)	-	18,473
Management fee payable	26,690	29,896
Redemptions payable	83,694	32,902
Accounts payable and accrued liabilities	62,211	43,467
	<u>176,671</u>	<u>170,436</u>
Net assets attributable to holders of redeemable securities	<u>16,191,550</u>	<u>18,497,787</u>
Net assets attributable to holders of redeemable securities per class		
Class A	14,958,305	17,219,903
Class F	1,233,245	1,277,884
	<u>16,191,550</u>	<u>18,497,787</u>
Net assets attributable to holders of redeemable securities per security		
Class A	11.46	11.16
Class F	12.50	12.03

See accompanying notes to financial statements.

First Asset Utility Plus Fund

STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31

(in \$ except for number of securities)

	2017	2016
	\$	\$
INCOME		
Net gains (losses) on investments and derivatives		
Dividends	648,555	669,790
Interest for distribution purposes	16,966	7,062
Change in unrealized appreciation (depreciation) of investments	(504,814)	1,459,071
Change in unrealized appreciation (depreciation) of options	-	-
Change in unrealized appreciation (depreciation) on forward foreign currency contracts	38,385	160,026
Net realized gain (loss) on sale of investments	1,658,021	498,970
Net realized gain (loss) on sale of options	(4,249)	-
Net realized gain (loss) on forward foreign currency contracts	113,684	212,048
Net gains (losses) on investments and derivatives ⁽¹⁾	1,966,548	3,006,967
Other income		
Securities lending income ⁽²⁾	5,352	4,939
Net realized gain (loss) on foreign exchange	(60,158)	(222,200)
Change in unrealized appreciation (depreciation) on other assets	(25,722)	(116,052)
Other income	12	-
Total other income	(80,516)	(333,313)
Total income	1,886,032	2,673,654
EXPENSES		
Custodian and fund valuation fees	20,766	21,873
Securityholder reporting costs	73,992	70,670
Management fee (notes 8 and 12) ⁽³⁾	333,632	385,042
Transaction costs (note 8) ⁽⁴⁾	16,252	22,041
Withholding taxes (note 10)	9,984	13,470
Harmonized Sales Tax	56,538	54,868
Audit fees	13,000	15,400
Legal fees	8,001	2,761
Independent Review Committee fees (note 12)	632	816
Interest expense	-	-
Other expenses	-	-
Total expenses before absorption	532,797	586,941
Expenses absorbed by the Manager	-	-
Total expenses after absorption	532,797	586,941
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	1,353,235	2,086,713
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per class		
Class A	1,241,147	1,958,776
Class F	112,088	127,937
	1,353,235	2,086,713
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per security (note 2)		
Class A	0.90	1.16
Class F	1.07	1.30
Weighted average number of securities		
Class A	1,373,438	1,683,716
Class F	104,396	98,388

See accompanying notes to financial statements.

First Asset Utility Plus Fund

STATEMENTS OF COMPREHENSIVE INCOME (cont'd)

Years ended December 31

⁽¹⁾ Comprised of:

	2017	2016
	\$	\$
Financial assets and liabilities designated at FVTPL	1,818,728	2,634,893
Financial assets and liabilities classified as held for trading	147,820	372,074
	1,966,548	3,006,967

⁽²⁾ Securities lending (note 2)

	2017	2016
	\$	\$
Value of securities loaned	1,955,712	2,298,598
Value of collateral received	2,056,407	2,420,076
Gross amount generated from the securities lending transactions	9,085	8,230
Charges	(3,733)	(3,291)
Net securities lending income as reported in the Statements of Comprehensive Income	5,352	4,939

⁽³⁾ Management fee rate (notes 8 and 12)

	%
Management fee	
Class A	2.00
Class F	1.00

⁽⁴⁾ Commissions (note 8)

	2017	2016
	\$	\$
Brokerage commissions	14,841	20,671
Soft dollar commissions	813	1,678

See accompanying notes to financial statements.

First Asset Utility Plus Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES

Years ended December 31

	2017	2016
	\$	\$
Class A		
Net assets attributable to holders of redeemable securities, beginning of year	17,219,903	19,802,264
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	1,241,147	1,958,776
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(39,606)	-
From capital gains	(694,454)	-
Return of capital	-	(817,874)
	(734,060)	(817,874)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	611,246	833,266
Distributions reinvested	669,037	745,974
Redemption of securities	(4,048,968)	(5,302,503)
	(2,768,685)	(3,723,263)
Net increase (decrease) in net assets attributable to holders of redeemable securities	(2,261,598)	(2,582,361)
Net assets attributable to holders of redeemable securities, end of year	14,958,305	17,219,903
Class F		
Net assets attributable to holders of redeemable securities, beginning of year	1,277,884	1,150,076
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	112,088	127,937
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(6,811)	-
From capital gains	(53,189)	-
Return of capital	-	(49,359)
	(60,000)	(49,359)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	188,549	290,839
Distributions reinvested	56,353	46,242
Redemption of securities	(341,629)	(287,851)
	(96,727)	49,230
Net increase (decrease) in net assets attributable to holders of redeemable securities	(44,639)	127,808
Net assets attributable to holders of redeemable securities, end of year	1,233,245	1,277,884

See accompanying notes to financial statements.

First Asset Utility Plus Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES (cont'd)

Years ended December 31

	2017	2016
	\$	\$
The Fund		
Net assets attributable to holders of redeemable securities, beginning of year	18,497,787	20,952,340
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	1,353,235	2,086,713
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	(46,417)	-
From capital gains	(747,643)	-
Return of capital	-	(867,233)
	(794,060)	(867,233)
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	799,795	1,124,105
Distributions reinvested	725,390	792,216
Redemption of securities	(4,390,597)	(5,590,354)
	(2,865,412)	(3,674,033)
Net increase (decrease) in net assets attributable to holders of redeemable securities	(2,306,237)	(2,454,553)
Net assets attributable to holders of redeemable securities, end of year	16,191,550	18,497,787

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

As at December 31, 2017, capital and non-capital losses for income tax purposes available to be carried forward are as follows:

	\$
Capital losses	-
Non-capital losses	
2027	-
2028	-
2029	-
2030	-
2031	-
2032	-
2033	-
2034	-
2035	-
2036	-
2037	-
Total	-

⁽²⁾ Redeemable securities issued and outstanding

	2017	2016
	#	#
Class A		
Securities outstanding, beginning of year	1,543,217	1,884,342
Issuance of securities	52,479	74,497
Reinvested distributions	57,572	66,411
Redemption of securities	(347,562)	(482,033)
Securities outstanding, end of year	1,305,706	1,543,217
Class F		
Securities outstanding, beginning of year	106,182	102,756
Issuance of securities	14,853	23,943
Reinvested distributions	4,462	3,834
Redemption of securities	(26,849)	(24,351)
Securities outstanding, end of year	98,648	106,182

See accompanying notes to financial statements.

First Asset Utility Plus Fund

STATEMENTS OF CASH FLOWS

Years ended December 31

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	1,353,235	2,086,713
Adjustments to reconcile cash flows from (used in) operating activities		
Proceeds from sale of investments	8,650,168	10,337,826
Purchases of investments	(4,600,087)	(9,872,428)
Change in due to/from broker	-	-
Change in other assets and liabilities	(21,654)	(130,590)
Change in foreign exchange on currency	-	-
Change in unrealized (appreciation) depreciation of investments	504,814	(1,459,071)
Change in unrealized (appreciation) depreciation of options	-	-
Change in unrealized (appreciation) depreciation on forward foreign currency contracts	(38,385)	(160,026)
Change in unrealized (appreciation) depreciation on other assets	25,722	116,052
Net realized (gain) loss on sale of investments	(1,658,021)	(498,970)
Net realized (gain) loss on sale of options	4,249	-
Cash flows from (used in) operating activities	4,220,041	419,506
FINANCING ACTIVITIES		
Subscriptions received	804,770	1,118,975
Distributions to securityholders	(87,143)	(109,115)
Redemption of securities	(4,339,805)	(5,600,059)
Cash flows from (used in) financing activities	(3,622,178)	(4,590,199)
Net increase (decrease) in cash and cash equivalents during the year	597,863	(4,170,693)
Cash and cash equivalents (bank overdraft), beginning of year	605,985	4,776,678
Cash and cash equivalents (bank overdraft), end of year	1,203,848	605,985
Supplementary Information:		
Dividends received, net of withholding tax	642,770	662,009
Interest received, net of withholding tax	1,297	6,026
Interest paid	-	-

See accompanying notes to financial statements.

First Asset Utility Plus Fund

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2017

	Number of Shares, Units and Par Value	Description	Average Cost \$	Fair Value \$	% of Net Assets
LIMITED PARTNERSHIP UNITS					
	35	Brookfield Infrastructure Partners L.P.	1,119	1,973	
	3,200	Brookfield Renewable Partners L.P.	120,862	140,192	
Total Limited Partnership Units			121,981	142,165	0.88%
EQUITIES					
Canada					
	55,760	Algonquin Power & Utilities Corp.	445,231	783,986	
	17,000	AltaGas Ltd., Subscription Receipt	522,404	482,290	
	39,300	Boralex Inc., Class 'A'	511,063	923,550	
	15,700	Canadian Utilities Ltd., Class 'A'	598,954	587,337	
	16,300	Capital Power Corp.	369,144	399,187	
	5,300	Chemtrade Logistics Income Fund	112,492	102,820	
	21,700	Crius Energy Trust	177,610	197,036	
	8,300	Emera Inc.	364,938	389,934	
	5,800	Enbridge Inc.	329,349	285,128	
	19,200	Enbridge Income Fund Holdings Inc.	555,560	572,352	
	35,600	EnerCare Inc.	556,135	730,156	
	150,100	First Asset Active Utility & Infrastructure ETF	1,469,076	1,591,060	
	18,300	Fortis Inc.	681,310	843,813	
	18,500	Gibson Energy Inc.	326,603	336,330	
	1,600	H&R REIT	35,259	34,176	
	16,400	Hydro One Ltd.	380,753	367,360	
	38,100	Innergex Renewable Energy Inc.	463,447	548,640	
	17,200	Inter Pipeline Ltd.	454,906	447,716	
	8,200	Just Energy Group Inc.	44,885	44,280	
	16,400	Keyera Corp.	582,218	580,888	
	26,200	Kinder Morgan Canada Ltd.	443,549	445,662	
	28,900	Northland Power Inc.	552,236	674,815	
	13,745	Pembina Pipeline Corp.	438,798	625,535	
	8,000	Quebecor Inc., Class 'B'	123,101	189,600	
	10,000	Sienna Senior Living Inc.	174,500	182,200	
	31,300	Superior Plus Corp.	344,745	371,531	
	42,600	Tidewater Midstream and Infrastructure Ltd.	62,596	64,752	
	100	TransAlta Corp.	651	745	
	32,600	TransAlta Renewables Inc.	428,184	436,514	
	6,100	TransCanada Corp.	359,670	373,198	
			11,909,367	13,612,591	84.07%
United States					
USD	2,700	CMS Energy Corp.	147,453	160,014	
USD	2,100	NextEra Energy Inc.	214,465	410,967	
	12,500	Pattern Energy Group Inc., Class 'A'	370,391	337,875	
USD	2,500	TerraForm Power Inc., Class 'A'	40,957	37,463	
			773,266	946,319	5.85%
Total Equities			12,682,633	14,558,910	89.92%

See accompanying notes to financial statements.

First Asset Utility Plus Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2017

Number of Shares, Units and Par Value	Description	Average Cost \$	Fair Value \$	% of Net Assets
BONDS				
750,000	Genalta Power Inc., 11.00%, May 31, 2018	525,000	375,000	
Total Bonds		525,000	375,000	2.31%
	Adjustment for transaction costs	(12,445)		
Total Investments		13,317,169	15,076,075	93.11%
	Total unrealized loss on forward foreign currency contracts		(4,076)	(0.03)%
	Other assets, net of liabilities		1,119,551	6.92%
Net Assets Attributable to Holders of Redeemable Securities			16,191,550	100.00%

UNREALIZED LOSS ON FORWARD FOREIGN CURRENCY CONTRACTS

Settlement Date	Currency Buy	Position	Currency Sell	Position	Contract Rates	Counterparty	Credit Rating*	Unrealized Loss (\$)
January 12, 2018	CAD	1,950,250	USD	1,560,000	1.2502	Canadian Imperial Bank of Commerce	A-1+	(4,076)
								(4,076)

PORTFOLIO CONCENTRATION

For Portfolio Concentration as at December 31, 2017, refer to the Schedule of Investment Portfolio disclosed above.

	% of Net Assets December 31, 2016
Limited Partnership Units	5.19
Equities	
Canada	76.08
United States	12.65
Convertible Debentures	3.27
Total unrealized gain on forward foreign currency contracts	0.02
Total unrealized loss on forward foreign currency contracts	(0.25)
Other assets, net of liabilities	3.04

*Credit rating provided by S&P Global Ratings.
See accompanying notes to financial statements.

First Asset Utility Plus Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(A) THE FUND

First Asset Utility Plus Fund (the "Fund") is an open-end mutual fund established by way of a Declaration of Trust, made as of January 11, 2011 under the laws of the Province of Ontario under the name Criterion Utility Plus Fund. On June 5, 2012, the Fund changed its name to First Asset Utility Plus Fund.

The Fund's objectives are to provide holders with quarterly income and the opportunity for capital appreciation by investing primarily in equity securities of Canadian issuers which have a market capitalization greater than \$200 million. The securities include Canadian and United States' corporations, limited partnerships and trusts. The Fund's portfolio is focused on issuers in the utilities sector (electrical, water, gas), energy infrastructure sector (including renewable energy and pipelines), the telecom sector and also on stable businesses with a strong history of growing their earnings and/or dividends.

The Manager, Trustee, Administrator and Investment Advisor of the Fund is First Asset Investment Management Inc. ("First Asset").

(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 December 31, 2017

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities	14,558,910	-	-	14,558,910
Bonds	-	-	375,000	375,000
Limited partnership units	142,165	-	-	142,165
Total	14,701,075	-	375,000	15,076,075
Financial liabilities				
Derivatives	-	4,076	-	4,076
Total	-	4,076	-	4,076

As at December 31, 2016

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Equities	16,413,542	-	-	16,413,542
Convertible debentures	-	79,300	525,000	604,300
Limited partnership units	959,356	-	-	959,356
Derivatives	-	3,237	-	3,237
Total	17,372,898	82,537	525,000	17,980,435
Financial liabilities				
Derivatives	-	45,698	-	45,698
Total	-	45,698	-	45,698

There were no transfers between Level 1, 2 and 3 during the years ended December 31, 2017 and 2016.

See accompanying notes to financial statements.

First Asset Utility Plus Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(B) FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

During the year ended December 31, 2017, the reconciliation of Level 3 investments measured using non-observable inputs is presented as follows:

	\$
Beginning balance	525,000
Purchases	-
Sales	-
Net transfers (out of) Level 3	-
Net transfers (in to) Level 3	-
Realized gains (losses)	-
Change in unrealized appreciation (depreciation)	(150,000)
Ending balance	375,000

During the year ended December 31, 2016, the reconciliation of Level 3 investments measured using non-observable inputs is presented as follows:

	\$
Beginning balance	-
Purchases	525,000
Sales	-
Net transfers (out of) Level 3	-
Net transfers (in to) Level 3	-
Realized gains (losses)	-
Change in unrealized appreciation (depreciation)	-
Ending balance	525,000

The following section discusses the significant unobservable inputs for Level 3 positions and quantitatively outlines the inputs used to calculate fair value in accordance with IFRS 13, *Fair Value Measurement*.

As at December 31, 2017

Recovery Rate and Liquidation Price

A common approach for valuing bonds issued by companies facing significant financial distress is to use the recovery rate method, where the expected recovery rate is a key input. The expected recovery rate is the proportion that an entity can expect to recover on its initial investment given the current financial distress, and the potential for the issuer to continue facing such financial distress. For bonds, the liquidation approach is used, which is similar to the recovery rate method, and uses the liquidation prices as a key input.

	Fair Value \$	Valuation Techniques	Significant Unobservable Inputs	Value of Inputs Used
Genalta Power Inc., 11.00%, May 31, 2018	375,000	Weighted Average Recovery	EBITDA Multiple	8x

Genalta Power Inc. ("Genalta") is a company incorporated and with primary operations in Alberta, Canada. Genalta builds, owns, operates and maintains independent power production facilities fuelled by waste, excess or underutilized energy sources. Genalta aims to enable clients to dispose of waste energy efficiently, while producing power to create discounted energy solutions or energy that can be sold back on to the power grids.

As at December 31, 2017, the valuation technique used to price Genalta Power Inc.'s fixed income investment is the weighted average recovery technique, which estimates scenarios in which the company will succeed in capital transactions to pay down all their remaining debt, or a liquidation sale of the assets through the Companies' Creditor Arrangement Act ("CCAA").

See accompanying notes to financial statements.

First Asset Utility Plus Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(B) FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

Sensitivity Analysis of Level 3 Financial Assets and Liabilities

The following table summarizes the potential effect of using reasonably possible alternative assumptions for financial assets and financial liabilities held as at December 31, 2017 that are classified in Level 3 of the fair value hierarchy.

	Valuation Techniques	Significant Unobservable Inputs	Lower Range	Upper Range	Lower Range (\$)	Upper Range (\$)
Genalta Power Inc., 11.00%, May 31, 2018	Weighted Average					
	Recovery	EBITDA Multiple	5x	10x	225,000	472,500

As at December 31, 2016

Recovery Rate and Liquidation Price

A common approach for valuing bonds issued by companies facing significant financial distress is to use the recovery rate method, where the expected recovery rate is a key input. The expected recovery rate is the proportion that an entity can expect to recover on its initial investment given the current financial distress, and the potential for the issuer to continue facing such financial distress. For bonds, the liquidation approach is used, which is similar to the recovery rate method, and uses the liquidation prices as a key input.

	Fair Value \$	Valuation Techniques	Significant Unobservable Inputs	Value of Inputs Used
Genalta Power Inc., 11.00%, April 5, 2017	525,000	Weighted Average	EBITDA Multiple	7x
		Recovery	Financing Success	100%

As at December 31, 2016, the valuation technique used to price Genalta's fixed income investment is the weighted average recovery technique estimates scenarios in which the company will succeed in capital transactions to pay down all their remaining debt, or a liquidation sale of the assets through the CCAA.

Sensitivity Analysis of Level 3 Financial Assets and Liabilities

The following table summarizes the potential effect of using reasonably possible alternative assumptions for financial assets and financial liabilities held as at December 31, 2016 that are classified in Level 3 of the fair value hierarchy.

	Valuation Techniques	Significant Unobservable Inputs	Lower Range	Upper Range	Lower Range (\$)	Upper Range (\$)
Genalta Power Inc., 11.00%, April 5, 2017	Weighted Average	EBITDA Multiple	6x	8x	142,500	750,000
	Recovery	Financing success	0%	100%		

(C) MANAGEMENT OF FINANCIAL RISKS

Credit risk

Credit Rating	% of Net Assets	
	December 31, 2017	December 31, 2016
BBB	-	0.43
Not Rated	2.31	2.84

See accompanying notes to financial statements.

First Asset Utility Plus Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(C) MANAGEMENT OF FINANCIAL RISKS (cont'd)

Interest rate risk

	Fair Value	
	December 31, 2017	December 31, 2016
	\$	\$
Less than 1 year	375,000	525,000
1 - 3 years	-	-
3 - 5 years	-	-
Greater than 5 years	375,000	79,300

As at December 31, 2017, if the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, net assets could possibly have decreased or increased, respectively, by approximately \$1,516 or 0.01% of net assets (December 31, 2016 - \$7,339 or 0.04%).

Currency risk

The tables below indicate the foreign currencies to which the Fund has significant exposure in Canadian dollar terms, including any 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 December 31, 2017

Currency	Investments	Cash	Other	Forward Foreign	Total	Impact on
				Currency Contracts		Net Assets
	\$	\$	\$	\$	\$	\$
Euro	-	248	-	-	248	12
United States dollar	608,444	1,005,885	7,878	(1,954,326)	(332,119)	(16,606)
Total	608,444	1,006,133	7,878	(1,954,326)	(331,871)	(16,594)
As a % of Net Assets	3.8	6.2	-	(12.1)	(2.1)	(0.1)

As at December 31, 2016

Currency	Investments	Cash	Other	Forward Foreign	Total	Impact on
				Currency Contracts		Net Assets
	\$	\$	\$	\$	\$	\$
Euro	-	233	-	-	233	12
United States dollar	1,573,643	82,338	19,177	(1,700,705)	(25,547)	(1,277)
Total	1,573,643	82,571	19,177	(1,700,705)	(25,314)	(1,265)
As a % of Net Assets	8.4	0.5	0.1	(9.2)	(0.2)	-

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(s) 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(s), as at year end, with all other variables held constant. 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	
	December 31, 2017	December 31, 2016
	\$	\$
S&P/TSX Capped Utilities Total Return Index	1,036,644	1,241,136

See accompanying notes to financial statements.

First Asset Utility Plus Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(D) RELATED PARTY TRANSACTIONS

The Fund invests in redeemable securities of other investment funds ("underlying funds") managed by First Asset to gain exposure to the investment objectives and strategies of the underlying funds. Each underlying fund is generally financed through the capital invested by the Fund, along with other investors, which entitles securityholders to a proportionate share of the underlying fund's net assets. The Fund does not provide additional financial or other support to the underlying funds. All underlying funds were established in and carry out their operations in Canada. The Fund's interests in underlying funds are reported at fair value in its Statements of Financial Position and in its Schedule of Investment Portfolio, which represents the Fund's maximum exposure to financial loss.

As at December 31, 2017

Underlying Fund	% of Net Assets	Ownership Interest %
First Asset Active Utility & Infrastructure ETF	9.83	7.35
Total	9.83	

As at December 31, 2016

Underlying Fund	% of Net Assets	Ownership Interest %
First Asset Active Utility & Infrastructure ETF	8.02	7.43
Total	8.02	

(E) OFFSETTING OF FINANCIAL INSTRUMENTS

The following table shows the net impact on the Fund's Statements of Financial Position if all rights to offset were exercised.

As at December 31, 2017

	Amounts Eligible for Offset			Net Exposure \$
	Gross Assets/ (Liabilities) \$	Financial Instruments \$	Collateral Received/(Paid) \$	
Derivative assets - Foreign currency forward contracts	-	-	-	-
Total	-	-	-	-
Derivative liabilities - Foreign currency forward contracts	(4,076)	-	-	(4,076)
Total	(4,076)	-	-	(4,076)

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

1. GENERAL INFORMATION

These notes are an integral part of these financial statements, and contain important information about the following First Asset open-end mutual funds (individually, a "Fund", and collectively, the "Funds"):

First Asset Canadian Convertible Bond Fund
First Asset Canadian Dividend Opportunity Fund
First Asset Canadian Energy Convertible Debenture Fund
First Asset Global Dividend Fund
First Asset REIT Income Fund
First Asset Utility Plus Fund

Refer to the Fund Specific Notes for details of the organization of the Funds, investment objectives and strategies and inception dates 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. (Toronto Stock Exchange ("TSX"): CIX). State Street Bank was the custodian of the Funds until October 9, 2017. Effective October 10, 2017, CIBC Mellon Trust Company is the custodian (the "Custodian") of the Funds.

Each Fund's registered office is at 2 Queen Street East, Suite 1200, Toronto, Canada.

The Schedule of Investment Portfolio for each Fund is as at December 31, 2017. The Statements of Financial Position for each Fund are as at December 31, 2017 and December 31, 2016, 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 years ended December 31, 2017 and 2016.

These annual financial statements of the Funds for the year ended December 31, 2017 were approved and authorized for issuance by the Board of Directors of First Asset on March 6, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Funds have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 ("FVTPL"). 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 primary objective of the Funds is to generate returns in Canadian dollars, their capital-raising currency. The liquidity of the Funds is managed on a day-to-day basis in Canadian dollars in order to handle the issuance and redemption of the Funds' redeemable securities. The Funds' performance is evaluated in Canadian dollars. Therefore, First Asset considers Canadian dollars as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Canadian dollars, which is the functional currency of the Funds, and all values are rounded to the nearest dollar.

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, *Financial Instruments: Recognition and Measurement* ("IAS 39").

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets and liabilities at fair value through profit or loss

The category of financial assets and liabilities at (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 securities sold short held by the Funds 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, excluding derivatives and securities sold short, are designated as FVTPL upon initial recognition. 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. 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, 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.

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, redemptions 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 that 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; therefore, these investments will be recorded at fair value in the same manner as any other investment that meets these criteria. 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. 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 the best representative of fair value.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments held that are not traded in an active market are recorded at estimated fair value as determined by First Asset using appropriate and accepted industry valuation techniques including valuation models. The fair value of a security determined using valuation models requires the use of inputs and assumptions, which, at times, may not be supported by observable market data.

Derivatives

Certain Funds are permitted to invest in forward foreign currency contracts to hedge foreign currency exposure on the investment portfolio. The value of each forward foreign currency contract is recorded as the unrealized gain or loss that would be realized if the position was to be closed out and recorded as unrealized gain (loss) 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 (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 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) Other investment income

Distributions received from income trusts and underlying funds holdings are recorded as income, capital gains or a return of capital based on the best information available. Due to the nature of these investments, actual allocations could vary from this information. Distributions from income trusts and underlying funds that are treated as a return of capital for income tax purposes reduce the average cost of the income trusts and underlying funds.

(iv) Securities lending

The Funds have entered into a securities lending program with the Bank of New York Mellon, who acts as the securities lending agent. 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, or cash or letters of credit with market values of at least 102% of the market value of the loaned securities. Each Fund's lending agent 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 borrowing default indemnification. Aggregate values of securities on loan and related collateral held as well as a reconciliation between gross securities lending revenue received by each Fund as disclosed in the Funds' Statements of Comprehensive Income as at December 31, 2017 and 2016 are disclosed as a footnote to the Statements of Comprehensive Income.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment transactions and expense recognition

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 comprise 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 are classified as financial liabilities and are redeemable at a securityholder's option at prices based on the Fund's NAV per security at the time of redemption.

Foreign currency translation

Transactions during the year, 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 gain (loss) on foreign exchange".

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) per security", as disclosed in the Statements of Comprehensive Income, by the weighted average number of securities outstanding during the year of that class.

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 on the required effective date.

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* ("IFRS 9") which reflects all phases of the financial instruments project and replaces IAS 39 and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instrument project: classification and measurement, impairment and hedge accounting. The new standard is effective for the Funds for their fiscal year beginning January 1, 2018. The Manager has currently determined that the impact to the Funds may require additional disclosures related to changes to the classification of certain financial instruments to align with the classifications under IFRS 9. Adoption of the standard will not impact net assets attributable to holders of redeemable securities. The Manager of the Funds is actively monitoring for any further changes to this accounting standard.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE (cont'd)

IFRS 15, Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS and is effective for annual periods beginning on or after January 1, 2018, when the IASB finalizes their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. Given that the majority of revenue streams of the Funds, being interest, dividends and realized/unrealized gains, fall outside of the scope of IFRS 15, impact assessments made during 2017 indicate minimal impact arising on the adoption of this standard.

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 RISKS

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. 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 higher 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 S&P Global Ratings. 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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

5. MANAGEMENT OF FINANCIAL RISKS (cont'd)

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 each Fund must be at least 102% of the fair value of securities loaned.

Credit ratings can be either long-term or short-term. Short-term credit ratings are generally assigned to those obligations and derivative instruments considered short-term in nature.

The table below provides a cross-reference between the long-term credit ratings disclosed in the Credit Rating table inclusive of the short-term credit ratings disclosed in the derivatives schedules in the Schedule of Investment Portfolio.

Credit Rating as per Credit Risk Table	Credit Rating as per Derivatives Schedules
AAA/Aaa/A++	A-1+
AA/Aa/A+	A-1, A-2, A-3
A	B, B-1
BBB/Baa/B++	B-2
BB/Ba/B+	B-3
B	C
CCC/Caa/C++	-
CC/Ca/C+	-
C and Lower	D
Not Rated	WR

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 cash redemptions of securities. 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 to 3 months, except for the redeemable securities, which are redeemable on demand at the holder's 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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

5. MANAGEMENT OF FINANCIAL RISKS (cont'd)

(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 in securities that are denominated in a currencies other than the Canadian dollar. 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 currencies 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.

(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 value of the portfolios will be influenced by factors that 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

The 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.

Refer to the Fund Specific Notes for the relevant disclosure.

7. REDEEMABLE SECURITIES

The Funds are authorized to issue an unlimited number of classes of units, and may offer and sell an unlimited number of units (referred to as security or securities) of each class. All securities of a Fund have equal rights and privileges and are substantially the same except for the fees and sales and redemption charges associated with a particular class and the existence or absence of currency hedging arrangements. Each class of securities is convertible into any other class of securities on the basis of their respective NAV.

The Funds' Deferred Sales Charge and Low-Load purchase options for their Class A and A1 securities were closed to all new and additional purchases on April 22, 2016. Class A Initial Sales Charge Option and Class F securities are offered for sale on a continuous basis and may be purchased or redeemed on any valuation date at the NAV per security of a particular class.

First Asset Global Dividend Fund offers four classes of securities, Class A and Class F (currency hedged securities), and Class A1 and Class F1 (non-currency hedged securities). Each of First Asset Canadian Convertible Bond Fund, First Asset Canadian Dividend Opportunity Fund, First Asset Canadian Energy Convertible Debenture Fund, First Asset REIT Income Fund and First Asset Utility Plus Fund currently offers two classes of securities: Class A and Class F (both of which are currency-hedged).

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

8. EXPENSES

The Funds pay First Asset an annual management fee calculated as a percentage of the NAV of each class of the Funds. This fee is calculated daily and paid monthly in arrears. The entire amount of the service fee paid to registered dealers in respect of the Class A and A1 securities as well as a fee to the Investment Sub-Advisor, if applicable, is paid by First Asset out of the management fee.

Where a Fund invests in securities of other investment funds ("Underlying Funds"), First Asset ensures that there is no duplication of management fees charged by the Fund and any other Underlying Fund for the same service. In cases where the Underlying Fund is managed by First Asset, a Fund will receive on a monthly basis a management fee rebate.

The annual management fee rates are disclosed in a footnote to the Statements of Comprehensive Income.

The Funds are responsible for all costs relating to their operation and administration.

In addition to covering brokerage services on security transactions, commissions paid to dealers may also cover research services provided to First Asset or the relevant portfolio manager of the Funds. The value of research services included in commissions and other transaction costs during the period (soft dollar commissions) 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 the Funds additional net income or net realized capital gains, the Funds will make, on or before December 31 of that year, a distribution of such portion of the remaining net income or net realized capital gains as is necessary to ensure that the Funds will not be liable for income tax under the *Income Tax Act* (Canada) (the "Tax Act"), after taking into account all available deductions, credits and refunds.

10. TAXATION

Each Fund qualifies as a mutual fund trust under the provisions of the Tax Act, and is not subject to tax on its net income for the tax year, including net realized capital gains, which are paid or payable to its securityholders as at the end of the tax year. 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. As a result, no provision for income taxes has been recorded in the accompanying financial statements.

The tax year-end for all Funds is December 15.

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 any distributions paid to securityholders.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

12. RELATED PARTY TRANSACTIONS

First Asset manages and administers the business operations and affairs of the Funds, and, in all cases except for First Asset Global Dividend Fund, 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.

Inter-fund trading occurs when a Fund purchases or sells a security of any issuer from or to another Fund managed by the Manager. These transactions are executed through market Intermediaries and under prevailing market terms and conditions. The Independent Review Committee reviews such transaction during schedule meetings. During the years ended December 31, 2017 and 2016, certain Funds executed inter-fund trades.

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 and are reimbursed for out-of-pocket expenses.

The above services are reported in the Statements of Comprehensive Income as management fee, dealer service fees and Independent Review Committee fees, as applicable. Management fee payable is reported in the Statements of Financial Position, and the amounts are 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 Underlying Funds managed by First Asset as identified in the Fund Specific Notes, if applicable.

