

Annual Management Report of Fund Performance

for the year ended December 31, 2017



First Asset CanBanc Income Class ETF

Fund:

First Asset CanBanc Income Class ETF

Securities:

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

Manager & Investment Advisor:

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

2 Queen Street East, Suite 1200

Toronto, ON M5C 3G7

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

www.firstasset.com - info@firstasset.com

The Fund is an ETF share class of First Asset Fund Corporation.

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

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

INVESTMENT OBJECTIVES AND STRATEGIES

The objectives of the First Asset CanBanc Income Class ETF (the "Fund") are to provide holders with: (i) quarterly distributions, (ii) the opportunity for capital appreciation, and (iii) lower overall volatility of portfolio returns than would be experienced by owning a portfolio of common shares of the six largest Canadian banks directly. The Fund invests in a portfolio of common shares of the Banks. Each month, First Asset sells call options on approximately, and not more than, 25% of the common shares of each Bank held in the portfolio.

RISKS

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

RESULTS OF OPERATIONS

The Fund's net assets increased by \$17.8 million to \$166.3 million from December 31, 2016 to December 31, 2017. The Fund had net sales of \$8.8 million for the year. The Fund paid distributions totalling \$9.2 million while the portfolio's performance increased assets by \$18.2 million. The Fund returned 12.1% after fees and expenses for the one-year period ended December 31, 2017. Over the same time period, the Fund's benchmark returned 15.0%. The Fund's benchmark is the S&P/TSX Equal Weight Diversified Banks Index.

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

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

The U.S. Federal Reserve Board ("Fed") raised the federal funds rate by 25 basis points ("bps") three times in 2017. With the U.S. economy performing well, the market anticipates two more increases in 2018. The Fed indicated that it will begin decreasing the size of its balance sheet.

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

The Fund invests solely in the Canadian banking industry, which was largely influenced by factors such as rising interest rates and the cooling housing market in 2017. The top individual contributors to the Fund's performance were the National Bank of Canada, The Toronto-Dominion Bank and the Royal Bank of Canada, which added 304 bps, 241 bps and

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234 bps, respectively. The weakest-performing holdings were the Canadian Imperial Bank of Commerce, The Bank of Nova Scotia and the Bank of Montreal, which added 202 bps, 163 bps and 89 bps, respectively, to performance. The Fund's management fee of 65 bps detracted from performance.

The Fund employs a near-the-money covered call overlay strategy on approximately 25% of the holdings of each portfolio issuer. In a flat or down market, this strategy allows the Fund to outperform the benchmark by generating additional income from options that are not exercised before expiry.

RECENT DEVELOPMENTS

Global expansion is expected to continue in 2018, though at a more gradual pace. North American earnings are expected to remain robust, as the corporate reporting season begins in January. Economic data in North America remains strong, particularly with respect to job growth. With a low rate of inflation, tax cuts in the U.S. may stimulate further economic expansion. This optimism, however, is tempered by concerns around growing levels of household debt. Investors will be watching to see if China's fourth quarter gross domestic product ("GDP") figures indicate that a slowdown is coming, which will impact both developed and emerging economies. Commodities have begun to recover, with both energy and metals trading upwards.

Further interest rate increases are expected for the coming year, with the market anticipating three more increases in Canada and two more in the U.S. This should result in higher bond yields, which would put negative pressure on bond prices. These increases could also further flatten the yield curve (plots the interest rates of bonds with equal credit quality but differing maturities). This could possibly lead to an inverted yield curve (an interest rate environment in which long-term debt instruments have a lower yield than short-term ones with the same credit quality), which has historically been a strong leading indicator of recession. This would be beneficial for government bonds, but could result in the underperformance of provincial issues. If current fiscal policies are maintained, it is possible that Canada may not have a balanced federal budget for quite some time. However, expectations are for Canada's debt-to-GDP ratio to decline.

RELATED PARTY TRANSACTIONS

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

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

The applicable standing instructions require that related party transactions be conducted in accordance with First Asset's policies and procedures. First Asset is required to advise the IRC of any material breach of a condition of the standing instructions. The standing instructions require, among other things, that the investment decision in respect to

related party transactions (a) are made by First Asset free from any influence by any entities related to First Asset and without taking into account any consideration to any affiliate of First Asset; (b) represent the business judgment of First Asset uninfluenced by considerations other than the best interests of the Fund; and (c) are made in compliance with First Asset's policies and procedures. Transactions made by First Asset in respect of the Fund under the standing instructions are subsequently reviewed by the IRC on a semi-annual basis to monitor compliance.

Except as otherwise noted below, First Asset and the Fund were not party to any related party transactions during the year ended December 31, 2017.

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Financial Highlights

The following table shows selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for the past five years.

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

	Year Ended Dec. 31, 2017	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015	Year Ended Dec. 31, 2014	Year Ended Dec. 31, 2013
	\$	\$	\$	\$	\$
Commencement of operations June 28, 2010					
Net assets, beginning of year	11.67	9.93	11.17	10.73	9.89
Increase (decrease) from operations					
Total revenue	0.44	0.44	0.46	0.44	0.41
Total expenses	(0.11)	(0.10)	(0.14)	(0.15)	(0.14)
Realized gains (losses) for the year	1.89	1.62	1.47	0.56	(0.06)
Unrealized gains (losses) for the year	(0.82)	0.78	(2.45)	0.19	1.34
Total increase (decrease) from operations ⁽²⁾	1.40	2.74	(0.66)	1.04	1.55
Distributions					
From income (excluding dividends)	-	-	-	-	-
From dividends	(0.45)	(0.49)	(0.46)	(0.43)	-
From capital gains	-	-	-	-	-
Return of capital	(0.25)	(0.29)	(0.27)	(0.27)	(0.70)
Total distributions ⁽³⁾	(0.70)	(0.78)	(0.73)	(0.70)	(0.70)
Net assets, end of the year ⁽⁴⁾	12.35	11.67	9.93	11.17	10.73

RATIOS AND SUPPLEMENTAL DATA

Total net asset value (\$000's) ⁽⁵⁾	166,327	148,506	111,258	178,272	213,521
Number of securities outstanding ⁽⁵⁾	13,471,193	12,721,193	11,208,467	15,959,759	19,904,281
Management expense ratio (%) ⁽⁶⁾	0.84	0.81	1.30	1.32	1.32
Portfolio turnover rate (%) ⁽⁷⁾	84.97	64.63	8.66	5.62	6.52
Trading expense ratio (%) ⁽⁸⁾	0.07	0.12	0.05	0.01	-
Net asset value per security (\$)	12.35	11.67	9.93	11.17	10.73
Closing market price (\$) ⁽⁹⁾	12.33	11.66	9.97	11.10	10.60

Notes:

(1) This information is derived from the Fund's audited annual financial statements. The term "net assets" used in this report and the term "net assets attributable to holders of redeemable securities" used in the Fund's financial statements are interchangeable.

(2) Net assets and distributions are based on the actual number of securities outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of securities outstanding over the financial year.

(3) Distributions were paid in cash.

(4) This is not a reconciliation of the beginning and ending net assets per security.

(5) This information is provided as at December 31 of the year shown.

(6) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated year, including the Fund's proportionate share of such expenses of any underlying fund in which the Fund has invested and is expressed as an annualized percentage of daily average net asset value during the year.

(7) The Fund's portfolio turnover rate indicates how actively First Asset manages the Fund's portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of a fund.

(8) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the year, including the Fund's proportionate share of such expenses of any underlying fund in which the Fund has invested.

(9) Closing market price.

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Management Fee

First Asset manages and administers the business operations and affairs of the Fund, and is also responsible for providing all investment advisory and portfolio management services required by the Fund. As compensation for the services it provides to the Fund, the Fund pays First Asset an annual management fee at the maximum annual rate set out below. The fee is based on the net asset value of the Fund, and is calculated daily and paid monthly in arrears. In addition to investment advisory and portfolio management, the services provided by First Asset to the Fund include, without limitation, implementation of the Fund's investment strategies, negotiating contracts with certain third party service providers, authorizing the payment of operating expenses incurred on behalf of the Fund, maintaining certain accounting and financial records, calculating the amount and determining the frequency of distributions by the Fund, ensuring that securityholders are provided with financial statements and other reports as are required from time to time by applicable law, ensuring that the Fund complies with all other regulatory requirements including continuous disclosure obligations under applicable securities law and administering purchases, redemptions and other transactions in securities. Where the Fund invests in other investment funds, in accordance with the provisions of National Instrument 81-102, First Asset ensures that there is no duplication of management fees charged by the Fund and any other underlying investment fund for the same service.

Maximum annual management fee rate	As a percentage of management fee	
	Dealer compensation	General administration and profit
0.65%	-	100%

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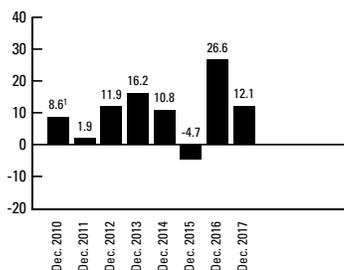
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Past Performance

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

YEAR-BY-YEAR RETURNS ⁽¹⁾

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



¹ 2010 return is for the period from August 18, 2010 to December 31, 2010.

ANNUAL COMPOUND RETURNS

The table below summarizes the Fund's annual compound total returns for the years ended December 31 as indicated. As a basis for comparison we have provided the performance of the S&P/TSX Composite Total Return Index ("Index A") and the S&P/TSX Equal Weight Diversified Banks Index ("Index B"). The S&P/TSX Composite Total Return Index is a broad-based capitalization-weighted index designed to measure market activity of stocks listed on the TSX. The S&P/TSX Equal Weight Diversified Banks Index consists of commercial banks whose businesses primarily include commercial lending operations, retail banking, as well as small and medium enterprise corporate lending. Each constituent security is allocated a fixed weight rather than a market capitalization weight. As the criteria for determining the constituents of the Fund and the indices differ, it is not expected that the Fund's performance will mirror that of the indices. A discussion on the relative performance of the Fund as compared to its benchmark index can be found under the Results of Operations section of this report. Further, the return of the indices is calculated without the deduction of management fees and Fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses.

	One Year (%)	Three Years (%)	Five Years (%)	Ten Years (%)	Since Inception (%)
Index A	12.1	10.6	11.8	n/a	11.0
Index B	9.1	6.6	8.6	n/a	7.5

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

