

Annual Management Report of Fund Performance

for the year ended December 31, 2017



First Asset Long Duration Fixed Income ETF

Fund:

First Asset Long Duration Fixed Income ETF

Securities:

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

Manager & Trustee:

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

Portfolio Manager:

Signature Global Asset Management
2 Queen Street East, 20th Floor
Toronto, ON M5C 3G7

First Asset Long Duration Fixed Income ETF

Management Report of Fund Performance for the year ended December 31, 2017

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

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

INVESTMENT OBJECTIVES AND STRATEGIES

The investment objective of the First Asset Long Duration Fixed Income ETF (the "Fund") is to provide securityholders with: (a) regular distributions; and (b) the opportunity for capital appreciation from the performance of a portfolio comprised primarily of longer dated developed market Canadian and U.S. government issued fixed income securities.

RISKS

There were no changes to the Fund over the period of this report that materially affected the overall level of risk associated with an investment in the Fund. Holders should still refer to the prospectus of the Fund as it contains a detailed discussion of risk and other considerations relating to an investment in the Fund. The prospectus is available free of charge on our website at www.firstasset.com and on SEDAR at www.sedar.com.

RESULTS OF OPERATIONS

The Fund's net assets increased by \$18.4 million to \$55.7 million from December 31, 2016 to December 31, 2017. The Fund had net sales of \$17.7 million for the year. The Fund paid distributions totalling \$1.2 million while the portfolio's performance increased assets by \$1.9 million. The Fund returned 5.0% after fees and expenses for the one-year period ended December 31, 2017. Over the same time period, the Fund's benchmark returned 6.5%. The benchmark is the FTSE TMX Canada Long Term All Government Bond Index.

The period began with geopolitical issues, concern about trade protectionism and uncertainty in European politics. Expectations for a rise in wage growth, higher inflation, a stronger U.S. dollar and 10-year U.S. Treasury rates reaching 3.0% failed to materialize during the period. Instead, low volatility, tighter bond spreads and tax reform in the U.S. were the primary developments.

Global financial conditions remained positive and riskier assets continued to outperform. The U.S. Federal Reserve Board ("Fed") continued its interest rate increases. Even after three interest rate increases and the initiation of balance sheet normalization by the Fed, the 10-year U.S. Treasury bond rate ended the year at 2.5%, kept low by weak inflation expectations.

The Bank of Canada ("BoC") raised interest rates twice in 2017. The BoC remained concerned about housing market valuations and elevated household debt, which make the economy more sensitive to higher future interest rates. The 10-year Government of Canada ("GoC") bond rate declined -0.1% in the fourth quarter, ending the year at 2.0%, which is 0.4% over 2017 starting levels.

The European Central Bank ended the year on an optimistic note, raising its growth forecast for the next two years. However, underlying inflation in Europe, as well as in Japan, continued to fall short of central bank targets. Furthermore, the Bank of England took back its post-referendum emergency interest rate cut and raised interest rates 25 basis points, as inflation in the U.K. reached a five-year high.

As developed markets started seeing interest rate increases, some emerging markets economies, such as Brazil and Indonesia, faced low inflation and cut interest rates in 2017 to stimulate their economies. Despite the overhang of North American Free Trade Agreement ("NAFTA") renegotiations, Mexico's central bank raised interest rates five times during the year to counter inflation, which hit a 16-year high.

Despite interest rate increases by the BoC, the drop in long-term GoC bond rates was the primary contributor to the Fund's performance during the period. An overweight exposure to U.S.-emerging markets bond spreads also contributed to the Fund's performance given their outperformance. An overweight exposure to U.S. duration (interest rate sensitivity) relative to Canadian duration contributed to the Fund's performance. This was tempered by exposure to a weakening U.S. dollar. The Fund's foreign currency positions are actively managed through a hedging overlay.

On a relative-to-benchmark basis, the Fund's duration and yield curve (plots the interest rates of bonds with equal credit quality but differing maturities) positioning detracted from its performance. This was due to an underweight duration position in longer-maturity GoC bonds, which performed well during the period. An underweight allocation to Canadian Government credit also detracted from the Fund's performance, as interest rates increased.

Late in 2017, a modest amount of Canadian duration, mainly in longer maturities, was added to the Fund, shifting its exposure away from shorter-maturity GoC bonds. In addition, the Fund's U.S. inflation-linked bond position was increased, moving its exposure away from the Canadian market through a reduction in GoC bonds.

RECENT DEVELOPMENTS

The Portfolio Manager expects interest rates in the U.S. and Canada to rise gradually in 2018, as markets have priced in four interest rate increases by the BoC and two more by the Fed. Global growth continues to be strong, but weak inflation may put central banks to the test, particularly if the Fed tightens monetary policy too quickly. It remains to be seen how the Fed's policy will change, if at all, under Jerome Powell, the new Fed Chair as of February 2018.

First Asset believes that a number of risks persist in the coming period, such as possible missteps by the current U.S. administration, a correction in asset valuations, international trade concerns amid NAFTA renegotiations and changing U.S. trade policy. Elections in multiple emerging markets, such as Mexico, Brazil and Colombia, could give rise to both investment challenges and opportunities.

The yield curve in the U.S. is the flattest it has been since the global financial crisis, and as such, the Portfolio Manager remains cautious with the Fund's positioning as bond markets begin to signal a decline in growth expectations. Currently, the Fund has a

First Asset Long Duration Fixed Income ETF

Management Report of Fund Performance for the year ended December 31, 2017

moderately underweight duration positioning relative to the benchmark that is primarily concentrated in the 20-year portion of the yield curve. An allocation to federal and provincial bonds helps to manage much of the Fund's yield curve positioning. The Fund has an underweight allocation to Canadian government agency and municipal bonds, and holds positions in U.S. dollar emerging markets sovereign debt and inflation-linked bonds.

RELATED PARTY TRANSACTIONS

First Asset and the Portfolio Manager are deemed to be related parties to the Fund. Please refer to the "Management Fee" section below which outlines fees paid to these parties. 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, the Portfolio Manager and the Fund were not party to any related party transactions during the year ended December 31, 2017.

Inter-Fund Trades – During the year, the Fund engaged in Inter-Fund Trades. The Inter-Fund Trades were executed by an unrelated broker and through the facilities of the TSX at prevailing market prices on the days of the transactions. No related parties received any fees in connection with the trades. The trades were executed in reliance on a standing instruction issued by both funds' IRC.

First Asset Long Duration Fixed Income ETF

Management Report of Fund Performance for the year ended December 31, 2017

Financial Highlights

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

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

	Year Ended Dec. 31, 2017	Period from Inception to Dec. 31, 2016
	\$	\$
Commencement of operations May 4, 2016		
Net assets, beginning of year	19.13	20.00
Increase (decrease) from operations		
Total revenue	0.59	0.35
Total expenses	(0.08)	(0.03)
Realized gains (losses) for the year	(0.11)	0.38
Unrealized gains (losses) for the year	0.52	(1.51)
Total increase (decrease) from operations ⁽²⁾	0.92	(0.81)
Distributions		
From income (excluding dividends)	(0.47)	(0.26)
From dividends	-	-
From capital gains	-	(0.33)
Return of capital	(0.04)	-
Total distributions ⁽³⁾	(0.51)	(0.59)
Net assets, end of the year ⁽⁴⁾	19.56	19.13

RATIOS AND SUPPLEMENTAL DATA

Total net asset value (\$000's) ⁽⁵⁾	55,741	37,312
Number of securities outstanding ⁽⁵⁾	2,850,000	1,950,000
Management expense ratio (%) ⁽⁶⁾	0.66	0.49
Management expense ratio before waivers or absorptions (%) ⁽⁶⁾	0.71	0.53
Portfolio turnover rate (%) ⁽⁷⁾	50.09	31.47
Trading expense ratio (%) ⁽⁸⁾	-	0.01
Net asset value per security (\$)	19.56	19.13
Closing market price (\$) ⁽⁹⁾	19.61	18.92

Notes:

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

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

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

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

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

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

(7) The Fund's portfolio turnover rate indicates how actively the Portfolio Manager manages the Fund's portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the 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.

First Asset Long Duration Fixed Income ETF

Management Report of Fund Performance for the year ended December 31, 2017

Management Fee

First Asset manages and administers the business, operations and affairs of the Fund. First Asset has retained the Portfolio Manager to provide portfolio management services required by the Fund. As compensation for the services it provides to the Fund, the Fund pays First Asset an annual management fee at the maximum rate set out below. The fee is based on the net asset value of the Fund, and is calculated daily and paid monthly in arrears. First Asset pays the Portfolio Manager out of its management fee. The services provided by First Asset to the Fund include, without limitation, the proper oversight to ensure implementation of the Fund's investment strategies, negotiating contracts with certain third party service providers, authorizing the payment of operating expenses incurred on behalf of the Fund, maintaining certain accounting and financial records, calculating the amount of distributions by the Fund, ensuring that securityholders are provided with financial statements and other reports as are required from time to time by applicable law, ensuring that the Fund complies with all other regulatory requirements including continuous disclosure obligations under applicable securities law and administering redemptions and other transactions in securities. 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
	0.30%	-	100%

For the year ended December 31, 2017, First Asset waived and absorbed expenses of the Fund totalling \$20,584.

First Asset Long Duration Fixed Income ETF

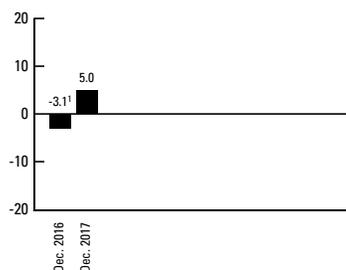
Management Report of Fund Performance for the year ended December 31, 2017

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 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 the financial year would have grown or decreased by the last day of the financial year.



¹ 2016 return is for the period from May 11, 2016 to December 31, 2016.

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 FTSE TMX Canada Universe Bond Index ("Index A") and the FTSE TMX Canada Long Term All Government Bond Index ("Index B"). The FTSE TMX Canada Universe Bond Index is a market capitalization weighted index that measures the performance of the Canadian investment-grade fixed income market. The Index consists of fixed rate bonds denominated in Canadian dollars, with a remaining effective term to maturity of at least one year, rated BBB or higher. The FTSE TMX Canada Long Term All Government Bond Index is comprised primarily of semi-annual pay fixed rate government and corporate bonds issued domestically in Canada and denominated in Canadian dollars, with an investment grade rating and a remaining effective term to maturity of at least ten years. 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	5.0	n/a	n/a	n/a	1.1
Index B	2.5	n/a	n/a	n/a	1.7
Index B	6.5	n/a	n/a	n/a	3.3

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

First Asset Long Duration Fixed Income ETF

Management Report of Fund Performance for the year ended December 31, 2017

Summary of Investment Portfolio as at December 31, 2017

Category	% of Net Asset Value	Category	% of Net Asset Value	Top Holdings	% of Net Asset Value
Country allocation		Sector allocation			
Canada	87.5	Provincial Government & Guaranteed	75.6	Province of Ontario, 2.90%, December 2, 2046	18.1
United States	11.3	Government of Canada & Guaranteed	11.9	Province of Quebec, 2.50%, September 1, 2026	14.8
Cash and Cash Equivalents	1.2	Investment Fund	8.0	Province of British Columbia, 6.35%, June 18, 2031	10.8
		U.S. Federal Bonds & Guaranteed	3.3	Government of Canada, 2.75%, December 1, 2064	9.8
		Cash and Cash Equivalents	1.2	Province of Quebec, 3.50%, December 1, 2048	8.4
				iShares J.P. Morgan USD Emerging Markets Bond ETF	8.0
				Province of British Columbia, 4.95%, June 18, 2040	7.4
				Province of Ontario, 2.80%, June 2, 2048	6.5
				Province of Nova Scotia, 4.70%, June 1, 2041	5.6
				Province of Ontario, 2.40%, June 2, 2026	3.5
				Government of Canada, 2.75%, December 1, 2048	2.1
				Cash and Cash Equivalents	1.2
				United States Treasury Bond, 0.13%, April 15, 2022	1.1
				United States Treasury Bond, 0.38%, July 15, 2027	1.0
				Province of Ontario, 2.60%, June 2, 2025	0.7
				United States Treasury Bond, 0.13%, July 15, 2026	0.4
				United States Treasury Bonds, 0.13%, April 15, 2021	0.4
				United States Treasury Bond, 0.88%, February 15, 2047	0.3
				United States Treasury Inflation Indexed Bonds, 1.00%, February 15, 2046	0.1
				Province of British Columbia, 2.80%, June 18, 2048	0.0
				Total Net Asset Value	\$55,741,496

This is a summary only and will change due to ongoing portfolio transactions of the Fund. A quarterly update is available on www.firstasset.com.

A NOTE ON FORWARD-LOOKING STATEMENTS

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

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

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

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