

Annual Management Report of Fund Performance

for the year ended December 31, 2017



First Asset Preferred Share ETF

Fund:

First Asset Preferred Share ETF

Securities:

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

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

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

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

INVESTMENT OBJECTIVES AND STRATEGIES

The investment objective of the First Asset Preferred Share 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 preferred shares of North American issuers. This actively managed portfolio will be comprised primarily of investment grade preferred shares and to a lesser extent investment grade corporate debt and convertible bonds. At least 75% of the preferred shares and corporate debt in the portfolio of the Fund shall be rated investment grade at the end of every reporting period (June 30th and December 31st).

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 \$8.4 million to \$68.2 million from December 31, 2016 to December 31, 2017. The Fund had net sales of \$5.0 million for the year. The Fund paid distributions totalling \$3.4 million while the portfolio's performance increased assets by \$6.8 million. The Fund returned 10.9% after fees and expenses for the one-year period ended December 31, 2017. Over the same time period, the Fund's benchmark returned 13.6%. The benchmark is the S&P/TSX Preferred Share Total Return Index.

The global economy experienced synchronized growth for the first time in years. The U.S. economy and the unemployment rate continued to improve over the year, leading the U.S. Federal Reserve Board to raise interest rates by 75 basis points ("bps") and begin reducing its balance sheet. In late December, the current U.S. administration passed legislation to overhaul the U.S. tax system.

The Canadian economy continued to produce positive job numbers, pushing the unemployment rate to below 6%. The Bank of Canada ("BoC") raised its overnight rate by 50 bps and indicated that further interest rate increases would be dependent on economic data. Canadian five-year bond yields rose 75 bps to 1.9% during the year, aiding the performance of preferred share returns.

Security selection contributed to the Fund's performance, as did an overweight allocation to floating rate preferred shares, as the SPX/TSX Preferred Share Index jumped over 30% for the year. Top individual contributors to performance included a Power Financial Corp. Series A floating rate preferred share, which rose 52%. Other top contributors included a BCE Inc. Series A fixed floating rate preferred share that came up for reset in September 2017, and a BCE Inc. Series AC fixed floating rate preferred share that resets in March 2018. Both of these holdings performed well due to rising interest rates.

The Fund's underweight allocation to the rate-reset preferred share sector detracted from performance, as did an overweight allocation to the perpetual preferred share segment. Individual detractors from the Fund's performance included perpetual preferred shares issued by Wells Fargo & Co. (Series J) and Canadian Utilities Ltd. (Series CC). A Brookfield Office Properties, Inc Series GG rate-reset preferred share also detracted from performance since its purchase as a new issue in April.

In June, the Fund's exposure to rate-reset preferred shares was increased based on good valuations. The Portfolio Manager expected the BoC to raise interest rates, which would have added an element of interest rate risk to the Fund.

RECENT DEVELOPMENTS

Looking forward, the Portfolio Manager expects the outlook for the preferred share market to remain positive, as higher interest rates in Canada should support the rate-reset and floating rate preferred shares that make up the majority of the market. Additionally, there continues to be a high demand for preferred shares by retail and institutional investors because of an expectation for better returns versus fixed income assets. The Portfolio Manager believes that preferred shares post gains in 2018, supported by an anticipated 50 bps increase in interest rates by the BoC.

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

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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.

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Financial Highlights

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

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

	Year Ended Dec. 31, 2017	Period from Inception to Dec. 31, 2016
	\$	\$
Commencement of operations May 4, 2016		
Net assets, beginning of year	21.39	20.00
Increase (decrease) from operations		
Total revenue	1.06	0.67
Total expenses	(0.23)	(0.15)
Realized gains (losses) for the year	0.53	0.01
Unrealized gains (losses) for the year	0.91	1.36
Total increase (decrease) from operations ⁽²⁾	2.27	1.89
Distributions		
From income (excluding dividends)	-	-
From dividends	(0.80)	(0.34)
From capital gains	(0.32)	(0.08)
Return of capital	(0.01)	(0.12)
Total distributions ⁽³⁾	(1.13)	(0.54)
Net assets, end of the year ⁽⁴⁾	22.77	21.39

RATIOS AND SUPPLEMENTAL DATA

Total net asset value (\$000's) ⁽⁵⁾	68,199	59,790
Number of securities outstanding ⁽⁵⁾	2,995,078	2,795,078
Management expense ratio (%) ⁽⁶⁾	0.94	0.85
Management expense ratio before waivers or absorptions (%) ⁽⁶⁾	0.95	0.94
Portfolio turnover rate (%) ⁽⁷⁾	48.47	49.22
Trading expense ratio (%) ⁽⁸⁾	0.06	0.20
Net asset value per security (\$)	22.77	21.39
Closing market price (\$) ⁽⁹⁾	22.80	21.46

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 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.

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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
	0.65%	-	100%

For the year ended December 31, 2017, First Asset waived and absorbed expenses of the Fund totalling \$10,707.

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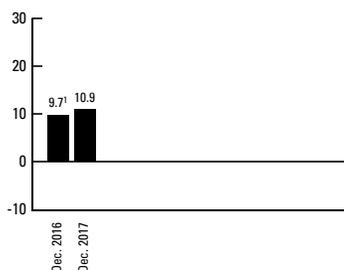
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Past Performance

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 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 S&P/TSX Composite Total Return Index ("Index A") and the S&P/TSX Preferred Share Total Return Index ("Index B"). The S&P/TSX Composite Total Return Index is a capitalization-weighted index designed to measure market activity of stocks listed on the Toronto Stock Exchange. The S&P/TSX Preferred Share Index tracks performance of the Canadian preferred stock market. The Index is comprised of preferred stocks trading on Toronto Stock Exchange that meet criteria relating to minimum size, liquidity, issuer rating and exchange listing. 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	10.9	n/a	n/a	n/a	12.7
Index B	9.1	n/a	n/a	n/a	13.6

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

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Summary of Investment Portfolio as at December 31, 2017

Category	% of Net Asset Value	Category	% of Net Asset Value	Top 25 Holdings	% of Net Asset Value
Country allocation		Sector allocation			
Canada	95.5	Financials	48.0	Citigroup Capital XIII, 7.87%, Preferred, Callable.....	3.5
United States	3.7	Energy.....	19.2	Enbridge Inc., Preferred, Series '1', Variable Rate, Callable, Perpetual	2.5
Cash and Cash Equivalents	1.2	Utilities.....	14.8	BCE Inc., 4.80%, Preferred, Series 'AA', Variable Rate, Perpetual	2.4
Other assets, net of liabilities.....	(0.4)	Real Estate.....	6.6	Bank of Nova Scotia, Preferred, Series '31', Floating Rate, Perpetual	2.4
		Telecommunication Services.....	5.9	Bank of Montreal, 3.90%, Preferred, Class 'B', Series '25', Variable Rate, Callable, Perpetual	2.3
		Consumer Staples.....	4.7	Bank of Nova Scotia, Preferred, Series '30', Callable	2.3
		Cash and Cash Equivalents	1.2	Enbridge Inc., Preferred, Series 'L', Variable Rate, Callable, Perpetual	2.2
		Other assets, net of liabilities.....	(0.4)	Capital Power Corp., Preferred, Series '3', Variable Rate, Callable, Perpetual.....	2.1
				Bank of Nova Scotia, Preferred, Series '32', Variable Rate, Callable, Perpetual.....	2.0
				TransAlta Corp., 5.00%, Preferred, Series 'E', Variable Rate, Perpetual.....	2.0
				Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'P', Variable Rate	1.8
				Loblaws Cos. Ltd., 5.30%, Preferred, Series 'B', Perpetual.....	1.8
				Capital Power Corp., Preferred, Series '7', Variable Rate, Perpetual.....	1.7
				Power Corp. of Canada, 5.60%, Preferred, Series 'A', Perpetual..	1.6
				Bank of Montreal, 5.00%, Preferred, Class 'B', Series '35', Perpetual	1.6
				Manulife Financial Corp., 4.65%, Preferred, Class 'A', Series '2', Perpetual.....	1.5
				Sun Life Financial Inc., 4.80%, Preferred, Class 'A', Series '2', Perpetual.....	1.5
				Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'EE', Variable Rate, Perpetual	1.5
				Enbridge Inc., Preferred, Series '17', Variable Rate, Perpetual	1.5
				TransCanada Corp., Preferred, Series '15', Variable Rate, Perpetual.....	1.4
				George Weston Ltd., 5.20%, Preferred, Series 'III', Perpetual	1.4
				Capital Power Corp., Preferred, Series '5', Variable Rate, Callable, Perpetual.....	1.4
				Brookfield Office Properties Inc., Preferred, Class 'CC', Variable Rate, Perpetual	1.4
				Brookfield Asset Management Inc., Preferred, Series '46', Variable Rate, Perpetual.....	1.3
				George Weston Ltd., 5.80%, Preferred, Series 'I', Callable, Perpetual.....	1.3
				Total Net Asset Value	\$68,199,035

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.