

Interim Management Report of Fund Performance

for the period ended June 30, 2018



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 interim management report of fund performance contains financial highlights but does not contain the complete interim or annual financial statements of the investment fund. You can get a copy of the interim or 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.

RESULTS OF OPERATIONS

The Fund's net assets decreased by \$9.5 million to \$156.8 million from December 31, 2017 to June 30, 2018. The Fund had net redemptions of \$3.2 million for the period. The Fund paid distributions totalling \$4.6 million while the portfolio's performance decreased assets by \$1.7 million. The Fund returned -1.1% after fees and expenses for the six-month period ended June 30, 2018. Over the same time period, the Fund's benchmark returned -0.4%. The Fund's benchmark is the S&P/TSX Equal Weight Diversified Banks Index.

First Asset 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.

U.S. equity markets were volatile during the first half of 2018, with sizeable swings in both directions. Investors weighed supportive economic data and corporate earnings on one hand, against the prospect of resurgent inflation, trade policy uncertainty and other geopolitical issues on the other. The Canadian market, while still positive, did underperform, with the S&P/TSX Composite Index having a total return of 2.0% for the first half of 2018. Canadian consumer spending slowed to 1.1% in the first quarter of 2018 amid rising interest rates. However, stronger U.S. demand, higher oil prices and federal infrastructure spending should support growth in the second half of the year.

While underlying global growth remained solid, financial markets remained focused on risks. An escalation of the trade war was looking increasingly likely, as the U.S. threatened further tariffs, and China promised to reciprocate. Uncertainty surrounding the U.K.'s exit from the European Union has undermined U.K. growth and could slow the European economy. In Italy, a coalition government of two populist parties with plans to expand fiscal policy through tax cuts and spending increases has raised concerns about the country's high public debt. More recently, the European Central Bank ("ECB") declared its intention to wind down asset purchases over the remainder of the year. The ECB anticipates the current monthly pace of €30 billion will be halved in October and then completely ceased at the end of the year. On a more positive note, North and South Korea have agreed to a denuclearization deal.

On the interest rate front, the U.S. Federal Reserve Board ("the Fed") raised the federal funds rate by 25 basis points ("bps") twice in the first half of 2018 and indicated that it expects to raise interest rates four times during the year. To justify the changes in the expected interest rate path, the Fed upgraded its growth and core inflation forecasts for 2018, while expecting the unemployment rate to continue to decline. The U.S. 10-year bond yield ended June at 2.9%, climbing up from 2.4% at the beginning of January. In the middle of January, the Bank of Canada ("BoC") raised interest rates on strong economic data. It was the BoC's third increase since last summer, following increases in July and September of 2017. While the BoC signaled that more interest rate increases are likely over time, it

highlighted the potentially negative impacts related to the outcome of North American Free Trade Agreement negotiations.

The Fund invests solely in Canadian banks, which are largely influenced by many of the same macroeconomic factors, such as rising interest rates and the cooling housing market in 2018. The top individual contributors to the Fund's performance were The Toronto-Dominion Bank, National Bank of Canada and Bank of Montreal, which contributed 89 bps, 48 bps and 36 bps, respectively to performance. Holdings in The Bank of Nova Scotia (-94 bps), Canadian Imperial Bank of Commerce (-65 bps) and Royal Bank of Canada (-33 bps) detracted from the Fund's performance.

RECENT DEVELOPMENTS

First Asset believes that global growth should stay strong at an above-trend pace, though at a lesser pace than in 2017. U.S. economic data continues to show signs of strength, with gross domestic product ("GDP") expected to grow 2.9% for the year, up from 2.3% in 2017. The Institute for Supply Management's reading of 60.2 is a sign of robust expansion, with payrolls up and wage pressure moderating. In Europe, GDP growth slows as the cycle matures and capacity constraints emerge. Concerns around inflation, tightening monetary policy and a potential trade war will likely keep some investors on the sidelines. Equities are expected to perform well and should see relatively better performance in more pro-growth cyclical sectors, such as consumer discretionary, information technology, financials and energy. The Fed will likely continue to raise interest rates by 50 bps before year end and is expected to continue into next year. Financial markets have priced in at least two more rate increases by the BoC before February 2019.

The Fund's objective is to provide quarterly cash distributions, the opportunity for capital appreciation by investing in a portfolio of Canadian bank stocks, and to lower the overall volatility of returns on the portfolio than would be experienced by owning the stocks of such issuers directly. To the extent that the market emphasizes Canadian bank stocks, the Fund should perform well.

Effective April 1, 2018, Stuart Hensman became a member of the Independent Review Committee ("IRC") of the Fund. Meanwhile, Carl Solomon resigned from the role as a member of the IRC.

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 on behalf of First Asset, however, it receives no compensation for doing so.

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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 period ended June 30, 2018.

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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 six periods.

THE FUND'S NET ASSETS PER SECURITY ⁽¹⁾

	Six Months Ended Jun. 30, 2018	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 period	12.35	11.67	9.93	11.17	10.73	9.89
Increase (decrease) from operations						
Total revenue	0.23	0.44	0.44	0.46	0.44	0.41
Total expenses	(0.06)	(0.11)	(0.10)	(0.14)	(0.15)	(0.14)
Realized gains (losses) for the period	0.12	1.89	1.62	1.47	0.56	(0.06)
Unrealized gains (losses) for the period	(0.42)	(0.82)	0.78	(2.45)	0.19	1.34
Total increase (decrease) from operations ⁽²⁾	(0.13)	1.40	2.74	(0.66)	1.04	1.55
Distributions						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	(0.22)	(0.45)	(0.49)	(0.46)	(0.43)	-
From capital gains	-	-	-	-	-	-
Return of capital	(0.13)	(0.25)	(0.29)	(0.27)	(0.27)	(0.70)
Total distributions ⁽³⁾	(0.35)	(0.70)	(0.78)	(0.73)	(0.70)	(0.70)
Net assets, end of the period ⁽⁴⁾	11.86	12.35	11.67	9.93	11.17	10.73

RATIOS AND SUPPLEMENTAL DATA

Total net asset value (\$000's) ⁽⁵⁾	156,783	166,327	148,506	111,258	178,272	213,521
Number of securities outstanding ⁽⁵⁾	13,221,193	13,471,193	12,721,193	11,208,467	15,959,759	19,904,281
Management expense ratio (%) ⁽⁶⁾	0.86	0.84	0.81	1.30	1.32	1.32
Portfolio turnover rate (%) ⁽⁷⁾	11.51	84.97	64.63	8.66	5.62	6.52
Trading expense ratio (%) ⁽⁸⁾	0.07	0.07	0.12	0.05	0.01	-
Net asset value per security (\$)	11.86	12.35	11.67	9.93	11.17	10.73
Closing market price (\$) ⁽⁹⁾	11.85	12.33	11.66	9.97	11.10	10.60

Notes:

(1) This information is derived from the Fund's unaudited interim and 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 period.

(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 June 30, 2018 and 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 period, 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 period.

(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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. 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 period, 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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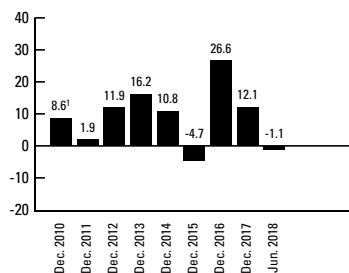
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Past Performance

Please note that the performance information shown in this section assumes that all distributions made by the Fund in the periods 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 interim and annual performance for the financial periods shown and illustrates how the Fund's performance has changed from period to period. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.



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

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

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Summary of Investment Portfolio as at June 30, 2018

Category	% of Net Asset Value	Category	% of Net Asset Value	Top Holdings	% of Net Asset Value
Country allocation		Sector allocation			
Canada	99.6	Financials	99.6	Toronto-Dominion Bank (The)	19.3
Other assets, net of liabilities	0.3	Other assets, net of liabilities	0.3	National Bank of Canada	19.1
Cash and Cash Equivalents	0.1	Cash and Cash Equivalents	0.1	Royal Bank of Canada	18.0
				Bank of Montreal	15.7
				Canadian Imperial Bank of Commerce	14.3
				Bank of Nova Scotia	13.3
				Cash and Cash Equivalents	0.1
				Total Net Asset Value	\$156,782,769

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.