

Interim Management Report of Fund Performance

for the period ended June 30, 2018



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

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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 \$2.9 million to \$52.8 million from December 31, 2017 to June 30, 2018. The Fund had net redemptions of \$1.9 million for the period. The Fund paid distributions totalling \$0.8 million while the portfolio's performance decreased assets by \$0.2 million. The Fund returned -0.5% after fees and expenses for the six-month period ended June 30, 2018. Over the same time period, the Fund's benchmark returned 0.8%. The benchmark is the FTSE TMX Canada Long Term All Government Bond Index.

The rise in financial market volatility over the first quarter of 2018 continued in the second quarter amid geopolitical uncertainty. One of the contributors to uncertainty was the escalation in trade war rhetoric that ultimately materialized in the U.S. levying aluminum and steel tariffs against its trade partners, including China, Japan, the European Union ("EU") and Canada. Against this backdrop, growth in the U.S. remained robust, enabling the U.S. Federal Reserve Board ("the Fed") to raise interest rates for a second time this year at its June meeting. As U.S. monetary policy continued to diverge from the rest of the world and put pressure on the global cost of capital, U.S. corporate bond and emerging market bond spreads steadily widened. Despite these developments, the Fed signaled intentions to raise interest rates twice more before the end of the year.

In Canada, the Bank of Canada ("BoC") kept interest rates on hold after raising its overnight rate in January. A combination of mixed economic data throughout the second quarter as well as business uncertainty induced by North American Free Trade Agreement ("NAFTA") negotiations persuaded the BoC to proceed with caution with further increases. Canadian investment-grade corporate bond spreads widened by 4 basis points ("bps") during the second quarter, while U.S. investment-grade bond spreads widened 14 bps. Canadian investor demand for corporate bonds remained very good given new issuance volumes running at record levels.

Elsewhere, a new populist government in Italy renewed concerns about the stability and integrity of the EU. Despite heightened political risks and a noticeable slowdown in growth momentum in the EU, the European Central Bank revised its inflation forecast higher and announced its intentions to wind down its asset purchase program at the end of 2018. However, it also set expectations that interest rates would remain at current levels until at least the summer of next year. In the U.K., the Bank of England has been on hold as economic data significantly missed official forecasts and its negotiations to exit the EU ("Brexit") have effectively stalled amidst political wrangling within the U.K. parliament. The response across global bond markets saw 10-year interest rates in Canada and the U.S. rise in the second quarter. However, over the same period, 10-year interest rates in Germany and the U.K. declined.

The Fund's overweight allocation to inflation-linked bonds contributed to its performance, as did U.S. dollar exposure as it outperformed the Canadian dollar. The Fund's foreign currency positions are actively managed through a hedging overlay.

An overweight U.S. dollar emerging market sovereign bond spread exposure detracted from the Fund's performance over the period. The Fund's duration (interest rate sensitivity) and yield curve positioning also detracted from performance as U.S. duration exposure underperformed Canadian duration exposure. U.S. 10-year yields rose 7 bps more than their Canadian counterparts over the second quarter.

As of the end of the period, the Fund's duration is shorter than its benchmark, with an underweight allocation in the 20-year area of the yield curve and overweight allocation to the 30-year portion. The Fund also holds an underweight exposure to Canadian government credit spreads in the agency, municipal and provincial sectors, and retains an overweight position in U.S. inflation-linked bonds. Over the second quarter, First Asset lowered the Fund's Canadian duration mainly in longer maturities. Later in the quarter, U.S. dollar emerging market sovereign debt holdings were sold, moving the duration back to the Canadian market.

RECENT DEVELOPMENTS

Over the medium term, higher global trade barriers and the emergence of populist politics and policies could result in a build-up of inflationary pressures. This increases risks of monetary policy errors by central banks and as such, the Portfolio Manager maintains a positive outlook on inflation-linked bonds.

In the near term, the Portfolio Manager will continue to monitor developments in global trade wars although it is noted that global growth remains positive. Until there is more clarity on trade negotiations for NAFTA, Brexit and on U.S. - China tariffs, volatility is expected to remain elevated.

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 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 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");

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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 period ended June 30, 2018.

Inter-Fund Trades – During the period, 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⁾

	Six Months Ended Jun. 30, 2018	Year Ended Dec. 31, 2017	Period from Inception to Dec. 31, 2016
	\$	\$	\$
Commencement of operations May 4, 2016			
Net assets, beginning of period	19.56	19.13	20.00
Increase (decrease) from operations			
Total revenue	0.31	0.59	0.35
Total expenses	(0.03)	(0.08)	(0.03)
Realized gains (losses) for the period	(0.53)	(0.11)	0.38
Unrealized gains (losses) for the period	0.15	0.52	(1.51)
Total increase (decrease) from operations ⁽²⁾	(0.10)	0.92	(0.81)
Distributions			
From income (excluding dividends)	(0.24)	(0.47)	(0.26)
From dividends	-	-	-
From capital gains	-	-	(0.33)
Return of capital	(0.02)	(0.04)	-
Total distributions ⁽³⁾	(0.26)	(0.51)	(0.59)
Net assets, end of the period ⁽⁴⁾	19.19	19.56	19.13

RATIOS AND SUPPLEMENTAL DATA

Total net asset value (\$000's) ⁽⁵⁾	52,777	55,741	37,312
Number of securities outstanding ⁽⁵⁾	2,750,000	2,850,000	1,950,000
Management expense ratio (%) ⁽⁶⁾	0.49	0.66	0.49
Management expense ratio before waivers or absorptions (%) ⁽⁶⁾	0.60	0.71	0.53
Portfolio turnover rate (%) ⁽⁷⁾	76.74	50.09	31.47
Trading expense ratio (%) ⁽⁸⁾	0.01	-	0.01
Net asset value per security (\$)	19.19	19.56	19.13
Closing market price (\$) ⁽⁹⁾	19.15	19.61	18.92

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 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 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 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 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. 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 period ended June 30, 2018, First Asset waived and absorbed expenses of the Fund totalling \$27,684.

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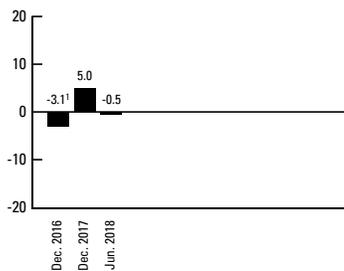
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Past Performance

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

(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	90.5	Provincial Government & Guaranteed	62.6	Province of Ontario, 2.90%, December 2, 2046	13.9
United States	6.4	Government of Canada & Guaranteed	27.9	Province of Quebec, 3.50%, December 1, 2048	13.8
Cash and Cash Equivalents	3.1	U.S. Federal Bonds & Guaranteed	6.4	Government of Canada, 2.00%, June 1, 2028	12.0
Other assets, net of liabilities	0.0	Cash and Cash Equivalents	3.1	Province of British Columbia, 6.35%, June 18, 2031	10.6
		Other assets, net of liabilities	0.0	Government of Canada, 2.75%, December 1, 2064	8.1
				Province of British Columbia, 4.95%, June 18, 2040	7.5
				Province of Ontario, 2.80%, June 2, 2048	6.9
				Province of Nova Scotia, 4.70%, June 1, 2041	5.6
				Province of Ontario, 2.60%, June 2, 2027	4.3
				United States Treasury Bond, 0.13%, April 15, 2022	3.4
				Government of Canada, 1.00%, June 1, 2027	3.3
				Cash and Cash Equivalents,	3.1
				Government of Canada, 1.75%, March 1, 2023	2.4
				Government of Canada, 2.75%, December 1, 2048	1.7
				United States Treasury Bond, 0.38%, July 15, 2027	1.7
				United States Treasury Bond, 0.88%, February 15, 2047	0.8
				Government of Canada, 1.25%, February 1, 2020	0.5
				United States Treasury Bond, 0.13%, April 15, 2021	0.2
				United States Treasury Bond, 0.13%, July 15, 2026	0.2
				Total Net Asset Value	\$52,776,843

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.