

# Interim Management Report of Fund Performance

for the period ended June 30, 2018



## First Asset Canadian REIT ETF

**Fund:**

First Asset Canadian REIT ETF

**Securities:**

Common Units - Listed Toronto Stock Exchange ("TSX"): RIT

**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

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**Portfolio Manager:**

Signature Global Asset Management

2 Queen Street East, 20<sup>th</sup> Floor

Toronto, ON M5C 3G7

# First Asset Canadian REIT ETF

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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](http://www.firstasset.com) or SEDAR at [www.sedar.com](http://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 increased by \$15.4 million to \$320.8 million from December 31, 2017 to June 30, 2018. The Fund had net sales of \$7.3 million for the period. The Fund paid distributions totalling \$8.0 million while the portfolio's performance increased assets by \$16.1 million. The Fund returned 5.2% after fees and expenses for the six-month period ended June 30, 2018. Over the same time period, the Fund's benchmark returned 6.1%. The benchmark is the S&P/TSX Capped REIT Total Return Index.

Canadian commercial real estate fundamentals remained healthy, outside of Alberta office properties, backed by strong demand, attractively priced debt and widespread expectations of continued robust direct property pricing, particularly for core and urban real estate.

The first half of the year was active for real estate investment trust ("REIT") mergers and acquisitions ("M&A") with the announcements of two major transactions. In January, Pure Industrial Real Estate Trust announced that it had been acquired by an affiliate of Blackstone Property Partners in an all-cash transaction valued at C\$3.8 billion. In February, Choice Properties REIT announced its intention to acquire Canadian REIT for C\$6.0 billion.

Canadian REITs performed well relative to the broader index in the first half of the year. Year-to-date, the S&P/TSX Capped REIT Index was up +6.1% versus +2.0% for the S&P/TSX Composite Index. Despite healthy relative returns, Canadian REITs ended the first half of the year trading at an average mid-single digit discount to net asset value. REIT yields remain attractive on a relative and absolute basis.

Investment selection was the primary driver of the Fund's performance during the first half of the year. In particular, selection within industrial and residential REITs contributed to performance. Top individual contributors to performance included holdings in InterRent REIT, Pure Multi-Family REIT L.P. and Summit Industrial Income REIT ("Summit"). Summit and InterRent REIT both benefited from strong property fundamentals, which translated into attractive operational and financial results. Pure Multi-Family REIT L.P. was positively impacted by merger and acquisition speculation following Electra America Inc.'s initial purchase bid, which bolstered the company's unit price performance in anticipation of a potential sale.

Sector allocation, specifically the Fund's exposure to real estate services and health care facilities detracted from performance. The top individual detractors from performance included Altus Group Ltd., CT REIT and Brookfield Property Partners L.P.

After shying away from investing in Cominar REIT for an extended period due to operational and financial challenges, First Asset established a position in Cominar REIT in the low \$12 range. In late June, First Asset participated in the Minto Apartment REIT ("Minto") initial public offering ("IPO"), which commenced trading in early July. The Fund remains biased towards multi-family residential REITs given supportive sector fundamentals, particularly in the Greater Toronto Area and Ottawa.

### RECENT DEVELOPMENTS

Looking forward, the Fund continues to favour multi-family, industrial, senior housing, and daily necessity-oriented retail. While negative sentiment may continue to weigh on retail-oriented and senior housing companies in the near-term, First Asset sees opportunity in higher-quality companies, particularly for patient, long-term capital. The Fund's investments continue to be biased toward REITs with quality urban portfolios, attractive growth profiles, and healthy balance sheets.

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"); 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

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*Management Report of Fund Performance for the period ended June 30, 2018*

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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.

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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 <sup>(1)</sup>

Common Units	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 October 28, 2004	\$	\$	\$	\$	\$	\$
<b>Net assets, beginning of period</b>	16.03	15.08	13.52	13.13	12.28	13.07
<b>Increase (decrease) from operations</b>						
Total revenue	0.24	0.53	0.76	0.70	0.65	0.60
Total expenses	(0.07)	(0.17)	(0.14)	(0.17)	(0.22)	(0.18)
Realized gains (losses) for the period	0.49	0.52	0.36	1.29	0.59	1.25
Unrealized gains (losses) for the period	0.17	0.80	1.13	(0.87)	0.49	(1.73)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.83</b>	<b>1.68</b>	<b>2.11</b>	<b>0.95</b>	<b>1.51</b>	<b>(0.06)</b>
<b>Distributions</b>						
From income (excluding dividends)	-	(0.03)	(0.13)	(0.04)	(0.05)	-
From dividends	(0.22)	(0.39)	(0.19)	(0.19)	(0.20)	(0.22)
From capital gains	(0.18)	(0.37)	(0.67)	(0.98)	(0.48)	(1.16)
Return of capital	(0.01)	(0.02)	-	-	(0.01)	(0.01)
<b>Total distributions <sup>(9)</sup></b>	<b>(0.41)</b>	<b>(0.81)</b>	<b>(0.99)</b>	<b>(1.21)</b>	<b>(0.74)</b>	<b>(1.39)</b>
<b>Net assets, end of the period <sup>(4)</sup></b>	<b>16.46</b>	<b>16.03</b>	<b>15.08</b>	<b>13.52</b>	<b>13.13</b>	<b>12.28</b>

### RATIOS AND SUPPLEMENTAL DATA

Total net asset value (\$000's) <sup>(5)</sup>	320,814	305,391	190,122	84,549	65,028	68,747
Number of securities outstanding <sup>(5)</sup>	19,496,068	19,046,068	12,603,986	6,253,986	4,953,986	5,599,063
Management expense ratio excluding offering expenses (%) <sup>(6)</sup>	0.91	0.93	0.97	1.24	1.44	1.46
Management expense ratio (%) <sup>(6)</sup>	0.91	0.93	0.97	1.24	1.44	1.24
Portfolio turnover rate (%) <sup>(7)</sup>	15.32	33.28	32.69	79.70	49.85	62.85
Trading expense ratio (%) <sup>(8)</sup>	0.03	0.07	0.07	0.12	0.08	0.17
Net asset value per security (\$)	16.46	16.03	15.08	13.52	13.13	12.28
Closing market price (\$) <sup>(9)</sup>	16.50	16.05	15.10	13.60	12.41	11.74

#### 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 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. 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 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. 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 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 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.

	<b>Maximum annual management fee rate</b>	<b>As a percentage of management fee</b>	
		<b>Dealer compensation</b>	<b>General administration and profit</b>
	0.75%	-	100%

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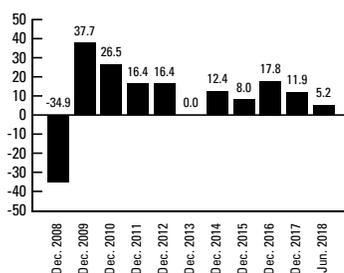
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## Past Performance

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 <sup>(1)</sup>

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) 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 25 Holdings	% of Net Asset Value
<b>Country allocation</b>		<b>Sector allocation</b>			
Canada .....	90.6	Real Estate .....	85.9	Cash and Cash Equivalents .....	7.5
Cash and Cash Equivalents .....	7.5	Cash and Cash Equivalents .....	7.5	Canadian Apartment Properties REIT .....	4.8
United States .....	2.4	Health Care .....	5.8	Killam Apartment REIT .....	4.5
Other assets, net of liabilities .....	(0.5)	Financials .....	1.3	InterRent REIT .....	4.4
		Other assets, net of liabilities .....	(0.5)	First Capital Realty Inc. ....	4.3
				Pure Multi-Family REIT L.P., Class 'A' .....	4.2
				Tricon Capital Group Inc. ....	4.2
				Dream Industrial REIT .....	4.1
				H&R REIT .....	4.0
				RioCan REIT .....	4.0
				Morguard North American Residential REIT .....	3.9
				Allied Properties REIT .....	3.8
				Dream Global REIT .....	3.8
				Choice Properties REIT .....	3.5
				WPT Industrial REIT .....	3.5
				Chartwell Retirement Residences .....	3.3
				Crombie REIT .....	3.0
				SmartCentres REIT .....	2.8
				Sienna Senior Living Inc. ....	2.5
				Summit Industrial Income REIT .....	2.5
				American Hotel Income Properties REIT L.P. ....	2.4
				Granite REIT .....	2.2
				Brookfield Property Partners L.P. ....	1.6
				CT REIT .....	1.5
				Inovalis REIT .....	1.5
				<b>Total Net Asset Value</b>	<b>\$320,814,199</b>

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](http://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.