

# Interim Management Report of Fund Performance

for the period ended June 30, 2018



## First Asset U.S. TrendLeaders Index ETF

**Fund:**

First Asset U.S. TrendLeaders Index ETF

**Securities:**

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

**Manager, Trustee & Investment Advisor:**

First Asset Investment Management Inc. ("First Asset")

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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 \$35.5 million to \$65.2 million from December 31, 2017 to June 30, 2018. The Fund had net sales of \$35.5 million for the period.

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 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 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.

Exposure to the health care, information technology and industrials sectors contributed to the Fund's performance. The top three individual contributors to performance included holdings in ABIOMED Inc., Juno Therapeutics Inc. and Sarepta Therapeutics Inc.

Allocation to consumer discretionary, materials and energy sectors detracted from the Fund's performance. The largest individual detractors from performance included holdings in Micron Technology Inc., United States Steel Corp. and Wayfair Inc.

Any notable changes to the Fund's portfolio were related to index rebalancing activity. Portfolios are obtained from Canadian Imperial Bank of Commerce ("CIBC") and rebalanced as per its direction with respect to constituents and weightings.

## RECENT DEVELOPMENTS

First Asset believes that global expansion will continue in the latter half of 2018, though at a lesser pace than in 2017. Earnings in North America have remained robust so far this year, and look to do so in the upcoming earnings season. Economic data in North America remains strong, particularly with respect to job growth, but there have been early signs of inflation. Commodities have also begun to improve, with both energy and metals pricing on the rise. Further interest rate increases are expected for the remainder of 2018, which should result in higher bond yields, putting negative pressure on bond prices.

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.

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

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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 since inception.

### THE FUND'S NET ASSETS PER SECURITY <sup>(1)</sup>

	Six Months Ended Jun. 30, 2018	Period from Inception to Dec. 31, 2017
	\$	\$
Commencement of operations July 5, 2017		
<b>Net assets, beginning of period</b>	22.01	20.00
<b>Increase (decrease) from operations</b>		
Total revenue	0.10	0.07
Total expenses	(0.15)	(0.13)
Realized gains (losses) for the period	0.83	(0.03)
Unrealized gains (losses) for the period	(0.78)	2.28
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	-	2.19
<b>Distributions</b>		
From income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
<b>Total distributions <sup>(3)</sup></b>	-	-
<b>Net assets, end of the period <sup>(4)</sup></b>	22.89	22.01

### RATIOS AND SUPPLEMENTAL DATA

Total net asset value (\$000's) <sup>(5)</sup>	65,247	29,709
Number of securities outstanding <sup>(5)</sup>	2,850,000	1,350,000
Management expense ratio (%) <sup>(6)</sup>	0.94	0.85
Management expense ratio before waivers or absorptions (%) <sup>(6)</sup>	1.07	1.36
Portfolio turnover rate (%) <sup>(7)</sup>	342.46	294.43
Trading expense ratio (%) <sup>(8)</sup>	0.26	0.27
Net asset value per security (\$)	22.89	22.01
Closing market price (\$) <sup>(9)</sup>	22.99	22.10

#### 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 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.

(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.

	<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%

For the period ended June 30, 2018, First Asset waived and absorbed expenses of the Fund totalling \$29,760.

## Past Performance

The Fund was not a reporting issuer throughout the entire period, therefore we have not provided past performance information.

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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>			
United States .....	99.2	Information Technology .....	27.7	Sarepta Therapeutics Inc.....	2.8
Switzerland .....	2.3	Energy.....	23.9	NetApp Inc. ....	2.3
Cash and Cash Equivalents .....	0.2	Health Care .....	19.5	Netflix Inc.....	2.3
Other assets, net of liabilities.....	(1.7)	Consumer Discretionary.....	12.5	Transocean Ltd.....	2.3
		Financials .....	9.8	Amazon.com Inc. ....	2.2
		Industrials .....	6.2	ConocoPhillips.....	2.2
		Utilities.....	1.9	Dexcom Inc.....	2.2
		Cash and Cash Equivalents .....	0.2	VMware Inc., Class 'A' .....	2.2
		Other assets, net of liabilities.....	(1.7)	WPX Energy Inc.....	2.2
				ABIOMED Inc.....	2.1
				Align Technology Inc.....	2.1
				American Eagle Outfitters Inc. ....	2.1
				Aspen Technology Inc.....	2.1
				Broadridge Financial Solutions Inc., ADR.....	2.1
				Chemed Corp.....	2.1
				Continental Resources Inc. ....	2.1
				Copart Inc.....	2.1
				HealthEquity Inc.....	2.1
				Illumina Inc.....	2.1
				Macy's Inc.....	2.1
				Marathon Oil Corp. ....	2.1
				Neurocrine Biosciences Inc. ....	2.1
				Palo Alto Networks Inc.....	2.1
				W.W. Grainger Inc.....	2.1
				Whiting Petroleum Corp.....	2.1
				<b>Total Net Asset Value</b>	<b>\$65,246,833</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.