

# Interim Management Report of Fund Performance

for the period ended June 30, 2018



## First Asset Tech Giants Covered Call ETF

**Fund:**

First Asset Tech Giants Covered Call ETF

**Securities:**

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

Unhedged Common Units - Listed TSX: TXF.B

**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 \$64.0 million to \$314.1 million from December 31, 2017 to June 30, 2018. The Fund had net sales of \$52.6 million for the period. The Fund paid distributions totalling \$10.8 million while the portfolio's performance increased assets by \$22.2 million. Common Units returned 8.1% after fees and expenses for the six-month period ended June 30, 2018. Over the same time period, the Fund's benchmark returned 10.9%. The benchmark is the S&P 500 Information Technology Sector Index.

The Fund employs a near-the-money covered call overlay strategy on approximately 25% of the holding 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 in the largest companies in the information technology sector. The top individual contributors to the Fund's performance included Adobe Systems Inc. (158 bps), Salesforce.com Inc. (128 bps) and Intuit Inc. (128 bps). Holdings in eBay Inc. (-77 bps), Qualcomm Inc. (-59 bps) and Applied Materials Inc. (-48 bps) detracted from the Fund's performance. The Fund's management fee of 65 bps was another slight detractor from 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 investment objective of the Fund is to provide holders, through an actively managed portfolio with quarterly cash distributions, the opportunity for capital appreciation by investing on an equal weight basis in a portfolio of securities of the 25 largest technology companies (as measured by market capitalization) listed on a North American stock exchange, and lower overall volatility of returns than would be experienced by owning a portfolio of stocks of such issuers directly. To the extent that the market emphasizes the information technology 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.

On June 4, 2018, unitholders of the Fund approved an amendment to the fundamental investment objective of the Fund in response to certain changes to the Global Industry Classification Standard ("GICS"). The amendment will substantially preserve the scope of companies that the Fund is currently permitted to invest in by allowing the Fund to also invest in certain GICS sub-industries. The amendment will take effect on or about September 28, 2018, concurrently with the scheduled changes to the GICS classifications.

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

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The amended investment objective of the Fund is to provide Unitholders, through an actively managed portfolio, with (i) quarterly cash distributions, (ii) the opportunity for capital appreciation by investing on an equal weight basis in a portfolio of securities of the 25 largest technology issuers measured by market capitalization, whose common shares are listed on a North American stock exchange in the GICS Information Technology Sector, as well as those in the GICS Internet & Direct Marketing Retail, Interactive Home Entertainment and Interactive Media & Services Sub-Industries or such other Sub-Industry as the Manager considers appropriate, and excluding those in the GICS Data Processing & Outsourced Services Sub-Industry, and (iii) lower overall volatility of returns on the portfolio than would be experienced by owning a portfolio of securities of such issuers directly, by employing a covered call option writing program.

## **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 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 tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six periods, as applicable.

### 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 17, 2011	\$	\$	\$	\$	\$	\$
<b>Net assets, beginning of period</b>	16.50	13.03	11.57	12.52	11.49	9.53
<b>Increase (decrease) from operations</b>						
Total revenue	0.12	0.19	0.06	0.13	0.12	0.12
Total expenses	(0.09)	(0.17)	(0.09)	(0.09)	(0.08)	(0.07)
Realized gains (losses) for the period	0.80	3.08	0.82	0.60	0.39	(0.09)
Unrealized gains (losses) for the period	0.45	0.97	1.44	(0.89)	1.42	3.29
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	1.28	4.07	2.23	(0.25)	1.85	3.25
<b>Distributions</b>						
From income (excluding dividends)	-	(0.03)	(0.02)	(0.03)	(0.02)	(0.01)
From dividends	(0.01)	-	-	-	-	-
From capital gains	(0.61)	(2.40)	(0.93)	-	(0.12)	-
Return of capital	-	-	-	(0.68)	(0.62)	(0.87)
<b>Total distributions <sup>(3)</sup></b>	(0.62)	(2.43)	(0.95)	(0.71)	(0.76)	(0.88)
<b>Net assets, end of the period <sup>(4)</sup></b>	17.23	16.50	13.03	11.57	12.52	11.49

### RATIOS AND SUPPLEMENTAL DATA

Total net asset value (\$000's) <sup>(5)</sup>	293,806	243,390	101,915	54,370	55,730	33,888
Number of securities outstanding <sup>(5)</sup>	17,048,997	14,748,997	7,819,750	4,700,000	4,450,000	2,950,000
Management expense ratio (%) <sup>(6)</sup>	0.71	0.70	0.71	0.72	0.70	0.69
Portfolio turnover rate (%) <sup>(7)</sup>	53.40	146.70	56.26	105.58	75.39	80.24
Trading expense ratio (%) <sup>(8)</sup>	0.13	0.16	0.20	0.14	0.23	0.44
Net asset value per security (\$)	17.23	16.50	13.03	11.57	12.52	11.49
Closing market price (\$) <sup>(9)</sup>	17.27	16.54	13.03	11.59	12.54	11.52

\*Footnotes for the tables are found at the end of the Financial Highlights section.

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## Financial Highlights (cont'd)

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

Unhedged Common Units	Year Ended Jun. 30, 2018	Period from Inception to Dec. 31, 2017
Commencement of operations August 31, 2017	\$	\$
<b>Net assets, beginning of period</b>	16.78	15.34
<b>Increase (decrease) from operations</b>		
Total revenue	0.13	0.21
Total expenses	(0.09)	(0.11)
Realized gains (losses) for the period	1.31	0.93
Unrealized gains (losses) for the period	0.73	0.06
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>2.08</b>	<b>1.09</b>
<b>Distributions</b>		
From income (excluding dividends)	-	-
From dividends	-	-
From capital gains	(0.61)	(0.58)
Return of capital	-	-
<b>Total distributions <sup>(3)</sup></b>	<b>(0.61)</b>	<b>(0.58)</b>
<b>Net assets, end of the period <sup>(4)</sup></b>	<b>18.42</b>	<b>16.78</b>

### RATIOS AND SUPPLEMENTAL DATA

Total net asset value (\$000's) <sup>(5)</sup>	20,262	6,712
Number of securities outstanding <sup>(5)</sup>	1,100,000	400,000
Management expense ratio (%) <sup>(6)</sup>	0.75	0.71
Portfolio turnover rate (%) <sup>(7)</sup>	53.40	146.70
Trading expense ratio (%) <sup>(8)</sup>	0.13	0.16
Net asset value per security (\$)	18.42	16.78
Closing market price (\$) <sup>(9)</sup>	18.50	16.82

#### 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 on the Common Units and Unhedged Common Units at the maximum annual rate set out below. The fee is based on the net asset value of the relevant class, and is calculated daily and paid monthly in arrears. Out of the management fees received, First Asset pays for general administration and profit. General administration covers most costs and expenses relating to the operation of the Fund including investment management, administration, legal, accounting, custody, audit, registrar and transfer agency fees, index licensing fees (if applicable) and expenses associated with the advertising, marketing and promoting the sale of the units of the Fund, subject to certain exclusions as noted in the Fund's prospectus. In addition to investment advisory and portfolio management, 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 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
Common Units	0.65%	-	100%
Unhedged Common Units	0.65%	-	100%

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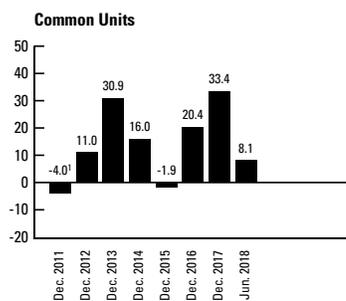
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## Past Performance

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<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.



<sup>1</sup> 2011 return is for the period from October 26, 2011 to December 31, 2011.

(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>			
United States .....	93.3	Information Technology .....	101.7	Accenture PLC, Class 'A' .....	4.3
Ireland .....	4.3	Cash and Cash Equivalents .....	0.1	Activision Blizzard Inc. ....	4.2
Netherlands .....	4.1	Other assets, net of liabilities .....	(1.8)	Apple Inc. ....	4.2
Cash and Cash Equivalents .....	0.1			Cisco Systems Inc. ....	4.2
Other assets, net of liabilities .....	(1.8)			Cognizant Technology Solutions Corp., Class 'A' .....	4.2
				Facebook Inc., Class 'A' .....	4.2
				Intuit Inc. ....	4.2
				Microsoft Corp. ....	4.2
				salesforce.com Inc. ....	4.2
				VMware Inc., Class 'A' .....	4.2
				Adobe Systems Inc. ....	4.1
				Alphabet Inc., Class 'A' .....	4.1
				Electronic Arts Inc. ....	4.1
				International Business Machines Corp. ....	4.1
				NXP Semiconductors NV .....	4.1
				Oracle Corp. ....	4.1
				Texas Instruments Inc. ....	4.1
				Applied Materials Inc. ....	4.0
				eBay Inc. ....	4.0
				QUALCOMM Inc. ....	4.0
				Micron Technology Inc. ....	3.9
				Altaba Inc. ....	3.8
				Broadcom Inc. ....	3.8
				Intel Corp. ....	3.8
				NVIDIA Corp. ....	3.8
				<b>Total Net Asset Value</b>	<b>\$314,068,191</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.