FIRST ASSET ACTIVE CREDIT ETF
MANAGER COMMENTARY
Fourth Quarter 2017

Fund Overview

The First Asset Active Credit ETF ("the Fund") actively invests in fixed income securities to maximize long-term risk adjusted total returns through cash distributions and long-term capital appreciation, in a manner consistent with preservation of capital and prudent risk management. The Fund invests in select credits that we believe have an attractive risk/reward profile based on our thorough bottoms–up and fundamental analysis of each company in which the Fund invests. We typically invest in businesses we know well, often after having followed them for months or even years, and, in many instances, we will invest in companies that one or more of our other credit platforms have invested in previously.

Potential opportunities for this Fund include:

(i) Issuers with strong market positions and attractive, sustainable business models;
(ii) Companies with quantifiable assets and/or predictable cash-flow characteristics; and
(iii) Situations where markets have overreacted to actual or perceived risk.

In addition to effective individual security selection, our strategy allows us to vary allocations opportunistically between senior secured loans and high-yield bonds, as market conditions change. Investments are based on fundamental credit and relative value analysis to maximize long-term, risk-adjusted total returns and enable us to prudently manage the credit and duration profile of the Fund.

Market and Strategy Update

	2017 Q4	2017
First Asset Active Credit ETF (FAO - Hedged to CAD)	0.21%	5.26%
First Asset Active Credit ETF (FAO.U - USD)	0.73%	6.10%
Credit Suisse Leveraged Loan Index	1.17%	4.25%
Credit Suisse High-Yield Index	0.54%	7.03%
S&P 500 TR Index	6.64%	21.84%

Source: First Asset and Onex as at December 31, 2017
See page 3 for full performance data

FAO returned 0.21% in the fourth quarter and 5.26% for full-year 2017. After accounting for foreign exchange costs of hedging all investments against the Canadian dollar, FAO performed in-line with a comparable asset mix of the Credit Suisse Leveraged Loan and Credit Suisse High-Yield Indexes for the fourth quarter and the full year.

Investor optimism continued in the fourth quarter, largely driven by equity markets trading to all-time highs. In this environment, high-yield bonds and leveraged loans performed reasonably well, as prices continued to increase and spreads tightened to year–to-date lows.

We believe one of our key differentiators is our active approach in managing the Fund to seek to maximize results and minimize risk. Five of the top 10 performers for the year were credits that were either new to the Fund in 2017, or names we made meaningful adjustments to, during the course of the year. Two of the top performers in 2017, Intelsat and Valeant, were credits that fall into the latter category.

Intelsat is a business we have followed for over a decade. It owns one of the world's largest commercial satellite constellations, providing communications services to companies and governments worldwide. While our bond position had traded down in 2016, as a result of concerns about the company's overall high leverage and its restructuring initiatives, our conviction in the senior bonds issued by Intelsat Jackson, a structurally senior subsidiary of Intelsat, proved correct as the notes traded up significantly in 2017 on the announcement of a merger combination involving OneWeb and SoftBank. We exited our note position early in 2017, before the company announced that the planned merger would not take place, at a price that exceeded our initial purchase price.

The bonds of Valeant, a pharmaceutical manufacturer, rallied from stressed levels in 2016 as the company exceeded, by more than $1.5 billion, its commitment to pay down its debt by $5 billion, through free-cash-flow generation and an asset sale program that yielded more proceeds than expected. In addition, Valeant's two main franchises – Bausch & Lomb and Salix Pharmaceuticals showed growth. Both of these results exemplify our strategy of investing in companies we know well and where we have high conviction, which allows us to hold positions, when justified, through adverse periods in an investment's lifecycle.

Our two weakest performers in 2017, neither of which had a material impact on performance, were American Commercial Lines ("ACLI") and Petsmart. ACLI is an inland waterway commercial barge operator, which we have followed for many years and invested in across many of our strategies. We began reducing our position in the first half of 2017, as the company struggled with overcapacity in the industry and waterway disruptions due to weather related events. Following unexpectedly weak third-quarter results, the first lien loans we own traded down further, and while we reduced our position to better align our exposure with the increased risk we see in the company's near-term performance, we believe the current trading levels overstate such risk and are mitigated by the loan's high coupon. Petsmart was impacted by broader concerns around the retail industry, as well as the structure of the acquisition of the online pet supply retailer, Chewy, Inc., in May 2017. We continue to believe the Chewy acquisition will be transformative for the company and maintain our conviction in the first lien bonds we own. As always, we will continually evaluate the risk/reward attractiveness of these investment positions.

As we expected spreads to tighten in 2017 and bonds to perform well, we shifted the weighting towards bonds over bank loans through the first three quarters. We started to reverse that move, late third quarter, as our view of relative value of the two markets changed. That view continues today, but is subject to change as market conditions change. Given the Fund's allocation to floating rate leveraged loans, and the ability to adjust such allocation as we see fit, we believe the Fund is well positioned to minimize duration risk, should interest rates continue to rise in the near to intermediate term.

For 2018, we appear to be entering a year that may very well be marked by increased volatility and a rising interest rate environment, which will mark a significant shift from what investors have recently seen in capital markets. As we enter this changed investment climate, we are confident that one of the noteworthy advantages of investing in the Fund is our team's decades of investing experience and deep familiarity with the broader markets, which allows us to identify attractive investment opportunities in all parts of the cycle. Across Onex Credit's investing platforms we have acquired in-depth knowledge of hundreds of credits, gained over many years of research and analysis. We believe that the combination of this in-depth knowledge together with the Fund's flexible strategy, which allows us to adjust exposure between floating and fixed rate investments, enables the Fund to be well-positioned to deliver attractive, risk-adjusted credit returns even in uncertain environments.

Top 5 Profit and Loss Contributors in Q4 2017[1]

Strongest	Weakest
Valeant	American Comm Lines
KB Home	Petsmart
IShares IBOXX High Yield Corporate Bond ETF	Albertson's
Intelsat	Idera Inc
Momentive	Avaya

This chart shows the top five strongest and weakest holdings contributing to the Fund's performance for the fourth quarter of 2017. These holdings do not represent all of the securities held, purchased or sold during the respective periods. Past performance is not indicative of future results.

Fund Performance (%)

	1 Month	3 Month	6 Month	YTD	1 Year	3 Year	5 Year	SI
First Asset Active Credit ETF (Hedged to CAD)	-0.14	0.21	1.38	5.26	5.26	-	-	5.21
First Asset Active Credit ETF (USD)	0.33	0.73	1.99	6.10	6.10			5.01
Credit Suisse High Yield Index	0.39	1.17	2.24	4.25	4.25	-	-	4.63
Credit Suisse Leveraged Loan Index	1.11	6.64	11.42	21.84	21.84	-	-	11.98

Source: First Asset and Onex Credit Partners as at December 31, 2017 — Inception date: Jan 16, 2015

Firm Update

Onex Credit now manages approximately $9.6 billion in assets under management. In line with the growth of our platform, we continue to augment our investment team with new talent and the investment team has grown to include 23 people, with an average of nearly 20 years of experience.

We thank you for another year together and we look forward to all that lies ahead in 2018.

Thank you for your continued support,
Onex Credit Partners, LLC.

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