

FIRST ASSET U.S. & CANADA LIFECO INCOME ETF



Annual Management Report of Fund Performance for the year ended
December 31, 2015

Fund:

First Asset U.S. & Canada Lifeco Income ETF

Securities:

Common Units - Listed Toronto Stock Exchange ("TSX"): FLI
Advisor Class Units - Listed TSX: FLI.A

Period:

January 1, 2015 to December 31, 2015

Manager, Trustee & Investment Advisor:

First Asset Investment Management Inc. ("First Asset")
95 Wellington Street West, Suite 1400
Toronto, Ontario M5J 2N7
(416) 642-1289 or (877) 642-1289
www.firstasset.com • info@firstasset.com

Notes:

1. This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Fund. You can get a copy of the annual financial statements at your request, and at no cost, by contacting us (contact information above) or on SEDAR at www.sedar.com. Holders may also contact us to request a free copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.
2. This report may contain forward looking statements. Forward looking statements involve risks and uncertainties and are predictive in nature and actual results could differ materially from those contemplated by the forward looking statements.
3. Unless otherwise indicated all information is as at December 31, 2015.
4. None of the websites that are referred to in this report, nor any of the information on any such websites, are incorporated by reference in this report.

Investment Objectives and Strategies

The Fund's investment objectives are to provide securityholders with (i) quarterly cash distributions; (ii) the opportunity for capital appreciation; and (iii) lower overall volatility of portfolio returns than would be experienced by owning a portfolio of publicly-traded common equity securities of the ten largest U.S. and Canadian life insurance companies by market capitalization directly. The Fund invests on an equal weight basis in the portfolio which consists of publicly-traded common equity securities of the ten largest U.S. and Canadian life insurance companies, and rebalances and reconstitutes the portfolio annually and in connection with certain corporate events. The Fund sells call options each month on up to 25% of the portfolio securities of each issuer held in the portfolio.

Risks

There were no changes to the Fund over the period of this report that materially affected the overall level of risk associated with an investment in the Fund. Holders should still refer to the prospectus of the Fund dated July 20, 2015 as it contains a detailed discussion of risk and other considerations relating to an investment in the Fund. The prospectus is available free of charge on our website at www.firstasset.com and on SEDAR at www.sedar.com. Readers are also directed to note 5 and the Fund Specific Notes of the Fund's 2015 annual financial statements, which discusses management of financial risks.

Results of Operations

For the year ended December 31, 2015, the Fund's Common Units returned 5.8%, compared to the S&P 500 Life & Health Insurance Index of 11.5% and the broader S&P 500 Total Return Index of 1.4%. The following tables highlight the performance of the Fund's Common Units and Advisor Class Units on a net asset value basis and market price basis.

Net Asset Value	December 31, 2015	December 31, 2014	Return
FLI	\$11.22	\$11.15	5.8%
FLI.A	\$11.34	\$11.27	4.9%

Market Value	December 31, 2015	December 31, 2014	Return
FLI	\$11.24	\$11.17	5.9%
FLI.A	\$12.11 ⁽¹⁾	\$11.20 ⁽²⁾	12.6%

(1) Closing market price taken from last trade on December 4, 2015.

(2) Closing market price taken from last trade on December 11, 2014.

The above returns, whether based on net asset value or market price, assume the reinvestment of all distributions. The Fund's Common Units and Advisor Class Units had per unit distributions of \$0.58 and \$0.48, respectively, during the year.

The Fund's net assets as at December 31, 2015 was \$122.6 million, a decrease from \$130.2 million as at December 31, 2014. The largest factors contributing to this decrease were net redemptions of \$8.7 million and distributions of \$6.5 million. This was offset in part by net gains on investments of \$9.4 million.

A number of macro-economic events dominated headlines during the 12-month period ended December 31, 2015, all of which drove negative market sentiment. These included a slowdown in global growth, volatility in the energy markets, eurozone uncertainty and U.S. monetary policy. Credit markets had a dismal year, with credit spreads driven wider by poor equity market performance and elevated default risks, especially from the energy sector.

Greece was in the headlines again after the left-leaning Syriza party won Greek elections with a pledge to citizens of relief from austerity while remaining in the eurozone. Initial proposals by the Greek government to reduce austerity measures fell short of European Central Bank expectations and raised concerns that Greece would be forced to exit the eurozone. The Greek debt crisis was averted when the government agreed to austerity measures in exchange for more debt to pay off its current obligations.

The price of oil collapsed over 50.0% from mid-year highs of US\$60 per barrel to close 2015 around US\$30. Crude inventories continued to rise even as rig counts declined in both Canada and the U.S. Sentiment for oil prices remained soft as the Organization of the Petroleum Exporting Countries ("OPEC") maintained production quotas to protect market share along with elevated Iranian supply potentially hitting the market in early 2016. Primarily as a result of the pullback in energy prices and its impact on the economy, the Bank of Canada ("BoC") cut interest rates twice in

2015, further weakening the Canadian dollar, which finished down 16.5% versus the U.S. dollar. Sentiment in the market is for one additional 25 basis point ("bp") cut in rates in 2016.

The Chinese government took several steps to stabilize equity markets and support its economy, including devaluation of the yuan, equity market controls and forced buying by state-owned agencies of equities. These moves all added volatility to the markets. The estimated growth rate for China was downgraded during the year, which did not help sentiment for commodities.

The U.S. Federal Reserve Board ("Fed") waited until its December meeting before raising the federal funds rate by 25 bps, basing the decision primarily on improving employment numbers. There is some debate on the pace of future rate hikes, but with recent economic trends pointing to a slowing in the U.S. and global economy, the pace of future hikes is expected to be measured.

The Fund is entirely invested in large-capitalization Canadian and American life insurance companies. Life insurance company stocks outperformed the broader market as speculation grew that interest rates would begin to rise, which is a net positive for the group. Top individual contributors to the Fund's performance included Great-West Lifeco Inc. (+72 bps), Sun Life Financial Inc. (+63 bps) and Torchmark Corporation (+62 bps). Because of the Fund's specific mandate, the performance of the underlying stocks is generally closely correlated.

Individual detractors from the Fund's performance included Lincoln National Corporation (-102 bps), Principal Financial Group Inc. (-95 bps) and Prudential Financial, Inc. (-88 bps).

As the composition of the Fund's portfolio is passive, changes in the economy, markets or unusual events do not have an impact on the way the investment strategy is implemented.

Recent Developments

Looking forward, First Asset expects moderating domestic growth in the U.S. Earnings growth will likely prove challenging, depending more on continued cost cutting and share buybacks, as organic growth slows to match the economic pace. U.S. interest rates are expected to eventually move higher, with more rate hikes priced in, albeit potentially slower than previously expected. In Canada, the reverse is true, as markets are now pricing in a good probability for another interest-rate cut by the BoC. Low energy prices will continue to be a challenge, and the supply/demand imbalance could persist through the year. The effects, particularly in Canada, seem likely to worsen before stabilizing.

On October 23, 2015, CI Financial Corp. announced that it had agreed to acquire First Asset Capital Corp. The transaction, which closed on November 30, 2015, resulted in a change of control of First Asset.

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 ("IRC") 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) since November 30, 2015, 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.

First Asset and the Fund were not party to any related party transactions during the year ended December 31, 2015.

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 since inception.

THE FUND'S NET ASSETS PER SECURITY⁽¹⁾

	Common Units		
	2015	2014	2013 ⁽²⁾
Net Assets, beginning of period	\$11.15	\$10.62	\$9.43
Increase (decrease) from operations			
Total revenue	0.24	0.22	0.07
Total expenses	(0.10)	(0.12)	(0.04)
Realized gains (losses) for the period	0.97	0.38	(0.09)
Unrealized gains (losses) for the period	(0.44)	0.52	1.49
Total increase from operations⁽⁴⁾	0.67	1.00	1.43
Distributions			
From income (excluding dividends)	0.00	0.00	0.00
From dividends	0.00	0.00	0.00
From capital gains	(0.47)	0.11	0.00
Return of capital	(0.11)	0.40	(0.24)
Total Distributions⁽⁵⁾	(0.58)	(0.51)	(0.24)
Net Assets, end of period⁽⁶⁾	\$11.22	\$11.15	\$10.62

	Advisor Class Units	
	2015	2014 ⁽³⁾
Net Assets, beginning of period	\$11.27	\$10.94
Increase (decrease) from operations		
Total revenue	0.23	0.06
Total expenses	(0.20)	(0.06)
Realized gains (losses) for the period	1.09	0.28
Unrealized gains (losses) for the period	(1.15)	0.14
Total increase (decrease) from operations⁽⁴⁾	(0.03)	0.42
Distributions		
From income (excluding dividends)	0.00	0.00
From dividends	0.00	0.00
From capital gains	(0.27)	0.00
Return of capital	(0.21)	(0.09)
Total Distributions⁽⁵⁾	(0.48)	(0.09)
Net Assets, end of period⁽⁶⁾	\$11.34	\$11.27

Notes:

- (1) This information is derived from the Fund's 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. The Fund adopted International Financial Reporting Standards ("IFRS") on January 1, 2014. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") as defined in Part V of the CPA Canada Handbook. Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with CICA Handbook Section 3855 which required the use of bid prices for long positions and ask prices for short positions. Under IFRS, the Fund measures the fair value of its investments using the guidance in IFRS 13 which requires that if an asset or liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. Comparative figures above have been restated to reflect the accounting policy adjustments made in accordance with IFRS.
- (2) Results for the period from July 26, 2013 (inception date) to December 31, 2013. Opening net assets per security reflects the issue price of \$10.00 less offering expenses.
- (3) Results for the period from September 9, 2014 (launch date) to December 31, 2014.
- (4) 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.
- (5) Distributions were paid in cash.
- (6) This is not a reconciliation of the beginning and ending net assets per security.

RATIOS AND SUPPLEMENTAL DATA

	2015 Common Units	2014 Common Units	2013 Common Units
Total net asset value (000s) ⁽¹⁾	\$121,426	\$129,630	\$145,736
Number of securities outstanding ⁽¹⁾	10,825,000	11,625,000	13,725,000
Management expense ratio excluding offering expenses ⁽²⁾	0.91%	1.14%	0.74%
Management expense ratio ⁽²⁾	0.91%	1.14%	6.48%
Management expense ratio before waivers or absorptions ⁽²⁾	0.91%	1.14%	6.48%
Portfolio turnover rate ⁽³⁾	36.12%	34.00%	6.77%
Trading expense ratio ⁽⁴⁾	0.13%	0.13%	0.29%
Net asset value per security	\$11.22	\$11.15	\$10.62
Closing market price ⁽⁵⁾	\$11.24	\$11.17	\$10.25

	2015 Advisor Class Units	2014 Advisor Class Units
Total net asset value (000s) ⁽¹⁾	\$1,134	\$563
Number of securities outstanding ⁽¹⁾	100,000	50,000
Management expense ratio ⁽²⁾	1.73%	1.68%
Management expense ratio before waivers or absorptions ⁽²⁾	1.73%	1.68%
Portfolio turnover rate ⁽³⁾	36.12%	34.00%
Trading expense ratio ⁽⁴⁾	0.13%	0.13%
Net asset value per security	\$11.34	\$11.27
Closing market price ⁽⁵⁾	\$12.11	\$11.20

Notes:

- (1) This information is provided as at December 31 of the year shown.
- (2) 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.
- (3) 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 year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between high turnover rate and the performance of a fund.
- (4) 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.
- (5) If the securities traded during the period, the closing market price on the last trading day during the period that the securities traded, as reported on the TSX.

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 and Advisor Class 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, except for the portion of the Advisor Class management fee that is in respect of the service fee payable to dealers which is calculated daily and paid quarterly 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

As a percentage of management fee

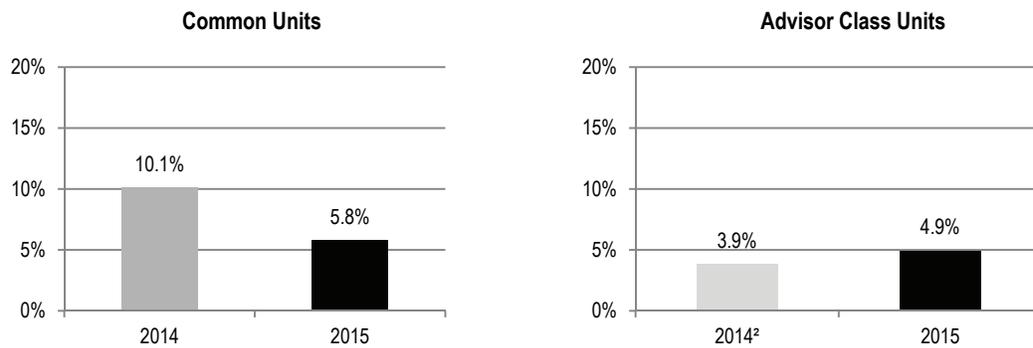
	Maximum annual management fee rate	Dealer compensation	General administration and profit
Common Units	0.75%	–	100%
Advisor Class Units	1.50%	50%	50%

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 charts show annual performance for each class of the Fund's securities for the financial years shown and illustrate how the Fund's performance has changed from year to year. The bar charts show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.



ANNUAL COMPOUND RETURNS

The table below summarizes the Fund's annual compound total returns for the periods ended December 31 as indicated. As a basis for comparison we have provided the performance of the S&P 500 Total Return Index ("Index A") and the S&P 500 Life & Health Insurance Index ("Index B"). The S&P 500 Total Return Index tracks 500 large-cap U.S. stocks representing all major industries and is used as a benchmark to help you understand the Fund's performance relative to the general performance of the broader U.S. equity market. The S&P 500 Life & Health Insurance Index is a subset of the S&P 500 Total Return Index. As the criteria for determining the constituents of the Fund and the indices differ, it is not expected that the Fund's performance will mirror that of the indices. Further, the return of the indices is calculated without the deduction of management fees and fund expenses whereas the performance of the Fund is calculated after deducting such fees and expenses.

Period	Common Units ⁽¹⁾	Index A	Index B
1 year	5.8%	1.4%	11.5%
Since inception	13.2%	11.6%	16.4%

Period	Advisor Class Units ⁽¹⁾	Index A	Index B
1 year	4.9%	1.4%	11.5%
Since inception	6.7%	3.8%	14.0%

(1) Returns based on net asset value per security.

(2) Return for the period September 9, 2014 (launch date) to December 31, 2014.

Summary of Investment Portfolio

The following is a summary of the Fund's investment portfolio as at December 31, 2015. 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.

HOLDINGS AS AT DECEMBER 31, 2015

Description	% of Net Asset Value
LONG POSITIONS	
Torchmark Corporation	11.87
Aflac, Inc.	11.01
Unum Group	10.79
MetLife, Inc.	10.04
Great-West Lifeco Inc.	9.91
Prudential Financial, Inc.	9.89
Lincoln National Corporation	9.86
Sun Life Financial Inc.	9.85
Principal Financial Group, Inc.	9.84
Manulife Financial Corp.	8.88
Cash and Cash Equivalents	1.36
CALL OPTIONS	
MetLife, Inc.	(0.09)
Prudential Financial, Inc.	(0.07)
Unum Group	(0.06)
Lincoln National Corporation	(0.05)
Principal Financial Group, Inc.	(0.05)
Aflac, Inc.	(0.04)
Torchmark Corporation	(0.03)
Manulife Financial Corp.	(0.03)
Sun Life Financial Inc.	(0.02)
Great-West Lifeco Inc.	(0.01)
Total Net Asset Value	\$122,560,186

SECTOR ALLOCATION AS AT DECEMBER 31, 2015

Industry	% of Net Asset Value
Financials	101.49
Cash and Cash Equivalents	1.36
	102.85
Other Liabilities, Net of Assets	(2.85)
Total Net Asset Value	100.00
Industry	% of Net Asset Value
CALL OPTIONS	
Financials	(0.45)
	(0.45)

