

# FIRST ASSET ACTIVE CREDIT ETF



Interim Management Report of Fund Performance for the period  
**January 1, 2016 to June 30, 2016**

**Fund:**

First Asset Active Credit ETF

**Securities:**

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

Advisor Class Units - Listed TSX: FAO.A

US\$ Common Units - Listed TSX: FAO.U

US\$ Advisor Class Units - Listed TSX: FAO.V

**Period:**

January 1, 2016 to June 30, 2016

**Manager & Trustee:**

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

95 Wellington Street West, Suite 1400

Toronto, Ontario M5J 2N7

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**Portfolio Manager:**

Onex Credit Partners, LLC

910 Sylvan Avenue

Englewood Cliffs, New Jersey

U.S.A. 07632

**Notes:**

1. This interim management report of fund performance contains financial highlights but does not contain the complete interim financial statements of the Fund. You can get a copy of the interim financial statements at your request, and at no cost, by contacting us (contact information above) or on SEDAR at [www.sedar.com](http://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 June 30, 2016.
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.
5. All information is stated in Canadian dollars except for all per unit information for the US\$ classes which are stated in US dollars.

## Investment Objectives and Strategies

The Fund's investment objective is to maximize long term risk-adjusted total returns, delivered through cash distributions and long term capital appreciation, in a manner consistent with preservation of capital and prudent risk management by actively investing primarily in corporate fixed income instruments of North American issuers, including high yield bonds (senior secured and senior unsecured), investment grade bonds, senior floating rate loans of varying maturities and other floating rate fixed income securities.

## Results of Operations

For the six-month period ended June 30, 2016, the Fund's performance was driven primarily by a recovery in the credit markets broadly and benefited from asset selection. The following tables highlight the performance of the Fund's Common Units, Advisor Class Units, US\$ Common Units and US\$ Advisor Class Units on a net asset value basis and market price basis.

Net Asset Value	June 30, 2016	December 31, 2015	Return
FAO	\$9.48	\$9.16	6.2%
FAO.A	\$9.52	\$9.20	5.9%
FAO.U	US\$9.37	US\$9.16	5.6%
FAO.V	US\$9.40	US\$9.15	5.2%

Market Value	June 30, 2016	December 31, 2015	Return
FAO	\$9.58	\$9.22	6.2%
FAO.U	US\$9.44 <sup>(1)</sup>	US\$9.10 <sup>(2)</sup>	6.0%

(1) Closing market price taken from last trade on June 29, 2016.

(2) Closing market price taken from last trade on December 22, 2015.

\* Performance not shown for Advisor Class Units (FAO.A) and US\$ Advisor Class Units (FAO.V) as there were no comparable trades on or about December 31, 2015 or June 30, 2016.

The above returns, whether based on net asset value or market price, assume the reinvestment of all distributions. The Fund's Common Units, Advisor Class Units, US\$ Common Units and US\$ Advisor Class Units had per unit distributions of \$0.24, \$0.21, \$0.24 USD and \$0.21 USD, respectively, during the period.

The year began much the same way 2015 ended, with tremendous volatility in the credit markets, although the market entered a period of modest recovery and stability at the end of the first quarter. Globally, investors are searching for positive yield during a time of negative rates around the world, and this demand has helped support the credit markets.

Aside from normal course active portfolio management, there were no material changes to portfolio composition. This Fund continues to be primarily invested in high-yield bonds, with a smaller allocation (~25%) to leveraged loans. The composition and changes to the composition of the Fund's portfolio in the period were consistent with the investment objectives and strategy of the Fund. Portfolio capital has been deployed primarily in lower duration high yield bonds that the Portfolio Manager assesses to be more actively traded. Investments were selected for their strong asset coverage and/or cash flow coverage, among other criteria. Since the end of 2015, there were moderate decreases to energy-related names, while the Portfolio Manager increased exposure to healthcare names. Changes to the portfolio composition continue to be driven more so by opportunities in individual names, including an attractive risk/reward profile, and less so by industry-level or broad economic factors (although both are monitored closely).

## Recent Developments

In June of 2016, Brexit concerns caused market participants to exercise caution and briefly tempered positive momentum. In the early part of July, markets resumed some stability but it remains to be seen what the long-term effects of the Brexit decision will be on the credit markets. Another downturn in oil prices could also bring back additional volatility to the credit markets. The Portfolio Manager continues to find attractive opportunities to augment the portfolio and is monitoring global events and potential impacts closely.

## 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 ("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) 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, the Portfolio Manager and the Fund were not party to any related party transactions during the period ended June 30, 2016.

## 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<sup>(1)</sup>

	Common Units	
	2016	2015 <sup>(2)</sup>
<b>Net Assets, beginning of period</b>	\$9.16	\$10.00
<b>Increase (decrease) from operations</b>		
Total revenue	0.32	0.56
Total expenses	(0.05)	(0.11)
Realized gains (losses) for the period	(0.46)	0.44
Unrealized gains (losses) for the period	0.70	(1.26)
<b>Total increase (decrease) from operations<sup>(3)</sup></b>	0.51	(0.37)
<b>Distributions</b>		
From income (excluding dividends)	(0.24)	(0.43)
From dividends	0.00	(0.00)
From capital gains	0.00	0.00
Return of capital	0.00	(0.10)
<b>Total Distributions<sup>(4)</sup></b>	(0.24)	(0.53)
<b>Net Assets, end of period<sup>(5)</sup></b>	\$9.48	\$9.16

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

	Advisor Class Units	
	2016	2015 <sup>(2)</sup>
<b>Net Assets, beginning of period</b>	\$9.20	\$10.00
<b>Increase (decrease) from operations</b>		
Total revenue	0.32	0.56
Total expenses	(0.08)	(0.16)
Realized gains (losses) for the period	(0.45)	0.34
Unrealized gains (losses) for the period	0.74	(1.16)
<b>Total increase (decrease) from operations<sup>(3)</sup></b>	<b>0.53</b>	<b>(0.42)</b>
<b>Distributions</b>		
From income (excluding dividends)	(0.21)	(0.38)
From dividends	0.00	(0.00)
From capital gains	0.00	0.00
Return of capital	0.00	(0.05)
<b>Total Distributions<sup>(4)</sup></b>	<b>(0.21)</b>	<b>(0.43)</b>
<b>Net Assets, end of period<sup>(5)</sup></b>	<b>\$9.52</b>	<b>\$9.20</b>

	US\$ Common Units	
	2016	2015 <sup>(2)</sup>
<b>Net Assets, beginning of period</b>	US\$9.16	US\$10.00
<b>Increase (decrease) from operations</b>		
Total revenue	US\$0.33	US\$0.57
Total expenses	(0.05)	(0.11)
Realized gains (losses) for the period	(0.46)	0.32
Unrealized gains (losses) for the period	(0.16)	0.07
<b>Total increase (decrease) from operations<sup>(3)</sup></b>	<b>US\$(0.34)</b>	<b>US\$0.85</b>
<b>Distributions</b>		
From income (excluding dividends)	US\$(0.24)	US\$(0.42)
From dividends	0.00	(0.00)
From capital gains	0.00	0.00
Return of capital	0.00	(0.10)
<b>Total Distributions<sup>(4)</sup></b>	<b>US\$(0.24)</b>	<b>US\$(0.52)</b>
<b>Net Assets, end of period<sup>(5)</sup></b>	<b>US\$9.37</b>	<b>US\$9.16</b>

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

	US\$ Advisor Class Units	
	2016	2015 <sup>(2)</sup>
<b>Net Assets, beginning of period</b>	US\$9.15	US\$10.00
<b>Increase (decrease) from operations</b>		
Total revenue	US\$0.33	US\$0.56
Total expenses	(0.08)	(0.16)
Realized gains (losses) for the period	(0.46)	0.34
Unrealized gains (losses) for the period	0.03	0.12
<b>Total increase (decrease) from operations<sup>(3)</sup></b>	<b>US\$(0.18)</b>	<b>US\$0.85</b>
<b>Distributions</b>		
From income (excluding dividends)	US\$(0.21)	US\$(0.38)
From dividends	0.00	(0.00)
From capital gains	0.00	0.00
Return of capital	0.00	(0.05)
<b>Total Distributions<sup>(4)</sup></b>	<b>US\$(0.21)</b>	<b>US\$(0.43)</b>
<b>Net Assets, end of period<sup>(5)</sup></b>	<b>US\$9.40</b>	<b>US\$9.15</b>

**Notes:**

- (1) This information is derived from the Fund's audited annual and unaudited interim 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) Results for the period from January 12, 2015 (inception date) to December 31, 2015.
- (3) 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.
- (4) Distributions were paid in cash.
- (5) This is not a reconciliation of the beginning and ending net assets per security.

## RATIOS AND SUPPLEMENTAL DATA

	2016 Common Units	2015 Common Units
Total net asset value (000s) <sup>(1)</sup>	\$18,602	\$16,146
Number of securities outstanding <sup>(1)</sup>	1,962,454	1,762,454
Management expense ratio <sup>(2)</sup>	1.16%	1.16%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	1.77%	1.27%
Portfolio turnover rate <sup>(3)</sup>	25.10%	58.15%
Trading expense ratio <sup>(4)</sup>	0.01%	0.02%
Net asset value per security	\$9.48	\$9.16
Closing market price <sup>(5)</sup>	\$9.58	\$9.22

	2016 Advisor Class Units	2015 Advisor Class Units
Total net asset value (000s) <sup>(1)</sup>	\$238	\$230
Number of securities outstanding <sup>(1)</sup>	25,000	25,000
Management expense ratio <sup>(2)</sup>	1.75%	1.72%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	2.37%	1.83%
Portfolio turnover rate <sup>(3)</sup>	25.10%	58.15%
Trading expense ratio <sup>(4)</sup>	0.01%	0.02%
Net asset value per security	\$9.52	\$9.20
Closing market price <sup>(5)</sup>	\$9.16	\$9.25

	2016 US\$ Common Units	2015 US\$ Common Units
Total net asset value (000s) <sup>(1)</sup>	\$2,216	\$5,457
Number of securities outstanding <sup>(1)</sup>	183,151	433,151
Management expense ratio <sup>(2)</sup>	1.17%	1.16%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	1.78%	1.28%
Portfolio turnover rate <sup>(3)</sup>	25.10%	58.15%
Trading expense ratio <sup>(4)</sup>	0.01%	0.02%
Net asset value per security	US\$9.37	US\$9.11
Closing market price <sup>(5)</sup>	US\$9.44	US\$9.10

	2016 US\$ Advisor Class Units	2015 US\$ Advisor Class Units
Total net asset value (000s) <sup>(1)</sup>	\$303	\$316
Number of securities outstanding <sup>(1)</sup>	25,000	25,000
Management expense ratio <sup>(2)</sup>	1.75%	1.72%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	2.37%	1.84%
Portfolio turnover rate <sup>(3)</sup>	25.10%	58.15%
Trading expense ratio <sup>(4)</sup>	0.01%	0.02%
Net asset value per security	US\$9.40	US\$9.15
Closing market price <sup>(5)</sup>	US\$9.52	US\$10.05

**Notes:**

- (1) This information is provided as at December 31 of the year shown, except 2016, which is provided as at June 30.
- (2) 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.
- (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, including the Fund's proportionate share of such expenses of any underlying fund in which the Fund has invested.
- (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. 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 on the Common, Advisor Class, US\$ Common and US\$ 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 and US\$ Advisor Class management fee that is in respect of the service fee payable to dealers which is calculated daily and paid quarterly 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.

As a percentage of management fee

	Maximum annual management fee rate	Dealer compensation	General administration and profit
Common Units	0.85%	–	100%
Advisor Class Units	1.35%	37%	63%
US\$ Common Units	0.85%	–	100%
US\$ Advisor Class Units	1.35%	37%	63%

For the period ended June 30, 2015, First Asset waived or absorbed expenses of the Fund totaling \$65,463.

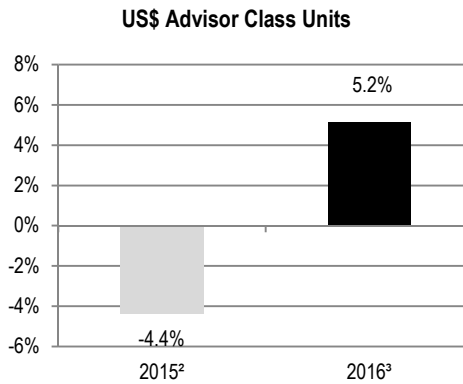
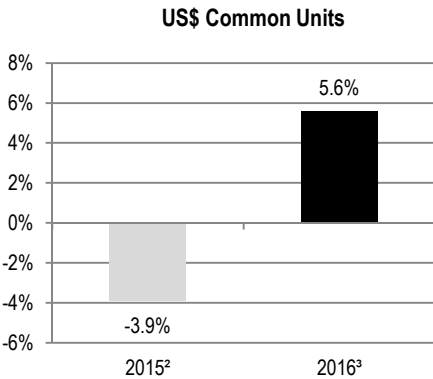
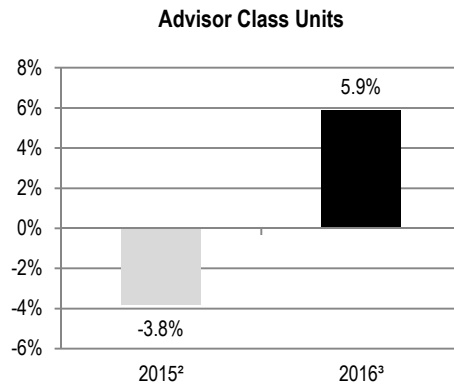
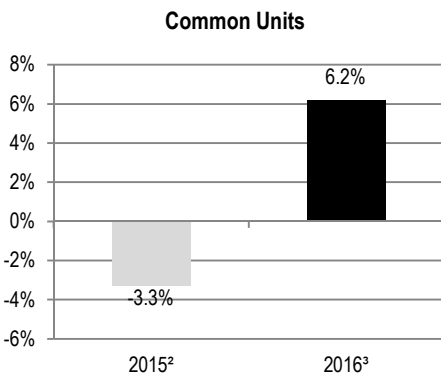


## Past Performance

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 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.



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

(2) Returns for the period January 12, 2015 to December 31, 2015.

(3) Returns for the period January 1, 2016 to June 30, 2016.

## Summary of Investment Portfolio

The following is a summary of the Fund's investment portfolio as at June 30, 2016. 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).

### TOP 25 HOLDINGS AS AT JUNE 30, 2016

Description	% of Net Asset Value
Gray Television Inc.	4.73
SUPERVALU Inc.	3.79
HD Supply Inc.	3.17
Sinclair Television Group Inc.	3.12
Safeway Inc.	3.12
Dollar Tree Inc.	3.11
Sabine Pass Liquefaction LLC	3.11
Surgical Care Affiliates Inc.	3.08
KB Home	3.07
Zayo Group LLC / Zayo Capital Inc.	3.07
LifePoint Health Inc.	3.03
Travelport Finance Luxembourg Sarl	2.98
PBF Logistics LP / PBF Logistics Finance Corp	2.96
Alon USA Partners, LP	2.96
Calpine Corporation	2.92
Select Medical Corp.	2.90
Sprint Capital Corp.	2.89
Cision US Inc.	2.87
Infor US Inc.	2.86
Duke Finance LLC	2.84
Federal-Mogul Corp.	2.79
Beazer Homes USA Inc.	2.75
YRC Worldwide Inc.	2.69
Nexstar Broadcasting Inc.	2.62
Albertsons LLC	2.48
<b>Total Net Asset Value</b>	<b>\$21,359,726</b>

### SECTOR ALLOCATIONS AS AT JUNE 30, 2016

Industry	% of Net Asset Value
Consumer Discretionary	24.29
Industrials	18.60
Health Care	11.67
Consumer Staples	9.39
Energy	9.03
Telecommunication Services	8.17
Information Technology	4.74
Utilities	2.92
Materials	2.84
Cash and Cash Equivalents	2.10
Investment Fund	1.54
Financials	1.45
	<b>96.74</b>
<b>Other Assets, Net of Liabilities</b>	<b>3.26</b>
<b>Total Net Asset Value</b>	<b>100.00</b>

