

# FIRST ASSET LONG DURATION FIXED INCOME ETF



Interim Management Report of Fund Performance for the period  
**May 4, 2016 to June 30, 2016**

**Fund:**

First Asset Long Duration Fixed Income ETF

**Securities:**

ETF Units - Listed Toronto Stock Exchange ("TSX"): FLB

**Period:**

May 4, 2016 to June 30, 2016

**Manager & Trustee:**

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

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**Portfolio Manager:**

Signature Global Asset Management

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**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.

## Investment Objectives and Strategies

The Fund's investment objective is to provide unitholders with regular distributions and the opportunity for capital appreciation from the performance of a portfolio comprised primarily of longer dated developed markets, Canadian and U.S. government issued fixed income securities.

## Results of Operations

The Fund commenced operations on May 17, 2016 with an initial net asset value of \$20.00 and subscriptions totaling \$2 million. As at June 30, 2016, the Fund's net asset value per ETF Unit was \$20.81 and the Fund paid cash distributions of \$0.04 per ETF Unit during the period. For the period, the Fund returned 4.2%, compared to the return of the FTSE TMX Canada Long Term All Government Bond Index of 5.6%. The largest factor contributing to the increase between gross proceeds raised and total net assets as at June 30, 2016 of \$39.5 million was subscriptions of \$36.2 million and net gains on investments of \$1.4 million.

By the end of June, expectations for interest rate increases by the U.S. Federal Reserve Board were slashed dramatically as a result of slow economic growth in the U.S. and globally. This led interest rates on 10-year bonds in the U.S., Canada, Germany, the U.K. and Japan to decline by 30, 17, 28, 55 and 19 basis points, respectively. A large portion of the move to lower interest rates occurred following the U.K. vote to exit the European Union ("EU"), which may have far-reaching implications for the future of the EU.

In Canada, after a rebound in the first quarter of 2016, the economy slid back into slow growth and low inflation, below the Bank of Canada's expectations. In Japan and Europe, the extent of indebtedness is such that to finance the exiting stock of debt, interest rates have been lowered to negative territory. This, together with a flat yield curve (only observed at the depth of prior financial crises), put pressure on the global banking system, further extending the bid to safe haven assets.

## Recent Developments

With the U.K. voting to leave the EU, the global debt default has entered the political arena. The perception is that the responses to the "Global Financial Crisis" engineered by the "establishment" have disproportionately benefited capital at the expense of labour. The Portfolio Manager believes that the backlash against the current narratives (free trade, globalization, free labour mobility, etc.) will define the next stage of the global debt default.

Aside from potential fragmentation in the EU, the next-known political event is the U.S. presidential election in November. The Portfolio Manager believes that the implications of the anti-establishment movement for global markets are profound, and unknown to most market participants who have spent their careers in the era of declining inflation, falling interest rates, accelerating globalization and free trade. The argument for active fund management has never been stronger in the face of political uncertainty and in an environment where all asset prices, from bonds to equities, appear to be inflated.

## 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>

	2016 <sup>(2)</sup>
<b>Net Assets, beginning of period</b>	\$20.00
<b>Increase (decrease) from operations</b>	
Total revenue	0.04
Total expenses	(0.01)
Realized gains (losses) for the period	0.01
Unrealized gains (losses) for the period	1.43
<b>Total increase from operations<sup>(3)</sup></b>	<b>1.47</b>
<b>Distributions</b>	
From income (excluding dividends)	(0.03)
From dividends	0.00
From capital gains	0.00
Return of capital	(0.01)
<b>Total Distributions<sup>(4)</sup></b>	<b>(0.04)</b>
<b>Net Assets, end of period<sup>(5)</sup></b>	<b>\$20.81</b>

#### Notes:

- (1) This information is derived from the Fund's 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 May 4, 2016 (inception date) to June 30, 2016.
- (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 Class
Total net asset value (000s) <sup>(1)</sup>	\$39,533
Number of securities outstanding <sup>(1)</sup>	1,900,000
Management expense ratio <sup>(2)</sup>	0.40%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	0.57%
Portfolio turnover rate <sup>(3)</sup>	2.74%
Trading expense ratio <sup>(4)</sup>	0.00%
Net asset value per security	\$20.81
Closing market price <sup>(5)</sup>	\$20.81

### Notes:

- (1) This information is provided as at June 30 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 the Portfolio Manager 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. 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 at the maximum 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. 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 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
0.30%	–	100%

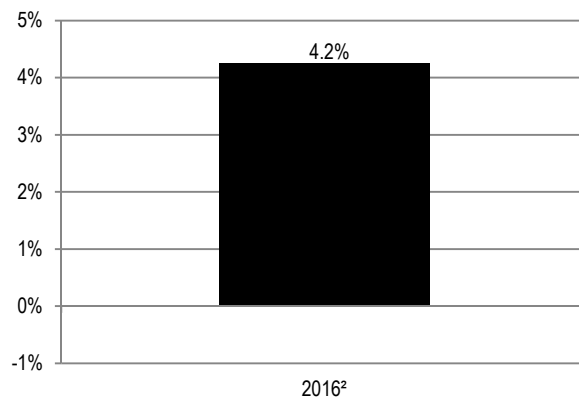
For the period ended June 30, 2016, First Asset waived or absorbed expenses of the Fund totaling \$10,634.

## Past Performance

Please note that the performance information shown in this section assumes that all distributions made by the Fund in the period 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 performance for the period shown. The bar chart shows, in percentage terms, how much an investment made on the first day of the financial period would have grown or decreased by the last day of the financial period.



<sup>(1)</sup> Return based on net asset value per security.

<sup>(2)</sup> Return for the period May 11, 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).

### HOLDINGS AS AT JUNE 30, 2016

Description	% of Net Asset Value
Province of Ontario	39.92
Province of Quebec	29.14
U.S. Treasury Note/Bond	15.13
Canadian Government Bond	14.89
Cash and Cash Equivalents	10.91
<b>Total Net Asset Value</b>	<b>\$39,533,252</b>

### SECTOR ALLOCATIONS AS AT JUNE 30, 2016

Industry	% of Net Asset Value
Provincial Bonds	69.07
Federal Bonds	30.02
Cash and Cash Equivalents	10.91
	<b>110.00</b>
<b>Other Liabilities, Net of Assets</b>	<b>(10.00)</b>
<b>Total Net Asset Value</b>	<b>100.00</b>

