Annual Management Report of Fund Performance

for the year ended December 31, 2016

First Asset Investment Grade Bond ETF

(formerly Marret Investment Grade Bond Fund)

FIRST ASSET
A CI Financial Company

580530027

Fund:
First Asset Investment Grade Bond ETF *(formerly Marret Investment Grade Bond Fund)*

Securities:
ETF Units - Listed Toronto Stock Exchange ("TSX"): FIG *(formerly MIG.UN)*

Period:
January 1, 2016 to December 31, 2016

Manager & Trustee:
First Asset Investment Management Inc. ("First Asset")
2 Queen Street East, Suite 1200
Toronto, ON M5C 3G7
(416) 642-1289 or (877) 642-1289
www.firstasset.com - info@firstasset.com

Portfolio Manager:
Marret Asset Management Inc.
2 Queen Street East, Suite 1200
Toronto, Ontario M5C 3G7

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, 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

On August 19, 2016, the Fund converted from a closed-end fund into an exchange traded fund ("ETF"). In connection with the conversion: (a) the Fund's name changed to "First Asset Investment Grade Bond ETF"; (b) the Fund's existing units were re-designated as units of the ETF, and their ticker symbol changed to FIG from MIG.UN; and the Fund's declaration of trust was amended in order to permit the conversion of the Fund from a closed-end fund to an actively managed ETF (the "Conversion"), and certain other changes to the investment objectives, strategies and restrictions of the Fund. Those changes included, without limitation: (i) all amendments to the declaration of trust of the Fund considered necessary or desirable, in the opinion of the Fund's manager to facilitate and implement the Conversion, including without limitation, amendments to the provisions attaching to the ETF Units and the operation, administration and related administration fees of the Fund, as described more particularly in the management information circular dated April 18, 2016 (the "Circular"); (ii) all amendments to the investment objectives and restrictions of the Fund as described more particularly in the Circular; (iii) an increase in the annual management fee payable by the Fund to 0.65% (from 0.50%) and the elimination of the annual trustee fee paid to the Fund's trustee; (iv) the appointment of First Asset as manager and trustee in connection with the Conversion; (v) the elimination of the Fund's termination date of October 31, 2019; and (vi) the appointment of Ernst & Young LLP as the replacement Auditor of the Fund in connection with the Conversion.

Prior to the Conversion, the Fund's investment objectives were (i) to provide securityholders with attractive monthly cash distributions, initially targeted to be 4.5% per annum on the original issue price of $12 per security, and (ii) to maximize total returns for securityholders, consisting primarily of monthly distributions, while reducing risk and preserving capital.

In conjunction with the Conversion, the Fund's investment objectives were restated as follows: "to provide securityholders with monthly cash distributions and to maximize total returns for securityholders consisting primarily of monthly distributions, while reducing risk and preserving capital". Under normal market conditions, the Fund intends to be primarily invested in investment grade bonds and other investment grade debt securities.

Risks

In connection with the Conversion, the Fund filed a final prospectus dated July 28, 2016 with securities regulators of all the provinces and territories of Canada. Holders should refer to the prospectus 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. As discussed in the prospectus, the following additional risk factors may apply to the Fund as an ETF following the Conversion:

No Assurances on Achieving Investment Objective - There is no assurance that the ETF will achieve its investment objective. The funds available for distributions to Unitholders will vary according to, among other things, the dividends and other distributions paid on the securities in the portfolio and the value of the securities comprising the portfolio of the ETF.

Securities Market Risk - The value of most securities, including the ETF's portfolio securities, changes with securities market conditions. These conditions are affected by general economic and market conditions.

Specific Issuer Risk - The value of securities will vary positively or negatively with developments within the specific companies or governments that issue such securities.

General Risks of Investing in Bonds - Generally, bonds will decrease in value when interest rates rise and increase in value when interest rates decline. The net asset value of the ETF will fluctuate with interest rate changes and the corresponding changes in the value of the securities in the ETF's portfolio (the "**ETF Portfolio**"). The value of bonds is also affected by the risk of default in the payment of interest and principal and price changes due to such factors as general economic conditions and the issuer's creditworthiness. Corporate bonds may not pay interest or their issuers may default on their obligations to pay interest and/or principal amounts. Certain of the bonds that may be included in the ETF Portfolio from time to time may be unsecured, which will increase the risk of loss in case of default or insolvency of the issuer.

Interest Rate Risk - The net asset value of the ETF will be influenced by changes in the general level of interest rates. If interest rates fall, the value of the ETF Portfolio will tend to rise. If interest rates rise, the value of the ETF Portfolio will tend to fall. Depending on the ETF's holdings, short-term interest rates can have a different influence on the ETF's value than long-term interest rates.

Credit Risk - Credit risk is dependent upon a company's financial strength and reflects the possibility that a borrower, or the counterparty to a derivatives contract, is unable or unwilling to repay the loan or obligation, either on time or at all. Companies and governments that borrow money, and the debt securities they issue, are rated by specialized rating agencies. Securities that have a low credit rating have high credit risk. Credit rating downgrades and defaults (failure to make interest or principal payment) may potentially reduce the ETF's income and share price. A deterioration of an issuer's financial strength may also affect the issuer's ability to make dividend payments.

Equity Risk - Equities such as common shares give the holder part ownership in a company. The value of equity securities change with the fortunes of the company that issued them. General market conditions and the health of the economy as a whole can also affect equity prices. Equity related securities that provide indirect exposure to the equity securities of an issuer can also be affected by equity risk.

Foreign Markets Risk - Participation in transactions by the ETF may involve the execution and clearing of trades on or subject to the rules of a foreign market. None of the securities regulatory authorities or Canadian exchanges regulates activities of any foreign markets, including the execution, delivery and clearing of transactions, or has the power to compel enforcement of any rule of a foreign market or any applicable foreign law. Generally, any foreign transaction will be governed by applicable foreign laws. This is true even if the foreign market is formally linked to a Canadian market so that a position taken on a market may be liquidated by a transaction on another market. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, entities such as the ETF may not be afforded certain of the protective measures provided by Canadian legislation or Canadian exchanges. In particular, funds received from investors for transactions by the ETF on foreign exchanges may not be provided the same protection as funds received in respect of transactions by the ETF on Canadian exchanges.

Composition of Portfolio - The composition of the securities included in the Portfolio taken as a whole may vary widely from time to time and may be concentrated by commodity, industry or geography, resulting in the securities included in the Portfolio being less diversified than anticipated. Overweighting investments in certain sectors or industries involves risk that the Fund will suffer a loss because of declines in the prices of securities in those sectors or industries.

Illiquid Securities - There is no assurance that an adequate market will exist for the securities included in the Portfolio and it cannot be predicted whether the securities included in the Portfolio will trade at a discount to, a premium to, or at their respective par or net asset values.

Regulatory Risk - Legal and regulatory changes may occur that may adversely affect the ETF and which could make it more difficult, if not impossible, for the ETF to operate or to achieve its investment objectives. To the extent possible, First Asset will attempt to monitor such changes to determine the impact such changes may have on the ETF and what can be done, if anything, to try and limit such impact.

There can be no assurance that applicable laws in Canada or in foreign jurisdictions, or other domestic or foreign legislation, legal and statutory rights will not be changed in a manner which adversely affects the ETF or its Unitholders. There can be no assurance that Canadian and foreign income tax, securities, and other applicable laws or the interpretation and application of such laws by courts or government authorities will not be changed in a manner which adversely affects the ETF, its Unitholders or distributions received by the ETF or by its Unitholders.

Currency Exposure Risk - As a portion of the ETF's portfolio may be invested in securities traded in currencies other than the Canadian dollar, the net asset value of the ETF, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of these currencies relative to the Canadian dollar. The ETF may not be fully hedged and accordingly no assurance can be given that the portfolio will not be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, if used, involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent Portfolio Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the ETF if Portfolio Manager's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

Derivatives Risk - The use of derivatives does not guarantee that there will not be a loss or that there will be a gain. The following are some examples of the risks associated with the use of derivatives by the ETF: (a)in the case of over-the-counter options and forward contracts, there is no guarantee that a market will exist for these investments when the ETF wants to close out its position; in the case of exchange traded options and futures contracts, there may be a risk of a lack of liquidity when the ETF wants to close out its position; (b) futures exchanges may impose daily trading limits on certain derivatives, which could prevent the ETF from closing out its position; (c) if the other party to the derivative, in the case of over-the-counter transactions, is unable to fulfil its obligations, the ETF could experience a loss or fail to realize a gain; (d) if the ETF has an open position in an options, futures or forward contract with a dealer who goes bankrupt, the ETF could experience a loss and, for an open futures contract, a loss of margin deposits with that dealer; and (e) if a derivative is based on a market index and trading is halted on a substantial number of securities in the index, or if there is a change in the composition of the index, it could have an adverse effect on the derivative.

Short Selling - The ETF may engage in short selling transactions, as permitted by applicable securities legislation. Generally speaking, short selling is a way of realizing a gain when Portfolio Manager expects the price of a security to fall. A short sale involves borrowing securities from a lender, which are then sold in the open market. At a future date, the same securities are bought back by the ETF from another seller and returned to the lender. Until the securities are returned by the ETF, ETF assets are deposited with the securities lender as collateral, and the ETF pays interest to the lender on the borrowed securities. During this time, the ETF also pays any dividends or distributions paid out on the borrowed securities to the lender. If the value of the securities falls between the time that the ETF borrows the securities and sells them, and the time it buys them back and returns them to the lender, the ETF makes a profit on the difference (minus the interest paid to the lender and any other expenses). Short selling involves certain risks. There is no assurance that securities will decline in value during the period of the short sale sufficient to offset the interest paid by the ETF and make a profit for the ETF, and securities sold short may instead appreciate in value. The ETF may also experience difficulties repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. The lender from whom the ETF has borrowed securities may go bankrupt and the ETF may lose the collateral it has deposited with the lender. If the ETF engages in short selling it will adhere to controls and restrictions that are intended to help offset these risks as set out in NI-81-102.

Corresponding Net Asset Value Risk - The ETF Units may trade below, at, or above their respective net asset values per ETF Unit. The net asset values per ETF Unit will fluctuate with changes in the market value of the ETF's holdings. The trading prices of the ETF Units will fluctuate in accordance with changes in the ETF's net asset value per unit, as well as market supply and demand on the TSX. However, given that Dealers may subscribe for or exchange a PNU of the ETF at the applicable net asset value per unit, First Asset expects that large discounts or premiums to the net asset value per ETF Unit should not be sustained.

Designated Broker/Dealer Risk - As the ETF will only issue ETF Units directly to Designated Brokers and Dealers, in the event that a purchasing Designated Broker or Dealer is unable to meet its settlement obligations, the resulting costs and losses incurred will be borne by the ETF.

Reliance on Key Personnel - Unitholders will be dependent on the abilities of First Asset and Portfolio Manager to effectively manage the ETF and its portfolio in a manner consistent with its investment objectives, investment strategies and investment restrictions. The investment portfolio of the ETF will be actively managed by Portfolio Manager. Portfolio Manager will apply investment techniques and risk analyses in making investment decisions for the ETF, but there can be no guarantee that these decisions will produce the desired results.

There is no certainty that the individuals who are principally responsible for providing administration and portfolio management services to the ETF will continue to be employed by First Asset or Portfolio Manager, as applicable.

Potential Conflicts of Interest - First Asset and Portfolio Manager, and their respective directors and officers and affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts that invest primarily in the securities held by the ETF.

Although officers, directors and professional staff of First Asset and Portfolio Manager will devote as much time to the ETF as is deemed appropriate to perform their respective duties, such persons may have conflicts in allocating their time and services among the ETF and the other funds managed by them.

Cease Trading of Securities Risk - If the securities of an issuer included in the portfolio of the ETF are cease-traded by order of the relevant securities regulatory authority or are halted from trading by the relevant stock exchange, the ETF may halt trading in its securities. Accordingly, securities of the ETF bear the risk of cease trading orders against all issuers whose securities are included in its portfolio, not just one. If portfolio securities of the ETF are cease-traded by order of a securities regulatory authority, if normal trading of such securities is suspended on the relevant exchange, or if for any reason it is likely there will be no closing bid price for such securities, the ETF may suspend the right to redeem securities for cash, subject to any required regulatory approval. If the right to redeem securities for cash is suspended, the ETF may return redemption requests to securityholders who have submitted them. If securities are cease-traded, they may not be delivered on an exchange of a PNU for a Basket of Securities until such time as the cease-trade order is lifted.

Exchange Risk - In the event that the TSX closes early or unexpectedly on a day that it is normally open for trading, Unitholders will be unable to purchase or sell ETF Units on the TSX until it reopens and there is a possibility that, at the same time and for the same reason, the exchange and redemption of ETF Units may be suspended until the TSX reopens.

Early Closing Risk - Unanticipated early closings of a stock exchange on which securities held by the ETF are listed may result in the ETF being unable to sell or buy securities on that day. If such exchanges close early on a day when the ETF needs to execute a high volume of securities trades late in the trading day, the ETF may incur substantial trading losses.

Concentration Risk - The ETF from time to time may be concentrated to a significant degree in securities of issuers or underlying funds focused on issuers in the global financial sector. As such, the ETF faces more risks than if it were diversified broadly over numerous industries or sectors. Such industry-based risks, any of which may adversely affect the issuers in which the ETF invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect credit quality; loan growth; regulatory environment; political or world events; and increased competition or new product introductions that may affect the profitability or viability of companies within the global financial industry.

Reliance on Historical Data Risk - Past trends may not be repeated in the future. The accuracy of the historical data used by Portfolio Manager and those individuals who are principally responsible for providing administration and portfolio management services to the ETF for research and development, which is often provided by third parties, cannot be guaranteed by First Asset or Portfolio Manager. First Asset and Portfolio Manager only seek to obtain such data from companies that they believe to be highly reliable and of high reputation.

Tax Risk - It is anticipated that the ETF will qualify at all times as a "mutual fund trust" within the meaning of the Income Tax Act (Canada) ("**Tax Act**"). For the ETF to qualify as a "mutual fund trust," it must comply on a continuous basis with certain requirements relating to the qualification of its units for distribution to the public, the number of Unitholders of units and the dispersal of ownership of units. Currently, a trust will be deemed not to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless, at that time, all or substantially all of its property is property other than property that would be "taxable Canadian property" (if the definition of such term in the Tax Act were read without reference to paragraph (b) thereof). The current law does not provide any means of rectifying a loss of mutual fund trust status if this requirement is not met. Provided the ETF complies with its investment restrictions set forth under the heading "Investment Restrictions", no more than 10% of the fair market value of the ETF's assets will at any time consist of property that would be "taxable Canadian property" (if the definition of such term in the Tax Act were read without reference to paragraph (b) thereof). The ETF will also contain a restriction on the number of permitted non-resident Unitholders. If the ETF does not qualify as a mutual fund trust or were to cease to so qualify, the income tax considerations applicable to the ETF would in some respects be materially and adversely different. There can be no assurance that Canadian federal and provincial income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects Unitholders. Pursuant to rules in the Tax Act, if the ETF experiences a "loss restriction event" (i) it will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of the ETF's net income and net realized capital gains, if any, at such time to Unitholders so that the ETF is not liable for income tax on such amounts under Part I of the Tax Act), and (ii) it will become subject to the loss restriction rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. Generally, the ETF will be subject to a loss restriction event if a person becomes a "majority-interest beneficiary", or a group of persons becomes a "majority-interest group of beneficiaries", of the ETF, as those terms are defined in the affiliated persons rules contained in the Tax Act, with certain modifications. Generally, a majority-interest beneficiary of the ETF is a beneficiary in the income or capital, as the case may be, of the ETF whose beneficial interests, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, have a fair market value that is greater than 50% of the fair market value of all the interests in the income or capital, as the case may be, of the ETF. Pursuant to proposed amendments to the Tax Act, in many circumstances the loss restriction event rules would not apply to a trust that meets certain requirements, including certain asset diversification requirements. The Tax Act contains rules concerning the taxation of publicly traded Canadian trusts and partnerships that own certain types of property defined as "non-portfolio property". A trust that is subject to these rules is subject to trust level taxation, at rates comparable to those that apply to corporations, on the trust's income earned from "non-portfolio property" to the extent that such income is distributed to its unitholders. The ETF will not be subject to tax under these rules as long as the ETF complies with its investment restrictions in this regard. If the ETF is subject to tax under these rules, the after-tax return to Unitholders could be reduced, particularly in the case of a Unitholder who is exempt from tax under the Tax Act or is a non-resident of Canada. Changes in the interpretation and administration of the 5% federal goods and services tax ("**GST**") and federal harmonized sales tax (of up to 15%) applicable in Ontario, Nova Scotia, New Brunswick, Newfoundland and Labrador and Prince Edward Island ("**HST**") may result in the ETF being required to pay increased amounts of GST or HST. The ETF intends to invest in foreign debt securities. Many foreign countries preserve their right under domestic tax laws and applicable tax conventions with respect to taxes on income and on capital ("**Tax Treaties**") to impose tax on interest paid or credited to persons who are not resident in such countries. While the ETF intends to make investments in such a manner as to minimize the amount of foreign taxes incurred under foreign tax laws and subject to any applicable Tax Treaties, investments in foreign debt securities may subject the ETF to foreign taxes on interest paid or credited to it or any gains realized on the disposition of such securities. Any foreign taxes incurred by the ETF will generally reduce the value of its portfolio. To the extent that such foreign tax paid by the ETF exceeds 15% of the amount included in the ETF's income from such investments, such excess may generally be deducted by the ETF in computing its net income for the purposes of the Tax Act. To the extent that foreign tax paid does not exceed 15% of such amount and has not been deducted in computing the ETF's income and the ETF designates its income from a foreign source in respect of a Unitholder, the Unitholder will, for the purposes of computing its foreign tax credits, be entitled to treat the Unitholder's proportionate share of foreign taxes paid by the ETF in respect of such income as foreign taxes paid by the Unitholder. The availability of foreign tax credits to a Unitholder is subject to the detailed rules in the Tax Act.

Securities Lending, Repurchase and Reverse Repurchase Transaction Risk - The ETF is authorized to enter into securities lending, repurchase and reverse repurchase transactions in accordance with NI 81-102. In a securities lending transaction, the ETF lends its portfolio securities through an authorized agent to another party (often called a "**counterparty**") in exchange for a fee and a form of acceptable collateral. In a repurchase transaction, the ETF sells its portfolio securities for cash through an authorized agent while at the same time assuming an obligation to repurchase the same securities for cash (usually at a lower price) at a later date. In a reverse repurchase transaction, the ETF buys portfolio securities for cash while at the same time agreeing to resell the same securities for cash (usually at a higher price) at a later date. The following are some examples of the risks associated with securities lending, repurchase and reverse repurchase transactions: (a) when entering into securities lending, repurchase and reverse repurchase transactions, the ETF is subject to the credit risk that the counterparty may default under the agreement and the ETF would be forced to make a claim in order to recover its investment; (b) when recovering its investment on default, the ETF could incur a loss if the value of the portfolio securities loaned (in a securities lending transaction) or sold (in a repurchase transaction) has increased in value relative to the value of the collateral held by the ETF; and (c) similarly, the ETF could incur a loss if the value of the portfolio securities it has purchased (in a reverse repurchase transaction) decreases below the amount of cash paid by the ETF to the counterparty. The ETF may engage in securities lending from time to time. When engaging in securities lending, the ETF will receive collateral in excess of the value of the securities loaned, and although such collateral is marked to market, the ETF may be exposed to the risk of loss should a borrower default on its obligations to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

Fund of Funds Investment Risk - The ETF may invest in other exchange traded funds, mutual funds, closed-end funds or public investment funds as part of its investment strategy. If the ETF invests in such underlying funds, its investment performance largely depends on the investment performance of the underlying funds in which it invests. Additionally, if an underlying fund suspends redemptions, the ETF may be unable to accurately value part of its investment portfolio and may be unable to redeem its units.

Exchange Traded Funds Risk - The ETF may invest in exchange traded funds that seek to provide returns similar to the performance of a particular market index or industry sector index. Any such exchange traded fund may not achieve the same return as its benchmark market or industry sector index due to differences in the actual weightings of securities held in the fund versus the weightings in the relevant index and due to the operating and administrative expenses of the fund.

Liability of Unitholders - The Declaration of Trust provides that no Unitholder will be subject to any personal liability whatsoever for any wilful or negligent acts or omissions or otherwise to any party in connection with the assets of the ETF or the affairs of the ETF. The Declaration of Trust also provides that the ETF must indemnify and hold each Unitholder harmless from and against any and all claims and liabilities to which such Unitholder may become subject, by reason of being or having been a Unitholder and must reimburse such Unitholder for all legal and other expenses reasonably incurred in connection with any such claim or liability. Despite the foregoing, there can be no absolute certainty, outside of Ontario, that a claim will not be made against a Unitholder for liabilities which cannot be satisfied out of the assets of the ETF.

Absence of an Active Market and Lack of Operating History - The ETF will be a newly organized exchange-traded fund with no operating history as an exchange-traded fund. Although the ETF may be listed on the TSX, there can be no assurance that an active public market for the ETF Units will develop or be sustained.

Results of Operations

For the year ended December 31, 2016, the net assets per security of the Fund was $11.00 after payment of distributions to securityholders compared to $11.02 on December 31, 2015. The Fund paid cash distributions of $0.52 per security during the year. The Fund's total return for the year was 4.6% compared to the FTSE TMX Canada Universe Bond Index and the FTSE TMX Canada All Corporate Bond Index, which returned 1.7% and 3.7% respectively.

The Fund's net assets as at December 31, 2016 was $104.2 million, a decrease from $124.6 million as at December 31, 2015. The largest factor contributing to the decrease was net redemptions of $20.5 million.

Government bond yields globally exhibited two distinct phases of price action over the year. In the first half of 2016, 10-year government bond yields in the U.S., Canada and Germany declined by 80, 46 and 63 basis points ("bps"), respectively. Economic growth, particularly in the first quarter, disappointed, to the detriment of bond yields. Additionally, inflationary pressures remained muted and regional political risks continued to be elevated. This prompted the U.S. Federal Reserve Board ("Fed") to delay increasing interest rates, and led to the European Central Bank ("ECB") and Bank of Japan expanding their quantitative easing programs. Negative yields in the government bond markets in Europe and Japan incented investors to seek higher yields in alternative markets such as the U.S., Canada, the U.K. and Australia.

In the second half of the year, a recovery in energy and commodity prices, as well as improved prospects for economic growth, began to push government bond yields up from their lows. This upward move in bond yields accelerated sharply, particularly after the U.S. presidential election. Ten-year bond yields in the U.S., Canada and Germany moved 85, 74 and 33 bps higher, respectively. The move higher in yields was precipitated by expectations that the Fed would look to increase interest rates into year end, and that the incoming U.S. administration would pursue policies leading to higher economic growth, and therefore higher inflation and increased levels of government indebtedness. The 10-year U.S. government bond yield closed the year 60 bps higher than where it was just before the election, 109 bps points higher than the year's lows (1.4%) and 18 bps higher year-over-year. In Canada, the 10-year government bond yield ended the year 33 bps higher than at the start of it.

There were several bouts of turbulence in the credit markets during the period. The sell-off early in the year amid a weak macro-economic backdrop, and the alarm following the U.K.'s vote to exit the European Union ("Brexit") were the most notable. Other factors that contributed to the strong performance of investment-grade corporate credit spreads included stronger equity markets, firmer commodity and energy prices, renewed assumptions about better economic growth, tax reform in the U.S. that would benefit corporations and rising government bond yields.

Over the year, investment-grade corporate credit spreads, as defined by relevant credit indices, were 54 bps tighter in the U.S. and 34 bps tighter in Canada. The comparable figure for European credit spreads is 11 bps. European credit spreads underperformed risks such as Brexit, the Italian constitutional referendum and continued concerns regarding the banking sectors in peripheral eurozone countries.

The Fund derives its return from the movement in government bond yields and credit spreads. While the rise in government bond yields detracted from the Fund's performance, the tightening in corporate bond spreads contributed. The composition of the Fund's credit portfolio relative to the benchmark also contributed to performance, as its overall credit rating is lower than that of the Index. Lower-rated investment-grade credit (BBB-rated) was the best-performing rating segment relative to other investment-grade credit ratings categories. Within investment-grade credit, several sectors outperformed, including the energy sector, amid rising oil prices, and the mining sub-sector, where many companies initiated aggressive debt reduction initiatives. The Fund's exposure to companies such as Glencore PLC, Suncor Energy Inc., Husky Energy Inc. and Inter Pipeline Ltd. contributed to performance. The Fund maintained an active strategy with respect to duration (interest rate sensitivity) management, with a significant reduction in duration, particularly following the U.S. presidential election, when government bond yields rose, which allowed the Fund to outperform relative to the benchmark.

Recent Developments

The Portfolio Manager believes that the market narrative has begun a very sharp short-term change. Central banks' monetary policies have reached their limits and can no longer keep interest rates and volatility suppressed. The current breakdown of rates globally is aggressively negative. Inflation expectations have risen and the recent price movement in energy and industrial metals projects furthers upward movement. Populist electoral results are challenging established fiscal policy and government debt convention, which are likely going to be tested in the U.S., the U.K. and further in Japan. China is already testing these strategies, but a lack of transparency provides little understanding of their limits or consequences. Whether or not one believes in the validity of these new narratives, they should be understood and responded to.

Interest rates have clearly and decisively broken previous short- and long-term ranges. The Portfolio Manager suggests that the new short-term range for 10-year U.S. Treasuries is 2.3% to 2.7%, while the long-term range is 2.0% to 3.0%. Investment-grade corporate credit spreads are expected to tighten between 10 to 15 bps. Based on this assessment, the Portfolio Manager is forecasting returns of 3% to 4% for the Fund in 2017.

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) 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 year ended December 31, 2016.

Financial Highlights

The following table shows selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for the past five years.

THE FUND'S NET ASSETS PER SECURITY (1) *

Commencement of operations October 23, 2009	Year Ended Dec. 31, 2016 $	Year Ended Dec. 31, 2015 $	Year Ended Dec. 31, 2014 $	Year Ended Dec. 31, 2013 $	Year Ended Dec. 31, 2012 $
Net assets, beginning of period	11.02	11.53	11.51	12.17	11.56
Increase (decrease) from operations					
Total revenue	0.58	0.55	0.08	-	-
Total expenses	(0.12)	(0.11)	(0.10)	(0.05)	(0.05)
Realized gains (losses) for the period	0.02	(0.27)	3.01	0.89	0.23
Unrealized gains (losses) for the period	0.04	(0.14)	(2.35)	(0.91)	1.04
Total increase (decrease) from operations (2)	0.52	0.03	0.64	(0.07)	1.22
Distributions					
From income (excluding dividends)	(0.42)	(0.35)	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	-	(1.45)	-	-
Return of capital	(0.10)	(0.19)	(0.59)	(0.60)	(0.60)
Total distributions (3)	(0.52)	(0.54)	(2.04)	(0.60)	(0.60)
Net assets, end of the period (4)	11.00	11.02	11.53	11.51	12.17

RATIOS AND SUPPLEMENTAL DATA

Total net asset value ($000's) (5)	104,150	124,576	130,348	208,067	329,180
Number of securities outstanding (5)	9,466,788	11,305,399	11,305,399	18,081,181	27,038,394
Management expense ratio (%) (6)	1.03	1.46	0.40	0.67	0.65
Management expense ratio before waivers or absorptions (%) (6)	1.03	1.46	0.40	0.67	0.65
Portfolio turnover rate (%) (7)	190.70	156.62	67.40	-	8.82
Trading expense ratio (%) (8)	-	-	0.22	0.91	0.86
Net asset value per security ($)	11.00	11.02	11.53	11.51	12.17
Closing market price ($) (9)	11.04	10.70	11.33	11.40	12.11

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

Financial Highlights (continued)

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 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. Accordingly, the opening net assets as at January 1, 2013 was restated to reflect the accounting policy adjustments made in accordance with IFRS. All figures presented for periods prior to January 1, 2013 remain in accordance with Canadian GAAP.

(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 December 31 of the year shown.

(6) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) of the Fund, for December 31, 2016 and 2015 and Marret HYS Trust for the prior years and is expressed as an annualized percentage of daily average net asset value during the period. Total expenses also include interest expense on investments sold short, an investment strategy that is not utilized by the Fund post Conversion. MER for the years ended December 31, 2014, 2015 and 2016 excluding interest expense is 0.30%, 0.67% and 0.77%.

(7) 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.

(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) 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, First Asset is entitled to receive an annual management fee from the Fund. Prior to the Conversion, the Fund paid an annual management fee in an amount equal to 0.50% of the net asset value of the Fund, and after the Conversion, First Asset receives 0.65%, in each case calculated daily and paid monthly in arrears. First Asset pays the Portfolio Manager out of its management fee. 100% of the management fees paid by the Fund during the year were used to pay for investment management and other general administration.

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.

First Asset Investment Grade Bond ETF

(formerly Marret Investment Grade Bond Fund)

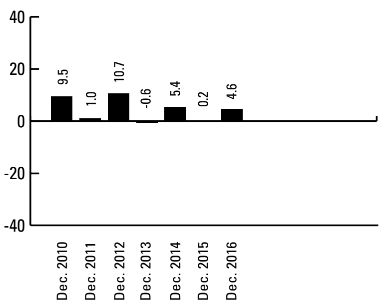
Management Report of Fund Performance for the year ended December 31, 2016

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 chart shows the Fund's annual performance for the financial years shown and illustrates how the Fund's performance has changed from year to year. The bar chart shows, 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 FTSE TMX Canada Mid-Term Corporate Bond Total Return Index ("Index A"), the FTSE TMX Canada Universe Bond Index ("Index B") and the FTSE TMX Canada All Corporate Bond Index ("Index C"). The FTSE TMX Canada Mid-Term Corporate Bond Total Return Index comprises semi-annual pay fixed rate bonds denominated in Canadian dollars, with remaining terms greater than 5 years and less than 10 years, rated BBB or higher, issued by Canadian Federal, Provincial or Territorial corporations and is shown as it is the benchmark that was used as comparison prior to Conversion. Post Conversion, the Fund's performance will be compared to the broad based FTSE TMX Canada Universe Bond Index and the FTSE TMX Canada All Corporate Bond Index which is comprised primarily of investment grade corporate bonds issued domestically and denominated in Canadian dollars and is used to help you understand the Fund's performance relative to the general performance of high grade Canadian corporate bonds. 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	Fund (1)	Index A	Index B	Index C
1 year	4.6	4.3	1.7	3.7
3 years	3.4	5.8	4.6	4.7
5 years	4.0	5.3	3.2	4.2
10 years	n/a	n/a	n/a	n/a
Since inception	4.3	5.9	4.5	5.2

(1) Returns based on net asset value per security. In connection with the Conversion, the annual management fee payable by the Fund was increased to 0.65% (from 0.50%) of the net asset value of the Fund and certain changes were made to the investment objectives, strategies and restrictions applicable to the Fund. If these changes had been in effect when the Fund was created, the performance would have been different.

Summary of Investment Portfolio

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

TOP 25 HOLDINGS AS AT DECEMBER 31, 2016

Description	% of Net Asset Value
Bell Canada	6.59
United States Treasury Bond	6.45
First National Financial Corp.	4.31
Viterra, Inc.	4.31
EnerCare Solutions, Inc.	3.98
Canadian Pacific Railway Co.	3.75
Rogers Communications, Inc.	3.68
IGM Financial, Inc.	3.51
Shaw Communications, Inc.	3.45
Cash and Cash Equivalents	3.43
Power Corp. of Canada	3.24
Suncor Energy, Inc.	3.22
Husky Energy, Inc.	3.12
Co-operators Financial Services Ltd.	3.11
Capital Power Corp.	3.00
Cominar REIT	2.98
The Goldman Sachs Group, Inc.	2.84
Inter Pipeline (Corridor), Inc.	2.62
Cogeco Cable, Inc.	2.10
Algonquin Power Co.	2.06
Ventas Canada Finance Ltd.	2.02
Alimentation Couche-Tard, Inc.	2.00
Choice Properties REIT	1.98
Fairfax Financial Holdings Ltd.	1.98
Aimia, Inc.	1.97
Total Net Asset Value	**$104,150,491**

SECTOR ALLOCATION AS AT DECEMBER 31, 2016

Industry	% of Net Asset Value
Financials	31.97
Telecommunication Services	15.83
Energy	9.93
Industrials	8.62
Consumer Discretionary	7.86
Utilities	6.48
U.S. Federal Bonds & Guaranteed	6.45
Consumer Staples	6.31
Cash and Cash Equivalents	3.43
Government of Canada & Guaranteed	0.51
Margin	0.50
	97.89
Other assets, net of liabilities	**2.11**
Total Net Asset Value	**100.00**

COUNTRY ALLOCATION AS AT DECEMBER 31, 2016

Country	**% of Net Asset Value**
Canada	81.52
United States	9.29
Cash and cash Equivalents	3.43
Italy	1.19
Australia	1.00
United Kingdom	0.96
Margin	0.50
	97.89
Other assets, net of liabilities	**2.11**
Total Net Asset Value	**100.00**