

Annual Management Report of Fund Performance

for the period ended December 31, 2016



First Asset Long Duration Fixed Income ETF

Fund:

First Asset Long Duration Fixed Income ETF

Securities:

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

Period:

May 4, 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:

Signature Global Asset Management
2 Queen Street East
20th Floor
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.

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Investment Objectives and Strategies

The Fund's investment objective is to provide securityholders with: (a) regular distributions; and (b) the opportunity for capital appreciation from the performance of a portfolio comprised primarily of longer dated developed market Canadian and U.S. government issued fixed income securities.

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 May 4, 2016 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 2016 annual financial statements, which discusses management of financial risks.

Results of Operations

The Fund commenced operations on May 17, 2016, with an initial net asset value of \$20 per ETF Unit and subscriptions totalling \$2 million. For the period, the Fund returned -3.1%, compared to the return of the FTSE TMX Canada Long Term All Government Bond Index of -1.0%. The largest factor contributing to the increase between the initial subscription and total net assets as at December 31, 2016, of \$37.3 million was additional net subscriptions of \$37.3 million.

The following tables highlight the performance of the Fund's ETF Units on a net asset value basis and market price basis.

Net Asset Value	December 31, 2016	May 17, 2016	Return
FLB	\$19.13	\$20.00	-3.1%

Market Value	December 31, 2016	May 17, 2016	Return
FLB	\$18.92 ⁽¹⁾	\$20.00	-3.9%

(1) Closing market price taken from last trade on December 22, 2016.

The above returns, whether based on net asset value or market price, assume the reinvestment of all distributions. The Fund paid per unit cash distributions of \$0.27 during the period.

Global yields declined in the first half of 2016 as a result of weak growth, deflation fears and investors' search for "safe-haven" investments, particularly given the uncertainty leading up to the U.K.'s vote on its membership in the European Union ("Brexit"). However, the perception of policy imbalance and inadequacy on all fronts (for example, monetary, fiscal and trade) became clearer following Brexit and the U.S. presidential election. This led to a growing reluctance by central banks in Europe and Japan to extend further monetary policy accommodation, removing the main positive force behind the bond market since the financial crisis of 2008-2009.

Inflationary expectations priced into the U.S. bond market over the next 10 years rose significantly in the second half of the year. Throughout the fourth quarter, nominal interest rates in the U.S., Canada, the U.K., Germany and Japan rose by 0.9%, 0.7%, 0.5%, 0.3% and 0.1%, respectively.

The Fund's positions in inflation-linked bonds contributed to performance, particularly in the second half of the year when Canadian long-term interest rates rose substantially alongside the increase in rates globally in the wake of the U.S. presidential election. This offset the more moderate negative influences of duration (interest rate sensitivity) and yield curve positioning on the Fund's return.

During the fourth quarter, the Portfolio Manager sold duration, primarily from the Fund's U.S. nominal bond holdings, and also trimmed these positions to purchase U.S. inflation-linked bonds. In addition, the Fund's underweight position in government credit spreads was modestly reduced.

Recent Developments

As the policy changes coming from the new U.S. administration are as yet unclear, their impact on U.S. and global long-term potential economic growth may be limited or uncertain. Free-market economies will likely continue to experience cyclical downturns and upturns, which the Portfolio Manager believes will be more pronounced if the European and Japanese central banks are not as accommodative as they have been in recent years and the U.S. Federal Reserve Board is on the tightening path. The Fund's strategy remains focused on anticipating cyclical changes in growth and inflation for navigating the investment environment.

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The new fiscal policy agenda in the U.S. has injected another source of uncertainty surrounding the Canadian economic outlook, which is already grappling with a lacklustre trade picture and the unclear impact of domestic fiscal measures and new mortgage rules. In turn, the Bank of Canada will likely face ongoing pressure to sustain an accommodative monetary policy stance until greater clarity is achieved and other areas of support for domestic recovery come into play.

The Portfolio Manager believes that U.S. benchmark 10-year bonds are trading at the top end of the fair value range of about 1.8% to 2.6%. The Fund has a short duration positioning relative to the benchmark, primarily concentrated in the 20-year portion of the yield curve. Furthermore, the Fund maintains an underweight allocation to the government credit sector and retains exposure to U.S. inflation-linked bonds and nominal bonds.

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 December 31, 2016.

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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 since inception.

THE FUND'S NET ASSETS PER SECURITY⁽¹⁾

	Period from Inception to Dec. 31, 2016 \$
Commencement of operations May 4, 2016	\$
Net assets, beginning of period	20.00
Increase (decrease) from operations	
Total revenue	0.35
Total expenses	(0.03)
Realized gains (losses) for the period	0.38
Unrealized gains (losses) for the period	(1.51)
Total increase (decrease) from operations⁽²⁾	(0.81)
Distributions	
From income (excluding dividends)	(0.26)
From dividends	-
From capital gains	(0.33)
Return of capital	-
Total distributions⁽³⁾	(0.59)
Net assets, end of the period⁽⁴⁾	19.13

RATIOS AND SUPPLEMENTAL DATA

Total net asset value (\$000's) ⁽⁵⁾	37,312
Number of securities outstanding ⁽⁵⁾	1,950,000
Management expense ratio (%) ⁽⁶⁾	0.49
Management expense ratio before waivers or absorptions (%) ⁽⁶⁾	0.53
Portfolio turnover rate (%) ⁽⁷⁾	31.47
Trading expense ratio (%) ⁽⁸⁾	0.01
Net asset value per security (\$)	19.13
Closing market price (\$) ⁽⁹⁾	18.92

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.
- (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 or reinvested in additional securities of the Fund.
- (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 period shown.
- (6) 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.
- (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 period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. 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.

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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.

	Maximum annual management fee rate	As a percentage of management fee Dealer compensation	General administration and profit
	0.30%	-	100%

For the period ended December 31, 2016, First Asset waived or absorbed expenses of the Fund totaling \$13,971.

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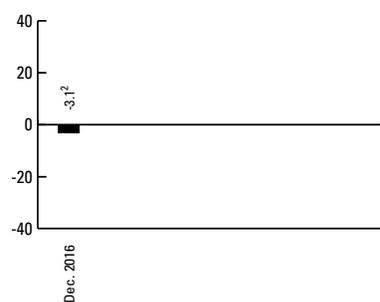
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Past Performance

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⁽¹⁾

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.



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

(2) Return for the period May 11, 2016 to December 31, 2016.

ANNUAL COMPOUND RETURNS

As the Fund was not a reporting issuer throughout the entire period, we have not provided a compound annual return or a comparative index.

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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 HOLDINGS AS AT DECEMBER 31, 2016

Description	% of Net Asset Value
Province of Ontario	27.10
Province of Québec	26.30
Province of British Columbia	18.34
Canadian Government Bond	9.96
United States Treasury Inflation Indexed Bonds	6.76
Province of Nova Scotia	5.35
United States Treasury Note	3.94
Cash and Cash Equivalents	1.82
Vanguard Total International Bond ETF	1.31
Total Net Asset Value	\$37,312,424

SECTOR ALLOCATION AS AT DECEMBER 31, 2016

Industry	% of Net Asset Value
Provincial Bonds	87.77
Federal Bonds	9.96
Cash and Cash Equivalents	1.82
Investment Fund	1.31
	100.86
Other assets, net of liabilities	(0.86)
Total Net Asset Value	100.00