

Annual Management Report of Fund Performance

for the period ended December 31, 2016



First Asset Preferred Share ETF

Fund:

First Asset Preferred Share ETF

Securities:

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

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 preferred shares of North American issuers. This actively managed portfolio will be comprised primarily of investment grade preferred shares and to a lesser extent investment grade corporate debt and convertible bonds. At least 75% of the preferred shares and corporate debt in the portfolio of the Fund shall be rated investment grade at the end of every reporting period (June 30th and December 31st).

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 \$1 million. For the period, the Fund returned 9.7%, compared to the return of the S&P/TSX Preferred Share Index of 11.0%. The largest factors contributing to the increase between the initial subscription and total net assets as at December 31, 2016, of \$59.8 million were additional subscriptions of \$32.0 million and the merger of Preferred Share Investment Trust and the Fund on November 1, 2016 (see Recent Developments below).

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
FPR	\$21.39	\$20.00	9.7%

Market Value	December 31, 2016	May 17, 2016	Return
FPR	\$21.46	\$20.00	9.6%

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 \$0.54 during the period.

There were many positive events for credit markets in 2016, but none bigger than the U.S. presidential election results in November. U.S. President Donald Trump's economic plan is expected to increase U.S. growth by lowering personal taxes, increasing infrastructure spending and promoting U.S. businesses through reduced red tape and higher import taxes. The bond market reacted swiftly on concerns of much higher deficits, the prospect of increasing inflation and the likelihood that the U.S. Federal Reserve Board ("Fed") would raise interest rates more quickly than previously thought, with Canadian interest rates rising by association.

Returns for preferred shares were positive during the year, with the SPX/TSX Preferred Share Index returning 7% for the year, and returning approximately 11% from the Fund's launch date of May 17, 2016, to year end. Five-year Government of Canada bond yields rose 33 basis points ("bps") during that time, with most of the increase following the U.S. presidential election. This provided a strong lift to the rate reset preferred share market. In the U.S., the Fed increased its benchmark rate by 25 bps in December, and indicated that it may need to make three further interest rate increases in 2017 in response to increased economic growth and the pro-growth policies of the incoming U.S. administration.

Positive returns for preferred shares resulted in increased demand from retail investors. The yield premium in the asset class over investment-grade corporate bonds, however, also brought more institutional investors to the Canadian preferred share market.

The Fund's energy-related holdings contributed to performance, including preferred shares issued by Husky Energy Inc., Capital Power Corp. and Enbridge Inc. (a U.S.-dollar holding). Holdings in Brookfield Office Properties were also positive for the period.

Detractors from the Fund's performance included its positions in perpetual preferred shares, which fell as interest rates rose in the fourth quarter, and holdings in Great-West Lifeco Inc., The Bank of Nova Scotia and Brookfield Asset Management Inc.

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Recent Developments

The Fund has held an overweight allocation to perpetual preferred shares since its inception, based on the Portfolio Manager's view that interest rates would remain moderate for the medium term. The U.S. presidential election results, however, caused perpetual preferred shares to underperform rate reset preferred shares, which benefited from the ensuing increase in interest rates. Since the election, the Fund's weighting in rate reset preferred shares has increased, while perpetual preferred shares have been trimmed. The Fund's relatively small position in U.S. dollar-denominated preferred shares issued by Canadian companies, meanwhile, boosted performance, as the Portfolio Manager took advantage of increasing U.S. interest rates.

On November 1, 2016, the assets of Preferred Share Investment Trust (the "Merged Fund") merged into the Fund. As a result of the merger, each securityholder of the Merged Fund received 0.29955 securities of the Fund.

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.

Except as otherwise noted below, First Asset, the Portfolio Manager and the Fund were not party to any related party transactions during the period ended December 31, 2016.

Fund Mergers – see Recent Developments above.

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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	0.67
Total expenses	(0.15)
Realized gains (losses) for the period	0.01
Unrealized gains (losses) for the period	1.36
Total increase (decrease) from operations⁽²⁾	1.89
Distributions	
From income (excluding dividends)	-
From dividends	(0.34)
From capital gains	(0.08)
Return of capital	(0.12)
Total distributions⁽³⁾	(0.54)
Net assets, end of the period⁽⁴⁾	21.39

RATIOS AND SUPPLEMENTAL DATA

Total net asset value (\$000's) ⁽⁵⁾	59,790
Number of securities outstanding ⁽⁵⁾	2,795,078
Management expense ratio (%) ⁽⁶⁾	0.85
Management expense ratio before waivers or absorptions (%) ⁽⁶⁾	0.94
Portfolio turnover rate (%) ⁽⁷⁾	49.22
Trading expense ratio (%) ⁽⁸⁾	0.20
Net asset value per security (\$)	21.39
Closing market price (\$) ⁽⁹⁾	21.46

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.

(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.

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

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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
	0.65%	-	100%

For the period ended December 31, 2016, First Asset waived or absorbed expenses of the Fund totaling \$2,622.

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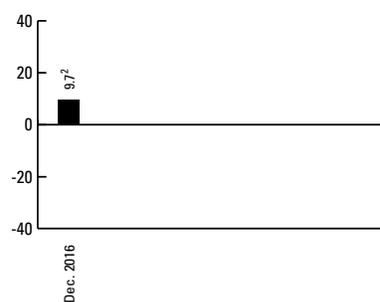
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Past Performance

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 25 HOLDINGS AS AT DECEMBER 31, 2016

Description	% of Net Asset Value
Enbridge, Inc.	10.38
Bank of Montreal	7.75
Great-West Lifeco, Inc.	7.19
Brookfield Office Properties, Inc.	4.93
Brookfield Asset Management, Inc.	4.73
TransCanada Corp.	4.70
Royal Bank of Canada	4.18
Sun Life Financial, Inc.	4.08
Citigroup, Inc.	3.89
Power Financial Corp.	3.67
The Bank of Nova Scotia	3.63
Capital Power Corp.	3.44
George Weston Ltd.	3.42
The Toronto-Dominion Bank	3.39
National Bank of Canada	3.13
Pembina Pipeline Corp.	3.09
BCE, Inc.	2.91
Loblaw Companies Ltd.	2.34
Manulife Financial Corp.	2.18
Power Corporation of Canada	2.06
TransAlta Corp.	1.88
Element Financial Corp.	1.83
Bank of Nova Scotia	1.70
Fortis, Inc.	1.61
Total Net Asset Value	\$59,790,360

SECTOR ALLOCATION AS AT DECEMBER 31, 2016

Industry	% of Net Asset Value
Financials	59.71
Energy	21.58
Utilities	9.33
Consumer Staples	5.76
Telecommunication Services	2.91
Cash and Cash Equivalents	1.10
	100.39
Other assets, net of liabilities	(0.39)
Total Net Asset Value	100.00