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**Build America Investment  
Grade Bond Fund**  
Semi-Annual Report  
March 31, 2014

## Build America Investment Grade Bond Fund Message to Unitholders

May 30, 2014

Dear Investor,

We are pleased to provide you with the semi-annual report for the Build America Investment Grade Bond Fund (the “Fund”) for the six month period ended March 31, 2014. The Fund was designed to provide investors with exposure to a portfolio comprised primarily of Investment Grade Build America Bonds actively managed by Nuveen Asset Management (the “Sub-Advisor”). The Fund’s investment objectives are to (i) provide Unitholders with monthly tax-advantaged cash distributions, and (ii) maximize total return for Unitholders while seeking to reduce risk. Distributions are initially targeted to be \$0.1198 per month per Unit consisting primarily of returns of capital, representing a yield on the Unit issue price of 5.75% per annum.

The Fund’s Class A Units delivered a total return of 7.83% during the six month period ended March 31, 2014. The core Build America Bond Portfolio slightly underperformed the Barclays Build America Bond Index (8.08% vs 8.80%). Due to currency and interest rate hedging and lower exposure California General Obligation bonds relative to the index.

Aggregate revenues of state and local governments continue to improve. The Rockefeller Institute of Government reported that state tax revenue from major sources rose by 3.0% in the fourth quarter of 2013 compared to the same quarter in 2012, and tax revenue has posted year over year increases for the last 16 quarters.

Please check our website for future quarterly updates. We appreciate your investment in the Fund and look forward to continued strong performance by the Fund.

Yours truly,

A handwritten signature in black ink, appearing to read "W. Neil Murdoch". The signature is fluid and cursive, with a large, sweeping flourish at the end.

W. Neil Murdoch  
Chief Executive Officer  
Aston Hill Capital Markets Inc.

# Management Report of Fund Performance

This semi-annual management report of fund performance for **Build America Investment Grade Bond Fund** (the “Fund”) contains financial highlights but does not contain the complete semi-annual financial statements of the Fund. **The semi-annual financial statements and accompanying notes are attached to this report.**

You can obtain a copy of the semi-annual financial statements at no cost by writing to Aston Hill Capital Markets Inc. (the “Manager”) to the following address: Aston Hill Capital Markets Inc., 77 King Street West, Suite 2110, PO Box 92, Toronto, Ontario, M5K 1G8 or calling 1-800-513-3868 or visiting the Manager’s website at [www.astonhill.ca](http://www.astonhill.ca) or by visiting [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

Note that any reference to “Net Assets” or “Net Assets per Unit” or “GAAP Net Assets” means that the value was determined in accordance with the Canadian Generally Accepted Accounting Principles “GAAP” for financial statements purposes. Also, any reference to “Net Asset Value” or “Net Asset Value per Unit” or “Transactional NAV” means that the value was determined for valuation and transactional purposes in accordance with the Canadian Securities Administrators. An explanation of the difference between both values can be found in Note 3 to the financial statements.

## Investment Objectives and Strategy

The Fund is an investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement (the “Trust Agreement”) between the Manager of the Fund and RBC Investor & Treasury Services (formerly “RBC Dexia Investor Services Trust”) (the “Trustee”) dated January 28, 2010. The Fund’s principal office is located at 77 King Street West, Suite 2110, Toronto, Ontario, M5K 1G8. The fiscal year-end of the Fund is September 30. Beneficial interest in the net assets and net income of the Fund is divided into units of two classes, Class A Units (the “Class A Units”) and Class F Units (the “Class F Units”). The Class A Units are listed on the Toronto Stock Exchange (the “TSX”) under the symbol BAB.UN. The Class F Units are not listed on a stock exchange but may be converted into Class A Units on a weekly basis. The principal differences between the Class A Units and the Class F Units are that the agents’ fees payable with respect to the original issuance of the units were lower for the Class F Units and that the service fee component of the manager’s fee and the TSX listing fees are not paid by the Class F Units.

The Fund’s investment objectives are to:

- (i) provide Unitholders with monthly tax-advantaged cash distributions, and
- (ii) maximize total return for Unitholders, while seeking to reduce risk.

Distributions are initially targeted to be \$0.1198 per month per Unit consisting primarily of returns of capital, representing a yield on the issue price of 5.75% per annum.

In order to achieve the Fund’s investment objectives, the Fund obtained exposure, in a tax-efficient manner, to the performance of a portfolio (the “Portfolio”) held by BAB Trust (the “BAB Trust” or the “Trust”). Nuveen Asset Management (the “Sub-Advisor”), the Trust’s Sub-Advisor, actively manages the Portfolio.

The Portfolio includes a minimum of 80% Build America Bonds (measured at the time of purchase), with the remainder of the Portfolio, if any, to be comprised of other permissible securities. The Fund may also use derivatives for hedging purposes only.

Build America Bonds are bonds issued by U.S. state and local governments to finance capital projects that meet essential needs such as public schools, roads, water and transportation infrastructure, bridges, ports and public buildings, among others, pursuant to the American Recovery and Reinvestment Act of 2009 or other related, similar or successor legislation. Many Build America Bonds are general obligation bonds, which are backed by the full faith and taxing power of the governments issuing them. Most issuers of Build America Bonds receive a subsidy from the U.S. federal government equal to 35% of the interest paid to investors, which allows such issuers to issue bonds that pay interest rates that are competitive with the rates typically paid by private bond issuers. This form of government bond, with the credit going to the issuer, makes the bonds attractive to entities that pay no U.S. income tax, such as pension plans and non-U.S. investors, as well as to investors seeking potential high rates of interest income.

The Fund does not invest directly in BAB Trust; the Fund used the net proceeds of the initial public offering of its Class A and Class F Units and bank indebtedness to pre-pay its purchase obligations under a forward purchase and sale agreement (the "Forward Agreement") with the Bank of Montreal (the "Counterparty" or "BMO"). Under the Forward Agreement, the Fund will receive, on or before February 27, 2015, a specified portfolio consisting of securities of Canadian public issuers that are "Canadian securities" for the purposes of the Tax Act ("Canadian Securities") in an amount equal to the value of BAB Trust. Partial settlements under the Forward Agreement are intended to ensure that Unitholders have economic exposure to the distributions effected by BAB Trust. A fee of 0.35% per annum, calculated with reference to the Net Asset Value of BAB Trust, is payable to BMO under the Forward Agreement.

## **Risk**

Changes in the risk exposure of the Fund occurred in the following areas:

### ***Use of leverage***

The Fund is entitled to employ leverage of up to 25% of the levered notional amount. The Fund applied leverage in the range from 23.68% to 25.09% during the six month period ended March 31, 2014 (23.16% to 24.24% during the six month period ended March 31, 2013). The leverage factor as of March 31, 2014 was 23.68% (March 31, 2013 – 23.18%). If the borrowed amount exceeds 25% of the levered notional amount, the leverage amount will be reduced to ensure the leverage ratio is not greater than 25%.

For full disclosure of risks associated with an investment in the Fund's units, please refer to the Prospectus dated January 28, 2010 and to the Fund's most recent Annual Information Form. Both are available at [www.sedar.com](http://www.sedar.com).

## **Recent Developments**

### ***International Financial Reporting Standards***

For the Fund's fiscal years following April 1, 2014, the Fund will prepare its annual financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and provide comparative statements on an IFRS basis. The Fund will also report its interim financial statements for the period ending September 30, 2014, in accordance with IFRS.

The Manager has reviewed and developed its IFRS changeover plan that included performing an impact assessment and identifying differences between existing Canadian GAAP and IFRS. Management has monitored developments in IFRS and has assessed the likely impacts on accounting policies, implementation decisions, internal controls, information systems and training. Based on management's assessment to date, the more significant changes impacting the financial statements may be how the Fund measures fair values of its investments and the classification of net assets representing unitholders' equity. The Manager does not consider this to be comprehensive list of the accounting changes when the Fund adopts IFRS but in the view of the Manager represent the key differences.

Under Canadian GAAP, the Fund measures the fair values of its investments in accordance with the CPA Canada Handbook Section 3855, Financial Instruments – Recognition and Measurement. This section requires the use of bid prices for the long positions and asks prices for the short positions to the extent such prices are available. In May 2011, the IASB issued IFRS 13 Fair Value Measurement, which defines fair value, sets out a single IFRS framework for measuring fair

value and requires disclosures about fair value measurements. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical means for fair value measurements within a bid-ask spread. The impact of this may result in the elimination of the differences between the transactional NAV and net assets at the financial statements reporting dates.

The Fund's outstanding redeemable unit entitlement includes a contractual obligation to deliver cash or another financial asset on the Fund's fixed termination date, and therefore the ongoing redemption feature is not the units only contractual obligation. The impact of the requirements of International Auditing Standards 32 - Financial Instruments Presentation is on classification only and does not impact net assets per unit.

Management will continue to monitor the Fund's IFRS changeover plan to address the key elements of the IFRS conversion.

### ***Federal Budget Announcement***

On March 21, 2013, the Minister of Finance announced proposals in a federal budget that would treat the gain realized by a mutual fund under such forward agreements as ordinary income rather than a capital gain, if the forward agreement was entered into or extended on or after March 21, 2013. On July 11, 2013, the Department of Finance announced proposed technical changes to the transitional rules related to character conversion transactions announced in the federal budget. One of the announced changes includes the extension of the transition period for short-term agreements. The extended grandfathered period allows investment funds, whose forward agreements were entered into prior to March 21, 2013 and the terms of which provide for settlement or are a part of series of agreements that provide for settlement prior to 2015, to extend their forward agreements until end of 2014. For longer-dated forward agreements, the grandfathering transitional period will not extend beyond March 21, 2018. Grandfathering is subject to certain growth rules with which the Fund intend to comply. The federal budget, part of Bill C-4, was enacted into law on December 12, 2013.

Based on the advice of our legal and accounting advisors, the Manager believes the Fund falls under the grandfathering provision.

## **Results of Operations**

### ***Caution regarding forward-looking statements***

The analysis in the document includes forward-looking statements. The use of any of the words anticipate, may, will, expect, estimate, should, believe and similar expressions are intended to identify forward looking statements. Such statements reflect the opinion of the Sub-Advisor regarding factors that might be reasonably expected to affect the performance and the distribution on units of the Fund and are based on information available at the time of writing. The Sub-Advisor believes that the expectations reflected in these forward-looking statements and in the analysis are reasonable but no assurance can be given that these expectations or the analysis will prove to be correct and accordingly, they should not be unduly relied on. These statements speak only as of the date of this report. Actual events and outcomes may differ materially from those described in these forward-looking statements or analysis.

### ***The Sub-Advisor's Commentary (April 2014)***

#### ***Economy and Inflation***

After the unusually harsh winter, the economy seems poised to strengthen. Among the encouraging signs are:

- Nonfarm payrolls expanded at a healthy pace in the last two months, with the number of workers increasing by 197,000 in February, and by 192,000 in March. The Household report was even more robust, indicating that employment had increased by 476,000 in March. The lengthening of the average workweek from 34.3 to 34.5 hours adds to the potential growth in gross domestic product.

- The Institute for Supply Management's index of manufacturing activity rose from 53.2 in February to 53.7 in March (where values above 50 indicate growth). Manufacturing production had already climbed by 0.9% in February.
- Retail sales rose by 0.3% in February, and by 1.5% from February 2013.
- The housing market has remained solid as the number of permits increased from 945,000 in January to 1.014 million in February even though prices were up by 13.3% year-over-year through January according to the Case-Shiller Index of 20 cities.
- Inflation still does not appear to pose a problem for the economy. The consumer price index rose in February by just 0.1% (seasonally-adjusted), which produced a year-over-year increase of 1.1%. Prices apart from food and energy likewise inched up by 0.1% in February, which resulted in modest 1.6% year-over-year gain. The prices index of the ISM manufacturing survey drifted down from 60.0 in February to 59.0 in March. Average hourly earnings have also been restrained, having increased by 2.1% during the year ended in March. Long-term inflation expectations remain subdued. From the end of December to the end of March, the spread between 10-year Treasuries and 10-year inflation-indexed securities dropped from 2.3% to 2.1%, while the 5-year spread increased from 2.1% to 2.2%, which means that the expectation for the annual inflation rate over the five year period beginning five years from now fell from 2.4% to 2.1%.

### *Interest Rates*

During the first quarter, the yield curve steepened between 1 and 3 years, but flattened between 3 and 28 years as 1-year yields slipped by -0.02%, 3-year yields rose by 0.19%, and yields fell on maturities of 7 years and longer. Yields dropped by -0.30% on 10-year bonds, by -0.47% on 20-year bonds, and by -0.56% on 30-year bonds. The rally and the flattening of the yield curve during the first quarter allowed longer maturity ranges to outperform shorter maturities consistently. Within the Standard & Poor's Municipal Bond Index, bonds with maturities of 2 to 4 years produced a total return of 0.40%, while maturities of 8 to 12 years returned 3.14%, and bonds due in 22 years and longer returned 6.26%. The average for all maturities was 3.53%.

After a period of underperformance, bonds rated BBB/Baa have managed to outperform higher rated bonds in each of the last three months. During the quarter, bonds rated BBB/Baa generated a total return of 5.60%, while bonds rated triple-A only returned 2.39%. Once again, the performance of the BBB/Baa rating category was heavily affected by the Puerto Rico bonds it contained. For the quarter as a whole the analysis is even more complicated because most of Puerto Rico's debt was downgraded to below investment grade during February. Consequently, while Puerto Rico accounted for 19.8% of all bonds rated BBB/Baa in February, the island's bonds only accounted for 6.2% of bonds rated BBB/Baa in March. Meanwhile, the percentage of bonds rated BB/Ba attributed to Puerto Rico jumped from 1.7% in February to 49.8% in March. For the quarter as a whole, Puerto Rico's debt constituted 15.9% of the BBB/Baa category, and 26.0% of the BB/Ba category. If Puerto Rico were excluded from the Index, the return of bonds rated BBB/Baa would have been 0.62% lower, and the return of bonds rated BB/Ba would have been 1.82% higher.

The markets have had to recalibrate their reactions to the signals from the Federal Reserve since Janet Yellen assumed her responsibilities as chairperson. The three key questions are: When will the Fed start raising the fed funds rate? How quickly will they raise the rate? And how high will it go? The answers will likely depend on when the economy is growing at its full potential, but that assessment is complicated by changes in the labor force. A study by the Philadelphia Fed estimates that much of the decline in the labor force participation rate since 2007 has been a consequence of retirements and disabilities, which is not likely to be reversed. Similarly, a study by the Congressional Budget Office projects that economic output in 2017 will be 7.3% lower than the CBO had projected in 2007, and that labor force participation in 2017 will be 0.4% lower due to structural changes in the economy. Both studies imply that there may be less slack in the labor markets than would appear, which would suggest a need to start raising rates sooner, and that the terminal rate may be lower than expected because the economy's potential growth rate will be lower.

Past experience indicates that inflation accelerates when the real, inflation-adjusted, fed funds rate is well below the potential growth rate of the economy, and that disinflation occurs when the real fed funds rate exceeds potential growth. Assuming a 2% inflation rate, and economic growth between 2% and 3%, an equilibrium fed funds rate of 4% by 2016

seems reasonable. The pace at which the rate increases will likely depend on whether the Fed seeks to restrain inflation before it exceeds 2% (which would allow a slower pace), or decides to let inflation exceed 2% for a time to compensate for years of slower inflation (which would require faster action starting at a later date).

### *Credit Conditions*

The Rockefeller Institute of Government reports that state tax revenue from major sources rose by 3.0% in the fourth quarter of 2013 compared to the same quarter in 2012, and tax revenue has posted year-over-year increases for the last 16 quarters. Because of efforts to accelerate income into 2012 due to pending tax rate increases, personal income tax revenue rose by just 1.0% year-over-year, but sales tax revenue, which better reflects economic growth, climbed by 5.5%. The latest report from the Bureau of Economic Analysis indicates that state and local governments have continued to be conservative in their spending. Compared to the first nine months of calendar year 2012, expenditures in the first nine month of 2013 rose by just 0.73%, even as revenues grew by 3.06%.

According to the April edition of Distressed Municipal Debt Newsletter, in 2013, 50 municipal issuers began to default on their debt (where a draw from a debt service reserve is treated as a default). That figure compares to 135 obligors that first defaulted in 2012, and 147 that defaulted in 2011. During the first three months of 2014, seven issuers have defaulted.

### *Portfolio Strategy and Performance*

As we entered the fiscal first quarter (4th quarter 2013), we believed the overall portfolio structure was well positioned to prosper in the expected investment environment. As a result, trading activity over the next six months was muted and centered around minor relative value trades and raising cash to post collateral for the foreign currency hedge.

In November a \$500,000 par value AA-rated North Carolina Turnpike Authority 6.70% coupon bond due in 2039 was purchased swapping out a non-index security; the single-A rated Metropolitan Government Convention Center, 7.431% coupon bond due in 2043. This trade modestly increased the overall credit quality of the portfolio as well as enhancing portfolio liquidity. The only other purchase during the six month period was an odd-lot matching position in Las Vegas Valley Water District, a 7.013% coupon bond due in 2039.

Separately, but also in November, the par value \$750,000 Clark County Airport Revenue 6.82% coupon position was sold to raise cash to cover our FX hedge that was coming due at a loss. The bond was sold with a gain of just over \$180,000. In January \$500,000 par value positions in both the Cook County General Obligation Bonds and the Illinois State General Obligation Bonds were also sold to raise cash to post collateral for the FX hedge.

Given the light trading, the sector allocations were largely unchanged and were as follows:

Sector	Allocation in Percent
General Obligation/Appropriation	39%
Water/Sewer	18%
Public Power	16%
Toll Roads	13%
Dedicated Tax	7%
Airports	2%
T-Bills/Collateral	4%
Cash	1%

At the fiscal year half way point, the portfolio has earned a return of 7.83% compared to 8.80% for the Barclays BABs Index. Over the same six month time frame, the core BABs portfolio posted a return of 8.08%. Following are returns of selected indices over the last 6-month period ending on 3/31/2014.

- Barclays Build America Bond Index: 8.80%
- S&P Muni BABs Select Index 8.55%
- Barclays U.S. Aggregate: 1.70%
- Barclays U.S. Long Corporates: 8.18%
- Barclays U.S. Gov't Long: 3.83%

The primary drivers of relative performance over the period were the interest rate and currency hedges. Although the interest rate hedge was a source of value in the fiscal first quarter, it was more than offset in the fiscal second quarter when the 30-year Treasury bond rallied by 41 basis points to close the quarter with a yield of 3.56%. The currency hedge was also a detractor from performance as the Canadian dollar declined in value during the quarter as well.

Within the core BABs portfolio, the quality allocation had a negative effect on performance. Relative to the benchmark, the portfolio has been overweight AA and BBB rated bonds and underweight single-A rated securities. Over the course of the last six months, A-rated bonds posted 753 basis points of excess performance. In contrast, AA-rated securities outperformed Treasuries by 545 basis points. Although recently enjoying very solid excess performance, over the six-month period, BBBs lagged the rest of the BABs market posting 507 basis points of excess return.

In addition, the portfolio is modestly overweight callable securities versus non-callables. In the rallying market that was just experienced, callable structures underperformed, as would be expected.

Lastly, the underweight to California general obligation bonds was a modest detractor from performance as they outperformed during the period.

### ***Capital transactions***

On February 18, 2010, the Fund completed an initial public offering pursuant to the Prospectus dated January 28, 2010 (the "Prospectus"). \$30,000,000 was raised through the issue of 1,200,000 Class A Units and \$1,767,500 was raised through the issue of 70,700 Class F Units.

On March 11, 2010, the Agents exercised an over-allotment option in respect of 73,820 Class A Units, raising a further \$1,845,500.

Agents' fees and other issue expenses totalled \$2,294,936. The Manager reimbursed the fund with the amount \$73,815 to account for issue expenses above the 1.5% limit of gross proceeds of the offering (as per the Fund's Prospectus terms and conditions).

The Fund did not have any capital transactions during the six month period ended March 31, 2014. (There were no capital transactions during the six month period ended March 31, 2013).

### ***Net Assets***

The net assets per unit is calculated as the value of the prepaid amount to the Counterparty under the Forward Agreement plus any other investments held by the Fund, plus the value of any gain or loss on the Forward Agreement, less any net liabilities of the Fund, divided by the number of units outstanding.

On March 31, 2014, the prepaid amount to the Counterparty under the Forward Agreement was \$ 23,027,668. Since the Fund can at any time terminate the Forward Agreement with the Counterparty in exchange for the value of BAB Trust, the value of the Forward Agreement to the Fund is equal to the value of BAB Trust less the value of the prepaid amount to the Counterparty under the Forward Agreement. On March 31, 2014, the value of the unrealized gain on the Forward Agreement was \$ 7,171,953. Other investments held by the Fund totalled \$ 10,890 and other liabilities net of other assets totalled \$7,321,278, leaving net assets of \$22,889,233. This amount is assigned to the Class A and Class F Unitholders using an allocation percentage that takes into consideration any class level specific expenses. On March 31, 2014, the GAAP Net Assets per unit were \$23.29 per Class A Unit and \$24.91 per Class F Unit. (On March 31, 2013, the prepaid amount to the Counterparty under the Forward Agreement was \$28,628,388 and the value of the unrealized gain on the Forward Agreement was \$7,969,939. Other liabilities net of other assets in the Fund totalled \$8,650,207, leaving net assets of \$27,948,120. This amount is assigned to the Class A and Class F Unitholders using an allocation percentage that takes into consideration any class level specific expenses. On March 31, 2013 the GAAP Net Assets per unit were \$24.85 per Class A Unit and \$26.39 per Class F Unit.)

## ***Leverage***

The Fund's exposure to the securities in BAB Trust's Portfolio through the Forward Agreement may be increased to 25% of the levered notional amount or total assets (being the net asset value of BAB Trust) (tested daily) for the purposes of adding leverage to the Portfolio and such other short-term funding purposes as may be determined by the Sub-Advisor from time to time and in accordance with the Investment Strategy. The use of leverage has the potential to enhance or reduce returns.

During the six month period ended March 31, 2014, the Fund's bank indebtedness balance from \$7,175,000 and \$7,385,000. As a percentage, it ranged from 23.68% to 25.09% of the levered notional amount (\$8,485,000 or 23.16% to 24.24% of the levered notional amount during the six month period ended March 31, 2013). The related interest expense during the same period was \$70,974 (\$84,961 during the year ended March 31, 2013). At March 31, 2014, the borrowed balance was \$7,175,000 and the leverage factor was 23.68% (the borrowed balance was \$8,485,000 at March 31, 2013).

## ***Market repurchases***

The Trust Agreement provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A Unit not exceeding the most recently calculated Net Asset Value per Class A Unit immediately prior to the date of any such purchase of Units.

The Fund did not purchase any Class A Units for cancellation during the six month periods ended March 31, 2014 and 2013.

## **Distributions**

The Fund pays monthly distributions initially at \$0.1198 per Unit. The Fund has made all its scheduled distributions during the six month period ended March 31, 2014, paying \$0.72 per Class A Unit and Class F Unit respectively (\$0.72 per Class A Unit and Class F Unit respectively during the six month period ended March 31, 2013).

## **Recommendations or Reports by the Independent Review Committee**

The Independent Review Committee of the Fund tabled no special reports and made no extraordinary material recommendations to management of the Fund during the six month period ended March 31, 2014.

## **Related Party Transactions**

### ***Management Fees***

In consideration for management services and investment advice, the Manager receives a management fee from the Fund and BAB Trust equal in the aggregate to 0.80% per annum of the applicable Net Asset Value (0.30% from the Fund and 0.50% from BAB Trust), calculated and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund and BAB Trust on a combined basis during the six month period ended March 31, 2014 were \$87,648 plus applicable taxes (\$106,237 plus applicable taxes during the six month period ended March 31, 2013).

The Manager is responsible for payment of the sub-advisory fees out of these management fees.

### ***Service Fees***

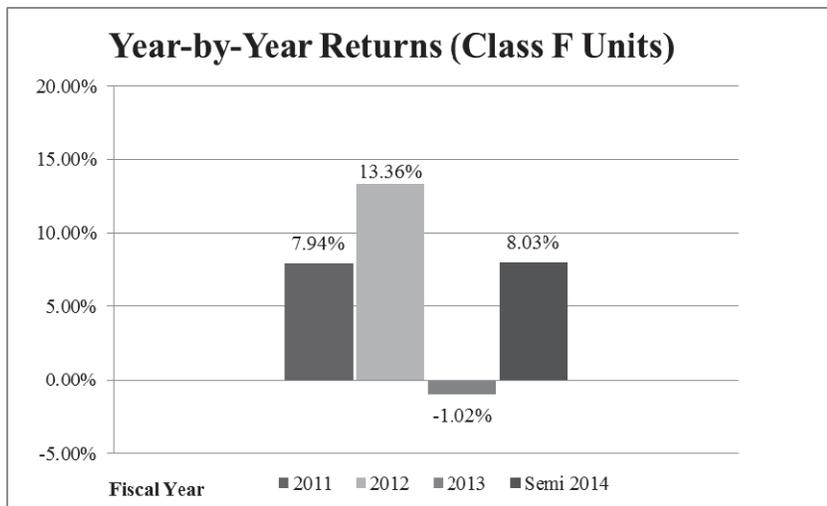
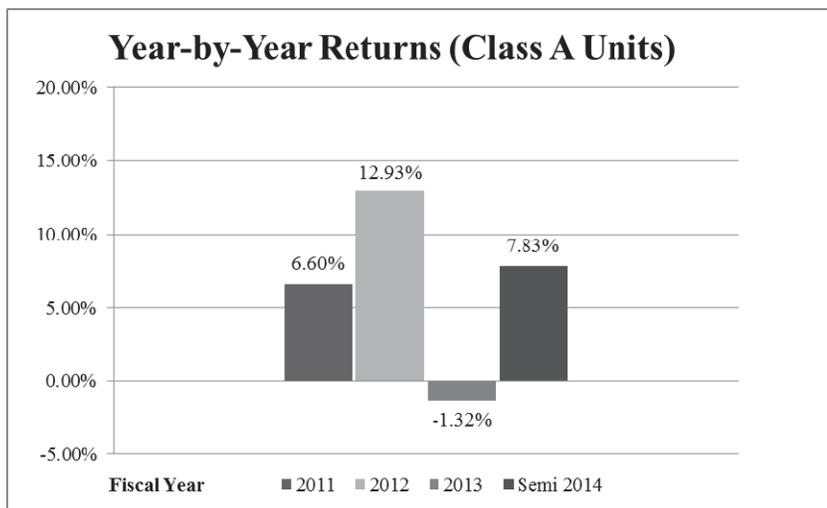
The Fund pays to the Manager a service fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter); solely with respect to the Class A Units, equal to 0.30% per annum of the Net Asset Value attributable to the Class A Units. The service fee is applied by the Manager to pay a service fee in an equivalent aggregate amount to

brokers based on the number of Class A Units held by clients of such brokers at the end of the relevant quarter. No service fee is payable in respect of the Class F Units.

The service fees charged to the Fund during the six month period ended March 31, 2014 were \$34,064 (\$38,367 during the six month period ended March 31, 2013).

### Past Performance

The following bar charts show the Fund’s annual performance of the Class A Units and Class F Units as well as the semi-annual performance for the six month period ended March 31, 2014 assuming all the distributions made by the Fund during the periods shown were reinvested. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance. The bar charts show, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period. Past performance is not necessarily indicative of future performance.



## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to aid in understanding the Fund's financial performance since inception. This information is derived from the Fund's unaudited semi-annual and audited annual financial statements:

### Class A Units:

The Fund's Net Assets per Class A Unit:

	March 31, 2014 <sup>(2)</sup>	September 30, 2013	September 30, 2012	September 30, 2011	September 30, 2010 <sup>(1)</sup>
<b>Net Assets, beginning of period</b>	<b>22.30</b>	<b>23.99</b>	<b>22.57</b>	<b>22.54</b>	<b>25.00</b>
Unit issue expense <sup>(3)</sup>	—	—	—	—	(1.70)
<b>Increase (decrease) from operations:</b>					
Total revenues	—	—	—	0.01	—
Total expenses	(0.27)	(0.55)	(0.51)	(0.49)	(0.32)
Realized gains (losses) for the period	0.21	0.95	0.55	0.46	0.02
Unrealized gains (losses) for the period	1.78	(0.61)	2.82	1.60	0.41
<b>Total increase (decrease) from operations<sup>(4)</sup></b>	<b>1.72</b>	<b>(0.21)</b>	<b>2.86</b>	<b>1.58</b>	<b>0.11</b>
<b>Distributions:</b>					
From income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	(0.72)	(1.44)	(1.44)	(1.44)	(0.89)
<b>Total Distributions<sup>(5)</sup></b>	<b>(0.72)</b>	<b>(1.44)</b>	<b>(1.44)</b>	<b>(1.44)</b>	<b>(0.89)</b>
<b>Net Assets, end of period<sup>(6)</sup></b>	<b>23.29</b>	<b>22.30</b>	<b>23.99</b>	<b>22.57</b>	<b>22.54</b>

<sup>(1)</sup> Results for the period from February 18, 2010 (commencement of operations) to September 30, 2010.

<sup>(2)</sup> Results for the six month period ended March 31, 2014.

<sup>(3)</sup> Issue expenses of \$2,223,027 were incurred in connection with the Class A Units issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes. The Manager reimbursed the fund with the amount \$73,815 for issue expenses above the maximum allowable percentage of 1.5% of the gross proceeds of the initial public offering as prescribed in the Fund's prospectus dated January 28, 2010.

<sup>(4)</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of 956,137 units outstanding over the financial period (September 30, 2013 – 1,073,632 units).

<sup>(5)</sup> The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates.

<sup>(6)</sup> This is not a reconciliation between the opening and the closing net assets per unit.

Ratios and Supplemental Data (Class A Units):

	March 31, 2014 <sup>(2)</sup>	September 30, 2013	September 30, 2012	September 30, 2011	September 30, 2010 <sup>(1)</sup>
Net asset value (000's)	22,271	21,317	26,326	26,569	28,871
Number of units outstanding	956,137	956,137	1,097,338	1,177,016	1,281,161
Base management expense ratio (annualized) <sup>(3)(4)</sup>	1.74%	1.64%	1.54%	1.51%	1.77%
Issue expenses ratio <sup>(3)(4)</sup>	0.00%	0.00%	0.00%	0.00%	7.27%
Interest expense ratio (annualized) <sup>(3)(4)</sup>	0.64%	0.63%	0.63%	0.64%	0.47%
Management expense ratio (annualized) <sup>(4)</sup>	2.38%	2.27%	2.17%	2.15%	9.52%
Management expense ratio before waivers or absorptions (annualized) <sup>(4)</sup>	2.38%	2.27%	2.17%	2.15%	9.76%
Portfolio turnover rate <sup>(5)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%
Trading expense ratio <sup>(6)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value per unit <sup>(7)</sup>	23.29	22.30	23.99	22.57	22.54
Closing market price (TSX)	22.38	21.15	23.50	21.75	22.37

<sup>(1)</sup> Results for the period from February 18, 2010 (commencement of operations) to September 30, 2010.

<sup>(2)</sup> Results for the six month period ended March 31, 2014.

<sup>(3)</sup> A separate base management expense ratio has been presented to include the normal operating expenses and exclude the issue expense ratio: representing all agents' fees and unit issue expenses and interest expense ratio: representing cost of leverage.

<sup>(4)</sup> Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Unit issue expenses, representing all agents' fees and other offering expenses, which are one-time expenses, are not annualized.

<sup>(5)</sup> The Fund's turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund's buying and selling all of the securities (including fixed income) in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Fund.

<sup>(6)</sup> 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.

<sup>(7)</sup> The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio.

## Class F Units:

The Fund's Net Assets per Class F Unit:

	March 31, 2014 <sup>(2)</sup>	September 30, 2013	September 30, 2012	September 30, 2011	September 30, 2010 <sup>(1)</sup>
<b>Net Assets, beginning of period</b>	<b>23.75</b>	<b>25.39</b>	<b>23.73</b>	<b>23.34</b>	<b>25.00</b>
Unit issue expense <sup>(3)</sup>	–	–	–	–	(0.99)
<b>Increase (decrease) from operations:</b>					
Total revenues	–	–	–	0.01	–
Total expenses	(0.24)	(0.50)	(0.46)	(0.44)	(0.29)
Realized gains (losses) for the period	0.22	1.01	0.58	0.47	0.02
Unrealized gains (losses) for the period	1.90	(0.66)	2.98	2.12	0.50
<b>Total increase (decrease) from operations <sup>(4)</sup></b>	<b>1.88</b>	<b>(0.15)</b>	<b>3.10</b>	<b>2.16</b>	<b>0.23</b>
<b>Distributions:</b>					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	(0.72)	(1.44)	(1.44)	(1.44)	(0.89)
<b>Total Distributions <sup>(5)</sup></b>	<b>(0.72)</b>	<b>(1.44)</b>	<b>(1.44)</b>	<b>(1.44)</b>	<b>(0.89)</b>
<b>Net Assets, end of period <sup>(6)</sup></b>	<b>24.91</b>	<b>23.75</b>	<b>25.39</b>	<b>23.73</b>	<b>23.34</b>

<sup>(1)</sup> Results for the period from February 18, 2010 (commencement of operations) to September 30, 2010.

<sup>(2)</sup> Results for the six month period ended March 31, 2014.

<sup>(3)</sup> Issue expenses of \$71,909 were incurred in connection with the Class F Units issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes. The Manager reimbursed the fund with the amount \$73,815 for issue expenses above the maximum allowable percentage of 1.5% of the gross proceeds of the initial public offering as prescribed in the Fund's prospectus dated January 28, 2010.

<sup>(4)</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of 24,800 units outstanding over the financial period (September 30, 2013 – 25,201 units).

<sup>(5)</sup> The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates.

<sup>(6)</sup> This is not a reconciliation between the opening and the closing net assets per unit.

Ratios and Supplemental Data (Class F Units):

	March 31, 2014 <sup>(2)</sup>	September 30, 2013	September 30, 2012	September 30, 2011	September 30, 2010 <sup>(1)</sup>
Net asset value (000's)	618	589	650	676	1,484
Number of units outstanding	24,800	24,800	25,600	28,500	63,600
Base management expense ratio (annualized) <sup>(3)(4)</sup>	1.38%	1.34%	1.20%	1.18%	1.46%
Issue expenses ratio <sup>(3)(4)</sup>	0.00%	0.00%	0.00%	0.00%	4.11%
Interest expense ratio (annualized) <sup>(3)(4)</sup>	0.64%	0.63%	0.63%	0.63%	0.47%
Management expense ratio (annualized) <sup>(4)</sup>	2.02%	1.97%	1.83%	1.81%	6.04%
Management expense ratio before waivers or absorptions (annualized) <sup>(4)</sup>	2.02%	1.97%	1.83%	1.81%	6.28%
Portfolio turnover rate <sup>(5)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%
Trading expense ratio <sup>(6)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value per unit <sup>(7)</sup>	24.91	23.75	25.39	23.73	23.34

<sup>(1)</sup> Results for the period from February 18, 2010 (commencement of operations) to September 30, 2010.

<sup>(2)</sup> Results for the six month period ended March 31, 2014.

<sup>(3)</sup> A separate base management expense ratio has been presented to include the normal operating expenses and exclude the issue expense ratio: representing all agents' fees and unit issue expenses, and interest expense ratio: representing cost of leverage.

<sup>(4)</sup> Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Unit issue expenses, representing all agents' fees and other offering expenses, which are one-time expenses, are not annualized.

<sup>(5)</sup> The Fund's turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund's buying and selling all of the securities (including fixed income) in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Fund.

<sup>(6)</sup> 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.

<sup>(7)</sup> The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio.

## Summary of Investment Portfolio as of March 31, 2014

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available at [www.astonhill.ca](http://www.astonhill.ca)

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### *Investment portfolio of Build America Investment Grade Bond Fund*

	<b>Fair value CAD \$</b>	<b>% of NAV</b>
<b>Portfolio by Category</b>		
Derivative contracts	30,199,621	131.9 %
Information Technology	10,890	0.0 %
Bank Indebtedness	(7,175,000)	(31.3%)
Cash and cash equivalents	45,067	0.2 %
Other liabilities net of other assets of the Fund	(191,345)	(0.8%)
<b>Top 25 Holdings</b>		
Prepaid forward agreement	30,199,621	131.9%
Cash and cash equivalents	45,067	0.2%
Celestica Inc.	10,890	0.0%
<b>Net asset value</b>	<b>22,889,233</b>	

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The Fund obtained exposure to the performance of the portfolio held by BAB Trust through the Forward Agreement (see Investment Objectives and Strategy). The following is the summary of investment portfolio for BAB Trust as of March 31, 2014:

<b><i>Investment portfolio of BAB Trust</i></b>				
	<b>Coupon Rate %</b>	<b>Maturity date</b>	<b>Fair value CAD \$</b>	<b>% of NAV</b>
<b>Portfolio by Category</b>				
United States of America State and Municipal Bonds (US\$)			27,976,851	92.6 %
Interest rate swaps			1,291,853	4.3 %
Short-term investments			1,323,283	4.4 %
Cash and cash equivalents			265,605	0.9 %
Foreign currency forward contracts			(1,143,808)	-3.8%
Other assets net of other liabilities			485,837	1.6 %
<b>Top 25 Holdings</b>				
California State Public Works Board	8.36%	01/10/2034	1,429,492	4.7 %
Los Angeles County Public Works Financing Authority	7.62%	01/08/2040	1,425,044	4.7 %
City of Chicago IL Waterworks Revenue	6.74%	01/11/2040	1,403,836	4.6 %
Colorado Bridge Enterprise	6.08%	01/12/2040	1,352,494	4.5 %
Metropolitan Washington Airports Authority	8.00%	01/10/2047	1,348,863	4.5 %
U.S. Treasury Bills	0.09%	08/01/2015	1,323,283	4.4 %
Bay Area Toll Authority	6.79%	01/04/2030	1,319,454	4.4 %
American Municipal Power Inc.	6.05%	15/02/2043	1,303,053	4.3 %
South Carolina State Public Service Authority	6.45%	01/01/2050	1,298,631	4.3 %
Interest rate swaps			1,291,853	4.3 %
Los Angeles Department of Water & Power	5.72%	01/07/2039	1,291,258	4.3 %
Commonwealth Financing Authority	6.22%	01/06/2039	1,288,113	4.3 %
City of Chicago IL Wastewater Transmission Revenue	6.90%	01/01/2040	1,277,770	4.2 %
City of New York NY	6.65%	01/12/2031	1,271,291	4.2 %
Denver City & County School District No. 1	5.66%	01/12/2033	1,254,139	4.2 %
New York City Municipal Water Finance Authority	6.45%	15/06/2041	1,234,106	4.1 %
New Jersey Transportation Trust Fund Authority	6.10%	15/12/2028	1,223,444	4.1 %
East Baton Rouge Sewerage Commission	6.09%	01/02/2045	832,869	2.8 %
Las Vegas Valley Water District	7.01%	01/06/2039	767,724	2.5 %
Louisville & Jefferson County Metropolitan Sewer District	6.25%	15/05/2043	682,257	2.3 %
Indianapolis Local Public Improvement Bond Bank	6.12%	15/01/2040	678,030	2.2 %
Metropolitan Washington Airports Authority	7.46%	01/10/2046	672,859	2.2 %
New York City Transitional Finance Authority	6.83%	15/07/2040	662,459	2.2 %
Dallas Convention Center Hotel Development Corp.	7.09%	01/01/2042	662,163	2.2 %
Metropolitan Government of Nashville & Davidson County	6.73%	01/07/2043	656,700	2.2 %
<b>Net asset value</b>			<b>30,199,621</b>	

# **Build America Investment Grade Bond Fund**

Financial Statements (Unaudited)

**March 31, 2014**

***Notice to Reader:***

*These interim financial statements and related notes for the six month period ended March 31, 2014 have been prepared by Management of Aston Hill Capital Markets Inc. The auditors of the Fund have not audited or reviewed these interim financial statements.*

# Build America Investment Grade Bond Fund

Statements of Net Assets (Unaudited)

As at March 31, 2014 and September 30, 2013

	2014	2013
	\$	\$
<b>Assets</b>		
Cash	45,067	26,476
Investments at fair value (cost - \$10,089; 2013 - \$10,089)	10,890	10,206
Prepaid forward agreement (note 8)	30,199,621	29,458,373
Prepaid expenses	7,269	3,760
	<u>30,262,847</u>	<u>29,498,815</u>
<b>Liabilities</b>		
Bank indebtedness (note 5)	7,175,000	7,385,000
Interest payable	12,048	11,988
Distributions payable	117,516	117,516
Accounts payable and accrued liabilities	64,619	73,085
Management fees payable	4,431	4,834
	<u>7,373,614</u>	<u>7,592,423</u>
<b>Net assets and unitholders' equity</b>	<u>22,889,233</u>	<u>21,906,392</u>
<b>Net Assets</b>		
Class A Units	22,271,445	21,317,331
Class F Units	617,788	589,061
	<u>22,889,233</u>	<u>21,906,392</u>
<b>Units issued and outstanding (note 6)</b>		
Class A Units	956,137	956,137
Class F Units	24,800	24,800
<b>Net assets per unit</b>		
Class A Units	23.29	22.30
Class F Units	24.91	23.75
<b>Unitholders' equity (note 6)</b>		
Unit Capital	16,672,301	17,377,398
Retained Earnings	6,216,932	4,528,994
<b>Total Unitholders' equity</b>	<u>22,889,233</u>	<u>21,906,392</u>

Approved on behalf of the Manager,  
Aston Hill Capital Markets Inc.



Director



Director

## Build America Investment Grade Bond Fund

Statements of Operations (Unaudited)

For the six month periods ended March 31, 2014 and 2013

	2014	2013
	\$	\$
<b>Expenses</b>		
Interest expense (note 5)	70,974	84,961
Forward fees (note 8)	51,621	62,675
Service fees (note 11)	34,064	38,367
Management fees (note 10)	33,311	40,865
Administration fees	15,781	14,179
Custodial and other unitholder fees	13,327	11,312
Harmonized sales tax	11,173	15,232
Audit fees	9,460	10,178
Transfer agent fees	6,425	7,522
TSX fees	4,838	4,161
Filing fees	4,275	4,275
Other fees	3,204	1,700
Printing and mailing fees	2,501	2,741
Legal fees	2,493	2,493
IRC fees	1,547	5,420
	<u>264,994</u>	<u>306,081</u>
<b>Investment gain (loss)</b>	<u>(264,994)</u>	<u>(306,081)</u>
<b>Unrealized gain (loss) on investments</b>		
Change in unrealized gain (loss) on investments	684	1,053
Change in unrealized gain (loss) on forward agreement (note 8)	1,745,195	1,868,300
	<u>1,745,879</u>	<u>1,869,353</u>
<b>Realized gain (loss) on investments</b>		
Net realized gain (loss) on parital settlement of forward agreement (note 8)	<u>207,053</u>	<u>215,845</u>
<b>Net gain (loss) on investments</b>	<u>1,952,932</u>	<u>2,085,198</u>
<b>Increase (decrease) in net assets from operations</b>	<u>1,687,938</u>	<u>1,779,117</u>
<b>Increase (decrease) in net assets from operations</b>		
Class A Units	1,641,385	1,735,232
Class F Units	46,553	43,885
<b>Increase (decrease) in net assets from operations per unit *</b>		
Class A Units	1.72	1.58
Class F Units	1.88	1.71

\* (Based on weighted average number of units outstanding during the period)  
(See accompanying notes to financial statements)

## Build America Investment Grade Bond Fund

Statements of Changes in Net Assets and Retained Earnings (Unaudited)

For the six month periods ended March 31, 2014 and 2013

	Class A		Class F		Total	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
<b>Increase (decrease) in net assets from operations</b>	<u>1,641,385</u>	<u>1,735,232</u>	<u>46,553</u>	<u>43,885</u>	<u>1,687,938</u>	<u>1,779,117</u>
<b>Distributions to unitholders from: (note 9)</b>						
Return of capital	<u>(687,271)</u>	<u>(788,767)</u>	<u>(17,826)</u>	<u>(18,401)</u>	<u>(705,097)</u>	<u>(807,168)</u>
<b>Change in net assets during the period</b>	<u>954,114</u>	<u>946,465</u>	<u>28,727</u>	<u>25,484</u>	<u>982,841</u>	<u>971,949</u>
<b>Net assets - Beginning of period</b>	<u>21,317,331</u>	<u>26,326,115</u>	<u>589,061</u>	<u>650,056</u>	<u>21,906,392</u>	<u>26,976,171</u>
<b>Net assets - End of period</b>	<u>22,271,445</u>	<u>27,272,580</u>	<u>617,788</u>	<u>675,540</u>	<u>22,889,233</u>	<u>27,948,120</u>
<b>Retained Earnings, beginning of period</b>	4,339,907	5,074,701	189,087	192,748	4,528,994	5,267,449
Increase (decrease) in net assets from operations	<u>1,641,385</u>	<u>1,735,232</u>	<u>46,553</u>	<u>43,885</u>	<u>1,687,938</u>	<u>1,779,117</u>
<b>Retained Earnings, end of period</b>	<u>5,981,292</u>	<u>6,809,933</u>	<u>235,640</u>	<u>236,633</u>	<u>6,216,932</u>	<u>7,046,566</u>

## Build America Investment Grade Bond Fund

Statements of Cash Flows (Unaudited)

For the six month periods ended March 31, 2014 and 2013

	2014	2013
	\$	\$
<b>Operating Activities</b>		
Increase (decrease) in net assets from operations	1,687,938	1,779,117
Items not affecting cash:		
Unrealized (gain) loss on investments	(684)	(1,053)
Unrealized (gain) loss on forward agreement	(1,745,195)	(1,868,300)
Net realized (gain) loss on forward agreement	(207,053)	(215,845)
Changes in non-cash working capital:		
(Increase) decrease in prepaid expenses	(3,509)	(10,844)
Increase (decrease) in interest payable	60	435
Increase (decrease) in accounts payable and accrued liabilities	(8,466)	(7,902)
Increase (decrease) in management fees payable	(403)	5,434
Pre-settlements received by the Fund from the Counterparty under the forward agreement	<u>1,001,000</u>	<u>1,141,000</u>
<b>Net cash flow provided by operating activities</b>	<u>723,688</u>	<u>822,042</u>
<b>Financing Activities</b>		
Distributions paid to unitholders	<u>(705,097)</u>	<u>(807,168)</u>
<b>Net cash flow (used in) financing activities</b>	<u>(705,097)</u>	<u>(807,168)</u>
<b>Net increase (decrease) in cash</b>	18,591	14,874
<b>Cash - beginning of period</b>	<u>26,476</u>	<u>13,482</u>
<b>Cash - end of period</b>	<u>45,067</u>	<u>28,356</u>
<b>Supplementary Information</b>		
Interest paid	70,914	84,526

## Build America Investment Grade Bond Fund

Statement of Investment Portfolio (Unaudited)

As at March 31, 2014

	Coupon Rate %	Maturity date	Number of shares / par value \$	Average cost \$	Fair value \$	% of Net Assets
<b>Investments</b>						
<b>Canadian common stocks</b>						
<b>Information Technology</b>						
Celestica Inc.			900	10,089	10,890	0.0%
<b>Total Canadian common stocks</b>				<b>10,089</b>	<b>10,890</b>	<b>0.0%</b>
<b>Forward agreement:</b>						
<b>Investments held in BAB Trust under the forward agreement *</b>						
<b>Foreign short-term notes</b>						
U.S. Treasury Bills**	0.09%	08/01/2015	1,200,000	1,333,825	1,323,283	5.8%
				<b>1,333,825</b>	<b>1,323,283</b>	<b>5.8%</b>
<b>Fixed Income</b>						
<b>United States of America State and Municipal Bonds (US\$)</b>						
California State Public Works Board	8.36%	01/10/2034	1,000,000	1,070,008	1,429,493	6.2%
Los Angeles County Public Works Financing Authority	7.62%	01/08/2040	1,000,000	1,004,853	1,425,044	6.2%
City of Chicago IL Waterworks Revenue	6.74%	01/11/2040	1,100,000	1,104,395	1,403,836	6.1%
Colorado Bridge Enterprise	6.08%	01/12/2040	1,000,000	1,112,402	1,352,494	5.9%
Metropolitan Washington Airports Authority	8.00%	01/10/2047	1,000,000	1,031,151	1,348,863	5.9%
Bay Area Toll Authority	6.79%	01/04/2030	990,000	1,085,630	1,319,454	5.8%
American Municipal Power Inc.	6.05%	15/02/2043	1,040,000	1,021,706	1,303,053	5.7%
South Carolina State Public Service Authority	6.45%	01/01/2050	1,000,000	1,012,438	1,298,631	5.7%
Los Angeles Department of Water & Power	5.72%	01/07/2039	1,000,000	1,122,432	1,291,258	5.6%
Commonwealth Financing Authority	6.22%	01/06/2039	1,000,000	1,180,037	1,288,113	5.6%
City of Chicago IL Wastewater Transmission Revenue	6.90%	01/01/2040	1,000,000	1,016,807	1,277,770	5.6%
City of New York NY	6.65%	01/12/2031	1,000,000	1,003,351	1,271,291	5.6%
Denver City & County School District No. 1	5.66%	01/12/2033	1,000,000	1,166,146	1,254,139	5.5%
New York City Municipal Water Finance Authority	6.45%	15/06/2041	1,010,000	1,046,773	1,234,106	5.4%
New Jersey Transportation Trust Fund Authority	6.10%	15/12/2028	1,000,000	1,032,412	1,223,444	5.3%
East Baton Rouge Sewerage Commission	6.09%	01/02/2045	700,000	755,658	832,869	3.6%
Las Vegas Valley Water District	7.01%	01/06/2039	630,000	827,634	767,724	3.4%
Louisville & Jefferson County Metropolitan Sewer District	6.25%	15/05/2043	500,000	657,109	682,257	3.0%
Indianapolis Local Public Improvement Bond Bank	6.12%	15/01/2040	500,000	657,009	678,030	3.0%
Metropolitan Washington Airports Authority	7.46%	01/10/2046	500,000	531,150	672,859	2.9%
New York City Transitional Finance Authority	6.83%	15/07/2040	485,000	518,511	662,459	2.9%
Dallas Convention Center Hotel Development Corp.	7.09%	01/01/2042	500,000	582,546	662,163	2.9%
Metropolitan Government of Nashville & Davidson County	6.73%	01/07/2043	500,000	553,539	656,700	2.9%
Municipal Electric Authority of Georgia	6.66%	01/04/2057	530,000	550,724	652,813	2.9%
North Carolina Turnpike Authority	6.70%	01/01/2039	500,000	568,324	601,545	2.6%
Illinois State Toll Highway Authority	6.18%	01/01/2034	405,000	433,037	543,688	2.4%
County of Clark NV Airport System Revenue	6.82%	01/07/2045	255,000	264,260	372,182	1.6%
County of Clark NV Airport System Revenue	6.88%	01/07/2042	200,000	192,729	237,998	1.0%
State of Illinois	7.35%	01/07/2035	180,000	208,152	232,576	1.0%
				<b>23,310,923</b>	<b>27,976,852</b>	<b>122.2%</b>
<b>Total investments held in BAB Trust under the Forward Agreement</b>				<b>24,644,748</b>	<b>29,300,135</b>	<b>128.0%</b>

\* Build America Investment Grade Bond Fund (the "Fund") obtained exposure to the performance of the portfolio held by BAB Trust through the Forward Agreement (see note 8); thus, the portfolio of BAB Trust is presented as part of this statement.

\*\* This is pledged as collateral for interest rate swaps and foreign currency forward contracts.

## Build America Investment Grade Bond Fund

Statement of Investment Portfolio... Continued (Unaudited)

As at March 31, 2014

			<b>Maturity date</b>	<b>Contract price / rate</b>	<b>Unrealized gain (loss)</b>	<b>% of Net Assets</b>
					\$	\$
<b>Foreign currency forward contracts</b>						
Counterparty: Bank of Montreal (S&P credit rating: A+)						
Bought CAD 27,818,000 sold USD 26,166,870						
			31/07/2014	1.0631	(1,143,808)	(5.0%)
<b>Total foreign currency forward contracts</b>					<u>(1,143,808)</u>	<u>(5.0%)</u>
<b>Interest rate swap</b>						
	<b>Notional Amount</b>	<b>Fund receives floating rate index</b>	<b>Fund pays Fixed rate (Annualized)</b>	<b>Termination Date</b>	<b>Unrealized gain (loss)</b>	<b>% of Net Assets</b>
	US \$				\$	\$
Counterparty: Bank of Montreal (S&P credit rating: A+)						
	(13,000,000)	3-Month USD-LIBOR	3.025%	30/05/2041	1,291,853	5.6%
					<u>1,291,853</u>	<u>5.6%</u>
					<b>Fair value</b>	<b>% of Net Assets</b>
					\$	\$
<b>Other assets net of other liabilities of BAB Trust</b>					<u>751,474</u>	<u>3.3 %</u>
<b>Net assets value of BAB Trust</b>					<u>30,199,654</u>	<u>131.9 %</u>
<b>Forward agreement</b>					<u>30,199,621</u>	<u>131.9 %</u>
<b>Bank indebtedness</b>					<u>(7,175,000)</u>	<u>(31.3)%</u>
<b>Other liabilities net of other assets of the Fund</b>					<u>(146,278)</u>	<u>(00.6)%</u>
<b>Net asset of the Fund</b>					<u>22,889,233</u>	<u>100.0%</u>

(See accompanying notes to financial statements)

# Build America Investment Grade Bond Fund

## Notes to Financial Statements (Unaudited)

March 31, 2014

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### 1 Corporate activities

Build America Investment Grade Bond Fund (the “Fund”) is an investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement (the “Trust Agreement”) between Aston Hill Capital Markets Inc. (the “Manager”) the Manager of the Fund and RBC Investor & Treasury Services (formerly “RBC Dexia Investor Services Trust”) (the “Trustee”) dated January 28, 2010. The Fund’s principal office is located at 77 King Street West, Suite 2110, Toronto, Ontario, M5K 1G8. The Fund commenced operations on February 18, 2010. The fiscal year-end of the Fund is September 30. The Fund is divided into units of two classes, Class A Units and Class F Units. The Class A Units are listed on the Toronto Stock Exchange (the “TSX”) under the symbol BAB.UN. The Class F Units are not listed on a stock exchange but may be converted into Class A Units on a weekly basis.

### 2 Investment objectives

The Fund’s investment objectives as set out in the Prospectus dated January 28, 2010 are to:

- (i) provide Unitholders with monthly tax-advantaged cash distributions, and
- (ii) maximize total return for Unitholders, while seeking to reduce risk.

Distributions are initially targeted to be \$0.1198 per month per Unit consisting primarily of returns of capital. In order to achieve the Fund’s investment objectives, the Fund obtained exposure, in a tax-efficient manner, to the performance of a portfolio (the “Portfolio”) held by BAB Trust (the “BAB Trust” or the “Trust”). Nuveen Asset Management (the “Sub-Advisor”), the Trust’s Sub-Advisor, actively manages the Portfolio.

The Portfolio includes a minimum of 80% Build America Bonds (measured at the time of purchase), with the remainder of the Portfolio, if any, to be comprised of other Permissible Securities (U.S. Treasury Securities, U.S. Government Agency Securities, other Investment Grade (measured at the time of purchase) municipal obligations and cash and cash equivalents). The Fund may also use derivatives for hedging purposes only.

Build America Bonds are bonds issued by U.S. state and local governments to finance capital projects that meet essential needs such as public schools, roads, water and transportation infrastructure, bridges, ports and public buildings, among others, pursuant to the American Recovery and Reinvestment Act of 2009 or other related, similar or successor legislation. Many Build America Bonds are general obligation bonds, which are backed by the full faith and taxing power of the governments issuing them. Most issuers of Build America Bonds receive a subsidy from the U.S. federal government equal to 35% of the interest paid to investors, which allows such issuers to issue bonds that pay interest rates that are competitive with the rates typically paid by private bond issuers. This form of government bond, with the credit going to the issuer, makes the bonds attractive to entities that pay no U.S. income tax, such as pension plans and non-U.S. investors, as well as to investors seeking potential high rates of interest income.

### 3 Summary of significant accounting policies

#### Basis of presentation

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from these estimates. The following is a summary of the significant accounting policies of the Fund.

#### Valuation of investments

Investments are deemed to be categorized as “held for trading” in accordance with CPA Canada 3855, Financial Instruments – Recognition and Measurement (“Section 3855”) and therefore, are recorded at fair value, established by the closing bid price for a security on the recognized exchange on which it is principally traded (“GAAP Net Assets” or “net assets”). Should the quoted value for a security, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value of the security is estimated based on valuation techniques. Fair value is determined by the Manager on the basis of the most recently reported information for the security, similar securities and the markets in which the security is active. Investment purchase and sale transactions are recorded as of the trade date and realized and unrealized gains and losses on investments are determined using average cost. Brokers’ commissions and other transaction charges are immediately charged to net income in the period incurred. The Canadian Securities Administrators allow investment funds to calculate the daily net asset value for the purpose of processing Unitholder transactions using the last traded price for the day as fair value of financial instruments traded in an active market, which is referred to as a “Transactional NAV” or “NAV”. The Fund processes Unitholder transactions using Transactional NAV.

There were no significant differences between the Transactional NAV and the GAAP Net Assets as at March 31, 2014 and September 30, 2013.

#### Cash and short-term investments

Cash and short-term investments include cash and cash equivalents with maturities of less than 90 days from the date of acquisition.

#### Income recognition

Income from investments is recognized on an accrual basis. Dividend income is recognized at the time a security trades on an ex-dividend basis. Interest income is based on the number of days the investment is held during the period. All income, realized and unrealized net gains (losses) and transaction costs (apart from an insignificant amount of income arising from cash) are attributable to investments and derivatives, which are deemed held for trading. Realized gains (losses) are recorded on the transaction date they are incurred.

#### Expense recognition

Expenses that are directly attributable to the Fund are recorded on an accrual basis as incurred.

#### Initial fees and expenses

The issue expenses and Agents’ fees incurred in connection with the initial unit issuance are deducted from the unit capital for accounting purposes.

#### Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the end of the period. Purchases and sales of investments and income and expenses are translated into Canadian dollars at the exchange rate prevailing on the transaction dates.

# Build America Investment Grade Bond Fund

## Notes to Financial Statements (Unaudited)

March 31, 2014

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Realized foreign currency gains and losses on monetary assets and liabilities other than investments denominated in foreign currencies are included in the Statements of Operations in "Net realized gain (loss) on foreign exchange." Unrealized on foreign currency gains and losses on monetary assets and liabilities other than investments denominated in foreign currencies are included in the Statements of Operations in "Change in unrealized gain (loss) on foreign exchange."

### Forward contract

Forward contracts entered into by the Fund are valued at an amount that is equal to the gain or loss that would be realized if the position were to be closed out, which is equivalent to the difference between the deliverable asset and the value of the asset to be received. Changes in the value of a forward contract or the assets deliverable under such a contract are included in "Change in unrealized gain (loss) on forward agreement".

### Interest rate swap contracts

The Fund is exposed to the interest rate swap held in BAB Trust. The interest rate swap pays an annualized fixed rate to the counterparty while it receives a floating rate index from the counterparty. The carrying value of these contracts is the gain or loss that would be realized if the position were closed out on the valuation date and is recorded as an unrealized gain or loss on interest rate swap contracts. All unrealized gains or losses arising from the interest rate swap are recorded as part of change in unrealized gains or losses in the forward agreement.

### Foreign currency forward contract

The Fund is exposed to the foreign currency forward contract held in BAB Trust. The Trust may enter into foreign currency forward contracts to hedge against interest rate fluctuations. The carrying value of these contracts is the gain or loss that would be realized if the position were closed out on the valuation date and is recorded as an unrealized gain or loss. Upon closing of a contract, the gain or loss is recorded as net realized gain or loss on foreign currency forward contracts. This is reflected in the Fund through its exposure to the Forward Agreement and is recorded in the Statements of Operations as "Change in unrealized gain (loss) on forward agreement".

### Increase (decrease) in net assets from operations per unit

This calculation is based on the increase (decrease) in net assets from operations attributable to each class divided by the weighted average number of units of that class outstanding during the period.

### Valuation of a class

A separate net assets per unit is calculated for each class. The net assets of a class are computed by calculating the class' proportionate share of the assets and liabilities to all classes, less the liabilities attributable only to that class. Expenses directly attributable to a class are charged to that class. Other expenses, income, realized and unrealized gains and losses are allocated proportionately to each class based upon the relative net assets of each class.

### Designation of financial assets and liabilities

For the purpose of measuring and recognizing assets and liabilities, the following designations have been made: All investments, including derivatives, if any, are initially recognized at fair value and are designated as held for trading. Prepaid expenses are designated as loans and receivables and reported at amortized cost. Bank indebtedness, interest payable, distributions payable, accounts payable and accrued liabilities and management fees payable are designated as other financial liabilities and reported at amortized cost.

### Related party transactions

All related party transactions occur in the normal course of operations and are recorded at an amount of consideration agreed to by the parties.

### International Financial Reporting Standards

For the Fund's fiscal years following April 1, 2014, the Fund will prepare its annual financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and provide comparative statements on an IFRS basis. The Fund will also report its interim financial statements for the period ending September 30, 2014, in accordance with IFRS.

The Manager has reviewed and developed its IFRS changeover plan that included performing an impact assessment and identifying differences between existing Canadian GAAP and IFRS. Management has monitored developments in IFRS and has assessed the likely impacts on accounting policies, implementation decisions, internal controls, information systems and training. Based on management's assessment to date, the more significant changes impacting the financial statements may be how the Fund measures fair values of its investments and the classification of net assets representing unitholders' equity. The Manager does not consider this to be comprehensive list of the accounting changes when the Fund adopts IFRS but in the view of the Manager represent the key differences.

Under Canadian GAAP, the Fund measures the fair values of its investments in accordance with the CPA Canada Handbook Section 3855, Financial Instruments – Recognition and Measurement. This section requires the use of bid prices for the long positions and asks prices for the short positions to the extent such prices are available. In May 2011, the IASB issued IFRS 13 Fair Value Measurement, which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical means for fair value measurements within a bid-ask spread. The impact of this may result in the elimination of the differences between the transactional NAV and net assets at the financial statements reporting dates.

The Fund's outstanding redeemable unit entitlement includes a contractual obligation to deliver cash or another financial asset on the Fund's fixed termination date, and therefore the ongoing redemption feature is not the units only contractual obligation. The impact of the requirements of International Auditing Standards 32 - Financial Instruments Presentation is on classification only and does not impact net assets per unit.

Management will continue to monitor the Fund's IFRS changeover plan to address the key elements of the IFRS conversion.

## 4 Custodian

Pursuant to the Trust Agreement, RBC Investor & Treasury Services (formerly "RBC Dexia Investor Services Trust") (the "Custodian") also acts as custodian of the assets of the Fund. The Custodian carries out certain aspects of the day-to-day administration of the Fund, including calculating Transactional NAV, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund. In consideration for these services, the Fund pays a fee to the Custodian. The Custodian is rated AA- by S&P as of March 31, 2014 and September 30, 2013.

# Build America Investment Grade Bond Fund

## Notes to Financial Statements (Unaudited)

March 31, 2014

### 5 Bank indebtedness

The Fund's exposure to the securities in the Portfolio, through the Forward Agreement, may be increased to 25% of the levered notional amount (being the net asset value of BAB Trust) (tested daily) for the purposes of adding leverage to the Portfolio and such other short-term funding purposes as may be determined by the Investment Manager from time to time and in accordance with the Investment Strategy. The use of leverage has the potential to enhance or reduce returns. Initially, the Fund is expected to employ leverage of 25% of the levered notional amount.

The Fund entered into a letter of agreement (the "Credit Agreement"), between the Manager and the Bank of Montreal (the "Counterparty" or "BMO"), to borrow amounts up to 25% of the levered notional amount as being part of the Forward Agreement (see note 8). Under the provisions of the Credit Agreement, the Counterparty will also charge the Fund a fee of 0.25% of any unfunded leverage amount (the difference between the maximum allowable leveraged amount and the actual funded leverage amount). If the borrowed amount exceeds 25% of the levered notional amount, the leverage amount will be reduced to ensure the leverage ratio is not greater than 25%.

During the six month period ended March 31, 2014, the Fund's bank indebtedness balance from \$7,175,000 and \$7,385,000. As a percentage, it ranged from 23.68% to 25.09% of the levered notional amount (\$8,485,000 or 23.16% to 24.24% of the levered notional amount during the six month period ended March 31, 2013). The related interest expense during the same period was \$70,974 (\$84,961 during the year ended March 31, 2013). At March 31, 2014, the borrowed balance was \$7,175,000 and the leverage factor was 23.68% (the borrowed balance was \$8,485,000 at March 31, 2013).

### 6 Unitholders' equity

The Fund is authorized to issue an unlimited number of redeemable, transferable units of Class A and Class F Units, each of which represents an equal, undivided interest in the net assets of the Fund, subject to the terms and conditions of the Trust Agreement.

On February 18, 2010, the Fund completed an initial public offering pursuant to the Prospectus dated January 28, 2010. \$30,000,000 was raised through the issue of 1,200,000 Class A Units and \$1,767,500 was raised through the issue of 70,700 Class F Units.

On March 11, 2010, the Agents exercised an over-allotment option in respect of 73,820 Class A Units, raising a further \$1,845,500.

Agents' fees and other issue expenses totalled \$2,294,936. The Manager reimbursed the Fund with the amount \$73,815 to account for other issue expenses above the 1.5% limit of gross proceeds of the offering (as per the Fund's Prospectus terms and conditions).

The Class A Units and Class F Units may be redeemed on an Annual Redemption Date, which is the second last Business Day (any day except Saturday, Sunday, a statutory holiday in Toronto or any other day on which the TSX is not open for trading) of July of each year, subject to certain conditions and in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the last Business Day of June in the year of redemption. Unitholders whose Units are redeemed on an Annual Redemption Date will receive a redemption price in an amount equal to 100% of the Net Asset Value per Unit of the relevant class less any costs associated with the redemption, including brokerage costs and less any net realized capital gains to the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption.

In addition to the annual redemption right, the Class A Units and Class F Units may also be redeemed on a Monthly Redemption Date (the second last business day of each month other than the month of July), subject to certain conditions and in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the Monthly Redemption Date. Payment of the redemption price will be made on or before the Redemption Payment Date, which is the 10<sup>th</sup> Business Day of the month immediately following an Annual Redemption Date or a Monthly Redemption Date, subject to the Manager's right to suspend redemptions in certain circumstances. Concurrently with the payment of the proceeds of redemption, the Fund may pay to the redeeming Unitholder a cash distribution in the amount of the net realized capital gains of the Fund incurred by it to fund the payment of the redemption price. Unitholders surrendering a Class A Unit for redemption will receive a redemption price equal to the lesser of (i) 95% of the Market Price of a Class A Unit (the weighted average trading price on the TSX for the 10 trading days immediately preceding the Monthly Redemption Date) and (ii) 100% of the Closing Market Price of a Class A Unit (the closing price on the TSX on such Monthly Redemption Date or, if there was no trade on the relevant Monthly Redemption Date, the average of the last bid and the last asking prices of the security on the TSX on such Monthly Redemption Date) on the applicable Monthly Redemption Date less, in each case, any costs associated with the redemption, including brokerage costs, being the Monthly Redemption Amount. Unitholders surrendering a Class F Unit for redemption will receive an amount equal to the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated Net Asset Value per Class F Unit and the denominator of which is the most recently calculated Net Asset Value per Class A Unit.

The Fund did not have any capital transactions during the six month period ended March 31, 2014. (no capital transactions during the six month period ended March 31, 2013).

Changes in outstanding units during the six month periods ended March 31, 2014 and 2013 are summarized as follows:

	Class A Units		Class F Units	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Balance – beginning of period	956,137	1,097,338	24,800	25,600
Units redeemed	–	–	–	–
Class F Units converted to Class A Units	–	–	–	–
Balance – end of period	956,137	1,097,338	24,800	25,600

The Unit Capital dollar amount represents the face value of the Fund's units minus any return on capital distributions and issue costs paid since February 18, 2010 (commencement of operations) to March 31, 2014. If the redemption price is lower than the average cost per unit, the difference is included in Contributed Surplus on the Statements of Net Assets. If the redemption price is greater than the average cost per unit, the difference is first charged to Contributed Surplus until the balance in Contributed Surplus is eliminated and the remaining amount is charged to Retained Earnings.

# Build America Investment Grade Bond Fund

## Notes to Financial Statements (Unaudited)

March 31, 2014

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### 7 Market purchase program

The Trust Agreement provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A Unit not exceeding the most recently calculated Net Asset Value per Class A Unit immediately prior to the date of any such purchase of Units.

The Fund did not purchase any Class A Units for cancellation during the periods ended March 31, 2014 and 2013.

### 8 Forward agreement

The Fund does not invest directly in BAB Trust, the Fund used the net proceeds of the initial public offering of its Class A and Class F Units and bank borrowing to pre-pay its purchase obligations under a forward purchase and sale agreement (the "Forward Agreement") with the Bank of Montreal (the "Counterparty" or "BMO") (whose credit rating is A+ by S&P as of March 31, 2014 and 2013). Under the Forward Agreement, the Fund will receive, on or before February 27, 2015, a specified portfolio consisting of securities of Canadian public issuers that are "Canadian securities" for the purposes of the Tax Act ("Canadian Securities") in an amount equal to the value of BAB Trust on or before February 27, 2015. Partial settlements under the Forward Agreement are intended to ensure that Unitholders have economic exposure to the distributions effected by BAB Trust. A fee of 0.35% per annum, calculated with reference to the NAV of BAB Trust, is payable monthly to BMO under the Forward Agreement. The forward fees charged to the fund during the period ended March 31, 2014 were \$51,621 (\$62,675 during the period ended March 31, 2013).

On March 31, 2014, the prepaid amount to the Counterparty under the Forward Agreement was \$ 23,027,668. Since the Fund can at any time terminate the Forward Agreement with the Counterparty in exchange for the value of BAB Trust, the value of the Forward Agreement to the Fund is equal to the value of BAB Trust less the value of the prepaid amount to the Counterparty under the Forward Agreement. On March 31, 2014, the value of the unrealized gain on the Forward Agreement was \$ 7,171,953. Other investments held by the Fund totalled \$ 10,890 and other liabilities net of other assets totalled \$7,321,278, leaving net assets of \$22,889,233. This amount is assigned to the Class A and Class F Unitholders using an allocation percentage that takes into consideration any class level specific expenses. On March 31, 2014, the GAAP Net Assets per unit were \$23.29 per Class A Unit and \$24.91 per Class F Unit. (On March 31, 2013, the prepaid amount to the Counterparty under the Forward Agreement was \$28,628,388 and the value of the unrealized gain on the Forward Agreement was \$7,969,939. Other liabilities net of other assets in the Fund totalled \$8,650,207, leaving net assets of \$27,948,120. This amount is assigned to the Class A and Class F Unitholders using an allocation percentage that takes into consideration any class level specific expenses. On March 31, 2013 the GAAP Net Assets per unit were \$24.85 per Class A Unit and \$26.39 per Class F Unit.)

### 9 Distributions

The Fund pays monthly distributions initially at \$0.1198 per Unit. The Fund has made all its scheduled distributions during the six month period ended March 31, 2014, paying \$0.72 per Class A Unit and Class F Unit respectively (\$0.72 per Class A Unit and Class F Unit respectively during the six month period ended March 31, 2013).

### 10 Management fees

The Manager receives a management fee from the Fund and BAB Trust equal in the aggregate to 0.80% per annum of the applicable Net Asset Value (0.30% from the Fund and 0.50% from BAB Trust), calculated and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund and BAB Trust on a combined basis during the six month period ended March 31, 2014 were \$87,648 plus applicable taxes (\$106,237 plus applicable taxes during the six month period ended March 31, 2013).

The Manager is responsible for payment of the sub-advisory fees out of these management fees.

### 11 Service fees

The Fund pays to the Manager a service fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter); solely with respect to the Class A Units, equal to 0.30% per annum of the Net Asset Value attributable to the Class A Units. The service fee is applied by the Manager to pay a service fee in an equivalent aggregate amount to brokers based on the number of Class A Units held by clients of such brokers at the end of the relevant quarter. No service fee is payable in respect of the Class F Units.

The service fees charged to the Fund during the six month period ended March 31, 2014 were \$34,064 (\$38,367 during the six month period ended March 31, 2013).

### 12 Income taxes

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and accordingly, is subject to tax on its investment income, including net realized capital gains, for any calendar year in which its net investment income or sufficient net realized capital gains are not paid or payable to its unitholders as at the end of the calendar year. It is the intention of the Manager that all annual net investment income and sufficient net taxable capital gains will be distributed to unitholders on a calendar year basis such that Canadian income taxes payable by the Fund will be minimized. As a result thereof and of the deduction of expenses in computing its taxable income, no provisions for income taxes are made in the financial statements.

As at tax year end December 31, 2013, the Fund had no taxable capital losses carry forward balance and had taxable non-capital losses of \$2,587,802 (as at tax year end December 31, 2012, the Fund had no taxable capital losses carry forward balance and had taxable non-capital losses of \$2,216,399). The taxable non-capital losses will expire within the next twenty years as shown in the following table:

Year of the realized non-capital tax loss	Amount of tax loss	Expiry date
2010	943,715	2030
2011	752,776	2031
2012	519,908	2032
2013	371,403	2033
<b>Total</b>	<b>2,587,802</b>	

# Build America Investment Grade Bond Fund

## Notes to Financial Statements (Unaudited)

March 31, 2014

### 13 Broker commission charges and soft dollar services

There were \$nil of broker commissions paid during the six month period ended March 31, 2014 and 2013 in connection with portfolio transactions. No contractual arrangements for soft dollar services exist in the broker commission charges.

### 14 Financial instruments

For the purposes of categorization in accordance with CPA Canada Section 3862, Financial Instruments – Disclosures, cash is reported at fair value while prepaid expenses are deemed to be loans and receivables and are recorded at cost or amortized cost. Similarly, bank indebtedness, interest payable, distributions payable, management fees payable and accounts payable and accrued liabilities are deemed to be financial liabilities and reported at amortized cost.

The Fund obtained exposure to the performance of the portfolio held by the Trust through the Forward Agreement (see note 8) and therefore, the following tables illustrates the classification of the Fund's and BAB Trust's combined financial instruments within the fair value hierarchy as at March 31, 2014 and September 30, 2013. The Fund is exposed to the investments held by BAB Trust via a prepaid forward agreement. This is classified as a Level 2 investment given it is not actively traded.

Assets at fair value as at March 31, 2014	Level 1	Level 2	Level 3	Total
Equity	10,890	–	–	10,890
Short-term investments	–	1,323,283	–	1,323,283
Bonds	–	27,976,852	–	27,976,852
Interest rate swaps	–	1,291,853	–	1,291,853
<b>Total</b>	<b>10,890</b>	<b>30,591,988</b>	<b>–</b>	<b>30,602,878</b>

Liabilities at fair value as at March 31, 2014	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	–	1,143,808	–	1,143,808
<b>Total</b>	<b>–</b>	<b>1,143,808</b>	<b>–</b>	<b>1,143,808</b>

Assets at fair value as at September 30, 2013	Level 1	Level 2	Level 3	Total
Equity	10,206	–	–	10,206
Short-term investments	–	1,442,839	–	1,442,839
Bonds	–	26,950,684	–	26,950,684
Interest rate swaps	–	1,672,666	–	1,672,666
<b>Total</b>	<b>10,206</b>	<b>30,066,189</b>	<b>–</b>	<b>30,076,395</b>

Liabilities at fair value as at September 30, 2013	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	–	1,196,860	–	1,196,860
<b>Total</b>	<b>–</b>	<b>1,196,860</b>	<b>–</b>	<b>1,196,860</b>

Financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

*Equities:* The Fund's long equity positions are classified as Level 1 as the security held is actively traded and a reliable quote is observable.

*Bonds and short-term investments:* Bonds and short-term investments are classified as Level 2 as they are valued using observable inputs, including interest rate curves, credit spreads and volatilities.

*Interest rate swaps and foreign currency forward contracts:* Contracts for which inputs, including interest rates, forward market rates and credit spreads are observable and reliable or for which unobservable inputs are determined not to be significant to fair value, are classified as Level 2.

There were no transfers among the three levels during the six month period ended March 31, 2014 and during the year ended September 30, 2013.

### 15 Financial instrument risk

The Fund obtained exposure to the performance of the portfolio held by BAB Trust through the Forward Agreement (see note 8) and therefore, the risks associated with an investment in the Fund's units are best defined by describing the financial risks associated with an investment in BAB Trust's portfolio.

#### Interest rate risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds and short-term notes. The Fund is exposed to the risk that the value of interest-sensitive financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. The tables below summarize the Fund's exposure to interest rate risk. It includes the Fund's assets and trading liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates.

#### March 31, 2014:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
Investments	–	–	–	27,976,852	10,890	29,311,025
Cash and short-term investments	1,323,283	–	–	–	310,672	310,672
Foreign currency forward contract	–	–	–	–	(1,143,808)	(1,143,808)
Interest rate swap	–	–	–	1,291,853	–	1,291,853
Other assets	–	–	–	–	511,562	511,562
Liabilities	–	(7,175,000)	–	–	(217,071)	(7,392,071)
<b>Net assets</b>						<b>22,889,233</b>

# Build America Investment Grade Bond Fund

## Notes to Financial Statements (Unaudited)

March 31, 2014

### September 30, 2013:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
Investments	–	–	–	26,950,684	10,206	26,960,890
Cash and short-term investments	1,442,839	–	–	–	140,768	1,583,607
Foreign currency forward contract	–	–	–	–	(1,196,860)	(1,196,860)
Interest rate swap	–	–	–	1,672,666	–	1,672,666
Other assets	–	–	–	–	504,533	504,533
Liabilities	–	(7,385,000)	–	–	(233,444)	(7,618,444)
<b>Net assets</b>						<b>21,906,392</b>

As at March 31, 2014, had prevailing interest rates raised or lowered by 1.0%, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$1,031,000 or \$1,743,000 (September 30, 2013 – \$1,058,000 or \$1,729,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's functional currency. The Fund is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. The Statement of Investments identifies all securities denominated in foreign currencies.

The tables below summarize the Fund's exposure to foreign currencies as at March 31, 2014 and September 30, 2013. Amounts shown are based on the carrying values of monetary and non-monetary assets as well as the underlying principal amounts of foreign currency derivatives such as forward contracts. Other financial assets and liabilities that are denominated in foreign currencies do not expose the Fund to significant currency risk. The tables below summarize the Fund's significant exposure to foreign currencies and the approximate impact on net assets had the Canadian dollar ("CAD") weakened by 5% in relation to these currencies. If the Canadian dollar were to strengthen relative to these currencies, the opposite would occur. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### March 31, 2014:

	Monetary instruments \$	Non-monetary instruments \$	Derivative instruments \$	Net Exposure \$	% of Net Assets	Sensitivity (based on devaluation of CAD) \$
U.S. dollar	29,531,915	–	(28,881,755)	(650,160)	(2.2%)	(33,000)

### September 30, 2013:

	Monetary instruments \$	Non-monetary instruments \$	Derivative instruments \$	Net Exposure \$	% of Net Assets	Sensitivity (based on devaluation of CAD) \$
U.S. dollar	28,500,521	–	(28,781,120)	(280,598)	(1.3%)	(14,000)

### Credit risk

The Fund is exposed to the risk that a security issuer or counterparty will be unable to pay amounts in full when due. The Fund is exposed to the credit risk associated with the Counterparty. The possibility exists that the Counterparty will default on its obligations under the Forward Agreement. The Counterparty is rated A+ by S&P as of March 31, 2014 and September 30, 2013.

The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt investments and unrealized gain (loss) on derivative instruments outstanding with counterparties represents the maximum credit risk exposure as at March 31, 2014 and September 30, 2013.

The tables below summarize the Fund's exposure to credit risk as of March 31, 2014 and September 30, 2013. Amounts shown are based on the carrying value of short-term notes and bonds and the unrealized gain (loss) on derivative instruments outstanding with counterparties.

	March 31, 2014 (% of NAV)
AA+	17.6%
AA	17.1%
AA-	46.2%
A+	23.1%
A	8.6%
A-	7.2%
BBB+	2.9%
BBB	5.9%
<b>Total</b>	<b>128.6%</b>

# Build America Investment Grade Bond Fund

## Notes to Financial Statements (Unaudited)

March 31, 2014

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	September 30, 2013
Rating	(% of NAV)
AA+	17.1%
AA	15.6%
AA-	48.5%
A+	23.4%
A	10.4%
A-	8.9%
BBB+	2.7%
BBB	5.2%
<b>Total</b>	<b>131.8%</b>

As at March 31, 2014 and September 30, 2013, no debt securities were contractually past due and no longer meeting interest payment obligations. All transactions in listed securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

### Liquidity risk

Liquidity risk is the risk of not being able to meet the Fund's cash requirements in a timely manner and includes the risk of not being able to liquidate assets at reasonable prices. This risk arises mainly from the Fund's exposure to daily cash redemptions from its market purchase program, which is limited to certain conditions (see note 7). The Fund is also exposed to unlimited annual anniversary redemptions in the month of July of every year and monthly redemptions on the second last business day of each month other than the month of July (see note 6). The Fund also achieves liquidity through its ability to pre-settle the Forward Agreement. In addition, the Fund retains sufficient cash and cash equivalent positions to meet its daily cash requirements. All liabilities (other than bank indebtedness) are due within three months.

## 16 Federal Budget Announcement

On March 21, 2013, the Minister of Finance announced proposals in a federal budget that would treat the gain realized by a mutual fund under such forward agreements as ordinary income rather than a capital gain, if the forward agreement was entered into or extended on or after March 21, 2013. On July 11, 2013, the Department of Finance announced proposed technical changes to the transitional rules related to character conversion transactions announced in the federal budget. One of the announced changes includes the extension of the transition period for short-term agreements. The extended grandfathered period allows investment funds, whose forward agreements were entered into prior to March 21, 2013 and the terms of which provide for settlement or are a part of series of agreements that provide for settlement prior to 2015, to extend their forward agreements until end of 2014. For longer-dated forward agreements, the grandfathering transitional period will not extend beyond March 21, 2018. Grandfathering is subject to certain growth rules with which the Fund intend to comply. The federal budget, part of Bill C-4, was enacted into law on December 12, 2013.

Based on the advice of our legal and accounting advisors, the Manager believes the Fund falls under the grandfathering provision.