CS Trust

Annual Report
August 31, 2013

Management Report of Fund Performance

This annual management report of fund performance for **CS Trust** (the "Fund") contains financial highlights but does not contain the complete annual financial statements of the Fund. **The annual financial statements and accompanying notes are attached to this report.**

You can obtain a copy of the annual financial statements at no cost by writing to Aston Hill Capital Markets Inc. (formerly Connor, Clark & Lunn 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 or by visiting 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 Canadian Securities Administrators. An explanation of the difference between both values can be found in Note 3 to the financial statements.

Investment Objectives and Strategies

The Fund is an investment fund established under the laws of the Province of Ontario and governed by the Fund's Trust Agreement (the "Trust Agreement") dated September 28, 2010 between the Manager of the Fund and RBC Investor Services Trust (formerly "RBC Dexia Investor Services Trust") (the "Trustee"). The Fund's registered and head office is located at 77 King Street West, Suite 2110, Toronto, Ontario, M5K 1G8. The fiscal year-end of the Fund is August 31. The beneficial interest in the net assets and net income of the Fund is divided into units of two classes, Class A Units and Class U Units. The Fund is authorized to issue an unlimited number of Units of each class. The Class U Units are designed for investors wishing to make their investments in U.S. dollars.

The Fund's investment objectives are to: (i) provide Unitholders with distributions and (ii) provide an investment in the Capital Securities (the 8.125% Perpetual Subordinated Capital Securities, Series 1 issued by HSBC Holdings plc and the 8.00% Perpetual Subordinated Capital Securities, Series 2 also issued by HSBC). The Fund pays distributions if, as and when declared by the Fund from time to time. Distributions, if any, that are paid on the Class A Units will be in Canadian dollars and distributions, if any, that are paid on the Class U Units will be in U.S. dollars.

Risk

There were no changes in the risk exposure of the Fund during the year ended August 31, 2013.

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

Recent Developments

Future accounting changes

The Canadian Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants (CICA) had originally planned to adopt International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB), effective January 1, 2011. Subsequently, the AcSB deferred the adoption of IFRS for investment companies, which include investment funds. Investment companies may continue to apply existing GAAP standards until fiscal years beginning on or after January 1, 2014.

The Manager is reviewing and developing its IFRS changeover plan by performing an impact assessment and identifying differences between existing Canadian GAAP and IFRS. Management has also been monitoring developments in IFRS and has been assessing the likely impacts on accounting policies, implementation decisions, internal controls, information systems and training.

In May 2011, the IASB issued IFRS 13 Fair Value Measurement, which defines fair value and sets out a single IFRS framework for measuring fair value and requires disclosure 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. This may result in the elimination of the differences between the transactional NAV and net assets at the financial statements reporting dates.

On July 24, 2013, the IASB voted tentatively to defer the mandatory adoption date of IFRS 9, Financial Instruments and that the mandatory effective date should be left open pending finalization of the project. Early adoption will continue to be permitted. This follows an agreement by the IASB and FASB to re-deliberate their proposals on the classification and measurement of financial instruments.

As the revised standard was scheduled to be completed in 2013, the Fund may now choose to adopt IAS 39, Financial Instruments: Recognition and Measurement instead, given the uncertainty about the timing and future development of IFRS 9. The Manager will decide the appropriate course of action for the Fund prior to the completion of the August 2015 financial statements.

Other than the potential impact of IFRS 13 as described above, the Manager has currently not identified any changes that will impact net assets per Unit as a result of the changeover to IFRS. The impact of IFRS on other accounting policies and implementation decisions will mainly be in the areas of presentation and disclosures in the financial statements of the Funds. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

Sale of Connor, Clark & Lunn Capital Markets Inc.

Connor, Clark & Lunn Financial Group and the principals of the Manager entered into a sale transaction to sell to Aston Hill Financial Inc. ("Aston Hill") shares in the Manager, Connor, Clark & Lunn Capital Markets Inc. (the "Company"). The terms of the transaction involved Aston Hill purchasing 80% of the Company from Connor, Clark & Lunn Financial Group, Neil Murdoch (President and Chief Executive Officer) and Darren Cabral (Chief Financial Officer). Neil Murdoch and Darren Cabral hold the remaining 20% of the Company not owned by Aston Hill. Completion of the sale transaction occurred on August 15, 2013. The business acquired by Aston Hill included the management agreement related to this Fund.

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 Investment Manager regarding factors that might be reasonably expected to affect the performance and the distributions on units of the Fund and are based on information available at the time of writing. The Investment Manager 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.

Manager's Commentary (November 2013)

Third Quarter Results

HSBC turned in a strong third quarter, with underlying profit up 10% from the third quarter last year, to U.S. $5,056 million. For the nine months to September 30, underlying profit was up 34% compared to the same period in 2012, to U.S. $18,145 million.

The Group's home markets of Hong Kong and the U.K. rallied to contribute over half of total profit before tax. 2013's results to date also reflect the turnaround of the Group's U.S. business, which made heavy losses in 2012. In particular, the recovery of the U.S. housing market has aided efforts to wind down legacy U.S. mortgage and consumer lending portfolios. Some core markets faltered, however, with Latin American earnings off by two-thirds and Asia excluding Hong Kong down 10%.

HSBC's cost efficiency ratio, a key strategic metric comparing operating costs with revenue, fell to 57% for the first nine months of 2013. Although a long way from management's target of 48% to 52%, set in 2011, nine-month expenses of U.S. $9,572 mark a 4% improvement over 2012. This result marks a big improvement over 2012's 62.8% cost efficiency ratio.

HSBC's strategic push to control operating costs has been largely successful. Over U.S. $4.5 billion of sustainable cost savings achieved since 2011 puts the Group past 2013 targets as of September 30th. However, compliance costs including legal expenses, fines and the cost of building compliance infrastructure have been high since the financial crisis. The Group has been proactive in taking regulatory and legal risk head on, putting it in a good position relative to many global banks.

Progress Against Strategic Plan

The following chart shows progress against HSBC's key strategic "scorecard" targets:

	Target	2010	2011	2012	Q3 2013
Cost Efficiency Ratio	48% to 52%	55.2%	57.5%	62.8%	56.6%
ROE	12% to 15%	9.5%	10.9%	8.4%	10.4%
Common Equity Tier 1 Ratio	9.5 to 10.5	n/a	n/a	10.3%	10.6%
Dividend Payout Ratio	40% to 60%	46.6%	42.4%	55.4%	42.3%
Advances (loans) to Deposits	<90%	78.1%	75.0%	74.4%	73.6%
Positive JAWS	Positive	No	No	No	Yes

Cost Efficiency Ratio – Total operating expenses divided by net operating income before loan impairment charges and other credit risk provisions. Cost efficiency lagged in 2012 due in part to high compliance and regulatory expenses. The 48% to 52% target is challenging but HSBC has elected to keep it in place until 2016.

ROE – Return on average ordinary shareholders' equity.

Common Equity Tier 1 Ratio (CET1) – This ratio is different than the familiar core tier 1 equity ratio, adjusting the concept of core capital to fit the more stringent Basel III regulatory environment. CET1 represents the most subordinated claim in liquidation of the bank, and the bank must do nothing to create an expectation that qualifying instruments will be bought back, redeemed or cancelled.

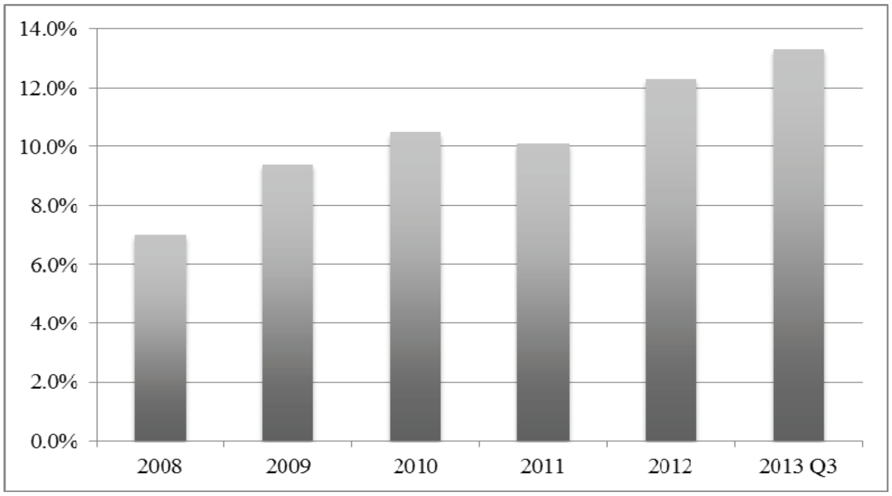
Dividend Payout Ratio – The percentage of earning paid out to shareholders as dividends.

Advances to Deposits – The ratio of customer advances (loans) to customer accounts (deposits).

Jaws – Growth in net operating income before loan impairment charges and other credit risk provisions, less growth in total operating expenses.

Core Tier 1 Capital

HSBC continues to make strong progress on capital, with the core tier 1 ratio having increased from 10.1% to 13.3% since the end of 2011. This improvement was driven by earnings retention and a reduction in risk-weighted assets resulting from business disposals. The core tier 1 capital ratio has been a key measure of risk used by regulators under Basel II. The ratio is calculated by dividing equity capital (including capital such as non-redeemable preferred stock that acts like equity in helping to buffer the banks obligations), by risk-weighted assets (the sum of all the bank's assets weighted by credit risk). Basel III, being phased in starting this year, imposes stricter definitions of equity and risk. HSBC's scorecard, above, now refers to the "common equity tier 1 ratio". The following chart references core tier 1 capital for consistency to show HSBC's progress on capital since 2008.



Credit Ratings

HSBC Holdings plc's long-term senior debt is rated Aa3 by Moody's, A+ by Standard and Poor's and AA- by Fitch. Moody's and S&P have a negative outlook on the rating.

HSBC 8.125% Series 1 Capital Securities

The Fund's holding of Series 1 capital securities, originally callable by HSBC for $25 on April 14th this year, remain outstanding. Had the securities been called as scheduled, the market premium over the call price, which stood at 37 cents per capital security on December 31, 2012 would have amortized to zero. As it stands, the Fund continues to benefit from this investment's high current yield. HSBC commented that the rules governing capital securities are in disarray. Although the Basel III recommendations are out, the regulations and directives required to implement them, which are issued by individual countries, are not fully in place. Pending certainty about the grandfathering of existing securities and what replacements might look like, HSBC feels there is no expectation that it will call capital securities; that in spite of the expectation that a new issue of similar securities by the Group would be received at a yield well below 6.0%.

Capital transactions

The beneficial interest in the net assets and net income of the Fund is divided into two classes of units, Class A Units and Class U Units, with the Class U Units being denominated in U.S. dollars. The Fund is authorized to issue an unlimited number of Units of each class.

During the year ended August 31, 2013, the Fund issued 60,731 Class A Units for a total value of $1,439,812 and redeemed 1,347,099 Class A Units for net payment of $32,843,846. During the same period, the Fund also had redemptions of 106,844 Class U Units for net payment of $2,588,758. (The Fund issued 315,138 Class A Units for $7,166,719 and 258,874 Class U Units for $5,936,358 during the year ended August 31, 2012. The Fund also paid $16,037,302 to redeem 691,942 Class A Units and $8,515,958 to redeem 370,854 Class U Units during the year ended August 31, 2012.)

Distributions

The Fund pays distributions if, as and when declared by the Fund from time to time. During the year ended August 31, 2013, the Fund declared $14,176,450 in distributions to its Class A Unitholders and $2,507,614 to its Class U Unitholders. The amount of $4,183,171 for Class A was reinvested and the Class A Units consolidated and the amount of $708,582 for Class U was reinvested and the Class U Units consolidated. (During the year ended August 31, 2012, the Fund paid distributions of $11,617,942 to its Class A Unitholders and $1,916,242 to its Class U Unitholders. The amount of $69,116 for Class U was reinvested and the Class U Units consolidated.)

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 year ended August 31, 2013.

Related Party Transactions

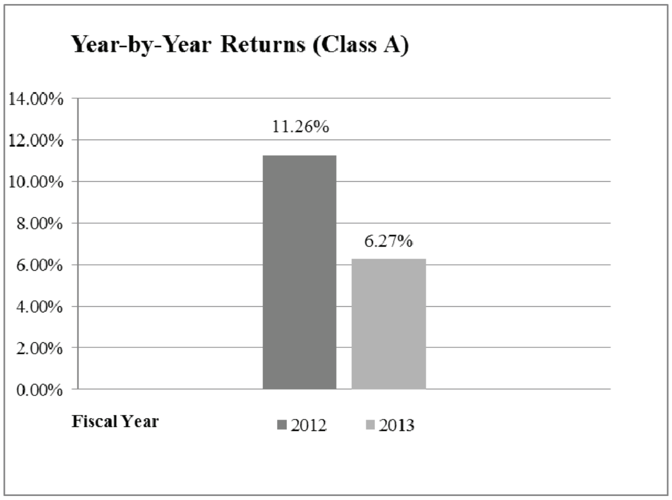
Management Fees

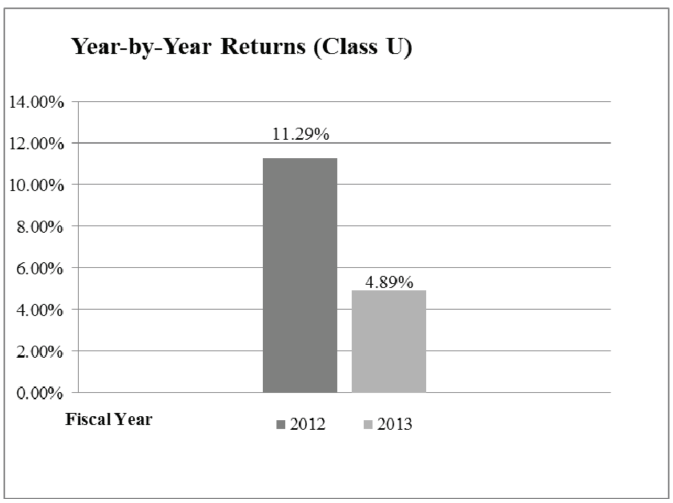
In consideration for management services and investment advice, the Manager receives a management fee from the Fund equal in the aggregate to 0.25% per annum of the applicable Net Asset Value, calculated daily and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund during the year ended August 31, 2013 were $364,692 plus applicable taxes ($390,797 plus applicable taxes during the year ended August 31, 2012).

Past Performance

The following bar charts and table shows the Fund's annual performance of the Class A Units and Class U Units by showing both annual returns by fiscal year and annualized compound returns from inception assuming all the distributions made by the Fund during the years shown were reinvested. The performance information does not take into account sales, redemptions 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.





Annual Compound Returns

	Past Year	Since Inception [1]
Based on Class A NAV	6.27%	6.84%
Based on Class U NAV	4.89%	6.48%
HSBC Holdings PLC, Series 2, 8.0%, December 15, 2015	5.37%	7.00%

(1) Annualized for the period from October 13, 2010 to August 31, 2013.

The Fund is benchmarked to HSBC Holdings PLC, Series 2, 8.0%, December 15, 2015. The benchmark is the largest position in the investment portfolio of the Fund, representing 96.3% of its net asset value as at August 31, 2013. The Fund's return will differ from the benchmark due to a variety of factors, including the impact of fees and expenses, leverage and currency movements and transactions.

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 audited annual financial statements.

Class A Units:

The Fund's Net Assets per Class A Unit:

	August 31, 2013 CAD	August 31, 2012 CAD	August 31, 2011 (1) CAD
Net Assets, beginning of period	**23.61**	**22.77**	**23.56**
Increase (decrease) from operations:			
Total revenues	1.64	1.68	1.64
Total expenses	(0.06)	(0.06)	(0.07)
Realized gains (losses) for the period	0.10	(0.04)	0.16
Unrealized gains (losses) for the period	(0.03)	0.96	(1.19)
Total increase (decrease) from operations (2)	**1.65**	**2.54**	**0.54**
Distributions:			
From income (excluding dividends)	(0.90)	(1.64)	(0.53)
From dividends	–	–	–
From capital gains	(0.10)	–	–
Return of capital	(0.62)	(0.05)	(0.82)
Total Distributions (3)	**(1.62)**	**(1.69)**	**(1.35)**
Net Assets, end of period (4)	**23.45**	**23.61**	**22.77**

(1) Results for the period from October 13, 2010 (commencement of operations) to August 31, 2011.
(2) 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 6,175,440 Class A Units outstanding as of August 31, 2013 (August 31, 2012 – 6,855,120 units).
(3) The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates.
(4) This is not a reconciliation between the opening and the closing net assets per unit.

Ratios and Supplemental Data (Class A Units):

	August 31, 2013 CAD	August 31, 2012 CAD	August 31, 2011 (1) CAD
Net asset value (000's)	123,339	154,552	158,151
Number of units outstanding	5,268,775	6,555,143	6,931,947
Management expense ratio (annualized) (2)	0.26%	0.26%	0.26%
Management expense ratio before waivers or absorptions (annualized) (2)	0.26%	0.26%	0.26%
Portfolio turnover rate (3)	0.96%	1.01%	0.84%
Trading expense ratio (4)	0.01%	0.01%	0.09%
Net asset value per unit (5)	23.41	23.58	22.81

(1) Results for the period from October 13, 2010 (commencement of operations) to August 31, 2011.
(2) 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.
(3) 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.
(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
(5) The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio, whereas the net assets per unit (GAAP Net Assets) is based on the closing bid prices of the underlying portfolio; hence the difference between the two amounts.

Class U Units:

The Fund's Net Assets per Class U Unit:

	August 31, 2013 USD	August 31, 2012 USD	August 31, 2011 [(1)] USD
Net Assets, beginning of period	**23.74**	**22.84**	**23.59**
Increase (decrease) from operations:			
Total revenues	1.66	1.71	1.68
Total expenses	(0.06)	(0.06)	(0.08)
Realized gains (losses) for the period	0.01	(0.21)	0.10
Unrealized gains (losses) for the period	1.10	1.35	(1.76)
Total increase (decrease) from operations [(2)]	**2.71**	**2.79**	**(0.06)**
Distributions:			
From income (excluding dividends)	(0.94)	(1.65)	–
From dividends	–	–	–
From capital gains	(0.01)	–	–
Return of capital	(0.73)	–	(1.31)
Total Distributions [(3)]	**(1.68)**	**(1.65)**	**(1.31)**
Net Assets, end of period [(4)]	**23.19**	**23.74**	**22.84**

(1) Results for the period from October 13, 2010 (commencement of operations) to August 31, 2011.

(2) 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 1,062,519 Class U Units outstanding as of August 31, 2013 (August 31, 2012 – 1,107,479 units).

(3) The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates.

(4) This is not a reconciliation between the opening and the closing net assets per unit.

Ratios and Supplemental Data (Class U Units):

	August 31, 2013 USD	August 31, 2012 USD	August 31, 2011 [(1)] USD
Net asset value (000's)	22,822	25,905	27,576
Number of units outstanding	985,942	1,092,786	1,204,766
Management expense ratio (annualized) [(2)]	0.26%	0.25%	0.28%
Management expense ratio before waivers or absorptions (annualized) [(2)]	0.26%	0.25%	0.28%
Portfolio turnover rate [(3)]	16.65%	20.44%	2.98%
Trading expense ratio [(4)]	0.01%	0.01%	0.09%
Net asset value per unit [(5)]	23.15	23.71	22.89

(1) Results for the period from October 13, 2010 (commencement of operations) to August 31, 2011.

(2) 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.

(3) 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.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(5) The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio, whereas the net assets per unit (GAAP Net Assets) is based on the closing bid prices of the underlying portfolio; hence the difference between the two amounts.

Summary of Investment Portfolio as of August 31, 2013

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available at www.astonhill.ca.

	Fair value CAD $	% of NAV
Portfolio by Category		
Financials	148,266,437	100.6%
Other assets net of other liabilities	2,570,735	1.7%
Short-term investment	685,505	0.5%
Cash	41,504	0.0%
Foreign currency forward contracts	(4,150,921)	-2.8%
Top 25 Holdings		
HSBC Holdings PLC, Series 2, 8.000%, December 15, 2015 (1)	141,933,817	96.3%
HSBC Holdings PLC, Series 1, 8.125% (2)	6,332,620	4.3%
Short-term investment	685,505	0.5%
Cash	41,504	0.0%
Bought CAD 137,525,694, sold USD 131,944,444, December 15, 2015	(4,150,921)	-2.8%
Net asset value	**147,413,260**	

(1) First call date.
(2) This security is past its call date and is callable at any time.

Management's Responsibility for Financial Reporting

The accompanying financial statements of **CS Trust** (the "Fund") and all the information therein have been prepared by Aston Hill Capital Markets Inc. (formerly "Connor, Clark & Lunn Capital Markets Inc.") in its capacity as Manager of the Fund. The Fund's Manager is responsible for all the information and representations contained in these financial statements and other sections of the Annual Report. Management maintains appropriate process to ensure that relevant and reliable information is produced.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The financial statements are not precise since they include certain amounts based on estimates and judgements. The Manager has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has ensured that the other financial information presented in this Annual Report is consistent with the financial statements.

The financial statements have been audited by PricewaterhouseCoopers LLP on behalf of the Unitholder. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Unitholder their opinion on the financial statements. Their report is set below.

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

Darren N. Cabral
Vice President and Chief Financial Officer
Aston Hill Capital Markets Inc.

Toronto, Canada
November 28, 2013

November 28, 2013

Independent Auditor's Report

To the Unitholder of
CS Trust (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statement of investment portfolio as at August 31, 2013, the statements of net assets as at August 31, 2013 and 2012, the statements of operations, changes in net assets, retained earnings and contributed surplus, and cash flows for the years ended August 31, 2013 and August 31, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at August 31, 2013 and 2012 and the results of its operations, the changes in its net assets, retained earnings, contributed surplus, and its cash flows for the years ended August 31, 2013 and August 31, 2012 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

CS Trust

Statements of Net Assets

As at August 31, 2013 and 2012

	2013	2012
	$	**$**
Assets		
Cash	41,504	149,945
Short-term investments	685,505	789,239
Investments at fair value (cost - $145,430,164; 2012 - $179,515,277)	148,528,114	174,827,925
Interest and dividends receivable	2,616,825	3,014,345
Unrealized gain on foreign currency forward contracts	-	2,672,231
	151,871,948	181,453,685
Liabilities		
Payable on securities purchased	-	1,043,635
Accounts payable and accrued liabilities	16,609	15,092
Management fees payable	29,481	37,629
Unrealized loss on foreign currency forward contracts	4,150,921	-
	4,197,011	1,096,356
Net assets and unitholder's equity	147,674,937	180,357,329
Net Assets		
Class A	123,558,162	154,758,769
Class U	24,116,775	25,598,560
Class U (USD)	USD 22,861,738	USD 25,939,789
Units issued and outstanding (note 5)		
Class A	5,268,775	6,555,143
Class U	985,942	1,092,786
Net assets per unit		
Class A	23.45	23.61
Class U	24.46	23.43
Class U (USD)	USD 23.19	USD 23.74
Unitholder's equity (note 5)		
Unit Capital	142,180,249	173,415,004
Retained Earnings	5,494,688	6,942,325
Total Unitholder's equity	147,674,937	180,357,329

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

W. Neil Murdoch

Director

Director

(See accompanying notes to financial statements)

CS Trust

Statements of Operations

For the years ended August 31, 2013 and 2012

		2013		2012
		$		**$**
Income				
Dividends		11,917,134		13,428,467
Interest		758		839
		11,917,892		13,429,306
Expenses				
Management fees (note 7)		364,692		390,797
Harmonized sales tax		50,237		53,217
Audit fees		12,286		9,692
Broker commission charges (note 9)		9,969		26,793
Custodial and other unitholder fees		8,556		9,007
Other fees		2,944		2,555
Interest expense		644		2,267
		449,328		494,328
Investment income		11,468,564		12,934,978
Unrealized gain (loss)				
Change in unrealized gain on investments		7,785,302		9,432,098
Change in unrealized gain (loss) on foreign exchange		41,803		(29,618)
Change in unrealized (loss) on foreign currency forward contracts		(6,823,152)		(1,298,456)
		1,003,953		8,104,024
Realized gain (loss)				
Net realized gain (loss) on investments		939,930		(735,789)
Net realized gain (loss) on foreign exchange		(309,736)		236,459
		630,194		(499,330)
Net gain on investments		1,634,147		7,604,694
Increase in net assets from operations		13,102,711		20,539,672
Increase in net assets from operations for				
Class A Units		10,196,706		17,422,028
Class U Units		2,906,005		3,117,644
Class U Units (USD) *	USD	2,875,114	USD	3,089,086
Increase in net assets from operations per unit **				
Class A Units		1.65		2.54
Class U Units		2.74		2.82
Class U Units (USD) *	USD	2.71	USD	2.79

* (based on average exchange rate for the period)
** (based on weighted average number of units outstanding during the period)
(See accompanying notes to financial statements)

CS Trust

Statements of Changes in Net Assets, Retained Earnings and Contributed Surplus

For the years ended August 31, 2013 and 2012

	Class A		Class U		Total	
	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$
Increase in net assets from operations	10,196,706	17,422,028	2,906,005	3,117,644	13,102,711	20,539,672
Distributions to unitholder from: (note 6)						
Net investment income	(9,747,876)	(11,248,492)	(1,720,689)	(1,916,242)	(11,468,565)	(13,164,734)
Capital gains	(618,010)	-	(12,184)	-	(630,194)	-
Return on capital	(3,810,564)	(369,450)	(774,741)	-	(4,585,305)	(369,450)
	(14,176,450)	(11,617,942)	(2,507,614)	(1,916,242)	(16,684,064)	(13,534,184)
Unitholder's transactions						
Proceeds from issue of units (note 5)	1,439,812	7,166,719	-	5,936,358	1,439,812	13,103,077
Distributions reinvested (note 6)	4,183,171	-	708,582	69,116	4,891,753	69,116
Payments on redemption of units (note 5)	(32,843,846)	(16,037,302)	(2,588,758)	(8,515,958)	(35,432,604)	(24,553,260)
	(27,220,863)	(8,870,583)	(1,880,176)	(2,510,484)	(29,101,039)	(11,381,067)
Change in net assets during the year	(31,200,607)	(3,066,497)	(1,481,785)	(1,309,082)	(32,682,392)	(4,375,579)
Net assets - beginning of year	154,758,769	157,825,266	25,598,560	26,907,642	180,357,329	184,732,908
Net assets - end of year	123,558,162	154,758,769	24,116,775	25,598,560	147,674,937	180,357,329
Retained earnings, beginning of year	5,999,933	68,165	942,392	(68,165)	6,942,325	-
Increase in net assets from operations	10,196,706	17,422,028	2,906,005	3,117,644	13,102,711	20,539,672
Distributions to unitholder	(10,365,886)	(11,248,492)	(1,732,873)	(1,916,242)	(12,098,759)	(13,164,734)
Cost of shares redeemed in excess of average price per unit	(2,273,516)	(241,768)	(178,073)	(190,845)	(2,451,589)	(432,613)
Retained earnings, end of year	3,557,237	5,999,933	1,937,451	942,392	5,494,688	6,942,325
Contributed surplus, beginning of year	-	53,692	-	30,853	-	84,545
Cost of shares redeemed (in excess of) average price per unit	-	(53,692)	-	(30,853)	-	(84,545)
Contributed surplus, end of year	-	-	-	-	-	-

(See accompanying notes to financial statements)

CS Trust

Statements of Cash Flows

For the years ended August 31, 2013 and 2012

	2013	2012
	$	$
Operating Activities		
Increase in net assets from operations	13,102,711	20,539,672
Items not affecting cash:		
Change in unrealized (gain) on investments	(7,785,302)	(9,432,098)
Change in unrealized loss on foreign currency forward contracts	6,823,152	1,298,456
Net realized (gain) loss on investments	(939,930)	735,789
Changes in non-cash working capital:		
Decrease in interest and dividends receivable	397,520	102,760
Increase (decrease) in accounts payable and accrued liabilities	1,517	(202)
Increase (decrease) in management fees payable	(8,148)	771
Purchase of investment	(2,579,104)	(5,605,926)
Proceeds on disposition of investment	36,560,512	18,152,098
Net cash flow provided by operating activities	45,572,928	25,791,320
Financing Activities		
Proceeds from issuance of units	1,439,812	13,103,077
Distributions paid to unitholder	(11,792,311)	(13,465,068)
Payments on redemption of units	(35,432,604)	(24,553,260)
Net cash flow (used in) financing activities	(45,785,103)	(24,915,251)
Net increase (decrease) in cash and short-term investments	(212,175)	876,069
Cash and short-term investments - beginning of year	939,184	63,115
Cash and short-term investments - end of year	727,009	939,184
Supplementary Information		
Interest paid	644	2,267

(See accompanying notes to financial statements)

CS Trust

Statement of Investment Portfolio

As at August 31, 2013

	Maturity date	Number of shares / par value $	Average cost $	Fair value $	% of Net assets
Short-term investments					
Bearer deposit notes					
Toronto Dominion Bank (USD)	11/06/2013	650,000	674,134	685,505	0.5%
Total short-term investments			674,134	685,505	0.5%
Investments					
Preferred Stock (USD)					
Financials					
HSBC Holdings PLC, Series 1, 8.125% *		232,948	6,513,054	6,332,620	4.3%
HSBC Holdings PLC, Series 2, 8.000% **	12/15/2015	4,961,194	138,943,626	142,195,494	96.3%
Total investments (before transaction costs)			145,456,680	148,528,114	100.6%
Transaction costs - Section 3855 adjustment (note 3)			(26,516)	-	0.0%
Total investments			145,430,164	148,528,114	100.6%

	Maturity date	Contract price / rate $	Unrealized gain (loss) $	% of Net assets
Foreign currency forward contracts				
Bought CAD 137,525,694 sold USD 131,944,444	12/15/2015	1.0423	(4,150,921)	-2.8%
Other assets net of other liabilities			2,612,239	1.7%
Net assets			147,674,937	100.0%

* This security is past its call date and is callable at any time.

** First call date is presented for this security.

(See accompanying notes to financial statements)

1 Trust activities

CS Trust (the "Fund") is an investment fund established under the laws of the Province of Ontario and governed by the Fund's Trust Agreement (the "Trust Agreement") dated September 28, 2010 between Aston Hill Capital Markets Inc. (formerly "Connor, Clark & Lunn Capital Markets Inc.") (the "Manager") and RBC Investor Services Trust (formerly "RBC Dexia Investor Services Trust") (the "Trustee"). The Manager performs or arranges for the performance of management services, including portfolio management services, for the Fund and is responsible for the overall undertaking of the Fund. The Fund's registered office is located at 77 King Street West, Suite 2110, Toronto, Ontario, M5K 1G8. The fiscal year-end of the Fund is August 31.

The beneficial interest in the net assets and net income of the Fund is divided into units of two classes, Class A Units and Class U Units. The Fund is authorized to issue an unlimited number of Units of each class. The Class U Units are denominated and offered in U.S. dollars.

Connor, Clark & Lunn Financial Group and the principals of the Manager entered into a sale transaction to sell to Aston Hill Financial Inc. ("Aston Hill") shares in the Manager, Connor, Clark & Lunn Capital Markets Inc. (the "Company"). The terms of the transaction involved Aston Hill purchasing 80% of the Company from Connor, Clark & Lunn Financial Group, Neil Murdoch (President and Chief Executive Officer) and Darren Cabral (Chief Financial Officer). Neil Murdoch and Darren Cabral hold the remaining 20% of the Company not owned by Aston Hill. Completion of the sale transaction occurred on August 15, 2013. The business acquired by Aston Hill included the management agreement related to this Fund.

2 Investment objectives

The Fund's investment objectives are to: (i) provide Unitholders with distributions; and (ii) provide an investment in the Capital Securities (the 8.125% Perpetual Subordinated Capital Securities, Series 1 issued by HSBC Holdings plc and the 8.00% Perpetual Subordinated Capital Securities, Series 2, also issued by HSBC).

The Fund pays distributions if, as and when declared by the Fund from time to time. Distributions, if any, that are paid on the Class A Units will be in Canadian dollars and distributions, if any, that are paid on the Class U Units will be in U.S. dollars.

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 CICA 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.

The difference between the net asset value per unit and the net assets per unit as shown on the Statements of Net Assets is due to the different pricing methodology discussed above. The reconciliation between the Transactional NAV and the GAAP Net Assets is as follows:

	Transactional NAV	Section 3855 Adjustment	GAAP Net Assets
August 31, 2013			
Class A	23.41	0.04	23.45
Class U	24.42	0.04	24.46
Class U (USD)	23.15	0.04	23.19
August 31, 2012			
Class A	23.58	0.03	23.61
Class U	23.39	0.04	23.43
Class U (USD)	23.71	0.03	23.74

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. Interest income is accrued 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.

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.

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 year. Purchases and sales of investments and income and expenses are translated into Canadian dollars at the exchange rate prevailing on the transaction dates. The Fund's functional currency is the Canadian dollar.

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 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".

Foreign currency forward contracts

The Fund may enter into foreign currency forward contracts to hedge against exposure to foreign currency fluctuations. The carrying value of these contracts is the gain or loss that would be realized if the positions 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 a net realized gain or loss on foreign currency forward contracts.

Increase in net assets from operations per unit

This calculation is based on the increase in net assets from operations attributable to each class divided by the weighted average number of units of that class outstanding during the period. The increase in net assets from operations per unit for the Class U Units is converted into U.S. dollars using the average exchange rate for 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. The unrealized gain (loss) on foreign currency contracts is allocated solely to the Class A Units. On any valuation date, the net assets per unit for the Class U units are converted into U.S. dollars at the rate of exchange available from the Custodian on that same valuation date.

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. Accrued interest and dividends receivable, amounts receivable for capital shares sold and securities sold and other assets are designated as loans and receivables and reported at cost or amortized cost. Amounts payable for securities purchased and capital shares redeemed, other liabilities and accrued expenses are designated as other financials liabilities and reported at amortized cost.

International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants (CICA) had originally planned to adopt International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB), effective January 1, 2011. Subsequently, the AcSB deferred the adoption of IFRS for investment companies, which include investment funds. Investment companies may continue to apply existing GAAP standards until fiscal years beginning on or after January 1, 2014.

The Manager is reviewing and developing its IFRS changeover plan by performing an impact assessment and identifying differences between existing Canadian GAAP and IFRS. Management has also been monitoring developments in IFRS and has been assessing the likely impacts on accounting policies, implementation decisions, internal controls, information systems and training.

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 disclosure 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. This may result in the elimination of the differences between the transactional NAV and net assets at the financial statements reporting dates.

On July 24, 2013, the IASB voted tentatively to defer the mandatory adoption date of IFRS 9, Financial Instruments and that the mandatory effective date should be left open pending finalization of the project. Early adoption will continue to be permitted. This follows an agreement by the IASB and FASB to re-deliberate their proposals on the classification and measurement of financial instruments.

As the revised standard was scheduled to be completed in 2013, the Fund may now choose to adopt IAS 39, Financial Instruments: Recognition and Measurement instead, given the uncertainty about the timing and future development of IFRS 9. The Manager will decide the appropriate course of action for the Fund prior to completion of the August 2015 financial statements.

Other than the potential impact of IFRS 13 as described above, the Manager has currently not identified any changes that will impact net assets per Unit as a result of the changeover to IFRS. The impact of IFRS on other accounting policies and implementation decisions will mainly be in the areas of presentation and disclosures in the financial statements of the Funds. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

4 Custodian

Pursuant to the Trust Agreement, RBC Investor Services Trust (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 August 31, 2013 and 2012.

5 Unitholder's equity

The beneficial interest in the net assets and net income of the Fund is divided into two classes of units, Class A Units and Class U Units, with the Class U Units being denominated in U.S. dollars. The Fund is authorized to issue an unlimited number of Units of each class. All Units of the Fund are held by one unitholder.

During the year ended August 31, 2013, the Fund issued 60,731 Class A Units for a total value of $1,439,812 and redeemed 1,347,099 Class A Units for net payment of $32,843,846. The Fund also had redemptions of 106,844 Class U Units for net payment of $2,588,758 during the same period. (The Fund issued 315,138 Class A Units for $7,166,719 and 258,874 Class U Units for $5,936,358 during the year ended August 31, 2012. The Fund also paid $16,037,302 to redeem 691,942 Class A Units and $8,515,958 to redeem 370,854 Class U Units during the year ended August 31, 2012.)

Changes in outstanding units during the years ended August 31, 2013 and 2012 are summarized as follows:

	Class A Units		Class U Units	
	August 31, 2013	**August 31, 2012**	**August 31, 2013**	**August 31, 2012**
Balance – beginning of year	6,555,143	6,931,947	1,092,786	1,204,766
Units issued	60,731	315,138	–	258,874
Units redeemed	(1,347,099)	(691,942)	(106,844)	(370,854)
Balance – end of year	5,268,775	6,555,143	985,942	1,092,786

The Unit Capital dollar amount represents the face value of the Fund's Units minus any return on capital distributions. 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 (Deficit).

The Fund considers capital to include all units issued and outstanding. The Fund manages its capital in accordance with the objectives outlined in Note 2.

6 Distributions

The Fund pays distributions if, as and when declared by the Fund from time to time. During the year ended August 31, 2013, the Fund paid $14,176,450 in distributions to its Class A Unitholders and $2,507,614 in distributions to its Class U Unitholders. The amount of $4,183,171 for Class A was reinvested and the Class A Units consolidated and the amount of $708,582 for Class U was reinvested and the Class U Units consolidated. (During the year ended August 31, 2012, the Fund paid $11,617,942 in distributions to its Class A Unitholders and $1,916,242 in distributions to its Class U Unitholders. The amount of $69,116 for Class U was reinvested and the Class U Units consolidated.)

7 Management Fees

The Manager receives a management fee from the Fund equal in the aggregate to 0.25% per annum of the applicable NAV, calculated daily and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund during the year ended August 31, 2013 were $364,692 plus applicable taxes ($390,797 plus applicable taxes during the year ended August 31, 2012).

8 Income taxes

The Fund is a financial institution for purposes of the "specified debt obligation" and "mark-to-market" rules contained in the Income Tax Act (Canada) as more than 50% of the fair market value of all interests in the Fund are held any time by one or more such financial institutions. The Fund is subject to tax in each taxation year under Part I of the Income Tax Act (Canada) on the amount of its income for the year, including net unrealized gains, if any, less the portion thereof that it deducts in respect of the amount paid or payable to unitholders in the year. The Fund may also be subject to "minimum tax" under the Tax Act.

It is the intention of the Manager that all annual net taxable income will be distributed to the Unitholder on a calendar year basis such that Canadian income taxes payable by the Fund under present legislation will be eliminated. 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.

The Fund did not have any capital losses or non-capital losses as at tax year ends December 31, 2012 and 2011.

9 Broker commission charges and soft dollar services

There was $9,969 of broker commissions paid during the year ended August 31, 2013 in connection with portfolio transactions ($26,793 during the year ended August 31, 2012). No contractual arrangements for soft dollar services exist in the broker commission charges.

10 Financial instruments

	August 31, 2013	August 31, 2012
Assets	**$**	**$**
Cash	41,504	149,945
Held for trading	149,213,619	178,289,395
Loans and receivables	2,616,825	3,014,345
Total assets	**151,871,948**	**181,453,685**
Liabilities		
Held for trading	4,150,921	–
Financial liabilities at amortized cost	46,090	1,096,356
Total liabilities	**4,197,011**	**1,096,356**

For the purposes of categorization in accordance with CICA Section 3862, Financial Instruments – Disclosures, cash is reported at fair value, while interest and dividends receivable are deemed to be loans and receivables and are recorded at cost or amortized cost. Similarly, 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 following tables illustrate the classification of the Fund's financial instruments within the fair value hierarchy as at August 31, 2013 and 2012:

August 31, 2013:

Assets at fair value	Level 1	Level 2	Level 3	Total
Equities	148,528,114	–	–	**148,528,114**
Short-term investments	–	685,505	–	**685,505**
Total	**148,528,114**	**685,505**	**–**	**149,213,619**

August 31, 2013:

Liabilities at fair value	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	–	4,150,921	–	**4,150,921**
Total	**–**	**4,150,921**	**–**	**4,150,921**

August 31, 2012:

Assets at fair value	Level 1	Level 2	Level 3	Total
Equities	174,827,925	–	–	**174,827,925**
Short-term investments	–	789,239	–	**789,239**
Foreign currency forward contracts	–	2,672,231	–	**2,672,231**
Total	**174,827,925**	**3,461,470**	**–**	**178,289,395**

Fair values 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.

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

Foreign currency forward contracts: Foreign currency forward 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 years ended August 31, 2013 and 2012.

11 Financial instrument risk

The Fund's activities expose it to a variety of financial risks. The Manager may invest in derivatives for the purpose of hedging interest rate exposure. The Manager also invests in foreign currency forward contracts to hedge the Fund's Class A foreign exchange risk exposure.

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds and short-term notes. Certain equity instruments, such as preferred shares that pay fixed rate dividends, are also sensitive to changes in the level of prevailing market interest rates. Due to their sensitivity to interest rates, the preferred shares held by the Fund are included in the analysis of interest rate risk. The tables below summarize the Fund's exposure to interest rate risk and include the assets and liabilities of the Fund at fair value as at August 31, 2013 and 2012. The tables below assume the 8.00% Perpetual Subordinated Capital Securities, Series 2 will be called on its first call date. The 8.125% Perpetual Subordinated Capital Securities, Series 1 is past its call date and is callable at any time.

August 31, 2013:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
Investments	6,332,620	142,195,494	–	–	(4,150,921)	**144,377,193**
Cash and short-term investments	685,505	–	–	–	41,504	**727,009**
Other assets	–	–	–	–	2,616,825	**2,616,825**
Liabilities	–	–	–	–	(46,090)	**(46,090)**
Total	**7,018,125**	**142,195,494**	–	–	**(1,538,682)**	**147,674,937**

August 31, 2012:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
Investments	7,844,568	–	166,983,357	–	2,672,231	**177,500,156**
Cash and short-term investments	789,239	–	–	–	149,945	**939,184**
Other assets	–	–	–	–	3,014,345	**3,014,345**
Liabilities	–	–	–	–	(1,096,356)	**(1,096,356)**
Total	**8,633,807**	–	**166,983,357**	–	**4,740,165**	**180,357,329**

As at August 31, 2013, 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 $2,954,000 and $3,026,000 (August 31, 2012 - $4,833,000 and $4,949,000). 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 functional currency of the Fund, which is the Canadian dollar ("CAD"). 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 Investment Portfolio identifies all securities denominated in foreign currencies.

The tables below summarize the Class A exposure to foreign currencies held by the Fund. The tables show sensitivity evaluation due to exposure to the U.S. dollar for the Class A Units only (the Class U Units are denominated in U.S. dollars). 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 such denominated in foreign currencies do not expose the Fund to significant currency risk. The tables below summarize the significant exposure to foreign currencies and the approximate impact on net assets had the functional currency of the Class A Units weakened by 5% in relation to the U.S. dollar. If the Canadian dollar were to strengthen relative to the U.S. dollar, the opposite would occur. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

August 31, 2013:

	Monetary instruments $	Non-monetary instruments $	Derivative instruments $	Net Exposure $	% of Net Assets	Sensitivity (based on devaluation of CAD) $
U.S. Dollar	18,850	125,534,771	(139,187,776)	(13,634,155)	(11.0%)	(682,000)

August 31, 2012:

	Monetary instruments $	Non-monetary instruments $	Derivative instruments $	Net Exposure $	% of Net Assets	Sensitivity (based on devaluation of CAD) $
U.S. Dollar	80,912	150,014,167	(130,208,761)	19,886,318	12.8%	994,000

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 fair value of debt and debt-like securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of these investments and the unrealized gain (loss) on derivative instruments outstanding with counterparties represents the maximum credit risk exposure as at August 31, 2013 and 2012.

The tables below summarize the Fund's exposure to credit risk as of August 31, 2013 and 2012. Amounts shown are based on the carrying value of debt and debt-like investments, such as the preferred shares held by the Fund and the unrealized gain (loss) on derivative instruments outstanding with counterparties.

Rating	August 31, 2013 (% of Net Assets)
AA-	-2.8%
A+	100.6%
A-1+	0.5%
Total	**98.3%**

Rating	August 31, 2012 (% of Net Assets)
AA-	1.5%
A-	96.9%
A-1+	0.4%
Total	**98.8%**

As at August 31, 2013 and 2012, 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 obligation.

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 unlimited annual redemptions in any given year. The Fund invests the majority of its assets in investments that can be readily disposed. In addition, the Fund retains sufficient cash positions to maintain liquidity. All liabilities, with the exception of the foreign currency forward contract, are due within three months.