CS Trust

Annual Report

August 31, 2014

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. (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 (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. The termination date of the fund is December 30, 2015.

Risk

There were no changes in the risk exposure of the Fund during the year ended August 31, 2014.

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

International Financial Reporting Standards (IFRS)

Beginning September 1, 2014, the Fund will prepare its semi-annual and 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, including an opening balance sheet as at September 1, 2014 (the transition date). The Fund will also report its interim financial statements for the period ending February 28, 2015, 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 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. See Note 3 of the Financial Statements.

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.

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 2014)

Fund Performance

The fund's Class A, Series 1 units returned 7.0% for the fiscal year, bringing annualized returns since inception to 6.8%. US Treasury yields climbed late in 2013, depressing bond prices. The yield increase was driven by generally positive economic news and the long-awaited announcement, which arrived on December 18th,, that the Fed would cautiously begin to trim QE3 asset purchases. The benchmark US 10-year yield peaked on December 31st, however, then proceeded to rally almost 70 basis points through the end of August as economic growth came in below market expectations both globally and at home, and investors dropped the assumption that the end of QE3 would mean rising rates. The final purchases under QE3 were made in October.

Low volatility and stable economic conditions combined with falling government yields and corporate earnings growth to provide a boost to equities and corporate bonds through the spring and summer before a short-lived correction took hold in September. Global banks' credit spreads fell consistently from month to month, shifting from 140 basis points to 96 basis points over year to August, according to the Barclays Global Aggregate Banking Index, while the five-year CDS spread on HSBC's senior declined by about 40 basis points to end the year at 53.6 basis points, among the tightest of the global banks. HSBC's Series 2 capital securities' market price fell from $27.12 to $26.83, partly reflecting the anticipated amortization of premium as the issue moves towards it's first call date at the end of 2015. The fund paid distributions per unit totalling $1.75 for the year and has paid $6.79 per unit since inception.

HSBC Update

HSBC announced its first half results to June 30th in August. Low interest rates and trading volumes characterized the first six months of the year, along with low market volatility and strong investor risk appetite. Underlying profit before tax was US$12.6bn, US$0.5bn lower than in 2013's first half. Excluding significant one-time items, however, first half 2014's underlying profit was US$0.4bn higher.

Lower loan impairment charges and continued efforts to manage operating costs paid dividends for the Group. Global Banking and Markets was hurt by low client activity, and Retail Banking and Wealth Management saw revenues fall as the Group continued to run off its US Consumer lending portfolio. Overall, revenues held constant across the Group's major businesses.

For the third quarter, reported on November 3rd, underlying profit before tax increased compared to the same period in 2013 in all HSBC's global businesses and revenue was up 5% over the third quarter of 2013, to US$15.8 billion. Expenses also climbed, however, principally as the result of a further US$1.5 billions of significant one-time charges taken in the quarter including: US$701 million for customer redress in the UK; US$550 million in the US relating to a settlement with the Federal Housing Finance Agency; and $378 million in respect of the ongoing foreign exchange investigation by the UK FCA. As a result, underlying profit before tax was down 12% compared with Q3 2013, to $4,409 million.

From 2011 to 2013, HSBC executed the first phase of the strategic plan initiated by the then-incoming management team under CEO Stuart Gulliver. Over the period, profit before tax climbed by 19%, the Group's core tier 1 capital ratio grew from 10.5% to 13.6% of risk-adjusted assets, and total common share dividends went from US$6.3 billion to US$9.2 billion. The plan's core areas of achievement were to:

- Re-focus the business: including disposing of or exiting 74 non-core businesses, running down non-strategic legacy portfolios (such as the US mortgage portfolio), and introducing global standards to reduce legal and regulatory risk.
- Simplify and globalize the organization: aligning the business under four global businesses and 11 global functions, to create a leaner organization managed as a global entity. This effort produced US$4.9 billion in annual sustainable cost savings.
- Grow global business revenue: included a 7% annual growth rate in Commercial banking, 2% in global banking and markets and 3% in retail banking and wealth management; double-digit loan growth in 13 of 21 priority markets and improved market position in strategic products.

With the first phase of its 2011 strategy implemented, HSBC turned to phase two this year, focusing on an evolving set of three equal priorities: growing the business and dividends; implementing a global standards program to control risk; and streamlining processes and procedures with the goal of achieving US$2 to US$3 billion in annual cost savings and maintaining an expense ratio in the mid 50's. According to Group CEO Stuart Gulliver: "The course that we first charted for the Group in 2011 to capitalize on growth of global trade and capital flows and economic development in developing markets remains firmly in place. These trends play naturally to the strengths of HSBC's global network and to the benefits of our universal banking model."

The Group has responded to past missteps and the promise of ever increasing regulatory oversight by diverting very significant resources, both in terms of human capital and systems capacity, to compliance and reform. Since 2010, major regulatory changes include: Basel III; Dodd Frank; the Volcker Rule; additional obligations for global systemically important banks; FATCA's increased obligation for institutions to police US clients; and the FSB's requirement to ring-fence UK banks, along with similar initiatives gaining headway elsewhere. Operational costs precipitated by the new environment include those of multiple, complex stress tests mandated by various national regulators, wholesale market practice and competition reviews, and the evolution of cross-border resolution protocols.

The threat of large and unpredictable penalties that can reach multi-billions of dollars, principally paid to US regulators, has pushed the industry further onto the defensive. Two HSBC board members have resigned in recent weeks as regulators have ratcheted up the degree of personal liability for bank directors. Most recently, on November 12th, US and UK authorities assessed at total of $4.5 billion in penalties to five global banks related to a probe into currency market manipulation. HSBC got off relatively lightly compared to the rest of the group, with a fine of US$618 million. Chairman Douglas Flint used his semi-annual message to point to a growing culture of risk aversion within HSBC, including the fear of many employees that the current environment offers zero tolerance for error, and asked for greater clarity from regulators.

Credit Strength

The following table shows Moody's and S&P long term debt rating on a number of the top global banks and is ranked by the September 30th price of their 5-year credit default swap (CDS) spreads. The CDS spread gives an indication of how the market perceives the riskiness of each bank's debt, with a lower number showing less risk. HSBC holds the highest Moody's rating (Aa3) in this group, shares the top S&P rating (A+), and its CDS spread was the second-lowest of the group.

Bank	5-year CDS Spread	Moody's	S&P
UBS AG	47.29	A2	A
HSBC Bank PLC	53.60	Aa3	A+
Credit Suisse Group AG	57.12	A1	A
BNP Paribas SA	63.10	A1	A+
Barclays Bank PLC	63.48	A2	A
Lloyds Bank PLC	64.67	A1	A
Credit Agricole SA	65.08	A2	A
JPMorgan Chase & Co	66.99	A3	A
Deutsche Bank AG	71.58	A3	A
Banco Santander SA	75.71	Baa1	BBB
Citigroup Inc	77.17	Baa2	A-
Societe Generale SA	77.71	A2	A
Bank of America Corp	80.82	Baa2	A-
Morgan Stanley	90.17	Baa2	A-
Goldman Sachs Group	91.34	Baa1	A-

HSBC's capital securities are rated BBB- by S&P following a 2-notch downgrade from BBB+ on September 29th. S&P published new criteria for rating bank hybrid capital in September, reflecting the "bail-in" requirements of Basel III and the Bank Recovery and Resolution Directive adopted by the European Parliament in April. Due to an increased likelihood that regulators will demand investors take an earlier role and a greater share of the cost if governments bail out banks, S&P downgraded 94% of legacy tier 1 capital instruments (those dating from before Basel III) issued by European banks, as well as 64% of Basel III compliant instruments. On the same day, S&P downgraded 68 hybrid capital securities issued by Canadian banks.

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, 2014, the Fund redeemed 1,061,792 Class A Units for a total value of $24,354,323 and 437,094 Class U Units for net payment of $10,904,121. (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 year ended August 31, 2013.)

Distributions

The Fund pays distributions if, as and when declared by the Fund from time to time. During the year ended August 31, 2014, the Fund declared $15,450,510 in distributions to its Class A Unitholders and $2,450,730 to its Class U Unitholders. The amount of $6,806,138 for Class A was reinvested and the Class A Units consolidated and the amount of $1,065,147 for Class U was reinvested and the Class U Units consolidated. (During the year ended August 31, 2013, the Fund paid distributions of $14,176,450 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.)

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, 2014.

Related Party Transactions

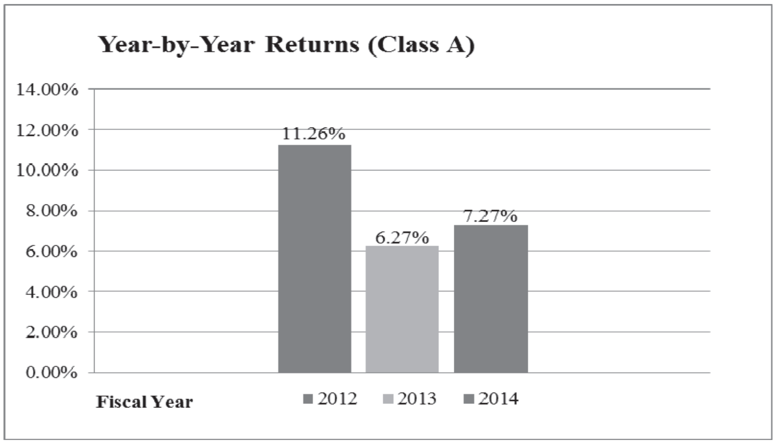
Management Fees

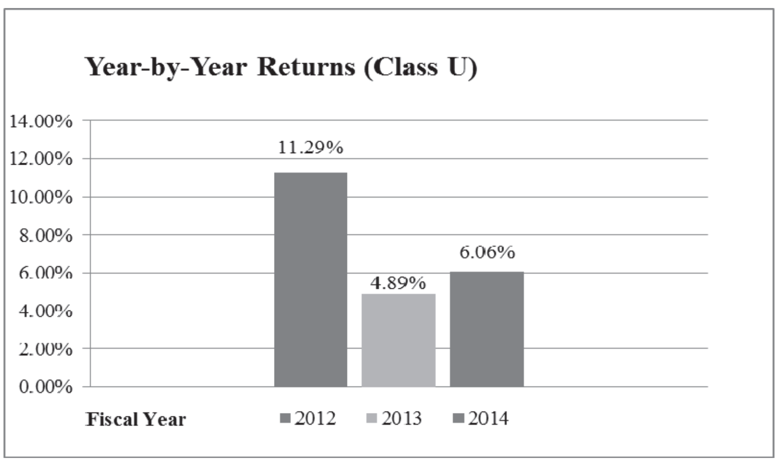
In consideration for management services and investment advice, the Manager receives a management fee from the Fund equal in the aggregate to 0.25% per annum of the applicable Net Asset Value, calculated daily and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund during the year ended August 31, 2014 were $284,590 plus applicable taxes ($364,692 plus applicable taxes during the year ended August 31, 2013).

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	Past 3 Years	Since Inception [(1)]
Based on Class A NAV	7.27%	8.24%	6.95%
Based on Class U NAV	6.06%	7.37%	6.37%
HSBC Holdings PLC, Series 2, 8.0%, December 15, 2015	6.50%	7.88%	6.89%

(1) Annualized for the period from October 13, 2010 to August 31, 2014.

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 102.4% of its net asset value as at August 31, 2014. 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, 2014 CAD	August 31, 2013 CAD	August 31, 2012 CAD	August 31, 2011 (1) CAD
Net Assets, beginning of period	**23.45**	**23.61**	**22.77**	**23.56**
Increase (decrease) from operations:				
Total revenues	1.75	1.64	1.68	1.64
Total expenses	(0.06)	(0.06)	(0.06)	(0.07)
Realized gains (losses) for the period	(0.31)	0.10	(0.04)	0.16
Unrealized gains (losses) for the period	0.10	(0.03)	0.96	(1.19)
Total increase (decrease) from operations (2)	**1.48**	**1.65**	**2.54**	**0.54**
Distributions:				
From income (excluding dividends)	(0.10)	(0.90)	(1.64)	(0.53)
From dividends	–	–	–	–
From capital gains	–	(0.10)	–	–
Return of capital	(1.66)	(0.62)	(0.05)	(0.82)
Total Distributions (3)	**(1.76)**	**(1.62)**	**(1.69)**	**(1.35)**
Net Assets, end of period (4)	**23.26**	**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 4,910,677 Class A Units outstanding as of August 31, 2014 (August 31, 2013 – 6,175,440 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, 2014 CAD	August 31, 2013 CAD	August 31, 2012 CAD	August 31, 2011 (1) CAD
Net asset value (000's)	97,876	123,339	154,552	158,151
Number of units outstanding	4,206,983	5,268,775	6,555,143	6,931,947
Management expense ratio (annualized) (2)	0.26%	0.26%	0.26%	0.26%
Management expense ratio before waivers or absorptions (annualized) (2)	0.26%	0.26%	0.26%	0.26%
Portfolio turnover rate (3)	0.44%	0.96%	1.01%	0.84%
Trading expense ratio (4)	0.01%	0.01%	0.01%	0.09%
Net asset value per unit (5)	23.27	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 excluding trading commissions 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, 2014 USD	August 31, 2013 USD	August 31, 2012 USD	August 31, 2011 [1] USD
Net Assets, beginning of period	**23.19**	**23.74**	**22.84**	**23.59**
Increase (decrease) from operations:				
Total revenues	1.54	1.66	1.71	1.68
Total expenses	(0.07)	(0.06)	(0.06)	(0.08)
Realized gains (losses) for the period	0.58	0.01	(0.21)	0.10
Unrealized gains (losses) for the period	(0.06)	1.10	1.35	(1.76)
Total increase (decrease) from operations [2]	**1.99**	**2.71**	**2.79**	**(0.06)**
Distributions:				
From income (excluding dividends)	(0.82)	(0.94)	(1.65)	–
From dividends	–	–	–	–
From capital gains	–	(0.01)	–	–
Return of capital	(0.71)	(0.73)	–	(1.31)
Total Distributions [3]	**(1.53)**	**(1.68)**	**(1.65)**	**(1.31)**
Net Assets, end of period [4]	**22.89**	**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 840,880 Class U Units outstanding as of August 31, 2014 (August 31, 2013 – 1,062,519 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, 2014 USD	August 31, 2013 USD	August 31, 2012 USD	August 31, 2011 [1] USD
Net asset value (000's)	12,570	22,822	25,905	27,576
Number of units outstanding	548,848	985,942	1,092,786	1,204,766
Management expense ratio (annualized) [2]	0.23%	0.26%	0.25%	0.28%
Management expense ratio before waivers or absorptions (annualized) [2]	0.23%	0.26%	0.25%	0.28%
Portfolio turnover rate [3]	0.00%	16.65%	20.44%	2.98%
Trading expense ratio [4]	0.01%	0.01%	0.01%	0.09%
Net asset value per unit [5]	22.90	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 excluding trading commissions 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, 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.

	Fair value CAD $	% of NAV
Portfolio by Category		
Financials	114,147,453	102.4%
Foreign currency forward contracts	(4,872,014)	(4.4%)
Other assets net of other liabilities	2,235,675	2.0%
Top 25 Holdings		
HSBC Holdings PLC, Series 2, 8.000%, December 15, 2015 (1)	114,147,453	102.4%
Cash	146,879	0.1%
Bought CAD 91,930,860 sold USD 88,200,000, December 15, 2015	(4,872,014)	(4.4%)
Net asset value	**111,511,114**	

(1) First call date.

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. 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 processes 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, 2014

November 28, 2014

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, 2014, the statements of net assets as at August 31, 2014 and August 31, 2013, and the statements of operations, changes in net assets, retained earnings and contributed surplus, and cash flows for the years then ended, 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, 2014 and August 31, 2013 and the results of its operations, the changes in its net assets its cash flows for the years then ended 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, 2014 and 2013

	2014	2013
	$	**$**
Assets		
Cash	146,879	41,504
Short-term investments	-	685,505
Investments at fair value (cost - $109,852,876; 2013 - $145,430,164)	114,104,907	148,528,114
Interest and dividends receivable	2,127,237	2,616,825
	116,379,023	151,871,948
Liabilities		
Accounts payable and accrued liabilities	15,394	16,609
Management fees payable	23,047	29,481
Unrealized loss on foreign currency forward contracts	4,872,014	4,150,921
	4,910,455	4,197,011
Net assets and unitholders' equity	111,468,568	147,674,937
Net Assets		
Class A	97,838,340	123,558,162
Class U	13,630,228	24,116,775
Class U (USD)	USD 12,565,298	USD 22,861,738
Units issued and outstanding (note 5)		
Class A	4,206,983	5,268,775
Class U	548,848	985,942
Net assets per unit		
Class A	23.26	23.45
Class U	24.83	24.46
Class U (USD)	USD 22.89	USD 23.19
Unitholders' equity (note 5)		
Unit Capital	107,216,415	142,180,249
Retained Earnings	4,252,153	5,494,688
Total Unitholders' equity	111,468,568	147,674,937

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

Director **Director**

(See accompanying notes to financial statements)

CS Trust

Statements of Operations

For the years ended August 31, 2014 and 2013

		2014		2013
		$		$
Income				
Dividends		9,993,812		11,917,134
Interest		169		758
		9,993,981		11,917,892
Expenses				
Management fees (note 7)		284,590		364,692
Harmonized sales tax		39,565		50,237
Broker commission charges (note 9)		14,343		9,969
Audit fees		9,665		12,286
Custodial and other unitholder fees		9,155		8,556
Other fees		1,695		2,944
Interest expense		1,005		644
		360,018		449,328
Investment income		9,633,963		11,468,564
Unrealized gain (loss)				
Change in unrealized gain (loss) on investments		1,154,081		7,785,302
Change in unrealized gain (loss) on foreign exchange		(12,481)		41,803
Change in unrealized gain (loss) on foreign currency forward contracts		(721,093)		(6,823,152)
		420,507		1,003,953
Realized gain (loss)				
Net realized gain (loss) on investments		1,819,478		939,930
Net realized gain (loss) on foreign exchange		(264,689)		(309,736)
Net realized gain (loss) on foreign currency forward contracts		(2,527,229)		-
		(972,440)		630,194
Net gain (loss) on investments		(551,933)		1,634,147
Increase (decrease) in net assets from operations		9,082,030		13,102,711
Increase (decrease) in net assets from operations for				
Class A Units		7,278,873		10,196,706
Class U Units		1,803,157		2,906,005
Class U Units (USD) (1)	USD	1,674,754	USD	2,875,114
Increase (decrease) in net assets from operations per unit (2)				
Class A Units		1.48		1.65
Class U Units		2.14		2.74
Class U Units (USD) (1)	USD	1.99	USD	2.71

(1) (based on average exchange rate for the period)
(2) (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, 2014 and 2013

	Class A		Class U		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**	**$**	**$**
Increase (decrease) in net assets from operations	7,278,873	10,196,706	1,803,157	2,906,005	9,082,030	13,102,711
Distributions to unitholder from: (note 6)						
Net investment income	(7,278,873)	(9,747,876)	(1,803,157)	(1,720,689)	(9,082,030)	(11,468,565)
Capital gains	-	(618,010)	-	(12,184)	-	(630,194)
Return on capital	(8,171,637)	(3,810,564)	(647,573)	(774,741)	(8,819,210)	(4,585,305)
	(15,450,510)	(14,176,450)	(2,450,730)	(2,507,614)	(17,901,240)	(16,684,064)
Unitholder's transactions						
Proceeds from issue of units (note 5)	-	1,439,812	-	-	-	1,439,812
Distributions reinvested (note 6)	6,806,138	4,183,171	1,065,147	708,582	7,871,285	4,891,753
Payments on redemption of units (note 5)	(24,354,323)	(32,843,846)	(10,904,121)	(2,588,758)	(35,258,444)	(35,432,604)
	(17,548,185)	(27,220,863)	(9,838,974)	(1,880,176)	(27,387,159)	(29,101,039)
Change in net assets during the year	(25,719,822)	(31,200,607)	(10,486,547)	(1,481,785)	(36,206,369)	(32,682,392)
Net assets - beginning of year	123,558,162	154,758,769	24,116,775	25,598,560	147,674,937	180,357,329
Net assets - end of year	97,838,340	123,558,162	13,630,228	24,116,775	111,468,568	147,674,937
Retained earnings, beginning of year	3,557,237	5,999,933	1,937,451	942,392	5,494,688	6,942,325
Increase (decrease) in net assets from operations	7,278,873	10,196,706	1,803,157	2,906,005	9,082,030	13,102,711
Distributions to unitholder	(7,278,873)	(10,365,886)	(1,803,157)	(1,732,873)	(9,082,030)	(12,098,759)
Cost of shares redeemed in excess of average price per unit	(171,088)	(2,273,516)	(1,071,447)	(178,073)	(1,242,535)	(2,451,589)
Retained earnings, end of year	3,386,149	3,557,237	866,004	1,937,451	4,252,153	5,494,688

(See accompanying notes to financial statements)

CS Trust

Statements of Cash Flows

For the years ended August 31, 2014 and 2013

	2014	2013
	$	$
Operating Activities		
Increase (decrease) in net assets from operations	9,082,030	13,102,711
Items not affecting cash:		
Change in unrealized (gain) loss on investments	(1,154,081)	(7,785,302)
Change in unrealized (gain) loss on foreign currency forward contracts	721,093	6,823,152
Net realized (gain) loss on investments	(1,819,478)	(939,930)
Changes in non-cash working capital:		
(Increase) decrease in interest and dividends receivable	489,588	397,520
Increase (decrease) in accounts payable and accrued liabilities	(1,215)	1,517
Increase (decrease) in management fees payable	(6,434)	(8,148)
Purchase of investment	(517,687)	(2,579,104)
Proceeds on disposition of investment	37,914,453	36,560,512
Net cash flow provided by operating activities	44,708,269	45,572,928
Financing Activities		
Proceeds from issuance of units	-	1,439,812
Distributions paid to unitholder	(10,029,955)	(11,792,311)
Payments on redemption of units	(35,258,444)	(35,432,604)
Net cash flow (used in) financing activities	(45,288,399)	(45,785,103)
Net increase (decrease) in cash and short-term investments	(580,130)	(212,175)
Cash - beginning of year	41,504	149,945
Short-term investments - beginning of year	685,505	789,239
Cash - end of year	146,879	41,504
Short-term investments - end of year	-	685,505
Supplementary Information		
Interest paid	1,005	644

(See accompanying notes to financial statements)

CS Trust

Statement of Investment Portfolio

As at August 31, 2014

	Maturity date	Number of shares / par value $	Average cost $	Fair value $	% of Net assets
Investments					
Preferred Stock (USD)					
Financials					
HSBC Holdings PLC, Series 2, 8.000% [1]	15/12/2015	3,922,069	109,869,663	114,104,907	102.4%
Total investments (before transaction costs)			109,869,663	114,104,907	102.4%
Transaction costs - Section 3855 adjustment (note 3)			(16,787)	-	0.0%
Total investments			109,852,876	114,104,907	102.4%

	Maturity date	Contract price / rate $	Unrealized gain (loss) $	% of Net assets
Foreign currency forward contracts [2]				
Bought CAD 91,930,860 sold USD 88,200,000	15/12/2015	1.0423	(4,872,014)	-4.4%
Other assets net of other liabilities			2,235,675	2.0%
Net assets			111,468,568	100.0%

[1] First call date is presented for this security.

[2] The unrealized forward currency contract gain and losses are attributed to and allocated to the Series U.

(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. (the "Manager") and RBC 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. The termination date of the fund is December 30, 2015.

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 Chartered Professional Accountant Canada (the "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.

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, 2014			
Class A	23.27	(0.01)	23.26
Class U	24.84	(0.01)	24.83
Class U (USD)	22.90	(0.01)	22.89
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

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

Beginning September 1, 2014, the Fund will prepare its semi-annual and 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, including an opening balance sheet as at September 1, 2014 (the transition date). The Fund will also report its interim financial statements for the period ending February 28, 2015, 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 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. See Note 3 of the Financial Statements.

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 which is December 30, 2015, 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 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, 2014 and 2013.

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, 2014, the Fund redeemed 1,061,792 Class A Units for a total value of $24,354,323 and 437,094 Class U Units for net payment of $10,904,121. (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 year ended August 31, 2013.)

Changes in outstanding units during the years ended August 31, 2014 and 2013 are summarized as follows:

	Class A Units		Class U Units	
	August 31,2014	**August 31, 2013**	**August 31, 2014**	**August 31, 2013**
Balance – beginning of year	5,268,775	6,555,143	985,942	1,092,786
Units issued	–	60,731	–	–
Units redeemed	(1,061,792)	(1,347,099)	(437,094)	(106,844)
Balance – end of year	4,206,983	5,268,775	548,848	985,942

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, 2014, the Fund declared $15,450,510 in distributions to its Class A Unitholders and $2,450,730 to its Class U Unitholders. The amount of $6,806,138 for Class A was reinvested and the Class A Units consolidated and the amount of $1,065,147 for Class U was reinvested and the Class U Units consolidated. (During the year ended August 31, 2013, the Fund paid distributions of $14,176,450 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.)

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, 2014 were $284,590 plus applicable taxes ($364,692 plus applicable taxes during the year ended August 31, 2013).

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, 2013 and 2012.

9 Broker commission charges and soft dollar services

There was $14,343 of broker commissions paid during the year ended August 31, 2014 in connection with portfolio transactions ($9,969 during the year ended August 31, 2013). No contractual arrangements for soft dollar services exist in the broker commission charges.

10 Financial instruments

For the purposes of categorization in accordance with CPA Canada 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 as they are short term in nature and amortised cost approximates fair value. 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, 2014 and 2013:

August 31, 2014:

Assets at fair value	Level 1	Level 2	Level 3	Total
Equities	114,104,907	–	–	**114,104,907**
Total	**114,104,907**	–	–	**114,104,907**

Assets at fair value	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	–	4,872,014	–	**4,872,014**
Total	–	**4,872,014**	–	**4,872,014**

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**

Assets 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**

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 on an exchange.

Short-term investments and: Short-term investments are classified as Level 2 as they are valued using observable inputs, including interest rate curves, credit spreads and volatilities and are not actively traded.

Foreign currency forward contracts: Foreign currency forward contracts for which inputs, including forward market rates 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, 2014 and 2013.

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, 2014 and 2013. 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, 2014:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
Investments	–	114,104,907	–	–	(4,872,014)	**109,232,893**
Cash and short-term investments	–	–	–	–	146,879	**146,879**
Other assets	–	–	–	–	2,127,237	**2,127,237**
Liabilities	–	–	–	–	(38,441)	**(38,441)**
Total	**–**	**114,104,907**	–	–	**(2,636,339)**	**111,468,568**

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**

As at August 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 $1,396,000 and $1,417,000 (August 31, 2013 - $2,954,000 and $3,026,000). 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, 2014:

	Monetary instruments $	Non-monetary instruments $	Derivative instruments $	Net Exposure $	% of Net Assets	Sensitivity (based on devaluation of CAD) $
U.S. Dollar	73,541	102,669,465	(96,802,874)	5,940,132	6.1%	297,000

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)

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, 2014 and 2013.

The tables below summarize the Fund's exposure to credit risk as of August 31, 2014 and 2013. 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, 2014 (% of Net Assets)
BBB+	102.4%
Total	102.4%

Rating	August 31, 2013 (% of Net Assets)
A+	100.6%
A-1+	0.5%
Total	101.1%

As at August 31, 2014 and 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 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.