2013

HBanc Capital Securities Trust

Annual Report

August 31, 2013

HBanc Capital Securities Trust Message to Unitholders

November 28, 2013

Dear Investor,

We are pleased to provide you with the annual report for HBanc Capital Securities Trust (the "Fund") for the year ended August 31, 2013.

The Fund was established to provide investors with a high level of stable, tax-advantaged distributions through exposure to securities issued by HSBC Holdings plc ("HSBC"), a conservatively positioned and strongly capitalized global bank. Specifically, the Fund has exposure to two securities issued by HSBC: (i) 8.125% Perpetual Subordinated Capital Securities, Series 1 ("8.125% HSBC Series 1"); and (ii) the 8.00% Perpetual Subordinated Capital Securities, Series 2 ("8.0% HSBC Series 2").

The Fund's investment objectives are to (i) provide Unitholders with monthly, tax-advantaged distributions consisting primarily of returns of capital, initially representing a yield on the Unit issue price of 7.0% per annum, and (ii) provide exposure to the Capital Securities. The Fund will not have a fixed distribution, but intends to make monthly distributions based on the actual and expected distributions on the Capital Securities less the Fund's estimated expenses.

The Fund's performance during the reporting period was strong. The Class A/ Series 1 units had a total return of 4.95%. Since inception, the compound annual growth rate is 6.73% from the Fund's opening net asset value, including $5.04 of distributions. The value of the underlying securities has remained strong as the market's perception of the credit risk of HSBC in particular and the financial system in general has gone down. As noted in the past, the two securities held by the Fund trade at premiums to the amount they can be called at. It is expected that these premiums will amortize as the call date approaches. In the case of 8.125% HSBC Series 1, we are past the first call date and HSBC can call the Series 1 at any time.

HSBC is one of the largest banking and financial services organizations in the world, with a market capitalization of U.S. $209 billion at November 21, 2013. HSBC's long-term senior debt is rated Aa3 by Moody's, A+ by Standard and Poor's and AA- by Fitch for the nine months to September 30th. HSBC had an underlying profit of $18.45 billion, an increase of 34% from the previous year.

Please check our website for quarterly investment updates and other timely information.

Yours truly,

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

Management Report of Fund Performance

This annual management report of fund performance for **HBanc Capital Securities 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.

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

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

Investment Objectives and Strategies

The Fund is a non-redeemable 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 and RBC Investor Services Trust (formerly "RBC Dexia Investor Services Trust") (the "Trustee").

The Fund is offered in two classes of Units, each of which was offered in two series: Class A Units, Series 1 and 2 at a price of $25.00 per Class A Unit and Class U Units, Series 1 and 2 at a price of U.S. $25.00 per Class U Unit. The only difference between the two series of each class of Units is the fees paid with respect to such series. The Class U Units are designed for investors wishing to make their investment in U.S. dollars.

The Fund's investment objectives are to (i) provide Unitholders with monthly, tax-advantaged distributions consisting primarily of returns of capital, initially representing a yield on the Unit issue price of 7.0% per annum and (ii) provide exposure to the capital securities.

In order to achieve the Fund's investment objectives, the Fund obtained exposure, in a tax-efficient manner, to the performance of a portfolio (the "Portfolio") held by CS Trust (the "CS Trust" or the "Trust"). The Fund provides investors with a high level of stable, tax-advantaged distributions through exposure to CS Trust's Portfolio of securities issued by HSBC Holdings plc, a conservatively positioned and strongly capitalized global bank. Specifically, the Trust has exposure to (i) the 8.125% Perpetual Subordinated Capital Securities, Series 1 issued by HSBC and (ii) the 8.00% Perpetual Subordinated Capital Securities, Series 2, also issued by HSBC.

The Fund does not invest directly in CS Trust; the Fund used the net proceeds of the initial public offering to pre-pay its purchase obligations under a forward purchase and sale agreement (the "Forward Agreement") with the Bank of Montreal (the "Counterparty" or "BMO"). Under the Forward Agreement, the Fund will receive, on or before December 30, 2015, a specified portfolio consisting of securities of Canadian public issuers that are "Canadian securities" for the purposes of the Tax Act ("Canadian Securities") in an amount equal to the net asset value of CS Trust. Partial settlements under the Forward Agreement are intended to ensure that Unitholders have economic exposure to the distributions effected by CS Trust. A fee of 0.35% per annum, calculated with reference to the net asset value of CS Trust, is payable to BMO under the Forward Agreement.

The Fund does not have a fixed distribution but intends to make monthly distributions based on the actual and expected distributions on the capital securities less the Fund's estimated expenses.

Risk

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

Use of leverage

The Fund's exposure to the securities in the Portfolio through the Forward Agreement may be increased to 15.0% of the levered notional amount (being the Net Asset Value of CS Trust) for the purposes of adding leverage to the Portfolio and such other short-term funding purposes as may be determined by the Investment Manager from time to time and in accordance with the Investment Strategy. If the borrowed amount exceeds 15.0% of the levered notional amount, the leverage amount will be reduced to ensure the leverage ratio is not greater than 15.0%. The use of leverage has the potential to enhance or reduce returns.

During the year ended August 31, 2013, the Fund applied leverage in the range from 13.07% to 15.68% or U.S. $17,153,000 to U.S. $21,678,000 for Class A (the Canadian equivalent was $17,600,763 to $22,288,252) and 14.31% to 15.41% or U.S. $3,428,000 to U.S. $3,791,000 for Class U (the Canadian equivalent was $3,517,485 to $3,907,965.) (During the year ended August 31, 2012, the Fund applied leverage in the range from 13.46% to 15.78% or U.S. $22,283,000 to U.S. $23,399,000 for Class A (the Canadian equivalent was $22,012,249 to $24,242,644) and 11.72% to 15.49% or U.S. $3,121,000 to U.S. $3,965,000 for Class U (the Canadian equivalent was $3,079,337 to $4,078,589)). The leverage factor as of August 31, 2013 was 14.67% for Class A and the borrowed balance was U.S. $17,153,000 (the Canadian equivalent was $18,094,645). The leverage factor as of August 31, 2013 was 15.02% for Class U and the borrowed balance was U.S. $3,428,000 (the Canadian equivalent was $3,616,186). (The leverage factor as of August 31, 2012 was 13.65% for Class A and the borrowed balance was U.S. $21,383,000 (the Canadian equivalent was $21,101,714). The leverage factor as of August 31, 2012 was 14.63% for Class U and the borrowed balance was U.S. $3,791,000 (the Canadian equivalent was $3,741,131)).

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, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical means for fair value measurements within a bid-ask spread. 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 interpretations of existing standards.

Federal Budget Announcement

The most recent federal budget proposed measures with respect to certain financial arrangements, such as the Forward Agreement that would eliminate certain tax benefits for taxable Unitholders of investment funds that utilize this kind of agreement. The budget announcement states that these changes apply only to forward agreements entered into on or after March 21, 2013 (the "Budget Day").

The Forward Agreement was entered into prior to the Budget Day. Based on the Manager's current understanding of the budget announcement and discussions with the Manager's tax counsel, distributions paid by the Fund are expect to continue to be treated as capital gains and return of capital for tax purposes until the Forward Agreement reaches its scheduled termination date.

The draft legislation has not yet been enacted and there is no assurance that the proposals will not be changed from the proposals announced.

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.

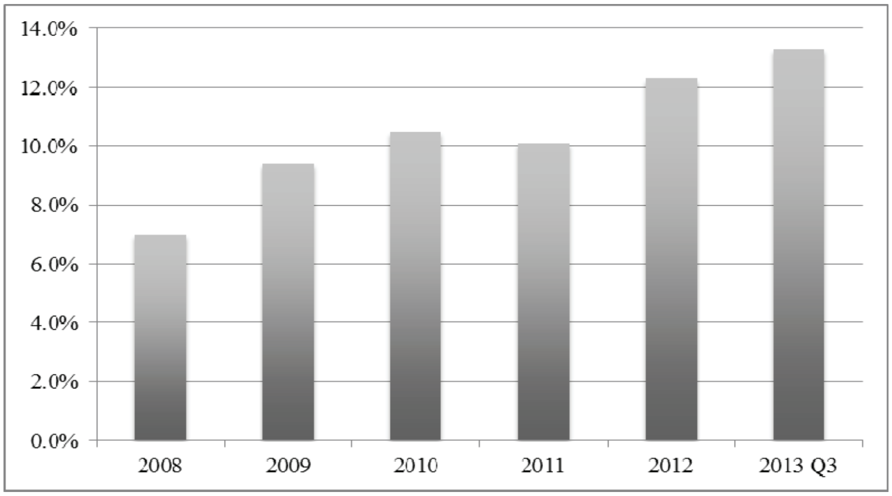
Dividend Payout Ratio – The percentage of earning paid out to shareholders as dividends.

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

On October 13, 2010, the Fund completed an initial public offering pursuant to the Prospectus dated September 28, 2010. The following table shows the details of the offering:

	Class A (CAD)			Class U (USD)		
	Series 1	Series 2	Total	Series 1	Series 2	Total
Units issued	5,797,393	105,500	5,902,893	1,042,724	10,565	1,053,289
Offering price per unit	25.00	25.00		25.00	25.00	
Gross Proceeds	144,934,825	2,637,500	147,572,325	26,068,100	264,125	26,332,225
Agents' fee and issue expenses	(8,192,469)	(69,960)	(8,262,429)	(1,473,200)	(6,951)	(1,480,151)
Net Proceeds	136,742,356	2,567,540	139,309,896	24,594,900	257,174	24,852,074
Opening NAV per unit	23.59	24.34		23.59	24.34	

On April 27, 2012, the Fund completed a private placement and issued an additional 220,200 Class U/ Series 1 Units for gross proceeds of $5,136,723. The issuance expense associated with the private placement was $141,829.

The following tables show the details of the capital transactions for the Fund. The first table shows the capital transactions for the year ended August 31, 2013 and the second table details the capital transactions for year ended August 31, 2012.

August 31, 2013:

	Class A		Class U	
	Series 1	Series 2	Series 1	Series 2
Units issued	–	–	–	–
Total value	–	–	–	–
Units converted to Class A Series 1	51,728	(7,000)	(40,020)	(4,001)
Total value	1,228,645	(170,934)	(962,390)	(95,321)
Units redeemed/ repurchased	(1,143,906)	(23,000)	(50,443)	–
Total value	(27,902,670)	(576,466)	(1,214,422)	–

August 31, 2012:

	Class A		Class U	
	Series 1	Series 2	Series 1	Series 2
Units issued	–	–	220,200	–
Total value	–	–	5,136,723	–
Units converted to Class A Series 1	314,562	(32,900)	(277,955)	(3,000)
Total value	7,078,701	(781,796)	(6,226,130)	(70,775)
Units redeemed/ repurchased	(529,697)	(1,000)	(23,050)	(2,164)
Total value	(12,116,290)	(23,551)	(530,785)	(50,927)

Net Assets

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

Since the Fund can at any time terminate the Forward Agreement with the Counterparty in exchange for the value of CS Trust, the value of the Forward Agreement to the Fund is equal to the transactional value of CS Trust less the value of the prepaid amount to the Counterparty under the Forward Agreement. On August 31, 2013, the value of the prepaid amount to the Counterparty under the Forward Agreement balance was $120,602,328 and the unrealized gain on the Forward Agreement balance was $26,810,932. Liabilities net of other assets in the Fund totalled $22,555,081, leaving net assets of $124,858,179. This amount is assigned to the Class A, Series 1 and 2 and Class U, Series 1 and 2 Unitholders using an allocation percentage that takes into consideration any class level specific expenses and foreign exchange hedging unrealized gains and losses. On August 31, 2013, the GAAP Net assets per unit were $22.91 for Class A/ Series 1, $23.58 for Class A/ Series 2, $24.13 or U.S. $22.87 for Class U/ Series 1 and $24.90 or U.S. $23.60 for Class U/ Series 2. On August 31, 2012, the value of the prepaid amount to the Counterparty under the Forward Agreement was $158,534,810 and the unrealized gain on the Forward Agreement balance was $21,581,388. Liabilities net of other assets in the Fund totalled $24,673,240, leaving net assets of $155,442,958. This amount is assigned to the Class A, Series 1 and 2 and Class U, Series 1 and 2 Unitholders using an allocation percentage that takes into consideration any class level specific expenses and foreign exchange hedging unrealized gains and losses. On August 31, 2012, the GAAP Net assets per unit were $23.51 for Class A/ Series 1, $24.19 for Class A/ Series 2, $23.22 or U.S. $23.53 for Class U/ Series 1 and $23.95 or U.S. $24.27 for Class U/ Series 2.

Distributions

The Fund does not have a fixed distribution. The Fund paid an initial distribution of $0.23014 per Class A, Series 1 and 2 Unit and U.S. $0.23014 per Class U, Series 1 and 2 Unit covering the period from October 13, 2010 (commencement of operations) to November 30, 2010. The Fund made regular monthly distributions of $0.1458 per Class A, Series 1 and 2 Unit and U.S. $0.1458 per Class U, Series 1 and 2 Unit thereafter, representing a return of 7.0% per annum on the Class A, Series 1 and 2 and Class U, Series 1 and 2 Unit issue prices.

The Fund has made all its scheduled distributions during the year ended August 31, 2013 paying $1.7496 per Class A, Series 1 and 2 Unit and U.S. $1.7496 per Class U, Series 1 and 2 Unit ($1.7496 per Class A, Series 1 and 2 Unit and U.S. $1.7496 per Class U, Series 1 and 2 Unit during the year ended August 31, 2012).

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 and CS Trust equal in the aggregate to 0.40% per annum of the applicable Net Asset Value, (0.15% from the Fund and 0.25% from the Trust) calculated daily and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund and CS Trust on a combined basis during the year ended August 31, 2013 were $583,665 plus applicable taxes ($624,962 plus applicable taxes during the year ended August 31, 2012).

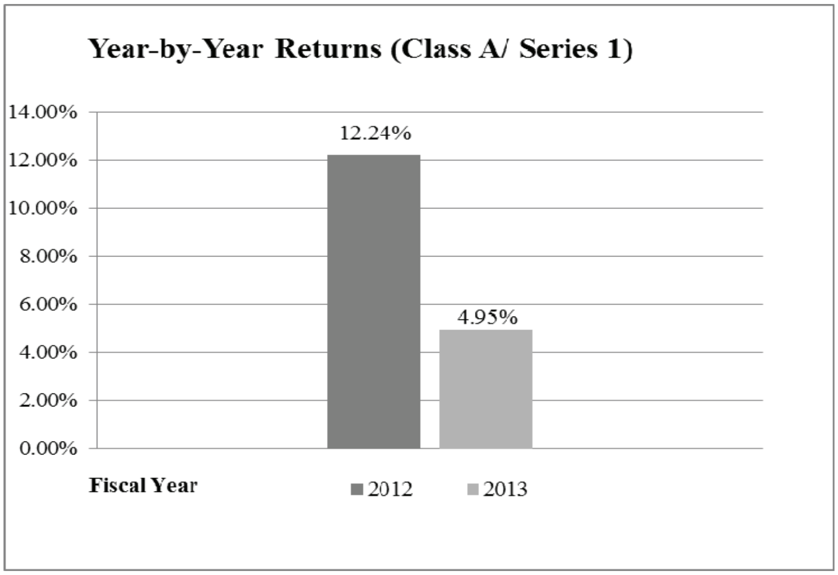
Service Fees

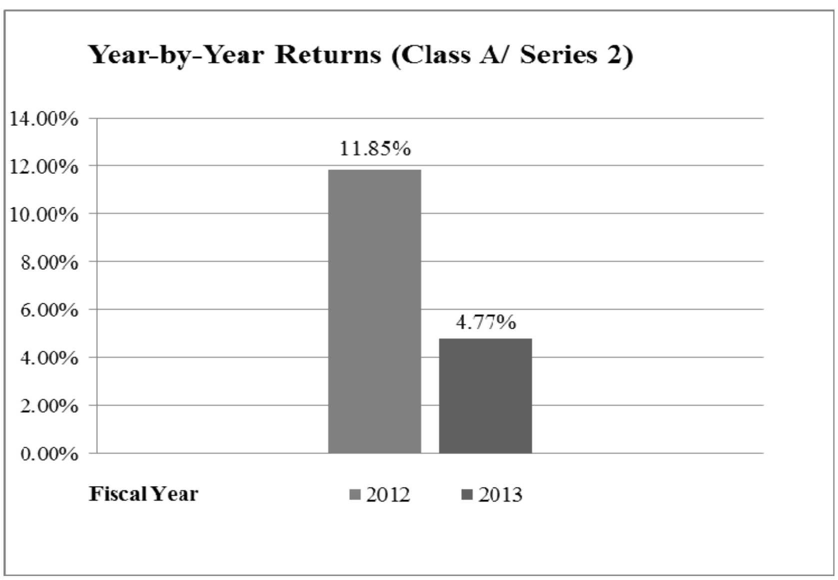
The Fund pays to the Manager a service fee, calculated quarterly and paid as soon as practicable after the end of each calendar quarter, solely with respect to the Series 2 of the Class A and Class U Units, equal to 0.30% per annum of the Net Asset Value attributable to the Series 2 of the Class A and Class U Units. The service fee is applied by the Manager to pay a service fee in an equivalent aggregate amount to brokers based on the number of Series 2 of the Class A and Class U Units held by clients of such brokers at the end of the relevant quarter. No service fee is payable in respect of the Series 1 of the Class A and Class U Units.

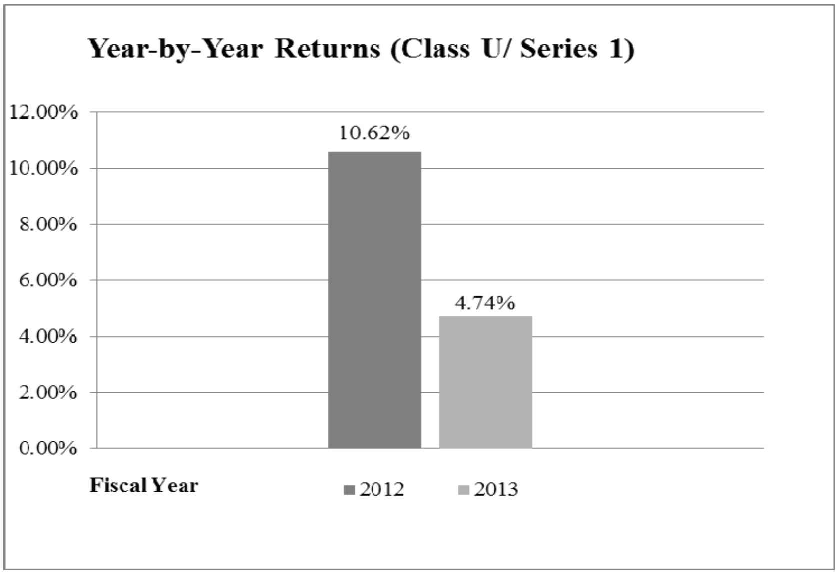
The service fees charged to the Fund during the year ended August 31, 2013 were $5,814 ($8,750 during the year ended August 31, 2012).

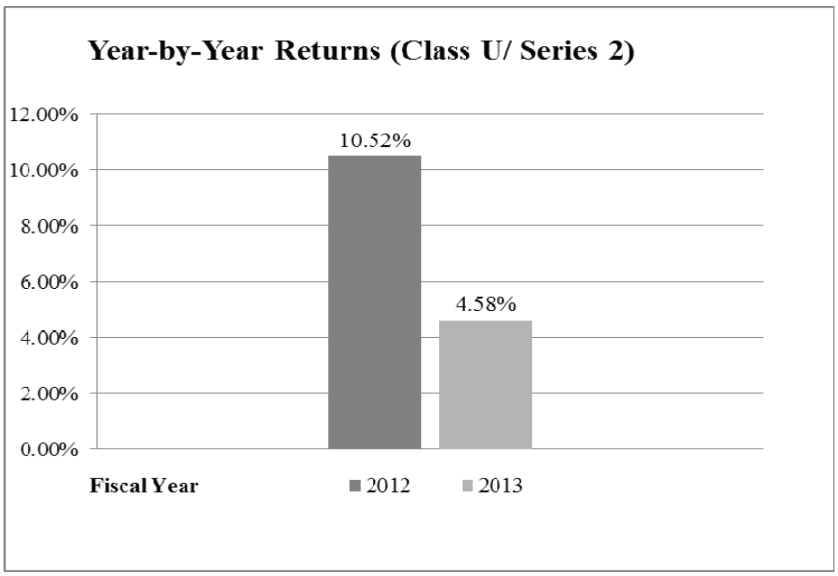
Past Performance

The following bar charts and table shows the Fund's annual performance of the Class A, Series 1 and 2 and Class U, Series 1 and 2 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, distributions or other optional charges that would have reduced returns or performance. The bar charts show, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period. Past performance is not necessarily indicative of future performance.









Annual Compound Returns

	Past Year	Since Inception [1]
Based on NAV (Class A/ Series 1 Units)	4.95%	6.73%
Based on share price (Class A /Series 1 Units)	4.47%	3.42%
Based on NAV (Class A/ Series 2 Units)	4.77%	6.41%
Based on NAV (Class U/ Series 1 Units)	4.74%	6.69%
Based on NAV (Class U/ Series 2 Units)	4.58%	6.47%
HSBC Holdings PLC, Series 2, 8.0%, December 15, 2015	5.37%	7.00%

[1] Annualized for the period from October 13, 2010 (commencement of operations) 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 CS Trust, 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/ Series 1:

The Fund's Net Assets per Class A/ Series 1 Unit:

	August 31, 2013 CAD	August 31, 2012 CAD	August 31, 2011 (1) CAD
Net Assets, beginning of period	**23.51**	**22.56**	**25.00**
Unit issue expense (2)	–	–	**(1.41)**
Increase (decrease) from operations:			
Total revenues	–	–	–
Total expenses	(0.21)	(0.20)	(0.18)
Realized gains (losses) for the period	1.34	0.32	0.02
Unrealized gains (losses) for the period	0.29	2.58	0.68
Total increase (decrease) from operations (3)	**1.42**	**2.70**	**0.52**
Distributions:			
From income (excluding dividends)	–	–	–
From dividends	–	–	–
From capital gains	–	–	–
Return of capital	(1.75)	(1.75)	(1.54)
Total Distributions (4)	**(1.75)**	**(1.75)**	**(1.54)**
Net Assets, end of period (5)	**22.91**	**23.51**	**22.56**

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

(2) Issue expenses of $8,192,469 incurred in connection with the Class A/ Series 1 units issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes.

(3) 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 5,254,807 Class A/ Series 1 units outstanding as of August 31, 2013 (August 31, 2012 – 5,848,174 units).

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

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

Ratios and Supplemental Data (Class A/ Series 1 Units):

	August 31, 2013 CAD	August 31, 2012 CAD	August 31, 2011 (1) CAD
Net asset value (000's)	103,646	132,049	131,879
Number of units outstanding	4,524,421	5,616,599	5,831,734
Base Management expense ratio (2) (3)	0.72%	0.68%	0.71%
Issue expenses ratio (2) (3)	0.00%	0.00%	6.10%
Interest expense ratio (2) (3)	0.17%	0.20%	0.15%
Management expense ratio (annualized) (3)	0.89%	0.88%	6.96%
Management expense ratio before waivers or absorptions (annualized) (3)	0.89%	0.88%	6.96%
Portfolio turnover rate (4)	0.00%	0.00%	0.00%
Trading expense ratio (5)	0.00%	0.00%	0.00%
Net asset value per unit (6)	22.91	23.51	22.61
Closing market price (TSX)	22.08	22.80	23.10

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

(2) A separate base management expense ratio has been presented to include the normal operating expenses and exclude the Issue expense ratio: representing all agents' fees and unit issue expenses and Interest expense ratio: representing cost of leverage.

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

(4) 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.

(5) 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.

(6) The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio.

Class A/ Series 2:

The Fund's Net Assets per Class A/ Series 2 Unit:

	August 31, 2013 CAD	August 31, 2012 CAD	August 31, 2011 (1) CAD
Net Assets, beginning of period	**24.19**	**23.24**	**25.00**
Unit issue expense (2)	–	–	**(0.66)**
Increase (decrease) from operations:			
Total revenues	–	–	–
Total expenses	(0.31)	(0.29)	(0.18)
Realized gains (losses) for the period	1.37	0.33	0.02
Unrealized gains (losses) for the period	0.63	2.66	0.60
Total increase (decrease) from operations (3)	**1.69**	**2.70**	**0.44**
Distributions:			
From income (excluding dividends)	–	–	–
From dividends	–	–	–
From capital gains	–	–	–
Return of capital	(1.75)	(1.75)	(1.54)
Total Distributions (4)	**(1.75)**	**(1.75)**	**(1.54)**
Net Assets, end of period (5)	**23.58**	**24.19**	**23.24**

(1) Results for the period from October 13, 2010 (commencement of operations) to August 31, 2011.
(2) Issue expenses of $69,960 incurred in connection with the Class A/ Series 2 units issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes.
(3) 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 57,094 Class A/ Series 2 units outstanding as of August 31, 2013 (August 31, 2012 – 87,784 units).
(4) The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates.
(5) This is not a reconciliation between the opening and the closing net assets per unit.

Ratios and Supplemental Data (Class A/ Series 2 Units):

	August 31, 2013 CAD	August 31, 2012 CAD	August 31, 2011 (1) CAD
Net asset value (000's)	953	1,703	2,430
Number of units outstanding	40,400	70,400	104,300
Base Management expense ratio (2) (3)	1.11%	1.06%	1.11%
Issue expenses ratio (2) (3)	0.00%	0.00%	2.78%
Interest expense ratio (2) (3)	0.16%	0.20%	0.15%
Management expense ratio (annualized) (3)	1.27%	1.26%	4.04%
Management expense ratio before waivers or absorptions (annualized) (3)	1.27%	1.26%	4.04%
Portfolio turnover rate (4)	0.00%	0.00%	0.00%
Trading expense ratio (5)	0.00%	0.00%	0.00%
Net asset value per unit (6)	23.58	24.19	23.30

(1) Results for the period from October 13, 2010 (commencement of operations) to August 31, 2011.
(2) A separate base management expense ratio has been presented to include the normal operating expenses and exclude the Issue expense ratio: representing all agents' fees and unit issue expenses and Interest expense ratio: representing cost of leverage.
(3) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Unit issue expenses, representing all Agents' fees and other offering expenses, which are one-time expenses, have not been annualized.
(4) 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.
(5) 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.
(6) The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio.

Class U/ Series 1:

The Fund's Net Assets per Class U/ Series 1 Unit:

	August 31, 2013 USD	August 31, 2012 USD	August 31, 2011 [1] USD
Net Assets, beginning of period	**23.53**	**22.92**	**25.00**
Unit issue expense [2]	–	**(0.16)**	**(1.44)**
Increase (decrease) from operations:			
Total revenues	–	–	0.01
Total expenses	(0.26)	(0.22)	(0.18)
Realized gains (losses) for the period	0.60	0.19	(0.05)
Unrealized gains (losses) for the period	2.34	2.56	0.49
Total increase (decrease) from operations [3]	**2.68**	**2.53**	**0.27**
Distributions:			
From income (excluding dividends)	–	–	–
From dividends	–	–	–
From capital gains	–	–	–
Return of capital	(1.75)	(1.75)	(1.54)
Total Distributions [4]	**(1.75)**	**(1.75)**	**(1.54)**
Net Assets, end of period [5]	**22.87**	**23.53**	**22.92**

(1) Results for the period from October 13, 2010 (commencement of operations) to August 31, 2011.
(2) Issue expenses of $1,473,200 incurred in connection with the Class U/ Series 1 units issuance. Additional issue expenses of $141,829 incurred in connection with the Class U/ Series 1 private placement issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes.
(3) 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 889,076 Class U/ Series 1 units outstanding as of August 31, 2013 (August 31, 2012 – 900,551 units).
(4) The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates.
(5) This is not a reconciliation between the opening and the closing net assets per unit.

Ratios and Supplemental Data (Class U/ Series 1 Units):

	August 31, 2013 USD	August 31, 2012 USD	August 31, 2011 [1] USD
Net asset value (000's)	19,172	21,848	23,192
Number of units outstanding	838,156	928,619	1,009,424
Base Management expense ratio [2] [3]	0.94%	0.76%	0.69%
Issue expenses ratio [2] [3]	0.00%	0.69%	6.31%
Interest expense ratio [2] [3]	0.18%	0.21%	0.17%
Management expense ratio (annualized) [3]	1.12%	1.66%	7.17%
Management expense ratio before waivers or absorptions (annualized) [3]	1.12%	1.66%	7.17%
Portfolio turnover rate [4]	0.00%	0.00%	0.00%
Trading expense ratio [5]	0.00%	0.00%	0.00%
Net asset value per unit [6]	22.87	23.53	22.98

(1) Results for the period from October 13, 2010 (commencement of operations) to August 31, 2011.
(2) A separate base management expense ratio has been presented to include the normal operating expenses and exclude the Issue expense ratio: representing all agents' fees and unit issue expenses and Interest expense ratio: representing cost of leverage.
(3) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Unit issue expenses, representing all Agents' fees and other offering expenses, which are one-time expenses, have not been annualized.
(4) 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.
(5) 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.
(6) The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio.

Class U/ Series 2:

The Fund's Net Assets per Class U/ Series 2 Unit:

	August 31, 2013 USD	August 31, 2012 USD	August 31, 2011 [1] USD
Net Assets, beginning of period	**24.27**	**23.61**	**25.00**
Unit issue expense [2]	–	–	**(0.66)**
Increase (decrease) from operations:			
Total revenues	–	–	0.02
Total expenses	(0.47)	(0.34)	(0.18)
Realized gains (losses) for the period	0.62	0.20	(0.06)
Unrealized gains (losses) for the period	1.68	2.62	0.43
Total increase (decrease) from operations [3]	**1.83**	**2.48**	**0.21**
Distributions:			
From income (excluding dividends)	–	–	–
From dividends	–	–	–
From capital gains	–	–	–
Return of capital	(1.75)	(1.75)	(1.54)
Total Distributions [4]	**(1.75)**	**(1.75)**	**(1.54)**
Net Assets, end of period [5]	**23.60**	**24.27**	**23.61**

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

(2) Issue expenses of $6,951 incurred in connection with the Class U/ Series 2 units issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes.

(3) 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 4,951 Class U/ Series 2 units outstanding as of August 31, 2013 (August 31, 2012 – 9,453 units).

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

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

Ratios and Supplemental Data (Class U/ Series 2 Units):

	August 31, 2013 USD	August 31, 2012 USD	August 31, 2011 [1] USD
Net asset value (000's)	33	131	250
Number of units outstanding	1,400	5,401	10,565
Base Management expense ratio [2] [3]	1.76%	1.28%	1.10%
Issue expenses ratio [2] [3]	0.00%	0.00%	2.79%
Interest expense ratio [2] [3]	0.18%	0.21%	0.17%
Management expense ratio (annualized) [3]	1.94%	1.49%	4.06%
Management expense ratio before waivers or absorptions (annualized) [3]	1.94%	1.49%	4.06%
Portfolio turnover rate [4]	0.00%	0.00%	0.00%
Trading expense ratio [5]	0.00%	0.00%	0.00%
Net asset value per unit [6]	23.60	24.27	23.67

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

(2) A separate base management expense ratio has been presented to include the normal operating expenses and exclude the Issue expense ratio: representing all agents' fees and unit issue expenses and Interest expense ratio: representing cost of leverage.

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

(4) 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.

(5) 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.

(6) The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio.

Summary of Investment Portfolio as of 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.

Investment portfolio of the Fund

	Fair value CAD $	% of NAV
Portfolio by Category		
Equity Derivatives	147,413,260	118.1%
Cash	73,596	0.0%
Other liabilities net of other assets	(917,846)	-0.7%
Leverage	(21,710,831)	-17.4%
Top 25 Holdings		
Prepaid forward agreement	147,413,260	118.1%
Cash	73,596	0.0%
Net asset value	**124,858,179**	

The Fund obtained exposure to the performance of the portfolio held by CS Trust through the Forward Agreement (see Investment Objectives and Strategies). The following is the summary of investment portfolio for CS Trust as of August 31, 2013:

Investment portfolio of CS Trust

	Fair value CAD $	% of NAV of CS Trust
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	(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 **HBanc Capital Securities 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 financial 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 Unitholders. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Unitholders 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

HBanc Capital Securities Trust

Statements of Net Assets

As at August 31, 2013 and 2012

	2013	2012
	$	$
Assets		
Cash	73,596	58,193
Prepaid forward agreement (note 8)	147,413,260	180,116,198
Settlement of forward agreement receivable	-	1,137,241
Prepaid expenses and other assets	8,378	17,161
	147,495,234	181,328,793
Liabilities		
Bank indebtedness (note 5)	21,710,831	24,842,845
Interest payable	17,849	24,338
Distributions payable	794,678	963,553
Accounts payable and accrued liabilities	57,341	-
Forward fees payable	43,884	53,096
Management fees payable	12,472	2,003
	22,637,055	25,885,835
Net assets and unitholders' equity	124,858,179	155,442,958
Net Assets		
Class A / Series 1	103,646,272	132,049,305
Class A / Series 2	952,763	1,703,234
Class U / Series 1	20,224,284	21,561,074
Class U / Series 2	34,860	129,345
Class U / Series 1 (USD)	USD 19,171,812	USD 21,848,483
Class U / Series 2 (USD)	USD 33,046	USD 131,069
Units issued and outstanding (note 6)		
Class A / Series 1	4,524,421	5,616,599
Class A / Series 2	40,400	70,400
Class U / Series 1	838,156	928,619
Class U / Series 2	1,400	5,401
Net assets per unit		
Class A / Series 1	22.91	23.51
Class A / Series 2	23.58	24.19
Class U / Series 1	24.13	23.22
Class U / Series 2	24.90	23.95
Class U / Series 1 (USD)	USD 22.87	USD 23.53
Class U / Series 2 (USD)	USD 23.60	USD 24.27
Unitholders' equity (note 6)		
Unit Capital	98,695,108	134,237,036
Retained Earnings	26,163,071	21,205,922
Total Unitholders' equity	124,858,179	155,442,958

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

Director **Director**

(See accompanying notes to financial statements)

HBanc Capital Securities Trust

Statements of Operations

For the years ended August 31, 2013 and 2012

		2013		2012
		$		**$**
Income				
Interest income		3,238		170
Expenses				
Forward fees (note 8)		598,980		641,682
Interest expense (note 5)		246,289		309,810
Management fees (note 10)		218,973		234,165
Harmonized sales tax		100,699		(3,424)
Custodial and other unitholder fees		59,342		60,139
Administration fees		29,127		24,861
Audit fees		23,591		20,057
TSX fees		22,089		12,551
Transfer agent fees		16,399		15,046
Filing fees		11,164		11,225
Other fees		7,303		7,565
IRC fees		6,275		5,629
Service fees (note 11)		5,814		8,750
Printing and mailing fees		5,085		11,575
Registration fees		3,509		11,410
Legal fees		2,000		17,140
		1,356,639		1,388,181
Investment (loss)		(1,353,401)		(1,388,011)
Unrealized gain (loss) on investments				
Change in unrealized (loss) on foreign exchange		(1,565,870)		(367,180)
Change in unrealized gain on forward agreement (note 8)		5,229,544		18,002,256
		3,663,674		17,635,076
Realized gain on investments				
Net realized gain on forward agreement (note 8)		7,852,661		2,296,297
Net realized (loss) on foreign exchange		(166,319)		(212,107)
		7,686,342		2,084,190
Net gain on investments		11,350,016		19,719,266
Increase in net assets from operations		9,996,615		18,331,255
Increase in net assets from operations for				
Class A / Series 1		7,481,232		15,772,561
Class A / Series 2		96,744		237,188
Class U / Series 1		2,409,465		2,297,893
Class U / Series 2		9,174		23,613
Class U / Series 1 (USD) *	USD	2,383,852	USD	2,276,844
Class U / Series 2 (USD) *	USD	9,076	USD	23,397
Increase in net assets from operations per unit **				
Class A / Series 1		1.42		2.70
Class A / Series 2		1.69		2.70
Class U / Series 1		2.71		2.55
Class U / Series 2		1.85		2.50
Class U / Series 1 (USD) *	USD	2.68	USD	2.53
Class U / Series 2 (USD) *	USD	1.83	USD	2.48

* (based on average exchange rate for the year)

** (based on weighted average number of units outstanding during the year)

(See accompanying notes to financial statements)

HBanc Capital Securities Trust

Statements of Changes in Net Assets and Retained Earnings

For the years ended August 31, 2013 and 2012

	Class A					
	Series 1 2013 $	**Series 2 2013 $**	**Total 2013 $**	**Series 1 2012 $**	**Series 2 2012 $**	**Total 2012 $**
Increase in net assets from operations	7,481,232	96,744	7,577,976	15,772,561	237,188	16,009,749
Distributions to unitholders from: (note 9)						
Return of capital	(9,210,240)	(99,815)	(9,310,055)	(10,256,409)	(153,119)	(10,409,528)
Unitholders' transactions (note 6)						
Agents' fees and issue expenses	-	-	-	11,343	175	11,518
Transfers from Class A/ Series 2, Class U/ Series 1 and Class U/ Series 2 to Class A/ Series 1	1,228,645	(170,934)	1,057,711	7,078,701	(781,796)	6,296,905
Payments on redemption of units	(27,902,670)	(576,466)	(28,479,136)	(12,116,290)	(23,551)	(12,139,841)
	(26,674,025)	(747,400)	(27,421,425)	(5,026,246)	(805,172)	(5,831,418)
Change in net assets during the year	(28,403,033)	(750,471)	(29,153,504)	489,906	(721,103)	(231,197)
Net assets - beginning of year	132,049,305	1,703,234	133,752,539	131,559,399	2,424,337	133,983,736
Net assets - end of year	103,646,272	952,763	104,599,035	132,049,305	1,703,234	133,752,539
Retained Earnings, beginning of year	18,345,247	283,048	18,628,295	3,013,103	46,614	3,059,717
Increase in net assets from operations	7,481,232	96,744	7,577,976	15,772,561	237,188	16,009,749
Cost of shares redeemed in excess of average price per unit	(4,745,105)	(112,485)	(4,857,590)	(440,417)	(754)	(441,171)
Retained Earnings, end of year	21,081,374	267,307	21,348,681	18,345,247	283,048	18,628,295

	Class U					
	Series 1 2013 $	**Series 2 2013 $**	**Total 2013 $**	**Series 1 2012 $**	**Series 2 2012 $**	**Total 2012 $**
Increase in net assets from operations	2,409,465	9,174	2,418,639	2,297,893	23,613	2,321,506
Distributions to unitholders from: (note 9)						
Return of capital	(1,569,443)	(8,338)	(1,577,781)	(1,599,368)	(16,528)	(1,615,896)
Unitholders' transactions (note 6)						
Proceeds from issue of units	-	-	-	5,136,723	-	5,136,723
Agents' fees and issue expenses	-	-	-	(138,856)	32	(138,824)
Transfers from Class A/ Series 2, Class U/ Series 1 and Class U/ Series 2 to Class A/ Series 1	(962,390)	(95,321)	(1,057,711)	(6,226,130)	(70,775)	(6,296,905)
Payments on redemption of units	(1,214,422)	-	(1,214,422)	(530,785)	(50,927)	(581,712)
	(2,176,812)	(95,321)	(2,272,133)	(1,759,048)	(121,670)	(1,880,718)
Change in net assets during the year	(1,336,790)	(94,485)	(1,431,275)	(1,060,523)	(114,585)	(1,175,108)
Net assets - beginning of year	21,561,074	129,345	21,690,419	22,621,597	243,930	22,865,527
Net assets - end of year	20,224,284	34,860	20,259,144	21,561,074	129,345	21,690,419
Retained Earnings, beginning of year	2,552,647	24,980	2,577,627	268,783	2,166	270,949
Increase in net assets from operations	2,409,465	9,174	2,418,639	2,297,893	23,613	2,321,506
Cost of shares redeemed in excess of average price per unit	(181,876)	-	(181,876)	(14,029)	(799)	(14,828)
Retained Earnings, end of year	4,780,236	34,154	4,814,390	2,552,647	24,980	2,577,627

HBanc Capital Securities Trust

Statements of Changes in Net Assets and Retained Earnings… Continued

For the years ended August 31, 2013 and 2012

	Total	
	2013	**2012**
	$	**$**
Increase in net assets from operations	9,996,615	18,331,255
Distributions to unitholders from: (note 9)		
Return of capital	(10,887,836)	(12,025,424)
Unitholders' transactions (note 6)		
Proceeds from issue of units	-	5,136,723
Agents' fees and issue expenses	-	(127,306)
Transfers from Class A/ Series 2, Class U/ Series 1 and Class U/ Series 2 to Class A/ Series 1	-	-
Payments on redemption of units	(29,693,558)	(12,721,553)
	(29,693,558)	(7,712,136)
Change in net assets during the year	(30,584,779)	(1,406,305)
Net assets - beginning of year	155,442,958	156,849,263
Net assets - end of year	124,858,179	155,442,958
Retained Earnings, beginning of year	21,205,922	3,330,666
Increase in net assets from operations	9,996,615	18,331,255
Cost of shares redeemed in excess of average price per unit	(5,039,466)	(455,999)
Retained Earnings, end of year	26,163,071	21,205,922

HBanc Capital Securities Trust

Statements of Cash Flow

For the years ended August 31, 2013 and 2012

	2013	2012
	$	$
Operating Activities		
Increase in net assets from operations	9,996,615	18,331,255
Items not affecting cash:		
Change in unrealized (gain) on forward agreement	(5,229,544)	(18,002,256)
Net realized (gain) on forward agreement	(7,852,661)	(2,296,297)
Changes in non-cash working capital:		
(Increase) decrease in prepaid expenses and other assets	8,783	(17,161)
Increase (decrease) in interest payable	(6,489)	1,019
Increase (decrease) in accounts payable and accrued liabilities	57,341	(51,242)
(Decrease) in forward fees payable	(9,212)	(1,112)
Increase (decrease) in management fees payable	10,469	(12,171)
Investment in forward agreement	(1,439,812)	(12,448,841)
Pre-settlements received by the Fund from the Counterparty under the forward agreement	48,362,196	36,226,862
Net cash flow provided by operating activities	43,897,686	21,730,056
Financing Activities		
Proceeds from issuance of units	-	5,136,723
Unit issue costs	-	(127,306)
Payments on redemption of units	(29,693,558)	(12,721,553)
Distributions paid to unitholders	(11,056,711)	(12,072,761)
Bank indebtedness	(3,132,014)	(1,915,087)
Net cash flow (used in) financing activities	(43,882,283)	(21,699,984)
Net increase in cash	15,403	30,072
Cash - beginning of year	58,193	28,121
Cash - end of year	73,596	58,193
Supplementary Information		
Interest paid	252,778	308,791

(See accompanying notes to financial statements)

HBanc Capital Securities Trust

Statement of Investment Portfolio

As at August 31, 2013

	Maturity date	Number of shares / par value $	Average cost $	Fair value $	% of NAV
Forward agreement:					
Investments held in CS Trust under the prepaid forward agreement *					
Short-term investments					
Bearer deposit notes					
Toronto Dominion Bank (USD)	11/06/2013	650,000	674,134	685,505	0.5%
Preferred Stock (USD)					
Financials					
HSBC Holdings PLC, Series 1, 8.125% **		232,948	6,513,054	6,332,620	5.1%
HSBC Holdings PLC, Series 2, 8.000% ***	12/15/2015	4,961,194	138,943,626	141,933,817	113.7%
			145,456,680	148,266,437	118.8%
Total investments			146,130,814	148,951,942	119.3%

	Maturity date	Contract price / rate $	Unrealized gain (loss) $	% of NAV
Foreign currency forward contracts				
Bought CAD 137,525,694 sold USD 131,944,444	12/15/2015	1.0423	(4,150,921)	-3.3%
Other assets net of other liabilities of CS Trust			2,612,239	2.1%
Transactional net asset value of CS Trust			147,413,260	118.1%
Prepaid forward agreement			147,413,260	118.1%
Leverage			(21,710,831)	-17.4%
Other liabilities net of other assets of the Fund			(844,250)	-0.7%
Net asset value of the Fund			124,858,179	100.0%

* HBanc Capital Securities Trust (the "Fund") obtained exposure to the performance of the portfolio held by CS Trust (the "Trust") through the Forward Agreement (see note 8); thus, the portfolio of the Trust is presented as part of this statement.

** 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 Fund activities

HBanc Capital Securities Trust (the "Fund") is an investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement (the "Trust Agreement") between Aston Hill Capital Markets Inc. (formerly "Connor, Clark & Lunn Capital Markets Inc.") (the "Manager") the Manager of the Fund and RBC Investor Services Trust (formerly "RBC Dexia Investor Services Trust") (the "Trustee") dated September 28, 2010. The Fund's principal office is located at 77 King Street West, Suite 2110, Toronto, Ontario, M5K 1G8. The fiscal year-end of the Fund is August 31.

The Fund is offered in two classes of Units, each of which is offered in two series: Class A Units, Series 1 and 2 at a price of $25.00 per Class A Unit and Class U Units, Series 1 and 2 at a price of U.S. $25.00 per Class U Unit. The only difference between the two series of each class of Units is the fees paid with respect to such series. The Class U Units are designed for investors wishing to make their investments in U.S. dollars. The Class A/ Series 1 Units are listed on the Toronto Stock Exchange (the "TSX") under the symbol HSC.UN. The Class A/ Series 2, Class U/ Series 1 and Class U/ Series 2 Units are not listed on the TSX but may be converted into Class A/ Series 1 Units on a weekly basis.

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 monthly, tax-advantaged distributions consisting primarily of returns of capital, initially representing a yield on the Unit issue price of 7.0% per annum and (ii) provide exposure to the Capital Securities.

In order to achieve the Fund's investment objectives, the Fund obtains exposure, in a tax-efficient manner, to the performance of a portfolio (the "Portfolio") held by CS Trust (the "CS Trust" or the "Trust"). The Fund provides investors with high levels of stable, tax-advantaged distributions through exposure to CS Trust's Portfolio of securities issued by HSBC Holdings plc, a conservatively positioned and strongly capitalized global bank. Specifically, the Trust has exposure to (i) the 8.125% Perpetual Subordinated Capital Securities, Series 1 issued by HSBC and (ii) the 8.00% Perpetual Subordinated Capital Securities, Series 2 issued also by HSBC.

3 Summary of significant accounting policies

Basis of presentation

These financial statements, prepared in accordance with the 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 valuation of the Portfolio that the Fund has exposure to through the prepaid forward agreement is calculated in accordance with the above.

There were no differences between the Transactional NAV and GAAP Net Assets as at August 31, 2013 and 2012.

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.

Expense recognition

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

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.

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.

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 (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 (loss) on foreign exchange".

Foreign currency forward contracts

The Fund is exposed to the foreign currency contracts held in CS Trust. The carrying value of the foreign currency forward 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 in CS Trust. Upon closing of a contract, the gain or loss is recorded as net realized gain or loss on foreign currency forward contracts. This is reflected in the Fund through its exposure to the Forward Agreement and is recorded in the Statements of Operations as "Change in unrealized gain on forward agreement".

Initial fees and expenses

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

Increase in net assets from operations per unit

This calculation is based on the increase in net assets from operations attributable to each class/ series divided by the weighted average number of units of that class/ series 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/ series

A separate net assets per unit is calculated for each class/ series. The net assets of a class/ series is computed by calculating the class/ series' proportionate share of the assets and liabilities to all classes/ series and adjusted for assets and liabilities attributable only to that class/ series. Expenses directly attributable to a class/ series are charged to that class/ series. Other expenses, income, realized and unrealized gains and losses are allocated proportionately to each class/ series based upon the relative net assets of each class/ series. On any valuation date, the net assets per unit for the Class U, Series 1 and 2 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 financial liabilities and reported at amortized cost.

Related party transactions

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

International Financial Reporting Standards

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 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 on August 31, 2013 and 2012.

5 Bank indebtedness

The Fund's exposure to the securities in the Portfolio through the Forward Agreement may be increased to 15.0% of the levered notional amount (being the Net Asset Value of CS Trust) for the purposes of adding leverage to the Portfolio and such other short-term funding purposes as may be determined by the Investment Manager from time to time and in accordance with the Investment Strategy. The use of leverage has the potential to enhance or reduce returns.

The leverage conditions are part of the Forward Agreement dated October 13, 2010 between the Manager and the Bank of Montreal (the "Counterparty" or "BMO") (see note 8). This agreement will be terminated on the earlier of (i) December 30, 2015 and (ii) the date on which this transaction is pre-settled in full pursuant to the terms of the Credit Agreement. In addition to the normal interest charges calculated on the amount of actual borrowing, the Fund is also charged a small fee of 0.25% on the difference between the maximum allowable borrowing amount and the amount of actual borrowing. If the borrowed amount exceeds 15.0% of the levered notional amount, the leverage amount will be reduced to ensure the leverage ratio is not greater than 15.0%.

During the year ended August 31, 2013, the Fund applied leverage in the range from 13.07% to 15.68% or U.S. $17,153,000 to U.S. $21,678,000 for Class A (the Canadian equivalent was $17,600,763 to $22,288,252) and 14.31% to 15.41% or U.S. $3,428,000 to U.S. $3,791,000 for Class U (the Canadian equivalent was $3,517,485 to $3,907,965). (During the year ended August 31, 2012, the Fund applied leverage in the range from l3.46% to 15.78% or U.S. $22,283,000 to U.S. $23,399,000 for Class A (the Canadian equivalent was $22,012,249 to $24,242,644) and 11.72% to 15.49% or U.S. $3,121,000 to U.S. $3,965,000 for Class U (the Canadian equivalent was $3,079,337 to $4,078,589). The leverage factor as of August 31, 2013 was 14.67% for Class A and the borrowed amount was U.S. $17,153,000 (the Canadian equivalent was $18,094,645). The leverage factor as of August 31, 2013 was 15.02% for Class U and the borrowed amount was U.S. $3,428,000 (the Canadian equivalent was $3,616,186). (The leverage factor as of August 31, 2012 was 13.65% for Class A and the borrowed amount was U.S. $21,383,000 (the Canadian equivalent was $21,101,714). The leverage factor as of August 31, 2012 was 14.63% for Class U and the borrowed amount was U.S. $3,791,000 (the Canadian equivalent was $3,741,131)).

6 Unitholders' 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. The Class A Units and Class U Units were each issued in two series designated as Series 1 and Series 2. The only difference between the two series of each class of Units is the fees paid with respect to such series. The Agents' fees payable with respect to the original issuance of units were lower for the Class A/ Series 2 and Class U/ Series 2 Units than the Class A/ Series 1 and Class U/ Series 1 Units. The service fees are only payable by the Class A/ Series 2 and Class U/ Series 2 Units. The Fund is authorized to issue an unlimited number of Units of each class. The Class A/ Series 2, Class U/ Series 1 and Class U/ Series 2 Units may be converted into Class A/ Series 1 Units on a weekly basis. Each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units, subject to Unitholders of each class/ series being entitled to distributions or redemptions based on the Net Asset Value of the Units of a particular class/ series.

On October 13, 2010, the Fund completed its initial public offering pursuant to the Prospectus dated September 28, 2010. The details of the initial public offering are summarized as follows:

	Class A (CAD)			Class U (USD)		
	Series 1	**Series 2**	**Total**	**Series 1**	**Series 2**	**Total**
Units issued	5,797,393	105,500	5,902,893	1,042,724	10,565	1,053,289
Offering price per unit	25.00	25.00		25.00	25.00	
Gross Proceeds	144,934,825	2,637,500	147,572,325	26,068,100	264,125	26,332,225
Agents' fee and issue expenses	(8,192,469)	(69,960)	(8,262,429)	(1,473,200)	(6,951)	(1,480,151)
Net Proceeds	136,742,356	2,567,540	139,309,896	24,594,900	257,174	24,852,074
Opening NAV per unit	23.59	24.34		23.59	24.34	

The Class A Units and Class U Units may be redeemed on an Annual Redemption Date, which is the second last Business Day (any day except Saturday, Sunday, a statutory holiday in Toronto or any other day on which the TSX is no open for trading) of April of each year, subject to certain conditions and in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the last Business Day of March in the year of redemption. Unitholders whose Units are redeemed on an Annual Redemption Date will receive a redemption price in an amount equal to 100% of the annual redemption price less any costs associated with the redemption, including brokerage costs and less any net realized capital gains to the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption.

In addition to the annual redemption right, the Class A Units and Class U Units may also be redeemed on a Monthly Redemption Date, which is the second last Business Day of each month other than April, subject to certain conditions and in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the Monthly Redemption Date. Payment of the redemption price will be made on or before the redemption payment date, subject to the Manager's right to suspend redemptions in certain circumstances. Concurrently with the payment of the redemption price, the Fund may pay to the redeeming Unitholder a cash distribution in the amount of the net realized capital gains of the Fund incurred by it to fund the payment of the redemption price. Unitholders surrendering a Class A/ Series 1 Unit for redemption will receive an amount equal to the lesser of (i) 95% of the Market Price of a Class A/ Series 1 Unit, which is the weighted average trading price on the TSX (or such other stock exchange on which such security is listed) for 10 trading days immediately preceding such Monthly Redemption Date and (ii) 100% of the Closing Market Price of a Class A/ Series 1 Unit on the applicable Monthly Redemption Date, which is the closing price on the TSX (or such other stock exchange on which such security is listed) on such Monthly Redemption Date or, if there was no trade on the relevant Monthly Redemption Date, the average of the last bid and the last asking prices on the TSX (or such other stock exchange on which such security is listed) on such Monthly Redemption Date less, in each case, any costs associated with the redemption and less any net realized capital gains of the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption, being the Monthly Redemption Amount. Unitholders surrendering a Class A/ Series 2 Unit for redemption will receive an amount equal to the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated net asset value per Class A/ Series 2 Unit and the denominator of which is the most recently calculated net asset value per Class A/ Series 1 Unit. Unitholders surrendering a Class U/ Series 1 Unit for redemption will receive, in U.S. dollars, an amount equal to the U.S. dollar equivalent of the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated redemption net assets per unit of a Class U/ Series 1 Unit and the denominator of which is the most recently calculated redemption net assets per unit of a Class A/ Series 1 Unit. Unitholders surrendering a Class U/ Series 2 Unit for redemption will receive in U.S. dollars, an amount equal to the U.S. dollar equivalent of the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated redemption net assets per unit of a Class U/ Series 2 Unit and the denominator of which is the most recently calculated redemption net assets per unit of a Class A/ Series 1 Unit.

On April 27, 2012, the Fund completed a private placement issuance for the Class U/ Series 1 Units. The Fund issued 220,200 Class U/ Series 1 Units for gross proceeds of $5,136,723 and incurred an issuance fee of $141,829. The amount of the issuance fee was only borne by the private placement subscribers.

During the year ended August 31, 2013, there were 7,000 Class A/ Series 2 Units, 40,020 Class U/ Series 1 Units and 4,001 Class U/ Series 2 Units converted into 51,728 Class A/ Series 1 Units for a total value of $1,228,645 (32,900 Class A/ Series 2 Units, 277,955 Class U/ Series 1 Units and 3,000 Class U/ Series 2 Units were converted into 314,562 Class A/ Series 1 Units for a total value of $7,078,701 during the year ended August 31, 2012). During the same period, the Fund also had redemptions of 1,143,906 Class A/ Series 1 Units for $27,902,670 and redemptions of 23,000 Class A/ Series 2 Units for $576,466. There were also 50,443 Class U/ Series 1 Units redeemed for $1,214,422 during the year ended August 31, 2013 (529,697 Class A/ Series 1 Units were redeemed for $12,116,290 and 1,000 Class A/ Series 2 Units were redeemed for $23,551 during the year ended August 31, 2012. There were also 23,050 Class U/ Series 1 Units redeemed for $530,785 and 2,164 Class U/ Series 2 Units redeemed for $50,927 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/ Series 1 Units		Class A/ Series 2 Units	
	August 31, 2013	August 31, 2012	August 31, 2013	August 31, 2012
Balance – beginning of year	5,616,599	5,831,734	70,400	104,300
Units issued	–	–	–	–
Units converted to Class A/ Series 1	51,728	314,562	(7,000)	(32,900)
Units redeemed	(1,143,906)	(529,697)	(23,000)	(1,000)
Units cancelled (note 7)	–	–	–	–
Balance – end of year	4,524,421	5,616,599	40,400	70,400

	Class U/ Series 1 Units		Class U/ Series 2 Units	
	August 31, 2013	August 31, 2012	August 31, 2013	August 31, 2012
Balance – beginning of year	928,619	1,009,424	5,401	10,565
Units issued	–	220,200	–	–
Units converted to Class A/ Series 1	(40,020)	(277,955)	(4,001)	(3,000)
Units redeemed	(50,443)	(23,050)	–	(2,164)
Units cancelled (note 7)	–	–	–	–
Balance – end of year	838,156	928,619	1,400	5,401

The Unit Capital dollar amount represents the face value of the Fund’s units minus any return of capital distributions and issue costs paid since October 13, 2010 (commencement of operations) to August 31, 2013. 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.

7 Purchase for Cancellation

The Fund Trust Agreement provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A/ Series 1 Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager’s assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A/ Series 1 Unit not exceeding the most recently calculated net asset value per Class A/ Series 1 Unit immediately prior to the date of any such purchase of Units. These purchases are made as normal course issuer bids through the facilities and under the rules of the TSX or such other exchange or market on which the Class A/ Series 1 Units are listed.

The Fund did not purchase any Class A/ Series 1 Units for cancellation during the years ended August 31, 2013 and 2012.

8 Forward Agreement

The Fund does not invest directly in CS Trust; the Fund used the net proceeds of its initial public offering to pre-pay its purchase obligations under a forward purchase and sale agreement (the “Forward Agreement”) with the Bank of Montreal, (the “Counterparty” or “BMO”) whose S&P credit rating was A+ as of August 31, 2013 and 2012. Under the Forward Agreement, the Fund will receive, on or before December 30, 2015, a specified portfolio consisting of securities of Canadian public issuers that are “Canadian securities” for the purposes of the Tax Act (“Canadian Securities”) in an amount equal to the value of CS Trust. Partial settlements under the Forward Agreement are intended to ensure that Unitholders have economic exposure to the distributions effected by CS Trust. A fee of 0.35% per annum, calculated with reference to the NAV of CS Trust, is payable to BMO under the Forward Agreement. The Forward Agreement may be terminated by either party with 90 days notice.

Since the Fund can at any time terminate the Forward Agreement with the Counterparty in exchange for the value of CS Trust, the value of the Forward Agreement to the Fund is equal to the transactional NAV of CS Trust. On August 31, 2013, the value of the prepaid amount to the Counterparty under the Forward Agreement was $120,602,328 and the value of the unrealized gain on the Forward Agreement was $26,810,932. Liabilities net of other assets in the Fund totalled $22,555,081, leaving net assets of $124,858,179. (On August 31, 2012, the value of the prepaid amount to the Counterparty under the Forward Agreement was $158,534,810 and the value of the unrealized gain on the Forward Agreement was $21,581,388. Liabilities net of other assets totalled $24,673,240, leaving net assets of $155,442,958.)

9 Distributions

The Fund does not have a fixed distribution. The Fund paid an initial distribution of $0.23014 per Class A, Series 1 and 2 Unit and U.S. $0.23014 per Class U, Series 1 and 2 Unit covering the period from October 13, 2010 (commencement of operations) to November 30, 2010. The Fund paid regular monthly distributions of $0.1458 per Class A, Series 1 and 2 Unit and U.S. $0.1458 per Class U, Series 1 and 2 Unit thereafter, representing a return of 7.0% per annum on the Class A, Series 1 and 2 and Class U, Series 1 and 2 unit issue prices.

The Fund has made all its scheduled distributions during the year ended August 31, 2013, paying $1.7496 per Class A, Series 1 and 2 Unit and U.S. $1.7496 per Class U, Series 1 and 2 Unit ($1.7496 per Class A, Series 1 and 2 Unit and U.S. $1.7496 per Class U, Series 1 and 2 Unit during the year ended August 31, 2012).

10 Management Fees

The Manager receives a management fee from the Fund and CS Trust equal in the aggregate to 0.40% per annum of the applicable NAV (0.15% from the Fund and 0.25% from CS Trust), calculated daily and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund on a combined basis during the year ended August 31, 2013 were $583,665 plus applicable taxes ($624,962 plus applicable taxes during the year ended August 31, 2012).

11 Service Fees

The Fund pays to the Manager a service fee, calculated quarterly and paid as soon as practicable after the end of each calendar quarter, solely with respect to the Series 2 of the Class A and Class U Units, equal to 0.30% per annum of the NAV attributable to the Series 2 of the Class A and Class U Units. The service fee is applied by the Manager to pay a service fee in an equivalent aggregate amount to brokers based on the number of Series 2 of the Class A and Class U Units held by clients of such brokers at the end of the relevant quarter. No service fee is payable in respect of the Series 1 of the Class A and Class U Units.

The service fees charged to the Fund during the year ended August 31, 2013 were $5,814 ($8,750 during the year ended August 31, 2012).

12 Income taxes

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and accordingly, is subject to tax on its investment income, including net realized capital gains, for any calendar year in which its net investment income or sufficient net realized capital gains are not paid or payable to its unitholders as at the end of the calendar year. It is the intention of the Manager that all annual net investment income and sufficient net taxable capital gains, net of capital gains refund available to mutual fund trusts, will be distributed to unitholders 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 net taxable capital losses carry forward balances as at tax year ends December 31, 2012 and 2011. The Fund had non-capital losses of $6,008,049 as of December 31, 2012 (December 31, 2011 – $3,976,223), which will expire within the next twenty years as shown in the following table:

Year of the realized non-capital tax loss	Amount of tax loss	Expiry date
2010	572,335	2030
2011	3,403,888	2031
2012	2,031,826	2032
Total	**6,008,049**	

13 Broker commission charges and soft dollar services

There were $nil broker commissions paid during the years ended August 31, 2013 and 2012. No contractual arrangements for soft dollar services exist in the broker commission charges.

14 Financial instruments

	August 31, 2013	**August 31, 2012**
Assets	**$**	**$**
Cash	73,596	58,193
Held for trading	147,413,260	180,116,198
Loan and receivables	8,378	1,154,402
Total assets	**147,495,234**	**181,328,793**
Liabilities		
Financial liabilities at amortized cost	22,637,055	25,885,835
Total liabilities	**22,637,055**	**25,885,835**

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

The Fund obtained exposure to the performance of the portfolio held by CS Trust through the Forward Agreement (see note 8) and therefore, the following tables illustrate the classification of the Fund's and CS Trust'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	148,266,437	–	–	**148,266,437**
Short-term investments	–	685,505	–	**685,505**
Total	**148,266,437**	**685,505**	**–**	**148,951,942**

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	174,586,794	–	–	**174,586,794**
Short-term investments	–	789,239	–	**789,239**
Foreign currency forward contracts	–	2,672,231	–	**2,672,231**
Total	**174,586,794**	**3,461,470**	**–**	**178,048,264**

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 Trust'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.

15 Financial instrument risk

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

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds and short-term notes. 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 CS Trust are included in the analysis of interest rate risk. The tables below summarize the combined exposure of the Fund and CS Trust to interest rate risk and include the assets and liabilities of the Fund and CS Trust at fair value. 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	141,933,817	–	–	(4,150,921)	**144,115,516**
Short-term investments	685,505	–	–	–	115,100	**800,605**
Other assets	–	–	–	–	2,625,203	**2,625,203**
Liabilities	(21,710,831)	–	–	–	(972,314)	**(22,683,145)**
Total	**(14,692,706)**	**141,933,817**	**–**	**–**	**(2,382,932)**	**124,858,179**

August 31, 2012:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
Investments	7,844,568	–	166,742,226	–	2,672,231	**177,259,025**
Short-term investments	789,239	–	–	–	208,138	**997,377**
Other assets	–	–	–	–	4,168,747	**4,168,747**
Liabilities	(24,842,845)	–	–	–	(2,139,346)	**(26,982,191)**
Total	**(16,209,038)**	**–**	**166,742,226**	**–**	**4,909,770**	**155,442,958**

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 $2,947,600 and $3,020,000 (August 31, 2012 – $4,825,000 and 4,940,800). 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 combined exposure to foreign currencies held by the Fund and CS Trust. 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 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 functional currency 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	(17,501,200)	124,209,134	(139,187,776)	(32,479,842)	(31.1%)	(1,624,000)

August 31, 2012:

	Monetary instruments $	Non-monetary instruments $	Derivative instruments $	Net Exposure $	% of Net Assets	Sensitivity (based on devaluation of CAD) $
U.S. Dollar	(20,340,921)	150,225,056	(130,208,761)	(324,626)	(0.2%)	(16,000)

Credit risk

The Fund is exposed to the risk that a security issuer or counterparty will be unable to pay amounts in full when due. The Fund is exposed to the credit risk associated with the Counterparty. The possibility exists that the Counterparty will default on its obligations under the Forward Agreement. The Counterparty is rated A+ by S&P as of August 31, 2013 and 2012.

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 through its investment in CS Trust 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 CS Trust and the unrealized gain (loss) on derivative instruments outstanding with counterparties.

Rating	August 31, 2013 (% of Net Assets)
AA-	-3.3%
A+	118.8%
A-1+	0.5%
Total	**116.0%**

Rating	August 31, 2012 (% of Net Assets)
AA-	1.7%
A-	112.3%
A-1+	0.5%
Total	**114.5%**

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 daily cash redemptions from its purchase for cancellation program (see note 7), which is limited to certain conditions and from its bank indebtedness (see note 5). The Fund is also exposed to monthly redemptions and unlimited annual anniversary redemptions during the month of April of every year; therefore, the Fund invests the majority of its assets in investments that can be readily disposed. The Fund also achieves liquidity through its ability to pre-settle the Forward Agreement. In addition, the Fund retains sufficient cash and cash equivalent positions to meet its daily cash requirements. All liabilities (other than bank indebtedness) are due within three months.

16 Federal Budget Announcement

The most recent federal budget proposed measures with respect to certain financial arrangements, such as the Forward Agreement, that would eliminate certain tax benefits for taxable Unitholders of investment funds that utilize this kind of agreement. The budget announcement states that these changes apply only to forward agreements entered into on or after March 21, 2013 (the "Budget Day").

The Forward Agreement was entered into prior to the Budget Day. Based on the Manager's current understanding of the budget announcement and discussions with the Manager's tax counsel, distributions paid by the Fund are expected to be treated as capital gain or return of capital for tax purposes until the scheduled termination date of the Fund.

The draft legislation has not yet been enacted and there is no assurance that the proposals will not be changed from the proposals announced.