



Voya Diversified Floating Rate Senior Loan Fund

Class A Units and Class U Units

Annual Information Form

For the year ended May 31, 2016

No securities regulatory authority has expressed an opinion about these Units and it is an offence to claim otherwise.

August 29, 2016

TABLE OF CONTENTS

1	DESCRIPTION OF THE BUSINESS	4
1.1	NAME AND FORMATION	4
1.2	STATUS OF THE FUND	4
1.3	ISSUE OF UNITS	4
2	DESCRIPTION OF THE PORTFOLIO	4
2.1	THE FUND.....	4
2.2	OVERVIEW OF THE INVESTMENT STRUCTURE.....	6
3	UNITHOLDERS' EQUITY.....	8
3.1	DESCRIPTION OF UNITHOLDERS' EQUITY	8
3.2	UNITHOLDER MATTERS.....	10
3.3	TERMINATION OF THE FUND.....	12
3.4	DISTRIBUTION POLICY.....	13
3.5	REDEMPTION OF UNITS.....	13
4	VALUATION.....	15
4.1	CALCULATION OF NET ASSET VALUE	15
4.2	VALUATION POLICIES AND PROCEDURES	15
4.3	REPORTING OF NET ASSET VALUE	16
5	MANAGEMENT OF THE FUND.....	16
5.1	THE MANAGER	16
5.2	PROXY VOTING POLICIES AND PROCEDURES	18
5.3	THE SUB-ADVISOR.....	19
5.4	INDEPENDENT REVIEW COMMITTEE	21
5.5	THE TRUSTEE.....	22
5.6	THE CUSTODIAN	22
5.7	AUDITOR	22
5.8	TRANSFER AGENT AND REGISTRAR	22
5.9	PORTFOLIO TRANSACTIONS AND BROKERAGE.....	23
6	FEES AND EXPENSES.....	23
6.1	MANAGEMENT FEES	23
6.2	SERVICING FEE.....	23
6.3	COUNTERPARTY FEES.....	23
6.4	ONGOING EXPENSES.....	23
6.5	ADDITIONAL SERVICES	24
7	CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....	24
7.1	STATUS OF THE FUND	24
7.2	TAXATION OF THE FUND.....	24
7.3	TAXATION OF UNITHOLDERS	25
7.4	TAXATION OF REGISTERED PLANS	25
7.5	TAXATION IMPLICATIONS OF THE FUND'S DISTRIBUTION POLICY.....	25

7.6 ELIGIBILITY FOR INVESTMENT25

8 MATERIAL CONTRACTS26

1 DESCRIPTION OF THE BUSINESS

1.1 NAME AND FORMATION

Voya Diversified Floating Rate Senior Loan Fund (formerly “ING Diversified Floating Rate Senior Loan Fund”) (the “Fund”) is a non-redeemable investment fund established under the laws of the Province of Ontario pursuant to a Trust Agreement (the “Trust Agreement”) dated February 26, 2013 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 (the “Trustee”). The principal place of business of the Fund and the registered office of the Manager is located at 77 King Street West, Suite 2110, P.O. Box 92, Toronto, Ontario M5K 1G8. The Fund commenced operations on March 22, 2013. The fiscal year-end of the Fund is May 31.

1.2 STATUS OF THE FUND

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation. However, the Fund is subject to certain other requirements and restrictions contained in securities legislation, including National Instrument 81-106 – Investment Fund Continuous Disclosure of the Canadian Securities Administrators, which governs the continuous disclosure obligations of investment funds, including the Fund.

1.3 ISSUE OF UNITS

On March 22, 2013, the Fund completed an initial public offering pursuant to the Prospectus dated February 26, 2013. \$160,000,000 was raised through the issue of 16,000,000 Class A Units and U.S. \$17,714,670 was raised through the issue of 1,771,467 Class U Units. The Class A Units were issued at \$10.00 per Unit and incurred Agents’ fees and issue expenses of \$9,073,440 or \$0.57 per Unit, for an opening transactional NAV of \$9.43 per Unit. The Class U Units were issued at U.S. \$10.00 per Unit and incurred Agents’ fees and issue expenses of U.S. \$1,004,581 or U.S. \$0.57 per Unit, for an opening transactional NAV of U.S. \$9.43 per Unit.

On April 17, 2013, the Agents exercised an over-allotment option in respect of 703,924 Class A Units, raising a further \$7,039,240. Agents’ fees were \$369,560 or \$0.52 per Class A Unit.

2 DESCRIPTION OF THE PORTFOLIO

2.1 THE FUND

2.1.1 Investment Objectives

The Fund’s investment objectives are to: (i) provide tax-advantaged monthly cash distributions consisting primarily of returns of capital; (ii) preserve capital; and (iii) generate increased returns in the event that short-term interest rates rise above applicable LIBOR floors, in each case, through exposure to a diversified portfolio (the “Portfolio”) consisting primarily of senior, secured floating rate corporate loans (“Senior Loans”) and other senior debt obligations of non-investment grade North American borrowers held by ISL Loan Trust II (the “ISL Loan Trust II”) or the “Trust”) and actively managed by Voya Investment Management Co. LLC (formerly ING Investment Management Co. LLC) (the “Sub-Advisor”).

2.1.2 Investment Strategy

In order to achieve the Fund’s investment objectives, the Fund obtains exposure, in a tax-efficient manner, to the performance of the Portfolio held by ISL Loan Trust II. The Sub-Advisor invests in a broadly diversified portfolio composed primarily of Senior Loans that exhibit the highest relative value within the asset class. The Sub-Advisor generally seeks to make investments in Senior Loans and other debt obligations of borrowers that have: (i) significant levels of asset and/or cash flow coverage; (ii) a protective capital structure, with adequate subordinated debt cushion; (iii) strong senior management; and (iv) attractive market positioning. The Portfolio consists primarily of Senior Loans that are expected to generate increased Portfolio cash flow in the event that short-term interest rates rise. Up to 20% of Total Assets of the Fund may be exposed to senior, unsecured floating rate loans and notes, second lien floating rate loans and notes, corporate debt securities, short-term debt obligations, money market obligations and equity securities that are incidental to investments in loans.

The Portfolio is invested primarily in assets denominated in U.S. dollars. In respect of the Class A Units, the Sub-Advisor intends to hedge substantially all of the value of the Portfolio that is denominated in U.S. dollars or any other currencies other than the Canadian dollar back to the Canadian dollar. In respect of the Class U Units, the Sub-Advisor intends to hedge substantially all of the value of the Portfolio that is denominated in any other currencies other than the U.S. dollar back to the U.S. dollar.

The Fund does not invest directly in ISL Loan Trust II; 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 Nova Scotia (the “Counterparty” or “BNS”). Under the Forward Agreement, the Fund will receive, on or before February 28, 2018, a specified portfolio consisting of securities of Canadian public issuers that are “Canadian securities” for the purposes of the Tax Act in an amount equal to the value of the Net Asset Value of ISL Loan Trust II. Partial settlements under the Forward Agreement are intended to ensure that Unitholders have economic exposure to the distributions effected by ISL Loan Trust II. A fee of 0.45% per annum, calculated with reference to the Net Asset Value of ISL Loan Trust II, is payable to BNS under the Forward Agreement.

2.1.3 Investment Management Approach

The Voya Senior Loan Group, a unit of the Sub-Advisor, manages the Portfolio pursuant to a Sub-Advisor Agreement (the “Sub-Advisor Agreement”). The Sub-Advisor employs a disciplined process to identify, analyze, purchase and monitor investments. This process begins with macro economic research. The Sub-Advisor continually monitors world events, interest rate trends, domestic and global economic cycles and other economic variables. This research helps the Sub-Advisor identify industries for further review and analysis, while avoiding sectors prone to the clustering of defaults.

Once industries have been identified for further review and analysis, the Sub-Advisor analyzes those industries in terms of whether they are cyclical or non-cyclical, production or distribution, durable or non-durable, integrated or non-integrated, industrial or consumer, domestic or international and analyzes their capital flows, developing trends, pricing power and supply/demand dynamics.

Fundamental credit analysis is the foundation of the Sub-Advisor’s portfolio construction. The Sub-Advisor analyzes potential investments with respect to both the individual company and the deal structure. Fundamental credit analysis of a company is an in-depth, independent analysis focused on free cash flow generation, liquidity and adequacy of collateral coverage. In addition, the Sub-Advisor evaluates a company’s management, its competitive position, its market share within its industry and the strengths and weaknesses of its business segments.

The Sub-Advisor’s review of the structure of a proposed transaction focuses on the provisions of the credit documents, particularly the strength of the protective covenants and the voting rights of lenders. The Sub-Advisor also analyzes the sponsors of the transaction to determine whether they are proven, committed and have the financial resources required to support the company if necessary.

Proposed investments that are recommended after the foregoing review and analysis are presented to the Voya Senior Loan Group’s Investment Committee. The Investment Committee approves all new credit exposure, sets maximum per issuer credit limits and makes portfolio allocations. It also oversees secondary trading and compliance, validates credit scores, sets trading policy and provides approval of regular quarterly monitoring. All investment decisions of the Investment Committee must receive majority approval.

The final aspect of the Sub-Advisor’s investment process is rigorous on-going monitoring. The Sub-Advisor’s investment professionals continuously monitor general economic and company specific information, including daily review of indicative market valuations. The Voya Senior Loan Group’s Investment Committee oversees internal credit ratings on all assets under management. In addition, all assets are subject to a formal credit review by the Investment Committee at least quarterly.

2.1.4 Leverage

ISL Loan Trust II may employ leverage of up to 40% of Total Assets for the purposes of acquiring assets for the Portfolio and such other short-term funding purposes as may be determined by the Sub-Advisor, in consultation with the Manager, from time to time and in accordance with the Investment Strategy. The maximum amount of leverage the Fund could employ is 1.67:1. If there is a decline in the value of the assets in the Portfolio, the leverage will cause a decrease in the Net Asset Value of the Fund in excess of that which would otherwise be experienced if no leverage was utilized.

ISL Loan Trust II applied leverage in the range from 12.7% to 36.3% or from U.S. \$14,700,000 to U.S. \$44,200,000 during the year ended May 31, 2016. The amount of U.S. \$22,200,000 or the Canadian equivalent of \$29,039,820 was outstanding as of May 31, 2016. The leverage factor was approximately 22.6% as of May 31, 2016 (19.0 to 35.2% or from U.S. \$35,600,000 to U.S. \$66,400,000 during the year ended May 31, 2015. The amount of U.S. \$34,700,000 or the Canadian equivalent of \$43,314,275 was outstanding as of May 31, 2015. The leverage factor was approximately 23.6 % as of May 31, 2015). The related interest expense during the year ended May 31, 2016 was \$508,492 (\$787,401 during the same period ended May 31, 2015).

2.1.5 Use of Derivatives

ISL Loan Trust II may invest in and use derivative instruments for hedging purposes to the extent considered appropriate by the Manager taking into account factors including transaction costs. There can be no assurance that ISL Loan Trust II's hedging strategies will be effective.

2.1.6 Investment Restrictions of the Fund

The Fund is subject to the investment restrictions set out below and is also indirectly subject to the investment restrictions of ISL Loan Trust II as a result of the Forward Agreement. The investment restrictions of the Fund, which are set forth in the Fund Trust Agreement, provide that the Fund will not:

- (a) with respect to the securities acquired pursuant to the Forward Agreement, purchase any securities other than "Canadian securities" for the purpose of the Tax Act;
- (b) purchase the securities of an issuer for the purposes of exercising control over management of that issuer or if, as a result of such purchase, the Fund would be required to make a take-over bid that is a "formal bid" for the purposes of applicable securities laws;
- (c) make or hold any investment that would result in the Fund failing to qualify as a "mutual fund trust" for purposes of the Tax Act and will not acquire any property that would be "taxable Canadian property" of the Fund as such term is defined in the Tax Act (if the definition were read without reference to paragraph (b) thereof) (or any amendment to such definition) or "specified property" (as defined in the Tax Proposals released on September 16, 2004); or
- (d) make or hold any investment that would result in the Fund being subject to the tax on SIFT Trusts as provided for in section 122 of the Tax Act.

2.2 OVERVIEW OF THE INVESTMENT STRUCTURE

2.2.1 ISL Loan Trust II

ISL Loan Trust II is established for the purpose of acquiring and holding the Portfolio. The initial beneficial owner of all of the Units of ISL Loan Trust II was the Counterparty. The Counterparty has subscribed for Units of ISL Loan Trust II following the closing of the initial offering. ISL Loan Trust II used the subscription proceeds to acquire the Portfolio.

The Units of ISL Loan Trust II are redeemable at the demand of its Unitholder. On redemption, an ISL Loan Trust II Unitholder will receive for each Unit of ISL Loan Trust II redeemed an amount equal to the Net Asset Value per Unit of ISL Loan Trust II. The Net Asset Value per Unit of ISL Loan Trust II is equal to the amount by which the ISL Loan Trust II's Total Assets exceed its total liabilities on a per Unit basis and accordingly, is based upon the value of the Portfolio.

ISL Loan Trust II generally receives interest income from the assets in the Portfolio. The net income of ISL Loan Trust II consists primarily of interest income, less expenses of ISL Loan Trust II. ISL Loan Trust II distributes all of its net income and net realized capital gains, if any, earned in each fiscal year to ensure that it is not liable for tax under Part I of the Tax Act. To the extent that ISL Loan Trust II has not distributed in cash the full amount of its net income and net realized capital gains in any year, the difference between such amount and the amount actually distributed by ISL Loan Trust II may be paid through the issuance of additional Units having a Net Asset Value in the aggregate at the date of distribution equal to this difference. Immediately after any such distribution of Units, the number of outstanding Units of ISL Loan Trust II may be consolidated such that each Unitholder of ISL Loan Trust II (including the Counterparty, if it is a Unitholder) will hold after the consolidation the same number of Units of ISL Loan Trust II as it

held before the distribution of additional Units.

2.2.2 The Forward Agreement

The return to the Unitholders and the Fund is dependent upon the return on the Portfolio held by ISL Loan Trust II by virtue of the forward purchase and sale agreement between the Fund and the Counterparty.

Pursuant to the Forward Agreement, the Counterparty has agreed to deliver to the Fund, on the Forward Termination Date, the Canadian Securities Portfolio with an aggregate value equal to: (i) the redemption proceeds of all of the Units of ISL Loan Trust II, or (ii) the value of the Notional Portfolio, as applicable, net of any amount owing by the Fund to the Counterparty. ISL Loan Trust II issued Units to the Counterparty with an aggregate value equal to the net proceeds of the Offering, the proceeds from which ISL Loan Trust II used to acquire the Portfolio. The initial value of the Portfolio was equal to the net proceeds of the Offering. In such case, the return to the Fund is, by virtue of the Forward Agreement, based on the return of ISL Loan Trust II, which, in turn, is based on the performance of the Portfolio. The Fund is fully exposed to the credit risk associated with the Counterparty in respect of the Forward Agreement.

The Fund may settle the Forward Agreement in whole or in part prior to the Scheduled Forward Termination Date: (i) to fund distributions on the Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason.

The Forward Agreement may be terminated prior to the Scheduled Forward Termination Date in certain circumstances, including if an event of default or a termination event occurs with respect to the Fund or the Counterparty under the Forward Agreement.

The following constitute events of default under the Forward Agreement: (i) failure by a party to make a payment or perform an obligation when due under the Forward Agreement which is not cured within any applicable grace period; (ii) a party makes a representation which is incorrect or misleading in any material respect; (iii) a party defaults in respect of a specified transaction having a value in excess of a specified threshold which default is not cured within any applicable grace period; (iv) certain events related to the bankruptcy or insolvency of a party; and (v) a party consolidates, amalgamates or merges with or into, or transfers substantially all its assets to, another entity and the resulting, surviving or transferee entity fails to assume the obligations of such party under the Forward Agreement.

Termination events under the Forward Agreement include the following: (i) it becomes unlawful for a party to perform its obligations under or comply with any material provisions of the Forward Agreement; (ii) certain tax events occur which require a party to indemnify the other party in respect of certain taxes or reduce the amount that a party would otherwise have been entitled to receive under the Forward Agreement; (iii) failure of ISL Loan Trust II to comply with its governing documents; or (iv) certain regulatory, credit or legal events occur which affect a party.

If the Forward Agreement is terminated prior to the Forward Termination Date for any reason, it is expected that the Forward Agreement will be settled by physical delivery of the Canadian Securities Portfolio by the Counterparty to the Fund net of any amounts owing to the Counterparty.

2.2.3 Federal Budget Announcement

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

2.2.4 Investment Restrictions of ISL Loan Trust II

ISL Loan Trust II is subject to certain investment restrictions that are set out in the ISL Loan Trust II Trust Agreement. The investment restrictions of ISL Loan Trust II provide that ISL Loan Trust II will not:

- (a) invest at the time of purchase less than 80% of the ISL II Total Assets in Senior Loans, except within 60 days after the Closing Date and within 60 days prior to the Fund's termination;
- (b) invest at the time of purchase less than 85% of the ISL II Total Assets in assets denominated in U.S. dollars;
- (c) invest at the time of purchase less than 90% of the ISL II Total Assets in floating rate assets;
- (d) invest at the time of purchase more than 25% of ISL II Total Assets in the loans or other debt instruments of borrowers in the same industry sector (determined with reference to the industry sectors identified by Standard & Poor's);
- (e) invest at the time of purchase more than 10% of ISL II Total Assets in loans or other debt instruments of any one borrower or issuer;
- (f) invest at the time of purchase more than 15% of ISL II Total Assets in credit facility agreements that are less than U.S.\$150 million in size;
- (g) employ financial leverage in excess of 40% of ISL II Total Assets, except in connection with foreign exchange rate hedging;
- (h) purchase the common or preferred shares of any "substantial securityholder" of ISL Loan Trust II (as defined in the *Securities Act* (Ontario)) or the direct or indirect parent of any substantial securityholder of ISL Loan Trust II;
- (i) make or hold any investments in entities that would be "foreign affiliates" of ISL Loan Trust II for purposes of the Tax Act;
- (j) make or hold any investments in securities of a non-resident trust (or a partnership which holds such an interest) other than "exempt foreign trusts" as defined in proposed section 94 of the Tax Act set forth in the Tax Proposals;
- (k) make or hold any investments that could require ISL Loan Trust II to include any material amount in its income pursuant to the offshore investment fund property rules in section 94.1 of the Tax Act as modified by the Tax Proposals;
- (l) acquire any interest in a trust (or a partnership which holds such an interest) which would require the Fund (or the partnership) to report income in connection with such interest pursuant to the rules in proposed section 94.2 of the Tax Act, as set forth in Tax Proposals;
- (m) pledge any of its assets, except in connection with the employment of permitted financial leverage and foreign exchange rate hedging; or
- (n) purchase the securities of a borrower for the purposes of exercising control or direction, whether alone or in concert, over management of that borrower, except under circumstances where such borrower is in breach of the terms of, or in default under, the Senior Loan.

For the purposes of the foregoing investment restrictions applicable to ISL Loan Trust II, the ISL II Total Assets excludes cash, cash equivalents and unrealized gains or losses from foreign currency hedging contracts.

3 UNITHOLDERS' EQUITY

3.1 DESCRIPTION OF UNITHOLDERS' EQUITY

3.1.1 The Units

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 Fund is authorized to issue an unlimited number of Units of each class. The Class U Units are designed for investors wishing to make their investment in U.S. dollars. 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 being entitled to distributions or redemptions based on the Net Asset Value of the Units of a particular class. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains or income, if any. On the redemption of Units, however, the Fund may in its sole discretion, designate payable to redeeming Unitholders, as part of the redemption price, any capital gains realized by, and income of, the Fund in the taxation year in which the redemption occurred. On termination or liquidation of the Fund, the Unitholders of record are entitled to receive on a pro rata basis with holders of Units of that class all of the assets of the Fund attributable to that class

remaining after payment of all debts, liabilities and liquidation expenses of the Fund. Unitholders have no voting rights in respect of assets held by the Fund or ISL Loan Trust II. ISL Loan Trust II has delegated to the Manager the responsibility for voting on matters for which ISL Loan Trust II receives, in its capacity as a securityholder, proxy materials for a meeting of securityholders of a borrower included in the Portfolio.

The Fund Trust Agreement provides that the Fund may not issue additional Units of a class following completion of the Offering except: (i) for net proceeds per Unit of a class of not less than 100% of the most recently calculated Net Asset Value per Unit of such class prior to the pricing of such issuance (and, for greater certainty, in making such determination, if such NAV is calculated prior to a record date for a distribution in respect of units of a class being issued, the most recently calculated NAV per unit for the purposes of determining the subscription price will be adjusted to account for any distributions which have been declared payable in respect of such units and which will not be received by the subscriber); (ii) with the approval of Unitholders; (iii) by way of unit distributions; or (iv) upon the exercise of any warrants provided that the exercise price of such warrants is not less than that which would yield net proceeds of at least 100% of the most recently calculated Net Asset Value per Unit prior to the pricing of such warrants.

On December 16, 2004, the Trust Beneficiaries' Liability Act, 2004 (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the Securities Act (Ontario) and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the Securities Act (Ontario) and it is governed by the laws of Ontario by virtue of the provisions of the Fund Trust Agreement.

3.1.2 Conversion of Class U Units

A holder of Class U Units may convert such Class U Units into Class A Units on a weekly basis and it is expected that liquidity for the Class U Units is obtained primarily by means of conversion into Class A Units and a sale of such Class A Units. The Class U Units may be converted in any week on the first Business Day of such week by delivering a notice and surrendering such Class U Units by 3:00 p.m. (Toronto time) at least five Business Days prior to the applicable Conversion Date. For each Class U Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class U Unit as of the close of trading on the Business Day immediately preceding the Conversion Date divided by the Net Asset Value per Class A Unit as of the close of trading on the Business Day immediately preceding the Conversion Date. No fraction of a Class A Unit will be issued upon any conversion of Class U Units. Any remaining fraction of a Class U Unit will be rounded down to the nearest whole number of Class A Units. A conversion of Class U Units into whole Class A Units will constitute a disposition of such Class U Units for the purposes of the Tax Act.

During the year ended May 31, 2016, 189,400 Class U Units converted to 248,610 Class A Units for a total value of \$2,191,596 (During the year ended May 31, 2015, 100,000 Class U Units converted to 115,899 Class A Units for a total value of \$1,172,764).

3.1.3 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) 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 Unit not exceeding the most recently calculated Net Asset Value per Unit of the applicable class immediately prior to the date of any such purchase of Units. It is expected that these purchases will be 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 Units are listed.

The Fund did not purchase any Units for cancellation during the year ended May 31, 2016 and 2015.

3.1.4 Take-over Bids

The Fund Trust Agreement contains provisions to the effect that if a take-over bid is made for the Class A Units and not less than 90% of the aggregate of the Class A Units (but not including any Class A Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Class A Units held by the Unitholders who did not accept the take-over bid on the terms offered by the offeror.

The Fund Trust Agreement also provides that if, prior to the termination of the Fund, a formal bid (as defined in the Securities Act (Ontario)) is made for all of the Class U Units and such bid would constitute a formal bid for all Class A Units if the Class U Units had been converted to Class A Units immediately prior to such bid and the other offer does not include a concurrent identical take-over bid, including in terms of price (relative to the Net Asset Value per Unit of the class), for the Class A Units then the Fund shall

provide the holders of Class A Units the right to convert all or a part of their Class A Units into Units of the applicable class and to tender such units to the other offer, as applicable. In the circumstances described above, the Fund shall by press release provide written notice to the holders of the Class A Units that such an offer has been made and of the right of such holders to convert all or a part of their Class A Units into Units of the applicable class and to tender such units to other offer.

3.1.5 Book Entry Only System

Registration of interests in and transfers of the Units are made only through the Book-Entry Only System. The Manager, on behalf of the Fund has delivered to CDS certificates representing the aggregate number of Class A Units and Class U Units subscribed for under the prior public offerings by the Fund. The Class A Units and Class U Units must be purchased, converted (in the case of Class U Units), transferred and surrendered for redemption through a CDS Participant. All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled are made or delivered by CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, the Unitholders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the Book-Entry Only System, in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

3.2 UNITHOLDER MATTERS

3.2.1 Meetings of Unitholders

A meeting of Unitholders may be convened by the Fund Trustee or the Manager by a written requisition specifying the purpose of the meeting and must be convened by the Fund Trustee if requisitioned by Unitholders holding not less than 10% of the then outstanding Units entitled to vote on the matter (whether Class A Units and/or Class U Units) by a written requisition specifying the purpose of the meeting. The Fund Trustee or the Manager may convene a Class A Meeting or a Class U Meeting if the nature of the business to be transacted at that meeting is only relevant to Unitholders of the applicable class.

Notice of all meetings of Unitholders (whether a meeting of all Unitholders, a Class A Meeting or a Class U Meeting) will be given in accordance with the Fund Trust Agreement and applicable law. The quorum for a meeting of all Unitholders is two or more Unitholders present in person or represented by proxy holding not less than five percent of the Units then outstanding (whether Class A Units or Class U Units). The quorum for a Class A Meeting is two or more holders of Class A Units present in person or represented by proxy holding not less than five percent of the Class A Units then outstanding. The quorum for a Class U Meeting is two or more holders of Class U Units present in person or represented by proxy holding not less than five percent of the Class U Units then outstanding. In the event that such quorum is not present within one-half hour after the time called for a meeting, the meeting, if convened upon the request of a Unitholder, will be dissolved, but in any other case, the meeting will stand adjourned to such day no later than 14 days later and to such time and place as may be appointed by the chairman of the meeting (which for greater certainty can be at a later time on the date of the originally scheduled meeting) and if at such adjourned meeting a quorum is not present, the Unitholders present in person or by proxy at such adjourned meeting will be deemed to constitute a quorum.

A matter requiring an Extraordinary Resolution requires an affirmative vote of at least two-thirds of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

The Fund does not intend to hold annual meetings of Unitholders. However, the Fund will undertake to the TSX to hold annual meetings of Unitholders if so instructed by the TSX.

3.2.2 Permitted Merger

The Fund may, without obtaining Unitholder approval, enter into a merger or other similar transaction which has the effect of combining the Fund or its assets on a tax-deferred "rollover basis" (a "Permitted Merger") with any other investment fund or funds managed or advised by the Manager that has or have investment objectives and investment strategies that are substantially the same as the Fund's on an exchange ratio based on the relative Net Asset Values of such funds, subject to:

- (a) approval of the Permitted Merger by the Fund's Independent Review Committee;

- (b) written notice to Unitholders at least 60 days before the effective date of the Permitted Merger;
- (c) a special redemption right allowing Unitholders to redeem Units at 100% of Net Asset Value per Unit if they so choose; and
- (d) the merging funds bearing none of the costs associated with the Permitted Merger.

3.2.3 *Matters Requiring Unitholder Approval*

The following matters may only be undertaken with the approval of Unitholders by an Extraordinary Resolution:

- (a) any change in the investment objectives or investment restrictions of the Fund, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (b) any change of the Manager except where the new manager is an affiliate of the Manager;
- (c) any increase in the management fee;
- (d) any amendment, modification or variation in the provisions or rights attaching to the Units;
- (e) any change in the frequency of calculating the Net Asset Value per Unit to less often than daily;
- (f) other than a Permitted Merger, any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course;
- (g) other than in connection with a Permitted Merger, any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interest of the Unitholders or otherwise in accordance with the terms of the Fund Trust Agreement;
- (h) the issuance of additional Units, other than (i) for net proceeds per Unit of a class of not less than 100% of the most recently calculated Net Asset Value per Unit of such class prior to the pricing of such issuance (and, for greater certainty, in making such determination, if such NAV is calculated prior to a record date for a distribution in respect of units of a class being issued, the most recently calculated NAV per unit for the purposes of determining the subscription price will be adjusted to account for any distributions which have been declared payable in respect of such units and which will not be received by the subscriber), (ii) by way of unit distributions, or (iii) upon the exercise of any warrants provided that the exercise price of such warrants is not less than that which would yield net proceeds of at least 100% of the most recently calculated Net Asset Value per Unit prior to the pricing of such warrants, as more particularly described under “Description of the Units — The Units”; and
- (i) any amendment to the above provisions except as permitted by the Fund Trust Agreement.

Notwithstanding the foregoing, the Fund Trustee or the Manager is entitled to amend the Fund Trust Agreement without the consent of, or notice to, the Unitholders, to:

- (a) remove any conflicts or other inconsistencies which may exist between any terms of the Fund Trust Agreement and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- (b) make any change or correction in the Fund Trust Agreement which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (c) bring the Fund Trust Agreement into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not in the opinion of the Manager adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Fund Trustee or the Manager or increase their respective responsibilities;
- (d) maintain the status of the Fund as a “mutual fund trust” for the purposes of the Tax Act or to respond to amendments to such Act or to the interpretation or administration thereof;

- (e) in the event the Forward Agreement terminates prior to the termination of the Fund, enter into a new forward agreement or amend the Fund Trust Agreement to permit the Fund to hold the Portfolio directly, provided that notwithstanding the above, the Fund will provide at least 30 days notice to Unitholders of any such action by way of press release;
- (f) provide added protection or benefit to Unitholders; or
- (g) in connection with a Permitted Merger;
- (h) make such modifications as may be necessary or desirable in connection with the termination of the Forward Agreement prior to the Forward Termination Date as a result of the termination of the Fund as described under “Termination of the Fund”; or
- (i) add additional classes of Units whose rights and privileges are not greater than the existing classes of Units.

3.2.4 Amendment of Fund Trust Agreement

Except as provided above, the Fund Trust Agreement may be amended by an Ordinary Resolution approved at a meeting of Unitholders duly convened and held in accordance with the provisions in that regard contained in the Fund Trust Agreement, or by the written consent in lieu of a meeting if there is only one Unitholder.

3.2.5 Reporting to Unitholders

The Fund makes available to Unitholders such financial statements and other continuous disclosure documents as are required by applicable law, including: (i) unaudited interim and audited annual financial statements of the Fund and of ISL Loan Trust II, prepared in accordance with International Financial Reporting Standards; and (ii) interim and annual management reports of fund performance in respect of the Fund and ISL Loan Trust II. The Fund mails the foregoing disclosure documents relating to ISL Loan Trust II to all of the Unitholders who receive the Fund’s financial statements. The Fund makes available to each Unitholder annually and within the time prescribed by law, information necessary to enable such Unitholder to complete an income tax return with respect to the amounts payable by the Fund.

3.3 TERMINATION OF THE FUND

The Fund does not have a fixed termination date. However, the Fund may be terminated at any time provided that the prior approval of Unitholders has been obtained by an Extraordinary Resolution at a meeting of Unitholders called for that purpose (the “Termination Date”), in connection with a Permitted Merger, or in the event that a replacement Forward Agreement cannot be entered into by the Fund on commercially reasonable terms satisfactory to the Manager on or before the Forward Termination Date; provided, however, that the Manager may, in its discretion, on at least 60 days’ notice to Unitholders, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, it would be in the best interests of Unitholders to terminate the Fund. The Fund will also issue a press release ten days prior to the Termination Date setting forth the details of the termination including the fact that, upon termination, the net assets of the Fund will be distributed to Unitholders on a *pro rata* basis. Immediately prior to the termination of the Fund, including on the Termination Date, the Fund Trustee will, to the extent possible, convert the assets of the Fund to cash and after paying or making adequate provision for all of the Fund’s liabilities, distribute the net assets of the Fund to the Unitholders as soon as practicable after the date of termination, subject to compliance with any securities or other laws applicable to such distributions.

In the event the Forward Agreement terminates prior to the termination of the Fund, the Fund may enter into a new forward agreement or amend the Fund Trust Agreement to permit the Fund to hold the Portfolio directly. Although these actions do not require Unitholder approval, the Fund will provide at least 30 days’ notice to the Unitholders of any such action by way of press release. The Fund will issue a second press release at least 10 days in advance of any such action.

Upon termination, the Fund Trust Agreement provides that the Fund will distribute to Unitholders their pro rata portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for. Such assets, which will include cash and to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to any Termination Date, unliquidated assets in specie rather than in cash. The value of any remaining assets of the Fund will be determined by the Manager, acting reasonably. Following such distribution, the Fund will be dissolved. There can be no assurance that Unitholders will receive \$10.00 per Unit upon any termination of the Fund.

3.4 DISTRIBUTION POLICY

The Fund does not have a fixed distribution policy but intends to make monthly distributions based on the actual and expected returns on the Portfolio. Given that the majority of the Portfolio is invested in Senior Loans which are floating rate, returns will vary with changes in interest rates. The Manager may review the distribution policy from time to time and the distribution amount may change from time to time.

The Fund is subject to tax under Part I of the Tax Act on the amount of its income for tax purposes for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. To ensure that the Fund is generally not liable for income tax under Part I of the Tax Act, the Fund Trust Agreement provides that, if necessary, an Additional Distribution will be automatically payable in each year to Unitholders of record on December 31. The Additional Distribution may be necessary if the Fund realizes income and net realized capital gains for tax purposes which is in excess of the monthly distributions paid or made payable to Unitholders during the taxation year. If the Fund must pay an Additional Distribution, such Additional Distribution may, at the option of the Manager, be satisfied by the issuance of Units. Following such issue of additional Units, the outstanding Units may be automatically consolidated on a basis such that each Unitholder will hold after the consolidation the same number of Units as it held before the distribution of additional Units, except in the case of a Non-Resident Unitholder if tax was required to be withheld in respect of the distribution.

3.5 REDEMPTION OF UNITS

3.5.1 Annual Redemptions

Commencing in 2014, the Class A Units and Class U Units may be redeemed on an Annual Redemption Date, which is the second to last Business Day of October of each year, subject to certain conditions. In order to effect such a redemption, the Units must be surrendered during the period from the first Business Day in August until 5:00 p.m. (Toronto time) on August 15th in the year of redemption (the "Notice Period"), subject to the Fund's right to suspend redemptions in certain circumstances. Units properly surrendered for redemption during the Notice Period will be redeemed on the Annual Redemption Date and the Unitholder surrendering such Units will receive payment on or before the Redemption Payment Date, which is the 10th Business Day of the month immediately following an Annual Redemption Date. Redeeming Unitholders will be entitled to receive a redemption price in an amount equal to 100% of the Annual Redemption Price, which is equal to 100% of the Redemption Net Assets per Unit of the relevant class on an Annual Redemption Date less any costs associated with the redemption, including brokerage costs, and less any net realized capital gains or income to the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption. By virtue of the Forward Agreement, the Annual Redemption Price will be dependent upon the performance of ISL Loan Trust II (or the Notional Portfolio). 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. The Annual Redemption Price will vary depending on a number of factors. Unitholders depositing Units during the Notice Period are entitled to elect to receive the Monthly Redemption Amount (see below) rather than the Annual Redemption Amount.

3.5.2 Monthly Redemptions

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 to last Business Day of each month other than, commencing in 2014, the month of October, subject to certain conditions. 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 first Business Day of the month preceding the month in which the Monthly Redemption Date falls, subject to the Fund's right to suspend redemptions in certain circumstances. Units properly surrendered for redemption within such period will be redeemed on the Monthly Redemption Date and the Unitholder surrendering such Units will receive payment on or before the Redemption Payment Date, which is the 10th Business Day of the month immediately following a Monthly Redemption Date. 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 or income of the Fund incurred by it to fund the payment of the redemption price.

Unitholders surrendering a Class A Unit for redemption will receive a redemption price equal to the lesser of: (i) 95% of the Market Price of a Class A Unit, which is the weighted average trading price on the TSX (or such other stock exchange on which such security is listed), for the 10 trading days immediately preceding such Monthly Redemption Date and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date, which is the closing price of such security on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed) or, if there was no trade on the relevant Monthly Redemption Date, the average of the last bid and the last asking prices of the security on the TSX on such Monthly Redemption Date

(or such other stock exchange on which the security is listed) less, in each case, any costs associated with the redemption, including brokerage costs and less any net realized capital gains or income 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 U 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 Unit and the denominator of which is the most recently calculated Redemption Net Assets per Unit of a Class A Unit.

During the year ended May 31, 2016, there were 3,170,502 Class A Units redeemed for \$27,514,517. There were 60,350 Class U Units redeemed for \$638,021 (During the year ended May 31, 2015, there were 3,426,161 Class A Units redeemed for \$31,521,024. There were 315,000 Class U Units redeemed for \$3,253,542).

3.5.3 Pre-Settling the Forward Agreement

The Fund may settle the Forward Agreement in whole or in part prior to the Scheduled Forward Termination Date in order to fund redemptions. The value of the Forward Agreement on an Annual Redemption Date or a Monthly Redemption Date and accordingly, the Net Asset Value per Unit on an Annual Redemption Date or Monthly Redemption Date, as applicable and the redemption price are dependent upon the performance of ISL Loan Trust II and the Net Asset Value of ISL Loan Trust II Units.

3.5.4 Exercise of Redemption Right

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the applicable notice dates described above. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the Annual Redemption Date or Monthly Redemption Date deadline so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the notice dates described above.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder's intention to redeem Units the Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to the Annual Redemption Date or Monthly Redemption Date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, if such withdrawal will not adversely affect the Fund. Any expense associated with the preparation and delivery of the redemption notice will be for the account of the Unitholder exercising the redemption privilege.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed will, for all purposes, be void and of no effect and the redemption privilege to which it relates will be considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder's instructions will not give rise to any obligations or liability on the part of the Fund, ISL Loan Trust II, the Fund Trustee, ISL II Trustee, the Fund Custodian, the ISL II Custodian or the Manager to the CDS Participant or the Unitholder.

3.5.5 Resale of Units Tendered for Redemption

The Fund entered into a Recirculation Agreement with BMO Nesbitt Burns Inc. ("BMO NBI") whereby BMO NBI agrees to use commercially reasonable efforts to find purchasers for any Units tendered for redemption up to two Business Days prior to the relevant Redemption Date. The Fund may, but is not obliged to, require BMO NBI to seek such purchasers. In such event, the amount to be paid to the Unitholder on the Redemption Date will be an amount equal to the proceeds of the sale of the Units, less any applicable commission payable to BMO NBI. Such amount shall not be less than the amount that a Unitholder would have been otherwise entitled to receive on the Redemption Payment Date.

3.5.6 Suspension of Redemptions

The Fund may suspend the redemption of Units or payment of redemption proceeds: (i) for the whole or any part of a period during which normal trading is suspended on one or more exchanges on which more than 50% of the securities included in the Canadian Securities Portfolio (by value) or the Portfolio are listed and traded and if the securities are not traded on any other exchange that represents a reasonable, practical alternative for the Fund or ISL Loan Trust II, as applicable, or (ii) for any period not exceeding 120

days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or ISL Loan Trust II or which impair the ability of the Manager to determine the value of the assets of the Fund or ISL Loan Trust II. The suspension may apply to all requests for redemption received prior to the suspension, but for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances all Unitholders will have and will be advised that they have the right to withdraw their requests for redemption. The suspension will terminate in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager will be conclusive.

4 VALUATION

4.1 CALCULATION OF NET ASSET VALUE

RBC Investor Services Trust acts as valuation agent (the "Valuation Agent") of the Fund. The Valuation Agent calculates the Net Asset Value per Unit of each class of Units as at the close of business on each Valuation Date. The Fund makes available to the financial press for publication on a daily basis the Net Asset Value per Unit of each class. Such amount is also available on the Manager's website at www.astonhill.ca and is also available to Unitholders upon request, at no cost, by calling 1-800-513-3868.

4.2 VALUATION POLICIES AND PROCEDURES

For transactional reporting purposes, the Net Asset Value of the Fund on a particular date is equal to: (i) the Total Assets of the Fund less (ii) the aggregate value of the liabilities of the Fund. The Net Asset Value per Unit of a class on any day is obtained by dividing the Net Asset Value of that class on such day by the number of Units of that class then outstanding.

For the purpose of calculating Net Asset Value (i.e., for purposes other than financial statements) of the Fund or ISL Loan Trust II on a Valuation Date, the Total Assets of the Fund or ISL Loan Trust II on such Valuation Date are determined as follows:

- (a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, distribution, or other amount receivable (or declared to holders of record of assets owned on a date before the Valuation Date as of which the Total Assets are being determined and to be receivable) and interest accrued and not yet received are deemed to be the full amount thereof provided that if the Valuation Agent has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution or other amount receivable (or declared to holders of record of assets owned on a date before the Valuation Date as of which the Total Assets are being determined and to be receivable) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof are deemed to be such value as the Valuation Agent determines to be the fair market value thereof;
- (b) the value of any loans, including Senior Loans, bonds, debentures and other debt obligations are valued by taking the average of the bid and ask prices quoted by a major dealer or recognized information provider in such assets on a Valuation Date at such times as the Valuation Agent, in its discretion, deems appropriate. Short-term investments including notes and money market instruments are valued at cost plus accrued interest;
- (c) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Valuation Agent) is determined by taking the latest available sale price of recent date or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Valuation Agent such value does not reflect the value thereof and in which case the latest offer price or bid price will be used), as at the Valuation Date on which the Total Assets are being determined, all as reported by any means in common use;
- (d) the value of any security which is traded over-the-counter is priced at the average of the last bid and asked prices quoted by a major dealer or recognized information provided in such securities;
- (e) any market price reported in currency other than Canadian dollars (or U.S. dollars in the case of the Class U Units) is translated into Canadian currency (or U.S. currency in the case of the Class U Units) at the rate of exchange available from the Valuation Agent on the Valuation Date on which the Total Assets are being determined;
- (f) listed securities subject to a hold period is valued as described above with an appropriate discount as determined by the Valuation Agent and investments in private companies and other assets for which no published market exists is valued at the

lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Valuation Agent;

- (g) the value of the Forward Agreement and any other forward contract or other derivatives, such as future contracts, swap contracts or options on financial futures, is the value that would be realized by the Fund if, on the date on which the Total Assets are being determined, the Forward Agreement or any other forward contract or other derivatives were closed out in accordance with its terms; and
- (h) the value of any security or property to which, in the opinion of the Valuation Agent, the application of the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided or for any other reason) is the fair market value thereof determined in good faith in such manner as the Valuation Agent determines in consultation with the Manager or the Sub-Advisor from time to time.

The Net Asset Value per Unit of a class is calculated in Canadian dollars (or U.S. dollars in the case of the Class U Units) in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain.

For the purposes of calculating the Redemption Net Assets per Unit in connection with a redemption of Units on an Annual Redemption Date, the value of the Forward Agreement is determined on the basis that any bonds, debentures and other debt obligations that are owned by ISL Loan Trust II is valued by taking the bid price on the Valuation Date.

4.3 REPORTING OF NET ASSET VALUE

The Net Asset Value per Unit is provided daily to Unitholders at no cost on the Manager's website at www.astonhill.ca and is also available to Unitholders upon request, at no cost, by calling 1-800-513-3868.

5 MANAGEMENT OF THE FUND

5.1 THE MANAGER

Aston Hill Capital Markets Inc. (formerly Connor, Clark & Lunn Capital Markets Inc.) acts as manager of the Fund. The Manager oversees, manages and implements the objectives of the Fund. The Manager is entitled to receive fees as compensation for management services rendered to the Fund. See "Duties and Services provided by the Manager" and "Fees and Expenses" below.

5.1.1 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 the Fund.

5.1.2 Duties and Services provided by the Manager

Pursuant to the Trust Agreements, the Manager has exclusive authority to manage the operations and affairs of the Fund and ISL Loan Trust II, as applicable, to make all decisions regarding the undertaking of the Fund and ISL Loan Trust II and to bind the Fund and ISL Loan Trust II. The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the Fund and/or ISL Loan Trust II to do so.

The Manager's duties include maintaining accounting records for the Fund and ISL Loan Trust II; authorizing the payment of operating expenses incurred on behalf of the Fund and/or ISL Loan Trust II; preparing financial statements, income tax returns and financial and accounting information as required by the Fund; ensuring that Unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Fund and ISL Loan Trust II comply with regulatory requirements, including its continuous disclosure requirements under applicable securities laws; preparing the Fund's and ISL Loan Trust II's reports to Unitholders and to the Canadian securities regulators; providing the Fund Custodian and the ISL II

Custodian with information and reports necessary for the Fund Custodian and the ISL II Custodian to fulfil their fiduciary responsibilities; currency hedging; administering the redemption of Units; arranging for any payment required on the termination of the Fund and/or ISL Loan Trust II; dealing and communicating with Unitholders; and negotiating contracts with third party providers of services, including, but not limited to, custodians, transfer agents, legal counsel, auditors and printers.

The Manager also implements and monitors the Fund's and ISL Loan Trust II's investment strategy to ensure compliance with the Fund's and ISL Loan Trust II's investment guidelines.

The Fund entered into the Registrar, Transfer Agency and Distribution Agency Agreement, as referred to under "Management of the Fund – Transfer Agent and Registrar". The Fund may terminate the foregoing agreement upon notice.

5.1.3 Details of the Manager's Obligations under the Trust Agreements

Pursuant to the Trust Agreements, the Manager shall exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Fund or ISL Loan Trust II and their respective Unitholders, as applicable and in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances. The Trust Agreements provide that the Manager shall not be liable in any way for any default, failure or defect in the assets held by the Fund or ISL Loan Trust II or for any loss or diminution in the value of such assets or other loss or damage suffered by any such person or for any errors of judgement, acts or omissions if it has satisfied the duties and standard of care, diligence and skill set forth above. The Manager will, however, incur liability in cases of willful misconduct, bad faith or negligence or breach of its obligations under the Trust Agreements and is responsible for any investment advisory and portfolio management services provided to the Fund and ISL Loan Trust II, including those provided to ISL Loan Trust II by the Sub-Advisor.

The Manager may resign as manager of the Fund and/or ISL Loan Trust II upon at least 60 days' notice to the applicable Unitholders and to the Fund and/or ISL Loan Trust II, as applicable, or upon such lesser notice period as the Fund or ISL Loan Trust II, as applicable, may accept. If the Manager resigns it may appoint its successor but unless its successor is an affiliate of the Manager, its successor must be approved by Unitholders of the Fund or ISL Loan Trust II, as applicable. If the Manager is in material default of its obligations under the applicable Trust Agreement and such default has not been cured within 20 business days after notice of same has been given to the Manager, the Fund or ISL Loan Trust II shall give notice thereof to its Unitholders, and such Unitholders may remove the Manager and appoint a successor manager.

The Manager is entitled to fees for its services under the Trust Agreements as described under "Fees and Expenses" and will be reimbursed for all reasonable costs and expenses incurred by it on behalf of the Fund.

The Manager and each of its directors, officers, employees and agents are indemnified by the Fund and ISL Loan Trust II, as applicable, for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Manager or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from the Manager's willful misconduct, bad faith or negligence or the Manager's failure to meet the standard of care set forth above.

5.1.4 Conflicts of Interest – Manager and Trustees

The management and administrative services provided by the Manager to the Fund or ISL Loan Trust II pursuant to the applicable Trust Agreement are not exclusive and nothing in the Trust Agreements prevents the Manager from providing similar management services to other investment funds and clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. Investment decisions for each of the Fund and ISL Loan Trust II are made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager may manage the same investment for the Fund or ISL Loan Trust II and for one or more of its other clients. If the Fund or ISL Loan Trust II and one or more of the other clients of the Manager are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

The Trust Agreements acknowledge that the Fund Trustee and the ISL II Trustee may provide services to the Fund and ISL Loan Trust II in other capacities, provided that the terms of any such arrangements are no less favorable to the Fund or ISL Loan Trust II, as applicable, than those which would be obtained from parties which are at arm's length for comparable services. The Fund Trustee and the ISL II Trustee may act as trustee of and provide services to, other investment funds or trusts.

5.1.5 Accounting and Reporting

The Fund's fiscal year-end is May 31. The Manager ensures that the Fund complies with all applicable reporting and administrative requirements.

The Manager keeps adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative has the right to examine the books and records of the Fund during normal business hours at the offices of the Manager. Notwithstanding the foregoing, subject to applicable law, a Unitholder shall not have access to any information which, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

5.1.6 Officers and Directors of the Manager

The name and municipality of residence of the directors and officers of the Manager and their principal occupations are as follows:

Name and Municipality	Position with the Manager	Principal Occupation
James Werry Toronto, Ontario	Director	Chief Executive Officer, Aston Hill Financial Inc.
Kal Zakarneh Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Aston Hill Capital Markets Inc.
Derek Slemko Calgary, Alberta	Director	Vice President and Chief Financial Officer, Aston Hill Financial Inc.
Sasha Rnjak Woodbridge, Ontario	Chief Compliance Officer and Corporate Secretary	Vice President, Fund Operations and Chief Compliance Officer, Aston Hill Asset Management Inc.

James Werry: James Werry joined Aston Hill in February 2016. The majority of Mr. Werry's 34 years in the Canadian investment industry were spent at ScotiaMcLeod where he held a number of progressively senior positions, ultimately becoming Managing Director and Head of ScotiaMcLeod. After leaving ScotiaMcLeod in 2003, Mr. Werry founded and was CEO of what has become one of Canada's largest independent private client investment firms, Richardson GMP (formerly GMP Private Client). Mr. Werry currently sits on the Board of Myca Health Inc. and is the Past Chair of the Foundation Board of the Toronto East General Hospital.

Kal Zakarneh: B.Comm, University of Jordan. Mr. Zakarneh joined Aston Hill Capital Markets Inc. in 2013. Prior thereto Mr. Zakarneh was a Fund Accounting Controller with Connor, Clark & Lunn Financial Group since 2005.

Derek Slemko: C.A.; B.Comm, University of Alberta. Mr. Slemko joined Aston Hill Financial Inc. in 2006. Prior thereto, Mr. Slemko was controller of Vault Energy Trust from 2005 to 2006.

Sasha Rnjak: BA Economics, University of Western Ontario, Vice President, Fund Operations and Chief Compliance Officer, Aston Hill Asset Management Inc., since April 2011; prior thereto, Compliance Manager, CI Investments Inc., since September, 2007.

5.2 PROXY VOTING POLICIES AND PROCEDURES

Subject to compliance with the provisions of applicable law, the Manager has the right to vote proxies relating to the assets in the Portfolio and the assets held directly by the Fund. Proxies must be voted in a manner consistent with the best interests of the Fund and ISL Loan Trust II.

Because ISL Loan Trust II does not purchase assets for the purposes of exercising control or direction over the assets of the Portfolio, as a general rule, proxies are voted with management on routine business. Examples of routine business are voting on the size, nomination and election of the board of directors and the appointment of auditors. All other special or non-routine matters are assessed on a case-by-case basis with a focus on the potential impact of the vote on the value of ISL Loan Trust II's investment. Examples of non-routine business are stock based compensation plans, executive severance compensation arrangements, shareholders rights plans, corporate restructuring plans, going private transactions in connection with leveraged buyouts, supermajority approval proposals and stakeholder or shareholder proposals.

On rare occasions, the Manager may abstain from voting a proxy or a specific proxy item when it is concluded that the potential

benefit of voting the proxy is outweighed by the cost of voting the proxy. In addition, the Manager does not vote proxies received for assets which are no longer held in the Portfolio or by the Fund as applicable.

On the delivery of the Canadian Securities Portfolio by the Counterparty on the Forward Termination Date, the Manager acting on the Manager's behalf retains the right to vote proxies relating to the securities in the Canadian Securities Portfolio pursuant to the Fund Trust Agreement. The Manager votes the proxies relating to the assets in the Canadian Securities Portfolio in the same manner and with the same restrictions as those proxies voted in relation to the assets in the Portfolio.

5.2.1 Proxy Voting Conflicts of Interest

Where proxy voting could give rise to a conflict of interest or perceived conflict of interest, in order to balance the interest of ISL Loan Trust II in voting proxies with the desire to avoid the perception of a conflict of interest, the Manager has instituted procedures to help ensure that ISL Loan Trust II's proxy is voted in accordance with the business judgment of the person exercising the voting rights on behalf of ISL Loan Trust II, uninfluenced by considerations other than the best interests of ISL Loan Trust II.

The procedures for voting proxies where there may be a conflict of interest include escalation of the issue to the Independent Review Committee, for their consideration and advice, although the responsibility for deciding how to vote ISL Loan Trust II's proxies and for exercising the vote remains with the Manager.

5.2.2 Disclosure of Proxy Voting Guidelines and Record

A copy of the Manager's proxy voting guidelines is made available on the Manager's website at www.astonhill.ca. The most recent proxy voting record for ISL Loan Trust II for the most recent period ended December 31 of each year is also available on the Manager's website.

5.3 THE SUB-ADVISOR

Voya Investment Management Co. LLC (formerly ING Investment Management Co. LLC) acts as the Sub-Advisor to ISL Loan Trust II in connection with the selection, purchase and sale of Senior Loans and other assets of the Portfolio. The Sub-Advisor is part of Voya Investment Management (formerly ING Investment Management), a leading U.S.-based asset management firm and wholly owned subsidiary of Voya Financial, Inc. (formerly ING Financial, Inc.) (NYSE: VOYA).

The Sub-Advisor principally provides its services to ISL Loan Trust II in Scottsdale, Arizona, U.S.A. The Voya Senior Loan Group within the Sub-Advisor manages the Portfolio pursuant to the Sub-Advisor Agreement. The Voya Senior Loan Group has one of the industry's largest teams dedicated exclusively to Senior Loans with global loan management capabilities.

The name, municipality of residence, position with the Sub-Advisor and principal occupation of each of the directors and the officers of the Sub-Advisor involved in managing the assets of ISL Loan Trust II is set out below:

Name and Municipality	Position with the Investment Manager	Principal Occupation
Daniel A. Norman Scottsdale, Arizona, U.S.A.	Managing Director	Group Head, Voya Senior Loan Group
Jeffrey A. Bakalar Scottsdale, Arizona, U.S.A.	Managing Director	Group Head, Voya Senior Loan Group
Ralph E. Bucher Scottsdale, Arizona, U.S.A.	Senior Vice President	Senior Credit Officer, Voya Senior Loan Group

During the past five years, all of the officers of the Sub-Advisor listed above have held their present principal occupations (or similar positions with their present employer or its affiliates).

The Sub-Advisor is primarily responsible for providing advice to the Manager with respect to the investment in Senior Loans and other assets in the Portfolio. Specifically, pursuant to the Sub-Advisor Agreement, the Sub-Advisor provides investment management services necessary for ISL Loan Trust II to implement its stated investment strategy.

The team of individuals working at the Sub-Advisor responsible for advising, servicing and making investment decisions on behalf of ISL Loan Trust II consists of three individuals, Mr. Daniel A. Norman, Mr. Jeffrey A. Bakalar and Mr. Ralph E. Bucher, each of whom has significant experience in portfolio management and investment advisory services. These individuals comprise the Investment Committee of the Voya Senior Loan Group which is responsible for all investment decisions. Mr. Norman and Mr. Bakalar share primary portfolio management responsibilities, with final decision-making responsibility resting with the Investment Committee. A short biography of each of Messrs. Norman, Bakalar and Bucher is provided below, which includes their respective full name, title, length of time of service with the Sub-Advisor and business experience over the past five years.

Daniel A. Norman: B.A., MBA, University of Nebraska. Mr. Norman is Managing Director and Group Head of the Voya Investment Management Co. LLC's Senior Loan Group and is the co-chairman of such group's Investment Committee. Mr. Norman began managing senior loan portfolios in 1995 when Voya's predecessor acquired the management rights to Voya Prime Rate Trust. Mr. Norman is currently a member of the Loan Syndications and Trading Association and International Association of Credit Portfolio Managers Boards of Directors. Mr. Norman has a wide variety of business and investment experience, having begun his career at Arthur Andersen & Co. in 1981. Mr. Norman joined Voya's predecessor in 1992.

Jeffrey A. Bakalar: B.S. (Finance), University of Illinois Chicago; M.B.A. (Finance), DePaul University. Mr. Bakalar is Managing Director and Group Head of the Voya Investment Management Co. LLC's Senior Loan Group and is co-chairman of the Group's Investment Committee. Mr. Bakalar joined Voya's predecessor in 1998 and became part of the investment team for what is now Voya Prime Rate Trust. Mr. Bakalar began his career as an associate with Continental Bank in 1987, serving in various credit and corporate finance roles.

Ralph E. Bucher: B.A., University of Arizona in 1983; MA (International Management), Thunderbird School of Global Management. Mr. Bucher is Senior Vice President and Senior Credit Officer in the Voya Investment Management Co. LLC's Senior Loan Group and joined the group in November 2001. Mr. Bucher serves as a member of the group's Investment Committee. Mr. Bucher also assists in the approval of Senior Loan credit limits, problem loan management and loan valuations. Mr. Bucher has spent most of his financial career in credit risk management and distressed asset management. Prior to joining Voya, Mr. Bucher was the North American Head of Special Assets for Standard Chartered Bank. Mr. Bucher has also held other senior credit risk management positions with Standard Chartered and Societ  Generale, as well as credit structuring and analysis positions with National Australia Bank and Commerzbank.

5.3.1 Details of the Sub-Advisor Agreement

Under the Sub-Advisor Agreement, the Sub-Advisor is required to act at all times on a basis which is fair and reasonable to ISL Loan Trust II and to act honestly and in good faith with a view to the best interests of ISL Loan Trust II and in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent investment advisor would exercise in comparable circumstances. The Sub-Advisor Agreement provides that the Sub-Advisor will not be liable in any way for any default, failure or defect in the assets held by ISL Loan Trust II or for any loss or diminution in the value of such assets or other loss or damage suffered by any such person or for any errors of judgment, acts or omissions if it has satisfied the duties and standard of care, diligence and skill set forth above. The Sub-Advisor will, however, incur liability in cases of wilful misconduct, bad faith or negligence or breach of its standard of care set forth above.

The Sub-Advisor Agreement will continue in effect unless earlier terminated in accordance with the terms thereof. If the Manager is terminated, the Sub-Advisor Agreement will terminate at such time. The Manager may terminate the Sub-Advisor Agreement if the Sub-Advisor has committed certain events of bankruptcy or insolvency, has lost any registration, license or other authorization required to perform its services thereunder or is in material breach or default of the provisions thereof and such material breach or default has not been cured within 20 Business Days after notice thereof has been given to the Sub-Advisor by the Manager.

The Sub-Advisor Agreement includes various customary rights of termination, including that the Sub-Advisor may terminate the Sub-Advisor Agreement upon at least 20 business days' notice in the event that ISL Loan Trust II or the Manager is in material breach or default of the provisions thereof and such material breach or default has not been cured within 20 business days' notice of same to the Manager and to ISL Loan Trust II, as applicable, or in the event that there is a material change in the investment guidelines of ISL Loan Trust II. In addition, either the Manager or the Sub-Advisor may terminate the Sub-Advisor Agreement upon at least 90 days' notice to the other party.

Any amendment to the Sub-Advisor Agreement requires the prior written consent of the Manager, which consent shall not be unreasonably withheld or delayed. The Manager is responsible for the payment of the fees of the Sub-Advisor out of its fees.

5.3.2 *Conflicts Of Interest - the Sub-Advisor*

The services of the Sub-Advisor and its officers and directors are not exclusive to ISL Loan Trust II or the Manager. The Sub-Advisor or any of its affiliates and associates may, at any time, engage in the promotion, management or investment management of any other entity or portfolio which invests primarily in the same assets as those held by ISL Loan Trust II and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for ISL Loan Trust II are made independently of those made for other clients and independently of investments of the Sub-Advisor. On occasion, however, the Sub-Advisor may identify the same investment for ISL Loan Trust II and for one or more of its other clients. If ISL Loan Trust II and one or more of the other clients of the Sub-Advisor are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

5.4 **INDEPENDENT REVIEW COMMITTEE**

The Manager has appointed an independent review committee (the “Independent Review Committee”) in accordance with NI 81-107 comprised of four members, each of whom is independent of the Manager and entities related to the Manager. The Independent Review Committee intends to function in accordance with applicable securities law, including NI 81-107. The mandate of the Independent Review Committee is to review and provide its decisions to the Manager on conflict of interest matters that the Manager has referred to the Independent Review Committee for review. The Manager is required to identify conflict of interest matters inherent in its management of the Fund and request input from the Independent Review Committee in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The Independent Review Committee has adopted a written charter which it follows when performing its functions and is subject to requirements to conduct regular assessments. In performing their duties, members of the Independent Review Committee are required to act honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Independent Review Committee report annually to the Fund which report is available free of charge upon request to the Manager and is also posted on the Manager’s website at www.astonhill.ca.

The members of the Independent Review Committee are John Crow (chair), C. Scott Browning, Robert B. Falconer, and Joseph H. Wright. The Independent Review Committee acts as a review committee for a number of investment funds managed by the Manager and its affiliates.

The principal occupations and biographies of the Independent Review Committee members are set out below:

John Crow (chair) is the former Governor of the Bank of Canada and a noted economist. He is a director or advisor to a number of companies, and is also a Senior Fellow of the C.D. Howe Institute. In 1999, he chaired a committee of international experts that was commissioned by the Executive Board of the International Monetary Fund (the “IMF”) to evaluate IMF bilateral, regional, and multilateral surveillance activities, and in 2002, he took part in a high level international mission to advise on monetary problems in Argentina. In 2003, he chaired an international task force commissioned by the International Federation of Accountants to examine the loss of credibility in financial reporting and how to restore it. Mr. Crow is the author (2002) of *Making Money: An Insider's Perspective on Finance, Politics, and Canada's Central Bank*.

C. Scott Browning received his doctorate in chemistry from the University of Toronto in 1992. He returned to join the faculty at UofT after a sixteen month term as a post-doctoral Fellow at the National Institute of Bioscience in Japan. His research on the modular design, synthesis and properties of tunable phosphine ligands has been published in the journals of the Royal Society of Chemistry and the American Chemical Society and presented at international conferences. Dr. Browning is a Fellow of the University of St. Michael's College and is currently coauthoring a textbook that emphasizes a strong mechanistic approach to understanding organic chemistry.

Robert B. Falconer is a Member of Board of Directors, Audit and Valuation, Investment and Independent Review Committee (chair) of VentureLink Funds and has financial consulting contracts with Altamira Financial Services, Ontario Clean Water Agency and GHD International. He recently worked as a Director of Community Loans Policy & Risk Control for Ontario Strategic Infrastructure Financing Authority and as a Vice President of Corporate Finance for Altamira Financial Services.

Joseph H. Wright spent 23 years with Citibank in New York, Geneva and Toronto. He left Citibank in 1986 to join Burns Fry Limited where he worked until 1994, finishing as a Vice Chairman. In 1995, he joined Swiss Bank Corporation (Canada) as President & CEO. Following Swiss Bank, he has spent 16 years as a corporate director, serving on the boards of Loblaw Companies Limited, O & Y Real Estate Investment Trust, Call-Net Enterprises Inc. and St. Laurent Paperboard Inc., to name a few. He also served for 5 years as the Chair of the Connor, Clark & Lunn Financial Group’s independent review committee.

Effective August 15, 2013 Aston Hill Financial Inc., the parent company to Aston Hill Asset Management Inc., announced that it had completed its acquisition of an 80% interest (the "Acquisition") in Connor, Clark & Lunn Capital Markets Inc. ("Capital Markets"). Concurrent with completion of the Acquisition, Capital Markets has been renamed Aston Hill Capital Markets Inc. and the IRC of the funds managed by Aston Hill Asset Management Inc. became the IRC of the funds managed by Capital Markets that were included in the Acquisition. Additionally, Mr. Wright joined the IRC as its fourth member.

The IRC members each receive \$15,000 per annum (\$20,000 for the Chairman) plus \$1,250 per meeting for acting in such capacity and are also reimbursed for expenses in connection with performing their duties. These fees and expense reimbursements are allocated across investment funds that are managed by the Manager in a manner that is fair and reasonable.

For the year ended May 31, 2016, members of the IRC were paid the following aggregate compensation: Mr. Crow: \$28,688; Mr. Falconer: \$23,200; Mr. Browning \$23,200 and Mr. Wright \$23,200. The report prepared by the IRC is available on the Manager's website (www.astonhill.ca), or on request at no cost, by contacting the Manager at 77 King Street West, Suite 2110, P.O. Box 92, Toronto-Dominion Centre, Toronto, Ontario M5K 1G8; telephone: (416) 583-2300; or toll free: 1-800-513-3868.

The IRC reviews its compensation on an annual basis, giving consideration to: industry practice; the number, nature and complexity of the funds; and the nature and extent of the workload.

5.5 THE TRUSTEE

RBC Investor Services Trust is the trustee of the Fund under the Trust Agreement and as such, is responsible for certain aspects of the day-to-day administration of the Fund as described in the Trust Agreement, including executing instruments on behalf of the Fund.

The Trustee may resign upon 60 days' notice to Unitholders and the Manager. The Trustee may be removed with the approval of a simple majority vote cast at a meeting of Unitholders called for such purpose or by the Manager, if the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Trust Agreement which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns, its successor may be appointed by the Manager. The successor must be approved by Unitholders if the Trustee is removed by Unitholders. If no successor has been appointed within 90 days, the Fund will be terminated.

The Trust Agreement provides that the Trustee is not liable in carrying out its duties under the Trust Agreement except where it is in breach of its obligations under the Trust Agreement or where the Trustee fails to act honestly and in good faith and in the best interests of Unitholders to the extent required by laws applicable to trustees or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Trust Agreement contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee or any of its officers, directors, employees or agents, in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee is entitled to receive fees from the Fund as described under "Fees and Expenses". The Trustee is entitled to be reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the Fund.

5.6 THE CUSTODIAN

RBC Investor Services Trust acts as custodian (the "Custodian") of the assets of the Fund pursuant to the Fund Trust Agreement. The Custodian, in its capacity as valuation services agent, carries out certain aspects of the day-to-day administration of the Fund, including calculating NAV, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund. The Custodian's office is located in Toronto, Ontario.

5.7 AUDITOR

The auditor of the Fund and ISL Loan Trust II is PricewaterhouseCoopers LLP, Chartered Accountants, at 18 York Street, Suite 2600, Toronto, Ontario, M5J 0B2.

5.8 TRANSFER AGENT AND REGISTRAR

Pursuant to the Registrar, Transfer Agency and Distribution Agency Agreement, Computershare Investor Services Inc. acts as transfer agent and registrar for the Units of the Fund and maintains the securities registers at its office in Toronto, Ontario.

5.9 PORTFOLIO TRANSACTIONS AND BROKERAGE

The Manager and the Sub-Advisor are responsible for selecting members of securities exchanges, brokers and investment dealers for the execution of transactions in respect of the Fund's investments and, when applicable, the negotiation of commissions in connection therewith. The Fund is responsible to pay those commissions.

6 FEES AND EXPENSES

6.1 MANAGEMENT FEES

The Manager receives a management fee from the Fund and ISL Loan Trust II equal in the aggregate to 1.25% per annum of the applicable Net Asset Value (0.50% from the Fund and 0.75% from ISL Loan Trust II), calculated and payable monthly in arrears, plus an amount calculated quarterly and paid as soon as practicable after the end of each calendar quarter equal to the servicing fee.

During the year ended May 31, 2016, the management fees charged to the Fund and ISL Loan Trust II on a combined basis were \$1,418,608 plus applicable taxes (\$1,883,043 during the year ended May 31, 2015). The Manager is responsible for payment of the Sub-Advisor fees out of these management fees.

The Manager is responsible for paying the fees of the Sub-Advisor out of the above amount received by the Manager.

6.2 SERVICING FEE

A servicing fee is payable by the Manager to each registered dealer whose clients hold Class A Units or Class U Units of the Fund at the end of a calendar quarter. The servicing fee is equal to 0.40% annually of the NAV for each Class A Unit or Class U Unit held by clients of the registered dealers, calculated and paid at the end of each calendar quarter.

The service fees charged to the Fund during the year ended May 31, 2016 were \$377,126 (\$635,939 during the year ended May 31, 2015).

6.3 COUNTERPARTY FEES

The Fund pays to the Counterparty an additional purchase amount under the Forward Agreement, calculated daily and payable quarterly in arrears, of up to 0.45% per annum of the Net Assets of ISL Loan Trust II.

The amount of forward fees charged to the Fund during the year ended May 31, 2016 were \$519,099 (\$688,097 during the year ended May 31, 2015).

6.4 ONGOING EXPENSES

The Fund and ISL Loan Trust II pays for all expenses incurred in connection with its respective operation and administration which, in the case of the Fund, is generally allocated to the Units of each class pro rata based on the Net Asset Value applicable to each class of Units, including, fees payable to the Fund Trustee and the ISL II Trustee, custodial fees, legal, audit, valuation fees and expenses, any additional fees payable to third party service providers, expenses of the directors of the Manager, fees and expenses of the members of the Independent Review Committee appointed under NI 81-107 and expenses related to compliance with NI 81-107, costs of reporting to Unitholders, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements of the Fund and investor relations, fees and expenses relating to the voting of proxies by a third party, taxes, brokerage commissions, costs and expenses relating to the issue of Units, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies (including U.S. and other foreign laws applicable to the Fund or ISL Loan Trust II), extraordinary expenses that the Fund or ISL Loan Trust II may incur, but excluding the fees payable to the Manager and the Sub-Advisor. Such expenses also includes expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Sub-Advisor, the Fund Custodian, the ISL II Custodian or the Fund Trustee, the ISL II Trustee and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund or ISL Loan Trust II.

Administration and operating costs were approximately \$548,834 plus applicable taxes, net of brokerage commission charges of \$325 during the year ended May 31, 2016 (\$529,387 plus applicable taxes, net of brokerage commission charges of \$18,402 during the year ended May 31, 2015).

Any arrangements for additional services between the Fund or ISL Loan Trust II and the Manager and/or the Sub- Advisor or any of their respective affiliates, are on terms that are no less favorable to the Fund or ISL Loan Trust II, as applicable, than those available from arm's length persons (within the meaning of the Tax Act) for comparable services and the Fund or ISL Loan Trust II, as applicable, will pay all expenses associated with such additional services. Any such additional services and the associated expenses are subject to review by the Independent Review Committee.

6.5 ADDITIONAL SERVICES

Any arrangements for additional services between the Fund or ISL Loan Trust II and the Manager and/or the Sub-Advisor, or any of their respective affiliates, that have not been described in this prospectus will be on terms that are no less favourable to the Fund or ISL Loan Trust II, as applicable, than those available from arm's length persons (within the meaning of the Tax Act) for comparable services and the Fund or ISL Loan Trust II, as applicable, will pay all expenses associated with such additional services. Any such additional services and the associated expenses will be subject to review by the Independent Review Committee.

7 CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax consequences relating to the deductibility of interest on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor's particular circumstances including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

7.1 STATUS OF THE FUND

This summary is based on the assumptions that the Fund qualifies at all times as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act and that the Fund elects under the Tax Act to be a mutual fund trust from the date it was established. To qualify as a mutual fund trust the Fund must, among other things, comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of Units.

7.2 TAXATION OF THE FUND

The Fund is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amount paid or payable to Unitholders in the year. The Fund deducts, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains as described under "Distributions", it is generally not liable in such year for income tax under Part I of the Tax Act, subject to the possible application of the SIFT Rules as discussed below. The Fund is entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (capital gains refund). The capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of Canadian Securities Portfolio securities acquired by the Fund under the Forward Agreement in connection with a redemption of Units. In computing its income for tax purposes (and subject to the October 31 Proposal, described below), the Fund may deduct reasonable administrative and other expenses incurred to earn income. The Fund may deduct the costs and expenses of the Offering paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days.

The Fund does not realize any income, gain or loss as a result of entering into the Forward Agreement and no amount is included in computing the Fund's income as a result of the acquisition of Canadian Securities Portfolio securities under the Forward Agreement. The cost to the Fund of such Canadian Securities Portfolio securities is that portion of the aggregate amount paid by the Fund under the Forward Agreement attributable to such securities and any other costs of acquisition. Provided the Fund elects in accordance with the Tax Act to have each of its "Canadian securities" treated as capital property, gains or losses realized by the Fund on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement will be taxed as capital gains or capital losses.

On October 31, 2003 the Department of Finance announced a Tax Proposal (the "October 31 Proposal") relating to the deductibility of losses under the Tax Act. Under the October 31 Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business

or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If the October 31 Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund's taxable income could be denied, with after-tax returns to the Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 31 Proposal would be released for comment at an early opportunity. To date, no such alternative proposal has been announced.

7.3 TAXATION OF UNITHOLDERS

A Unitholder is generally required to include, in computing income for a taxation year, the amount of the Fund's net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year. The non-taxable portion of the Fund's net realized capital gains paid or payable (whether in cash or in Units) to a Unitholder in a taxation year is not included in the Unitholder's income for the year. Any other amount in excess of the Fund's net income for a taxation year paid or payable to the Unitholder in the year is generally not included in the Unitholder's income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder's Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount is deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base is increased by the amount of such deemed gain. Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act.

On the disposition or deemed disposition of a Unit (including a redemption), the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (net of any reasonable costs of disposition) exceed (or are less than) the adjusted cost base of the Unit. For the purpose of determining the adjusted cost base to a Unitholder, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all identical Units owned by the Unitholder as capital property before that time. For this purpose, the cost of Units that have been issued as an Additional Distribution or as a reinvestment of a distribution will generally be equal to the amount of the net income or capital gain distributed to the Unitholder in Units. One-half of any capital gain (a "taxable capital gain") realized on the disposition of Units is included in the Unitholder's income and one-half of any capital loss (an "allowable capital loss") realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as net realized taxable capital gains and taxable capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

A conversion of Class U Units into Class A Units constitutes as a disposition of such Class U Units for the purposes of the Tax Act. The consolidation of Units following an Additional Distribution will not be regarded as a disposition of Units and will not affect the aggregate adjusted cost base of Units to a Unitholder.

7.4 TAXATION OF REGISTERED PLANS

Amounts of income and capital gains distributed by the Fund to a Registered Plan, and capital gains realized by a Registered Plan on a disposition of Units, are generally not taxable under Part I of the Tax Act while retained in a Registered Plan, provided that the Units are qualified investments under such Registered Plan. See "Eligibility for Investment". Unitholders should consult with their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

7.5 TAXATION IMPLICATIONS OF THE FUND'S DISTRIBUTION POLICY

The Net Asset Value per Unit reflects any income and gains of the Fund that have accrued or have been realized but have not been made payable at the time the Units are acquired. Accordingly, a Unitholder who acquires Units may become taxable on the Unitholder's share of income and gains of the Fund that accrued before the Units were acquired, notwithstanding that such amounts have been reflected in the price paid by the Unitholder for the Units. Since the Fund makes monthly distributions, as described under "Distributions", the consequences of acquiring Units late in a calendar year will generally depend on the amount of the monthly distributions throughout the year and whether an Additional Distribution is necessary late in the calendar year to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act.

7.6 ELIGIBILITY FOR INVESTMENT

Provided that the Fund qualifies as a mutual fund trust within the meaning of the Tax Act or, in the case of the Class A Units, if such

Units are listed on a designated stock exchange (which includes the TSX), such Units are qualified investments under the Tax Act for Registered Plans.

Notwithstanding the foregoing, if the Units are “prohibited investments” for a tax-free savings account (“TFSA”), the holder of the TFSA will be subject to a penalty tax as set out in the Tax Act. A “prohibited investment” includes a unit of a trust which does not deal at arm’s length with the holder of the TFSA, or in which the holder has a significant interest, which in general terms means the ownership of 10% or more of the value of the trust’s outstanding units by the holder, either alone or together with persons and partnerships with whom the holder does not deal at arm’s length. Tax Proposals will apply these rules to registered retirement savings plans (“RRSPs”) and registered retirement income funds (“RRIFs”). Holders of TFSAs and annuitants of RRSPs and RRIFs should consult with their own tax advisors in this regard.

8 MATERIAL CONTRACTS

The following contracts that have been entered into by the Fund can reasonably be regarded as material to the Unitholders:

- (a) the Fund’s Trust Agreement;
- (b) the Custodian Agreement;
- (c) the ISL Loan Trust II’s Trust Agreement;
- (d) the ISL Loan Trust II’s Custodial Agreement;
- (e) the Forward Agreement; and
- (f) the Registrar, Transfer Agency and Distribution Agency Agreement.

Copies of the foregoing documents may be obtained at any time from the Manager on written request. These documents are also available on www.sedar.com.

VOYA DIVERSIFIED FLOATING RATE SENIOR LOAN FUND

(FORMERLY “ING DIVERSIFIED FLOATING RATE SENIOR LOAN FUND”)

Additional information about Voya Diversified Floating Rate Senior Loan Fund (formerly “ING Diversified Floating Rate Senior Loan Fund”) is available in the financial statements. You can get copy of the financial statements, including a statement of portfolio transactions, at no charge by contacting the Manager by:

- Mail: Aston Hill Capital Markets Inc.
77 King Street West
Suite 2110, P.O. Box 92
Toronto, Ontario
M5K 1G8
www.astonhill.ca
- Phone: 1-800-513-3868
- E-mail: info@astonhill.ca