AstonHill
CAPITAL MARKETS

ING Diversified Floating Rate Senior Loan Fund

Annual Report

May 31, 2014

ING Diversified Floating Rate Senior Loan Fund Message to Unitholders

August 27, 2014

Dear Investor,

We are pleased to provide you with the annual report for the ING Diversified Floating Rate Senior Loan Fund (the "Fund") for the year ended May 31, 2014.

The Fund was established to provide investors with exposure to a diversified portfolio (the "Portfolio") consisting primarily of Senior Loans and other senior debt obligations of non-investment grade North American borrowers actively managed by Voya Investment Management Co. LLC (formerly "ING Investment Management Co. LLC") (the "Sub-Advisor").

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. The Fund will not have a fixed distribution policy, but intends to make monthly distributions based on the actual and expected returns on the Portfolio.

We have been pleased with the performance of the Fund during the past year. The Fund delivered a total return of 7.18% on the Class A units. This compared quite favourably to its benchmark, the S&P/LSTA Leveraged Loan Index which had a total of 4.36%.

In Voya's view, on the whole, the loan market performed relatively well during the Trust's fiscal year. Changing investor sentiment, prompted by "taper-talk" from the U.S. Federal Reserve, dominated the first half of the period, as investors attempted to find a balance between the continued state of loose monetary policy and benign credit conditions on the one hand, and obsession with the prospect and implications of the Fed beginning to reduce its long-running bond buying program on the other. After a healthy start to the fiscal year, loans in June experienced one of the only negative total return months of 2013 (-0.59%). This occurred during a broad fixed income market correction, which was due largely to selling pressure from high-yield bond funds that were meeting large redemptions by reducing their more liquid loan exposure. A surge in new issue loan supply also was a factor. As Fed comments were absorbed over the ensuing months, investors again embraced risk more readily and markets recovered some, if not all, of their late spring losses.

I would like to thank you for investing in the Fund. Please check our website for quarterly investment updates and other timely information.

Yours truly,

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

Management Report of Fund Performance

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

You can obtain a copy of the annual financial statements at no cost by writing to Aston Hill Capital Markets Inc. (the "Manager") to the following address: Aston Hill Capital Markets Inc., 77 King Street West, Suite 2110, PO Box 92, Toronto, Ontario, M5K 1G8 or calling 1-800-513-3868 or visiting the Manager's website at www.astonhill.ca or by visiting www.sedar.com. Unitholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

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

Investment Objectives and Strategies

The Fund is a non-redeemable investment fund established under the laws of the Province of Ontario and governed by the Fund's Trust Agreement (the "Trust Agreement") dated February 26, 2013 between Aston Hill Capital Markets Inc. (the "Manager") and RBC Investor Services Trust (the "Trustee"). The Fund's principal office is located at 77 King Street West, Suite 2110, PO Box 92, Toronto, Ontario, M5K 1G8. The fiscal year-end of the Fund is May 31.

The beneficial interest in the net assets and net income of the Fund is divided into Units of two classes, Class A Units (the "Class A Units") and Class U Units (the "Class U Units"). The Fund is authorized to issue an unlimited number of Units of each class. The Class A Units are listed on the Toronto Stock Exchange (the "TSX") under the symbol IFL.UN. The Class U Units are not listed on a stock exchange but may be converted into Class A Units on a weekly basis. The Class U Units are designed for investors wishing to make their investment in U.S. Dollars.

The Fund's investment objectives are to:

(i) provide 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 (formally ING Investment Management Co. LLC) (the "Sub-Advisor").

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. 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 above applicable LIBOR floors. 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 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 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 Net Asset Value of the Trust. 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.

Risk

Use of leverage

ISL Loan Trust II may employ leverage of up to 40% of Total Assets (the "Leverage Factor") 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. Accordingly, the maximum amount of leverage that the Trust 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 entered into a Credit Agreement dated April 30, 2014 between the Fund Manager (on behalf of the Fund) and the Bank of Nova Scotia (the "Counterparty"). Borrowings by the Fund are made in U.S. dollars. The Fund applied leverage in the range from nil to 38.9% or from nil to U.S. $94,400,000 during the year ended May 31, 2014. The amount of U.S. $67,400,000 or the Canadian equivalent of $78,615,540 was outstanding as of May 31, 2014. The leverage factor was approximately 31.6 % as of May 31, 2014 (ISL Loan Trust II did not employ leverage during the period from March 22, 2013 (commencement of operations) to May 31, 2013 as the Fund was in the process of becoming fully invested). The related interest expense during the year ended May 31, 2014 was $ 988,931 ($nil during the same period ended May 31, 2013).

For full disclosure of the risks associated with an investment in the Fund's Units, please refer to the Prospectus dated February 26, 2013 and to the Fund's Annual Information Form. Both are available at www.astonhill.ca and www.sedar.com.

Recent Developments

International Financial Reporting Standards (IFRS)

Beginning June 1, 2014, the Fund will prepare its semi-annual and annual financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and provide comparative statements on an IFRS basis, including an opening balance sheet as at June 1, 2013 (the transition date). The Fund will also report its interim financial statements for the period ending November 30, 2014, in accordance with IFRS.

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

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

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

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

Federal Budget Announcement

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

Impact of Federal Budget Announcement

As noted above, the Federal government introduced measures in its March 21, 2013 budget which impacted the use of forward agreements from the budget date onwards. The Fund entered into a forward agreement on March 20th, 2013 in the amount of $140 million for the Class A Units. The Fund’s sales in the next two days were much stronger than anticipated. The Manager and its legal counsel had expected the additional amount would be allowed under the “grandfathering” provisions but that was not the case. As a result, the Manager implemented a plan that allowed the Fund to deliver its investment strategy while also staying within the parameters of the prospectus and declaration of trust. The Fund’s investment objective is to provide exposure on a leveraged basis to a portfolio of senior loans and to deliver the distributions in a tax advantaged manner. If the Manager invests directly from the top trust then it is difficult to buy senior loans and the Manager would not be able to apply leverage (too small a pool), nor would the Manager be able to put a forward in place (the budget precludes it). The Manager’s solution is to buy other senior loan funds that are already trading in the market. The two funds that were bought were the ING Floating Rate Senior Loan Fund (ISL) and OCP Senior Credit Fund. These funds were bought at a discount to their net asset value and, in the case of ISL, the Manager implemented a plan that prevents it from collecting any management fee on the assets invested in ISL.

Results of Operations

Caution regarding forward-looking statements

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

Sub-Advisor's Commentary (as at July 2014)

Market Update

On the whole, the loan market performed relatively well during the Trust's fiscal year. Changing investor sentiment, prompted by "taper-talk" from the U.S. Federal Reserve, dominated the first half of the period, as investors attempted to find a balance between the continued state of loose monetary policy and benign credit conditions on the one hand, and obsession with the prospect and implications of the Fed beginning to reduce its long-running bond buying program on the other. After a healthy start to the fiscal year, loans in June experienced one of the only negative total return months of 2013 (-0.59%). This occurred during a broad fixed income market correction, which was due largely to selling pressure from high-yield bond funds that were meeting large redemptions by reducing their more liquid loan exposure. A surge in new issue loan supply also was a factor. As Fed comments were absorbed over the ensuing months, investors again embraced risk more readily and markets recovered some, if not all, of their late spring losses.

The latter half of the Trust's fiscal year was defined by a generally bullish mindset, even considering the U.S. economy's surprisingly sharp contraction in the first quarter of 2014, due in large part to unusually severe weather. And, of course, throughout the period, the Fed and other central bankers remained as dovish as ever. This environment was conducive to greater risk taking, favoring the equity and high-yield fixed income markets while penalizing shorter-duration asset classes.

Of note during early April was the swift turn to outflow from U.S. retail loan funds and ETFs, a function, most believe, of waning enthusiasm over floating rate assets given the outlook for prospective interest rate moves. While certainly adding some volatility to the market, institutions, primarily in the form of newly formed Collateralized loan obligations (CLOs), have more than offset retail outflow, keeping a relatively solid floor under average secondary bid levels.

As to fundamentals, unforeseen negative credit events were few and far between during the Trust's fiscal year. To-date, trailing default rates at the Index level remain well inside the historical average for the asset class, and the traditional indicators of future default activity appear to be constructive. Although GDP growth has been variable and, for some time now, below what many feel should be the case at this point in the recovery, it has been sufficient for typical, below-investment-grade corporate issuers to comfortably cover their borrowing expenses and capital expenditures, with reasonable cushion. *Outlook*

Portfolio Specifics

The Trust generated a total return based on NAV of 7.18% for the fiscal year period, significantly above the Index return of 4.36%. Market price return for the same period was -2.66%, the unfavorable variance due to weakness in share price. Outperformance based on NAV was attributable to favorable credit selection and an emphasis on loans that provide excess coupon for the risk. For the period under review the Trust's weighted average coupon was 5.96%, as compared to 4.70% for the Index. Finally, the use of leverage for investment purposes also continued to have a positive impact on performance as average loan prices within the Index during the year remained relatively stable (98.79% at May 31, 2014, as compared to 98.22% at the end of the last fiscal year). Fundamental credit performance continued to be positive, as the Trust experienced only one default for the fiscal year (current recovery estimated at approximately 95.00%), compared to the Index's 7 defaults.

Outlook

Looking ahead, absent any unexpected shift in overall risk appetite, we would expect little change in market conditions through the balance of 2014. As for new loan supply, that would mean continued strength in M&A-related activity and sporadic reprising activity. As for investor demand, we anticipate the continuation of moderate retail outflows, significantly offset by CLO formation. Under a status quo economic scenario, new default activity should remain contained by few near-term maturities, decent corporate earnings and ample market liquidity. These factors, taken together, would paint a picture of relative stability, and an environment in which loans should continue to generate a reasonably attractive absolute return, one much less directly susceptible to any unexpected changes to market expectations as they relate to speed and magnitude of interest rate changes.

Capital transactions

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. The Agents' fees totalled $369,560 or $0.52 per Unit.

During the year ended May 31, 2014, there were 3,000 Class A Units redeemed for $25,992. There were 41,000 Class U Units redeemed for $389,913 and 331,810 Class U Units converted to 356,119 Class A Units for a total value of $3,319,213 (2,000 Class U Units converted to 2,052 Class A Units for a total value of $19,491 during the period from March 22, 2013 (commencement of operations) to May 31, 2013).

Market repurchases

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

The Fund did not purchase any Class A Units for cancellation during the year ended May 31, 2014.

Net Assets

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

On May 31, 2014, the prepaid amount to the Counterparty under the Forward Agreement was $155,936,618. Since the Fund can at any time terminate the Forward Agreement with the Counterparty in exchange for the value of ISL Loan Trust II, the value of the Forward Agreement to the Fund is equal to the transactional value of ISL Loan Trust II less the value of the prepaid amount to the Counterparty under the Forward Agreement. On May 31, 2014, the value of the unrealized gain on the Forward Agreement was $14,211,943. Other investments held by the Fund totalled $6,193,681 and other liabilities net of other assets in the Fund totalled $1,099,388, leaving net assets of $175,242,854. This amount is assigned to the Class A and Class U Unitholders using an allocation percentage that takes into consideration any class level specific expenses. On May 31, 2014, the Net Asset Values were $9.44 per Class A Unit and $10.22or U.S. $9.59 per Class U Unit (On May 31, 2013, the prepaid amount to the Counterparty under the Forward Agreement was $155,714,227. The value of the unrealized gain on the Forward Agreement was $1,663,370. Other investments held by the Fund totalled $19,543,690 and other liabilities net of other assets in the Fund totalled $3,009,918, leaving net assets of $173,911,369. This amount is assigned to the Class A and Class U Unitholders using an allocation percentage that takes into consideration any class level specific expenses. The Net Asset Values were $9.38 per Class A Unit and $9.68 or U.S. $9.37 per Class U Unit).

Distributions

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. The Fund paid an initial distribution of $0.065 per Class A Unit and U.S. $0.065 per Class U Unit covering the period from March 22, 2013 (commencement of operations) to April 30, 2013. The initial distribution amount represents an annualized current yield of 6.0% based on the initial offering price of $10.00 per Unit.

During the year ended May 31, 2014, the Fund paid distributions of $0.600 per Class A Unit and U.S. $0.600 per Class U Unit ($0.115 per Class A Unit and U.S. $0.115 per Class U Unit during the period from March 22, 2013 (commencement of operations) to May 31, 2013).

Recommendations or Reports by the Independent Review Committee

The Independent Review Committee of the Fund tabled no special reports and made no extraordinary material recommendations to management of the Fund during the year ending May 31, 2014.

Related Party Transactions

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) plus applicable taxes, calculated daily and payable monthly in arrears, plus an amount calculated and paid at the end of each calendar quarter equal to 0.40% annually of the Net Asset Value for each Class A or Class U Unit held by the clients of registered dealers.

During the year ended May 31, 2014, the management fees charged to the Fund and ISL Loan Trust II on a combined basis were $2,111,587 plus applicable taxes ($406,073 during the period from March 22, 2013 (commencement of operations) to May 31, 2013). The Manager is responsible for payment of the Sub-Advisor fees out of these management fees.

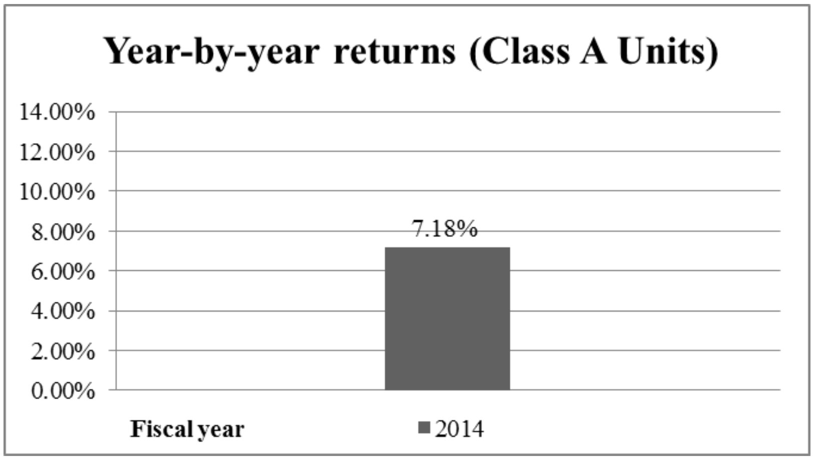
Service Fees

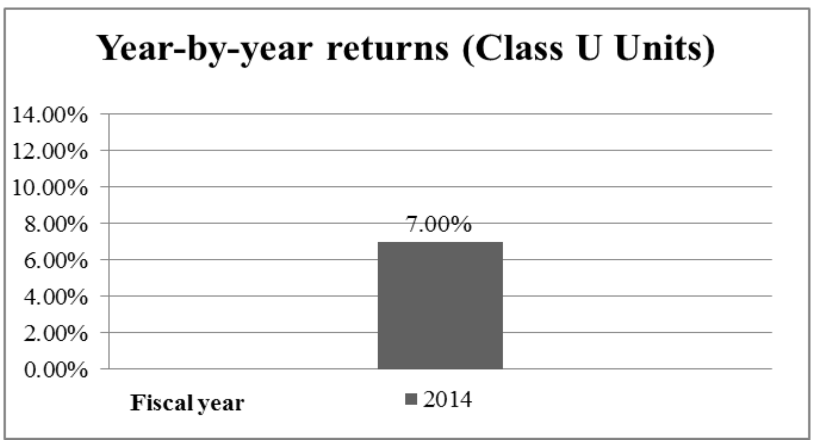
From the amounts received by the Manager from the Fund, a service fee is paid by the Manager to each registered dealer whose clients hold Class A Units or Class U Units of the Fund at the end of each calendar quarter. The service fee is equal to 0.40% annually of the Net Asset Value for each Class A Unit or Class U Unit held by the clients of 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, 2014 were $671,584 ($133,465 during the period from March 22, 2013 (commencement of operations) to May 31, 2013).

Past Performance

The following bar charts and table show the Fund's annual performance of the Class A Units and Class U Units by showing both annual returns by fiscal year and annualized compound returns from inception assuming all the distributions made by the Fund during the year shown were reinvested. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance. The bar charts show, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period. Past performance is not necessarily indicative of future performance.





Annual Compound Returns

	Past Year	Since Inception [(1)]
Based on NAV (Class A Units)	7.18%	6.64%
Based on share price (Class A Units)	-2.66%	-1.70%
Based on NAV (Class U Units)	7.00%	6.36%
S&P/LSTA Leveraged Loan Index	4.36%	5.10%

(1) Annualized for the period from June 17, 2011 (commencement of operations) to May 31, 2014.

The S&P/LSTA Leveraged Loan Index is an unmanaged total return index that captures accrued interest, repayments, and market value changes. It represents a broad cross section of leveraged loans syndicated in the United States, including dollar-denominated loans to overseas issuers. Standard & Poor's and the Loan Syndications and Trading Association ("LSTA") conceived the Index to establish a performance benchmark for the syndicated leveraged loan industry. The Index is not subject to any fees or expenses. An investor cannot invest directly in an index.

Financial Highlights

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

Class A Units:

The Fund's Net Assets per Class A Unit:

	May 31, 2014 CAD	May 31, 2013 (1) CAD
Net Assets, beginning of period	**9.38**	**10.00**
Unit issue expense (2)	–	**(0.57)**
Increase (decrease) from operations:		
Total revenues	–	–
Total expenses	(0.14)	(0.03)
Realized gains (losses) for the period	0.01	–
Unrealized gains (losses) for the period	0.79	0.10
Total increase (decrease) from operations (3)	**0.66**	**0.07**
Distributions:		
From income (excluding dividends)	–	–
From dividends	–	–
From capital gains	–	–
Return of capital	(0.60)	(0.12)
Total Distributions (4)	**(0.60)**	**(0.12)**
Net Assets, end of period (5)	**9.44**	**9.38**

(1) Results for the period from March 22, 2013 (commencement of operations) to May 31, 2013.
(2) Issue expenses of $9,443,000 incurred in connection with the Class A Units issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes.
(3) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of 16,850,734 Class A Units outstanding as of May 31, 2014 (May 31, 2013 – 16,446,467).
(4) The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates.
(5) This is not a reconciliation between the opening and the closing net assets per unit.

Ratios and Supplemental Data (Class A Units):

	May 31, 2014 CAD	May 31, 2013 (1) CAD
Net asset value (000's)	161,023	156,775
Number of units outstanding	17,059,095	16,705,976
Base Management expense ratio (2) (3)	1.52%	1.65%
Issue expenses ratio (2) (3)	0.05%	6.10%
Management expense ratio (annualized) (3)	1.59%	7.85%
Management expense ratio before waivers or absorptions (annualized) (3)	1.59%	7.85%
Portfolio turnover rate (4)	0.00%	0.00%
Trading expense ratio (5)	0.02%	0.10%
Net asset value per unit (6)	9.44	9.38
Closing market price (TSX)	9.08	9.95

(1) Results for the period from March 22, 2013 (commencement of operations) to May 31, 2013.
(2) A separate base management expense ratio has been presented to include the normal operating expenses and exclude the Issue expense ratio: representing all Agents' fees and unit issue expenses.
(3) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Unit issue expenses, representing all Agents' fees and other offering expenses, which are one-time expenses, have not been annualized.
(4) The Fund's turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund's buying and selling all of the securities (including fixed income) in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Fund.
(5) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.
(6) The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio.

Class U Units:

The Fund’s Net Assets per Class U Unit:

	May 31, 2014 USD	May 31, 2013 [1] USD
Net Assets, beginning of period	**9.37**	**10.00**
Unit issue expense [2]	–	**(0.57)**
Increase (decrease) from operations:		
Total revenues	0.01	–
Total expenses	(0.15)	(0.03)
Realized gains (losses) for the period	0.05	–
Unrealized gains (losses) for the period	1.17	0.18
Total increase (decrease) from operations [3]	**1.08**	**0.15**
Distributions:		
From income (excluding dividends)	–	–
From dividends	–	–
From capital gains	–	–
Return of capital	(0.60)	(0.12)
Total Distributions [4]	**(0.60)**	**(0.12)**
Net Assets, end of period [5]	**9.41**	**9.37**

(1) Results for the period from March 22, 2013 (commencement of operations) to May 31, 2013.

(2) Issue expenses of U.S. $1,004,581 incurred in connection with the Class U Units issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes.

(3) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of 1,623,982 Class U Units outstanding as of May 31, 2014 (May 31, 2013 – 1,771,157).

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

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

Ratios and Supplemental Data (Class U Units):

	May 31, 2014 USD	May 31, 2013 [1] USD
Net asset value (000's)	13,139	16,581
Number of units outstanding	1,396,657	1,769,467
Base Management expense ratio [2] [3]	1.57%	1.65%
Issue expenses ratio [2] [3]	0.04%	6.05%
Management expense ratio (annualized) [3]	1.61%	7.80%
Management expense ratio before waivers or absorptions (annualized) [3]	1.61%	7.80%
Portfolio turnover rate [4]	0.00%	0.00%
Trading expense ratio [5]	0.00%	0.10%
Net asset value per unit [6]	9.41	9.37

(1) Results for the period from March 22, 2013 (commencement of operations) to May 31, 2013.

(2) A separate base management expense ratio has been presented to include the normal operating expenses and exclude the Issue expense ratio: representing all Agents’ fees and unit issue expenses.

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

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

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

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

Summary of Investment Portfolio as of May 31, 2014

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

Investment portfolio of the Fund

	Fair value $	% of NAV
Portfolio by Category		
Derivatives Contracts	170,148,561	97.0%
Exchange Traded Funds	6,240,847	3.6%
Cash and short-term investments	276,255	0.2%
Other liabilities net of other assets	(1,375,687)	(0.8%)
Top 25 Holdings		
Prepaid Forward Agreement	170,148,561	97.0%
OCP Senior Credit Fund	3,984,006	2.3%
ING Floating Rate Senior Loan Fund, Class U (USD)	1,673,041	1.0%
ING Floating Rate Senior Loan Fund, Class A	583,800	0.3%
Cash and short-term investments	276,255	0.2%
Net asset value	**175,289,976**	

The Fund obtained exposure to the performance of ISL Loan Trust II through the Forward Agreement (see Investment Objectives and Strategies). The following is the summary of the portfolio of ISL Loan Trust II as of May 31, 2014:

	Tranche Description	Maturity date	Fair value $	% of NAV
Portfolio by Category				
Term loans			251,206,854	147.6%
Equities			1,453,816	0.9%
Cash overdraft			(5,058,451)	(3.0%)
Foreign currency forward contracts			395,631	0.2%
Bank indebtedness			(73,286,242)	(43.0%)
Other liabilities net of other assets			(4,563,047)	(2.7%)
Top 25 Holdings				
RedPrairie Corporation	Incremental 1st Lien Term Loan	21-Dec-18	3,232,311	1.9%
Global Tel*Link Corporation	Second Lien Term Loan	23-Nov-20	3,238,550	1.9%
BMC Software, Inc.	Euro Term Loan	10-Sep-20	2,872,923	1.7%
Clear Channel Communications, Inc.	Term Loan E	30-Jul-19	2,864,914	1.7%
Peppermill Casinos, Inc.	Term Loan B	17-Oct-19	2,753,819	1.6%
Penton Media, Inc.	1st Lien	3-Oct-19	2,731,439	1.6%
Go Daddy Operating Company, LLC	Term Loan	5-May-21	2,696,042	1.6%
KIK Custom Products, Inc.	1st Lien with incremental	29-Apr-19	2,646,118	1.6%
Merrill Communications, LLC	Term Loan B	8-Mar-18	2,571,328	1.5%
OneStopPlus Inc.	First Lien Term Loan	18-Mar-21	2,537,876	1.5%
Houghton International, Inc.	2nd Lien Term Loan	20-Dec-20	2,223,278	1.3%
CSM Bakery Supplies	First Lien Term Loan	3-Jul-20	2,203,058	1.3%
Husky Injection Molding Systems, Ltd.	Incremental Term Loan	30-Jun-21	2,179,505	1.3%
WIS International	Second Lien	20-Jun-19	2,171,700	1.3%
Herff Jones, Inc.	First Lien Term Loan	24-Jun-19	2,168,562	1.3%
Fram Group Holdings Inc.	First Lien Term Loan	29-Jul-17	2,169,482	1.3%
Alcatel-Lucent USA Inc.	US Term Loan	30-Jan-19	2,153,498	1.3%
Avaya Inc.	Term B-6 Loan	30-Mar-18	2,135,341	1.3%
CorpSource Finance Holdings, LLC	2nd Lien	30-Apr-19	2,127,126	1.3%
Miller Heiman, Inc.	Term Loan B	30-Sep-19	2,099,857	1.2%
Cannery Casino Resorts, LLC	1st Lien Term Loan	2-Oct-18	2,063,272	1.2%
WireCo WorldGroup, Inc.	Term Loan B	15-Feb-17	2,038,993	1.2%
Gardner Denver, Inc.	Term Loan B Euro	30-Jul-20	2,038,490	1.2%
Harvey Gulf International Marine, LLC	Upsized Term Loan B	18-Jun-20	2,032,271	1.2%
Hub International Limited	Term Loan B	2-Oct-20	2,001,027	1.2%
Net asset value			**170,148,561**	

Management's Responsibility for Financial Reporting

The accompanying financial statements of **ING Diversified Floating Rate Senior Loan Fund** (the "Fund") and all of the information therein have been prepared by Aston Hill Capital Markets Inc. in its capacity as Manager of the Fund and have been approved by the Board of Directors of the Manager. The Fund's Manager is responsible for all of the information and representations contained in these financial statements and other sections of the Annual Report. Management maintains appropriate processes to ensure that relevant and reliable financial information is produced.

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

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

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

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

Toronto, Canada
August 27, 2014

August 27, 2014

Independent Auditor's Report

To the Unitholders of
ING Diversified Floating Rate Senior Loan Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statement of investment portfolio as at May 31, 2014, the statements of net assets as at May 31, 2014 and May 31, 2013, and the statements of operations, changes in net assets, retained earnings and contributed surplus, and cash flows for the year ended May 31, 2014 and for the period from March 22, 2013 (commencement of operations) to May 31, 2013, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at May 31, 2014 and May 31, 2013 and the results of its operations, changes in its net assets and its cash flows for the year ended May 31, 2014 and for the period from March 22, 2013 (commencement of operations) to May 31, 2013 in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

ING Diversified Floating Rate Senior Loan Fund

Statements of Net Assets

As at May 31, 2014 and 2013

	2014 $	2013 $
Assets		
Cash	276,255	30,371
Short-term investments	-	4,854,385
Investments at fair value (cost - $5,776,372; 2013 - $14,653,513)	6,193,681	14,689,305
Prepaid forward agreement (note 7)	170,148,561	157,377,597
Interest and dividends receivable	9,792	27,511
Prepaid expenses and other assets	36,162	-
	176,664,451	176,979,169
Liabilities		
Distributions payable	929,326	926,741
Accounts payable and accrued liabilities	408,211	668,864
Payable on investment purchases	-	1,388,801
Management fees payable	84,060	83,394
	1,421,597	3,067,800
Net assets and unitholders' equity	175,242,854	173,911,369
Net Assets		
Class A	160,975,456	156,774,568
Class U	14,267,398	17,136,801
Class U (USD)	USD 13,139,418	USD 16,580,540
Units issued and outstanding (note 5)		
Class A	17,059,095	16,705,976
Class U	1,396,657	1,769,467
Net assets per unit		
Class A	9.44	9.38
Class U	10.22	9.68
Class U (USD)	USD 9.41	USD 9.37
Unitholders' equity (note 5)		
Unit Capital	160,900,159	172,552,044
Contributed Surplus	2,653	-
Retained Earnings	14,340,042	1,359,325
Total Unitholders' equity	175,242,854	173,911,369

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

Director **Director**

(See accompanying notes to financial statements)

ING Diversified Floating Rate Senior Loan Fund

Statements of Operations

For the year ended May 31, 2014 and period from March 22, 2013 (commencement of operations) to May 31, 2013

		2014		2013
		$		**$**
Income				
Interest income		16,624		37,852
Dividends		-		18,259
		16,624		56,111
Expenses				
Management fees (note 9)		887,095		182,335
Forward fees (note 7)		735,037		134,326
Service fees (notes 9 & 10)		671,584		133,465
Harmonized sales tax		163,937		30,654
Other fees		50,489		1,484
Administration fees		30,011		5,729
Broker commissions (note 12)		24,295		32,675
TSX sustaining fees		24,066		4,183
Audit fees		20,671		20,700
Legal fees		19,203		972
Custodial and other unitholder fees		16,192		1,611
Transfer agent fees		13,815		13,882
Filing fees		12,826		12,000
Printing and mailing fees		10,010		4,700
IRC fees		4,045		661
Interest expense		1,555		66
		2,684,831		579,443
Investment gain (loss)		(2,668,207)		(523,332)
Unrealized gain (loss) on investments				
Changes in unrealized gain (loss) on investments		381,517		35,792
Changes in unrealized gain (loss) on foreign exchange		(8,934)		8,607
Changes in unrealized gain (loss) on forward agreement (note 7)		14,211,943		1,842,089
		14,584,526		1,886,488
Realized gain (loss) on investments				
Net realized gain (loss) on investments		189,495		-
Net realized gain (loss) on forward agreement (note 7)		880,922		-
Net realized gain (loss) on foreign exchange		(6,019)		(3,831)
		1,064,398		(3,831)
Net gain (loss) on investments		15,648,924		1,882,657
Increase (decrease) in net assets from operations		12,980,717		1,359,325
Increase (decrease) in net assets from operations for				
Class A		11,103,971		1,079,891
Class U		1,876,746		279,434
Class U (USD) *	USD	1,761,823	USD	274,128
Increase (decrease) in net assets from operations per unit **				
Class A		0.66		0.07
Class U		1.16		0.16
Class U (USD) *	USD	1.08	USD	0.15

* (based on average exchange rate for the period)

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

(See accompanying notes to financial statements)

ING Diversified Floating Rate Senior Loan Fund

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

For the year ended May 31, 2014 and period from March 22, 2013 (commencement of operations) to May 31, 2013

	2014	2013	2014	2013	2014	2013
	Class A	Class A	Class U	Class U	Total	Total
	$	$	$	$	$	$
Increase (decrease) in net assets from operations	11,103,971	1,079,891	1,876,746	279,434	12,980,717	1,359,325
Distributions to unitholders from: (note 8)						
Return of capital	(10,120,042)	(1,921,054)	(1,029,806)	(208,424)	(11,149,848)	(2,129,478)
Unitholders' transactions (note 5)						
Proceeds from issue of units	-	167,039,240	-	18,112,419	-	185,151,659
Agents' fees and issue expenses	(76,262)	(9,443,000)	(7,217)	(1,027,137)	(83,479)	(10,470,137)
Class U Units converted to Class A Units	3,319,213	19,491	(3,319,213)	(19,491)	-	-
Payments on redemption/cancellation of units (note 5 and 6)	(25,992)		(389,913)		(415,905)	-
	3,216,959	157,615,731	(3,716,343)	17,065,791	(499,384)	174,681,522
						-
Change in net assets during the period	4,200,888	156,774,568	(2,869,403)	17,136,801	1,331,485	173,911,369
Net assets - Beginning of period	156,774,568	-	17,136,801	-	173,911,369	-
Net assets - End of period	160,975,456	156,774,568	14,267,398	17,136,801	175,242,854	173,911,369
Retained earnings, beginning of period	1,079,891	-	279,434	-	1,359,325	-
Increase in net assets from operations	11,103,971	1,079,891	1,876,746	279,434	12,980,717	1,359,325
Retained earnings, end of period	12,183,862	1,079,891	2,156,180	279,434	14,340,042	1,359,325
Contributed surplus, beginning of period	-	-	-	-	-	-
Cost of shares redeemed/ repurchased at less than original issue price	1,967	-	686	-	2,653	-
Contributed surplus, end of period	1,967	-	686	-	2,653	-

(See accompanying notes to financial statements)

ING Diversified Floating Rate Senior Loan Fund

Statements of Cash Flows

For the year ended May 31, 2014 and period from March 22, 2013 (commencement of operations) to May 31, 2013

	2014	2013
	$	**$**
Operating Activities		
Increase (decrease) in net assets from operations	12,980,717	1,359,325
Items not affecting cash:		
Unrealized (gain) loss on forward agreement (note 7)	(14,211,943)	(1,663,370)
Unrealized (gain) loss on investments	(381,517)	(35,792)
Net realized (gain) loss on investments	(189,495)	-
Net realized (gain) loss on forward agreement (note 3 and 7)	(880,922)	-
Changes in non-cash working capital:		
(Increase) decrease in prepaid expenses	(36,162)	-
(Increase) decrease in interest and dividends receivable	17,719	(27,511)
Increase (decrease) in accounts payable and accrued liabilities	(260,653)	668,864
Increase (decrease) in management fees payable	666	83,394
Investment in forward agreement	-	(155,714,227)
Fair value of Canadian Securities delivered by Counterparty under the forward agreement through partial pre-settlement	2,321,901	-
Purchase of investment portfolio	(1,356,273)	(13,264,712)
Proceeds on disposition of investment portfolio	9,034,108	-
Net cash flow used in operating activities	7,038,146	(168,594,029)
Financing Activities		
Proceeds from issuance of units	-	185,151,659
Unit issue costs	(83,479)	(10,470,137)
Payments on redemption and cancellation of units (note 5 and 6)	(415,905)	-
Distributions to unitholders	(11,147,263)	(1,202,737)
Net cash flow provided by financing activities	(11,646,647)	173,478,785
Net increase (decrease) in cash and short-term investments	(4,608,501)	4,884,756
Cash - beginning of period	30,371	-
Short-term investments - beginning of period	4,854,385	-
Cash - end of period	276,255	30,371
Short-term investments - end of period	-	4,854,385
Supplementary information		
Interest paid	1,555	66

(See accompanying notes to financial statements)

ING Diversified Floating Rate Senior Loan Fund

Statement of Investment Portfolio

As at May 31, 2014

	No. of shares / par value	Average cost (CAD)	Fair value (CAD)	% of NAV
Investments				
Exchange Traded Funds				
OCP Senior Credit Fund	392,900	3,720,531	3,952,574	2.3%
ING Floating Rate Senior Loan Fund, Class A (1)	60,000	554,399	583,800	0.3%
ING Floating Rate Senior Loan Fund, Class U (USD) (1)	161,000	1,515,543	1,657,307	0.9%
Total Exchange Traded Funds		5,790,473	6,193,681	3.5%
Total investments (before transaction costs)		5,790,473	6,193,681	3.5%
Transaction costs (note 3)		(14,101)	-	0.0%
Total investments		5,776,372	6,193,681	3.5%

Forward agreement:

Investments held in ISL Loan Trust II under the Forward Agreement

	Tranche Description	Maturity date		No. of shares/ par value	Average Cost (CAD)	Fair Value (CAD)	% of NAV
Term loans (2)							
RedPrairie Corporation	Incremental 1st Lien Term Loan	21-Dec-18	USD	2,977,500	3,175,364	3,232,311	1.9%
Global Tel*Link Corporation	Second Lien Term Loan	23-Nov-20	USD	3,000,000	3,037,055	3,238,550	1.9%
BMC Software, Inc.	Euro Term Loan	10-Sep-20	EUR	1,920,188	2,690,033	2,872,923	1.6%
Clear Channel Communications, Inc.	Term Loan E	30-Jul-19	USD	2,632,372	2,830,319	2,864,914	1.6%
Peppermill Casinos, Inc.	Term Loan B	17-Oct-19	USD	2,471,225	2,603,833	2,753,819	1.6%
Penton Media, Inc.	1st Lien	3-Oct-19	USD	2,487,500	2,568,886	2,731,439	1.6%
Go Daddy Operating Company, LLC	Term Loan	5-May-21	USD	2,468,385	2,701,743	2,696,042	1.5%
KIK Custom Products, Inc.	1st Lien with incremental	29-Apr-19	USD	2,436,147	2,482,181	2,646,118	1.5%
Merrill Communications, LLC	Term Loan B	8-Mar-18	USD	2,340,242	2,415,286	2,571,328	1.5%
OneStopPlus Inc.	First Lien Term Loan	18-Mar-21	USD	2,308,371	2,533,202	2,537,876	1.4%
Houghton International, Inc.	2nd Lien Term Loan	20-Dec-20	USD	2,000,000	2,108,758	2,223,278	1.3%
CSM Bakery Supplies	First Lien Term Loan	3-Jul-20	USD	2,014,775	2,133,411	2,203,058	1.3%
Husky Injection Molding Systems, Ltd.	Incremental Term Loan	30-Jun-21	USD	2,000,000	2,074,254	2,179,505	1.2%
WIS International	Second Lien	20-Jun-19	USD	2,000,000	2,110,262	2,171,700	1.2%
Herff Jones, Inc.	First Lien Term Loan	24-Jun-19	USD	1,983,884	2,067,452	2,168,562	1.2%
Fram Group Holdings Inc.	First Lien Term Loan	29-Jul-17	USD	1,996,295	2,064,542	2,169,482	1.2%
Alcatel-Lucent USA Inc.	US Term Loan	30-Jan-19	USD	1,976,237	2,046,325	2,153,498	1.2%
Avaya Inc.	Term B-6 Loan	30-Mar-18	USD	1,975,466	2,217,143	2,135,341	1.2%
CorpSource Finance Holdings, LLC	2nd Lien	30-Apr-19	USD	1,930,000	1,970,401	2,127,126	1.2%
Miller Heiman, Inc.	Term Loan B	30-Sep-19	USD	1,987,500	1,981,663	2,099,857	1.2%
Cannery Casino Resorts, LLC	1st Lien Term Loan	2-Oct-18	USD	1,894,225	1,963,296	2,063,272	1.2%
WireCo WorldGroup, Inc.	Term Loan B	15-Feb-17	USD	1,862,651	1,928,388	2,038,993	1.2%
Gardner Denver, Inc.	Term Loan B Euro	30-Jul-20	EUR	1,364,571	1,848,852	2,038,490	1.2%
Harvey Gulf International Marine, LLC	Upsized Term Loan B	18-Jun-20	USD	1,890,500	1,900,241	2,032,271	1.2%
Hub International Limited	Term Loan B	2-Oct-20	USD	1,840,750	1,925,321	2,001,027	1.1%
Fortescue Metals Group Ltd.	New Term Loan	30-Jun-19	USD	1,815,875	1,900,634	1,971,922	1.1%
MedSolutions Holdings, Inc.	Term loan B	8-Jul-19	USD	1,795,063	1,952,779	1,961,351	1.1%
TI Group Automotive Systems, L.L.C.	Term Loan B	28-Mar-19	USD	1,757,250	1,885,409	1,919,440	1.1%
CityCenter Holdings, LLC	Term Loan	16-Oct-20	USD	1,748,125	1,876,034	1,914,574	1.1%
BJs Wholesale Club Inc.	First Lien Term Loan	26-Sep-19	USD	1,745,625	1,824,176	1,900,218	1.1%
Crestwood Holdings LLC	Term Loan	19-Jun-19	USD	1,715,712	1,784,678	1,897,356	1.1%
Atkins Nutritionals Holdings II, Inc.	1st Lien Term Loan	2-Jan-19	USD	1,732,500	1,764,854	1,885,938	1.1%
McGraw Hill Global Education	Term Loan B	22-Mar-19	USD	1,694,334	1,910,122	1,869,689	1.1%
US Finco LLC	Second lien term loan	20-Nov-20	USD	1,675,000	1,756,480	1,864,269	1.1%
Atkins Nutritionals Holdings II, Inc.	2nd Lien Term Loan	3-Apr-19	USD	1,680,000	1,714,154	1,851,591	1.1%
Global Cash Access, Inc.	Term Loan	1-Mar-16	USD	1,686,957	1,747,821	1,835,216	1.0%
Bronco Midstream Funding, LLC	Term Loan	15-Aug-20	USD	1,677,382	1,808,270	1,835,046	1.0%
Connolly / iHealth Technologies	First Lien	14-May-21	USD	1,623,975	1,774,140	1,776,619	1.0%
Neiman Marcus Group, Inc.	Term Loan	25-Oct-20	USD	1,592,010	1,777,746	1,727,363	1.0%
Royal Adhesives & Sealants, LLC	First Lien Term Facility	31-Jul-18	USD	1,555,121	1,668,440	1,706,219	1.0%
WNA Holdings Inc (a.k.a Waddington Group)	USD Second Lien Term Loan	30-Nov-20	USD	1,490,283	1,635,259	1,646,542	0.9%
Fairmount Minerals, Ltd.	Tranche B-2 Term Loans	5-Sep-19	USD	1,492,500	1,659,146	1,639,876	0.9%
Ikaria Acquisition Inc.	First lien term loan	12-Feb-21	USD	1,500,000	1,668,977	1,638,785	0.9%
4L Holdings Inc.	Term loan B	8-May-20	USD	1,500,000	1,609,517	1,632,339	0.9%

(See accompanying notes to financial statements)

ING Diversified Floating Rate Senior Loan Fund

Statement of Investment Portfolio …. Continued

As at May 31, 2014

	Tranche Description	Maturity date		No. of shares/ par value	Average Cost (CAD)	Fair Value (CAD)	% of NAV
Term loans…. Continued							
Carestream Health Inc.	2nd Lien	7-Dec-19	USD	1,473,554	1,496,864	1,636,060	0.9%
Valeant Pharmaceuticals International, Inc.	Series E-1 Tranche B	5-Aug-20	USD	1,498,900	1,633,803	1,627,692	0.9%
Blackboard Inc.	Term Loan B-3	4-Oct-18	USD	1,485,028	1,587,582	1,625,116	0.9%
Springer Science & Business Media S.A.	Initial Term B2 Loan	14-Aug-20	USD	1,492,500	1,480,518	1,623,670	0.9%
TWCC Holding Corporation	2nd lien term loan	26-Jun-20	USD	1,500,000	1,605,978	1,617,238	0.9%
Monitronics International, Inc.	Add-on Term Loan	23-Mar-18	USD	1,481,226	1,532,308	1,612,076	0.9%
MPH Acquisition Holdings LLC	Term loan	31-Mar-21	USD	1,486,364	1,618,157	1,609,260	0.9%
Leslies Poolmart, Inc.	Term Loan B	16-Oct-19	USD	1,457,452	1,557,063	1,582,081	0.9%
Advance Pierre Foods Inc.	2nd Lien Term Loan	10-Oct-17	USD	1,500,000	1,579,567	1,582,627	0.9%
Southern Graphics Inc.	Term Loan	17-Oct-19	USD	1,443,750	1,538,188	1,572,595	0.9%
WASH Multifamily Laundry Systems, LLC	USD Term Loan	21-Feb-19	USD	1,440,000	1,481,259	1,563,624	0.9%
Carestream Health, Inc.	1st Lien	7-Jun-19	USD	1,433,589	1,503,288	1,563,473	0.9%
Securus Technologies, Inc.	Upsized 1st Lien Term Loan	30-Apr-20	USD	1,412,925	1,508,567	1,534,608	0.9%
MMI International Ltd.	Term Loan B	20-Nov-18	USD	1,409,722	1,401,596	1,516,358	0.9%
iQor US Inc.	1st Lien Term Loan	1-Apr-21	USD	1,452,381	1,541,648	1,508,071	0.9%
Landry's Restaurants Inc.	Term Loan	24-Apr-18	USD	1,377,205	1,414,031	1,500,344	0.9%
Otter Products, LLC	Term Loan B	29-Apr-19	USD	1,346,904	1,403,796	1,464,668	0.8%
Polarpak Inc.	CAD Term Loan	30-May-20	CAD	1,447,059	1,439,806	1,454,294	0.8%
CorpSource Finance Holdings, LLC	1st Lien Term Loan	30-Apr-18	USD	1,323,775	1,375,179	1,444,608	0.8%
Quikrete Holdings Inc.	Term Loan B	26-Sep-20	USD	1,318,375	1,341,101	1,432,900	0.8%
Waterpik Inc.	1st Lien	8-Jul-20	USD	1,288,525	1,350,100	1,404,392	0.8%
Aspect Software, Inc.	Term Loan	7-May-16	USD	1,271,538	1,315,199	1,391,918	0.8%
Berlin Packaging, LLC	2nd Lien Term Loan	2-Apr-20	USD	1,250,000	1,311,283	1,391,245	0.8%
Ikaria Acquisition Inc.	Second lien term loan	12-Feb-22	USD	1,250,000	1,382,954	1,379,708	0.8%
Aricent Group	First Lien Term Loan	14-Apr-21	USD	1,250,000	1,370,224	1,363,251	0.8%
New Wave Communications	Including Add on Term Loan B	30-Apr-20	USD	1,240,626	1,356,445	1,352,185	0.8%
Accellent, Inc.	First Lien Term Loan	12-Mar-21	USD	1,250,000	1,390,938	1,352,011	0.8%
Millennium Laboratories, LLC	Term Loan B	16-Apr-21	USD	1,200,000	1,304,246	1,312,793	0.7%
Del Taco Holdings, Inc.	Term Loan	1-Oct-18	USD	1,191,618	1,199,567	1,300,387	0.7%
iQor US Inc.	2nd Lien Term Loan	1-Apr-22	USD	1,250,000	1,348,973	1,291,992	0.7%
Wabash National Corporation	Term Loan B	8-May-19	USD	1,180,000	1,226,837	1,284,506	0.7%
Oxea S.a.r.l.	First lien term loan USD	15-Jan-20	USD	1,169,125	1,269,286	1,271,875	0.7%
Eze Castle Software, Inc.	2nd Lien Term Loan	5-Apr-21	USD	1,160,000	1,280,640	1,258,012	0.7%
Securus Technologies, Inc.	Upsized 2nd Lien Term Loan	30-Apr-21	USD	1,125,000	1,181,437	1,237,615	0.7%
Pre-Paid Legal Services, Inc.	Second Lien Term Loan	31-May-20	USD	1,080,000	1,174,834	1,199,837	0.7%
Golden Nugget, Inc.	Term Loan	21-Nov-19	USD	1,047,375	1,098,737	1,166,422	0.7%
Action Holding B.V.	Facility C	8-Mar-19	EUR	765,000	1,028,634	1,148,022	0.7%
Blue Coat Systems, Inc.	Second Lien Term Loan	28-Jun-20	USD	1,000,000	1,038,560	1,106,888	0.6%
Websense, Inc.	2nd Lien Term Loan	24-Dec-20	USD	1,000,000	1,074,649	1,093,315	0.6%
Minerals Technologies Inc.	Senior Secured Term Loan	9-May-21	USD	1,000,000	1,084,892	1,091,279	0.6%
Men's Wearhouse	Term Loan	18-Jun-21	USD	1,000,000	1,085,585	1,088,966	0.6%
Advantage Sales & Marketing, Inc.	First Lien Term Loan	18-Dec-17	USD	1,000,000	1,096,003	1,089,340	0.6%
First Data Corporation	Extended Term Loan	24-Mar-21	USD	1,000,000	1,095,902	1,088,899	0.6%
First American Payment Systems, L.P.	2nd Lien	11-Apr-19	USD	1,000,000	1,091,979	1,096,709	0.6%
Santander Asset Management S.a.r.l.	Term Loan B-1 USD	17-Dec-20	USD	997,500	1,071,765	1,085,843	0.6%
Hawaiian Telcom Communications, Inc.	Term Loan B	6-Jun-19	USD	991,074	1,028,656	1,081,807	0.6%
National Financial Partners Corp.	Add-On Term Loan B	24-Jun-20	USD	992,513	1,001,207	1,084,961	0.6%
Blue Coat Systems, Inc.	First Lien Term Loan	31-May-19	USD	997,045	1,088,620	1,083,487	0.6%
U.S. Telepacific Corp.	First Lien Term Loan	23-Feb-17	USD	988,610	1,012,693	1,079,655	0.6%
Advance Pierre Foods Inc.	1st Lien Term Loan B	10-Jul-17	USD	993,725	1,064,553	1,079,036	0.6%
Eze Castle Software, Inc.	Term Loan B-1	29-Mar-20	USD	992,500	1,096,831	1,079,053	0.6%
Doncasters Group Limited	First Lien Term Loan USD add-on	5-Apr-20	USD	990,000	1,019,696	1,078,015	0.6%
Centaur Acquisition, LLC	1st Lien Term Loan	20-Feb-19	USD	989,888	1,082,121	1,078,396	0.6%
Pep Boys Manny Moe & Jack	Term Loan B	11-Oct-18	USD	987,500	1,029,259	1,077,625	0.6%
Protection One, Inc.	Term Loan B	21-Mar-19	USD	989,914	1,017,992	1,077,921	0.6%
Dell International LLC	Term B Loans	29-Apr-20	USD	990,013	1,030,294	1,074,883	0.6%
AmWINS Group, Inc.	Term Loan B	6-Sep-19	USD	987,507	1,025,473	1,075,803	0.6%
Zayo Group, LLC	Term Loan B	2-Jul-19	USD	987,443	1,016,607	1,072,023	0.6%
RentPath, Inc.	Term Loan B	29-May-20	USD	985,019	1,025,214	1,069,917	0.6%
Wilsonart International Holdings LLC	Term Loan B	31-Oct-19	USD	987,501	1,026,730	1,067,586	0.6%
Univision Communications, Inc.	Term Loan-C4	1-Mar-20	USD	980,038	1,083,645	1,062,178	0.6%
Vince, LLC	Term Loan	4-Nov-19	USD	954,879	996,244	1,051,112	0.6%
P.F. Chang's China Bistro, Inc.	Term Loan	2-Jul-19	USD	967,955	1,002,370	1,050,397	0.6%
SurveyMonkey.com, LLC	Term Loan B	4-Feb-19	USD	962,530	1,046,446	1,045,790	0.6%
Fram Group Holdings Inc.	Second Lien Term Loan	29-Jan-18	USD	1,000,000	1,026,009	1,031,558	0.6%
Packaging Coordinators, Inc.	1st Lien Term Loan B	10-May-20	USD	942,875	949,184	1,023,821	0.6%
SRAM, LLC	First Lien Term Loan	10-Apr-20	USD	949,441	958,594	1,023,218	0.6%
Data Device Corp. (DDC)	1st Lien Term Loan	11-Jul-18	USD	931,416	956,491	1,013,906	0.6%
Global Tel*Link Corporation	First Lien Term Loan	23-May-20	USD	920,000	994,577	994,736	0.6%
Web.com Group, Inc.	Term Loan	27-Oct-17	USD	902,222	939,851	988,862	0.6%
FTS International, Inc.	Term Loan	16-Apr-21	USD	897,048	977,669	982,461	0.6%
Roundys Supermarkets, Inc.	Term Loan B	3-Mar-21	USD	900,000	982,769	980,726	0.6%

(See accompanying notes to financial statements)

	Tranche Description	Maturity date		No. of shares/ par value	Average Cost (CAD)	Fair Value (CAD)	% of NAV
Term loans…. Continued							
Aptean Holdings, Inc.	1st Lien Term Loan	26-Feb-20	USD	900,000	992,797	979,708	0.6%
Utility Services Associates	Term Loan	30-Sep-20	USD	887,775	909,571	971,220	0.6%
Federal-Mogul Corporation	Term Loan C	15-Apr-21	USD	875,000	943,627	948,041	0.5%
Cooper Gay Swett & Crawford, Ltd.	2nd Lien Term Loan	16-Oct-20	USD	900,000	927,911	950,390	0.5%
Connolly / iHealth Technologies	Second Lien	14-May-22	USD	850,000	917,614	936,817	0.5%
First American Payment Systems	1st Lien Term Loan	12-Oct-18	USD	856,000	885,781	932,973	0.5%
Foam Investments II S.a.r.L	First lien Term Loan USD	2-Jul-20	USD	852,863	886,231	927,238	0.5%
Stuart Weitzman Holdings, LLC	Term Loan	8-Apr-20	USD	840,000	934,507	908,694	0.4%
STS Operating, Inc.	First Lien Term Loan	21-Feb-21	USD	825,000	913,709	898,906	0.5%
Envision Acquisition Company, LLC	First lien term loan	4-Nov-20	USD	820,875	862,320	898,032	0.5%
Hudson's Bay Company	Term Loan	4-Nov-20	USD	809,375	842,307	888,500	0.5%
Cengage Learning Acquisition, Inc.	First Lien Term Loan	31-Mar-20	USD	785,000	852,817	867,975	0.5%
Twin River Management Group, Inc.	Term Loan B	10-Jul-20	USD	800,000	872,626	867,232	0.5%
Doosan Infracore Bobcat Holdings Co., Ltd.	Term Loan B	28-May-21	USD	780,000	848,549	851,188	0.5%
Walker & Dunlop Inc.	Term Loan	20-Dec-20	USD	748,125	813,856	826,568	0.5%
Checkout Holding Corp.	First Lien Term Loan	9-Apr-21	USD	750,000	822,927	815,660	0.5%
Medpace Holdings, Inc.	Term loan B	1-Apr-21	USD	750,000	813,823	817,441	0.5%
ServiceMaster Company	Term Loan	31-Jan-17	USD	750,000	822,063	815,624	0.5%
CEC Entertainment, Inc.,	First Lien Term Loan	14-Feb-21	USD	750,000	819,159	808,958	0.5%
International Equipment Solutions, LLC	Term Loan	16-Aug-19	USD	738,255	793,453	807,145	0.5%
Cooper Gay Swett & Crawford, Ltd.	1st Lien Term Loan	16-Apr-20	USD	744,375	761,571	791,777	0.5%
Consolidated Communications, Inc.	Term Loan B	23-Dec-20	USD	717,764	803,573	784,376	0.4%
Vestcom International, Inc.	Term Loan	27-Dec-18	USD	718,535	739,924	782,171	0.4%
P2 Lower Acquisition LLC	First lien	22-Oct-20	USD	715,102	744,198	780,861	0.4%
Advantage Sales & Marketing, Inc.	Upsized 2nd Lien Term Loan	17-Jun-18	USD	694,857	713,514	769,601	0.4%
Allflex Holdings III, Inc.	2nd Lien Term Loan	17-Jul-21	USD	700,000	727,151	768,963	0.4%
EveryWare, Inc.	Term Loan	21-May-20	USD	992,500	1,008,957	789,420	0.5%
Aricent Group	Second Lien Term Loan	14-Apr-22	USD	700,000	764,206	761,045	0.4%
BBB Industries, LLC	Term Loan B	27-Mar-19	USD	688,750	743,605	750,684	0.4%
Equinox Holdings, Inc.	Second Lien Term Loan	31-Jul-20	USD	666,667	742,185	724,805	0.4%
Penton Media, Inc.	2nd Lien	3-Oct-20	USD	650,000	667,877	712,861	0.4%
USI, Inc.	Term Loan B	27-Dec-19	USD	641,899	696,534	698,313	0.4%
Sophos Ltd.	Term Loan B USD	27-Jan-21	USD	634,600	699,872	693,100	0.4%
Savers, Inc.	Term Loan B	9-Jul-19	USD	632,945	656,468	690,719	0.4%
Pre-Paid Legal Services, Inc.	First Lien Term Loan	1-Jul-19	USD	619,792	677,638	680,993	0.4%
Polarpak Inc.	USD Term Loan (Canadian Borrower)	30-May-20	USD	624,818	655,711	680,579	0.4%
Magic Newco LLC	Term Loan B add-on	12-Dec-18	USD	619,333	644,782	678,738	0.4%
Sedgwick Holdings, Inc.	2nd Lien Term Loan	28-Feb-22	USD	625,000	686,768	679,080	0.4%
Tropicana Entertainment Inc.	Term Loan	27-Nov-20	USD	621,875	656,572	677,795	0.4%
Aquilex LLC (a.k.a Hydrochem)	Term Loan	31-Dec-20	USD	598,500	637,481	653,537	0.4%
Spin Holdco Inc.	Feb 2014 Upsized Term Loan	14-Nov-19	USD	597,004	606,583	649,067	0.4%
Mercury Payment Systems LLC	Term Loan B Inc	1-Jul-17	USD	592,418	612,875	645,689	0.4%
Monarch (Allnex S.a.r.l.)	First lien term loan B-1	3-Oct-19	USD	557,708	572,938	608,237	0.3%
Atlantic Power Limited Partnership	Term Loan	26-Feb-21	USD	525,000	575,285	575,059	0.3%
Ship US Bidco, Inc. (Worldpay)	Term Loan C2	29-Nov-19	USD	520,000	524,359	569,112	0.3%
CBAC Borrower, LLC	Funded Term Loan B	2-Jul-20	USD	500,000	513,084	563,285	0.3%
BJs Wholesale Club Inc.	Second Lien Term Loan	26-Mar-20	USD	500,000	522,499	559,416	0.3%
Wilton Brands, Inc.	Term Loan	30-Aug-18	USD	534,825	551,126	560,414	0.3%
KIK Custom Products, Inc.	2nd Lien Term Loan	29-Oct-19	USD	500,000	515,721	550,164	0.3%
Asp Lcg Merger Sub Inc.	Term loan	5-May-21	USD	500,000	539,773	549,712	0.3%
Aptean Holdings, Inc.	2nd Lien Term Loan	26-Feb-21	USD	500,000	548,029	549,712	0.3%
Learfield Communications, Inc.	First Lien Term Loan	9-Oct-20	USD	498,750	546,982	546,306	0.3%
CHS/Community Health Systems, Inc.	Term Loan D	22-Jan-21	USD	498,750	548,413	545,291	0.3%
24 Hour Fitness Worldwide, Inc.	Term Loan B	28-May-21	USD	500,000	539,773	545,640	0.3%
XO Communications LLC	First Lien Term Loan	19-Mar-21	USD	500,000	549,812	545,640	0.3%
Oberthur Technologies of America Corp.	Tranche B-2 Term Loans Repriced	18-Oct-19	USD	498,750	549,632	544,600	0.3%
NEP/NCP Holdco, Inc.	Term Loan B with Add on	22-Jan-20	USD	500,000	549,787	543,807	0.3%
Vantage Specialties Inc.	Incremental Term Loan Facility	10-Feb-19	USD	497,471	523,049	543,218	0.3%
Active Network, Inc.	1st Lien Term Loan	15-Nov-20	USD	498,750	526,578	542,583	0.3%
American Casino and Entertainment Properties LLC	1st Lien Term Loan	3-Jul-19	USD	496,250	553,101	542,221	0.3%
Genesys Telecommunications Laboratories, Inc.	Existing Term Loan B	8-Feb-20	USD	500,000	545,308	541,568	0.3%
CHG Medical Staffing, Inc.	Upsized 2nd lien term loan	19-Nov-20	USD	490,217	513,385	542,061	0.3%
Catalent Pharma Solutions, Inc.	USD Term Loan B	20-May-21	USD	494,987	540,222	540,631	0.3%
Kronos Incorporated	Upsized Term Loan	30-Oct-19	USD	494,885	517,348	540,058	0.3%
Minimax Viking GmbH	Facility B1 Loan	14-Aug-20	USD	487,720	502,994	533,231	0.3%
Avaya Inc.	Term B-3 Loan	26-Oct-17	USD	494,205	481,378	520,459	0.3%
R.H. Donnelley Corporation	TERM LOAN	31-Dec-16	USD	679,201	482,691	507,960	0.3%
Golden Nugget, Inc.	Delayed Draw Term Loan	21-Nov-19	USD	448,875	470,887	499,895	0.3%
Redtop Acquisitions Limited	First lien Term Loan Euro	3-Dec-20	EUR	325,000	460,045	487,098	0.3%
Del Monte Foods Consumer Products, Inc.	2nd Lien	18-Aug-21	USD	450,000	474,658	484,357	0.3%
Sensus Metering Systems Inc.	Upsized 1st Lien Term Loan	9-May-17	USD	410,813	423,402	447,568	0.3%

ING Diversified Floating Rate Senior Loan Fund

Statement of Investment Portfolio …. Continued

As at May 31, 2014

	Tranche Description	Maturity date		No. of shares/ par value	Average Cost (CAD)	Fair Value (CAD)	% of NAV
Term loans…. Continued							
Asurion, LLC	Second Lien Term Loan	3-Mar-21	USD	400,000	430,189	446,284	0.3%
Affinia Group Inc.	Term Loan B-2	25-Apr-20	USD	405,045	421,185	443,116	0.3%
Britax US Holdings Inc.	Initial Dollar Term Loan	15-Oct-20	USD	417,900	437,100	426,928	0.2%
Twin River Management Group, Inc.	Term Loan B	10-Nov-18	USD	383,167	387,851	414,241	0.2%
Sybil Finance B.V.	Term Loan	20-Mar-20	USD	365,000	402,670	396,418	0.2%
Duff & Phelps, LLC	Add-on Term Loan	23-Apr-20	USD	353,804	365,036	385,859	0.2%
Electrical Components International, Inc.	Term Loan B	28-May-21	USD	350,000	379,749	383,373	0.2%
Hyland Software, Inc.	1st Lien Term Loan	19-Feb-21	USD	350,000	387,655	382,502	0.2%
Visant Corporation	10% Senior Notes due 2017	1-Oct-17	USD	375,000	383,450	380,726	0.2%
M/A-COM Technology Solutions Holdings, Inc.	Term Loan B	7-May-21	USD	350,000	381,261	381,948	0.2%
Applied Systems Inc.	1st Lien Term Loan	25-Jan-21	USD	349,125	382,677	380,282	0.2%
TMS International	Term B Loan	16-Oct-20	USD	349,125	368,604	380,361	0.2%
Key Safety Systems, Inc.	Term Facility	10-May-18	USD	343,125	342,545	374,538	0.2%
WNA Holdings Inc (a.k.a Waddington Group)	USD Upsized Term Loan (US Borrower)	30-May-20	USD	342,220	359,140	372,761	0.2%
TPF Generation Holdings, LLC	Term Loan B	31-Dec-17	USD	348,250	349,575	368,694	0.2%
Cooper-Standard Automotive Inc.	Term Loan B	4-Apr-21	USD	325,000	357,847	353,563	0.2%
Talbots Inc.	First Lien Term Loan	19-Mar-20	USD	325,000	358,542	351,137	0.2%
Fender Musical Instruments Corp.	Term Loan B	3-Apr-19	USD	320,400	336,577	350,185	0.2%
Jason Incorporated	2nd Lien Term Loan	21-May-22	USD	325,000	342,314	342,314	0.2%
Monarch (Allnex S.a.r.l.)	Second lien term loan	3-Apr-20	USD	306,182	328,652	342,580	0.2%
VAT Holding	Term Loan B	11-Feb-21	USD	300,000	332,604	328,198	0.2%
ASTER II S.A.	USD Term Loan B1	2-May-21	USD	300,000	323,166	325,450	0.2%
Del Monte Foods Consumer Products, Inc.	1st Lien	18-Feb-21	USD	299,250	331,772	325,184	0.2%
AZ Chem US Inc.	Term Loan B	22-Dec-17	USD	295,585	308,846	322,165	0.2%
Monarch (Allnex S.a.r.l.)	First lien term loan B-2	3-Oct-19	USD	289,368	297,270	315,585	0.2%
Xerium Technologies, Inc.	Unsecured Notes	15-Jun-18	USD	270,000	304,163	312,969	0.2%
Aegis Toxicology Sciences Corporation	1st Lien Term Loan	24-Feb-21	USD	275,000	303,355	301,968	0.2%
Filtration Group Corporation	First Lien Term Loan	21-Nov-20	USD	274,313	285,510	300,543	0.2%
Western Refining, Inc.	Term Loan	12-Nov-20	USD	274,313	288,782	300,189	0.2%
Accellent, Inc.	Second lien term loan	11-Mar-22	USD	275,000	305,653	296,742	0.2%
Berlin Packaging, LLC	First Lien Term Loan	2-Apr-19	USD	263,675	267,301	288,280	0.2%
LTS Buyer LLC	2nd Lien Term Loan	12-Apr-21	USD	253,000	266,686	279,070	0.2%
SuperMedia, Inc.	Term Loan	30-Dec-16	USD	306,704	237,309	278,084	0.2%
Learfield Communications, Inc.	Second Lien Term Loan	9-Oct-21	USD	250,000	258,180	277,061	0.2%
Centaur Acquisition, LLC	2nd Lien Term Loan	20-Feb-20	USD	250,000	262,612	276,213	0.2%
Filtration Group Corporation	Second Lien Term Loan	22-Nov-21	USD	250,000	258,897	276,213	0.2%
Knowledge Universe Education, LLC	Term loan B	18-Mar-21	USD	250,000	274,906	274,856	0.2%
PharMEDium Healthcare Corporation	Second lien term loan	28-Jan-22	USD	250,000	277,170	274,771	0.2%
CareCore National, LLC	Term loan B	5-Mar-21	USD	250,000	275,329	273,498	0.2%
Kronos Worldwide, Inc.	Term Loan B Facility	18-Feb-20	USD	250,000	273,339	273,753	0.2%
Omnitracs Inc.	Upsized First Lien Term Loan	25-Nov-20	USD	249,375	267,941	272,928	0.2%
ION Trading Technologies Limited	Second lien term loan	22-May-21	USD	250,000	255,804	273,498	0.2%
Atrium Innovations, Inc.	USD 2nd Lien Term Loan	13-Aug-21	USD	250,000	277,170	272,650	0.2%
US Ecology Inc.	Term Loan	17-Jun-21	USD	250,000	270,784	270,784	0.2%
Ennis Flint (a.k.a Road Infrastructure Investment LLC)	First Lien Term Facility	31-Mar-21	USD	250,000	279,113	270,671	0.2%
Xerium Technologies, Inc.	Term Loan B	17-May-19	USD	247,500	248,319	270,987	0.2%
August US Holding Co. Inc.	US Term Loan	27-Apr-18	USD	247,490	254,407	269,913	0.2%
Atrium Innovations, Inc.	USD 1st Lien Term Loan	13-Feb-21	USD	250,000	277,170	269,512	0.2%
MoneyGram International, Inc.	New Term Loan Add-On	27-Mar-20	USD	250,000	276,304	267,676	0.2%
TricorBraun Inc.	Term Loan	3-May-18	USD	239,557	241,557	260,990	0.1%
Weight Watchers International, Inc.	Term Loan B-2	2-Apr-20	USD	291,264	255,930	251,830	0.1%
Colouroz Investment 2 LLC	USD Term Loan B2	3-May-21	USD	214,884	231,413	233,113	0.1%
Omnitracs Inc.	Upsized Second Lien Term Loan	25-May-21	USD	200,000	211,699	220,156	0.1%
StoneRiver Group, LP	2nd Lien	30-May-20	USD	163,386	170,893	178,633	0.1%
Aster II S.A.	USD Term Loan C	2-May-21	USD	85,116	91,664	92,337	0.1%
Attachmate Corporation	1st Lien Term Loan	22-Nov-17	USD	25,169	25,855	27,578	0.0%
Caesars Entertainment Operating Company, Inc.	Term Loan B4 (Incremental)	31-Oct-16	USD	338	354	370	0.0%
Total term loans					244,004,408	251,206,854	143.4%

	Shares	Average Cost (CAD)	Fair Value (CAD)	% of NAV
Common Stock				
Information Technology				
Cengage Learning Holdings	37,451	1,559,041	1,453,816	0.8%
Total Common Stock		1,559,041	1,453,816	0.8%
Total investments held in ISL Loan Trust II under the forward agreement		245,563,449	252,660,670	144.2%

(See accompanying notes to financial statements)

ING Diversified Floating Rate Senior Loan Fund

Statement of Investment Portfolio …. Continued

As at May 31, 2014

	Maturity date	Contract price/rate	Unrealized gain (loss) (CAD)	% of NAV
Foreign currency forward contracts				
Bought CAD 6,587,768, sold EUR 4,413,000	20-Jun-14	0.669887	46,527	0.0%
Bought CAD 143,013,713, sold USD 131,325,000	20-Jun-14	0.918269	352,231	0.2%
Bought CAD 16,525,811, sold USD 15,175,133	20-Jun-14	0.918269	40,702	0.0%
Bought CAD 1,517,726, sold USD 1,400,000	20-Jun-14	0.922433	(3,127)	0.0%
Bought CAD 16,525,811, sold USD 15,175,133 (3)	20-Jun-14	0.918269	(40,702)	0.0%
Total foreign currency forward contracts			395,631	0.2%
Other liabilities net of other assets of ISL Loan Trust II (4)			495,404	0.3%
Bank indebtedness			(73,286,242)	-41.8%
Net asset value of ISL Loan Trust II			180,265,463	102.9%
Prepaid forward agreement			170,148,561	97.1%
Other liabilities net of other assets of the Fund			(1,099,388)	-0.6%
Net asset of the Fund			175,242,854	100.0%

(1) Related party investment funds.

(2) ING Diversified Floating Rate Senior Loan Fund (the "Fund") obtained exposure to the performance of the portfolio held by ISL Loan Trust II through the Forward Agreement (see note 7); thus, the portfolio of ISL Loan Trust II is presented as part of this statement. The investments held in the portfolio of ISL Loan Trust II are all floating rate notes.

(3) The unrealized forward currency contract gain and losses are attributed to and allocated solely to the Class U Units of ISL Loan Trust II.

(4) Includes $13,422,068 in payable on investment purchases.

1 Corporate activities

ING Diversified Floating Rate Senior Loan Fund (the "Fund") is an investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement (the "Trust Agreement") between Aston Hill Capital Markets Inc. (the "Manager") the Manager of the Fund and RBC Investor Services Trust (the "Trustee") dated February 26, 2013. The Fund commenced operations on March 22, 2013. The Fund's principal office is located at 77 King Street West, Suite 2110, PO Box 92, Toronto, Ontario, M5K 1G8. The fiscal year end of the Fund is May 31.

The Fund is divided into Units of two classes, Class A Units and Class U Units. The Class A Units are listed on the Toronto Stock Exchange (the "TSX") under the symbol IFL.UN. The Class U Units are designed for investors wishing to make their investment in U.S. Dollars. The Class U Units are not listed on a stock exchange but may be converted into Class A Units on a weekly basis.

2 Investment objectives

The Fund's investment objectives 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 (formally ING Investment Management Co. LLC) (the "Sub-Advisor").

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. 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 above applicable LIBOR floors. 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.

3 Summary of significant accounting policies

Basis of presentation

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

Valuation of investments

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

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

Cash and short-term investments

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

Income recognition

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

Expense recognition

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

Foreign currency translation

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

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

Foreign currency forward contracts

The Fund is exposed to the foreign currency forward contracts held in ISL Loan Trust II. The carrying value of the foreign currency forward contracts is the gain or loss that would be realized if the position were closed out on the valuation date and is recorded as an unrealized gain or loss. Upon closing of a contract, the gain or loss is recorded as net realized gain or loss on foreign currency forward contracts. This is reflected in the Fund through its exposure to the Forward Agreement and is recorded in the Statement of Operations as "Unrealized gain (loss) on forward agreement".

Initial fees and expenses

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

Increase (decrease) in net assets from operations per unit

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

Valuation of a class

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

Designation of financial assets and liabilities

For the purpose of measuring and recognizing assets and liabilities, the following designations have been made: All investments, including short-term investments and derivatives, if any, are recognized at fair value and are designated as held for trading. Accrued interest and dividends receivable, amounts receivable for capital units sold and securities sold and other assets are designated as loans and receivables and reported at cost or amortized cost. Amounts payable for securities purchased and capital shares redeemed, other liabilities and accrued expenses are designated as other financial liabilities and reported at amortized cost.

Related party transactions

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

International Financial Reporting Standards (IFRS)

Beginning June 1, 2014, the Fund will prepare its semi-annual and annual financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and provide comparative statements on an IFRS basis, including an opening balance sheet as at June 1, 2013 (the transition date). The Fund will also report its interim financial statements for the period ending November 30, 2014, in accordance with IFRS.

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

Under Canadian GAAP, the Fund measures the fair values of its investments in accordance with the CPA Canada Handbook Section 3855, Financial Instruments – Recognition and Measurement. This section requires the use of bid prices for the long positions and asks prices for the short positions to the extent such prices are available. In May 2011, the IASB issued IFRS 13 Fair Value Measurement, which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical means for fair value measurements within a bid-ask spread. The impact of this may result in the elimination of the differences between the transactional NAV and net assets at the financial statements reporting dates as reported in note 3 of the financial statements.

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

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

4 Custodian

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

5 Unitholders' equity

The beneficial interest in the net assets and net income of the Fund is divided into two classes of Units, Class A Units and Class U Units. The Fund is authorized to issue an unlimited number of transferable, redeemable Units. The Class U Units are designed for investors wishing to make their investments in U.S. Dollars. The Class U Units may be converted into Class A Units on a weekly basis. Each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units, subject to Unitholders of each class being entitled to distributions or redemptions based on the Net Asset Value of the Units of a particular class.

On March 22, 2013, the Fund completed its 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 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 Unit.

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, subject to certain conditions. In order to effect such a redemption, the Units must be surrendered during the period from the first Business Day (any day except Saturday, Sunday, a statutory holiday in Toronto or any other day on which the TSX is not open for trading) in August until 5:00 p.m. (Toronto time) on August 15 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 the redemption price 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. Unitholders depositing Units during the Notice Period will be entitled to elect to receive the Monthly Redemption Amount rather than the Annual Redemption Amount (as defined below).

In addition to the annual redemption right, commencing in 2014, 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 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 pricings 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 of 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, 2014, there were 3,000 Class A Units redeemed for $25,992. There were 41,000 Class U Units redeemed for $389,913 and 331,810 Class U Units converted to 356,119 Class A Units for a total value of $3,319,213 (2,000 Class U Units converted to 2,052 Class A Units for a total value of $19,491 during the period from March 22, 2013 (commencement of operations) to May 31, 2013).

Changes in outstanding Units during the year May 31, 2014 and the period from March 22, 2013 (commencement of operations) to May 31, 2013 are summarized as follows:

	Class A Units		**Class U Units**	
	May 31, 2014	**May 31, 2013**	**May 31, 2014**	**May 31, 2013**
Balance – beginning of period	16,705,976	–	1,769,467	–
Units issued	–	16,703,924	–	1,771,467
Units redeemed	(3,000)	–	(41,000)	–
Class U Units converted to Class A Units	356,119	2,052	(331,810)	(2,000)
Balance – end of period	17,059,095	16,705,976	1,396,657	1,769,467

The Unit Capital dollar amount represents the face value of the Fund's Units minus any return on capital distributions and issue costs paid since March 22, 2013 (commencement of operations) to May 31, 2014. If the redemption price is lower than the average cost per unit, the difference is included in Contributed Surplus on the Statement of Net Assets. If the redemption price is greater than the average cost per unit, the difference is first charged to Contributed Surplus until the balance in Contributed Surplus is eliminated and the remaining amount is charged to Retained Earnings.

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

6 Purchase for cancellation

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

The Fund did not purchase any Class A Units for cancellation during the year ended May 31, 2014.

7 Forward Agreement

The Fund does not invest directly in ISL Loan Trust II; the Fund used a portion of the net proceeds of the initial public offering to pre-pay its purchase obligations under a forward purchase and sale agreement (the "Forward Agreement") with the Bank of Nova Scotia (the "Counterparty" or "BNS") whose S&P credit rating was A+ as of May 31, 2014 (AA- as of May 31, 2013). 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 ("Canadian Securities") in an amount equal to the 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 daily with reference to the NAV of ISL Loan Trust II, is payable to BNS under the Forward Agreement.

On May 31, 2014, the prepaid amount to the Counterparty under the Forward Agreement was $155,936,618. Since the Fund can at any time terminate the Forward Agreement with the Counterparty in exchange for the value of ISL Loan Trust II, the value of the Forward Agreement to the Fund is equal to the transactional value of ISL Loan Trust II less the value of the prepaid amount to the Counterparty under the Forward Agreement. On May 31, 2014, the value of the unrealized gain on the Forward Agreement was $14,211,943. Other investments held by the Fund totalled $6,193,681 and other liabilities net of other assets in the Fund totalled $1,099,388, leaving net assets of $175,242,854. This amount is assigned to the Class A and Class U Unitholders using an allocation percentage that takes into consideration any class level specific expenses. On May 31, 2014, the Net Asset Values were $9.44 per Class A Unit and $10.22or U.S. $9.59 per Class U Unit (On May 31, 2013, the prepaid amount to the Counterparty under the Forward Agreement was $155,714,227. The value of the unrealized gain on the Forward Agreement was $1,663,370. Other investments held by the Fund totalled $19,543,690 and other liabilities net of other assets in the Fund totalled $3,009,918, leaving net assets of $173,911,369. This amount is assigned to the Class A and Class U Unitholders using an allocation percentage that takes into consideration any class level specific expenses. The Net Asset Values were $9.38 per Class A Unit and $9.68 or U.S. $9.37 per Class U Unit).

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.

Impact of Federal Budget Announcement

As noted above, the Federal government introduced measures in its March 21, 2013 budget which impacted the use of forward agreements from the budget date onwards. The Fund entered into a forward agreement on March 20th, 2013 in the amount of $140 million for the Class A Units. The Fund's sales in the next two days were much stronger than anticipated. The Manager and its legal counsel had expected the additional amount would be allowed under the "grandfathering" provisions but that was not the case. As a result, the Manager implemented a plan that allowed the Fund to deliver its investment strategy while also staying within the parameters of the prospectus and declaration of trust. The Fund's investment objective is to provide exposure on a leveraged basis to a portfolio of senior loans and to deliver the distributions in a tax advantaged manner. If the Manager invests directly from the top trust then it is difficult to buy senior loans and the Manager would not be able to apply leverage (too small a pool), nor would the Manager be able to put a forward in place (the budget precludes it). The Manager's solution is to buy other senior loan funds that are already trading in the market. The two funds that were bought were the ING Floating Rate Senior Loan Fund (ISL) and OCP Senior Credit Fund. These funds were bought at a discount to their net asset value and, in the case of ISL, the Manager implemented a plan that prevents it from collecting any management fee on the assets invested in ISL.

8 Distributions

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. The Fund paid an initial distribution of $0.065 per Class A Unit and U.S. $0.065 per Class U Unit covering the period from March 22, 2013 (commencement of operations) to April 30, 2013. The initial distribution amount represents an annualized current yield of 6.0% based on the initial offering price of $10.00 per Unit.

During the year ended May 31, 2014, the Fund paid distributions of $0.600 per Class A Unit and U.S. $0.600 per Class U Unit ($0.115 per Class A Unit and U.S. $0.115 per Class U Unit during the period from March 22, 2013 (commencement of operations) to May 31, 2013).

9 Management fees and related party transactions

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 NAV, (0.50% from the Fund and 0.75% from ISL Loan Trust II) plus applicable taxes, calculated daily and payable monthly in arrears, plus a service fee 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.

During the year ended May 31, 2014, the management fees charged to the Fund and ISL Loan Trust II on a combined basis were $2,111,587 plus applicable taxes ($406,073 during the period from March 22, 2013 (commencement of operations) to May 31, 2013). The Manager is responsible for payment of the Sub-Advisor fees out of these management fees.

The Manager is responsible for payment of the Sub-Advisor fees out of the above management fees.

10 Service fee

From the amounts received by the Manager from the Fund, a service 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 each calendar quarter. The service 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, 2014 were $671,584 ($133,465 during the period from March 22, 2013 (commencement of operations) to May 31, 2013).

11 Income taxes

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

There were no capital losses or non-capital losses to carry forward as of December 31, 2013.

12 Broker commission charges and soft dollar services

There was $24,295 of broker commissions paid during the year ended May 31, 2014 in connection with portfolio transactions ($32,675 of broker commissions paid during the period from March 22, 2013 (commencement of operations) to May 31, 2013). No contractual arrangements for soft dollar services exist in the broker commission charges.

13 Financial instruments

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

The Fund obtained exposure to the performance of the portfolio held by ISL Loan Trust through the Forward Agreement (see note 7) and therefore, the following tables illustrate the classification of the Fund's and the Trust's financial instruments within the fair value hierarchy as at May 31, 2014 and 2013. The prepaid forward agreement is a level 2 security as its value is based on observable input which is not actively traded at May 31, 2014.

Assets at fair value as at May 31, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Term loans	–	251,206,854	–	251,206,854
Equities	1,453,816	–	–	1,453,816
Exchange traded funds	6,193,681	–	–	6,193,681
Foreign currency forward contracts	–	439,460	–	439,460
Total	**7,647,497**	**251,646,314**	–	**259,293,811**

Liabilities at fair value as at May 31, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Foreign currency forward contracts	–	43,829	–	43,829
Total	**–**	**43,829**	**–**	**43,829**

Assets at fair value as at May 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Term loans	–	246,260,248	–	246,260,248
Exchange traded funds	14,689,305	–	–	14,689,305
Short-term investments	–	23,260,869	–	23,260,869
Foreign currency forward contracts	–	364,534	–	364,534
Total	**14,689,305**	**269,885,651**	–	**284,574,956**

Liabilities at fair value as at May 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Foreign currency forward contracts	–	2,831,097	–	2,831,097
Total	**–**	**2,831,097**	–	**2,831,097**

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

Exchange traded funds: Exchange traded funds are classified as Level 1 as all these securities are actively traded and a reliable quote is observable.

Term loans, short-term investments and prepaid forward agreement: Term loans and Short-term investments are classified as Level 2 as they are valued using observable inputs, including interest rate curves, credit spreads and volatilities and are not actively traded. The prepaid forward agreement is a level 2 security as its value is based on observable input which is not actively traded.

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

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

There were no transfers among the three levels during the year ended May 31, 2014 and period from March 22, 2013 (commencement of operations) to May 31, 2013.

14 Financial instrument risk

The Fund obtained exposure to the performance of the portfolio held by the Trust through the Forward Agreement (see note 7) and therefore, the risks associated with an investment in the Fund's Units are best defined in conjunction with financial risks associated with an investment in the Trust's portfolio.

Credit risk

The Fund and ISL Loan Trust II is exposed to the risk that a security issuer or counterparty will be unable to pay amounts in full when due. The fair value of debt and debt-like securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of these investments and the unrealized gain (loss) on derivative instruments outstanding with counterparties represents the maximum credit risk exposure as at May 31, 2014 and May 31, 2013.

The Fund is also exposed to the credit risk of the Lender, whose S&P credit rating as of May 31, 2014 and 2013 was A+.

The table below summarizes the Fund's exposure to credit risk through its investment in ISL Loan Trust II as of May 31, 2014 and May 31, 2013. Amounts shown are based on the carrying value of debt investments and the unrealized gain (loss) on derivative instruments outstanding with counterparties.

Rating	May 31, 2014 (% of Net Assets)
AA-	0.2%
BBB-	2.1%
BB+	1.0%
BB	3.8%
BB-	13.1%
B+	40.1%
B	44.1%
B-	13.6%
CCC+	19.0%
CCC	3.4%
CC	0.5%
Not rated	2.7%
Total	143.6%

Rating	May 31, 2013 (% of Net Assets)
AA-	9.1%
BBB-	0.6%
BB+	4.8%
BB	6.6%
BB-	14.0%
B+	35.6%
B	36.4%
B-	15.1%
CCC+	21.0%
CCC	4.1%
A-1+	0.3%
A-1	1.3%
A-2	1.2%
Not rated	3.6%
Total	153.7%

As at May 31, 2014 and May 31, 2013, no debt securities were contractually past due and no longer meeting interest payment obligations.

All transactions are over the counter and settled or paid for upon delivery using approved loan agent banks. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds and short-term notes. Since the Senior Loans portfolio held by ISL Loan Trust II are floating rate instruments with a very short duration, changes in the prevailing levels of market interest rates are not expected to have a significant impact on the fair value of the portfolio but since the loans have a base rate of LIBOR, the yield to the funds will change as LIBOR fluctuates. As at May 31, 2013, interest rate risk from the Senior Loans and short-term investments were minimal.

Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the functional currency of the Fund, which is the Canadian dollar ("CAD"). Both the Class A Units and the Class U Units are exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. The Statement of Investment Portfolio identifies all securities denominated in foreign currencies.

The table below summarizes the combined exposure to foreign currencies held by the Fund and ISL Loan Trust II. The table shows sensitivity evaluation due to exposure to the U.S. Dollar for Class A Units only (the Class U Units are denominated in U.S. Dollars). Amounts shown are based on the carrying values of monetary and non-monetary assets as well as the underlying principal amounts of foreign currency derivatives such as forward contracts. Other financial assets and liabilities denominated in foreign currencies do not expose the Fund to significant currency risk. The table below summarizes the significant exposure to foreign currencies and the approximate impact on net assets had the functional currency of the Class A Units weakened by 5% in relation to these currencies. If the functional currency were to strengthen relative to these currencies, the opposite would occur. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Class A Units (May 31, 2014):

	Monetary instruments $	Non-monetary instruments $	Derivative instruments $	Net Exposure $	% of Net Assets	Sensitivity (based on devaluation of CAD) $
U.S. dollar	148,082,313	–	(145,741,720)	2,340,594	1.3%	117,000

Class A and Class U Units (May 31, 2014):

	Monetary instruments $	Non-monetary instruments $	Derivative instruments $	Net Exposure $	% of Net Assets	Sensitivity (based on devaluation of CAD) $
Euro dollar	6,607,849	–	(6,541,153)	66,696	0.0%	3,000

Class A Units (May 31, 2013):

	Monetary instruments $	Non-monetary instruments $	Derivative instruments $	Net Exposure $	% of Net Assets	Sensitivity (based on devaluation of CAD) $
U.S. dollar	144,336,998	–	(141,434,731)	2,902,267	1.7%	145,000

Liquidity risk

Liquidity risk is the risk of not being able to meet the Fund's cash requirements in a timely manner and includes the risk of not being able to liquidate assets at reasonable prices. This risk arises mainly from the Fund's exposure to daily cash redemptions from its purchase for cancellation program (see note 6), which is limited to certain conditions. The Fund, therefore, invests the majority of its assets in investments that can be readily disposed. The Fund gains liquidity through execution of pre-settlements under the forward agreement. In addition, the Fund retains sufficient cash and cash equivalent positions to meet its daily cash requirements. All liabilities are due within three months. The following table summarizes the maturity dates of the financial instruments held by the Fund and ISL Loan Trust II as at May 31, 2014 and May 31, 2013.

May 31, 2014

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Term loans	–	8,395,388	65,861,532	176,949,934	**251,206,854**
Foreign currency forward contracts	395,631	–	–	–	**395,631**
Payable on investment purchases in ISL Loan Trust II	(78,615,540)	–	–	–	**(78,615,540)**
Total	**(78,219,909)**	**8,395,388**	**65,861,532**	**176,949,934**	**172,986,945**

May 31, 2013

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Term loans	–	19,053,202	75,273,663	151,933,383	**246,260,248**
Short-term investments	23,260,869	–	–	–	**23,260,869**
Foreign currency forward contracts	(2,466,563)	–	–	–	**(2,466,563)**
Payable on investment purchases in ISL Loan Trust II	(107,221,582)	–	–	–	**(107,221,582)**
Total	**(86,427,276)**	**19,053,202**	**75,273,663**	**151,933,383**	**159,832,972**

Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Investment Manager moderates this risk through a careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk resulting from financial instruments is equivalent to their fair value. The Fund's equity instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

If equity prices had increased or decreased by 10% on May 31, 2013, all other variables held constant, the net assets of the Fund would have increased or decreased, respectively, by approximately $765,000 ($1,469,000 on May 31, 2013). In practice, actual results may differ from this sensitivity analysis and the difference could be material.