LOGiQ
Asset Management

ISL Loan Trust II

Semi-Annual Management Report of Fund Performance

November 30, 2016

MANAGEMENT REPORT OF FUND PERFORMANCE

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

You can obtain a copy of the semi-annual financial statements at no cost by writing to LOGiQ Asset Management Ltd. (formerly, Aston Hill Capital Markets Inc.) (the "Manager") to the following address: LOGiQ Asset Management Ltd., 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.logiqasset.com or by visiting www.sedar.com. Security holders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

INVESTMENT OBJECTIVES AND STRATEGIES

The Fund is an investment fund established under the laws of the Province of Ontario and governed by the Fund's Trust Agreement (the "Trust Agreement") dated February 26, 2013 between the Manager of the Fund and Computershare Trust Company of Canada (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 Class U Units are denominated in U.S. Dollars.

The Fund's investment objectives are to:

(i) provide Unitholder with distributions; and

(ii) provide an investment in a diversified portfolio consisting primarily of senior secured floating rate corporate loans ("Senior Loans") and other senior debt obligations of non-investment grade North American borrowers, 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 Sub-Advisor invests in a broadly diversified portfolio (the "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 assets 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 (which set a minimum LIBOR rate for such loans). Up to 20% of Total Assets of the Fund may be invested in 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 investment in loans.

RISK

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

Use of leverage

The Fund 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.

The Fund 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 15.6% to 37.5% or from U.S. $13,800,000 to U.S. $34,100,000 during the six-month period ended November 30, 2016. The amount of U.S. $30,400,000 or the Canadian equivalent of $40,900,000 was outstanding as of November 30, 2016. The leverage factor was approximately 34.7% as of November 30, 2016

(12.7% to 36.3% or from U.S. $14,700,000 to U.S. $44,200,000 during the six-month period ended November 30, 2015. The amount of U.S. $37,600,000 or the Canadian equivalent of $50,070,040 was outstanding as of November 30, 2015. The leverage factor was approximately 32.9% as of November 30, 2015).

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 most recent Annual Information Form. Both are available at www.logiqasset.com and www.sedar.com.

RESULTS OF OPERATIONS

Sub-Advisor's Commentary (as at January 2017)

Performance Summary

During the six months ended November 30, 2016, Class A shares of ISL Loan Trust II generated a total return of 4.62%, as compared to 4.22% for the S&P/LSTA Leveraged Loan Index ("Index") for the same period.

Market Update

For the most part, the period carried forward the themes that started in March of this year, namely the ongoing hunt for yield and a general risk-on mindset, despite periodic spikes in global volatility. Against this backdrop, senior loans, as represented by the S&P/LSTA Leveraged Loan Index, posted a six-month return of 4.22%, bringing the year-to-date figure to 8.90%.

Strong market technicals, combined with low default activity, had the effect of lifting performing loan prices closer to par (more than half of the performing names in the Index were bid at par or higher as of November 30) and, as such, the riskier/lower-priced cohorts of the market outperformed in predictable fashion. Loans rated CCC and those in default outperformed the broad Index for the period with returns of 12.46% and 16.34%, respectively. With sentiment rallying, deal terms followed the technicals, moving more firmly in favor of issuers, as issuance remained tepid for much of the period, particularly following some of the Brexit noise, and demand picked up from all sources. By the end of the period, market technicals had moved toward a better balance as new issue supply increased, indicated by the growth in par amount outstanding for the Index of $11.6 billion over the month of November. On the demand side, retail loan funds recorded an inflow of $1.89 billion in November (per Lipper weekly reporters) and CLO issuance was a sizable $10.3 billion.

Default activity for the Index remained well below the long-term average for the asset class, both by principal amount and number of issuers, with the rates easing to a nine-month low of 1.66% and 2.11%, respectively, as of November 30.

Portfolio Specifics

The Trust's outperformance versus the Index over the period was primarily the result of the use of leverage in an environment marked by improving prices and investor sentiment. The portfolio benefited on a relative basis from its overweight to Global Tel*Link Corporation (Telecommunications), as well as overweights of Sourcehov (Business Equipment & Services) and Otter Products (Chemicals & Plastics). Avoidance of many of the strongest performers in the Nonferrous Metals/Minerals sectors which rallied considerably over the period was a detractor over the period as was an overweight to Rue 21 Inc. (Retail) and WIS International (Food/Drug Retailers).

Fundamental credit performance continued to be relatively solid, as the portfolio experienced one default during the performance period, as compared to four within the Index over the same timeframe.

Outlook

Of course, what most investors are wondering, as we close out 2016, is how loans will fair longer-term under President-elect Trump's administration. Some optimism now seems to be building about the chance for stronger economic growth under a new government unimpaired by gridlock, given the Republican trifecta (White House, Senate and House of Representatives). We can still expect some volatility in the coming days as the President-elect provides detailed information about the new administration's priorities and policies on a variety of topics, including taxes, infrastructure spending, trade, energy, healthcare, etc. We believe the structural aspects of loans (position in the capital structure, ability to repay at par) in combination with a closing gap between LIBOR and the weighted average LIBOR floor, are all positive catalysts to support demand and help smooth some of the volatility other asset classes, such as HY, might experience in 2017 as economic, monetary and fiscal policies emerge.

Disclaimer

This commentary has been prepared by Voya Investment Management for informational purposes. Nothing contained herein should be construed as (i) an offer to sell or solicitation of an offer to buy any security or (ii) a recommendation as to the advisability of investing in, purchasing or selling any security. Any opinions expressed herein reflect our judgment and are subject to change. Certain of the statements contained herein are statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (1) general economic conditions, (2) performance of financial markets, (3) interest rate levels, (4) increasing levels of loan defaults (5) changes in laws and regulations and (6) changes in the policies of governments and/or regulatory authorities. Past performance is no guarantee of future returns.

The opinions, views and information expressed in this commentary regarding holdings are subject to change without notice. The information provided regarding holdings is not a recommendation to buy or sell any security. Fund holdings are fluid and are subject to daily change based on market conditions and other factors.

RECENT DEVELOPMENTS

On November 30, 2016, Aston Hill Capital Markets Inc. was amalgamated into Aston Hill Asset Management Inc. On December 8, 2016, Aston Hill Asset Management Inc., as part of Aston Hill Financial Inc. ("Aston Hill") and together with Front Street Capital 2004 ("Front Street") and Tuscarora Capital Inc. ("TCI"), an entity under common control with Front Street, completed a previously announced transaction whereby Aston Hill would acquire all of the equity interests in the Front Street and TCI, and the companies would combine their respective operations. As part of the transaction, Aston Hill also changed its name to LOGiQ Asset Management Inc. and consequently Aston Hill Asset Management Inc. changed its name to LOGiQ Asset Management Ltd.

CAPITAL TRANSACTIONS

The Fund is authorized to issue transferable, redeemable units of beneficial interest (the “Units”), which units may be issued in any number of classes. Each Unit represents an equal, undivided interest in the net assets of the Fund, subject to the terms and conditions of the Trust Agreement.

On March 22, 2013, the Fund completed an initial public offering pursuant to the Prospectus dated February 26, 2013. The Fund issued 14,000,000 Class A Units for $132,027,924 at $9.43 per Class A Unit and 1,707,925 Class U Units for U.S. $16,106,651 at U.S. $9.43 per Class U Unit.

During the six-month period ended November 30, 2016, the Fund redeemed 2,036,471 Class A Units for the amount of $19,507,964 and redeemed 310,901 Class U Units for the amount of $3,522,447 (During the six-month period ended November 30, 2015, the Fund redeemed 2,772,571 Class A Units for the amount of $27,745,673 and redeemed 88,093 Class U Units for the amount of $1,025,906).

MARKET REPURCHASES

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

The Fund did not purchase any Class A Units or Class U Units for cancellation during the six-month periods ended November 30, 2016 and 2015.

DISTRIBUTIONS

The Fund pays distributions if, as and when declared by the Fund from time to time.

During the six-month period ended November 30, 2016 the Fund paid distributions of $3,800,000 to Class A Unitholders. U.S. $258,946 distributions were paid to Class U Unitholders (During the six-month period ended November 30, 2015, the Fund paid distributions of $5,260,000 to Class A Unitholders. U.S. $384,000 distributions were paid to Class U Unitholders).

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 six-month period ended November 30, 2016.

RELATED PARTY TRANSACTIONS

Management Fees

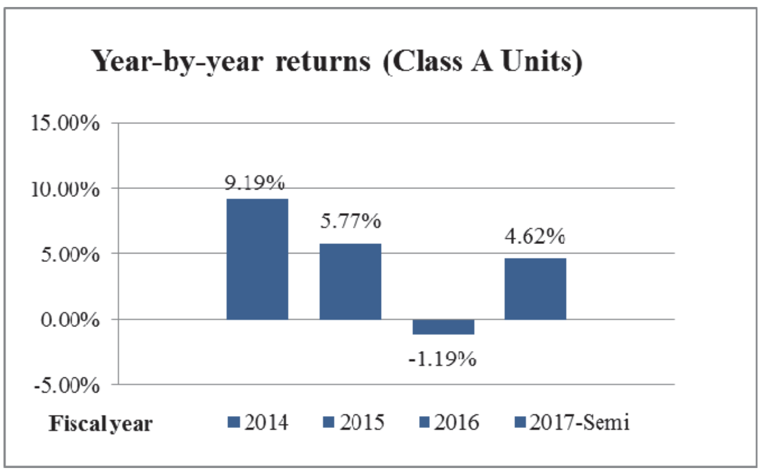
The Manager receives a management fee from the Fund equal in the aggregate to 0.75% per annum of the applicable Net Asset Value, calculated daily and payable monthly in arrears, plus applicable taxes.

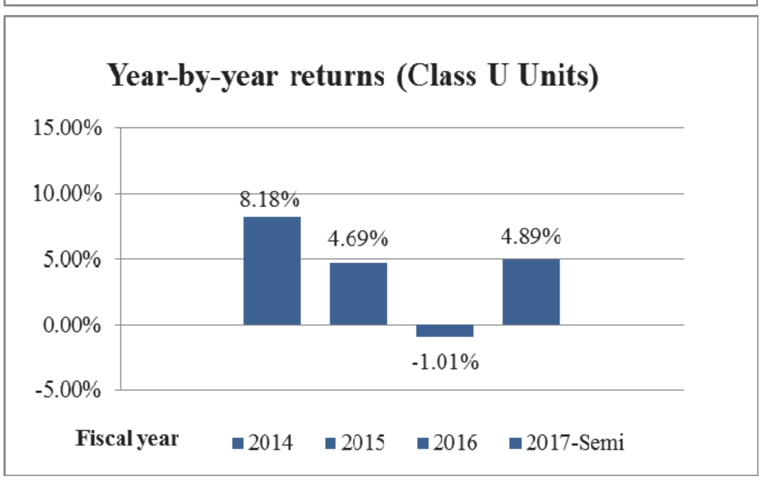
The management fees charged to the Fund during the six-month period ended November 30, 2016 were $362,913 (during the six-month period ended November 30, 2015 were $494,397 plus applicable taxes).

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

PAST PERFORMANCE

The following bar charts show the Fund's semi-annual performance of the Class A Units and Class U Units by showing semi-annual returns by fiscal year assuming all the distributions made by the Fund during the six-month period 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.





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 unaudited semi-annual and audited annual financial statements:

Class A Units:

The Fund's Net Assets per Class A Unit:

	November 30, 2016[6] CAD	May 31, 2016 CAD	May 31, 2015 CAD	May 31, 2014 CAD	May 31, 2013 [1] CAD
Net Assets, beginning of period	**9.57**	**10.57**	**10.41**	**9.53**	**9.43**
Increase (decrease) from operations:					
Total revenues	0.36	0.84	0.94	0.99	0.06
Total expenses	(0.08)	(0.16)	(0.17)	(0.16)	(0.02)
Realized gains (losses) for the period	0.20	(0.41)	(0.81)	(0.22)	0.06
Unrealized gains (losses) for the period	(0.05)	(0.44)	0.60	0.27	(0.05)
Total increase (decrease) from operations [2]	**0.43**	**(0.17)**	**0.57**	**0.88**	**0.05**
Distributions:					
From income (excluding dividends)	(0.42)	(0.86)	(0.43)	(0.54)	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	–
Total Distributions [3]	**(0.42)**	**(0.86)**	**(0.43)**	**(0.54)**	–
Net Assets, end of period [4] [5]	**9.58**	**9.57**	**10.57**	**10.41**	**9.48**

(1) Results for the period from March 22, 2013 (commencement of operations) to May 31, 2013.
(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of 8,965,924 Class A Units outstanding as of November 30, 2016 (May 31, 2016 – 10,418,776 units).
(3) The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates.
(4) This is not a reconciliation between the opening and the closing net assets per unit.
(5) The Fund adopted International Financial Reporting Standards ("IFRS") commencing June 1, 2014. The information for the period May 31, 2013 to May 31, 2014 is restated under IFRS from Canadian GAAP.
(6) Results for the six-month period ended November 30, 2016.

Ratios and Supplemental Data (Class A Units):

	November 30, 2016[6] CAD	May 31, 2016 CAD	May 31, 2015 CAD	May 31, 2014 CAD	May 31, 2013 [1] CAD
Net assets (000's)	68,838	88,295	126,824	153,540	140,580
Number of units outstanding	7,185,403	9,221,874	11,994,445	14,746,568	14,746,568
Base Management expense ratio [2] [3]	1.17%	1.13%	1.06%	1.04%	1.13%
Interest expenses ratio [2] [3]	0.44%	0.44%	0.52%	0.61%	0.00%
Management expense ratio (annualized) [3]	1.61%	1.57%	1.58%	1.65%	1.13%
Management expense ratio before waivers or absorptions (annualized) [3]	1.61%	1.57%	1.58%	1.65%	1.13%
Portfolio turnover rate [4]	46.21%	66.00%	78.51%	214.86%	8.05%
Trading expense ratio [5]	0.00%	0.00%	0.00%	0.00%	0.00%

(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) Results for the six-month period ended November 30, 2016.

Class U Units:

The Fund's Net Assets per Class U Unit:

	November 30, 2016[6] USD	May 31, 2016 USD	May 31, 2015 USD	May 31, 2014 USD	May 31, 2013 [1] USD
Net Assets, beginning of period	**8.39**	**9.40**	**9.77**	**9.52**	**9.43**
Increase (decrease) from operations:					
Total revenues	0.32	0.74	0.84	0.96	0.06
Total expenses	(0.07)	(0.14)	(0.15)	(0.16)	(0.02)
Realized gains (losses) for the period	0.46	0.57	0.16	0.42	(0.06)
Unrealized gains (losses) for the period	(0.10)	(0.85)	0.91	0.03	0.15
Total increase (decrease) from operations [2]	**0.61**	**0.32**	**1.72**	**1.24**	**0.13**
Distributions:					
From income (excluding dividends)	(0.28)	(0.37)	(0.81)	(0.49)	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	(0.51)	–
Total Distributions [3]	**(0.28)**	**(0.37)**	**(0.81)**	**(1.00)**	**–**
Net Assets, end of period [4] [5]	**8.50**	**8.39**	**9.40**	**9.77**	**9.46**

(1) Results for the period from March 22, 2013 (commencement of operations) to May 31, 2013.
(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of 969,415 Class U Units outstanding as of November 30, 2016 (May 31, 2016 – 1,025,845 units).
(3) The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates.
(4) This is not a reconciliation between the opening and the closing net assets per unit.
(5) The Fund adopted International Financial Reporting Standards ("IFRS") commencing June 1, 2014. The information for the period May 31, 2013 to May 31, 2014 is restated under IFRS from Canadian GAAP.
(6) Results for the six-month period ended November 30, 2016.

Ratios and Supplemental Data (Class U Units):

	November 30, 2016[6] USD	May 31, 2016 USD	May 31, 2015 USD	May 31, 2014 USD	May 31, 2013 [1] USD
Net assets (000's)	5,946	8,471	10,323	15,295	16,252
Number of units outstanding	699,381	1,010,282	1,098,375	1,565,214	1,707,925
Base Management expense ratio [2] [3]	1.17%	1.14%	1.05%	1.04%	1.13%
Interest expenses ratio [2] [3]	0.42%	0.45%	0.51%	0.60%	0.00%
Management expense ratio (annualized) [3]	1.59%	1.59%	1.56%	1.64%	1.13%
Management expense ratio before waivers or absorptions (annualized) [3]	1.59%	1.59%	1.56%	1.64%	1.13%
Portfolio turnover rate [4]	46.21%	66.00%	78.51%	214.86%	8.05%
Trading expense ratio [5]	0.00%	0.00%	0.00%	0.00%	0.00%

(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) Results for the six-month period ended November 30, 2016.

SUMMARY OF INVESTMENT PORTFOLIO AS OF NOVEMBER 30, 2016

The summary of investment portfolio may change due to on-going portfolio transactions of the Fund. A quarterly update is available at www.logiqasset.com.

	Tranche Description	Maturity	Fair value $	% of
Portfolio by Category				
Term loans			116,863,465	152.1%
Equities			1,575,828	2.0%
Cash			216,708	0.3%
Foreign currency forward contracts			113,936	0.2%
Leverage			(40,875,840)	(53.2%)
Net other assets (liabilities)			(1,061,820)	(1.4%)
Top 25 Holdings				
Calpine Corp	Term Loan B-7	May/31/2023	1,350,738	1.9%
Advantage Sales & Marketing, Inc.	Upsized 1st Lien Term Loan	Jul/23/2021	1,308,649	1.7%
Wilsonart LLC	Term Loan B	Oct/31/2019	1,297,214	1.7%
Golden Nugget, Inc.	Term Loan	Nov/21/2019	1,288,910	1.7%
Eze Castle Software, Inc.	Term Loan B-1	Apr/06/2020	1,287,582	1.7%
U.S. Telepacific Corp.	Term Loan B	Nov/25/2020	1,282,191	1.7%
Aptean Holdings, Inc.	1st Lien Term Loan	Feb/27/2020	1,180,624	1.5%
TI Group Automotive Systems, LLC	Upsized USD Term loan B	Jun/30/2022	1,075,107	1.4%
SRAM, LLC	1st Lien Term Loan	Apr/10/2020	1,072,071	1.4%
Horseshoe Baltimore	Funded Term Loan B	Jul/02/2020	1,056,936	1.4%
Global Tel*Link Corporation	2nd Lien Term Loan	Nov/23/2020	1,046,099	1.4%
SourceHOV, Inc.	2nd Lien Term Loan	Apr/30/2020	1,015,930	1.3%
BMC Software, Inc.	U.S. Term Loan	Sep/10/2020	977,660	1.3%
New Wave Communications	Term Loan B with Add On	Apr/30/2020	961,840	1.3%
Atrium Innovations, Inc.	USD 2nd Lien Term Loan	Aug/13/2021	960,549	1.3%
Cengage Learning Holdings II, Inc.			948,366	1.2%
PetSmart, Inc.	Term Loan B	Mar/11/2022	930,842	1.2%
Communications Sales & Leasing, Inc.	Term Loan B	Oct/24/2022	930,562	1.2%
Hyland Software, Inc.	1st Lien Term Loan	Jul/01/2022	926,817	1.2%
Dell International, LLC	Term Loan B	Sep/07/2023	875,804	1.1%
Securus Technologies, Inc.	Upsized 2nd Lien Term Loan	Apr/30/2021	862,529	1.1%
Kinetic Concepts, Inc.	Dollar Term F	Nov/01/2020	844,653	1.1%
USI, Inc.	Incremental Term Loan (August 2015)	Dec/27/2019	842,464	1.1%
Sedgwick Holdings, Inc.	2nd Lien Term Loan	Feb/28/2022	828,295	1.1%
Western Digital Corporation	USD Term Loan B-1	Apr/29/2023	815,161	1.1%
Net asset value			**$ 76,832,277**	