

# **ISL Loan Trust**

Annual Report  
**May 31, 2013**







































## ISL Loan Trust

Statement of Investment Portfolio .... Continued

As at May 31, 2013

	Tranche Description	Maturity date	Par value ** \$	Average cost \$	Fair value \$	% of NAV
<b>Term loans ... Continued</b>						
Ship US Bidc Inc.	Term Loan B-2	15-Oct-17	2,318,000	2,275,501	2,412,539	0.8%
Peppermill Casinos Inc.	Term Loan B	17-Oct-19	2,244,375	2,146,951	2,360,268	0.8%
Frac Tech International LLC	Term Loan B	6-May-16	2,313,394	2,234,058	2,353,649	0.8%
Tronox Pigments (Netherlands) B.V.	2013 Term Loan	19-Mar-20	2,250,000	2,299,756	2,345,836	0.8%
Cyanco Intermediate Corporation	Term Loan B	29-Apr-20	2,200,000	2,225,937	2,293,706	0.7%
Rite Aid Corporation	Term Loan 6	21-Feb-20	2,200,000	2,195,270	2,293,138	0.7%
Wilsonart International Holdings LLC	Term Loan B	31-Oct-19	2,169,563	2,101,285	2,242,351	0.7%
Global Tel*Link Corporation	Second Lien Term Loan	23-Nov-20	2,100,000	2,141,334	2,137,898	0.7%
Emergency Medical Services Corporation	Term Loan	25-May-18	2,019,713	1,975,636	2,099,776	0.7%
Chemtura Corporation	Exit Term Loan B	27-Aug-16	1,989,552	1,963,282	2,074,295	0.7%
Skilled Healthcare Group Inc.	Term Loan B	9-Apr-16	1,991,666	1,957,435	2,071,352	0.7%
Zuffa LLC	New Term Loan B	25-Feb-20	1,995,000	2,062,748	2,070,953	0.7%
API Heat Transfer Inc.	Term Loan	30-Apr-19	2,000,000	1,996,533	2,064,516	0.7%
Syniverse Holdings Inc.	Term Loan	23-Apr-19	1,985,000	2,008,415	2,059,933	0.7%
Alere Inc.	Term Loan B	30-Jun-17	1,970,000	1,891,741	2,056,964	0.7%
West Corporation	Term Loan B-8	30-Jun-18	1,969,595	2,055,668	2,049,670	0.7%
Immucor Inc.	Refinancing Term Loan B-2	17-Aug-18	1,970,137	1,998,467	2,048,962	0.7%
J Crew Group Inc.	Term Loan B-1	7-Mar-18	1,953,823	1,958,066	2,030,294	0.7%
Grifols Inc.	New Term Loan B	1-Jun-17	1,941,584	1,926,855	2,012,578	0.7%
UCI International Inc.	New Term Loan B	26-Jul-17	1,938,206	1,917,407	2,010,745	0.7%
Water Pik Technologies Inc.	Term Loan B	10-Aug-17	1,944,140	1,942,166	2,004,343	0.7%
Jazz Pharmaceuticals Public Limited Company	Term Loan B	12-Jun-18	1,925,000	1,991,503	1,994,558	0.7%
Kronos Inc.	Refinancing Term Loan	30-Oct-19	1,911,915	1,984,819	1,985,941	0.6%
Yankee Cable Acquisition LLC	Term Loan B	26-Aug-16	1,898,152	1,913,529	1,977,334	0.6%
Cumulus Media Holdings Inc.	First Lien Term Loan	16-Sep-18	1,889,566	1,790,206	1,976,885	0.6%
Southern Graphics Inc.	Term Loan	17-Oct-19	1,895,250	1,837,227	1,969,854	0.6%
Hawaiian Telcom Communications Inc.	Term Loan B	28-Feb-17	1,881,709	1,853,947	1,954,565	0.6%
San Juan Cable Holdings LLC	New Term Loan B	9-Jun-17	1,866,750	1,809,456	1,953,497	0.6%
Jo-Ann Stores Inc.	New Term Loan	16-Mar-18	1,873,565	1,876,547	1,951,754	0.6%
United Surgical Partners International Inc.	Incremental Term Loan	3-Apr-19	1,847,562	1,835,725	1,925,063	0.6%
Toys 'R' Us-Delaware Inc.	New Term Loan	1-Sep-16	1,860,030	1,819,177	1,924,420	0.6%
Rentpath Inc.	Term Loan B	2-May-20	1,875,000	1,893,315	1,916,105	0.6%
Monitronics International Inc.	New Term Loan B	23-Mar-18	1,831,510	1,925,057	1,912,676	0.6%
AmWINS Group Inc.	New Term Loan	6-Sep-19	1,790,513	1,790,368	1,865,043	0.6%
Roofing Supply Group LLC	New Term Loan	31-May-19	1,782,045	1,753,896	1,862,553	0.6%
FTD Inc.	New Term Loan	10-Jun-18	1,774,760	1,738,999	1,848,061	0.6%
Avaya Inc.	Extended Term Loan	26-Oct-17	1,971,323	1,753,600	1,824,801	0.6%
Pact Group Pty Ltd.	Term Loan B	8-May-20	1,750,000	1,793,226	1,824,539	0.6%
Compass Investors Inc.	Term Loan	27-Dec-19	1,745,625	1,711,222	1,816,595	0.6%
Spancion LLC	New Term Loan B	13-Dec-18	1,738,234	1,698,050	1,813,021	0.6%
The Corporate Executive Board Company	Term Loan B	2-Jul-19	1,711,112	1,664,042	1,774,046	0.6%
Protection One Inc.	Term Loan	21-Mar-19	1,683,005	1,650,569	1,761,213	0.6%
WideOpenWest Finance LLC	Term Loan B	1-Apr-19	1,687,250	1,741,330	1,754,756	0.6%
NCI Building Systems Inc.	Term Loan	2-May-18	1,668,625	1,662,100	1,743,471	0.6%
Consolidated Communications Inc.	Term Loan B-3	31-Dec-18	1,658,284	1,628,157	1,731,059	0.6%
Wabash National Corporation	Term Loan B	8-May-19	1,649,307	1,655,157	1,721,688	0.6%
Microsemi Corporation	Repriced Term Loan	19-Feb-20	1,640,691	1,643,829	1,706,335	0.6%
MIP Delaware LLC	Term Loan B	9-Mar-20	1,639,773	1,703,827	1,702,202	0.6%
U.S. Coatings Acquisition Inc.	Term Loan	1-Feb-20	1,625,000	1,608,727	1,694,844	0.6%
Otter Products LLC	Term Loan B	14-May-19	1,620,000	1,620,992	1,680,630	0.5%
Equinox Holdings Inc.	Repriced Term Loan B	31-Jan-20	1,600,000	1,668,550	1,664,016	0.5%
Global Cash Access LLC	Term Loan B	1-Mar-16	1,584,418	1,602,798	1,658,045	0.5%
Vantage Specialty Chemicals Inc.	Term Loan B	10-Feb-18	1,584,000	1,516,651	1,653,515	0.5%
RP Crown Parent LLC	Second Lien Term Loan	21-Dec-19	1,477,419	1,454,301	1,612,243	0.5%
Supervalu Inc.	New Term Loan B	21-Mar-19	1,525,000	1,545,682	1,591,728	0.5%
AdvancePierre Foods Inc.	Second Lien Term Loan	10-Oct-17	1,500,000	1,436,415	1,583,916	0.5%
Totes Isotoner Corporation	First Lien Term Loan	8-Jul-17	1,519,229	1,435,618	1,576,088	0.5%
Advantage Sales & Marketing Inc.	New Second Lien Term Loan	17-Jun-18	1,500,000	1,516,591	1,570,479	0.5%
CSM Bakery Supplies	First Lien Additional Term Loan	22-May-20	1,525,000	1,566,845	1,568,283	0.5%
MGM Resorts International	Term Loan B	20-Dec-19	1,496,250	1,445,318	1,564,572	0.5%
Light Tower Fiber LLC	First Lien Term Loan	11-Apr-20	1,500,000	1,568,489	1,562,921	0.5%
Windstream Corporation	Term Loan B-4	23-Jan-20	1,496,250	1,471,328	1,555,563	0.5%
Delta 2 (LUX) Sarl	Extended Term Loan B-2	30-Apr-19	1,485,038	1,501,225	1,552,768	0.5%
Kinetic Concepts Inc.	Term Loan C-1	4-May-18	1,478,753	1,455,590	1,549,049	0.5%
FleetPride Corporation	First Lien Term Loan	19-Nov-19	1,496,250	1,464,179	1,541,938	0.5%
Spectrum Brands Inc. (CAD)	CAD Term Loan	17-Dec-19	1,538,509	1,523,124	1,538,509	0.5%
NRG Energy Inc.	New Term Loan B	2-Jul-18	1,471,288	1,476,180	1,533,195	0.5%
Wendy's International Inc.	New Term Loan B	15-May-19	1,470,361	1,569,439	1,523,491	0.5%
Surgical Care Affiliates Inc.	Class C Incremental Term Loan	30-Jun-18	1,473,750	1,434,101	1,523,194	0.5%
SymphonyIRI Group Inc.	New Term Loan B	1-Dec-17	1,458,868	1,537,588	1,521,006	0.5%
Quintiles Transnational Corporation	New Term Loan B	8-Jun-18	1,449,238	1,447,714	1,517,519	0.5%
Sensus USA Inc.	First Lien Term Loan	9-May-17	1,457,725	1,413,477	1,510,398	0.5%
YPSO Holding SA (EUR)	EUR Extended Recap Term Loan B-1	6-Jun-16	1,115,336	1,369,092	1,499,885	0.5%
ABC Supply Company Inc.	Term Loan	16-Apr-20	1,425,000	1,453,856	1,478,012	0.5%

# ISL Loan Trust

Statement of Investment Portfolio .... Continued

As at May 31, 2013

	Tranche Description	Maturity date	Par value ** \$	Average cost \$	Fair value \$	% of NAV
<b>Term loans ... Continued</b>						
Ascend Performance Materials LLC	Term Loan B	10-Apr-18	1,422,878	1,394,505	1,477,969	0.5%
Pharmaceutical Product Development Inc.	New Term Loan B	5-Dec-18	1,414,524	1,456,289	1,474,164	0.5%
Murray Energy Corporation	New Term Loan B	24-May-19	1,400,000	1,460,855	1,455,109	0.5%
Atachmate Corporation	New First Lien Term Loan	22-Nov-17	1,387,500	1,396,584	1,451,259	0.5%
Terex Corporation	Refinancing Term Loan B	28-Apr-17	1,359,902	1,344,925	1,427,489	0.5%
Custom Building Products Inc.	Term Loan B	14-Dec-19	1,346,963	1,313,691	1,406,075	0.5%
Nine Entertainment Group Limited	Term Loan B	5-Feb-20	1,350,000	1,391,946	1,401,687	0.5%
Intertrust Group Holding B.V.	USD Term Loan B-2	7-Feb-20	1,350,000	1,339,106	1,401,397	0.5%
Web.com Group Inc.	Term Loan B	27-Oct-17	1,328,954	1,248,929	1,384,986	0.5%
United Airlines Inc.	New Term Loan B	1-Apr-19	1,300,000	1,373,779	1,356,044	0.5%
Capital Automotive LP	New Term Loan B	5-Apr-19	1,298,668	1,339,075	1,352,865	0.5%
Openlink International Intermediate Inc.	Initial Term Loan	28-Oct-17	1,303,197	1,305,367	1,348,042	0.4%
Property Data (US) I Inc.	Term Loan	4-Jan-17	1,291,622	1,264,213	1,341,631	0.4%
Dealer Computer Services Inc.	Term Loan B	21-Apr-18	1,275,893	1,247,836	1,326,370	0.4%
Vitalia Holdco Sarl (EUR)	EUR Term Loan B	27-Jul-18	1,000,000	1,336,321	1,318,910	0.4%
The Yankee Candle Company Inc.	New Term Loan B	2-Apr-19	1,241,056	1,223,563	1,289,748	0.4%
McGraw-Hill Global Education Holdings LLC	Term Loan	22-Mar-19	1,250,000	1,263,340	1,284,402	0.4%
U.S. Security Holdings Inc.	New Term Loan	28-Jul-17	1,203,482	1,191,777	1,250,078	0.4%
Nice-Pak Products	Term Loan B	18-Jun-14	1,295,810	1,239,381	1,248,883	0.4%
Atkins Nutritionals Inc.	First Lien Term Loan	2-Jan-19	1,200,000	1,227,151	1,244,911	0.4%
Sportsman's Warehouse Holdings Inc.	Term Loan B	13-Nov-18	1,194,000	1,166,428	1,240,229	0.4%
SRAM LLC	New Term Loan B	7-Jun-18	1,188,252	1,199,750	1,234,258	0.4%
Health Management Associates Inc.	Term Loan B	18-Nov-18	1,186,233	1,186,709	1,234,205	0.4%
BJ's Wholesale Club Inc.	Second Lien Term Loan	26-Mar-20	1,150,229	1,139,567	1,216,558	0.4%
Hyland Software Inc.	New First Lien Term Loan	25-Oct-19	1,168,945	1,159,820	1,214,204	0.4%
Vestcom International Inc.	Term Loan	27-Dec-18	1,163,750	1,179,226	1,208,808	0.4%
Select Medical Corporation	Term Loan B	1-Jun-18	1,155,043	1,112,644	1,202,748	0.4%
Reynolds Group Holdings Inc.	New Dollar Term Loan	28-Sep-18	1,130,136	1,117,047	1,177,646	0.4%
Equipower Resources Holdings LLC	Term Loan C	15-Dec-20	1,125,000	1,166,626	1,166,377	0.4%
Tervita Corporation	Term Loan	15-May-18	1,097,250	1,130,244	1,145,200	0.4%
HMK Intermediate Holdings LLC	Term Loan	30-Mar-19	1,089,000	1,097,643	1,133,978	0.4%
SBA Finance	Add-on Term Loan	20-Sep-19	1,081,382	1,064,323	1,127,792	0.4%
Brock Holdings III Inc.	New Second Lien Term Loan	16-Mar-18	1,025,000	1,034,054	1,073,955	0.4%
Ameriforge Group Inc.	First Lien Term Loan	19-Dec-19	1,009,969	998,337	1,054,292	0.4%
AlixPartners LLP	Second Lien Term Loan	27-Dec-19	1,000,000	1,024,268	1,050,345	0.4%
Spin Holdco Inc.	New Term Loan B	15-Nov-19	1,010,000	1,007,814	1,048,779	0.4%
Salem Communications Corporation	Term Loan B	16-Mar-20	1,000,000	1,054,452	1,045,160	0.3%
SunGard Data Systems Inc.	Term Loan D	31-Jan-20	997,500	984,084	1,043,209	0.3%
Anchor Hocking LLC	New Term Loan	6-May-20	1,000,000	1,016,582	1,041,302	0.3%
Dundee Holdco 4 Limited	USD Term Loan	5-Apr-20	1,000,000	1,024,443	1,040,656	0.3%
DaVita, Inc.	Term Loan B-2	1-Nov-19	997,500	973,157	1,039,701	0.3%
Harbor Freight Tools USA Inc.	Term Loan B	14-Nov-17	992,500	1,015,507	1,038,877	0.3%
Waddington North America Inc.	USD Second Lien Term Loan	16-Nov-20	1,000,000	1,029,204	1,038,718	0.3%
Delta Air Lines Inc.	Term Loan B-1	18-Oct-18	997,500	973,749	1,037,840	0.3%
Cumulus Media Holdings Inc.	Second Lien Term Loan	16-Sep-19	968,427	931,976	1,037,618	0.3%
WireCo WorldGroup Inc.	New Term Loan	15-Feb-17	995,000	1,018,295	1,037,381	0.3%
Academy Ltd.	Term Loan	3-Aug-18	995,007	1,028,576	1,036,874	0.3%
AlixPartners LLP	Refinancing Term Loan B-1	30-Jun-17	1,000,000	1,040,208	1,036,780	0.3%
Waddington North America Inc.	USD First Lien Term Loan	15-May-20	1,000,000	1,049,418	1,036,780	0.3%
CHG Buyer Corporation	First Lien Term Loan	19-Nov-19	986,974	978,301	1,034,113	0.3%
Polar Plastics (One) Inc.	USD First Lien Term Loan (CAD)	15-May-20	1,000,000	1,034,402	1,032,258	0.3%
Northern Tool & Equipment Company Inc.	Term Loan	13-Dec-19	982,500	947,493	1,028,156	0.3%
Crown Castle International Corporation	New Term Loan	31-Jan-19	987,500	1,022,308	1,022,544	0.3%
Omnova Solutions Inc.	Term Loan B-1	31-May-18	974,951	1,017,429	1,015,847	0.3%
Advantage Sales & Marketing Inc.	New First Lien Term Loan	17-Dec-17	957,702	966,497	1,002,206	0.3%
SuperMedia Inc.	Exit Term Loan	31-Dec-15	1,146,851	788,854	991,971	0.3%
Sprouts Farmers Markets Holdings LLC	New Term Loan	23-Apr-20	950,000	960,694	983,100	0.3%
Cannery Casino Resorts LLC	New Term Loan B	2-Oct-18	937,290	916,443	980,845	0.3%
Edwards (Cayman Islands II) Ltd.	Term Loan B	31-May-16	942,189	952,110	979,278	0.3%
Golden Nugget Inc.	Second Lien Term Loan	2-Nov-14	1,029,353	761,191	978,777	0.3%
Drum Investors LLC	Term Loan	4-May-18	979,526	944,770	976,956	0.3%
Penton Media Inc.	New Term Loan B	1-Aug-14	970,038	770,142	975,012	0.3%
Crestwood Holdings LLC	New Term Loan B	24-May-19	931,034	971,991	974,299	0.3%
DaVita, Inc.	New Term Loan B	20-Oct-16	926,146	913,888	965,833	0.3%
Clear Channel Communications Inc.	Term Loan D	22-Jan-19	1,000,000	992,880	962,924	0.3%
SourceHov LLC	New Second Lien Term Loan	30-Apr-19	930,000	931,518	961,202	0.3%
Onex Carestream Finance LP	Term Loan B	25-Feb-17	929,469	844,963	961,133	0.3%
La Frontera Generation LLC	Term Loan	30-Sep-20	925,000	917,902	955,237	0.3%
SurveyMonkey.com LLC	Term Loan B	5-Feb-19	910,000	903,775	954,639	0.3%
Clear Channel Communications Inc.	Term Loan B	29-Jan-16	1,000,000	850,468	952,589	0.3%
Conveo Corporation	New Term Loan	13-Feb-17	900,000	913,634	937,172	0.3%
Genesys Telecom Holdings US Inc.	Senior Debt B	8-Feb-20	900,000	892,601	936,009	0.3%
First American Payment Systems LP	New Term Loan B	12-Oct-18	897,750	870,984	935,602	0.3%
Brock Holdings III Inc.	New Term Loan B	16-Mar-17	891,452	882,123	935,180	0.3%

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Statement of Investment Portfolio .... Continued

As at May 31, 2013

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<b>Term loans.... Continued</b>						
Hologic Inc.	Term Loan B	1-Aug-19	893,250	869,262	929,154	0.3%
YPSO Holding SA (EUR)	EUR Extended Acquisition Term Loan B-2	6-Jun-16	686,379	842,581	923,031	0.3%
Centaur LLC	New First Lien Term Loan	20-Feb-19	875,000	896,779	911,704	0.3%
Equipower Resources Holdings LLC	Refinancing Term Loan B	21-Dec-18	866,550	871,530	909,057	0.3%
Bright Horizons Family Solutions Inc.	New Term Loan B	30-Jan-20	873,723	896,911	908,398	0.3%
BSN Medical Acquisition Holding GmbH	Term Loan B-1 A	28-Aug-19	855,000	860,374	892,522	0.3%
Caesars Entertainment Operating Company	Extended Term Loan B-5	28-Jan-18	977,742	855,932	890,228	0.3%
Longview Power LLC	Extended Term Loan B	31-Oct-17	1,162,186	1,062,238	875,358	0.3%
Hearthside Food Solutions LLC	Term Loan B	8-Jun-18	821,697	804,869	853,511	0.3%
WaveDivision Holdings LLC	Term Loan B	15-Oct-19	798,000	809,789	830,443	0.3%
ILC Industries LLC	First Lien Term Loan	11-Jul-18	794,000	789,856	816,536	0.3%
Cengage Learning Acquisitions Inc.	Non Extended Term Loan	3-Jul-14	990,821	909,039	808,582	0.3%
Dynegy Holdings Inc.	Term Loan B-2	23-Apr-20	778,462	792,888	806,758	0.3%
Alere Inc.	Term Loan B-1	30-Jun-17	760,375	754,187	793,990	0.3%
Kleopara Acquisition Corporation	Term Loan B-1	21-Dec-16	757,218	753,836	791,428	0.3%
Nuveen Investments Inc.	New Second Lien Term Loan	28-Feb-19	750,000	769,968	780,976	0.3%
Telecommunications Management LLC	First Lien Term Loan	1-Apr-20	750,000	764,794	779,038	0.3%
Transfirst Holdings Inc.	First Lien Term Loan	27-Dec-17	748,125	731,249	779,024	0.3%
First Data Corporation	New 2017 Term Loan	24-Mar-17	750,000	762,318	771,771	0.3%
First Data Corporation	Extended 2018 Term Loan B	24-Mar-18	750,000	677,915	771,287	0.3%
Washington Inventory Service	US Term Loan	20-Dec-18	723,188	701,836	748,852	0.3%
Learning Care Group (US) No. 2 Inc.	Term Loan B	8-May-19	715,000	711,318	739,604	0.3%
Orbitz Worldwide Inc.	New Term Loan C	20-May-19	703,827	731,699	729,259	0.3%
YPSO Holding SA (EUR)	EUR Extended Recap Term Loan C	29-Dec-17	536,589	608,816	726,837	0.2%
Evergreen Acqco 1 LP	New Term Loan	9-Jul-19	694,759	685,150	725,548	0.2%
Atlantic Broadband Finance LLC	Term Loan B	2-Dec-19	696,500	666,736	725,267	0.2%
Hubbard Radio LLC	Term Loan B	29-Apr-17	693,202	676,774	721,832	0.2%
BBB Industries LLC	New Term Loan	27-Mar-19	700,000	704,746	721,676	0.2%
Riverbed Technology Inc.	Term Loan	18-Dec-19	684,762	661,453	715,108	0.2%
Sutherland Global Services Private Limited	Term Loan	6-Mar-19	688,889	695,938	710,221	0.2%
Atkins Nutritionals Inc.	Second Lien Term Loan	3-Apr-19	680,000	688,362	709,842	0.2%
Samson Investment Company	Second Lien Term Loan	25-Sep-18	680,000	660,362	708,085	0.2%
Cooper Gay Swett & Crawford Ltd.	First Lien Term Loan	16-Apr-20	675,000	689,054	704,187	0.2%
Sagittarius Restaurants LLC	New Term Loan	1-Oct-18	675,000	680,843	699,826	0.2%
US Airways Group Inc.	Term Loan B-1	23-May-19	675,000	698,221	696,774	0.2%
Hoyts Group Holdings LLC	Second Lien Term Loan	20-Nov-20	650,000	668,371	680,205	0.2%
Eze Castle Software Inc.	First Lien Term Loan	29-Mar-20	650,000	685,862	678,526	0.2%
GCA Services Group Inc.	Term Loan B	1-Nov-19	648,500	626,286	674,446	0.2%
Ruby Western Pipeline Holdings LLC	Term Loan B	27-Mar-20	650,000	661,270	673,487	0.2%
Press Ganey Associates Inc.	First Lien Term Loan	20-Apr-18	648,450	652,675	673,138	0.2%
R.H. Donnelley Inc.	New Term Loan	31-Dec-16	821,257	562,828	660,481	0.2%
Packaging Coordinators Inc.	1st Lien Term Loan	10-May-20	625,000	632,851	649,199	0.2%
BWAY Corporation	Term Loan B	6-Aug-17	598,500	581,766	625,023	0.2%
Apex Tool Group LLC	Term Loan B	1-Feb-20	600,000	602,164	623,231	0.2%
ATI Holdings Inc.	New Term Loan	20-Dec-19	573,563	567,174	600,586	0.2%
TI Group Automotive Systems LLC	Term Loan B	27-Mar-19	550,000	553,566	573,782	0.2%
Alcatel-Lucent USA Inc.	USD Term Loan C	30-Jan-19	548,625	548,147	572,938	0.2%
Albertson's LLC	Term Loan B-1	21-Mar-16	544,645	552,237	565,732	0.2%
Cengage Learning Acquisitions Inc.	Extended Term Loan	5-Jul-17	690,863	590,191	559,095	0.2%
Quintiles Transnational Corporation	Incremental Term Loan B-1	8-Jun-18	522,046	511,498	546,642	0.2%
Centaur LLC	New Second Lien Term Loan	20-Feb-20	500,000	509,870	525,173	0.2%
Key Safety Systems Inc.	Term Loan B	10-May-18	500,000	503,346	521,297	0.2%
The Pep Boys-Manny, Moe & Jack	Term Loan B	11-Oct-18	498,750	487,114	520,638	0.2%
Magic Newco LLC	First Lien Term Loan	12-Dec-18	497,500	492,054	520,297	0.2%
CSM Bakery Supplies	Second Lien Term Loan	21-May-21	500,000	509,776	520,005	0.2%
Equinox Holdings Inc.	Second Lien Term Loan	16-May-20	500,000	491,642	520,005	0.2%
Hunter Fan Company	First Lien Term Loan	20-Dec-17	500,000	488,491	519,359	0.2%
WASH Multifamily Laundry Systems LLC	New Term Loan	21-Feb-19	500,000	499,274	519,359	0.2%
Garda World Security Corporation	Term Loan B	13-Nov-19	497,500	483,590	519,333	0.2%
AZ Chem US Inc.	Recap Term Loan	22-Dec-17	497,186	490,648	518,363	0.2%
BakerCorp International Inc.	New Term Loan	7-Feb-20	498,750	497,129	517,416	0.2%
Guitar Center Inc.	Extended Term Loan	9-Apr-17	499,186	448,462	513,999	0.2%
Hillman Group Inc.	Term Loan B	28-May-17	492,664	494,033	513,011	0.2%
Spectrum Brands Inc.	New Term Loan	17-Dec-19	484,464	477,150	506,476	0.2%
Houghton International Inc.	New Second Lien Term Loan	20-Dec-20	475,000	457,457	498,300	0.2%
WCA Waste Systems Inc.	Term Loan B	23-Mar-18	470,250	462,359	487,242	0.2%
Affinia Group Intermediate Holdings Inc.	Term Loan B-2	15-Apr-20	460,000	478,330	478,702	0.2%
Edwards (Cayman Islands II) Ltd.	Extended First Lien Term Loan	31-May-16	458,486	448,494	476,533	0.2%
Wilton Brands LLC	Term Loan	30-Aug-18	453,375	430,565	475,029	0.2%
Xerium Technologies Inc.	New Term Loan	2-May-19	450,000	449,026	468,004	0.2%
Dex Media West LLC	New Term Loan	24-Oct-14	521,719	371,099	459,238	0.2%
Fairmount Minerals Ltd.	New Term Loan B	15-Mar-17	438,172	430,221	455,562	0.2%
AI Chem & Cy S.C.A.	Term Loan B-1	3-Oct-19	427,955	445,233	445,630	0.1%
Berlin Packaging LLC	First Lien Term Loan	2-Apr-19	425,000	430,844	443,926	0.1%

## ISL Loan Trust

Statement of Investment Portfolio .... Continued

As at May 31, 2013

	Tranche Description	Maturity date	Par value ** \$	Average cost \$	Fair value \$	% of NAV
<b>Term loans ... Continued</b>						
Jason Incorporated	New Term Loan	28-Feb-19	423,000	431,016	437,192	0.1%
Securus Technologies Holdings Inc.	New Term Loan	17-Apr-20	415,000	422,415	431,604	0.1%
CBAC Borrower LLC	Term Loan B	24-Apr-20	400,000	399,307	424,272	0.1%
Cooper Gay Swett & Crawford Ltd.	Second Lien Term Loan	5-Oct-20	400,000	404,224	420,655	0.1%
Steward Health Care System LLC	Term Loan B	15-Apr-20	400,000	401,762	416,004	0.1%
GIM Channelview Cogeneration LLC	Term Loan B	4-May-20	400,000	399,950	414,970	0.1%
Twin River Management Group Inc.	Term Loan B	22-Sep-18	387,037	391,769	405,189	0.1%
Texas Competitive Electric Holdings Company LLC	Non Extended Term Loan	10-Oct-14	500,000	327,622	401,362	0.1%
Fender Musical Instruments Corporation	New Term Loan B	3-Apr-19	380,000	381,072	395,695	0.1%
First American Payment Systems LP	Second Lien Term Loan	11-Apr-19	375,000	360,213	390,973	0.1%
Capital Automotive LP	New Second Lien Term Loan	30-Apr-20	350,000	356,904	373,499	0.1%
Albertson's LLC	Term Loan B-2	21-Mar-19	355,355	358,973	367,736	0.1%
Foxco Acquisition Sub LLC	New Term Loan B	14-Jul-17	349,123	358,715	365,642	0.1%
Noranda Aluminum Acquisition Corporation	New Term Loan B	28-Feb-19	349,118	357,533	362,635	0.1%
YPSO Holding SA (EUR)	EUR Extended Acquisition Term Loan C	29-Dec-17	249,591	283,186	338,083	0.1%
Physician Oncology Services LP	New Delayed Draw Term Loan	31-Jan-17	324,257	316,593	335,136	0.1%
FGI Operating Company LLC	Term Loan	19-Apr-19	312,783	317,591	322,469	0.1%
SGS Cayman LP	Term Loan	6-Mar-19	311,111	313,680	320,745	0.1%
NEP Supershooters LP	New Term Loan	22-Jan-20	299,250	317,050	312,093	0.1%
Cricket Communications Inc.	Term Loan C	1-Mar-20	300,000	306,944	311,460	0.1%
Ameriforge Group Inc.	Second Lien Term Loan	18-Dec-20	295,000	290,137	310,995	0.1%
Remy International Inc.	New Term Loan B	5-Mar-20	296,757	313,680	310,547	0.1%
CHG Buyer Corporation	Second Lien Term Loan	19-Nov-20	275,000	269,837	289,911	0.1%
YPSO Holding SA (EUR)	EUR Extended Acquisition Term Loan B-1	6-Jun-16	198,284	249,186	266,649	0.1%
AI Chem & Cy S.C.A.	Second Lien Term Loan	3-Apr-20	250,000	255,056	264,847	0.1%
Washington Inventory Service	Second Lien Term Loan	20-Jun-19	250,000	240,181	264,847	0.1%
Truven Health Analytics Inc.	Term Loan B	6-Jun-19	250,000	254,938	259,356	0.1%
Select Medical Corporation	Incremental Term Loan B	1-Jun-18	248,125	232,943	257,091	0.1%
Boyd Gaming Corporation	Incremental Term Loan	17-Dec-15	243,750	241,885	254,492	0.1%
SS&C Technologies Inc.	Term Loan B-2	8-Jun-19	245,613	255,240	253,854	0.1%
August LuxUK Holding Company Sarl	Luxco Term Loan	27-Apr-18	239,014	235,091	248,886	0.1%
AI Chem & Cy S.C.A.	Term Loan B-2	3-Oct-19	222,045	231,010	231,216	0.1%
Crestwood Holdings LLC	Term Loan B	26-Mar-18	207,239	207,431	217,404	0.1%
Eze Castle Software Inc.	Second Lien Term Loan	6-Apr-21	200,000	203,158	210,585	0.1%
August US Holding Company Inc.	Term Loan B	27-Apr-18	183,861	180,843	191,453	0.1%
Totes Isotoner Corporation	Delayed Draw Term Loan	8-Jul-17	157,527	151,895	163,421	0.1%
Press Ganey Associates Inc.	Second Lien Term Loan	20-Oct-18	118,421	120,796	123,617	0.0%
NEP Supershooters LP	Second Lien Term Loan	18-Aug-20	82,857	81,515	88,419	0.0%
<b>Total term loans</b>				<u>480,112,512</u>	<u>499,280,266</u>	<u>162.8%</u>
<b>Total investments</b>				<u>480,112,512</u>	<u>499,280,266</u>	<u>162.8%</u>
		<b>Maturity date</b>	<b>Contract price / rate \$</b>	<b>Unrealized gain (loss) \$</b>	<b>% of NAV</b>	
<b>Foreign currency forward contracts</b>						
Bought USD 1,141,945, sold EUR 875,000		3-Jun-13	0.766237	8,211	0.0%	
Bought USD 6,034,677, sold EUR 4,650,000		14-Jun-13	0.770547	8,384	0.0%	
Bought EUR 850,000, sold USD 1,109,386		14-Jun-13	0.766190	(8,018)	0.0%	
Bought USD 1,680,955, sold CAD 1,700,000		14-Jun-13	0.988797	37,801	0.0%	
Bought CAD 1,700,000, sold USD 1,680,955 ***		14-Jun-13	0.988797	(37,801)	0.0%	
Bought USD 2,002,363, sold CAD 2,057,671 ***		21-Jun-13	0.973121	12,749	0.0%	
Bought CAD 127,283,943, sold USD 123,765,897 ***		21-Jun-13	0.972361	(688,494)	-0.2%	
Bought CAD 113,478,937, sold USD 111,309,515 ***		21-Jun-13	0.980883	(1,613,752)	-0.5%	
Bought CAD 556,762, sold USD 545,797 ***		21-Jun-13	0.980306	(7,585)	0.0%	
<b>Total foreign currency forward contracts</b>				<u>(2,288,505)</u>	<u>-0.7%</u>	
<b>Other liabilities net of other assets</b>				<u>(191,876,636)</u>	<u>-62.5%</u>	
<b>Net assets</b>				<u>306,441,699</u>	<u>100.0%</u>	

\* The investments held in the portfolio are all floating rate notes.

\*\* In U.S. Dollars unless otherwise specified.

\*\*\* The unrealized forward currency contract gains and losses are attributed to and allocated solely to the Class A Units.

# ISL Loan Trust

## Notes to Financial Statements

### May 31, 2013

#### 1 Corporate activities

ISL Loan Trust (the “Fund”) is an investment fund established under the laws of the Province of Ontario and governed by the Fund’s Trust Agreement (the “Trust Agreement”) dated May 27, 2011 between Connor, Clark & Lunn Capital Markets Inc. (the “Manager”) and Computershare Trust Company of Canada (the “Trustee”). The Fund’s principal office is located at 181 University Avenue, Suite 300, Toronto, Ontario, M5H 3M7. The Fund commenced operations on June 17, 2011 and 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 and Class U Units. The Fund is authorized to issue an unlimited number of Units of each class. The Class U Units are denominated in U.S. dollars.

#### 2 Investment objectives

The Fund’s investment objectives are to:

- (i) provide the 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 ING Investment Management Co. LLC (the “Sub-Advisor”).

In order to achieve the Fund’s objectives, the Sub-Advisor invests in a broadly diversified portfolio (the “Portfolio”) composed primarily of Senior Loans that exhibit the highest relative value within the asset class. The Sub-Advisor generally seeks to make investments in Senior Loans and other debt obligations of borrowers that have (i) significant levels of asset and/or cash flow coverage; (ii) a protective capital structure, with adequate subordinated debt cushion; (iii) strong senior management; and (iv) attractive market positioning. The Portfolio consists primarily of Senior Loans that are expected to generate increased Portfolio cash flow in the event that short-term interest rates rise. Up to 20% of Total Assets of the Fund may be 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 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 CICA 3855, Financial Instruments – Recognition and Measurement (“Section 3855”) and therefore, are recorded at fair value, established by the closing bid price for a security on the recognized exchange on which it is principally traded (“GAAP Net Assets” or “net assets”). Should the quoted value for a security, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value of the security is estimated based on valuation techniques. Fair value is determined by the Manager on the basis of the most recently reported information for the security, similar securities and the markets in which the security is active. Investment purchase and sale transactions are recorded as of the trade date and realized and unrealized gains and losses on investments are determined using average cost. Brokers’ commissions and other transaction charges are immediately charged to net income in the period incurred. The Canadian Securities Administrators allow investment funds to calculate the daily net asset value for the purpose of processing unitholder transactions using the last traded price for the day as fair value of financial instruments traded in an active market, which is referred to as a “Transactional NAV” or “NAV”.

The reconciliation between the Transactional NAV and the GAAP Net Assets is as follows:

	Transactional NAV	Section 3855 Adjustment	GAAP Net Assets
<b>Class A Unit</b>			
May 31, 2013	10.07	(0.06)	10.01
May 31, 2012	9.43	(0.07)	9.36
<b>Class U Unit</b>			
May 31, 2013	10.23	(0.06)	10.17
May 31, 2012	9.70	(0.07)	9.63
<b>Class U Unit (USD)</b>			
May 31, 2013	9.89	(0.05)	9.84
May 31, 2012	9.36	(0.06)	9.30

##### 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.

# ISL Loan Trust

## Notes to Financial Statements

### May 31, 2013

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#### **Expense recognition**

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

#### **Related party transactions**

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

#### **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.

#### **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 period. Purchases and sales of investments and income and expenses are translated into Canadian dollars at the exchange rate prevailing on the transaction dates. The Fund's Class U Units are denominated in U.S. dollars.

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

#### **Foreign currency forward contracts**

The Fund hedges against changes in the U.S. currency relative to the Canadian currency in respect of the Class A Units and in doing so, attempts to eliminate the fluctuations between the Canadian and the U.S. currencies. The Class A Units are substantially hedged using forward currency contracts. The forward currency contract gains and losses are attributed to and allocated solely to the Class A Units. The carrying value of these 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.

#### **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 derivatives, if any, are recognized at fair value and are designated as held for trading. Accrued interest and dividends receivable, amounts receivable for capital shares sold and securities sold and other assets are designated as loans and receivables and reported at cost or amortized cost. Amounts payable for securities purchased and capital shares redeemed, other liabilities and accrued expenses are designated as other financial liabilities and reported at amortized cost.

#### **Future accounting changes**

The Canadian Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants (CICA) had originally planned to adopt International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB), effective January 1, 2011. Subsequently, the AcSB deferred the adoption of IFRS for investment companies, which include investment funds. Investment companies may continue to apply existing GAAP standards until fiscal years beginning on or after January 1, 2014.

The Manager is reviewing and developing its IFRS changeover plan by performing an impact assessment and identifying differences between existing Canadian GAAP and IFRS. Management has also been monitoring developments in IFRS and has been assessing the likely impacts on accounting policies, implementation decisions, internal controls, information systems and training.

In May 2011, the IASB issued IFRS 13 Fair Value Measurement, which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical means for fair value measurements within a bid-ask spread. This may result in the elimination of the differences between the transactional NAV and net assets at the financial statements reporting dates.

On July 24, 2013, the IASB voted tentatively to defer the mandatory adoption date of IFRS 9, Financial Instruments and that the mandatory effective date should be left open pending finalization of the project. Early adoption will continue to be permitted. This follows an agreement by the IASB and FASB to redeliberate their proposals on the classification and measurement of financial instruments.

As the revised standard was scheduled to be completed in 2013, the Fund may now choose to adopt IAS 39, Financial Instruments: Recognition and Measurement instead, given the uncertainty about the timing and future development of IFRS 9. The Manager will decide the appropriate course of action for the Fund prior to completion of the May 2013 financial statements.

Other than the potential impact of IFRS 13 as described above, the Manager has currently not identified any changes that will impact net assets per Unit as a result of the changeover to IFRS. The impact of IFRS on other accounting policies and implementation decisions will mainly be in the areas of presentations and disclosures in the financial statements of the Portfolios. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.



# ISL Loan Trust

## Notes to Financial Statements

### May 31, 2013

#### 4 Custodian

Pursuant to the Trust Agreement, State Street Trust Company Canada acts as custodian (the "Custodian") of the assets of the Fund. The Custodian carries out certain aspects of the day-to-day administration of the Fund, including calculating Transactional NAV, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund. In consideration for these services, the Fund pays a fee to the Custodian.

#### 5 Unitholders' equity

The Fund is authorized to issue an unlimited number of redeemable, transferable Units of beneficial interest, 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 June 17, 2011, the Fund completed an initial public offering pursuant to the Prospectus dated May 27, 2011. The Fund issued 24,500,000 Class A Units for \$231,403,550 at \$9.45 per Class A Unit and 6,000,000 Class U Units for U.S. \$56,700,000 at U.S. \$9.45 per Class U Unit.

During the year ended May 31, 2013, the Fund issued 1,072,505 Class A Units for a total value of \$10,560,852 and redeemed 2,783,358 Class U Units for a total payment of \$27,112,415. There were also 582,364 Class U Units redeemed for U.S. \$5,639,525 during the same period. (During the period from June 17, 2011 (commencement of operations) to May 31, 2012, the Fund issued an additional 1,436,218 Class A Units for \$13,608,165 and 879,172 Class U Units for U.S. \$8,300,411.

Changes in outstanding Units during the year ended May 31, 2013 and during the period from June 17, 2011 (commencement of operations) to May 31, 2012 are summarized as follows:

	Class A Units		Class U Units	
	May 31, 2013	May 31, 2012	May 31, 2013	May 31, 2012
Balance – beginning of period	25,936,218	–	6,879,172	–
Units issued	1,072,505	25,936,218	–	6,879,172
Units redeemed	(2,783,358)		(582,364)	
Balance – end of period	<u>24,225,365</u>	<u>25,936,218</u>	<u>6,296,808</u>	<u>6,879,172</u>

The Unit Capital dollar amount represents the face value of the Fund's Units minus any return on capital distributions paid since June 17, 2011 (commencement of operations) to May 31, 2013. If the redemption price is lower than the average cost per unit, the difference is included in Contributed Surplus on the Statements of Net Assets. If the redemption price is greater than the average cost per unit, the difference is first charged to Contributed Surplus until the balance in Contributed Surplus is eliminated and the remaining amount is charged to Retained Earnings.

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 Bank indebtedness

The Fund may employ leverage of up to 40% of Total Assets, which is the aggregate value of the assets of the fund, for the purpose 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 Fund could employ is 1.67:1.

The Fund entered into a Credit Agreement on August 5, 2011 between the Manager of the Fund (on behalf of the Fund) and the Bank of Nova Scotia (the "Counterparty"), whose S&P credit rating was A+ as of May 31, 2013 (AA- as of May 31, 2012). Borrowings by the Fund are made in U.S. dollars. The Fund has pledged 100% of its underlying assets as collateral as part of the Credit Agreement. This agreement terminates on August 3<sup>rd</sup> of each year with the option to extend annually. On August 3, 2012, the agreement was renewed and extended for an additional year.

The Fund applied leverage in the range from 25.3% to 35.9% or from U.S. \$109,500,000 to U.S. \$167,000,000 during the year ended May 31, 2013 (nil% to 37.4% or \$nil to U.S. \$179,000,000 during the period from June 17, 2011 (commencement of operations) to May 31, 2012). On May 31, 2013, the amount of U.S. \$151,000,000 or the Canadian equivalent of \$156,066,050 was outstanding (U.S. \$168,000,000 or the Canadian equivalent of \$174,014,400 was outstanding on May 31, 2012). The leverage factor was approximately 33.6% as of May 31, 2013 (34.3% as of May 31, 2012). The related interest expense during the year ended May 31, 2013 was \$1,942,109 (\$1,738,903 during the period from June 17, 2011 (commencement of operations) to May 31, 2012).

#### 7 Distributions

The Fund does not have a fixed distribution. The Fund pays distributions if, as and when declared by the Fund from time to time.

The Fund paid \$14,956,000 in distributions to Class A Unitholders and U.S. \$4,111,000 to Class U Unitholders during the year ended May 31, 2013 (\$14,216,000 to Class A Unitholders and U.S. \$3,824,361 to Class U Unitholders during the period from June 17, 2011 (commencement of operations) to May 31, 2012).

#### 8 Management fees and related party transactions

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

# ISL Loan Trust

## Notes to Financial Statements

### May 31, 2013

The management fees charged to the Fund during the year ended May 31, 2013 were \$2,315,340 plus applicable taxes (\$2,169,749 plus applicable taxes during the period from June 17, 2011 (commencement of operations) to May 31, 2012).

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

#### 9 Income taxes

The Fund is a financial institution for purposes of the “specified debt obligation” and “mark-to-market” rules contained in the Income Tax Act (Canada) as more than 50% of the fair market value of all interests in the Fund are held any time by one or more such financial institutions. The Fund is subject to tax in each taxation year under Part I of the Income Tax Act (Canada) on the amount of its income for the year, including net unrealized gains, if any, less the portion thereof that it deducts in respect of the amount paid or payable to Unitholders in the year. The Fund may also be subject to “minimum tax” under the Tax Act.

It is the intention of the Manager that all annual net taxable income will be distributed to Unitholders on a calendar year basis such that Canadian income taxes payable by the Fund under present legislation will be eliminated. As a result thereof and of the deduction of expenses in computing its taxable income, no provisions for income taxes are made in the financial statements.

The Fund did not have any net taxable capital losses at tax year ends December 31, 2012 and 2011. The Fund did not have any non-capital carry forward balances as at the tax year end December 31, 2012 (December 31, 2011 – \$498,840).

#### 10 Broker commission charges and soft dollar services

There were \$nil broker commissions paid during the year ended May 31, 2013 and during the period from June 17, 2011 (commencement of operations) to May 31, 2012 in connection with portfolio transactions. No contractual arrangements for soft dollar services exist in the broker commission charges.

#### 11 Financial instruments

	May 31, 2013	May 31, 2012
<u>Assets</u>	\$	\$
Cash	1,267,798	1,375,482
Held for trading	500,673,985	475,763,258
Loans and receivables	6,603,000	30,813,615
<b>Total assets</b>	<b>508,544,783</b>	<b>507,952,355</b>
<u>Liabilities</u>		
Held for trading	2,355,650	8,103,393
Financial liabilities at amortized cost	199,747,434	190,703,138
<b>Total liabilities</b>	<b>202,103,084</b>	<b>198,806,531</b>

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

The following tables illustrate the classification of the Fund's financial instruments within the fair value hierarchy as at May 31, 2013 and 2012:

Assets at fair value as at May 31, 2013	Level 1	Level 2	Level 3	Total
Term loans	–	499,280,266	–	499,280,266
Short-term investments	–	1,326,574	–	1,326,574
Foreign currency forward contracts	–	67,145	–	67,145
<b>Total</b>	–	<b>500,673,985</b>	–	<b>500,673,985</b>
Liabilities at fair value as at May 31, 2013	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	–	2,355,650	–	2,355,650
<b>Total</b>	–	<b>2,355,650</b>	–	<b>2,355,650</b>
Assets at fair value as at May 31, 2012	Level 1	Level 2	Level 3	Total
Term loans	–	475,526,830	–	475,526,830
Foreign currency forward contracts	–	236,428	–	236,428
<b>Total</b>	–	<b>475,763,258</b>	–	<b>475,763,258</b>
Liabilities at fair value as at May 31, 2012	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	–	8,103,393	–	8,103,393
<b>Total</b>	–	<b>8,103,393</b>	–	<b>8,103,393</b>

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, the 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.

# ISL Loan Trust

## Notes to Financial Statements

### May 31, 2013

*Term loans and short-term investments:* 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.

*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, 2013 and during the period from June 17, 2011 (commencement of operations) to May 31, 2012.

## 12 Financial instrument risk

The Fund's activities expose it to a variety of financial risks. The Manager may invest in derivatives for the purpose of hedging interest rate exposure. The Manager also invests in foreign currency forward contracts to hedge the Fund's Class A foreign exchange risk exposure.

### Credit risk

The Fund is exposed to the risk that a security issuer or counterparty will be unable to pay amounts in full when due. The fair value of debt and debt-like securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of these investments and the unrealized gain (loss) on derivative instruments outstanding with counterparties represents the maximum credit risk exposure as at May 31, 2013 and 2012.

The tables below summarize the Fund's exposure to credit risk as of May 31, 2013 and 2012. Amounts shown are based on the carrying value of debt investments and the unrealized gain (loss) on derivative instruments outstanding with counterparties.

	May 31, 2013 (% of Net Assets)
AA-	0.2%
A+	-0.5%
BBB-	1.7%
BB+	7.6%
BB	11.0%
BB-	20.3%
B+	53.0%
B	43.6%
B-	9.7%
CCC+	10.0%
CCC	3.5%
Not rated	2.4%
<b>Total</b>	<b>162.5%</b>

	May 31, 2012 (% of Net Assets)
A+	-2.6%
BBB-	1.4%
BB+	5.6%
BB	13.6%
BB-	34.4%
B+	48.1%
B	28.7%
B-	7.3%
CCC+	6.6%
CCC	3.0%
D	0.2%
Not rated	5.2%
<b>Total</b>	<b>151.5%</b>

As at May 31, 2013 and 2012, no debt securities were contractually past due and no longer meeting interest payment obligations.

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

### 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 held in the Fund 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 net assets of the Fund 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 and 2012, interest rate risk was minimal.

# ISL Loan Trust

## Notes to Financial Statements

### May 31, 2013

#### 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 and 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 tables below summarize the Fund's exposure to foreign currencies as at May 31, 2013 and 2012. The first table shows sensitivity evaluation due to exposure to the U.S. dollar for the Class A Units only (the Class U Units are denominated in U.S. dollars) while the second table shows exposure to the Euro for both the Class A and Class U Units. The amounts shown are based on the carrying values of monetary and non-monetary assets as well as the underlying principal amounts of foreign currency derivatives such as forward contracts. Other financial assets and liabilities denominated in foreign currencies do not expose the Fund to significant currency risk. The tables below summarize the significant exposure to foreign currencies and the approximate impact on net assets had the functional currency of each Class of 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, 2013):

	Monetary instruments \$	Non-monetary instruments \$	Derivative instruments \$	Net Exposure \$	% of Net Assets	Sensitivity (based on devaluation of CAD) \$
U.S. Dollar	238,089,238	–	(236,858,777)	1,230,461	0.5%	62,000

#### Class A and Class U Units (May 31, 2013):

	Monetary instruments \$	Non-monetary instruments \$	Derivative instruments \$	Net Exposure \$	% of Net Assets	Sensitivity (based on devaluation of CAD) \$
Euro	5,965,887	–	(6,262,072)	(296,185)	(0.1)%	(15,000)

#### Class A Units (May 31, 2012):

	Monetary instruments \$	Non-monetary instruments \$	Derivative instruments \$	Net Exposure \$	% of Net Assets	Sensitivity (based on devaluation of CAD) \$
U.S. Dollar	245,827,861	–	(248,218,927)	(2,391,066)	(0.8)%	(120,000)

#### Class A and Class U Units (May 31, 2012):

	Monetary instruments \$	Non-monetary instruments \$	Derivative instruments \$	Net Exposure \$	% of Net Assets	Sensitivity (based on devaluation of CAD) \$
Euro	4,480,116	–	(4,450,485)	29,631	0.0%	1,000

#### 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 unlimited annual redemptions in any given year. The Fund invests the majority of its assets in investments that can be readily disposed. In addition, the Fund retains sufficient cash positions to maintain liquidity. All liabilities (other than bank indebtedness) are due within three months. The tables below summarize the maturity dates of the financial instruments held in the Fund as at May 31, 2013 and 2012.

#### May 31, 2013

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Term loans	–	17,704,895	192,512,783	289,062,588	499,280,266
Short-term investments	1,326,574	–	–	–	1,326,574
Foreign currency forward contracts	(2,288,505)	–	–	–	(2,288,505)
Bank indebtedness	(156,066,050)	–	–	–	(156,066,050)
<b>Total</b>	<b>(157,027,981)</b>	<b>17,704,895</b>	<b>192,512,783</b>	<b>289,062,588</b>	<b>342,252,285</b>

#### May 31, 2012

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Term loans	1,615,132	35,575,095	166,537,645	271,798,958	475,526,830
Foreign currency forward contracts	(7,866,965)	–	–	–	(7,866,965)
Bank indebtedness	(174,014,400)	–	–	–	(174,014,400)
<b>Total</b>	<b>(180,266,233)</b>	<b>35,575,095</b>	<b>166,537,645</b>	<b>271,798,958</b>	<b>293,645,465</b>

### 13 Subsequent event

Connor, Clark & Lunn Financial Group announced that it has entered into the Sale Transaction to sell Aston Hill its structured products business Connor, Clark & Lunn Capital Markets (the "Company"). The terms of the transaction involve Aston Hill purchasing 80% of the Company from Connor, Clark & Lunn Financial Group, Neil Murdoch

# **ISL Loan Trust**

## **Notes to Financial Statements**

**May 31, 2013**

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(President and Chief Executive Officer) and Darren Cabral (Chief Financial Officer). Following the transaction Aston Hill will hold 80% of the Company and Neil Murdoch and Darren Cabral will hold the remaining 20% of the Company not owned by Aston Hill. Completion of the Sale Transaction is expected to occur on or about August 15, 2013, subject to certain regulatory approvals. The business being acquired by Aston Hill includes management or advisory agreements related to the Funds.