AstonHill
CAPITAL MARKETS

North American Financials Capital Securities Trust

Annual Financial Statements

December 31, 2014

NORTH AMERICAN FINANCIALS CAPITAL SECURITIES TRUST MESSAGE TO UNITHOLDERS

March 31, 2015

Dear Investor,

We are pleased to provide you with the Annual report for North American Financials Capital Securities Trust (the "Fund") for the year ended December 31, 2014. The Fund was originally scheduled to mature on November 30, 2014. A special meeting was held for the purpose of considering the proposals to, among of other things; (i) to extend the termination date of the Trust to November 30, 2019, (ii) to amend the investment objectives and strategies of the Trust to broaden the geographic scope and the type of securities that qualify for inclusion in the portfolio to be securities that are designed to comply with the new Basel III regulatory requirements and to enable the Trust to hold the portfolio of investments (the **"Portfolio"**) directly following the termination of the forward purchase and sale agreement with The Bank of Montreal. Unitholders approved the proposals by an overwhelming margin. As a result, the Fund currently has a wider mandate of securities to invest and a new scheduled maturity on November 30, 2019. The Fund's primary focus will be in North America as we continue to believe that there are attractive investment opportunities in this sector.

The Fund's original investment objectives were to (i) provide Unitholders with attractive tax-advantaged quarterly cash distributions, and (ii) return to Unitholders the original issue price of the Units upon termination of the Fund. Distributions were initially targeted to be $1.50 per annum per Unit consisting primarily of returns of capital, representing a yield on the Unit issue price of 6.0% per annum. Since the government's actions to disallow forward agreements, the distributions will no longer be tax advantage. We have also recently lowered the distribution from $0.375 per quarter to $0.3125 per quarter. The change reflects the yields available in the Fund's investable universe. The portfolio is actively managed by Connor, Clark & Lunn Investment Management Ltd. (the "Investment Manager"). The current portfolio composition is approximately 50.10% U.S. issuers, 25.5% Canadian issuers and 24.80% issuers from other foreign countries.

The Fund continues to perform well. The net asset value ("NAV") for Class A units at the end of December 31, 2014 was $25.36, after the payment of various expensed connected with the extension. Cash distributions of $ 8.56 have been paid since inception. This compares favourably with the opening NAV of $23.39 after the deduction of agents' fees and issuance expenses. The return for the year ended on December 31, 2014 was 5.39%. The Fund has delivered a compound annual growth rate of 8.23% from inception. Its benchmark, FTSE TMX Canada Universe Bond index was 5.31% over the same period.

The Investment Manager still expect overall rates to remain within our forecasted 2.25% to 3.00% for the Government of Canada 10-year yield. However, given that we are at the bottom of the range, should economic data validate a stronger economy and should there be any signs of inflationary pressures, we would expect yields to move towards the upper limit. Nevertheless, we are still of the view that the path to higher overall rates will be slow given the levels of global debt that exist in the system. Our outlook for credit remains positive and we expect the strong fundamentals in financials to advantage the portfolio in the context of a slight upward pressure in overall rates. Our base case economic scenario continues to be one of modest economic growth in a low-inflation environment marked by simulative monetary policy. We expect the recovery to persist based on recent leading economic releases that show signs of growing positive momentum.

Please check our web site for quarterly investment updates and other timely information. We appreciate your investment in the Fund and look forward to continued strong performance by the Fund.

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 **North American Financials Capital Securities Trust** (the "Fund") contains financial highlights but does not contain the complete annual financial statements of the Fund. **The annual financial statements and accompanying notes are attached to this report.**

You can obtain a copy of the annual financial statements at no cost by writing to Aston Hill Capital Markets Inc. (the "Manager") to the following address: 77 King Street West, Suite 2110, 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.

Securityholders 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 Trust Agreement (the "Trust Agreement") between the Manager of the Fund and RBC Investor & Treasury Services (the "Trustee") dated September 28, 2009. The Fund's principal office is located at 77 King Street West, Suite 2110, Toronto, Ontario, M5K 1G8. The fiscal year-end of the Fund is December 31. Beneficial interest in the net assets and net income of the Fund is divided into units of two classes, Class A Units and Class F Units. The Class A Units are listed on the Toronto Stock Exchange (the "TSX") under the symbol NAF.UN. The Class F Units are not listed on a stock exchange but may be converted into Class A Units on a weekly basis. The principal differences between the Class A Units and the Class F Units are that the agents' fees payable with respect to the original issuance of the units were lower for the Class F Units and that the service fee and the TSX listing fees are not paid by Class F Units.

Initially, the Fund's investment objectives are to:

(i) provide Unitholders with attractive tax-advantaged quarterly cash distributions; and

(ii) return to Unitholders the original issue price of the Units upon termination of the Fund.

Distributions were targeted to be $1.50 per annum per Unit consisting primarily of returns of capital, representing a return on the issue price of 6.0% per annum.

In order to achieve the Fund's investment objectives, Connor, Clark & Lunn Investment Management Ltd. (the "Investment Manager") actively manages the Portfolio. The Portfolio initially consisted of Canadian Innovative Tier 1 Capital Securities issued by banks (or entities related to banks) and U.S. Financials Capital Securities. The Investment Manager was also able to invest up to 15% of the Portfolio (measured at the time of investment) in other bonds with a minimum issuer rating of "A" by S&P.

The Fund was directly exposed to the portfolio of North American Portfolio Trust (the "NAPT"). The Fund used the net proceeds of the initial public offering of its Class A and Class F Units to pre-pay its purchase obligations under a forward purchase and sale agreement (the "Forward Agreement") with the Bank of Montreal (the "Counterparty" or "BMO"). Under the Forward Agreement, the Fund was receiving, at maturity, a specified portfolio consisting of securities of Canadian public issuers that are "Canadian securities" for the purposes of the Tax Act ("Canadian Securities") in an amount equal to the net asset value of NAPT. Partial settlements under the Forward Agreement were intended to ensure that Unitholders have economic exposure to the distributions effected by NAPT. A fee of 0.35% per annum, calculated with reference to the NAV of NAPT, was payable to BMO under the Forward Agreement.

On November 10, 2014, the Fund's Unitholders approved material changes to the Fund. The most significant changes were; (i) the extension of the Fund's termination date by five more years to November 30, 2019; (ii) broaden the geographic scope and the type of securities that qualify for inclusion in the portfolio to be securities that are designed to comply with the new Basel III regulatory requirements; and (iii) to enable the Fund to hold the portfolio of investments directly following the termination of the Forward Agreement.

During December 2014, the Forward Agreement was terminated per schedule and a special one-time capital tax distribution was made to all unitholders (see "Distribution").

RISK

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

Forward Agreement Leverage

Prior to the termination of the Forward Agreement, the Fund was permitted to increase its exposure to the securities in the Portfolio through the Forward Agreement by 25% of the levered notional amount or total assets (being the net asset value of NAPT) (which was tested daily) for the purposes of adding leverage to the Portfolio and for any other short-term funding purposes as may be determined by the Investment Manager from time to time and in accordance with the Investment Strategy. The use of leverage has the potential to enhance or reduce returns.

For this purpose, the Fund entered into a letter of agreement (the "Credit Agreement") dated October 23, 2009, between the Manager and the Bank of Montreal (the "Counterparty" or "BMO"), to borrow amounts up to 25% of the net asset value of NAPT as being part of the Forward Agreement. The Credit Agreement was terminated following the termination of the Forward Agreement during December 2014

During the year ended December 31, 2014, the Fund had forward agreement leverage balances between $nil to $12.0 million or nil to 20.18% of the net asset value of NAPT ($12.0 million to $14.1 million or 19.3% to 21.2% of the net asset value of NAPT during the year ended December 31, 2013). The related interest expense during the same period was $217,733 ($284,874 during the year ended December 31, 2013). At December 31, 2014, the borrowed balance was fully settled ($11,975,000 balance as at December 31, 2013).

For full disclosure of risks associated with an investment in the Fund's units, please refer to the Prospectus dated May 27, 2009 and to the Fund's most recent Annual Information Form. Both are available at www.astonhill.ca or www.sedar.com.

RECENT DEVELOPMENTS

International Financial Reporting Standards (IFRS)

The Fund adopted IFRS as published by the International Accounting Standards Board (IASB) as of January 1, 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Handbook (Canadian GAAP). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented in its Annual financial statements, as if these policies had always been in effect. Note 18 to the Annual financial statements dated December 31, 2014 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

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 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.

Investment Manager Commentary (January 2015)

The year started with a surge in investors` uncertainty, driven mostly by softer economic data from weather-related events in North America along with emerging markets concerns. This precipitated a rapid drop in interest rates, which persisted throughout the year despite improving economic fundamentals. During the second half of the year, the equity market selloff and collapsing oil prices that plunged by over 50% triggered a flight to safety that led to even much lower interest rates. For the year, overall economic performance on a regional basis continued to diverge (global decoupling) with growth slowing in Europe and most emerging markets while remaining relatively strong in North America, especially in the US.

On the monetary front, divergence continued with the Fed ending its quantitative easing program while the ECB geared up for a more aggressive asset purchase program. The Bank of Japan continued its aggressive QE strategy which put additional downward pressure on global interest rates. For the year, both Canadian and US rates fell nearly one percent with 10-year US Treasuries finishing at 2.17% and 1-year Canada bonds at 1.87%. On the flipside, bond prices rose dramatically and helped to buffer the negative impact of spread widening driven by investor demand for higher risk premiums.

The portfolio's mandate was transitioned in Q4 although reflecting the change of mandate that was approved by unit holders in the fall. Its focus remains tilted to

wards high quality financials which provide a broad level of diversification. In Canada, the preference for preferred shares, which offer better relative value versus domestic corporate bonds was maintained with exposure in both Canadian insurance (Manulife Financial Corp) and banking sectors (TD Bank).

On the US financial side, we continue to favor exposure to large banks such as Bank of America Citigroup Inc. and Morgan Stanley as company fundamentals have improved considerably over the last few years. In particular, Bank of America`s operating profile and balance sheet have benefited greatly through tighter underwriting standards, better expense controls and by addressing many of its legacy mortgage concerns. Citibank has also improved over the last few years as it continued to focus on simplifying its business structure while enhancing its risk management systems. Lastly, Morgan Stanley's much improved balance sheet/risk profile along with its enviable top three position in investment banking and equities, enables it to easily adapt to the new revenue environment that we expect will prevail over the foreseeable future.

And finally, on the international front, several new holdings were added mid-year such as Sweden-based Nordea Bank, one of the stronger bank credits in Europe and HSBC Holding Plc, one of the largest banking and financial services institutions in the world.

The portfolio posted a positive return for the year which was primarily driven by the overall decline in interest and helped compensate the spread widening that took place in the corporate spread in the fixed income market.

Recent developments

We expect the divergence in global economic growth to persist well into 2015, with the US retaining its leadership role as a result of its success in deleveraging, compared to other regions such as Europe and Japan where many issues remain unresolved. Canada should continue to benefit from US economic strength, especially in manufacturing where the depreciation of the Canadian dollar should provide an added boost.

The diverging monetary environment is likely to prevail for a while, as central banks try to adjust to unique circumstances. Europe, Japan and Asia are likely to increase their monetary support, while the US will likely withdraw some of its monetary accommodation. We will be assessing very closely the Bank of Canada policy in this new context especially in view of much lower oil prices and the potential impact on the economy going forward.

The pathway to higher interest rates may already be laid; however, we expect rate increases should be fairly muted given the current high debt levels that still exist globally. The Bank of Canada will play a pivotal role in the future direction on interest rates and fixed income market volatility will likely remain elevated as investors assess the impact of external factors. We still expect that the much-improved credit profiles within the financial sector will benefit from the current lower-growth and lower inflation environment.

Capital transactions

The Fund is authorized to issue an unlimited number of Units of each class. On October 23, 2009, the Fund completed an initial public offering pursuant to the Prospectus dated September 28, 2009. $50,000,000 was raised through the issue of 2,000,000 Class A Units and $821,500 was raised through the issue of 32,860 Class F Units. The Class A Units were issued at $25.00 per Unit and incurred Agents' fees and issue expenses of $3,215,301 or $1.61 per Unit, for an opening Transactional NAV of $23.39 per Unit. The Class F Units were issued at $25.00 per Unit and incurred Agents' fees and issue expenses of $28,182 or $0.86 per Unit, for an opening Transactional NAV of $24.14 per Unit.

On November 6, 2009, the Agents exercised an over-allotment option in respect of 158,940 Class A Units, raising a further $3,973,500. Agents' fees were $208,609 or $1.31 per Unit. During the year ended December 31, 2010 the Fund incurred additional Agents' fees of $11,731 or $0.01 per Class A Unit and Class F Unit respectively.

During the year ended December 31, 2014, there were 676,705 Class A Units redeemed for $17,996,036 and there were also 600 Class F redeemed for $16,968 ($3,565,025 was paid to redeem 128,250 Class A Units and $11,909 was paid to redeem 400 Class F Units during the year ended December 31, 2013). There were no Class F Units were converted into Class A Units during the years ended December 31, 2014 (1,000 Class F Units converted into 1,075 Class A Units for a total value of $28,663 during the year ended December 31, 2013). The need to terminate the Forward Agreement was due to the government's change to the tax laws in March 2013.

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 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 Net Asset Value per Class A Unit immediately prior to the date of any such purchase of Units.

The Fund did not purchase any Class A Units for cancellation during the years ended December 31, 2014 and 2013.

DISTRIBUTIONS

The Fund pays quarterly distributions initially at $0.375 per Unit, representing a return of 6.0% per annum on the Unit issue price.

The Fund has made all its scheduled distributions during the year ended December 31, 2014, paying $1.50 per Class A Unit and $1.50 per Class F Unit respectively ($1.50 per Class A Unit and $1.50 per Class F Unit during the year ended December 31, 2013).

In addition, during December 2014, the Fund made a special capital gains distribution to Unitholders of record on December 31, 2014. The special capital gains distribution comprised of $0.7820 per Class A Unit and $0.8474 per Class F Unit which was paid in additional Units (to be consolidated back to the original number of Units of the Fund, resulting in Unitholders incurring a non-cash capital gain equal to the non-cash portion of the distribution amount with a matching increase in their adjusted cost base per Unit) and $2.5888 per Class A Unit and $ $2.8051 per Class F Unit in cash to offset the estimated tax liability to Unitholders resulting from the non-cash distribution. The capital gains distribution was largely the result of the termination of the Fund's Forward Agreement.

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 period ended December 31, 2014.

RELATED PARTY TRANSACTIONS

Management Fees

The Manager received a management fee from the Fund and NAPT equal in the aggregate to 0.50% per annum of the applicable Net Asset Value, (0.25% from the Fund and 0.25% from NAPT), calculated daily and payable monthly in arrears, plus applicable taxes up to November 30, 2014 (the termination date of the NAPT). From December 01, 2014, the Manager receives a management fee from the Fund equal in the aggregate to 0.50% 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 year ended December 31, 2014 were $102,473 plus applicable taxes ($124,473 plus applicable taxes during the year ended December 31, 2013).

The Manager is responsible for payment of the investment management fees out of these management fees.

Service Fees

The Fund pays to the Manager a service fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter); solely with respect to the Class A Units, equal to 0.40% per annum of the Net Asset Value attributable to the Class A Units. The service fee is applied by the Manager to pay a service fee in an equivalent aggregate amount to brokers based on the number of Class A Units held by clients of such brokers at the end of the relevant quarter. No service fee is payable in respect of the Class F Units.

The service fees charged to the Fund during the year ended December 31, 2014 were $157,830 ($187,588 during the year ended December 31, 2013).

IRC Fee

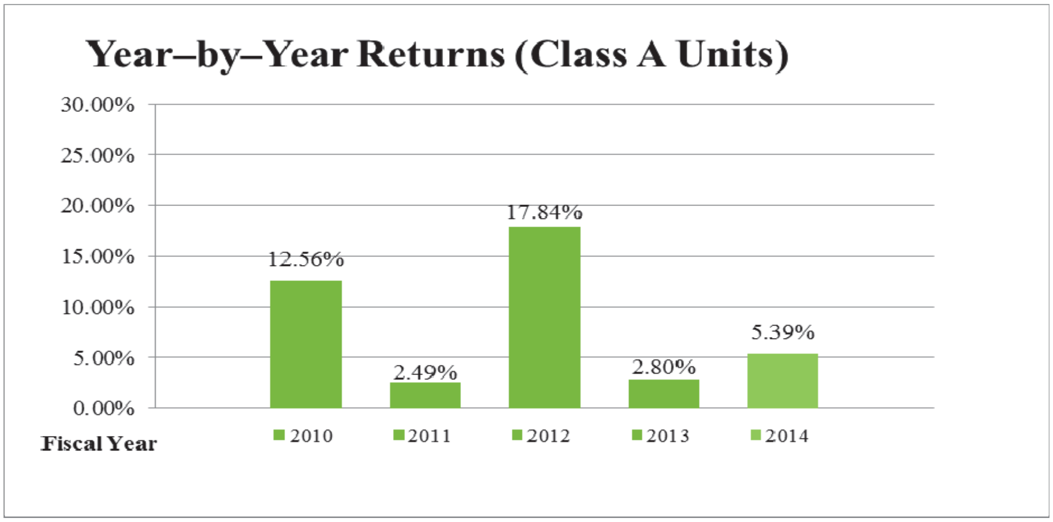
The members of the Independent Review Committee are John Crow (chair), Joseph Wright, Robert B. Falconer and Scott Browning. The Independent Review Committee acts as a review committee for a number of investment funds managed by the Manager.

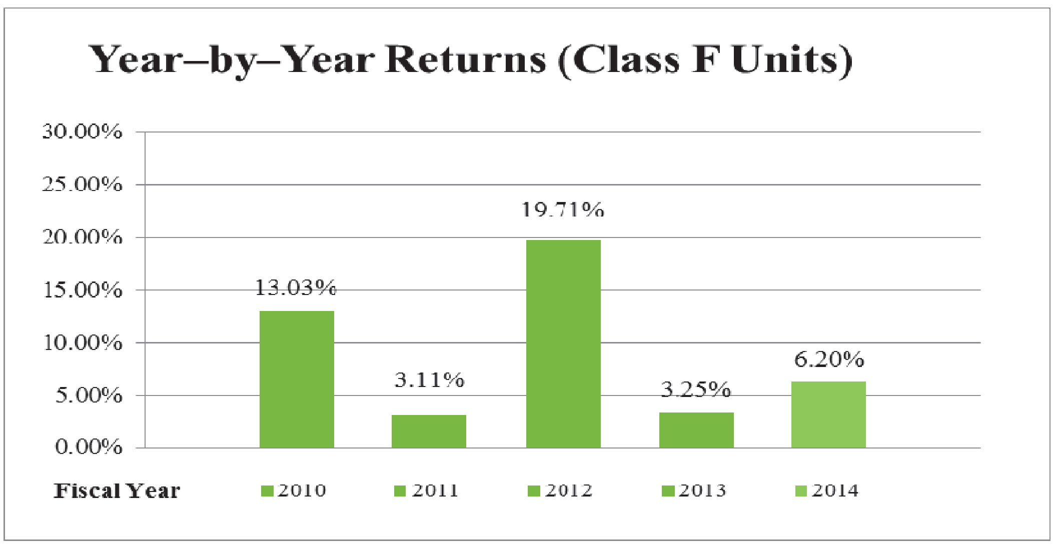
The IRC members each receive $15,000 per annum ($20,000 for the Chairman) plus $1,250 per meeting for acting in such capacity and are also reimbursed for expenses in connection with performing their duties. These fees and expense reimbursements are allocated across investment funds that are managed by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

The IRC fees charged to the Fund during the year ended December 31, 2014 were $1,902 ($4,038 during the year ended December 31, 2013).

Past Performance

The following bar charts show the Fund's annual performance of the Class A Units and Class F Units for the year ended December 31, 2014 assuming all the distributions made by the Fund during the periods 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	Past 3 Years	Past 5 Years	Since Inception[(1)]
Based on NAV (Class A Units)	5.39%	8.47%	8.05%	8.23%
Based on share price (Class A Units)	5.73%	9.17%	7.58%	6.69%
Based on NAV (Class F Units)	6.20%	9.48%	8.87%	9.03%
FTSE TMX Canada Universe Bond Index	8.79%	3.65%	5.45%	5.31%

(1) Results for the period from October 23, 2009 (commencement of operations) to December 31, 2014.

The FTSE TMX Canada Universe Bond Index is the broadest and most widely used measure of performance of virtually all of the outstanding marketable bonds in the Canadian market.

FINANCIAL HIGHLIGHTS

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

Class A Units:

The Fund's Net Assets per Class A Unit:	2014	2013	2012	2011	2010
Net Assets, beginning of period	**26.22**	**26.98**	**24.14**	**24.99**	**23.50**
Unit issue expense(1)	**–**	**–**	**–**	**–**	**(0.01)**
Increase (decrease) from operations:					
Total revenues	0.07	–	–	–	–
Total expenses	(0.72)	(0.25)	(0.54)	(0.49)	(0.45)
Realized gains (losses) for the period	14.18	0.90	0.61	0.69	0.15
Unrealized gains (losses) for the period	(11.85)	0.17	4.27	0.55	3.30
Total increase (decrease) from operations (2)	**1.68**	**0.82**	**4.34**	**0.75**	**3.00**
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	(2.67)	–	–	–	–
Return of capital	(2.20)	(1.50)	(1.50)	(1.50)	(1.50)
Total Distributions (3)	**(4.87)**	**(1.50)**	**(1.50)**	**(1.50)**	**(1.50)**
Net Assets, end of period (4)(5)	**25.36**	**26.22**	**26.98**	**24.14**	**24.99**

(1) Issue expenses of $3,423,910 incurred in connection with the Class A Units. This amount represents the cost of issuing the Fund's extension circular including any solicitation fees paid to brokers who held the units (see Related Party Transactions). 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.

(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 1,473,619 units outstanding as of December 31, 2014 (December 31, 2013 – 1,802,882 units).

(3) The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on the Fund's tax return.

(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 March 01, 2014. This information for the years up to 2012 is stated under Canadian GAAP. Starting 2013 and onwards, this information is restated under IFRS. Information for periods prior to January 01, 2013 continues to be reported under Canadian GAAP.

Ratios and Supplemental Data (Class A Units):	2014	2013	2012	2011	2010
Net asset value (000's)	27,521	46,208	50,963	47,413	54,174
Number of units outstanding	1,085,330	1,762,035	1,889,210	1,956,930	2,158,940
Base management expense ratio (1) (2)	1.68%	1.38%	1.42%	1.33%	1.36%
Issue & solicitation expense ratio (1) (2)	1.41%	0.00%	0.00%	0.00%	0.02%
Interest expense ratio (1) (2)	0.54%	0.58%	0.64%	0.60%	0.48%
Management expense ratio (annualized) (2)	3.63%	1.96%	2.06%	1.93%	1.86%
Management expense ratio before waivers or absorptions (annualized) (2)	3.63%	1.96%	2.06%	1.93%	1.86%
Portfolio turnover rate (3)	17.78%	0.00%	0.00%	0.00%	0.00%
Trading expense ratio (4)	0.00%	0.00%	0.00%	0.00%	0.00%
Closing market price (TSX)	25.00	26.22	26.98	24.23	25.09

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

(2) MER is based on the requirements of NI 81-106 and includes the total expenses (excluding commissions and other portfolio transaction cost) of the Fund for the stated period, including interest expense and issuance costs, if applicable, and is expressed as an annualized percentage of daily average net asset value during the period.

(3) 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.

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

Class F Units:

The Fund's Net Assets per Class F Unit:	**2014**	**2013**	**2012**	**2011**	**2010**
Net Assets, beginning of period	**28.24**	**28.81**	**25.30**	**25.97**	**24.26**
Unit issue expense(1)	**–**	**–**	**–**	**–**	**(0.01)**
Increase (decrease) from operations:					
Total revenues	0.08	–	–	–	–
Total expenses	(0.66)	(0.27)	(0.45)	(0.51)	(0.47)
Realized gains (losses) for the period	15.60	0.96	0.64	0.73	0.15
Unrealized gains (losses) for the period	(13.26)	0.26	4.53	0.70	3.53
Total increase (decrease) from operations (2)	**1.76**	**0.95**	**4.72**	**0.92**	**3.21**
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	(2.81)	–	–	–	–
Return of capital	(2.34)	(1.50)	(1.50)	(1.50)	(1.50)
Total Distributions (3)	**(5.15)**	**(1.50)**	**(1.50)**	**(1.50)**	**(1.50)**
Net Assets, end of period (4)(5)	**27.64**	**28.24**	**28.81**	**25.30**	**25.97**

(1) Issue expenses of $28,182 incurred in connection with the Class F Units. This amount represents the cost of issuing the Fund's extension circular including any solicitation fees paid to brokers who held the units (see Related Party Transactions). 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.

(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 23,531 units outstanding as of December 31, 2014 (December 2013 – 24,609 units).

(3) The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on the Fund's tax return.

(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 March 01, 2014. This information for the years up to 2012 is stated under Canadian GAAP. Starting 2013 and onwards, this information is restated under IFRS. Information for periods prior to January 01, 2013 continues to be reported under Canadian GAAP.

Ratios and Supplemental Data (Class F Units):	**2014**	**2013**	**2012**	**2011**	**2010**
Net asset value (000's)	635	666	720	726	857
Number of units outstanding	22,980	23,580	24,980	28,580	32,860
Base management expense ratio (1) (2)	1.05%	0.92%	0.99%	0.92%	0.94%
Issue & Solicitation expense ratio (1) (2)	1.64%	0.00%	0.00%	0.00%	0.02%
Interest expense ratio (1) (2)	0.55%	0.58%	0.64%	0.60%	0.48%
Management expense ratio (annualized) (2)	3.24%	1.50%	1.63%	1.52%	1.44%
Management expense ratio before waivers or absorptions (annualized) (2)	3.24%	1.50%	1.63%	1.52%	1.44%
Portfolio turnover rate (3)	17.78%	0.00%	0.00%	0.00%	0.00%
Trading expense ratio (4)	0.00%	0.00%	0.00%	0.00%	0.00%

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

(2) MER is based on the requirements of NI 81-106 and includes the total expenses (excluding commissions and other portfolio transaction cost) of the Fund for the stated period, including interest expense and issuance costs, if applicable, and is expressed as an annualized percentage of daily average net asset value during the period.

(3) 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.

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

SUMMARY OF INVESTMENT PORTFOLIO AS OF DECEMBER 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.

Portfolio by Category	**% of NAV**
Foreign Corporate Bonds	74.9%
Financials	25.5%
Short-term Notes	0.5%
Cash	0.2%
Net Other Assets (Liabilities)	-1.1%
Total	**100.0%**

Top 25 Holdings	**% Rate**	**Maturity Date***	**% of NAV**
Citigroup Inc.	6.300%	May/15/2024	16.2%
Toronto-Dominion Bank/The			15.1%
JPMorgan Chase & Co.	7.900%	Apr/30/2018	13.3%
Manulife Financial Corp.			10.4%
Bank of America Corp.	8.125%	May/15/2018	9.8%
Australia & New Zealand Banking Group Ltd.	4.500%	Mar/19/2024	8.4%
HSBC Holdings PLC	5.625%	Jan/17/2020	8.3%
Nordea Bank AB	5.500%	Sep/23/2019	8.1%
Morgan Stanley	5.450%	Jul/15/2019	6.2%
Wells Fargo & Co	7.980%	Mar/15/2018	4.6%
Short-term Notes	6.300%	May/15/2024	0.5%
Cash			0.2%
Total Net asset value:			**$ 28,155,890**

* Then maturity date is the first call date.

Management's Responsibility for Financial Reporting

The accompanying financial statements of **North America Capital Securities Trust** (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 International Financial Reporting Standards. 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 International Financial Reporting 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

March 31, 2015

March 31, 2015

Independent Auditor's Report

To the Unitholder of
North American Financials Capital Securities Trust
(the Fund)

We have audited the accompanying financial statements of the Fund, which comprise of the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2014 and December 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 of the Fund in accordance with International Financial Reporting Standards, 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 of the Fund 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

pwc

Opinion

In our opinion, the financial statements of the Fund present fairly, in all material aspects, the financial position of the Fund as at December 31, 2014, December 31, 2013 and January 1, 2013 and the financial performance and cash flows of the Fund for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

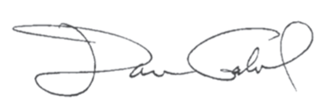
STATEMENTS OF FINANCIAL POSITION

As at	**December 31, 2014**	December 31, 2013	January 01, 2013
Assets			
Current assets			
Financial assets at fair value through profit or loss	**$ 28,293,472**	$ 9,936	$ 7,263
Cash	**61,097**	34,683	30,897
Short-term investments	**149,837**	-	-
Derivative assets (note 11)	**-**	47,718,834	52,611,042
Interest and dividends receivable	**279,368**	-	-
Prepaid expenses and other receivables	**20,597**	9,716	13,822
Total assets	**28,804,371**	47,773,169	52,663,024
Liabilities			
Current liabilities			
Interest payable	**-**	69,544	81,915
Distributions payable	**416,366**	669,606	717,821
Accounts payable and accrued liabilities	**224,480**	149,804	170,181
Management fees payable	**7,635**	10,095	10,351
Total liabilities	**648,481**	899,049	980,268
Net assets attributable to holders of redeemable units	**$ 28,155,890**	$ 46,874,120	$ 51,682,756
Net Assets attributable to holders of redeemable units per series			
Class A Units	**$ 27,520,736**	$ 46,208,192	$ 50,962,999
Class F Units	**$ 635,154**	$ 665,928	$ 719,757
	$ 28,155,890	$ 46,874,120	$ 51,682,756
Redeemable units outstanding per series (note 5)			
Class A Units	**1,085,330**	1,762,035	1,889,210
Class F Units	**22,980**	23,580	24,980
Net assets attributable to holders of redeemable units per unit			
Class A Units	**$ 25.36**	$ 26.22	$ 26.98
Class F Units	**$ 27.64**	$ 28.24	$ 28.81

The accompanying notes are an integral part of these financial statements.

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

W. Neil Murdoch
Director



Darren N. Cabral
Director

STATEMENT OF COMPREHENSIVE INCOME

For the years ended December 31		2014		2013
Income				
Net foreign currency gain (loss) on cash	**$**	**(97,980)**	$	-
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss:				
Interest for distribution purposes		**106,494**		80
Net realized gain (loss) on sales of investments		**(60,282)**		-
Net realized gain (loss) on derivative contracts		**21,417,107**		1,644,160
Change in unrealized appreciation (depreciation) on investments		**198,167**		2,673
Change in unrealized appreciation (depreciation) on derivative contracts		**(17,966,399)**		310,395
Total income (loss)		**3,597,107**		1,957,308
Expenses				
Solicitaion fee (note 21)		**569,245**		-
Service fees (note 9)		**157,830**		187,588
Management fees (note 9)		**102,473**		124,473
Legal fees		**80,001**		615
Harmonized sales tax		**36,454**		25,266
Administration fees		**30,868**		30,555
Audit fees		**27,727**		22,320
Custodial and other unitholder fees		**25,853**		20,729
TSX Sustaining fees		**11,665**		11,443
Transfer agent fees		**10,728**		10,942
Filing fees		**12,381**		10,448
Other		**8,875**		8,231
Transaction costs (note 10)		**3,468**		-
Printing and mailing fees		**2,861**		5,780
IRC fees (note 9)		**1,902**		4,038
Total expenses		**1,082,331**		462,428
Increase (decrease) in Net Assets attributable to holders of redeemable units		**2,514,776**		1,494,880
Increase (decrease) in Net Assets attributable to holders of redeemable units per series				
Class A Units	**$**	**2,473,455**	$	1,471,492
Class F Units	**$**	**41,321**	$	23,388
Increase (decrease) in Net Assets attributable to holders of redeemable units per unit (1)				
Class A Units	**$**	**1.68**	$	0.82
Class F Units	**$**	**1.76**	$	0.95

(1) Based on the weighted average number of 1,473,619 units outstanding as of December 31, 2014 (December 31, 2013 – 1,802,882 units) for Class A and 23,531 units outstanding as of December 31, 2014 (December 2013 – 24,609 units) for Class F.

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the years ended December 31

Class A		**2014**		**2013**
Increase (decrease) in Net Assets attributable to holders of redeemable units	**$**	**2,473,455**	$	1,471,492
Distributions to unitholder from: (note 8)				
Capital gains		**(3,675,393)**		-
Return of capital		**(3,031,952)**		(2,689,937)
		(6,707,345)		(2,689,937)
Redeemable unitholder's transactions (note 5)				
Proceeds from issue of units		**-**		-
Agents' fees, solicitation fees and issue expenses		**-**		-
Distributions reinvested		**3,542,470**		-
Class F Units converted to Class A Units		**-**		28,663
Payments on redemption/cancellation of units (note 5)		**(17,996,036)**		(3,565,025)
		(14,453,566)		(3,536,362)
Change in Net Assets attributable to holders of redeemable units during the year		**(18,687,456)**		(4,754,807)
Net Assets attributable to holders of redeemable units, beginning of year		**46,208,192**		50,962,999
Net Assets attributable to holders of redeemable units, end of year	**$**	**27,520,736**	$	46,208,192

Class F		**2014**		**2013**
Increase (decrease) in Net Assets attributable to holders of redeemable units	**$**	**41,321**	$	23,388
Distributions to unitholder from: (note 8)				
Capital gains		**(66,022)**		-
Return of capital		**(55,249)**		(36,645)
		(121,271)		(36,645)
Redeemable unitholder's transactions (note 5)				
Proceeds from issue of units		**-**		-
Agents' fees, solicitation fees and issue expenses		**-**		-
Distributions reinvested		**66,144**		-
Class F Units converted to Class A Units		**-**		(28,663)
Payments on redemption/cancellation of units (notes 5)		**(16,968)**		(11,909)
		49,176		(40,572)
Change in Net Assets attributable to holders of redeemable units during the year		**(30,774)**		(53,829)
Net Assets attributable to holders of redeemable units, beginning of year		**665,928**		719,757
Net Assets attributable to holders of redeemable units, end of year	**$**	**635,154**	$	665,928

Total		**2014**		**2013**
Increase (decrease) in Net Assets attributable to holders of redeemable units	**$**	**2,514,776**	$	1,494,880
Distributions to unitholder from: (note 8)				
Capital gains		**(3,741,415)**		-
Return of capital		**(3,087,201)**		(2,726,582)
		(6,828,616)		(2,726,582)
Redeemable unitholder's transactions (note 5)				
Proceeds from issue of units		**-**		-
Agents' fees, solicitation fees and issue expenses		**-**		-
Distributions reinvested		**3,608,614**		-
Class F Units converted to Class A Units		**-**		-
Payments on redemption/cancellation of units (note 5)		**(18,013,004)**		(3,576,934)
		(14,404,390)		(3,576,934)
Change in Net Assets attributable to holders of redeemable units during the year		**(18,718,230)**		(4,808,636)
Net Assets attributable to holders of redeemable units, beginning of year		**46,874,120**		51,682,756
Net Assets attributable to holders of redeemable units, end of year	**$**	**28,155,890**	$	46,874,120

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

For the years ended December 31		2014		2013
Cash flows from operating activities				
Increase (decrease) in Net Assets attributable to holders of redeemable units	**$**	**2,514,776**		1,494,880
Adjustments to reconcile to operating cash flows:				
Net realized (gain) loss on derivative contracts		**(21,417,107)**		(2,146,396)
Net realized (gain) loss on sales of investments		**60,282**		-
Change in unrealized (appreciation) depreciation on investments		**(198,167)**		(2,673)
Change in unrealized (appreciation) depreciation on derivative contracts		**17,966,399**		(310,395)
Proceeds from investments sold		**7,267,218**		-
Purchase of investments		**(35,412,868)**		-
(Increase) decrease in prepaid expenses and other receivables		**(10,881)**		4,106
(Increase) decrease in interest and dividends receivable		**(279,368)**		
Increase (decrease) in interest payable		**(69,544)**		(12,371)
Increase (decrease) in accounts payable and accrued liabilities		**74,676**		(20,377)
Increase (decrease) in management fees payable		**(2,460)**		(256)
Pre-settlements received by the Fund from the Counterparty under the forward agreement		**51,169,541**		7,348,999
Net cash flow provided by (used in) operating activities		**21,662,497**		6,355,517
Cash flows from financing activities				
Proceeds from redeemable units issued		**-**		-
Agents' fees, solicitation fees and issue expenses		**-**		-
Payments on redemption/cancellation of redeemable units (notes 5)		**(18,013,004)**		(3,576,934)
Distributions paid to holders of redeemable units, net of reinvested distributions		**(3,473,242)**		(2,774,797)
Net cash flow provided by (used in) financing activities		**(21,486,246)**		(6,351,731)
Increase (decrease) in cash during the year		**176,251**		3,786
Cash - beginning of year		**34,683**		30,897
Short-term investments - beginning of year		**-**		-
Cash - end of year	**$**	**210,934**	$	34,683
Short-term investments - end of year		**149,837**		-

The accompanying notes are an integral part of these financial statements.

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited)

As at December 31, 2014

	Coupon Rate %	Maturity date*	Number of shares / Par value	Average cost $	Fair value $	% of net assets
Investments						
Canadian common stocks						
Financials						
Manulife Financial Corp. 3.9% Preferred Series 17			114,800	2,902,144	2,920,512	10.4%
The Toronto-Dominion Bank			167,000	4,243,470	4,255,160	15.1%
Total Canadian common stocks				**7,145,614**	**7,175,672**	**25.5%**
Fixed Income						
Foreign Corporate Bonds (in USD)						
Australia & New Zealand Banking Group Ltd.	4.50%	Mar/19/2024	2,000,000	2,380,978	2,379,050	8.4%
Bank of America Corp.	8.13%	May/15/2018	2,200,000	2,710,501	2,761,562	9.8%
Citigroup Inc.	6.30%	May/15/2024	4,000,000	4,534,383	4,575,095	16.2%
HSBC Holdings PLC	5.63%	Jan/17/2020	2,000,000	2,332,517	2,327,507	8.3%
JPMorgan Chase & Co.	7.90%	Apr/30/2018	3,000,000	3,713,209	3,757,254	13.3%
Morgan Stanley	5.45%	Jul/15/2019	1,500,000	1,722,161	1,742,677	6.2%
Nordea Bank AB	5.50%	Sep/23/2019	2,000,000	2,297,703	2,290,443	8.1%
Wells Fargo & Co.	7.98%	Mar/15/2018	1,000,000	1,258,337	1,284,212	4.6%
Total Fixed Income				**20,949,789**	**21,117,800**	**74.9%**
Total investments				**28,095,403**	**28,293,472**	**100.4%**
Short-term investments						
Bankers Acceptance						
National Bank of Canada		Jan/26/2015	150,000	149,837	149,837	0.5%
				149,837	**149,837**	**0.5%**
Other liabilities net of other assets of the Fund					**(287,419)**	**-0.9%**
Net asset value of the Fund				**$**	**28,155,890**	**100.0%**

* The maturity date is the first call date.

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (December 31, 2014)

1. GENERAL INFORMATION

North American Financials Capital Securities Trust (the "Fund") is an investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement (the "Trust Agreement") between Aston Hill Capital Markets Inc. (formerly "Connor, Clark & Lunn Capital Markets Inc.") (the "Manager") the Manager of the Fund and RBC Investor & Treasury Services (the "Trustee") dated September 28, 2009. The Fund's principal office is located at 77 King Street West, Suite 2110, Toronto, Ontario M5K 1G8. The fiscal year-end of the Fund is December 31. The Fund is divided into units of two classes, Class A Units and Class F Units. The Class A Units are listed on the Toronto Stock Exchange (the "TSX") under the symbol NAF.UN. The Class F Units are not listed on a stock exchange but may be converted into Class A Units on a weekly basis.

Initially, the Fund's investment objectives are to:

(i) provide Unitholders with attractive tax-advantaged quarterly cash distributions; and

(ii) return to Unitholders the original issue price of the Units upon termination of the Fund.

Distributions were targeted to be $1.50 per annum per Unit consisting primarily of returns of capital, representing a return on the issue price of 6.0% per annum.

In order to achieve the Fund's investment objectives, Connor, Clark & Lunn Investment Management Ltd. (the "Investment Manager") actively manages the Fund's portfolio. The Portfolio initially consisted of Canadian Innovative Tier 1 Capital Securities issued by banks (or entities related to banks) and U.S. Financials Capital Securities. The Investment Manager was also able to invest up to 15% of the Portfolio (measured at the time of investment) in other bonds with a minimum issuer rating of "A" by S&P.

The Fund was indirectly exposed to the portfolio of North American Portfolio Trust (the "NAPT"). The Fund used the net proceeds of the initial public offering of its Class A and Class F Units to pre-pay its purchase obligations under a forward purchase and sale agreement (the "Forward Agreement") with the Bank of Montreal (the "Counterparty" or "BMO"). Under the Forward Agreement, the Fund was receiving, at maturity, a specified portfolio consisting of securities of Canadian public issuers that are "Canadian securities" for the purposes of the Tax Act ("Canadian Securities") in an amount equal to the net asset value of NAPT. Partial settlements under the Forward Agreement were intended to ensure that Unitholders have economic exposure to the distributions effected by NAPT. A fee of 0.35% per annum, calculated with reference to the NAV of NAPT, was payable to BMO under the Forward Agreement.

On November 10, 2014, the Fund's Unitholders approved material changes to the Fund. The most significant changes were; (i) the extension of the Fund's termination date by five more years to November 30, 2019; (ii) broaden the geographic scope and the type of securities that qualify for inclusion in the portfolio to be securities that are designed to comply with the new Basel III regulatory requirements; and (iii) to enable the Fund to hold the portfolio of investments directly following the termination of the Forward Agreement.

During December 2014, the Forward Agreement was terminated per schedule and a special one-time capital tax distribution was made to all unitholders (see Note 8).

2. BASIS OF PREPARATION AND ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and under the historical cost convention basis, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit and loss. The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Handbook (Canadian GAAP). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. note 18 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

The policies applied in these annual financial statements are based on IFRS issued and outstanding as of March 31, 2015, which is the date on which the annual financial statements were authorized for issue by the Manager.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Manager to exercise its judgment in the process of applying the Funds' accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

The Fund's investments in equity and fixed income securities and bonds are designated at fair value through profit or loss ("FVTPL") at inception. The Fund's derivatives are categorized as held for trading. As a result of such designation and categorization, the Fund's investments and derivatives are measured at FVTPL. Leverage, interest payable, distributions payable, accounts payable, accrued liabilities and management fees payable are designated as other financial liabilities and reported at amortized cost which given its short term nature approximates its fair value. The Fund's obligation for Net Assets attributable to holders of redeemable units is presented at approximately the redemption amount. All other financial assets and liabilities are measured for at amortized cost. Under this method, financial assets and liabilities reflect the amounts required to be received or paid, discounted when appropriate, at the financial instrument's effective interest rate. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its published Net Asset Value (NAV). The fair values of the Fund's financial assets and liabilities that are not carried at FVTPL approximate their carrying amounts due to their short-term nature.

b) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most that is most representative of fair value based on the specific facts and circumstances. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels at the beginning of the period in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market including foreign currency forward contracts are determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each measurement date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same and others commonly used by market participants and which make the maximum us of observable inputs. Refer to note 17 for further information about the Fund's fair value measurements.

c) Cash and cash equivalents

Cash consists of cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown in current liabilities in the Statements of Financial Position. Short-term investments are cash equivalents with maturities of less than 90 days from the date of acquisition.

d) Investment Transactions and Income Recognition

Regular purchases and sales are recognized on the trade date - the date on which the Fund commits to purchase or sell the investment and any realized and unrealized gains or losses are recognized using the average cost of the investments, which excludes broker commissions. The interest for distribution purposes shown on the Statements of Comprehensive Income (Loss) represents the coupon interest earned by the fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. Dividend income is recognized on the ex-dividend date.

e) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities are expensed and are recognized in the Statements of Comprehensive Income (Loss).

f) Derivative Contracts

Foreign currency forward contracts

The Fund may enter into foreign currency forward contracts to hedge against exposure to foreign currency fluctuations. 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 a net realized gain of loss on foreign currency forward contracts.

g) Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase (decrease) in Net Assets attributable to holders of redeemable units from operations per unit in the Statements of Comprehensive Income (Loss) is calculated by dividing the increase (decrease) in Net Assets attributable to holders of redeemable units from operations per class by the weighted average number of redeemable units outstanding for each relevant series during the period.

h) 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. Transaction Net Assets is the same as

i) Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

j) Foreign Currency Translation

The majority of the Funds' subscriptions and redemptions are denominated in Canadian dollar, which is also its functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated in to the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash and those relating to other financial assets and liabilities are presented as "Net foreign currency gains or losses on cash" in the Statements of Comprehensive Income (Loss).

k) Accounting Standards Issued But Not Yet Adopted

The final version of International Financial Reporting Standard (IFRS) 9, Financial Instruments, was issued by IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund have made in preparing the financial statements:

Classification of Redeemable Units Issued by the Fund

Under Canadian GAAP, the Fund accounted for their redeemable units as equity. Under IFRS, IAS 32 requires that shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as a financial liability. A Fund with multiple classes fails to meet the criteria outlined in IAS 32.16(a) and (c). Specifically, the unitholders would not be entitled to a pro rata share of the entity's Net Assets attributable to holders of redeemable units upon liquidation due to the differing series, nor would each series have identical features. Accordingly, all of the criteria in IAS 32.16 would not be met. As such, in accordance with the standard, the equity method would not be applied and instead, Net Assets attributable to holders of redeemable units would be presented as liability on the Statements of Financial Position.

Functional and Presentation Currency

The Fund's investors are primarily Canadian residents, with the subscriptions and redemptions of the redeemable shares denominated in Canadian dollars. The primary activity of the Fund is to invest in Canadian and US securities and derivatives and to offer Canadian investors a higher return compared to other products available in Canada. The performance of the Fund is measured and reported to the investors in Canadian dollar. The Manager considers the Canadian dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Canadian dollars, which is the Fund's functional and presentation currency.

Fair Value Measurement of Derivatives and Securities Not Quoted in an Active Market

When the Fund holds financial instruments that are not quoted in active markets, fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market markers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding

Classification and Measurement of Investments and Application of the Fair Value Option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make judgments about the classification of financial instruments and the applicability of the fair value option to its investments which are not held for trading. The Manager has determined that the Fund's derivatives are held for trading due to their short term nature. The fair value option has been applied to the Fund's investments in fixed income securities as the investments are managed on a fair value basis in accordance with the Fund's investment strategy.

5. REDEEMABLE UNITS

The Fund is authorized to issue an unlimited number of redeemable, transferable units of Class A and Class F Units, each of which represents an equal, undivided interest in the net assets of the Fund, subject to the terms and conditions of the Trust Agreement. The Class F 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 the Unitholders of each class being entitled to distributions or redemptions based on the net asset value of the Units of a particular class.

On October 23, 2009, the Fund completed an initial public offering pursuant to the Prospectus dated September 28, 2009. $50,000,000 was raised through the issue of 2,000,000 Class A Units and $821,500 was raised through the issue of 32,860 Class F Units. The Class A Units were issued at $25.00 per Unit and incurred Agents' fees and issue expenses of $3,215,301 or $1.61 per Unit, for an opening Transactional NAV of $23.39 per Unit. The Class F Units were issued at $25.00 per Unit and incurred Agents' fees and issue expenses of $28,182 or $0.86 per Unit, for an opening Transactional NAV of $24.14 per Unit.

On November 6, 2009, the Agents exercised an over-allotment option in respect of 158,940 Class A Units, raising a further $3,973,500. Agents' fees were $208,609 or $1.31 per unit.

The Class A Units and Class F Units may be redeemed on an Annual Redemption Date, which is the second last Business Day (any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading) of April of each year, subject to certain conditions and, in order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the last Business Day of March in the year of redemption. Unitholders whose Units are redeemed on an Annual Redemption Date will receive a redemption price in an amount equal to 100% of the Net Asset Value per Unit of the relevant class less any costs associated with the redemption, including brokerage costs, and less any net realized capital gains to the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption.

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

During the year ended December 31, 2014, there were 676,705 Class A Units redeemed for $17,996,036 and there were also 600 Class F redeemed for $16,968 ($3,565,025 was paid to redeem 128,250 Class A Units and $11,909 was paid to redeem 400 Class F Units during the year ended December 31, 2013). There were no Class F Units were converted into Class A Units during the years ended December 31, 2014 (1,000 Class F Units converted into 1,075 Class A Units for a total value of $28,663 during the year ended December 31, 2013.

Unit transactions for the year ended December 31, 2014 and 2013 were as follows:

	Class A Units		Class F Units	
	December 31, 2014	**December 31, 2013**	**December 31, 2014**	**December 31, 2013**
Balance – beginning of period	1,762,035	1,889,210	23,580	24,980
Class F Units converted to Class A Units	–	1,075	–	(1,000)
Units redeemed	(676,705)	(128,250)	(600)	(400)
Balance – end of period	1,085,330	1,762,035	22,980	23,580

6. CUSTODIAN

Pursuant to the Trust Agreement, RBC Investor & Treasury Services (the "Custodian") also acts as custodian of the assets of the Fund. The Custodian is responsible for certain aspects of the Fund's day-to-day operations, including calculating Net assets attributable to holders of redeemable units, 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 Standard & Poor's ("S&P") as of December 31 2014 and December 31, 2013.

7. FUND ADMINISTRATION

RBC Investor & Treasury Services is responsible for certain aspects of the Fund's day-to-day operations, including calculating Net assets attributable to holders of redeemable units, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund.

8. DISTRIBUTIONS

The Fund pays quarterly distributions initially at $0.375 per Unit, representing a return of 6.0% per annum on the Unit issue price.

The Fund has made all its scheduled distributions during the year ended December 31, 2014, paying $1.50 per Class A Unit and $1.50 per Class F Unit respectively ($1.50 per Class A Unit and $1.50 per Class F Unit during the year ended December 31, 2013).

In addition, during December 2014, the Fund made a special capital gains distribution to Unitholders of record on December 31, 2014. The special capital gains distribution comprised of $0.7820 per Class A Unit and $0.8474 per Class F Unit which was paid in additional Units (to be consolidated back to the original number of Units of the Fund, resulting in Unitholders incurring a non-cash capital gain equal to the non-cash portion of the distribution amount with a matching increase in their adjusted cost base per Unit) and $2.5888 per Class A Unit and $ $2.8051 per Class F Unit in cash to offset the estimated tax liability to Unitholders resulting from the non-cash distribution. The capital gains distribution was largely the result of the termination of the Fund's Forward Agreement. The need to terminate the Forward Agreement was due to the government's change to the tax laws in March 2013.

9. RELATED PARTY TRANSACTIONS

Management Fees

The Manager received a management fee from the Fund and NAPT equal in the aggregate to 0.50% per annum of the applicable Net Asset Value, (0.25% from the Fund and 0.25% from NAPT), calculated daily and payable monthly in arrears, plus applicable taxes up to November 30, 2014 (the termination date of the NAPT). From December 1, 2014, the Manager receives a management fee from the Fund equal in the aggregate to 0.50% 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 and NAPT on a combined basis during the year ended December 31, 2014 were $102,473 plus applicable taxes ($124,473 plus applicable taxes during the year ended December 31, 2013).

The Manager is responsible for payment of the investment management fees out of these management fees.

Service Fee

The Fund pays to the Manager a service fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter); solely with respect to the Class A Units, equal to 0.40% per annum of the Net Asset Value attributable to the Class A Units. The service fee is applied by the Manager to pay a service fee in an equivalent aggregate amount to brokers based on the number of Class A Units held by clients of such brokers at the end of the relevant quarter. No service fee is payable in respect of the Class F Units.

The service fees charged to the Fund during the year ended December 31, 2014 were $157,830 ($187,588 during the year ended December 31, 2013).

Independent Review Committee ("IRC") Fee

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

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

The IRC fees charged to the Fund during the year ended December 31, 2014 were $1,902 ($4,038 during the year ended December 31, 2013).

10. INVESTMENT TRANSACTIONS

There were $3,468 of broker commissions paid during the period ended December 31, 2014 ($nil – December 31, 2013) in connection with portfolio transactions. No contractual arrangements for soft dollars services exist in the broker commission charges.

11. FORWARD AGREEMENT

The Fund was directly exposed to the portfolio of North American Portfolio Trust (the "NAPT"). The Fund used the net proceeds of the initial public offering of its Class A and Class F Units to pre-pay its purchase obligations under a forward purchase and sale agreement (the "Forward Agreement") with the Bank of Montreal (the "Counterparty" or "BMO"). Under the Forward Agreement, the Fund was receiving, at maturity, a specified portfolio consisting of securities of Canadian public issuers that are "Canadian securities" for the purposes of the Tax Act ("Canadian Securities") in an amount equal to the net asset value of NAPT. Partial settlements under the Forward Agreement were intended to ensure that Unitholders have economic exposure to the distributions effected by NAPT. A fee of 0.35% per annum, calculated with reference to the NAV of NAPT, was payable to BMO under the Forward Agreement.

On November 10, 2014, the Fund's Unitholders approved material changes to the Fund. The most significant changes were; (i) the extension of the Fund's termination date by five more years to November 30, 2019; (ii) broaden the geographic scope and the type of securities that qualify for inclusion in the portfolio to be securities that are designed to comply with the new Basel III regulatory requirements; and (iii) to enable the Fund to hold the portfolio of investments directly following the termination of the Forward Agreement.

During December 2014, the Forward Agreement was terminated per schedule and a special one-time capital tax distribution was made to all unitholders (See note 8).

12. CAPITAL MANAGEMENT

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The Fund's objectives when managing capital is to safeguard the Fund's ability to continue as a going concern, to provide financial capacity and flexibility to meet its strategic objectives, and to provide an adequate return to unitholders commensurate with the level of risk while maximizing the distributions to unitholders.

The Fund does not have any externally imposed capital requirements, and the Manager believes that the current level of distributions, capital and capital structure is sufficient to sustain ongoing operations. The Manager actively monitors the cash position and financial performance of the Fund to ensure there are sufficient resources to meet distributions and redemptions.

13. MARKET PURCHASE PROGRAM

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 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 Net Asset Value per Class A Unit immediately prior to the date of any such purchase of Units.

The Fund did not purchase any Class A Units for cancellation during the year ended December 31, 2014 and 2013.

14. FORWARD AGREEMENT LEVERAGE

Prior to the termination of the Forward Agreement, the Fund was permitted to increase its exposure to the securities in the Portfolio through the Forward Agreement by 25% of the levered notional amount or total assets (being the net asset value of NAPT) (which was tested daily) for the purposes of adding leverage to the Portfolio and for any other short-term funding purposes as may be determined by the Investment Manager from time to time and in accordance with the Investment Strategy. The use of leverage has the potential to enhance or reduce returns.

For this purpose, the Fund entered into a letter of agreement (the "Credit Agreement") dated October 23, 2009, between the Manager and the Bank of Montreal (the "Counterparty" or "BMO"), to borrow amounts up to 25% of the net asset value of NAPT as being part of the Forward Agreement. The Credit Agreement was terminated following the termination of the Forward Agreement during December 2014

During the year ended December 31, 2014, the Fund applied leverage balances between $nil to $12.0 million or nil to 20.18% of the net asset value of NAPT ($12.0 million to $14.1 million or 19.3% to 21.2% of the net asset value of NAPT during the year ended December 31, 2013). The related interest expense during the same period was $217,733 ($284,874 during the year ended December 31, 2013). At December 31, 2014, the borrowed balance was fully settled ($11,975,000 balance as at December 31, 2013).

15. 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.

The Fund did not have any taxable capital losses carry forward balances as at December 31, 2014 and 2013. The Fund had no non-capital losses as at December 31, 2014 (the Fund had non-capital losses between $3,856,078 as at December 31, 2013).

16. FINANCIAL INSTRUMENT RISK

Funds are exposed to a variety of financial instruments risks: credit risk, liquidity risk, portfolio concentration risk and market risk (including interest rate risk, currency risk and price risk). The level of risk to which a Fund is exposed depends on the investment objectives and the type of investments each Fund's holds. The value of investments within a portfolio can fluctuate daily as a result of changes in prevailing interest rates, economic and market conditions and company-specific news related to investments held by a Fund. The Manager of the Fund may attempt to minimize the potential adverse effects of these risks on the Fund's performance by, but not limited to, regular monitoring of the Fund's positions and market events and diversification of the investment portfolio by asset type, country, sector, and term to maturity within the constraints of the stated objectives, and through the usage of derivatives to hedge certain risk exposures.

Prior to the Forward Agreement termination in December 2014, the Fund was exposed to the performance of the portfolio held by NAPT through the Forward Agreement (see note 11) and therefore, the risks as at December 31, 2013 and January 1, 2013 associated with an investment in the Fund's units were defined in conjunction with the financial risks associated with an investment in the NAPT's portfolio. Following the Forward termination, the investment portfolio is directly held by the Fund, and therefore, the Fund is exposed directly to any financial risks associated with the investment portfolio.

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds and short-term notes. The Fund is exposed to the risk that the value of interest-sensitive financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. The tables below summarize the Fund's combined exposure to interest rate risks from the financial instruments held by the Fund and NAPT (prior to Forward Agreement Termination in December 2014).

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2014, December 31, 2013 and January 1, 2013 by remaining term to maturity.

December 31, 2014:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Investments	–	–	11,836,148	9,281,652	**21,117,800**
Short-term investments	149,837	–	–	–	**149,837**
Total	**149,837**	**–**	**11,836,148**	**9,281,652**	**21,267,637**

December 31, 2013:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Investments	7,594,721	8,285,274	22,550,719	13,349,291	**51,780,005**
Short-term investments	299,436	–	–	–	**299,436**
Total	**7,894,157**	**8,285,274**	**22,550,719**	**13,349,291**	**52,079,441**

January 01, 2013:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Investments	7,740,143	9,811,236	25,913,898	14,057,136	**57,522,413**
Short-term investments	2,343,779	–	–	–	**2,343,779**
Total	**10,083,922**	**9,811,236**	**25,913,898**	**14,057,136**	**59,866,192**

As at December 31, 2014, had prevailing interest rates raised or lowered by 1.0%, with all other variables held constant and assuming a parallel shift in the yield curve, net assets would have decreased or increased, respectively, by approximately $956,000 or $1,019,000 (December 31, 2013 – $1,805,000 or $1,902,000 and January 1, 2012 – $2,472,000 or $2,620,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's functional currency. Prior to the termination of the Trust Fund, the Fund is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates by holding the Trust Fund. The Schedule of Investment Portfolio identifies all securities denominated in foreign currencies.

The tables below summarize the Fund's exposure to foreign currencies. 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 such denominated in foreign currencies do not expose the Fund to significant currency risk. The tables below summarize NAPT's significant exposure to foreign currencies and the approximate impact on net assets had the Canadian Dollar ("CAD") weakened by 5% in relation to these currencies. If the Canadian dollar 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.

The following tables summarize the Fund's exposure to currency risks in Canadian dollar equivalents, as at December 31, 2014 and the Fund's combined exposure to foreign currencies held by the fund and NAPT December 31, 2013 and January 1, 2013:

As at December 31, 2014:

	Monetary instruments	Non-monetary instruments	Derivative instruments	Net Exposure	% of Net Assets	Sensitivity (based on devaluation of CAD)
U.S. Dollar	21,397,129	–	–	21,397,129	76.0%	1,070,000

As at December 31, 2013:

	Monetary instruments	Non-monetary instruments	Derivative instruments	Net Exposure	% of Net Assets	Sensitivity (based on devaluation of CAD)
U.S. Dollar	28,951,129	–	(29,069,891)	(118,762)	(0.2%)	(6,000)

As at January 01, 2013:

	Monetary instruments	Non-monetary instruments	Derivative instruments	Net Exposure	% of Net Assets	Sensitivity (based on devaluation of CAD)
U.S. Dollar	27,375,249	–	(27,335,909)	39,340	0.1%	2000

Credit risk

The Fund and NAPT (prior to Forward Agreement Termination on December 01, 2014) are exposed to the risk that a security issuer or counterparty will be unable to pay amounts in full when due. The Fund is exposed to the credit risk associated with the Counterparty. The possibility exists that the Counterparty will default on its obligations under the Forward Agreement. The Counterparty is rated AA- by S&P as of December 31, 2014 and December 31, 2013.

The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt investments and unrealized gain (loss) on derivative instruments outstanding with counterparties represents the maximum credit risk exposure as at December 31, 2014 and December 31, 2013 and January 01, 2013.

The tables below summarize the Fund's exposure to credit risk as of December 31, 2014, and the Funds exposure to the same risk through its exposure to NAPT as of December 31, 2013 and January 01, 2013. The table illustrates the ratings, by S&P, of the securities held in the portfolio. These ratings are typically 3 notches lower than the institution's issuer rating. Amounts shown are based on the carrying value of debt investments and the unrealized gain (loss) on derivative instruments outstanding with counterparties.

Rating	December 31, 2014 (% of Net Assets)	December 31, 2013 (% of Net Assets)	January 01, 2013 (% of Net Assets)
AAA	–	–	-0.6%
AA-	–	9.1%	7.6%
A	–	16.1%	14.4%
A-	–	30.2%	37.8%
A-1	–	–	4.5%
BBB+	8.4%	17.5%	16.0%
BBB	12.7%	35.2%	34.0%
BBB-	13.3%	–	–
BB+	–	18.8%	14.9%
BB	32.2%	–	–
NR	8.3%	–	–
Total	**74.9%**	126.9%	128.6%

As at December 31, 2014, December 31, 2013 and January 01, 2013, no debt securities of the Fund or NAPT were contractually past due and no longer meeting interest payment obligations.

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

Liquidity risk

Liquidity risk is the risk of not being able to meet the Fund's cash requirements in a timely manner and includes the risk of not being able to liquidate assets at reasonable prices. This risk arises mainly from the Fund's exposure to daily cash redemptions from its market purchase program which is limited to certain conditions (see note 13). The Fund is also exposed to unlimited annual anniversary redemptions in April of every year (see note 5); therefore, the Fund invests the majority of its assets in investments that can be readily disposed. The Fund also achieves liquidity through its ability to pre-settle the Forward Agreement. In addition, the Fund retains sufficient cash and cash equivalent positions to meet its daily cash requirements.

All of the Fund's financial liabilities at December 31, 2014 and December 31, 2013 had maturities of less than one year. The tables below analyze the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the tables are the contractual undiscounted amounts.

As at December 31, 2014:

Financial liabilities	On demand	less than 3 months	Total
Distributions payable	$ –	416,366	416,366
Accounts payable and accrued liabilities	–	224,480	224,480
Management fees payable	–	7,635	7,635
Total	**$ –**	**$ 648,481**	**$ 648,481**

As at December 31, 2013:

Financial liabilities	On demand	less than 3 months	Total
Interest payable	–	69,544	**69,544**
Distributions payable	–	669,606	**669,606**
Accounts payable and accrued liabilities	–	149,804	**149,804**
Management fees payable	–	10,095	**10,095**
Total	**$ –**	$ **899,049**	**$ 899,049**

As at January 1, 2013:

Financial liabilities	On demand	less than 3 months	Total
Interest payable	–	81,915	**81,915**
Distributions payable	–	717,821	**717,821**
Accounts payable and accrued liabilities	–	170,181	**170,181**
Management fees payable	–	10,351	**10,351**
Total	$ –	**$ 980,268**	**$ 980,268**

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 December 31, 2014, all other variables held constant, the net assets of the Fund would have increased or decreased, respectively, by approximately $739,000. Prior to the termination of prepaid forward agreement, the Fund was exposed to the market risk of portfolio held by NAPT. The net assets of the Fund would have increased or decreased by approximately $725,000 and $695,000 as of December 31, 2013 and January 01, 2013 respectively. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of concentration as at December 31, 2014, December 31, 2013 and January 1, 2013:

	% of NAV		
Portfolio by Category held by:	**December 31, 2014**	**December 31, 2013**	**January 01, 2013**
Derivative contracts	–	127.4%	129.1%
Foreign Corporate Bonds	74.9%	–	–
Financials	25.5%	–	–
Short-term Notes	0.5%	–	–
Cash	0.2%	0.1%	–
Forward agreement leverage	–	-25.6%	–
Net Other Assets (Liabilities)	-1.1%	-1.9%	-29.1%

	% of NAV		
Portfolio by Category held by NAPT:	**December 31, 2014**	**December 31, 2013**	**January 01, 2013**
Foreign Corporate Bonds	N/A	50.1%	45.3%
Canadian Corporate Bonds	N/A	36.6%	41.1%
Foreign Preferred Stock	N/A	12.1%	11.4%
Short-term Notes	N/A	0.5%	3.5%
Foreign Currency Forward Contracts	N/A	0.3%	-0.5%
Cash	N/A	0.1%	0.1%
Net Other Assets (Liabilities)	N/A	0.3%	-0.9%

The investments of the Fund are concentrated in one geographic area (Canada and the United States) and the sector financial services will be especially affected by factors particular to these countries and the financial industry. Factors influencing valuation include changes in government policy, fluctuations in the capital markets and conditions of the overall economy. Changes that specifically affect those countries may cause the Net Assets of the Fund to be more volatile than the value of a more broadly diversified portfolio.

17. FAIR VALUE MEASUREMENT

The Fund's assets and liabilities recorded at fair value have been categorized within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (level 3).

The Fund classifies its investments and derivative assets/liabilities into three categories based on the nature of the inputs used to determine their fair value. The categories and the nature of the inputs used in each category are as follows:

Level l: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs, other than quoted prices that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgement or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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

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

Bonds and Short-term investments: Bonds and Short-term investments are classified as Level 2 as they are valued using observable inputs, including interest rate curves, credit spreads and volatilities.

Prior to the Forward Agreement termination in December 2014, the Fund was exposed to the performance of the portfolio held by NAPT through the Forward Agreement (see note 11), and therefore, the tables below illustrate the classification of the Fund's and NAPT's financial instruments within the fair value hierarchy as at December 31, 2013 and January 1, 2013. The Fund exposure to the Forward Agreement was also classified as a Level 2 investment given it was not actively traded. Following the Forward termination, the investment portfolio is directly held by the Fund, and therefore the classification is based on the nature of the inputs used to determine the portfolio`s fair value.

Assets at fair value as at December 31, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	7,175,672	–	–	7,175,672
Bonds	–	21,117,800	–	21,117,800
Short-term investments	–	149,837	–	149,837
Total	7,175,672	21,267,637	–	28,443,309

Assets at fair value as at December 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	$ 7,248,190	–	–	$ **7,248,190**
Bonds	–	51,780,007	–	**51,780,007**
Short-term investments	–	299,436	–	**299,436**
Foreign currency forward contracts	–	149,894	–	**149,894**
Total	**$ 7,248,190**	**$ 52,229,335**	–	**$ 59,477,527**

Assets at fair value as at January 1, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	$ 6,952,262	–	–	$ **6,952,262**
Bonds	–	57,522,413	–	**57,522,413**
Short-term investments	–	2,343,779	–	**2,343,779**
Foreign currency forward contracts	–	145	–	**145**
Total	**$ 6,952,262**	**$ 59,866,337**	–	**$ 66,818,599**

Liabilities at fair value as at January 1, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Foreign currency forward contracts	–	328,602	–	**328,602**
Total	**–**	**$ 328,602**	**–**	**$ 328,602**

There were no transfers among the three levels during the year ended December 31, 2014 and years ended December 31, 2013 and January 01, 2013.

18. Transition to IFRS

The effect of the Funds' transition to IFRS is summarized in this note as follows:

Transition Elections

The only voluntary exemption adopted by the Funds upon transition was the ability to designate financial assets or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition (see note 17) were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

Classification of Redeemable Units Issued by the Funds

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Funds' units do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS.

Reconciliation of Investments and comprehensive income as previously reported under Canadian GAAP to IFRS

Investments		December 31, 2013		January 1, 2013
Investments as reported under Canadian GAAP	$	46,874,120	$	51,682,756
Revaluation of investments at fair value through profit or loss		–		–
Net assets attributable to holders of redeemable units	**$**	**46,874,120**	**$**	**51,682,756**

Comprehensive Income		December 31, 2013
Comprehensive income as reported under Canadian GAAP	$	1,494,880
Revaluation of investments at fair value through profit or loss		–
Increase (decrease) in Net Assets attributable to holders of redeemable units	**$**	**1,494,880**

There were no adjustment recognized to Net Assets attributable to holders of redeemable units since the valuation of the portfolio that the Fund has exposure to through the Prepaid Forward Agreement is calculated based on last traded price as at January 1, 2013 and December 31, 2013.

19. WITHHOLDING TAXES

The Fund incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate line item in the Statements of Comprehensive Income (Loss).

20. FINANCIAL INSTRUMENTS BY CATEGORY

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2014 and 2013.

	Net gains (losses)	
Net gains (losses) on financial instruments at FVTPL	**December 31, 2014**	December 31, 2013
Financial Assets and Liabilities at FVTPL:		
Held for Trading	3,450,708	1,954,555
Designated at inception	244,379	2,753
Total financial assets and liabilities at FVTPL	3,695,087	1,957,308

21. SOLICITATION FEES

Following the Unitholders approval of material changes to the Fund during June 2014, a solicitation fee was paid by the Fund to properly designated brokers equal to $0.53 per Class A Unit and $0.58 per Class F Unit in respect of Units that were both (i) voted in favour of the Extraordinary Resolution; and (ii) not redeemed upon the implementation of the Extension, provided that the Extension was completed. No fee was paid to brokers whose clients did not vote, regardless of whether or not they redeem their Units. The amount $559,304 was paid by Class A unitholders and the amount $9,941 was paid by Class F unitholders.

CORPORATE INFORMATION

Independent Review Committee

John Crow
Chairman

C. Scott Browning

Robert Falconer

Joseph H. Wright

Directors and Senior Officers of the Manager

W. Neil Murdoch
Director and Chief Executive Officer

Darren Cabral
Director and Chief Financial Officer

Eric Tremblay
Director and Chairman

Larry W. Titley
Director

Manager

Aston Hill Capital Markets Inc.

Investment Manager

Connor, Clark & Lunn Investment Management Ltd.

Transfer Agent and Trustee

Computershare Trust Company of Canada

Custodian

RBC Investor Services Trust

Auditors

PricewaterhouseCoopers LLP

Website

www.astonhill.ca

AstonHill CAPITAL MARKETS

Mailing Address
77 King Street West
Suite 2110, PO Box 92
Toronto-Dominion Centre
Toronto, ON M5K 1G8

General Inquiries: 1-800-513-3868
Website: www.astonhill.ca