2013

AstonHill
CAPITAL MARKETS

North American Financials Capital Securities Trust

Annual Report
December 31, 2013

North American Financials Capital Securities Trust Message to Unitholders

March 28, 2014

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, 2013. The Fund commenced operations on October 23, 2009. It is designed to provide investors with exposure to an actively managed portfolio of Innovative Tier 1 Capital Securities. The portfolio consists primarily of the six largest Canadian banks, large Canadian insurance companies and U.S. financial institutions with a minimum issuer rating of "A" by S&P. The portfolio is actively managed by Connor, Clark & Lunn Investment Management Ltd. (the "Investment Manager"). The current portfolio composition is approximately 51.0% Canadian issuers and 49.0% U.S. issuers. . The Fund is scheduled to mature on November 30, 2014. We continue to believe that there are attractive investment opportunities in this sector and plan to make a proposal to unitholders in the coming months to extend the term of the Fund.

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 on November 30, 2014. Distributions are 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.

The Fund continues to perform well. The net asset value ("NAV") for Class A units at the end of December was $26.22. Distributions of $6.28 have been paid. This compares favourably with the opening NAV of $23.39 after the deduction of agents' fees and issuance expenses. The return for 2013 was 2.80%. Its benchmark, the DEX Universe Bond index was -1.19% over the same period. The increase in net asset value is primarily due to a decrease in credit spreads for the Fund's holdings and despite a significant increase in both US and Canada government bond yields. Credit spreads are the additional amount that a company has to pay over and over the cost for government bonds. The Fund has delivered a compound annual growth rate of 8.92% from opening NAV.

The Investment Manager expects that the global economy will continue to improve but remain slightly below its potential growth rate. While the headwinds that prevailed earlier this year have diminished somewhat, there are still risks associated with the overall rise in interest rates as well as many of the unresolved issues in Europe. The Investment Manager remains cautiously optimistic that monetary authorities within emerging countries will be able to contain rising inflation pressures which would otherwise be problematic for the broader global economy.

The Investment Manager believes that we have seen the lows in interest rates remains intact. However, they also believe that the path to higher rates will be very protracted given the significant debt levels that still exist globally. As such, their forecasted range for the Canada 10-year rate remains between 2.25% to 3.00%. They continue to expect that the improvements in the economy bode well for credit in general, particularly financials, which should benefit from an orderly increase in interest rates.

The Federal government's budget on March 21 changed the rules regarding funds that use tax advantaged structures such as that employed by NAF. Our current understanding of the government's intentions is that the Fund will be grandfathered and therefore not impacted by the changes.

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. (formerly Connor, Clark & Lunn Capital Markets Inc.) (the "Manager") to the following address: 77 King Street West, Suite 2110, PO Box 92, Toronto, Ontario, M5K 1G8 or calling 1-800-513-3868 or visiting the Manager's website at www.astonhill.ca or by visiting www.sedar.com.

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.

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

Investment Objectives and Strategies

The Fund is 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.

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 on November 30, 2014.

Distributions are 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, the Fund obtained exposure, in a tax-efficient manner, to the performance of a portfolio (the "Portfolio") held by North American Portfolio Trust (the "NAPT" or the "Trust"). Connor, Clark & Lunn Investment Management Ltd. (the "Investment Manager"), the Trust's investment manager, actively manages the Portfolio. The Portfolio consists primarily of Canadian Innovative Tier 1 Capital Securities issued by banks (or entities related to banks) and U.S. Financials Capital Securities. The Investment Manager may also 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 does not invest directly in the portfolio of 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 will receive, on or before November 30, 2014, 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 are 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, is payable to BMO under the Forward Agreement.

Risk

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

Use of leverage

The Fund is entitled to employ leverage of up to 25% of the levered notional amount or total assets (being the net asset value of NAPT). The Fund applied leverage in the range from 18.1% to 21.3% during the year ended December 31, 2013 (21.2% to 22.4% during the year ended December 31, 2012). The leverage factor as of December 31, 2013 was 20.1% (21.2% as of December 31, 2012).

For full disclosure of risks associated with an investment in the Fund's units, please refer to the Prospectus dated September 28, 2009 and to the Fund's most recent Annual Information Form. Both are available at www.sedar.com.

Recent Developments

Future accounting changes

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

The Manager has reviewed and developed its IFRS changeover plan that included performing an impact assessment and identifying differences between existing Canadian GAAP and IFRS. Management has monitored developments in IFRS and has assessed the likely impacts on accounting policies, implementation decisions, internal controls, information systems and training. Based on management's assessment to date, the more significant changes impacting the financial statements may be how the Fund measures fair values of its investments and the classification of net assets representing unitholders' equity. The Manager does not consider this to be comprehensive list of the accounting changes when the Fund adopts IFRS but in the view of the Manager represent the key differences. The differences described in the sections that follow are based on Canadian GAAP as at December 31, 2013 and IFRS that are in effect as of January 1, 2014.

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

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

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

Federal Budget Announcement

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

The Manager is currently assessing the impact and implications of these changes to the Fund.

Sale of Connor, Clark & Lunn Capital Markets Inc.

Connor, Clark & Lunn Financial Group and the principals of the Manager entered into a sale transaction to sell to Aston Hill Financial Inc. (“Aston Hill”) shares in the Manager, Connor, Clark & Lunn Capital Markets Inc. (the “Company”). The terms of the transaction involved Aston Hill purchasing 80% of the Company from Connor, Clark & Lunn Financial Group, Neil Murdoch (President and Chief Executive Officer) and Darren Cabral (Chief Financial Officer). Neil Murdoch and Darren Cabral hold the remaining 20% of the Company not owned by Aston Hill. Completion of the sale transaction occurred on August 15, 2013. The business acquired by Aston Hill included the management agreement related to this Fund.

Results of Operations

Caution regarding forward-looking statements

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

Investment Manager Commentary (as at February 2014)

Results of Operations

2013 was marked by encouraging economic news and reduced overall uncertainty resulting in strong returns for riskier assets. Statements made by US Federal Reserve (Fed) Chairman Bernanke in the second quarter ignited concerns that the exceptional level of monetary stimulus might be tapered sooner than originally expected. This drove global interest rates sharply higher and caused a wave of selling pressure across fixed income and equity markets. By the time the Fed actually made its tapering announcement in mid-December, market response was somewhat muted on the expectation that the Fed’s monetary policy will remain extremely accommodative. On the domestic front, the Bank of Canada dropped its tightening bias during the fourth quarter in the wake of weaker Canadian growth projections. Europe emerged from its recession during the summer, although its recovery remained uneven. In early November, the European Central Bank unexpectedly reduced its key interest rate, citing deflationary concerns. Meanwhile, geo-political tensions in the Middle-East caused some volatility during the year until investor anxiety abated with a diplomatic resolution to the Syrian crisis and the signing of an interim nuclear deal with Iran.

While government bond yields remained low by historical standards, the change in longer-term yields was substantial with the Canadian 10-year rate jumping from its low point of 1.6% in late April to finish the year at 2.8%, a level not seen in more than two years. Better economic prospects drove investors to riskier assets such as corporate bonds, which resulted in tighter corporate spreads despite persistently high level of corporate issuance.

Canadian banks continued to defy waning expectations related to high consumer debt levels. TD Bank, the largest domestic bank portfolio exposure, provided strong results for the year but disappointed somewhat in the last quarter due mostly to litigation costs in wholesale banking, which we view as a one-time event. As such, TD`s long-term success will continue to be driven by both its strong US and Canadian operating platforms and its solid wealth management business.

The life insurance industry benefited from the improved macro landscape which was enhanced considerably by the overall rise in interest rates. Manulife's solid performance resulting from strong investment gains and positive momentum in its wealth management business is a good example. These two factors combined with already-strong overall company fundamentals bode well for its continued success.

In the US, the second quarter was quite challenging for financials as they fell victim to a more pronounced surge in volatility resulting from heightened uncertainty over monetary policy. Fortunately, despite the larger overall rate increases and spread widening, the portfolio's strong fundamentals helped to protect against this temporary imbalance. From an industry standpoint, US bank balance sheets expanded very quickly during the year due primarily to cash asset growth rather than actual loans. In fact, credit growth actually decelerated somewhat during 2013 versus the previous year. Nevertheless, we expect that better risk management and new regulatory requirements in conjunction with ongoing expense controls will continue to bear positive results for the banks in 2014.

The portfolio posted a positive return for the year and performed very strongly on a relative basis, driven primarily by its exposure to Tier One capital securities. Furthermore, US financials also performed very well as they retraced a large amount of the spread widening that occurred during the second quarter.

Recent Developments

We expect that the global economy will continue to improve but remain slightly below its potential growth rate. While the headwinds that prevailed earlier this year have diminished somewhat, there are still risks associated with the overall rise in interest rates as well as many of the unresolved issues in Europe. We remain cautiously optimistic that monetary authorities within emerging countries will be able to contain rising inflation pressures which would otherwise be problematic for the broader global economy.

We also expect the monetary environment will remain highly accommodative in 2014, with the Fed continuing to expand its balance sheet despite tapering its asset purchases. Further tapering will be dependent on the strength of economic data and interest rates levels. The Fed will focus on "enhanced guidance" to ensure that the environment remains highly accommodative and to protect the economic progress achieved thus far. Beyond the US Federal Reserve, the Bank of Japan continues to increase its monetary base through asset purchases, while the next moves from the European Central Bank and the Bank of Canada are more likely to be further easing of monetary policy rather than tightening.

Our belief that we have seen the lows in interest rates remains intact. However, we also believe that the path to higher rates will be very protracted given the significant debt levels that still exist globally. As such, our forecasted range for the Canada 10-year rate remains between 2.25% to 3%. We continue to expect that the improvements in the economy bode well for credit in general, particularly financials, which should benefit from an orderly increase in interest rates.

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, 2013, there were 128,250 Class A Units redeemed for $3,565,025 and 400 Class F

Units redeemed for $11,909 ($1,715,602 was paid to redeem 67,720 Class A Units and $91,222 was paid to redeem 3,600 Class F Units during the year ended December 31, 2012). There were 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 (no Class F Units were converted into Class A Units during the year ended December 31, 2012).

Net Assets

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

On December 31, 2013, the value of the prepaid amount to the Counterparty under the Forward Agreement was $41,727,435. Since the Fund can at any time terminate the Forward Agreement with the Counterparty in exchange for the value of NAPT, the value of the Forward Agreement to the Fund is equal to the value of NAPT less the value of the prepaid amount to the Counterparty under the Forward Agreement. On December 31, 2013, the value of the unrealized gain on the Forward Agreement balance was $17,966,399. Other liabilities net of other assets in the Fund totalled $12,819,714, leaving net assets of $46,874,120. This amount is assigned to the Class A and Class F Unitholders using an allocation percentage that takes into consideration any class level specific expenses. On December 31, 2013, the GAAP net assets per unit were $26.22 per Class A Unit and $28.24 per Class F Unit. (On December 31, 2012, the value of the prepaid amount to the Counterparty under the Forward Agreement was $49,090,039 and the value of the unrealized gain on the Forward Agreement balance was $17,656,003. Other liabilities net of other assets in the Fund totalled $15,063,286, leaving net assets of $51,682,756. On December 31, 2012, the GAAP net assets per unit were $26.98 per Class A Unit and $28.81 per Class F Unit).

Leverage

The Fund's exposure to the securities in the Portfolio through the Forward Agreement may be increased to 25% of the levered notional amount or total assets (being the net asset value of NAPT) (tested daily) for the purposes of adding leverage to the Portfolio and such 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.

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 (see note 8). This agreement will be terminated on the earlier of (i) November 21, 2014 and (ii) the date on which this Transaction is pre-settled in full pursuant to the terms of the Credit Agreement.

During the year ended December 31, 2013, the Fund had bank indebtedness balances between $12.0 million to $14.1 million or 18.1% to 21.3% of the net asset value of NAPT ($14.1 million or 21.2% to 22.4% of the net asset value of NAPT during the year ended December 31, 2012). The related interest expense during the same period was $284,874 ($324,916 during the year ended December 31, 2012). At December 31, 2013, the borrowed balance was $11,975,000 ($14,135,000 as at December 31, 2012).

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.

During the year ended December 31, 2013, the Fund did not purchase any Class A Units for cancellation (the Fund did not purchase any Class A Units for cancellation during the year ended December 31, 2012).

Distributions

The Fund pays quarterly distributions 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 since its commencement of operations on October 23, 2009. The Fund paid total distributions of $1.50 per Class A Unit and Class F Unit respectively during the years ended December 31, 2013 and 2012.

Recommendations or Reports by the Independent Review Committee

The Independent Review Committee of the Fund tabled no special reports and made no extraordinary material recommendations to management of the Fund during the year ended December 31, 2013.

Related Party Transactions

Management Fees

The Manager receives 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.

The management fees charged to the Fund and NAPT on a combined basis during the year ended December 31, 2013 were $248,946 plus applicable taxes ($252,696 plus applicable taxes during the year ended December 31, 2012).

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.

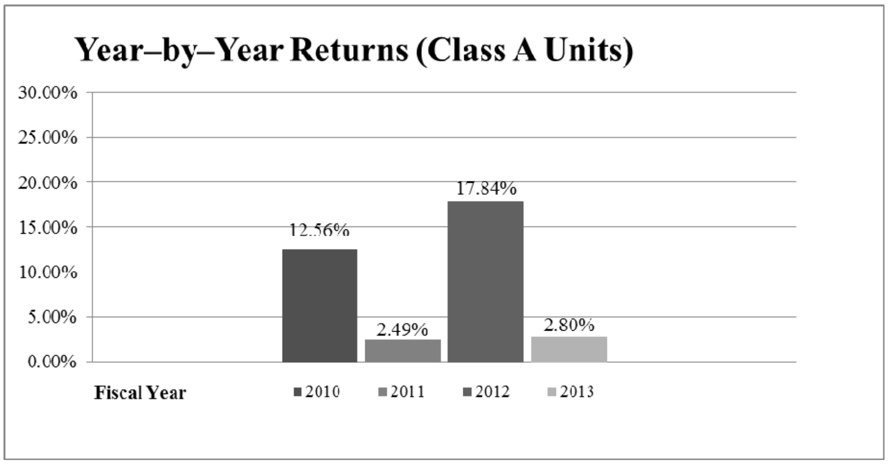
The service fees charged to the Fund during the year ended December 31, 2013 were $187,588 ($201,352 during the year ended December 31, 2012).

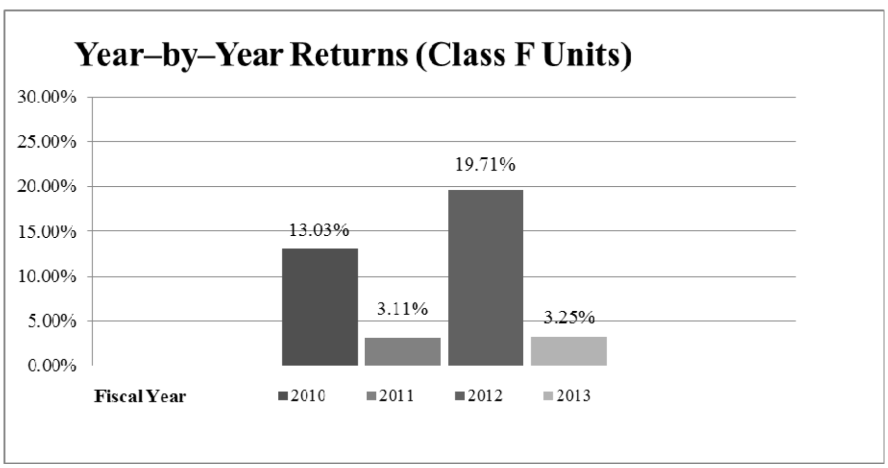
Past Performance

The following bar charts and table shows the Fund's annual performance of the Class A Units and the Class F Units by showing both annual returns by fiscal year and annualized compound returns from inception assuming all the distributions made by the Fund during the years 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.

Year-by-Year Returns

The following bar charts show the Fund's annual performance for the years shown. These 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.





Annual Compound Returns

	Past Year	Past 3 Years	Since Inception (1)
Based on NAV (Class A Units)	2.80%	7.47%	8.92%
Based on share price (Class A Units)	3.13%	7.14%	6.92%
Based on NAV (Class F Units)	3.25%	8.41%	9.72%
DEX Universe Bond Index	-1.19%	3.92%	4.50%

(1) Results for the period from October 23, 2009 (commencement of operations) to December 31, 2013.

The DEX 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:

	2013	2012	2011	2010	2009 [(1)]
Net Assets, beginning of year	**26.98**	**24.14**	**24.99**	**23.50**	**25.00**
Unit issue expense [(2)]	**–**	**–**	**–**	**(0.01)**	**(1.61)**
Increase (decrease) from operations:					
Total revenues	–	–	–	–	–
Total expenses	(0.53)	(0.54)	(0.49)	(0.45)	(0.09)
Realized gains (losses) for the period	1.17	0.61	0.69	0.15	–
Unrealized gains (losses) for the period	0.18	4.27	0.55	3.30	0.46
Total increase (decrease) from operations [(3)]	**0.82**	**4.34**	**0.75**	**3.00**	**0.37**
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	(1.50)	(1.50)	(1.50)	(1.50)	(0.28)
Total Distributions [(4)]	**(1.50)**	**(1.50)**	**(1.50)**	**(1.50)**	**(0.28)**
Net Assets, end of year [(5)]	**26.22**	**26.98**	**24.14**	**24.99**	**23.50**

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

(2) Issue expense of $3,423,910 incurred in connection with the Class A Units issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes. Additional issue expense of $11,549 incurred in connection with the Class A Units issuance during the year ended December 31, 2010.

(3) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of 1,802,882 units outstanding as of December 31, 2013 (December 31, 2012 – 1,911,968 units).

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

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

Ratios and Supplemental Data (Class A Units):

	2013	2012	2011	2010	2009 [(1)]
Net asset value (000's)	46,208	50,963	47,413	54,174	51,099
Number of units outstanding	1,762,035	1,889,210	1,956,930	2,158,940	2,158,940
Base Management expense ratio [(2) (3)]	1.38%	1.42%	1.33%	1.36%	1.72%
Issue expenses ratio [(2) (3)]	0.00%	0.00%	0.00%	0.02%	6.90%
Interest expense ratio [(2) (3)]	0.58%	0.64%	0.60%	0.48%	0.37%
Management expense ratio (annualized) [(3)]	1.96%	2.06%	1.93%	1.86%	8.99%
Management expense ratio before waivers or absorptions (annualized) [(3)]	1.96%	2.06%	1.93%	1.86%	8.99%
Portfolio turnover rate [(4)]	0.00%	0.00%	0.00%	0.00%	0.00%
Trading expense ratio [(5)]	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value per unit [(6)]	26.22	26.98	24.23	25.09	23.67
Closing market price (TSX)	25.80	26.50	23.53	25.00	24.00

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

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

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

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

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

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

Class F Units:

The Fund's Net Assets per Class F Unit:

	2013	2012	2011	2010	2009 [1]
Net Assets, beginning of year	**28.81**	**25.30**	**25.97**	**24.26**	**25.00**
Unit issue expense [2]	**–**	**–**	**–**	**(0.01)**	**(0.86)**
Increase (decrease) from operations:					
Total revenues	–	–	–	–	–
Total expenses	(0.45)	(0.45)	(0.51)	(0.47)	(0.09)
Realized gains (losses) for the period	1.26	0.64	0.73	0.15	–
Unrealized gains (losses) for the period	0.14	4.53	0.70	3.53	0.49
Total increase (decrease) from operations [3]	**0.95**	**4.72**	**0.92**	**3.21**	**0.40**
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	(1.50)	(1.50)	(1.50)	(1.50)	(0.28)
Total Distributions [4]	**(1.50)**	**(1.50)**	**(1.50)**	**(1.50)**	**(0.28)**
Net Assets, end of year [5]	**28.24**	**28.81**	**25.30**	**25.97**	**24.26**

(1) Results for the period from October 23, 2009 (commencement of operations) to December 31, 2009.
(2) Issue expense of $28,182 incurred in connection with the Class F Units issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes. Additional issue expense of $182 incurred in connection with the Class F Units issuance during the year ended December 31, 2010.
(3) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of 24,609 units outstanding as of December 31, 2013 (December 31, 2012 – 27,098 units).
(4) The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates.
(5) This is not a reconciliation between the opening and the closing net assets per unit.

Ratios and Supplemental Data (Class F Units):

	2013	2012	2011	2010	2009 [1]
Net asset value (000's)	666	720	726	857	803
Number of units outstanding	23,580	24,980	28,580	32,860	32,860
Base Management expense ratio [2] [3]	0.92%	0.99%	0.92%	0.94%	1.25%
Issue expenses ratio [2] [3]	0.00%	0.00%	0.00%	0.02%	3.56%
Interest expense ratio [2] [3]	0.58%	0.64%	0.60%	0.48%	0.37%
Management expense ratio (annualized) [3]	1.50%	1.63%	1.52%	1.44%	5.18%
Management expense ratio before waivers or absorptions (annualized) [3]	1.50%	1.63%	1.52%	1.44%	5.18%
Portfolio turnover rate [4]	0.00%	0.00%	0.00%	0.00%	0.00%
Trading expense ratio [5]	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value per unit [6]	28.24	28.81	25.40	26.08	24.44

(1) Results for the period from October 23, 2009 (commencement of operations) to December 31, 2009.
(2) A separate base management expense ratio has been presented to include the normal operating expenses and exclude the Issue expense ratio: representing all agents' fees and unit issue expenses and Interest expense ratio: representing cost of leverage.
(3) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Unit issue expenses, representing all Agents' fees and other offering expenses, which are one-time expenses, have not been annualized.
(4) The Fund's turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund's buying and selling all of the securities (including fixed income) in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Fund.
(5) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
(6) The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio.

Summary of Investment Portfolio as of December 31, 2013

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

Investment portfolio of the Fund

	Fair value $	% of NAV
Portfolio by Category		
Derivative Contracts	59,693,834	127.4%
Information Technology	9,936	0.0%
Cash	34,683	0.1%
Bank Indebtedness	(11,975,000)	(25.6%)
Other Liabilities Net of Other Assets	(889,333)	(1.9%)
Top 25 Holdings		
Equity Derivatives	59,693,834	127.4%
Cash	34,683	0.1%
Celestica Inc.	9,936	0.0%
Net asset value	**46,874,120**	0.0%

Investment portfolio of North American Portfolio Trust

	Coupon Rate %	Maturity date	Fair value $	% of NAV
Portfolio by Category				
Foreign Corporate Bonds (US$)			29,920,949	50.1%
Domestic Corporate Bonds			21,859,058	36.6%
Foreign Preferred Stock (US$) / Financials			7,238,254	12.1%
Short-term Investments			299,436	0.5%
Cash			26,874	0.1%
Foreign Currency Forward Contracts			149,894	0.3%
Other Assets Net of Other Liabilities			199,369	0.3%
Top 25 Holdings				
Manulife Financial Capital Trust (MACS II)	7.41%	12/31/2019	7,548,596	12.6%
Citigroup Capital XIII			7,238,254	12.1%
Wachovia Capital Trust III (U.S. Dollars)	5.57%	03/15/2049	6,842,475	11.5%
JP Morgan Chase & Co. (U.S. Dollars)	7.90%	04/30/2018	5,862,401	9.8%
National Bank of Canada Asset Trust	7.24%	06/30/2018	5,036,783	8.4%
General Electric Capital Corp. (U.S. Dollars)	7.13%	06/15/2022	4,120,776	6.9%
Canadian Imperial Bank of Commerce Capital Trust	9.98%	06/30/2019	3,898,660	6.5%
Toronto Dominion Capital Trust (CATS III)	7.24%	12/31/2018	3,695,099	6.2%
Morgan Stanley	4.90%	02/23/2017	3,647,761	6.1%
Great-West Life & Annuity Insurance Capital LP II (U.S. Dollars)	7.15%	05/16/2016	3,299,050	5.5%
Goldman Sachs Group Inc.	5.00%	05/03/2018	3,221,823	5.4%
National Bank of Canada Asset Trust	7.45%	06/30/2020	1,679,920	2.8%
Merrill Lynch & Co. Inc.	5.29%	05/30/2017	1,338,463	2.2%
Bank of America Corp. (U.S. Dollars)	8.13%	05/15/2018	835,953	1.4%
Goldman Sachs Capital II (U.S. Dollars)	4.00%	06/01/2043	752,247	1.3%
Cash and Short-term investments			326,310	0.5%
Foreign currency forward contracts			149,894	0.3%
Net asset value			**59,693,834**	

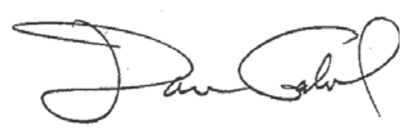
Management's Responsibility for Financial Reporting

The accompanying financial statements to **North American Financials Capital Securities Trust** (the "Fund") and all 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 the information and representations contained in these financial statements and other sections of the Annual Report. Management maintains appropriate process to ensure that relevant and reliable financial information is produced.

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

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

W. Neil Murdoch
President and Chief Executive Officer
Connor, Clark & Lunn Capital Markets Inc.



Darren N. Cabral
Vice President and Chief Financial Officer
Connor, Clark & Lunn Capital Markets Inc.

Toronto, Canada
March 28, 2014

pwc

March 28, 2014

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Fund, which comprise the statement of investments as at December 31, 2013, the statements of net assets as at December 31, 2013 and December 31, 2012, the statements of operations, changes in net assets and retained earnings and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2013 and December 31, 2012 and the results of its operations, the changes in its net assets and retained earnings and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

North American Financials Capital Securities Trust

Statements of Net Assets

As at December 31, 2013 and 2012

	2013	2012
	$	**$**
Assets		
Cash	34,683	30,897
Investments at fair value (cost - $10,035; 2012 - $10,035)	9,936	7,263
Prepaid Forward Agreement (note 8)	59,693,834	66,746,042
Prepaid expenses and other receivables	9,716	13,822
	59,748,169	66,798,024
Liabilities		
Bank indebtedness (note 5)	11,975,000	14,135,000
Interest payable	69,544	81,915
Distributions payable	669,606	717,821
Accounts payable and accrued liabilities	149,804	170,181
Management fees payable	10,095	10,351
	12,874,049	15,115,268
Net assets and unitholders' equity	46,874,120	51,682,756
Net Assets		
Class A Units	46,208,192	50,962,999
Class F Units	665,928	719,757
	46,874,120	51,682,756
Units issued and outstanding (note 6)		
Class A Units	1,762,035	1,889,210
Class F Units	23,580	24,980
Net assets per unit		
Class A Units	26.22	26.98
Class F Units	28.24	28.81
Unitholders' equity (note 6)		
Unit Capital	30,465,938	35,584,609
Retained Earnings	16,408,182	16,098,147
Total Unitholders' equity	46,874,120	51,682,756

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

Director **Director**

(See accompanying notes to financial statements)

North American Financials Capital Securities Trust

Statements of Operations

For the years ended December 31, 2013 and 2012

	2013	2012
	$	$
Income		
Interest income	80	205
Expenses		
Interest expense (note 5)	284,874	324,916
Forward fees (note 8)	217,362	228,290
Service fees (note 10)	187,588	201,352
Management fees (note 10)	124,473	126,675
Administration fees	30,555	26,842
Harmonized sales tax	25,266	29,683
Audit fees	22,320	20,561
Custodial and other unitholder fees	20,729	23,340
TSX Sustaining fees	11,443	12,503
Transfer agent fees	10,942	14,156
Filing fees	10,448	12,415
Other	8,231	8,246
Printing and mailing fees	5,780	4,478
IRC fees	4,038	3,133
Legal fees	615	3,355
	964,664	1,039,945
Investment loss	(964,584)	(1,039,740)
Realized and unrealized gain (loss) on investments		
Net realized gain on forward agreement (note 8)	2,146,396	1,179,863
Change in unrealized gain (loss) on investments	2,673	522
Change in unrealized gain on forward agreement (note 8)	310,395	8,282,011
	2,459,464	9,462,396
Increase in net assets from operations	1,494,880	8,422,656
Increase (decrease) in net assets from operations		
Class A Units	1,471,492	8,294,695
Class F Units	23,388	127,961
Increase (decrease) in net assets from operations per unit *		
Class A Units	0.82	4.34
Class F Units	0.95	4.72

* (based on average number of units outstanding for the period)
(See accompanying notes to financial statements)

North American Financials Capital Securities Trust

Statements of Changes in Net Assets and Retained Earnings

For the years ended December 31, 2013 and 2012

	Class A		Class F		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**	**$**	**$**
Increase in net assets from operations	1,471,492	8,294,695	23,388	127,961	1,494,880	8,422,656
Distributions to unitholders from: (note 9)						
Return of capital	(2,689,937)	(2,859,210)	(36,645)	(40,172)	(2,726,582)	(2,899,382)
Unitholders' transactions: (note 6)						
Class F Units converted to Class A Units	28,663	-	(28,663)	-	-	-
Payments on redemption/cancellation of units (notes 6 & 7)	(3,565,025)	(1,715,602)	(11,909)	(91,222)	(3,576,934)	(1,806,824)
	(3,536,362)	(1,715,602)	(40,572)	(91,222)	(3,576,934)	(1,806,824)
Change in net assets during the year	(4,754,807)	3,719,883	(53,829)	(3,433)	(4,808,636)	3,716,450
Net assets - beginning of year	50,962,999	47,243,116	719,757	723,190	51,682,756	47,966,306
Net assets - end of year	46,208,192	50,962,999	665,928	719,757	46,874,120	51,682,756
Retained earnings, beginning of year	15,841,672	7,900,889	256,475	147,180	16,098,147	8,048,069
Increase in net assets from operations	1,471,492	8,294,695	23,388	127,961	1,494,880	8,422,656
Cost of shares redeemed/ repurchased in excess of average price per unit	(1,180,354)	(353,912)	(4,491)	(18,666)	(1,184,845)	(372,578)
Retained earnings, end of year	16,132,810	15,841,672	275,372	256,475	16,408,182	16,098,147

North American Financials Capital Securities Trust

Statements of Cash Flows

For the years ended December 31, 2013 and 2012

	2013	2012
	$	$
Operating Activities		
Increase in net assets from operations	1,494,880	8,422,656
Items not affecting cash:		
Change in unrealized (gain) loss on investments	(2,673)	(522)
Change in unrealized loss on forward agreement (note 8)	(310,395)	(8,282,011)
Net realized loss on forward agreement	(2,146,396)	(1,179,863)
Changes in non-cash working capital:		
(Increase) decrease in prepaid expenses	4,106	8,018
Increase (decrease) in interest payable	(12,371)	1,619
Increase (decrease) in accounts payable and accrued liabilities	(20,377)	12,043
Increase (decrease) in management fees payable	(256)	151
Pre-settlements received by the Fund from the Counterparty under the forward agreement	9,508,999	5,740,101
Net cash flow provided by (used in) operating activities	8,515,517	4,722,192
Financing Activities		
Payments on redemption / cancellation of units (notes 6 & 7)	(3,576,934)	(1,806,824)
Distributions paid to unitholders	(2,774,797)	(2,926,127)
Principal payments on bank indebtedness	(2,160,000)	-
Net cash flow provided by (used in) financing activities	(8,511,731)	(4,732,951)
Net increase (decrease) in cash	3,786	(10,759)
Cash - beginning of year	30,897	41,656
Cash - end of year	34,683	30,897

	2013	2012
Supplementary Information		
Interest paid	297,245	323,297

(See accompanying notes to financial statements)

North American Financials Capital Securities Trust

Statement of Investments

As at December 31, 2013

	Coupon Rate %	Maturity date	Number of shares / Par value	Average cost $	Fair value $	% of net assets
Investments						
Canadian common stocks						
Information Technology						
Celestica Inc.			900	10,035	9,936	0.0%
Total Canadian common stocks				10,035	9,936	0.0%
Forward agreement:						
Investments held in North American Portfolio Trust under the Forward Agreement with Bank of Montreal (note 8)[(*)]						
Short-term investments						
Bankers Acceptance						
Bank of Montreal	1.17%	03/03/2014	300,000	299,436	299,436	0.6%
				299,436	299,436	0.6%
Investments						
Fixed Income						
Domestic Corporate Bonds						
National Bank of Canada Asset Trust	7.45%	06/30/2020	1,393,000	1,657,404	1,679,920	3.6%
Toronto Dominion Capital Trust (CATS III)	7.24%	12/31/2018	3,105,000	3,648,475	3,695,099	7.9%
Canadian Imperial Bank of Commerce Capital Trust	9.98%	06/30/2019	3,000,000	3,894,210	3,898,660	8.3%
National Bank of Canada Asset Trust	7.24%	06/30/2018	4,300,000	4,925,848	5,036,783	10.7%
Manulife Financial Capital Trust (MACS II)	7.41%	12/31/2019	6,326,000	7,066,036	7,548,596	16.1%
				21,191,973	21,859,058	46.6%
Foreign Corporate Bonds						
Merrill Lynch & Co. Inc.	5.29%	05/30/2017	1,305,000	1,224,795	1,338,463	2.9%
Goldman Sachs Group Inc.	5.00%	05/03/2018	3,000,000	2,784,900	3,221,823	6.9%
Morgan Stanley	4.90%	02/23/2017	3,400,000	3,203,556	3,647,761	7.8%
Goldman Sachs Capital II (U.S. Dollars)	4.00%	06/01/2043	1,000,000	805,522	752,247	1.6%
Bank of America Corp. (U.S. Dollars)	8.13%	05/15/2018	700,000	798,498	835,953	1.8%
Great-West Life & Annuity Insurance Capital LP II (U.S. Dollars)	7.15%	05/16/2016	3,000,000	2,797,535	3,299,050	7.0%
General Electric Capital Corp. (U.S. Dollars)	7.13%	06/15/2022	3,465,000	3,706,818	4,120,776	8.8%
JP Morgan Chase & Co. (U.S. Dollars)	7.90%	04/30/2018	5,000,000	5,436,052	5,862,401	12.5%
Wachovia Capital Trust III (U.S. Dollars)	5.57%	03/15/2049	7,000,000	5,470,470	6,842,475	14.6%
				26,228,146	29,920,949	63.9%
Total Fixed Income				47,420,119	51,780,007	110.5%
Foreign Preferred Stock (U.S. Dollars)						
Financials						
Citigroup Capital XIII			250,000	6,534,287	7,238,254	15.4%
Total Foreign Preferred Stock				6,534,287	7,238,254	15.4%
Total investments				53,954,406	59,018,261	125.9%

North American Financials Capital Securities Trust

Statement of Investments …. Continued

As at December 31, 2013

	Maturity date	Contract price / rate $	Unrealized gain (loss) $	% of Net Assets
Foreign currency forward contracts				
Bought CAD 29,276,568 sold USD 27,360,000	03/20/2014	1.0701	149,894	0.3%
			149,894	0.3%
Other assets net of other liabilities of North American Portfolio Trust			226,243	0.5%
Transactional net asset value of North American Portfolio Trust			59,693,834	127.3%
Prepaid forward agreement			59,693,834	127.3%
Bank indebtedness			(11,975,000)	-25.5%
Other liabilities net of other assets of the Fund			(854,650)	-1.8%
Net asset value of the Fund			46,874,120	100.0%

(*) North American Financials Capital Securities Trust (the "Fund") obtained exposure to the performance of the portfolio held by North American Portfolio Trust ("NAPT") through the Forward Agreement (see note 8), thus, the portfolio of NAPT is presented as part of this statement.

(See accompanying notes to financial statements)

1 Corporate activities

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.

Connor, Clark & Lunn Financial Group and the principals of the Manager entered into a sale transaction to sell to Aston Hill Financial Inc. ("Aston Hill") shares in the Manager, Connor, Clark & Lunn Capital Markets Inc. (the "Company"). The terms of the transaction involved Aston Hill purchasing 80% of the Company from Connor, Clark & Lunn Financial Group, Neil Murdoch (President and Chief Executive Officer) and Darren Cabral (Chief Financial Officer). Neil Murdoch and Darren Cabral hold the remaining 20% of the Company not owned by Aston Hill. Completion of the sale transaction occurred on August 15, 2013. The business acquired by Aston Hill included the management agreement related to this Fund.

2 Investment objectives

The Fund's investment objectives as set out in the Prospectus dated September 28, 2009 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 on November 30, 2014.

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

In order to achieve the Fund's investment objectives, the Fund obtained exposure, in a tax-efficient manner, to the performance of a portfolio (the "Portfolio") held by North American Portfolio Trust (the "NAPT" or the "Trust"). Connor, Clark & Lunn Investment Management Ltd. (the "Investment Manager"), the Trust's investment manager, actively manages the Portfolio. The Portfolio consists primarily of Canadian Innovative Tier 1 Capital Securities issued by banks (or entities related to banks) and U.S. Financials Capital Securities. The Investment Manager may also 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.

3 Summary of significant accounting policies

Basis of presentation

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

Valuation of investments

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

The valuation of the Portfolio that the Fund has exposure to through the prepaid forward agreement is calculated in accordance with the above transactional NAV.

There were no significant differences between the Transactional NAV and GAAP Net Assets as at December 31, 2013 and 2012. On December 31, 2013, the GAAP net assets per unit were $26.22 per Class A Unit and $28.24 per Class F Unit (2012 – $26.98 per Class A Unit and $28.81 per Class F Unit).

Cash and short-term investments

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

Income recognition

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

Foreign currency translation

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

Expense recognition

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

Increase (decrease) in net assets from operations per unit

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

Initial fees and expenses

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

Valuation of a class

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

Designation of financial assets and liabilities

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

Related party transactions

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

Future accounting changes

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

The Manager has reviewed and developed its IFRS changeover plan that included performing an impact assessment and identifying differences between existing Canadian GAAP and IFRS. Management has monitored developments in IFRS and has assessed the likely impacts on accounting policies, implementation decisions, internal controls, information systems and training. Based on management's assessment to date, the more significant changes impacting the financial statements may be how the Fund measures fair values of its investments and the classification of net assets representing unitholders' equity. The Manager does not consider this to be comprehensive list of the accounting changes when the Fund adopts IFRS but in the view of the Manager represent the key differences. The differences described in the sections that follow are based on Canadian GAAP as at December 31, 2013 and IFRS that are in effect as of January 1, 2014.

Under Canadian GAAP, the Fund measures the fair values of its investments in accordance with the CPA Canada Handbook Section 3855, Financial Instruments – Recognition and Measurement. This section requires the use of bid prices for the long positions and asks prices for the short positions to the extent such prices are available. In May 2011, the IASB issued IFRS 13 Fair Value Measurement, which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical means for fair value measurements within a bid-ask spread. The impact of the requirements of International Auditing Standards 32 - Financial Instruments Presentation is on classification only and does not impact net assets per unit.

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

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

4 Custodian

Pursuant to the Trust Agreement, RBC Investor & Treasury Services (the "Custodian") also acts as custodian of the assets of the Fund. The Custodian carries out certain aspects of the day-to-day administration of the Fund, including calculating Transaction NAV, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund. In consideration for these services, the Fund pays a fee to the Custodian. The Custodian is rated AA- by S&P as of December 31, 2013 and 2012.

5 Bank indebtedness

The Fund's exposure to the securities in the Portfolio through the Forward Agreement may be increased to 25% of the NAV (being the aggregate value of the assets of NAPT) (computed daily) for the purposes of adding leverage to the Portfolio and such 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.

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"), whose S&P credit rating was A+ as at December 31, 2013 and 2012, to borrow amounts up to 25% of the NAV of NAPT as being part of the Forward Agreement (see note 8). This agreement will be terminated on the earlier of (i) November 21, 2014 and (ii) the date on which this Transaction is pre-settled in full pursuant to the terms of the Credit Agreement.

During the year ended December 31, 2013, the Fund had bank indebtedness balances between $11,974,976 to 14,134,976 or 18.1% to 21.3% of the net asset value of NAPT (the Fund had a bank indebtedness balance of $14,135,000 or 21.2% to 22.4% of the net asset value of NAPT during the year ended December 31, 2012). The related interest expense during the same period was $284,874 ($324,916 during the year ended December 31, 2012). At December 31, 2013, the borrowed balance was $11,975,000 or 20.1% ($14,135,000 or 21.2% as at December 31, 2012).

6 Unitholders' equity

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 10th 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, 2013, there were 128,250 Class A Units redeemed for $3,565,025 and 400 Class F Units redeemed for $11,909 ($1,715,602 was paid to redeem 67,720 Class A Units and $91,221 was paid to redeem 3,600 Class F Units during the year ended December 31, 2012). There were 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 (no Class F Units were converted into Class A Units during the year ended December 31, 2012).

Changes in outstanding units during the years ended December 31, 2013 and 2012 are summarized as follows:

	Class A Units		Class F Units	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Balance – beginning of year	1,889,210	1,956,930	24,980	28,580
Units redeemed	(128,250)	(67,720)	(400)	(3,600)
Class F Units converted to Class A Units	1,075	–	(1,000)	–
Balance – end of year	1,762,035	1,889,210	23,580	24,980

The Unit Capital dollar amount represents the face value of the Fund's Units minus any return of capital distributions and issue costs paid since October 23, 2009 (commencement of operations) to December 31, 2013. If the redemption price is lower than the average cost per unit, the difference is included in Contributed Surplus on the Statements of Net Assets. If the redemption price is greater than the average cost per unit, the difference is first charged to Contributed Surplus until the balance in Contributed Surplus is eliminated and the remaining amount is charged to Retained Earnings.

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

7 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.
During the year ended December 31, 2013, the Fund purchased did not purchase any Class A Units for cancellation (the Fund did not purchase any Class A Units for cancellation during the year ended December 31, 2012).

8 Forward Agreement

The Fund does not invest directly in portfolio of 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") whose S&P credit rating was A+ as of December 31, 2013 and 2012. Under the Forward Agreement, the Fund will receive, on or before November 21, 2014, a specified portfolio consisting of securities of Canadian public issuers that are "Canadian securities" for the purposes of the Tax Act ("Canadian Securities") in an amount equal to the value of NAPT. Partial settlements under the Forward Agreement are 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 net asset value of NAPT, is payable to BMO under the Forward Agreement.

On December 31, 2013, the value of the prepaid amount to the Counterparty under the Forward Agreement was $41,727,435 (2012 – $49,090,039). The value of the unrealized gain on the Forward Agreement balance was $17,966,399 (2012 – $17,656,003). Other liabilities net of other assets in the Fund totalled $12,819,714 (2012 – $15,063,286), leaving net assets of $46,874,120 (2012 – $51,682,756). This amount is assigned to the Class A and Class F Unitholders using an allocation percentage that takes into consideration any class level specific expenses.

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

The Manager is currently assessing the impact and implications of these changes to the Fund.

9 Distributions

The Fund pays quarterly distributions 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 since its commencement of operations on October 23, 2009. The Fund paid total distributions of $1.50 per Class A Unit and Class F Unit respectively during the years ended December 31, 2013 and 2012.

10 Management Fees and related party transactions

The Manager receives 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.

The management fees charged to the Fund and NAPT on a combined basis during the year ended December 31, 2013 were $248,946 plus applicable taxes ($252,696 plus applicable taxes during the year ended December 31, 2012).

The Manager is responsible for payment of the investment management fees out of the above management 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, 2013 were $187,588 ($201,352 during the year ended December 31, 2012).

11 Income taxes

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

The Fund did not have any net taxable capital losses carry forward balances as at December 31, 2013 and 2012 and had non-capital losses of $3,856,078 (2012 – $3,564,570), which will expire within the next twenty years as shown in the following table:

Year of the realized non-capital tax loss	Amount of tax loss	Expiry date
2009	309,908	2029
2010	1,480,918	2030
2011	959,631	2031
2012	814,113	2032
2013	291,508	2033
Total	**3,856,078**	

12 Broker commission charges and soft dollar services

There were $nil of broker commissions paid during the years ended December 31, 2013 and 2012 in connection with portfolio transactions. No contractual arrangements for soft dollar services exist in the broker commission charges.

13 Financial instruments

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

The Fund obtained exposure to the performance of the portfolio held by NAPT through the Forward Agreement (see note 8), and therefore, the following tables illustrate the classification of the Fund's and NAPT's financial instruments within the fair value hierarchy as at December 31, 2013 and 2012. The Fund is exposed to the investments held by Portfolio Trust via a prepaid forward agreement. This is classified as a Level 2 investment given it is not actively traded.

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**	**52,229,337**	–	**59,477,527**

Liabilities at fair value as at December 31, 2013	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	–	–	–	–
Total	–	–	–	–

Assets at fair value as at December 31, 2012	Level 1	Level 2	Level 3	Total
Equities	6,952,261	–	–	6,952,261
Bonds	–	57,522,413	–	57,522,413
Short-term investments	–	2,343,779	–	2,343,779
Foreign currency forward contracts	–	145	–	145
Total	**6,952,261**	**59,866,337**	**–**	**66,818,598**

Liabilities at fair value as at December 31, 2012	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	–	328,602	–	328,602
Total	**–**	**328,602**	**–**	**328,602**

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 and Trust's 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.

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

There were no transfers among the three levels during the years ended December 31, 2013 and 2012.

14 Financial instrument risk

The Fund obtained exposure to the performance of the portfolio held by NAPT through the Forward Agreement (see note 8) and therefore, the risks associated with an investment in the Fund's units are best defined in conjunction with financial risks associated with an investment in NAPT's 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 combined exposure of the Fund and NAPT to interest rate risks.

December 31, 2013:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Investments	–	3,299,050	23,638,283	24,842,674	**51,780,007**
Short-term investments	299,436	–	–	–	**299,436**
Net assets	**299,436**	**3,299,050**	**23,638,283**	**24,842,674**	**52,079,443**

December 31, 2012:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Investments	–	–	9,811,236	47,711,177	**57,522,413**
Short-term investments	2,343,779	–	–	–	**2,343,779**
Net assets	**2,343,779**	**–**	**9,811,236**	**47,711,177**	**59,866,192**

As at December 31, 2013, had prevailing interest rates raised or lowered by 1.0%, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $2,839,000 or $3,216,000 (2012 – $3,450,000 or $3,901,000). 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. The Trust Fund is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. The Statement of Investments identifies all securities denominated in foreign currencies.

The table below summarizes the Fund's combined exposure to foreign currencies held by the fund and NAPT. 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.

December 31, 2013:

	Monetary instruments $	Non-monetary instruments $	Derivative instruments $	Net Exposure $	% of Net Assets	Sensitivity (based on devaluation of CAD) $
U.S. Dollar	21,712,876	7,238,254	(29,069,891)	(118,761)	(0.3%)	(6,000)

December 31, 2012:

	Monetary instruments $	Non-monetary instruments $	Derivative instruments $	Net Exposure $	% of Net Assets	Sensitivity (based on devaluation of CAD) $
U.S. Dollar	20,430,251	6,944,998	(27,335,909)	39,340	0.1%	2,000

Credit risk

The Fund is exposed to the risk that a security issuer or counterparty will be unable to pay amounts in full when due. The 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, 2013 and 2012.

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, 2013 and 2012.

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

Rating	December 31, 2013 (% of Net Assets)
AA-	9.1%
A	16.1%
A-	30.2%
BBB+	17.5%
BBB	35.1%
BB+	3.4%
BB	15.4%
Total	**126.8%**

Rating	December 31, 2012 (% of Net Assets)
AAA	(0.6%)
AA-	7.6%
A	14.4%
A-	37.8%
BBB+	16.1%
BBB	34.0%
BB+	1.5%
BB	13.4%
A-1	4.6%
Total	**128.8%**

As at December 31, 2013 and 2012, no debt securities of the Trust 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. The Fund is also exposed to unlimited annual anniversary redemptions on March 31 of every year (see note 6); 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 liabilities (other than bank indebtedness) are due within three months.

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, 2013, all other variables held constant, the net assets of the Fund would have increased or decreased, respectively, by approximately $724,819 (December 31, 2012 – $695,226). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

15 Subsequent events

The Forward Agreement will terminate on November 21, 2014 and the Fund's original planned termination date will occur on or about November 30, 2014. Following the termination of the Forward agreement, the Manager will decide on the appropriate course of action.