Portfolio Trust

Annual Report
December 31, 2013

Management Report of Fund Performance

This annual management report of fund performance for **Portfolio 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 the Manager, Aston Hill Capital Markets Inc., (formerly Connor, Clark & Lunn Capital Markets Inc.) 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.

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 between the Manager of the Fund and RBC Investor & Treasury Services (the "Trustee") dated May 22, 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 one class.

The Fund's investment objectives are to:

(i) provide Unitholder with attractive cash distributions; and

(ii) return to Unitholder the original issue price of the Units upon termination of the Fund on June 30, 2014.

In order to achieve the Fund's investment objectives, Connor, Clark & Lunn Investment Management Ltd. (the "Investment Manager"), the Fund's Investment Manager, actively manages its Portfolio. The Portfolio consists of Innovative Tier 1 Capital Securities of the six largest Canadian banks. The Portfolio includes a minimum of 80% Canadian Bank Capital Securities. The Investment Manager may also invest up to 20% of the Portfolio (measured at the time of investment) in Bank Shares and Life Insurance Company Securities. The Fund may also invest in other securities issued by Canadian financial institutions, including subordinated debt, preferred shares and common shares.

Risk

The risk profile of the Fund has not changed from the prior year. 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.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.

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)

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 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.

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, which performed well again this year.

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 redeemable, transferable single class of units (the "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.

On June 9, 2009, the Fund completed an initial non-public offering pursuant to the Prospectus dated May 27, 2009. $90,662,497 was raised through the issue of 3,851,560 Units. The Units were issued at $23.54 per Unit.

During the year ended December 31, 2013, the Fund redeemed 1,039,807 Units for net payment of $27,922,000 (the Fund issued 58,159 Units for net proceeds of $1,590,000 and redeemed 1,237,028 Units for net payment of $33,660,000 during the year ended December 31, 2012).

Distributions

The Fund pays distributions if, as and when declared by the Fund from time to time. The Fund declared $5,485,000 in distributions during the year ended December 31, 2013 ($11,419,428 in distributions during the year ended December 31, 2012). There was no amount reinvested during the year ended December 31, 2013 (the amount of $3,974,428 was reinvested and the Units were consolidated during the year ended December 31, 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

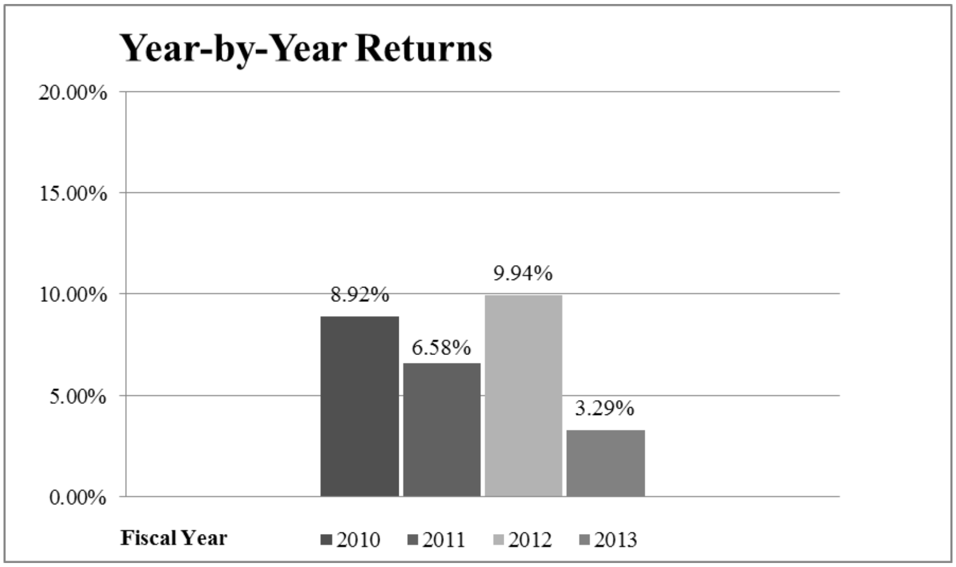
The Manager receives a management fee from the Fund equal in the aggregate to 0.25% per annum of the applicable Net Asset Value, calculated and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund during the year ended December 31, 2013 were $186,307 plus applicable taxes ($238,536 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.

Past Performance

The following bar chart and table shows the Fund's annual performance by showing both the 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, redemption, distributions or other optional charges that would have reduced returns or performance. The bar chart shows, 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	Since Inception [1]
Based on NAV	3.29%	7.15%	8.23%
DEX Universe Bond Index	-1.19%	3.92%	4.50%

(1) Annualized for the period June 9, 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:

The Fund's Net Assets per Unit:	2013	2012	2011	2010	2009 (1)
Net Assets, beginning of period	**27.31**	**26.38**	**26.26**	**25.51**	**25.00**
Unit issue expense (2)	–	–	–	–	**(1.46)**
Increase (decrease) from operations:					
Total revenues	1.55	1.54	1.55	1.70	0.97
Total expenses	(0.07)	(0.07)	(0.07)	(0.06)	(0.04)
Realized gains (losses) for the period	0.71	0.32	0.12	1.65	0.11
Unrealized gains (losses) for the period	(1.21)	0.77	0.10	(1.02)	1.40
Total increase (decrease) from operations (3)	**0.98**	**2.56**	**1.70**	**2.27**	**2.44**
Distributions:					
From income (excluding dividends)	(0.96)	(1.59)	(1.57)	(2.26)	(2.55)
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	(0.68)	–	–	–	–
Total Distributions (4)	**(1.64)**	**(1.59)**	**(1.57)**	**(2.26)**	**(2.55)**
Net Assets, end of period (5)	**26.59**	**27.31**	**26.38**	**26.26**	**25.51**

(1) Results for the period from June 9, 2009 (commencement of operations) to December 31, 2009.
(2) Issue expenses of $7,401,147 incurred in connection with the issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes.
(3) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of 3,272,291 units outstanding as of December 31, 2013 (2012 – 4,585,066 units).
(4) The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on the Fund's tax return.
(5) This is not a reconciliation between the opening and the closing net assets per unit.

Ratios and Supplemental Data:	2013	2012	2011	2010	2009 (1)
Net asset value (000's)	66,455	96,830	124,626	127,230	131,664
Number of units outstanding	2,493,593	3,533,400	4,712,269	4,830,152	5,139,756
Management expense ratio (annualized) (2)	0.27%	0.25%	0.26%	0.23%	0.26%
Management expense ratio before waivers or absorptions (annualized) (2)	0.27%	0.25%	0.26%	0.23%	0.26%
Portfolio turnover rate (3)	5.21%	0.00%	5.28%	114.24%	51.88%
Trading expense ratio (4)	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value per unit (5)	26.65	27.40	26.45	26.34	25.62

(1) Results for the period from June 9, 2009 (commencement of operations) to December 31, 2009.
(2) 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.
(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.
(5) The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio, whereas the net assets per unit (GAAP Net Assets) is based on the closing bid prices of the underlying portfolio; hence the difference between the two amounts.

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 and at www.sedar.com.

	Coupon Rate %	Maturity date	Fair value $	% of NAV
Portfolio by Category				
Corporate Bonds			61,081,524	91.9%
Short-term Investments			5,341,509	8.0%
Cash			29,961	0.1%
Futures Contracts			195,500	0.0%
Cash Overdraft Held as Margin			(181,188)	0.0%
Other Assets Net of Other Liabilities			(12,414)	0.0%
Top 25 Holdings				
Toronto-Dominion Capital Trust (CATS III)	7.24%	12/31/2018	19,732,186	29.6%
National Bank of Canada Capital Trust	7.24%	06/30/2018	16,047,425	24.1%
Toronto-Dominion Bank (CGR III)	5.76%	12/18/2017	10,206,478	15.4%
Manulife Financial Capital (MACS II)	7.41%	12/31/2019	7,159,591	10.8%
Bank of Montreal Capital Trust (BOATS IV)	5.47%	12/31/2014	4,312,308	6.5%
Royal Bank of Canada Capital Trust (TRUCS V)	6.82%	06/30/2018	3,623,536	5.5%
Short-term Investments			5,341,509	8.0%
Cash			29,961	0.1%
Futures Contracts			195,500	0.0%
Cash Overdraft Held as Margin			(181,188)	0.0%
Net asset value			**66,454,892**	

Management's Responsibility for Financial Reporting

The accompanying financial statements of **Portfolio 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 process to ensure that relevant and reliable financial information is produced.

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

The financial statements have been audited by PricewaterhouseCoopers LLP on behalf of the unitholder. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholder 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 28, 2014

March 28, 2014

Independent Auditor's Report

To the Unitholder of
Portfolio Trust (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statement of investment portfolio as at December 31, 2013, the statements of net assets as at December 31, 2013 and December 31, 2012 and the statements of operations, changes in net assets and deficit, 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 deficit 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

Portfolio Trust

Statements of Net Assets

As at December 31, 2013 and 2012

	2013	2012
	$	$
Assets		
Cash	29,961	17,559
Short-term investments	5,341,509	3,192,008
Investments at fair value (cost - $59,163,807; December 31, 2012 - $87,308,568)	60,937,814	93,150,528
Interest receivable	21,818	24,270
Futures contracts	195,500	72,240
Cash held as margin	-	86,935
	66,526,602	96,543,540
Liabilities		
Accounts payable and accrued liabilities	15,332	16,065
Management fees payable	18,900	18,080
Cash overdraft held as margin	181,188	-
	215,420	34,145
Net assets and unitholder's equity	66,311,182	96,509,395
Units outstanding (note 5)	2,493,593	3,533,400
Net assets per unit	26.59	27.31
Unitholder's equity (note 5)		
Unit Capital	66,517,532	97,480,149
Contribution surplus	764,404	-
Deficit	(970,754)	(970,754)
Total Unitholder's equity	66,311,182	96,509,395

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

Director **Director**

(See accompanying notes to financial statements)

Portfolio Trust

Statements of Operations

For the years ended December 31, 2013 and 2012

	2013	2012
	$	$
Income		
Interest income	5,057,367	7,047,218
Expenses		
Management fees (note 7)	186,307	238,536
Harmonized sales tax	26,931	35,109
Audit fees	10,713	10,592
Custodial and other unitholder fees	7,825	22,575
Filing fees	3,441	-
Interest expense	1,792	1,241
Other fees	471	15
	237,480	308,068
Investment income	4,819,887	6,739,150
Realized gain (loss)		
Net realized gain on investments	2,201,736	1,815,353
Net realized gain (loss) on future contracts	131,857	(365,295)
	2,333,593	1,450,058
Unrealized gain (loss)		
Change in unrealized gain on investments	(4,067,953)	3,232,430
Change in unrealized gain (loss) on futures contracts	123,260	293,840
	(3,944,693)	3,526,270
Net gain on investments	(1,611,100)	4,976,328
Increase in net assets from operations	3,208,787	11,715,478
Increase in net assets from operations per unit *	0.98	2.56

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

Portfolio Trust

Statements of Changes in Net Assets, Deficit and Contribution Surplus

For the years ended December 31, 2013 and 2012

	2013	2012
	$	$
Increase in net assets from operations	3,208,787	11,715,478
Distributions to unitholder from: (note 6)		
Net investment income	(3,208,787)	(11,419,428)
Return on capital	(2,276,213)	-
	(5,485,000)	(11,419,428)
Unitholder's transactions (note 5)		
Proceeds from issue of units	-	1,590,000
Distributions reinvested (note 6)	-	3,974,428
Payments on redemption of units	(27,922,000)	(33,660,000)
	(27,922,000)	(28,095,572)
Change in net assets during the year	(30,198,213)	(27,799,522)
Net assets - beginning of year	96,509,395	124,308,917
Net assets - end of year	66,311,182	96,509,395
Deficit, beginning of year	(970,754)	(324,627)
Increase in net assets from operations	3,208,787	11,715,478
Distributions to unitholder	(3,208,787)	(11,419,428)
Cost of shares redeemed in excess of the average cost price	-	(942,177)
Deficit, end of year	(970,754)	(970,754)
Contributed surplus, beginning of year	-	-
Cost of shares repurchased at less than the average cost price	764,404	-
Contributed surplus, end of year	764,404	-

(See accompanying notes to financial statements)

Portfolio Trust

Statements of Cash Flows

For the years ended December 31, 2013 and 2012

	2013	2012
	$	$
Operating Activities		
Increase in net assets from operations	3,208,787	11,715,478
Items not affecting cash:		
Change in unrealized gain on investments	4,067,953	(3,232,430)
Net realized gain on investments	(2,201,736)	(1,815,353)
(Increase) decrease in futures contracts	(123,260)	(293,840)
(Increase) decrease in cash (overdraft) held as margin	268,123	315,295
Changes in non-cash working capital:		
(Increase) decrease in interest receivable	2,452	2,788,558
Increase (decrease) in management fees payable	820	(2,811)
Increase (decrease) in accounts payable and accrued liabilities	(733)	(3,622)
Purchase of investments	(4,397,952)	-
Proceeds on disposition of investments	34,744,449	31,825,976
Net cash flow provided by (used in) operating activities	35,568,903	41,297,251
Financing Activities		
Proceeds from issuance of units	-	1,590,000
Distributions paid to unitholder	(5,485,000)	(7,445,000)
Payments on redemption of units	(27,922,000)	(33,660,000)
Net cash flow provided by (used in) financing activities	(33,407,000)	(39,515,000)
Net increase (decrease) in cash and short-term investments	2,161,903	1,782,251
Cash - beginning of year	17,559	30,301
Short-term investments - beginning of year	3,192,008	1,397,015
Total cash and short-term investments - beginning of year	3,209,567	1,427,316
Cash - end of year	29,961	17,559
Short-term investments - end of year	5,341,509	3,192,008
Total cash and short-term investments - end of year	5,371,470	3,209,567

	2013	2012
Supplementary Information		
Interest paid	1,792	1,241

(See accompanying notes to financial statements)

Portfolio Trust

Statement of Investment Portfolio

As at December 31, 2013

	% Coupon Rate	Maturity date	Number of shares	Average cost $	Fair value $	% of NAV
Short-term investments						
Bearer Deposit Notes						
Bank of Montreal	0.99%	03/19/2014	250,000	249,298	249,298	0.4%
Canadian Imperial Bank of Commerce	1.12%	02/24/2014	1,550,000	1,547,411	1,547,411	2.3%
Canadian Imperial Bank of Commerce	1.45%	02/03/2014	3,250,000	3,245,520	3,245,520	4.9%
Treasury Bills						
Government of Canada Treasury Bill *	0.88%	01/30/2014	300,000	299,280	299,280	0.5%
				5,341,509	5,341,509	8.1%
Investments						
Fixed Income						
Corporate Bonds						
Royal Bank of Canada Capital Trust (TRUCS V)	6.82%	06/30/2018	3,120,000	3,518,972	3,615,397	5.5%
Bank of Montreal Capital Trust (BOATS IV)	5.47%	12/31/2014	4,160,000	4,397,952	4,309,537	6.5%
Manulife Financial Capital Trust (MACS II)	7.41%	12/31/2019	6,000,000	6,000,000	7,132,257	10.8%
Toronto-Dominion Bank (CGR III)	5.76%	12/18/2017	9,184,000	10,073,866	10,188,219	15.4%
National Bank of Canada Capital Trust	7.24%	06/30/2018	13,700,000	15,741,671	16,003,634	24.1%
Toronto-Dominion Capital Trust (CATS III)	7.24%	12/31/2018	16,581,000	19,431,346	19,688,770	29.6%
				59,163,807	60,937,814	91.9%
Total investments				64,505,316	66,279,323	100.0%

	Maturity date	Number of contracts	Average cost CAD $	Fair value CAD $	Unrealized gain (loss) CAD $	% of NAV
Short Futures contract						
Canadian 5 Year Bond Futures (S&P credit rating: A+)	03/31/2014	(230)	(27,510,300)	(27,314,800)	195,500	0.3%
Cash overdraft held as margin					(181,188)	-0.3%
Total futures contract					14,312	0.0%
Other assets net of other liabilities					17,547	0.0%
Net assets					66,311,182	100.0%

* This security is pledged as collateral for the futures contract.

(See accompanying notes to financial statements)

1 Corporate activities

Portfolio Trust (the "Fund") is an investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement between Aston Hill Capital Markets Inc. (the "Manager") the Manager of the Fund and RBC Investor & Treasury Services (the "Trustee") dated May 22, 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 one class.

In August 2013, 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 are to:

(i) provide Unitholders with attractive cash distributions; and

(ii) return to Unitholders the original issue price of the Units upon termination of the Fund on June 30, 2014.

In order to achieve the Fund's investment objectives, between Aston Hill Capital Markets Inc. (the "Investment Manager"), the Fund's investment manager, actively manages its Portfolio. The Portfolio consists of Innovative Tier 1 Capital Securities of the six largest Canadian banks. The Portfolio includes a minimum of 80% Canadian Bank Capital Securities. The Investment Manager may also invest up to 20% of the Portfolio (measured at the time of investment) in Bank Shares and Life Insurance Company Securities. The Fund may also invest in other securities issued by Canadian financial institutions, including subordinated debt, preferred shares and common shares.

3 Summary of significant accounting policies

Basis of presentation

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

Valuation of investments

Investments are deemed to be categorized as "held for trading" in accordance with 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 difference between the net asset value per unit and the net assets per unit as shown on the Statements of Net Assets is due to the different pricing methodology discussed above. The reconciliation between the Transactional NAV and the GAAP Net Assets is as follows:

	Transactional NAV	Section 3855 Adjustment	GAAP Net Assets
December 31, 2013	26.65	(0.06)	26.59
December 31, 2012	27.40	(0.09)	27.31

Cash and short-term investments

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

Income recognition

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

Expense recognition

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

Futures contracts

The futures contracts are exchange-traded futures contracts and are valued at their close price at the close of business on each valuation date. Any difference between the settlement value at the close of business on the current valuation date and that of the previous valuation date is recorded in the Statements of Operations as "Change in unrealized gain (loss) on futures contracts". Amounts receivable (payable) from futures contracts are reflected in the Statements of Net Assets as "Futures contracts". Gains/losses are settled on a daily basis. The variation margin account is adjusted for the settlement amount.

Increase (decrease) in net assets from operations per unit

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

Unit valuation

The net asset value per unit is determined by dividing the aggregate market value of net assets of the Fund by the total number of units of the Fund outstanding before giving effect to redemptions or subscriptions for units on that day.

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 financial liabilities and reported at amortized cost.

Related party transactions

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

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 this standard is on classification and disclosure 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 is responsible for certain aspects of the Fund's day-to-day operations, including calculating Transactional NAV, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund. In consideration for these services, the Fund pays a fee to the Custodian. The Custodian is rated AA- by Standard & Poor's ("S&P") as of December 31, 2013 and 2012.

5 Unitholder's equity

The Fund is authorized to issue an unlimited number of redeemable, transferable single class of units (the "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.

On June 9, 2009, the Fund completed an initial non-public offering pursuant to the Prospectus dated May 27, 2009. $90,662,497 was raised through the issue of 3,851,560 Units. The Units were issued at $23.54 per Unit.

During the year ended December 31, 2013, the Fund redeemed 1,039,807 Units for net payment of $27,922,000 (58,159 Units were issued for net proceeds of $1,590,000 and 1,237,028 Units were redeemed for net payment of $33,660,000 during the year ended December 31, 2012).

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

	December 31, 2013	December 31, 2012
Balance – beginning of year	3,533,400	4,712,269
Units issued	-	58,159
Units redeemed	(1,039,807)	(1,237,028)
Balance – end of year	2,493,593	3,533,400

The Unit Capital dollar amount represents the face value of the Fund's units minus any return on capital distributions and issue costs paid since June 9, 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 Surplus (Deficit).

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.

6 Distributions

The Fund pays distributions if, as and when declared by the Fund from time to time. The Fund declared $5,485,000 in distributions during the year ended December 31, 2013 ($11,419,428 during the year ended December 31, 2012). There was no reinvestment during the year ended December 31, 2013 ($3,974,428 was reinvested and the units were consolidated during the year ended December 31, 2012).

7 Management fees

The Manager receives a management fee from the Fund equal in the aggregate to 0.25% per annum of NAV, calculated and payable monthly in arrears, plus applicable taxes.

The management fee charged to the Fund during the year ended December 31, 2013 were $186,307 plus applicable taxes ($238,536 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.

8 Income taxes

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

The Fund did not have any net taxable capital losses or non-capital losses carry forward balances as at December 31, 2013 and 2012.

9 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 dollars services exist in the broker commission charges.

10 Financial instruments

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

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

Assets at fair value as at December 31, 2013	Level 1	Level 2	Level 3	Total
Bonds	–	60,937,814	–	60,937,814
Short-term investments	–	5,341,509	–	5,341,509
Futures contracts	195,500	–	–	195,500
Total	**195,500**	**66,279,323**	–	**66,474,823**

Assets at fair value as at December 31, 2012	Level 1	Level 2	Level 3	Total
Bonds	–	93,150,528	–	93,150,528
Short-term investments	–	3,192,008	–	3,192,008
Futures contracts	159,175	–	–	159,175
Total	**159,175**	**96,342,536**	–	**96,501,711**

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.

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.

Futures contracts: The futures contracts relate to the Government of Canada Bonds. These contracts are exchange-traded and therefore, are classified as Level 1 as the fair value is based on a quote in an active market.

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

11 Financial instrument risk

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

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 Investment Manager uses various hedging instruments and techniques to hedge against substantial interest rate increases that may occur over an investment horizon. A bond future contract with a notional amount of ($27,510,300) is utilized to minimize the impact of increases in interest rates. The tables below summarize the Fund's exposure to interest rate risks. It includes the Fund's assets and trading liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates.

December 31, 2013:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Investments	195,500	4,309,537	49,496,020	7,132,257	**61,133,314**
Short-term investments	5,341,509	–	–	–	**5,341,509**
Total	**5,537,009**	**4,309,537**	**49,496,020**	**7,132,257**	**66,474,823**

December 31, 2012:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Investments	159,175	–	10,949,406	82,201,122	**93,309,703**
Short-term investments	3,209,567	–	–	–	**3,209,567**
Total	**3,351,183**	–	**10,949,406**	**82,201,122**	**96,501,711**

As at December 31, 2013, 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 $1,100,000 or $1,212,000 from bonds, short-term notes and bond futures (2012 – $2,477,000 or $2,754,000). 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. As at December 31, 2013 and 2012, currency risk was negligible as the Fund had no exposure to foreign currencies.

Credit risk

The Fund is exposed to the risk that a security issuer or counterparty will be unable to pay amounts in full when due. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt investments and unrealized gain on futures contracts represents the maximum credit risk exposure as at December 31, 2013 and 2012.

The tables below summarize the Fund's exposure to credit risk as of December 31, 2013 and 2012. Amounts shown are based on the carrying value of debt investments and the unrealized gain on the futures contracts.

Rating	December 31, 2013 (% of Net Assets)
AAA	0.5%
A	10.8%
A-	50.5%
A-1	7.6%
BBB	30.6%
Total	**100.0%**

Rating	December 31, 2012 (% of Net Assets)
AAA	0.7%
A	13.7%
A-	50.3%
A-1	2.8%
BBB	32.5%
Total	**100.0%**

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

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

Liquidity risk

Liquidity risk is the risk of not being able to meet the Fund's cash requirements in a timely manner and includes the risk of not being able to liquidate assets at reasonable prices. This risk arises mainly from the Fund's exposure to unlimited redemptions in any given year; therefore, the Fund invests the majority of its assets in investments that can be readily disposed. In addition, the Fund retains sufficient cash positions to maintain liquidity.

All liabilities 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 investments, 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.

As of December 31, 2013 and 2012, market price risk was negligible as the Fund did not hold any equity instruments.

12 Subsequent events

The Fund's original planned termination date will occur on or about June 30, 2014. The Manager will decide on the appropriate course of action.