Portfolio Trust

Semi-Annual Report

June 30, 2014

MANAGEMENT REPORT OF FUND PERFORMANCE

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

You can obtain a copy of the semi-annual financial statements at no cost by writing to 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.

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.

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.

On June 30, 2014, the Trust Agreement was amended to extend the termination date of the Fund from June 30 to December 31, 2014.

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

International Financial Reporting Standards (IFRS)

The Fund adopted IFRS as published by the International Accounting Standards Board (IASB) as of January 1, 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CICA Handbook (Canadian GAAP). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented in its semi-annual financial statements, as if these policies had always been in effect. Note 14 to the semi-annual financial statements dated June 30, 2014 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

RESULTS OF OPERATIONS

Caution regarding forward-looking statements

The analysis in the document includes forward-looking statements. The use of any of the words anticipate, may, will, expect, estimate, should, believe and similar expressions are intended to identify forward-looking statements. Such statements reflect the opinion of the Investment Manager regarding factors that might be reasonably expected to affect the performance and the distributions on units of the Fund and are based on information available at the time of writing. The Manager and the Investment Manager believe 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 (August 2014)

At the outset of the year, investor enthusiasm for most risky assets waned in response to uncertainty over a weather-related slowdown in North American economic activity, increased geopolitical tensions over the crisis in the Ukraine and rising concerns over China's shadow banking system. The economic situation changed quickly in the second quarter with financial markets across the board posting positive returns as several indicators confirmed that the US was recovering from a weather-induced soft patch. Company earnings results generally came in better than expected after expectations had been lowered to account for the winter weather while merger and acquisition activity reflected improving business confidence. Canadian statistics revealed that the consumer and manufacturing sectors were also faring well north of the border. In Europe, fears of deflation and lackluster growth led the European Central Bank (ECB) to implement unconventional policies to support growth. These actions drove interest rates lower across most developed countries. In China, data pointed to a stabilization of the manufacturing sector. Furthermore, Chinese authorities addressed concerns of an economic slowdown by announcing several targeted mini-stimulus programs. Overall market volatility remained low across both fixed income and equity markets despite the ebb and flow of geopolitical tensions.

On the Canadian front, fixed income markets also extended their gains from the first quarter. The relatively strong returns from the bond market appeared to have caught many investors by surprise. The Government of Canada 10-year bond yield declined by over 60 basis points, with the yield falling to 2.25%. Corporate credit spreads were also tighter over the period, while the yield curve flattened slightly.

The impressive financial results for Canadian banks continued as the industry reported double digit number in cash operating earnings due to solid performance from wealth management, higher than expected trading revenues and domestic Property & Commercial banking. Potential negative impact from exposure to Canadian real estate market continued to defy expectation with muted effect on earnings. By the end of the period, Common Capital ratios exceeded Basel III requirements in Canadian banks including TD Bank, the portfolio's largest exposure.

In the insurance sector, we saw a decline in the sensitivity related to equity markets and low interest rates towards the second half of the period. This translated into stronger results for life insurers and particularly for Manulife Financial, the most important insurance exposure in the portfolio. The company grew its earnings more significantly in the second quarter due to a combination of strong wealth management results and to increases in its insurance premiums. We remain very positive on the company, given it will benefit from its international exposure particularly in Asia.

During the second quarter, unit holders approved the extension of the Canadian Banc Income Fund's (the "Trust") termination date to June 28, 2019. There was also an amendment passed to broaden its parameters relating to geographic scope and the types of securities including soon-to-be-issued bonds that comply with the new Basel III regulatory requirements. These notes will eventually replace the older non-Basel III compliant securities, which are being phased out over several years.

The Fund's portfolio posted positive results for the first half as Tier One Capital continued on their spread tightening however; it lagged its benchmark due to smaller interest rate sensitivity.

Our base case economic scenario continues to be one of modest economic growth in a low-inflation environment marked by simulative monetary policy. We expect the recovery to persist based on recent leading economic releases that show signs of growing positive momentum.

We expect monetary policy to continue to diverge at the global level. On one end, we have the ECB and the Bank of Japan prepared to keep introducing measures to pursue economic growth. On the other side, we have the Bank of England suggesting that interest rates may have to rise "sooner than the markets expect". In the middle, we have the Bank of Canada (BoC) and the US Federal Reserve (Fed). In our view, the BoC has little appetite to raise rates but may be forced to do so if inflation targets are at risk and the Fed will become increasingly vigilant in assessing the adequacy of its monetary policy. For the first time in many years, we see the possibility of a Fed rate hike within a 12 month horizon; the probability is still quite low and lies outside of our base case scenario.

We still expect overall rates to remain within our forecasted 2.25% to 3.00% for the Government of Canada 10-year yield. However, given that we are at the bottom of the range, should economic data validate a stronger economy and should there be any signs of inflationary pressures, we would expect yields to move towards the upper limit. Nevertheless, we are still of the view that the path to higher overall rates will be slow given the levels of global debt that exists in the system. Our outlook for credit remains positive and we expect the strong fundamentals in financials to advantage the portfolio in the context of a slight upward pressure in overall rates.

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 six months period ended June 30, 2014, the Fund redeemed 4,047 Units for net payment of $107,000 (the Fund redeemed 233,755 Units for net payment of $6,420,000 during the six months period ended June 30, 2013).

Distributions

The Fund pays distributions if, as and when declared by the Fund from time to time. The Fund declared $2,143,000 in distributions during the six months period ended June 30, 2014 (the Fund declared $2,815,000 in distributions during the six months period ended June 30, 2013).

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 six months period ended June 30, 2014.

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.

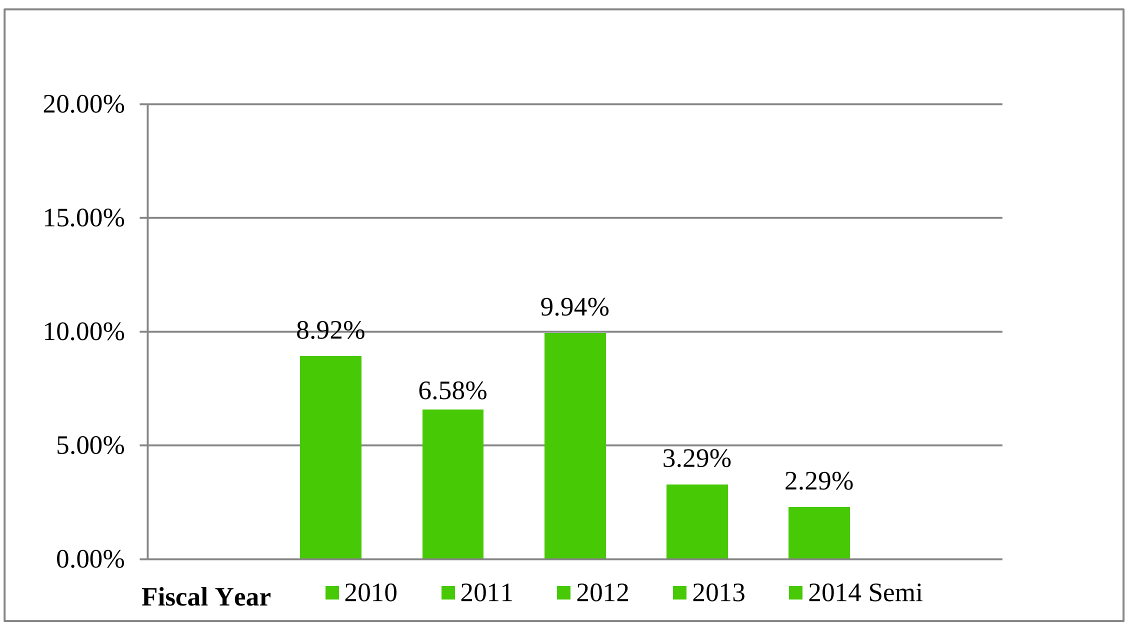
The management fees charged to the Fund during the six months period ended June 30, 2014 were $64,253 plus applicable taxes ($93,044 plus applicable taxes during the six months period ended June 30, 2013).

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 semi-annual performance for the six months period ended June 30, 2014 assuming all the distributions made by the Fund during the periods shown were reinvested. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance. The bar charts show, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period. Past performance is not necessarily indicative of future performance.

Year-by-Year Returns



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 and unaudited semi-annual financial statements:

The Fund's Net Assets per Unit:	**2014[1]**	**2013**	**2012**	**2011**	**2010**
Net Assets, beginning of period	**26.65**	**27.40**	**26.45**	**26.26**	**25.51**
Unit issue expense [2]		–	–	–	–
Increase (decrease) from operations:					
Total revenues	0.73	1.55	1.54	1.55	1.70
Total expenses	(0.03)	(0.07)	(0.07)	(0.07)	(0.06)
Realized gains (losses) for the period	(0.16)	0.71	0.32	0.12	1.65
Unrealized gains (losses) for the period	0.08	(1.21)	0.71	0.10	(1.02)
Total increase (decrease) from operations [3]	**0.62**	**0.98**	**2.50**	**1.70**	**2.27**
Distributions:					
From income (excluding dividends)	(1.02)	(0.96)	(1.59)	(1.57)	(2.26)
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	(0.41)	(0.68)	–	–	–
Total Distributions [4]	**(1.43)**	**(1.64)**	**(1.59)**	**(1.57)**	**(2.26)**
Net Assets, end of period [5]	**26.40**	**26.65**	**27.40**	**26.38**	**26.26**

(1) Results for the six months period ended June 30, 2014.

(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 2,489,546 units outstanding as of June 30, 2014 (December 31, 2013 – 3,272,291 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:	**2014[1]**	**2013**	**2012**	**2011**	**2010**
Net asset value (000's)	65,729	66,455	96,830	124,626	127,230
Number of units outstanding	2,489,526	2,493,593	3,533,400	4,712,269	4,830,152
Management expense ratio (annualized) [2]	0.26%	0.27%	0.25%	0.26%	0.23%
Management expense ratio before waivers or absorptions (annualized) [2]	0.26%	0.27%	0.25%	0.26%	0.23%
Portfolio turnover rate [3]	0.00%	5.21%	0.00%	5.28%	114.24%
Trading expense ratio [4]	0.00%	0.00%	0.00%	0.00%	0.00%

(1) Results for the six months period ended June 30, 2014.

(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.

SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2014

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

	% of NAV
Portfolio by Category	
Corporate Bonds	71.6%
Short-term Investments	5.8%
Cash	0.1%
Futures Contracts	0.4%
Other Assets Net of Other Liabilities	22.2%

Top 25 Holdings	% Rate	Maturity date	% of NAV
Toronto Dominion Capital Trust (CATS III)	7.2%	Dec/31/2018	30.2%
National Bank of Canada Asset Trust	7.2%	Jun/30/2018	24.6%
Manulife Financial Capital Trust (MACS II)	7.4%	Dec/31/2019	11.2%
Short-term Investments			5.8%
Royal Bank of Canada Capital Trust (TRUCS V)	6.8%	Jun/30/2018	5.6%
Future Contracts			0.4%
Cash			0.4%
Total Net Assets Value			

Portfolio Trust

Financial Statements (Unaudited)
June 30, 2014

Notice to Reader:

These interim financial statements and related notes for the six month period ended June 30, 2014 have been prepared by Management of Aston Hill Capital Markets Inc. The auditors of the Fund have not audited or reviewed these interim financial statements.

STATEMENTS OF FINANCIAL POSITION (Unaudited)

As at		June 30, 2014 (Unaudited)		December 31, 2013 (Unaudited)		January 01, 2013 (Unaudited)
Assets						
Current assets						
Financial assets at fair value through profit or loss (cost - $44,691,989; December 31, 2013 - $59,163,807)	**$**	**47,071,100**	$	61,081,524	$	93,471,319
Derivative assets		**-**		195,500		72,240
Cash		**48,370**		29,961		17,559
Short-term investments		**3,844,726**		5,341,509		3,192,008
Due from brokers		**14,539,758**		-		-
Interest receivable		**-**		21,818		24,270
Cash held as margin		**319,286**		-		86,935
Total assets		**65,823,240**		66,670,312		96,864,331
Liabilities						
Current liabilities						
Accounts payable and accrued liabilities		**13,769**		15,332		16,065
Derivative liabilities		**67,511**		-		-
Management fees payable		**12,674**		18,900		18,080
Cash overdraft held as margin		**-**		181,188		-
Total liabilities		**93,954**		215,420		34,145
Net assets attributable to holders of redeemable units	**$**	**65,729,286**	$	66,454,892	$	96,830,186
Redeemable units outstanding (note 6)		**2,489,546**		2,493,593		3,533,400
Net assets attributable to holders of redeemable units per unit	**$**	**26.40**	$	26.65	$	27.40

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

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

W. Neil Murdoch
Director

Darren N. Cabral
Director

STATEMENT OF COMPREHENSIVE INCOME (Unaudited)

For the six months period ended June 30		**2014**		2013
Income				
Interest income for distribution purposes	**$**	**1,817,665**	$	2,643,374
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss				
Net realized gain (loss) on investments		**42,243**		906,668
Net realized gain (loss) on derivative contracts		**(449,525)**		(26,168)
Change in unrealized appreciation (depreciation) on investments		**461,394**		(2,174,468)
Change in unrealized appreciation (depreciation) on derivative contracts		**(263,011)**		538,658
Total income (loss)		**1,608,766**		1,888,064
Expenses				
Management fees (note 8)		**64,253**		93,044
Harmonized sales tax		**9,577**		15,220
Audit fees		**5,057**		5,057
Custodial and other unitholder fees		**4,350**		13,145
Filing fees		**915**		-
Interest expense		**216**		1,269
Other fees		**4**		14
Total expenses		**84,372**		127,749
Increase (decrease) in net assets attributable to holders of redeemable units		**1,524,394**		1,760,315
Increase (decrease) in net assets attributable to holders of redeemable units per unit (*)	**$**	**0.61**	$	0.51

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

(*) *Based on weighted average number of units outstanding for the period*

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (Unaudited)

For the six months period ended June 30		**2014**		2013
Increase (decrease) in Net Assets attributable to holders of redeemable units	**$**	**1,524,394**	$	1,760,315
Distributions to unitholder from: (note 7)				
Net investment income		**(2,143,000)**		(2,815,000)
Capital gains		**-**		-
Return on capital		**-**		-
		(2,143,000)		(2,815,000)
Redeemable unitholder's transactions (note 6)				
Redemption of redeemable units		**(107,000)**		(6,420,000)
		(107,000)		(6,420,000)
Change in Net Assets attributable to holders of redeemable units during the period		**(725,606)**		(7,474,685)
Net Assets attributable to holders of redeemable units, beginning of period		**66,454,892**		96,830,186
Net Assets attributable to holders of redeemable units, end of period	**$**	**65,729,286**	$	89,355,501

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

STATEMENTS OF CASH FLOWS (Unaudited)

For the six months period ended June 30	2014	2013
Cash flows from operating activities		
Increase (decrease) in Net Assets attributable to holders of redeemable units	**$ 1,524,394**	$ 1,760,315
Adjustments to reconcile to operating cash flows:		
Net realized (gain) loss on investments	**(42,243)**	(906,668)
Change in unrealized (appreciation) depreciation on investments	**(461,394)**	2,174,468
Change in unrealized (appreciation) depreciation on derivative contracts	**-**	-
Proceeds from investments sold	**(25,697)**	11,439,164
Purchase of investments	**-**	(4,397,952)
(Increase) decrease in interest and dividends receivable	**21,818**	4,332
(Increase) decrease in futures contracts	**263,011**	187,491
(Increase) decrease in cash (overdraft) held as margin	**(500,474)**	-
Increase (decrease) in management fees payable	**(6,226)**	423
Increase (decrease) in accounts payable and accrued liabilities	**(1,563)**	(450)
Net cash flow provided by (used in) operating activities	**771,626**	10,261,123
Cash flows provided by (used in) financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	**(2,143,000)**	(2,815,000)
Payments on redemption/cancellation of redeemable units	**(107,000)**	(6,420,000)
Net cash flow provided by (used in) financing activities	**(2,250,000)**	(9,235,000)
Net increase (decrease) in cash during the period	**(1,478,374)**	1,026,123
Cash - beginning of period	**29,961**	17,559
Short-term investments - beginning of period	**5,341,509**	3,192,008
Cash - beginning of period	**5,371,470**	3,209,567
Cash - end of period	**48,370**	2,289,769
Short-term investments - end of period	**3,844,726**	1,945,921
Cash - end of period	**$ 3,893,096**	$ 4,235,690

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

SCHEDULE OF INVESTMENT PORTFOLIO (Unaudited)

As at June 30, 2014

	Coupon Rate %	Maturity date	Number of shares	Average cost	Fair value	% of NAV
Short-term investments						
Bearer Deposit Notes						
Bank of Nova Scotia	1.17%	07/16/2014	250,000	$ 249,783	$ 249,783	0.4%
Bank of Nova Scotia	1.21%	08/06/2014	300,000	299,549	299,549	0.5%
Canadian Imperial Bank of Commerce	1.17%	07/04/2014	1,600,000	1,597,440	1,597,440	2.4%
Royal Bank of Canada	1.17%	07/30/2014	1,500,000	1,498,590	1,498,590	2.2%
Treasury Bills						
Government of Canada Treasury Bill *	0.95%	09/25/2014	200,000	199,364	199,364	0.3%
				3,844,726	3,844,726	5.8%
Financial assets at fair value through profit or loss						
Fixed Income						
Corporate Bonds						
Royal Bank of Canada Capital Trust (TRUCS V)	6.82%	06/30/2018	3,120,000	3,518,972	3,651,582	5.6%
Manulife Financial Capital Trust (MACS II)	7.41%	12/31/2019	6,000,000	6,000,000	7,360,706	11.2%
National Bank of Canada Capital Trust	7.24%	06/30/2018	13,700,000	15,741,671	16,186,983	24.6%
Toronto-Dominion Capital Trust (CATS III)	7.24%	12/31/2018	16,581,000	19,431,345	19,871,829	30.2%
				44,691,989	47,071,100	71.6%
Total financial assets at fair value through profit or loss				44,691,989	47,071,100	71.6%

	Maturity date	Number of contracts	Average cost $	Fair value $	Unrealized gain (loss) $	% of NAV
Short Futures contract						
Canadian 5 Year Bond Futures (S&P credit rating: A+)	30/09/2014	(208)	(25,031,849)	(25,099,360)	(67,511)	-0.1%
Cash overdraft held as margin					319,286	0.5%
Total futures contract					251,775	0.4%
Other assets net of other liabilities					14,561,685	22.2%
Net assets attributable to holders of redeemable units					$ 65,729,286	100.0%

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

(*) This security is pledged as collateral for the futures contract

NOTES TO THE FINANCIAL STATEMENTS (June 30, 2014)

1. GENERAL INFORMATION

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.

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.

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.

On June 30, 2014, the Trust Agreement was amended to extend the termination date of the Fund from June 30 to December 31, 2014.

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

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB). The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CICA Handbook (Canadian GAAP). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 14 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

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

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial Instruments

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

b) Fair Value Measurement

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

The fair value of financial assets and liabilities that are not traded in an active market including foreign currency forward contracts are determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each measurement date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same and others commonly used by market participants and which make the maximum us of observable inputs. Refer to note 12 for further information about the Fund's fair value measurements.

c) Cash

Cash consists of cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown in current liabilities in the Statements of Financial Position.

d) Investment Transactions and Income Recognition

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

e) Transaction Costs

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

f) Derivative Contracts

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 Comprehensive Income as part of "Change in unrealized appreciation (depreciation) on derivative contracts". Amounts receivable (payable) from futures contracts are reflected in the Statements of Financial Position. Gains/losses are settled on a daily basis. The cash held as margin (Cash overdraft held as margin) account is adjusted for the settlement amount.

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

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

h) Unit valuation

The net assets attributable to holders of redeemable units per unit is determined by dividing the net assets attributable to holders of redeemable units of the Fund by the redeemable units outstanding of the Fund before giving effect to redemptions or subscriptions for units on that day.

i) Related party transactions

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

j) Accounting Standards Issued But Not Yet Adopted

Financial Instruments ("IFRS 9"), which is intended to replace IAS 39 Financial Instruments: Recognition and Measurement, sets forth new requirements for financial instrument classification and measurement, impairment and hedge accounting. The mandatory effective date of IFRS 9 has been tentatively set for January 1, 2018. Although entities may still choose to apply IFRS 9 immediately, the Fund has chosen not to early adopt IFRS 9.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Classification of Redeemable Units Issued by the Fund

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

Functional and Presentation Currency

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

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

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

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

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

5. CUSTODIAN

Pursuant to the Trust Agreement, RBC Investor & Treasury Services (the "Custodian") also acts as custodian of the assets of the Fund. The Custodian is responsible for certain aspects of the Fund's day-to-day operations, including calculating Net assets attributable to holders of redeemable units, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund. In consideration for these services, the Fund pays a fee to the Custodian. The Custodian is rated AA- by Standard & Poor's ("S&P") as of June 30 2014 and December 31, 2013.

6. REDEEMABLE UNITS

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 six months period ended June 30, 2014, the Fund redeemed 4,047 Units for net payment of $107,000 (the Fund redeemed 233,755 Units for net payment of $6,420,000 during the six months period ended June 30, 2013).

Unit transactions for the six months ended June 30, 2014 and 2013 were as follows:

	June 30, 2014	**June 30, 2013**
Balance – beginning of period	2,493,593	3,533,400
Units issued	–	–
Units redeemed	(4,047)	(233,755)
Balance – end of period	2,489,546	3,299,645

7. DISTRIBUTIONS

The Fund pays distributions if, as and when declared by the Fund from time to time. The Fund declared $2,143,000 in distributions during the six months period ended June 30, 2014 ($2,815,000 during the six months period ended June 30, 2013).

8. RELATED PARTY TRANSACTIONS

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 six months period ended June 30, 2014 were $64,253 plus applicable taxes ($93,044 plus applicable taxes during the six months period ended June 30, 2013).

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

9. INCOME TAXES

The Fund is a financial institution for purposes of the "specified debt obligation" and "mark-to-market" rules contained in the Income Tax Act (Canada) 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 December 31, 2012.

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

10. INVESTMENT TRANSACTIONS

There were $nil of broker commissions paid during the period ended June 30, 2014 and 2013 in connection with portfolio transactions. No contractual arrangements for soft dollars services exist in the broker commission charges.

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 ($25,099,360) 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.

The table below summarizes the Fund's exposure to interest rate risk as at June 30, 2014, December 31, 2013 and January 1, 2013 by remaining term to maturity.

June 30, 2014:

	< 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Investments	251,775	–	39,710,394	7,360,706	**47,322,875**
Short-term Investment	3,844,726	–	–	–	**3,844,726**
Net assets attributable to holders of redeemable units	**$ 4,096,501**	**$ –**	**$39,710,394**	**$ 7,360,706**	**$ 51,167,601**

December 31, 2013:

	< 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Investments	195,500	4,312,308	49,609,624	7,159,591	**61,277,023**
Short-term Investment	5,341,509	–	–	–	**5,341,509**
Net assets attributable to holders of redeemable units	**$ 5,537,009**	**$ 4,312,308**	**$49,609,624**	**$ 7,159,591**	**$ 66,618,532**

January 01, 2013:

	< 1 year	1 - 3 years	3 - 5 years	> 5 years	Total
Investments	159,175	–	10,979,345	82,491,974	**93,630,494**
Short-term Investment	3,192,008	–	–	–	**3,192,008**
Net assets attributable to holders of redeemable units	**$ 3,351,183**	**$ –**	**$10,979,345**	**$82,491,974**	**$ 96,822,502**

As at June 30, 2014, had prevailing interest rates raised or lowered by 1.0%, with all other variables held constant and assuming a parallel shift in the yield curve, net assets would have decreased or increased, respectively, by approximately $672,000 or $753,000 from bonds, short-term notes and bond futures (2013 – $1,100,000 or $1,212,000). 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 June 30, 2014, December 31, 2013 and January 01, 2013, 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 June 30, 2014, December 31, 2013 and January 01, 2013.

The tables below summarize the Fund's exposure to credit risk as of June 30, 2014, December 31, 2013 and January 01, 2013. Amounts shown are based on the carrying value of debt investments and the unrealized gain on the futures contracts.

Rating	June 30, 2014 (% of Net Assets)	December 31, 2013 (% of Net Assets)	January 01, 2013 (% of Net Assets)
AAA	0.0%	0.5%	0.7%
A+	0.4%	0.0%	0.0%
A	11.2%	10.8%	13.7%
A-	35.8%	50.5%	50.3%
A-1	5.8%	7.6%	2.8%
BBB	24.6%	30.6%	32.5%
Total	**77.8%**	**100.0%**	**100.0%**

As at June 30, 2014, December 31, 2013 and January 01, 2013, 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 of the Fund's financial liabilities at June 30, 2014 and December 31, 2013 had maturities of less than one year. The tables below analyze the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the tables the contractual undiscounted amounts.

As at June 30, 2014:

Financial liabilities		On demand		less than 3 months		Total
Accounts payable and accrued liabilities	$	–	$	13,769	**$**	**13,769**
Derivative liabilities		–		67,511		**67,511**
Management fees payable		–		12,674		**12,674**
Cash overdraft held as margin		–		–		–
Total	**$**	**–**	**$**	**93,954**	**$**	**93,954**

As at December 31, 2013:

Financial liabilities		On demand		less than 3 months		Total
Accounts payable and accrued liabilities	$	–	$	15,332	**$**	**15,332**
Derivative liabilities		–		–		–
Management fees payable		–		18,900		**18,900**
Cash overdraft held as margin		–		181,188		**181,188**
Total	**$**	**–**	**$**	**215,420**	**$**	**215,420**

As at January 1, 2013:

Financial liabilities		On demand		less than 3 months		Total
Accounts payable and accrued liabilities	$	–	$	16,065	**$**	**16,065**
Derivative liabilities		–		–		–
Management fees payable		–		18,080		**18,080**
Cash overdraft held as margin		–		–		–
Total	**$**	**–**	**$**	**34,145**	**$**	**34,145**

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 June 30, 2014, December 31, 2013 and January 01, 2013, market price risk was negligible as the Fund did not hold any equity instruments.

Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of concentration as at June 30, 2014, December 31, 2013 and January 1, 2013:

	% of NAV		
	June 30, 2014	**December 31, 2013**	**January 01, 2013**
Portfolio by Category			
Corporate Bonds	71.6%	91.9%	96.5%
Short-term Investments	5.8%	8.1%	3.3%
Cash	0.1%	0.1%	0.0%
Futures contract	0.4%	0.0%	0.2%
Other Assets Net of Other Liabilities	22.1%	0.0%	0.0%

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

12. FAIR VALUE MEASUREMENT

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

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

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

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

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

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

Assets at fair value as at June 30, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Bonds	–	47,071,100	–	47,071,100
Short-term investments	–	3,844,726	–	3,844,726
Total	**$ –**	**$ 50,915,826**	**$ –**	**$ 50,915,826**

Liabilities at fair value as at June 30, 2014	**Level 1**	**Level 2**	**Level 3**	**Total**
Futures contracts	67,511	–	–	67,511
Total	**$ 67,511**	**$ –**	**$ –**	**$ 67,511**

Assets at fair value as at December 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Bonds	–	61,081,524	–	61,081,524
Short-term investments	–	5,341,509	–	5,341,509
Futures contracts	195,500	–	–	195,500
Total	**$ 195,500**	**$ 66,423,033**	**$ –**	**$ 66,618,533**

Assets at fair value as at January 01, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Bonds	–	93,471,319	–	93,471,319
Short-term investments	–	3,192,008	–	3,192,008
Futures contracts	159,175	–	–	159,175
Total	**$ 159,175**	**$ 96,663,327**	**$ –**	**$ 96,822,502**

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 six months period ended June 30, 2014, and also during the year ended December 31, 2013.

13. FINANCIAL INSTRUMENTS BY CATEGORY

The Fund's financial assets (liabilities) have been categorized based upon the fair value hierarchy in the tables below as at June 30, 2014, December 31, 2013 and January 01, 2013;

As at June 30, 2014:

	Financial Assets at FVTPL				
	Held-for-trading	**Designated at inception**	**Total**	**Financial assets at amortized cost**	**Total**
Assets					
Current assets					
Financial assets at fair value through profit or loss	$ -	$ 47,071,100	**$ 47,071,100**	$ -	**$ -**
Derivative assets	-	-		-	-
Cash	-	-		48,370	**48,370**
Short-term investments	-	-		3,844,726	**3,844,726**
Due from brokers	-	-		14,539,758	**14,539,758**
Interest receivable	-	-		-	-
Cash held as margin	-	-		319,286	**319,286**
Total	**$ -**	**$ 47,071,100**	**$ 7,071,100**	**$ 18,752,140**	**$ 18,752,140**

	Financial Liabilities at FVTPL				
	Held-for-trading	**Designated at inception**	**Total**	**Financial liabilities at amortized cost**	**Total**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ 13,769	**$ 13,769**
Derivative liabilities	67,511	-	67,511	-	-
Management fees payable	-	-	-	12,674	**12,674**
Futures contracts	-	-	-	-	-
Unrealized loss on futures contracts	-	-	-	-	-
Cash overdraft held as margin	-	-	-	-	-
Total	**$ 67,511**	**$ -**	**$ 67,511**	**$ 26,443**	**$ 26,443**

As at December 31, 2013:

	Financial Assets at FVTPL				
	Held-for-trading	**Designated at inception**	**Total**	**Financial assets at amortized cost**	**Total**
Assets					
Current assets					
Financial assets at fair value through profit or loss	$ -	$ 61,081,524	**$ 61,081,524**	$ -	**$ -**
Derivative assets	195,500	-	**195,500**	-	-
Cash	-	-	-	29,961	**29,961**
Short-term investments	-	-	-	5,341,509	**5,341,509**
Due from brokers			-	-	-
Interest receivable		-	-	21,818	**21,818**
Cash held as margin	-	-	-	-	-
Total	**$ 195,500**	**$ 61,081,524**	**$ 61,277,024**	**$ 5,393,288**	**$ 5,393,288**

As at December 31, 2013:

	Financial Liabilities at FVTPL				
	Held-for-trading	**Designated at inception**	**Total**	**Financial liabilities at amortized cost**	**Total**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	$ -	$ -	**$ -**	$ 15,332	**$ 15,332**
Derivative liabilities	-	-	**-**	-	**-**
Management fees payable	-	-	**-**	18,900	**18,900**
Futures contracts	-	-	**-**	-	**-**
Unrealized loss on futures contracts	-	-	**-**	-	**-**
Cash overdraft held as margin	-	-	**-**	181,188	**181,188**
Total	**$ -**	**$ -**	**$ -**	**$ 215,420**	**$ 215,420**

As at January 01, 2013:

	Financial Assets at FVTPL				
	Held-for-trading	**Designated at inception**	**Total**	**Financial assets at amortized cost**	**Total**
Assets					
Current assets					
Financial assets at fair value through profit or loss	$ -	$ 93,471,319	**$ 93,471,319**	$ -	**$ -**
Derivative assets	72,240	-	**72,240**	-	**-**
Cash	-	-	**-**	17,559	**17,559**
Short-term investments	-	-	**-**	3,192,008	**3,192,008**
Due from brokers	-	-	**-**	-	**-**
Interest receivable	-	-	**-**	24,270	**24,270**
Cash held as margin	-	-	**-**	86,935	**86,935**
Total	$ 72,240	$ 93,471,319	**$ 93,543,559**	$ 3,320,772	**$ 3,320,772**

	Financial Liabilities at FVTPL				
	Held-for-trading	**Designated at inception**	**Total**	**Financial liabilities at amortized cost**	**Total**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	$ -	$ -	$ -	$ 16,065	**$ 6,065**
Derivative liabilities	-	-	-	-	**-**
Management fees payable	-	-	-	18,080	**18,080**
Futures contracts	-	-	-	-	**-**
Unrealized loss on futures contracts	-	-	-	-	-
Cash overdraft held as margin	-	-	-	-	-
Total	**$ -**	**$ -**	**$ -**	**$ 34,145**	**$ 34,145**

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the six months periods ended June 30, 2014 and 2013:

Category	**Realized gain (loss)**		**Unrealized gain (loss)**	
	2014	**2013**	**2014**	**2013**
Financial assets at FVTPL:				
Held for trading	$ -	$ (26,168)	-	$ 538,658
Designated at inception	42,243	906,668	461,394	(2,174,468)
Total financial assets at FVTPL	**42,243**	**880,500**	**461,394**	**(1,635,810)**
Financial liabilities at FVTPL:				
Held for trading	(449,525)	-	(263,011)	-
Total Financial liabilities at FVTPL	**(449,525)**	**-**	**(263,011)**	**-**

14. TRANSITION TO IFRS

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

Transition Elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate financial assets or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition (see Note 14) were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

Classification of Redeemable Units Issued by the Fund

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

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

Fixed income investments		**December 31, 2013**		**January 01, 2013**
Fixed income investments as reported under Canadian GAAP	$	60,937,814	$	93,150,528
Revaluation of investments at fair value through profit or loss		143,710		320,791
	$	**61,081,524**	**$**	**93,471,319**

Comprehensive Income		**June 30, 2013**
Comprehensive income as reported under Canadian GAAP	$	1,853,594
Revaluation of investments at fair value through profit or loss		(93,279)
Increase (decrease) in Net Assets attributable to holders of redeemable units	**$**	**1,760,315**

Revaluation of investments at Fair Value through Profit or Loss

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions; to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Fund's investments by $320,791 at January 1, 2013, $227,513 and $143,710 as at December 31, 2013. The impact of this adjustment was to decrease the Fund's increase (decrease) in Net Assets attributable to holders of redeemable units by ($93,279) for the six months period ended June 30, 2013.

CORPORATE INFORMATION

Independent Review Committee

John Crow
Chairman

C. Scott Browning

Robert Falconer

Joseph H. Wright

Directors and Senior Officers of the Manager

W. Neil Murdoch
Director and Chief Executive Officer

Darren Cabral
Director and Chief Financial Officer

Eric Tremblay
Director and Chairman

Michael J. Killeen
Director

Larry W. Titley
Director

Manager

Aston Hill Capital Markets Inc.

Investment Manager

Connor, Clark & Lunn Investment Management Ltd.

Transfer Agent and Trustee

Computershare Trust Company of Canada

Custodian

RBC Investor Services Trust

Auditors

PricewaterhouseCoopers LLP

Website

www.astonhill.ca

AstonHill CAPITAL MARKETS

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

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