



U.S. Agency Mortgage-Backed REIT Advantaged Fund
Class A Units and Class F Units

Annual Information Form

For the year ended August 31, 2015

No securities regulatory authority has expressed an opinion about these Units and it is an offence to claim otherwise.

November 27, 2015

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1 DESCRIPTION OF THE BUSINESS

1.1 NAME AND FORMATION

U.S. Agency Mortgage-Backed REIT Advantaged Fund (the “Fund”) is a closed-end investment fund established under the laws of the Province of Ontario and governed by the Trust Agreement (the “Trust Agreement”) between Aston Hill Capital Markets Inc., (the “Manager”) the Manager of the Fund and RBC Investor Services Trust (the “Trustee”) dated September 28, 2012. The Fund’s principal office is located at 77 King Street West, Suite 2110, Toronto, Ontario, M5K 1G8. The Fund commenced operations on October 23, 2012. The fiscal year-end of the Fund is August 31.

1.2 STATUS OF U.S. AGENCY MORTGAGE-BACKED REIT ADVANTAGED FUND

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to mutual funds under such legislation. However, the Fund is subject to certain other requirements and restrictions contained in securities legislation, including National Instrument 81-106 — Investment Fund Continuous Disclosure of the Canadian Securities Administrators, which governs the continuous disclosure obligations of investment funds, including the Fund.

1.3 ISSUE OF UNITS

On October 23, 2012, the Fund completed an initial public offering pursuant to the Prospectus dated September 28, 2012. \$31,000,000 was raised through the issue of 3,100,000 Class A Units and \$1,679,100 was raised through the issue of 167,910 Class F Units.

On November 21, 2012, the Agents exercised an over-allotment option in respect of 142,185 Class A Units, raising a further \$1,421,850.

Agents’ fees and other issue expenses totaled \$2,251,441 plus an amount of \$33,910 to be reimbursed by the Manager to account for the issue expenses above the 1.5% limit of gross proceeds of the offering as set out in the Fund’s Prospectus terms and conditions.

2 DESCRIPTION OF THE FUND

2.1 THE FUND

2.1.1 Investment Objectives

The Fund’s investment objectives are to:

- (i) provide tax-advantaged quarterly cash distributions consisting primarily of returns of capital; and
- (ii) provide low-cost exposure to the 10 largest (by market capitalization) publicly traded U.S. Agency Mortgage REITs through the Forward Agreement.

2.1.2 Investment Strategy

In order to achieve the Fund’s investment objectives, the Fund obtained exposure to a Portfolio (the “Portfolio”) through a forward agreement entered into with the Bank of Montreal (the “Counterparty” or “BMO”). The Portfolio consists of the 10 largest publicly traded U.S. Agency Mortgage REITs by market capitalization, subject to a limit of 25% of the Portfolio being in any one Agency Mortgage REIT, at the time of investment or rebalancing. The Portfolio is rebalanced at least semi-annually.

The Fund does not invest directly in the Portfolio; the Fund used the net proceeds of the initial public offering of its Class A and Class F Units to pre-pay its purchase obligations under a forward purchase and sale agreement (the “Forward Agreement”) with the Bank of Montreal. Under the Forward Agreement, the Fund will, on or about the Forward Termination Date of October 23, 2017, acquire the Canadian Securities Portfolio from the Counterparty having an aggregate value equal to the value of the Portfolio, net of any amount owing by the Fund to the Counterparty. A fee of up to 0.35% per annum, calculated with reference to the Net Asset

Value of the Portfolio, is payable monthly to BMO under the Forward Agreement.

2.1.3 Currency

The Portfolio consists of assets denominated in U.S. dollars. The Manager intends to hedge substantially all of the value of the Portfolio that is invested in U.S. dollars back to the Canadian dollar.

2.1.4 Leverage

The Fund does not employ leverage.

2.1.5 Investment Restrictions of the Fund

The Fund is subject to the investment restrictions set out below and is also indirectly subject to the investment restrictions of the Portfolio as a result of the Forward Agreement.

The investment restrictions of the Fund, which are set forth in the Trust Agreement, provide that the Fund will not:

- a) borrow money;
- b) with respect to the securities acquired pursuant to the Forward Agreement, purchase any securities other than “Canadian securities” for the purpose of the Tax Act;
- c) purchase the securities of an issuer for the purposes of exercising control over management of that issuer or if, as a result of such purchase, the Fund would be required to make a take-over bid that is a “formal bid” for the purposes of applicable securities laws;
- d) make or hold any investment that would result in the Fund failing to qualify as a “mutual fund trust” for purposes of the Tax Act and will not acquire any property that would be “taxable Canadian property” of the Fund as such term is defined in the Tax Act (if the definition were read without reference to paragraph (b) thereof) (or any amendment to such definition) or “specified property” (as defined in the Tax Proposals released on September 16, 2004); or
- e) make or hold any investment that would result in the Fund being subject to the tax on SIFT Trusts as provided for in section 122 of the Tax Act.

The Fund is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to conventional mutual funds under such legislation. However, the Fund is subject to certain other requirements and restrictions contained in securities legislation, including National Instrument 81-106 — Investment Fund Continuous Disclosure of the Canadian Securities Administrators, which governs the continuous disclosure obligations of investment funds, including the Fund.

2.2 OVERVIEW OF THE INVESTMENT STRUCTURE

2.2.1 The Forward Agreement and Portfolio

The Fund obtained economic exposure to the Portfolio through the Forward Agreement entered into with the Bank of Montreal. By virtue of the Forward Agreement, the performance of the Fund is dependent upon the performance of the Portfolio. The Fund used the net proceeds of the Offering to pre-pay its purchase obligations under the Forward Agreement. Pursuant to the terms of the Forward Agreement, the Counterparty will deliver to the Fund, on or about the Forward Termination Date, the Canadian Securities Portfolio with an aggregate value equal to the value of the Portfolio, net of any amount owing by the Fund to the Counterparty. Under the terms of the Forward Agreement, unless an Event of Default has occurred, the Fund and the Counterparty have agreed that the Counterparty’s settlement obligations under the Forward Agreement will be discharged by physical delivery of the Canadian Securities Portfolio by the Counterparty to the Fund.

The terms of the Forward Agreement provide that the Forward Agreement may, in certain circumstances, be settled prior to the Forward Termination Date at the request of the Fund on two days’ notice with settlement to occur three days later. The Fund may settle the Forward Agreement in whole or in part prior to the Scheduled Forward Termination Date: (i) to fund distributions on the

Units; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason including in the event the Counterparty's credit rating is downgraded.

The Forward Agreement may be terminated prior to the Scheduled Forward Termination Date in certain circumstances, including if an event of default or a termination event occurs with respect to the Fund or the Counterparty under the Forward Agreement.

2.2.2 The Forward Agreement and Portfolio

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

2.2.3 Investment Restrictions of the Portfolio

The Portfolio is subject to certain investment restrictions which are set out in the Forward Agreement. The investment restrictions of the Portfolio provide that the Portfolio will not:

- a) invest in securities other than securities of publicly traded Mortgage REITs that invest primarily in agency mortgage-backed securities;
- b) invest more than 25% of the assets of the Portfolio at the time of investment in the securities of any single Agency Mortgage REIT;
- c) invest in securities of any single issuer where the number of securities held represents more than (i) 5% of the outstanding voting or equity securities of any class of that issuer or securities convertible into voting or equity securities of any class of that issuer; or (ii) 25% of the total outstanding equity securities of that issuer;
- d) invest in or use derivative instruments, except in connection with the currency hedging described under "Investment Strategy – Currency";
- e) invest in securities of an issuer for the purposes of exercising control or direction, whether alone or in concert, over management of that issuer; or
- f) invest in securities of, sell securities to, or otherwise contract for the acquisition or disposition of securities with the Manager or any of its affiliates, any officer, director or shareholder of the Manager, any person, trust, firm or corporation managed by the Manager or any of its affiliates or any firm or corporation in which any officer, director or shareholder of the Manager may have a material interest (which, for these purposes, includes beneficial ownership of more than 10% of the voting securities of such entity) unless such transaction complies with NI 81-107.

3 UNITHOLDERS' EQUITY

3.1 DESCRIPTION OF UNITHOLDERS' EQUITY

3.1.1 The Units

The beneficial interest in the net assets and net income of the Fund is divided into two classes of units, Class A Units and Class F Units. The Fund is authorized to issue an unlimited number of Units of each class. The Class F Units are designed for fee-based accounts and are not listed on a stock exchange but are convertible into Class A Units on a weekly basis. Each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to

any other holder of Units, subject to Unitholders of each class being entitled to redemptions based on the Net Asset Value per Unit of a particular class. Each Unitholder is entitled to one vote for each Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net realized capital gains or income, if any. On the redemption of Units, however, the Fund may in its sole discretion, designate payable to redeeming Unitholders, as part of the redemption price, any capital gains realized by, and income of, the Fund in the taxation year in which the redemption occurred. On termination or liquidation of the Fund, the Unitholders of record are entitled to receive on a pro rata basis with holders of Units of that class all of the assets of the Fund attributable to that class remaining after payment of all debts, liabilities and liquidation expenses of the Fund. The Unitholders have no voting rights in respect of assets held by the Fund. The Fund has delegated to the Manager the responsibility for voting on matters for which the Fund receives, in its capacity as a securityholder, proxy materials for a meeting of securityholders of an issuer of securities held by the Fund.

The Trust Agreement provides that the Fund may not issue additional Units of a class following completion of the Offering except (i) at a price that yields net proceeds of not less than 100% of the applicable Net Asset Value per Unit calculated as of the close of business on the Business Day immediately prior to the pricing of such offering; (ii) with the approval of Unitholders; (iii) by way of unit distribution; or (iv) pursuant to any offering of rights, warrants or options to existing Unitholders to acquire Units.

On December 16, 2004, the Trust Beneficiaries' Liability Act, 2004 (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the Securities Act (Ontario); and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer under the Securities Act (Ontario) and it is governed by the laws of Ontario by virtue of the provisions of the Trust Agreement.

3.1.2 Conversion of Class F Units

A holder of Class F Units may convert such Class F Units into Class A Units on a weekly basis and liquidity for the Class F Units is obtained primarily by means of conversion into Class A Units and a sale of such Class A Units. The Class F Units may be converted in any week on the first Business Day of such week by delivering a notice and surrendering such Class F Units by 3:00 p.m. (Toronto time) at least five Business Days prior to the applicable Conversion Date. For each Class F Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class F Unit as of the close of trading on the Business Day immediately preceding the Conversion Date divided by the Net Asset Value per Class A Unit as of the close of trading on the Business Day immediately preceding the Conversion Date. No fraction of a Class A Unit are issued upon any conversion of Class F Units and any fractional amounts are rounded down to the nearest whole number of Class A Units. A conversion of Class F Units into Class A Units does not constitute a disposition of such Class F Units for the purposes of the Tax Act.

During the year ended August 31, 2015, there were 22,750 Class F Units converted to 24,082 Class A Units for a total value of \$152,675. There were also redemption of 431,010 Class A Units for a total value of \$2,724,975 and 12,000 Class F Units for a total value of \$83,453 (During the year ended August 31, 2014, there were 30,640 Class F Units converted to 31,807 Class A Units for a total value of \$216,185. There was also redemption of 700,635 Class A Units for a total value of \$ 4,928,886; none for Class F Units).

3.1.3 Purchase for Cancellation

The Trust Agreement provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A Unit not exceeding the most recently calculated Net Asset Value per Class A Unit immediately prior to the date of any such purchase of Class A Units. It is expected that these purchases will be made as normal course issuer bids through the facilities and under the rules of the TSX or such other exchange or market on which the Class A Units are listed.

The Fund did not purchase any Class A Units for cancellation during the years ended August 31, 2015 and.

3.1.4 Take-over Bids

The Trust Agreement contains provisions to the effect that if a take-over bid is made for the Class A Units and not less than 90% of the aggregate of the Class A Units (but not including any Class A Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Class A Units held by the Unitholders who did not accept the take-over bid on the terms offered by the offeror.

The Trust Agreement also provides that if, prior to the termination of the Fund, a formal bid (as defined in the Securities Act (Ontario)) is made for all of the Class F Units and such bid would constitute a formal bid for all Class A Units if the Class F Units had been converted to Class A Units immediately prior to such bid and the other offer does not include a concurrent identical take-over bid, including in terms of price (relative to the Net Asset Value per Unit of the class), for the Class A Units then the Fund shall provide the holders of Class A Units the right to convert all or a part of their Class A Units into Class F Units. In the circumstances described above, the Fund shall by press release provide written notice to the holders of the Class A Units that such an offer has been made and of the right of such holders to convert all or a part of their Class A Units into Class F Units and to tender such units to the Class F offer.

3.1.5 Book Entry Only System

Registration of interests in and transfers of the Units are made only through the Book-Entry Only System. The Manager, on behalf of the Fund has delivered to CDS certificates representing the aggregate number of Class A Units and Class F Units subscribed for under the prior public offerings by the Fund. The Class A Units and Class F Units must be purchased, transferred and surrendered for redemption through a CDS Participant. All rights of Unitholders must be exercised through, and all payments or other property to which such Unitholders are entitled are made or delivered by CDS or the CDS Participant through which the Unitholder holds such Units. Upon purchase of any Units, the Unitholders will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased.

The ability of a beneficial owner of Units to pledge such Units or otherwise take action with respect to such Unitholder's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the Book-Entry Only System, in which case certificates for the Units in fully registered form would be issued to beneficial owners of such Units or their nominees.

3.2 UNITHOLDER MATTERS

3.2.1 Meetings of Unitholders

A meeting of Unitholders may be convened by the Trustee or the Manager by a written requisition specifying the purpose of the meeting and must be convened by the Trustee if requisitioned by Unitholders holding not less than 10% of the then outstanding Units entitled to vote on the matter (whether Class A Units and/or Class F Units) by a written requisition specifying the purpose of the meeting. The Trustee or the Manager may convene a Class A Meeting or Class F Meeting if the nature of the business to be transacted at that meeting is only relevant to Unitholders of the applicable class.

Notice of all meetings of Unitholders (whether a meeting of all Unitholders, a Class A Meeting or a Class F Meeting) will be given in accordance with the Trust Agreement and applicable law. The quorum for a meeting of all Unitholders is two or more Unitholders present in person or represented by proxy holding not less than five percent of the Units then outstanding (whether Class A Units or Class F Units). The quorum for a Class A Meeting is two or more holders of Class A Units present in person or represented by proxy holding not less than five percent of the Class A Units then outstanding. The quorum for a Class F Meeting is two or more holders of Class F Units present in person or represented by proxy holding not less than five percent of the Class F Units then outstanding. In the event that such quorum is not present within one-half hour after the time called for a meeting, the meeting, if convened upon the request of a Unitholder, will be dissolved, but in any other case, the meeting will stand adjourned to such day no later than 14 days later and to such time and place as may be appointed by the chairman of the meeting (which for greater certainty can be at a later time on the date of the originally scheduled meeting) and if at such adjourned meeting a quorum is not present, the Unitholders present in person or by proxy at such adjourned meeting will be deemed to constitute a quorum.

A matter requiring an Extraordinary Resolution requires an affirmative vote of at least two-thirds of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

The Fund, subject to obtaining any necessary regulatory approvals, does not intend to hold annual meetings of Unitholders. However, the Fund will undertake to the TSX to hold annual meetings of Unitholders if so instructed by the TSX.

3.2.2 Permitted Merger

The Fund may, without obtaining Unitholder approval, enter into a merger or other similar transaction which has the effect of combining the Fund or its assets on a tax-deferred "rollover basis" (a "Permitted Merger") with any other investment fund or funds managed or advised by the Manager that has or have investment objectives and investment strategies that are substantially the same

as the Fund's on an exchange ratio based on the relative Net Asset Values of such funds, subject to:

- a) approval of the Permitted Merger by the Fund's Independent Review Committee;
- b) written notice to Unitholders at least 60 days before the effective date of the Permitted Merger;
- c) a special redemption right allowing Unitholders to redeem Units at 100% of Net Asset Value per Unit if they so choose; and
- d) the merging funds bearing none of the costs associated with the Permitted Merger.

3.2.3 Matters Requiring Unitholder Approval

The following matters may only be undertaken with the approval of Unitholders by an Extraordinary Resolution:

- a) any change in the investment objectives or investment restrictions of the Fund, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- b) any change of the Manager except where the new manager is an affiliate of the Manager;
- c) any increase in the Management Fee;
- d) any amendment, modification or variation in the provisions or rights attaching to the Units;
- e) any change in the frequency of calculating the Net Asset Value per Unit to less often than daily;
- f) other than a Permitted Merger, any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course;
- g) other than in connection with a Permitted Merger, any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interest of the Unitholders or otherwise in accordance with the terms of the Trust Agreement;
- h) the issuance of additional Units, other than for net proceeds equal to or greater than 100% of the most recently calculated Net Asset Value per Unit calculated immediately prior to the pricing of such issuance other than (i) by way of unit distribution or (ii) pursuant to any offering of rights, warrants or options to existing Unitholders to acquire Units; and
- i) any amendment to the above provisions except as permitted by the Trust Agreement.

Notwithstanding the foregoing, the Trustee or the Manager is entitled to amend the Trust Agreement without the consent of, or notice to, the Unitholders, to:

- a) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Agreement and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- b) make any change or correction in the Trust Agreement which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- c) bring the Trust Agreement into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not, in the opinion of the Manager, adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities;
- d) maintain the status of the Fund as a "mutual fund trust" for the purposes of the Tax Act or to respond to amendments to such Act or to the interpretation or administration thereof;
- e) in the event the Forward Agreement terminates prior to the termination of the Fund, enter into a new forward agreement or amend the Trust Agreement to permit the Fund to hold a portfolio of securities, provided that notwithstanding the above, the Fund will provide at least 30 days' notice to Unitholders of any such action by way of press release;

- f) provide added protection or benefit to Unitholders;
- g) in connection with a Permitted Merger; or
- h) make such modifications as may be necessary or desirable in connection with the termination of the Forward Agreement prior to the Forward Termination Date as a result of the termination of the Fund as described under “Termination of the Fund”.

Except as provided above, the Trust Agreement may be amended by an Ordinary Resolution approved at a meeting of Unitholders duly convened and held in accordance with the provisions in that regard contained in the Trust Agreement, or by the written consent in lieu of a meeting if there is only one Unitholder.

3.2.4 Reporting to Unitholders

The Fund makes available to Unitholders such financial statements and other continuous disclosure documents as are required by applicable law, including (i) unaudited interim and audited annual financial statements of the Fund, prepared in accordance with Canadian generally accepted accounting principles, and (ii) interim and annual management reports of fund performance in respect of the Fund. The Fund makes available to each Unitholder annually and within the time prescribed by law, information necessary to enable such Unitholder to complete an income tax return with respect to the amounts payable by the Fund.

3.3 TERMINATION OF THE FUND

The Fund does not have a fixed termination date. However, the Fund may be terminated at any time provided that the prior approval of Unitholders has been obtained by an Extraordinary Resolution at a meeting of Unitholders called for that purpose (the “Termination Date”), in connection with a Permitted Merger or in the event that a replacement Forward Agreement cannot be entered into by the Fund on commercially reasonable terms satisfactory to the Manager on or before the Forward Termination Date; provided, however, that the Manager may, in its discretion, on at least 60 days’ notice to Unitholders, terminate the Fund without the approval of Unitholders if, in the opinion of the Manager, it would be in the best interests of Unitholders to terminate the Fund including in the event the Preferred Share 50 Index ceases to be calculated. The Fund will also issue a press release ten days prior to the Termination Date setting forth the details of the termination including the fact that, upon termination, the net assets of the Fund will be distributed to Unitholders on a pro rata basis. Immediately prior to the termination of the Fund, including on the Termination Date, the Trustee will, to the extent possible, convert the assets of the Fund to cash and, after paying or making adequate provision for all of the Fund’s liabilities, distribute the net assets of the Fund to the Unitholders as soon as practicable after the date of termination, subject to compliance with any securities or other laws applicable to such distributions.

Upon termination, the Trust Agreement provides that the Fund will distribute to Unitholders their pro rata portions of the remaining assets of the Fund after all liabilities of the Fund have been satisfied or appropriately provided for. Such assets, which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to any Termination Date, unliquidated assets in specie rather than in cash. The value of any remaining assets of the Fund will be determined by the Manager, acting reasonably. Following such distribution, the Fund will be dissolved. There can be no assurance Unitholders will receive \$10.00 per Unit upon any termination of the Fund.

3.4 DISTRIBUTIONS

3.4.1 Distribution Policy

The Fund intends to make quarterly tax-advantaged distributions to Unitholders of record on the last day of the months of January, April, July and October. The Fund does not have a fixed quarterly distribution amount but intends to, at least annually, set distribution targets based on the Manager’s estimate of expected returns on the Portfolio for the period. Based on current estimates, the Fund’s initial distribution target is \$0.20 per Unit per quarter, representing an initial yield on the Unit issue price of 8.0% per annum, consisting primarily of returns of capital which are not immediately taxable but which reduce a Unitholder’s adjusted cost base of its Units. The amount of quarterly distributions may fluctuate from quarter to quarter and there can be no assurance as to the amount of the targeted distributions or that the Fund will make any distribution in any particular quarter.

During the year ended August 31, 2015, the Fund paid distributions of \$0.80 per Class A Unit and \$0.80 per Class F Unit (\$0.80 per Class A and Class F Unit respectively during the year ended August 31, 2014).

The Fund is subject to tax under Part I of the Tax Act on the amount of its income for tax purposes for the year, including net realized

taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. To ensure that the Fund will generally not be liable for income tax under Part I of the Tax Act, the Trust Agreement provides that, if necessary, an Additional Distribution will be automatically payable in each year to Unitholders of record on December 31. The Additional Distribution may be necessary if the Fund realizes income and net realized capital gains for tax purposes which is in excess of the quarterly distributions paid or made payable to Unitholders during the taxation year. If the Fund must pay an Additional Distribution, such Additional Distribution may, at the option of the Manager, be satisfied by the issuance of Units. Following such issue of additional Units, the outstanding Units may be automatically consolidated on a basis such that each Unitholder will hold after the consolidation the same number of Units as it held before the distribution of additional Units, except in the case of a Non-Resident Unitholder if tax was required to be withheld in respect of the distribution. See “Income Tax Considerations”.

3.5 REDEMPTION OF UNITS

3.5.1 Annual Redemptions

Commencing in 2014, the Class A Units and Class F Units may be redeemed on an Annual Redemption Date, which is the second to last Business Day of April of each year, subject to certain conditions. In order to effect such a redemption, the Units must be surrendered during the period from March 15 until 5:00 p.m. (Toronto time) on the last Business Day in March in the year of redemption (the “Notice Period”), subject to the Fund’s right to suspend redemptions in certain circumstances. Units properly surrendered for redemption during the Notice Period will be redeemed on the Annual Redemption Date and the Unitholder surrendering such Units will receive payment on or before the Redemption Payment Date, which is the 10th Business Day of the month immediately following the Annual Redemption Date. Redeeming Unitholders will be entitled to receive a redemption price in an amount equal to 100% of the Net Asset Value per Unit of the relevant class on an Annual Redemption Date less any costs associated with the redemption, including brokerage costs, and less any net realized capital gains or income to the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption. By virtue of the Forward Agreement, the Annual Redemption Price will be dependent upon the performance of the Portfolio. Concurrently with the payment of the redemption price, the Fund may pay to the redeeming Unitholder a cash distribution in the amount of the net realized capital gains of the Fund incurred by it to fund the payment of the redemption price. The Annual Redemption Price will vary depending on a number of factors.

3.5.2 Monthly Redemptions

In addition to the annual redemption right, the Class A Units and Class F Units may also be redeemed on a Monthly Redemption Date, which is the second to last Business Day of each month other than, commencing in 2014, the month of April, subject to certain conditions. In order to effect such a redemption, the Units must be surrendered by no later than 5:00 p.m. (Toronto time) on the date which is the last Business Day of the month preceding the month in which the Monthly Redemption Date falls, subject to the Fund’s right to suspend redemptions in certain circumstances. Units properly surrendered for redemption within such period will be redeemed on the Monthly Redemption Date and the Unitholder surrendering such Units will receive payment on or before the Redemption Payment Date, which is the 10th Business Day of the month immediately following a Monthly Redemption Date. Concurrently with the payment of the redemption price, the Fund may pay to the redeeming Unitholder a cash distribution in the amount of the net realized capital gains or income of the Fund incurred by it to fund the payment of the redemption price.

Unitholders surrendering a Class A Unit for redemption will receive a redemption price equal to the lesser of (i) 95% of the Market Price of a Class A Unit, which is the weighted average trading price of the Class A Unit on the TSX (or such other stock exchange on which such security is listed), for the 10 trading days immediately preceding such Monthly Redemption Date and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date, which is the closing price of the Class A Unit on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed) or, if there was no trade on the relevant Monthly Redemption Date, the average of the last bid and the last asking prices of the security on the TSX on such Monthly Redemption Date (or such other stock exchange on which the security is listed) less, in each case, any costs associated with the redemption, including brokerage costs, and less any net realized capital gains or income of the Fund that are distributed to a Unitholder concurrently with the proceeds of disposition on redemption, being the Monthly Redemption Amount.

Unitholders surrendering a Class F Unit for redemption will receive an amount equal to the product of (i) the Monthly Redemption Amount and (ii) a fraction, the numerator of which is the most recently calculated Net Asset Value per Unit of a Class F Unit and the denominator of which is the most recently calculated Net Asset Value per Unit of a Class A Unit.

The Fund had redemption of 431,010 Class A Units for a total value of \$2,724,975 and 12,000 Class F Units for a total value of \$83,453 (During the year ended August 31, 2014, there were redemption of 700,635 Class A Units for a total value of \$ 4,928,886;

none for Class F Units).

Pre-Settling the Forward Agreement

The Fund may settle the Forward Agreement in whole or in part prior to the Scheduled Forward Termination Date in order to fund redemptions. The value of the Forward Agreement on an Annual Redemption Date or a Monthly Redemption Date, and accordingly, the Net Asset Value per Unit on an Annual Redemption Date or Monthly Redemption Date, as applicable, and the redemption price is dependent upon the net asset value of the Portfolio.

3.5.3 Exercise of Redemption Right

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds his or her Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Units by no later than 5:00 p.m. (Toronto time) on the applicable notice dates described above. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption right sufficiently in advance of the Annual Redemption Date or Monthly Redemption Date deadline so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the notice dates described above.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder's intention to redeem Units the Unitholder will be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to the Annual Redemption Date or Monthly Redemption Date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, if such withdrawal will not adversely affect the Fund. Any expense associated with the preparation and delivery of the redemption notice will be for the account of the Unitholder exercising the redemption privilege.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed will, for all purposes, be void and of no effect and the redemption privilege to which it relates will be considered, for all purposes, not to have been exercised thereby. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder's instructions will not give rise to any obligations or liability on the part of the Fund, the Trustee or the Manager to the CDS Participant or the Unitholder.

3.5.4 Suspension of Redemptions

The Fund may suspend the redemption of Units or payment of redemption proceeds (i) for the whole or any part of a period during which normal trading is suspended on one or more exchanges on which more than 50% of the securities included in the Canadian Securities Portfolio (by value) or the Portfolio are listed and traded, and if the securities are not traded on any other exchange that represents a reasonable, practical alternative for the Fund, or (ii) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension, but for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances all Unitholders will have, and will be advised that they have, the right to withdraw their requests for redemption. The suspension will terminate in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager will be conclusive.

4 VALUATION

4.1 CALCULATION OF NET ASSET VALUE

RBC Investor Services Trust acts as Valuation Agent for the Fund (the "Valuation Agent"). The Valuation Agent calculates the Net Asset Value per Unit of each class of Units as at the close of business on each Valuation Date. The Fund makes available to the financial press for publication on a daily basis the Net Asset Value per Unit of each class. Such amount is also available on the Manager's website at www.astonhill.ca and also available to Unitholders upon request, at no cost, by calling 1-800-513-3868.

4.1.1 Valuation Policies and Procedures

For transactional reporting purposes, the Net Asset Value on a particular date is equal to (i) the Total Assets of the Fund less (ii) the aggregate value of the liabilities of the Fund. The Net Asset Value per Unit of a class on any day is obtained by dividing the net asset value of that class on such day by the number of Units of that class then outstanding.

For the purpose of calculating Net Asset Value (i.e., for purposes other than financial statements) of the Fund on a Valuation Date, the Total Assets of the Fund on such Valuation Date is determined as follows:

- a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, distribution, or other amount receivable (or declared to holders of record of assets owned on a date before the Valuation Date as of which the Total Assets are being determined, and to be receivable) and interest accrued and not yet received will be deemed to be the full amount thereof provided that if the Valuation Agent has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution, or other amount receivable (or declared to holders of record of assets owned on a date before the Valuation Date as of which the Total Assets are being determined, and to be receivable) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof will be deemed to be such value as the Valuation Agent determines to be the fair market value thereof;
- b) the value of any bonds, debentures and other debt obligations will be valued by taking the average of the bid and ask prices quoted by a major dealer or recognized information provider in such assets on a Valuation Date at such times as the Valuation Agent, in its discretion, deems appropriate. Short-term investments including notes and money market instruments will be valued at cost plus accrued interest;
- c) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Valuation Agent) will be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Valuation Agent such value does not reflect the value thereof and in which case the latest offer price or bid price will be used), as at the Valuation Date on which the Total Assets are being determined, all as reported by any means in common use;
- d) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer or recognized information provider in such securities;
- e) any market price reported in currency other than Canadian dollars will be translated into Canadian currency at the rate of exchange available from the Valuation Agent on the Valuation Date on which the Total Assets are being determined;
- f) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Valuation Agent and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Valuation Agent;
- g) the value of the Forward Agreement and any other forward contract or other derivatives, such as future contracts, swap contracts or options on financial futures, will be the value that would be realized by the Fund if, on the date on which the Total Assets are being determined, the Forward Agreement or any other forward contract or other derivatives were closed out in accordance with its terms; and
- h) the value of any security or property to which, in the opinion of the Valuation Agent, the application of the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) will be the fair market value thereof determined in good faith in such manner as the Valuation Agent determines in consultation with the Manager from time to time.

The Net Asset Value per Unit of a class is calculated in Canadian dollars in accordance with the rules and policies of the Canadian Securities Administrators or in accordance with any exemption therefrom that the Fund may obtain.

4.2 AUDIT OF FINANCIAL STATEMENTS

The annual financial statements of the Fund are audited by the Fund's auditor in accordance with International Financial Reporting Standards. The auditor is asked to report on the fair presentation of the annual financial statements in accordance with International

Financial Reporting Standards.

4.3 REPORTING OF NET ASSET VALUE

The Net Asset Value per Unit is provided daily to Unitholders at no cost on the Manager's website at astonhill.ca and is also available to Unitholders upon request, at no cost, by calling 1-888-800-513-3868.

5 MANAGEMENT OF THE FUND

5.1 THE MANAGER

Aston Hill Capital Markets Inc. acts as manager of the Fund. The Manager oversees, manages and implements the objectives of the Fund. The Manager is entitled to receive fees as compensation for management services rendered to the Fund.

The Manager is entitled to receive fees as compensation for management services rendered to the Fund. See "Duties and Services to be provided by the Manager" and "Fees and Expenses" below.

5.1.1 Duties and Services to be Provided by the Manager

Pursuant to the Trust Agreement, the Manager has exclusive authority to manage the operations and affairs of the Fund, to make all decisions regarding the undertaking of the Fund and to bind the Fund. The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the Fund to do so. The Manager is also responsible for providing, or causing to be provided, portfolio management services to the Fund.

The Manager's duties include maintaining accounting records for the Fund; authorizing the payment of operating expenses incurred on behalf of the Fund; preparing financial statements, income tax returns and financial and accounting information as required by the Fund; ensuring that unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Fund complies with regulatory requirements, including its continuous disclosure requirements under applicable securities laws; preparing the Fund's reports to Unitholders and to the Canadian securities regulators; providing the Custodian with information and reports necessary for the Custodian to fulfill its fiduciary responsibilities; currency hedging; administering the redemption of Units; arranging for any payment required on the termination of the Fund; dealing and communicating with unitholders; and negotiating contracts with third party providers of services, including, but not limited to, custodians, transfer agents, legal counsel, auditors and printers.

The Manager also implements and monitors the Fund's investment strategy to ensure compliance with the Fund's investment guidelines.

The Fund has entered into the Registrar, Transfer Agency and Distribution Agency Agreement. The Fund may terminate the foregoing agreement upon notice.

5.1.2 Details of the Manager's Obligations under the Trust Agreement

Pursuant to the Trust Agreement, the Manager shall exercise the powers and discharge the duties of its office honestly, in good faith and in the best interests of the Fund and the Unitholders and, in connection therewith, shall exercise the degree of care, diligence and skill that a reasonably prudent manager would exercise in similar circumstances. The Trust Agreement provides that the Manager shall not be liable in any way for any default, failure or defect in the assets held by the Fund or for any loss or diminution in the value of such assets or other loss or damage suffered by any such person or for any errors of judgement, acts or omissions if it has satisfied the duties and standard of care, diligence and skill set forth above. The Manager will, however, incur liability in cases of willful misconduct, bad faith or negligence or breach of its obligations under the Trust Agreement and is responsible for any investment advisory and portfolio management services provided to the Fund.

The Manager may resign as manager of the Fund upon at least 60 days' notice to the Unitholders and to the Fund or upon such lesser notice period as the Fund may accept. If the Manager resigns it may appoint its successor but, unless its successor is an affiliate of the Manager, its successor must be approved by the Unitholders. If the Manager is in material default of its obligations under the Trust Agreement and such default has not been cured within 20 business days after notice of same has been given to the Manager, the Fund shall give notice thereof to the Unitholders and the Unitholders may remove the Manager and appoint a successor manager.

The Manager is entitled to fees for its services under the Trust Agreement as described under “Fees and Expenses” and is reimbursed for all reasonable costs and expenses incurred by it on behalf of the Fund.

The Manager and each of its directors, officers, employees and agents are indemnified by the Fund for all liabilities, costs and expenses incurred in connection with any action, suit or proceeding that is proposed or commenced or other claim that is made against the Manager or any of its officers, directors, employees or agents in the exercise of its duties as manager, except those resulting from the Manager’s willful misconduct, bad faith or negligence or the Manager’s failure to meet the standard of care set forth above.

5.1.3 Accounting and Reporting

The Fund’s fiscal year-end is August 31. The Manager ensures that the Fund complies with all applicable reporting and administrative requirements.

The Manager keeps adequate books and records reflecting the activities of the Fund. A Unitholder or his or her duly authorized representative has the right to examine the books and records of the Fund during normal business hours at the offices of the Manager. Notwithstanding the foregoing, subject to applicable law, a Unitholder shall not have access to any information, which, in the opinion of the Manager, should be kept confidential in the interests of the Fund.

5.1.4 Officers and Directors of the Manager

The name and municipality of residence of the Directors and Executive Officers of the Manager and their principal occupations are as follows:

Name and Municipality	Position with the Manager	Principal Occupation
W. Neil Murdoch Oakville, Ontario	Director and Chief Executive Officer	Director and Chief Executive Officer, Aston Hill Capital Markets Inc.
Darren N. Cabral Toronto, Ontario	Director and President and Chief Financial Officer	President, Aston Hill Capital Markets Inc.
Kal Zakarneh Toronto, Ontario	Chief Financial Officer	Chief Financial Officer, Aston Hill Capital Market Inc.
Peter Anderson Toronto, Ontario	Director	Director, Aston Hill Capital Market Inc. Interim Chief Executive Officer, Aston Hill Financial Inc.
Derek Slemko Alberta, Calgary	Interim Chief Financial Officer	Interim Chief Financial Officer, Aston Hill Financial Inc.
Sasha Rnjak Woodbridge, Ontario	Chief Compliance Officer and Corporate Secretary	Vice President, Fund Operations and Chief Compliance Officer, Aston Hill Asset Management Inc.

W. Neil Murdoch: CFA; BComm, McGill University; LLB, University of Toronto; Master of Management, Kellogg Graduate School of Management, Northwestern University. Mr. Murdoch joined Aston Hill Capital Markets Inc. (formerly Connor, Clark & Lunn Capital Markets Inc.) in December 2003. Prior thereto, Mr. Murdoch was Executive Vice President and Portfolio Manager at AIC Group of Funds.

Darren N. Cabral: CFA; BA (Hons.), York University; MBA, Schulich School of Business, York University. Mr. Cabral joined Aston Hill Capital Markets Inc. (formerly Connor, Clark & Lunn Capital Markets Inc.) in May 2007. Prior thereto, Mr. Cabral held various positions with affiliates of Middlefield Group Limited from September 2001 to April 2007, including Executive Director of Research at Middlefield Capital Corporation and Managing Director of Middlefield International Limited.

Kal Zakarneh: B.Comm, University of Jordan. Mr. Zakarneh joined Aston Hill Capital Markets Inc. in 2013. Prior thereto Mr. Zakarneh was a Fund Accounting Controller with Connor, Clark & Lunn Financial Group since 2005.

Peter Anderson: C.A.; B.Comm, University of New Brunswick. Mr. Anderson joined Aston Hill Financial Inc. in 2014. Prior thereto, Mr. Anderson was Chief Executive Officer of CI Investments from 2003 to 2010. Prior to joining CI, he was Managing Director with ScotiaMcLeod Inc.

Derek Slemko: C.A.; B.Comm, University of Alberta. Mr. Slemko joined Aston Hill Financial Inc. in 2006. Prior thereto, Mr. Slemko was controller of Vault Energy Trust from 2005 to 2006.

Sasha Rnjak: BA Economics, University of Western Ontario, Vice President, Fund Operations and Chief Compliance Officer, Aston Hill Asset Management Inc., since April 2011; prior thereto, Compliance Manager, CI Investments Inc., since September 2007.

5.2 PROXY VOTING DISCLOSURE FOR PORTFOLIO SECURITIES HELD

Subject to compliance with the provisions of applicable law, the Manager has the right to vote proxies relating to the assets held by the Fund. Proxies must be voted in a manner consistent with the best interests of the Fund.

Because the Fund does not purchase assets for the purposes of exercising control or direction over the assets, as a general rule, proxies will be voted with management on routine business. Examples of routine business are voting on the size, nomination and election of the board of directors and the appointment of auditors. All other special or non-routine matters are assessed on a case-by-case basis with a focus on the potential impact of the vote on the value of the Fund's investment. Examples of non-routine business are stock based compensation plans, executive severance compensation arrangements, shareholders rights plans, corporate restructuring plans, going private transactions in connection with leveraged buyouts, supermajority approval proposals, and stakeholder or shareholder proposals.

On rare occasions, the Manager may abstain from voting a proxy or a specific proxy item when it is concluded that the potential benefit of voting the proxy is outweighed by the cost of voting the proxy. In addition, the Manager will not vote proxies received for assets which are no longer held by the Fund.

On the delivery of the Canadian Securities Portfolio by the Counterparty on the Forward Termination Date, the Manager, acting on the Fund's behalf will retain the right to vote proxies relating to the securities in the Canadian Securities Portfolio pursuant to the Trust Agreement. The Manager will vote the proxies relating to the assets in the Canadian Securities Portfolio in the same manner and with the same restrictions as those proxies voted in relation to the other assets held by the Fund.

5.2.1 Proxy Voting Conflicts of Interest

Where proxy voting could give rise to a conflict of interest or perceived conflict of interest, in order to balance the interest of the Fund in voting proxies with the desire to avoid the perception of a conflict of interest, the Manager has instituted procedures to help ensure that the Fund's proxy is voted in accordance with the business judgment of the person exercising the voting rights on behalf of the Fund, uninfluenced by considerations other than the best interests of the Fund.

The procedures for voting proxies where there may be a conflict of interest include escalation of the issue to the Independent Review Committee, for their consideration and advice, although the responsibility for deciding how to vote proxies and for exercising the vote remains with the Manager.

5.2.2 Disclosure of Proxy Voting Guidelines and Record

A copy of the Manager's proxy voting guidelines is made available on the Manager's website at www.astonhill.ca. The most recent proxy voting record for the most recent period ended June 30 of each year will also be available on the Manager's website.

5.3 CONFLICTS OF INTEREST

The management and administrative services provided by the Manager to the Fund pursuant to the Trust Agreement are not exclusive and nothing in the Trust Agreement prevents the Manager from providing similar management services to other investment funds and clients (whether or not their investment objectives and policies are similar to those of the Fund) or from engaging in other activities. Investment decisions for the Fund are made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager may manage the same investment for the Fund and the Portfolio and for one or more of its other clients. If the Fund and one or more of the other clients of the Manager are engaged in the purchase or sale of the same security, the transactions will be affected on an equitable basis.

The Trust Agreement acknowledges that the Trustee may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favorable to the Fund than those which would be obtained from parties which are at arm's length for comparable services. The Trustee may act as trustee of, and provide services to, other investment funds or trusts.

5.4 INDEPENDENT REVIEW COMMITTEE

The Manager has appointed an independent review committee (the “Independent Review Committee”) in accordance with NI 81-107 comprised of four members, each of whom is independent of the Manager and entities related to the Manager. The Independent Review Committee intends to function in accordance with applicable securities law, including NI 81-107. The mandate of the Independent Review Committee is to review and provide its decisions to the Manager on conflict of interest matters that the Manager has referred to the Independent Review Committee for review. The Manager is required to identify conflict of interest matters inherent in its management of the Fund and request input from the Independent Review Committee in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The Independent Review Committee has adopted a written charter which it follows when performing its functions and is subject to requirements to conduct regular assessments. In performing their duties, members of the Independent Review Committee are required to act honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Independent Review Committee also serves in respect of other funds that are managed by the Manager. The Independent Review Committee report annually to the Fund which report is available free of charge upon request to the Manager and is posted on the Manager’s website at www.astonhill.ca.

The following are brief biographies provided by the members of the Independent Review Committee.

John Crow (chair) is the former Governor of the Bank of Canada and a noted economist. He is a director or advisor to a number of companies, and is also a Senior Fellow of the C.D. Howe Institute. In 1999, he chaired a committee of international experts that was commissioned by the Executive Board of the International Monetary Fund (the “IMF”) to evaluate IMF bilateral, regional, and multilateral surveillance activities, and in 2002, he took part in a high level international mission to advise on monetary problems in Argentina. In 2003, he chaired an international task force commissioned by the International Federation of Accountants to examine the loss of credibility in financial reporting and how to restore it. Mr. Crow is the author (2002) of *Making Money: An Insider's Perspective on Finance, Politics, and Canada's Central Bank*.

C. Scott Browning received his doctorate in chemistry from the University of Toronto in 1992. He returned to join the faculty at UofT after a sixteen month term as a post-doctoral Fellow at the National Institute of Bioscience in Japan. His research on the modular design, synthesis and properties of tunable phosphine ligands has been published in the journals of the Royal Society of Chemistry and the American Chemical Society and presented at international conferences. Dr. Browning is a Fellow of the University of St. Michael's College and is currently coauthoring a textbook that emphasizes a strong mechanistic approach to understanding organic chemistry.

Robert B. Falconer is a Member of Board of Directors, Audit and Valuation, Investment and Independent Review Committee (chair) of VentureLink Funds and has financial consulting contracts with Altamira Financial Services, Ontario Clean Water Agency and GHD International. He recently worked as a Director of Community Loans Policy & Risk Control for Ontario Strategic Infrastructure Financing Authority and as a Vice President of Corporate Finance for Altamira Financial Services.

Joseph H. Wright spent 23 years with Citibank in New York, Geneva and Toronto. He left Citibank in 1986 to join Burns Fry Limited where he worked until 1994, finishing as a Vice Chairman. In 1995, he joined Swiss Bank Corporation (Canada) as President & CEO. Following Swiss Bank, he has spent 16 years as a corporate director, serving on the boards of Loblaw Companies Limited, O & Y Real Estate Investment Trust, Call-Net Enterprises Inc. and St. Laurent Paperboard Inc., to name a few. He also served for 5 years as the Chair of the Connor, Clark & Lunn Financial Group’s independent review committee.

The IRC members perform a similar function as the independent review committee for other investment funds managed by the Manager and its affiliates. The current IRC members each receive \$15,000 per annum (\$20,000 for the Chairman) plus \$1,250 per meeting for acting in such capacity and are also reimbursed for expenses in connection with performing their duties.

Each year the IRC determines and discloses its compensation in its annual report to Unitholders in the Fund. The annual fees are allocated across all investment funds managed by the Manager and its affiliates with the result that only a small portion of the annual fees of the IRC are charged to the Fund. The annual fees are determined by the IRC and disclosed in its annual report to Unitholders of the Fund.

The IRC reviews its compensation on an annual basis, giving consideration to: industry practice; the number, nature and complexity of the funds; and the nature and extent of the workload. The Independent Review Committee fees paid during the year ended August 31, 2014 were \$324 plus applicable taxes.

5.5 THE TRUSTEE

RBC Investor Services Trust is the trustee of the Fund under the Trust Agreement and as such, is responsible for certain aspects of the day-to-day administration of the Fund as described in the Trust Agreement. The Trustee's office is located in Toronto, Ontario

The Trustee may resign upon 60 days' notice to Unitholders and to the Manager. The Trustee may be removed with the approval of a simple majority vote cast at a meeting of Unitholders called for such purpose or by the Manager, if the Trustee has committed certain events of bankruptcy or insolvency or is in material breach or default of its obligations under the Trust Agreement which breach has not been cured within 30 days after notice thereof has been given to the Trustee. Any such resignation or removal shall become effective only upon the acceptance of appointment by a successor. If the Trustee resigns, its successor may be appointed by the Manager. The successor of the Trustee must be approved by Unitholders if the Trustee is removed by Unitholders. If no successor has been appointed within 90 days, the Fund will be terminated.

The Trust Agreement provides that the Trustee shall not be liable in carrying out its duties under the Trust Agreement except where it is in breach of its obligations under the Trust Agreement or where the Trustee fails to act honestly and in good faith, and in the best interests of Unitholders to the extent required by laws applicable to trustees, or to exercise the degree of care, diligence and skill that a reasonably prudent trustee would exercise in comparable circumstances. In addition, the Trust Agreement contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee, or any of its officers, directors, employees or agents, in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee is entitled to receive fees from the Fund as described under "Fees and Expenses". The Trustee is entitled to be reimbursed for all expenses and liabilities which are properly incurred by the Trustee in connection with the activities of the Fund.

5.6 THE CUSTODIAN

RBC Investor Services Trust also acts as custodian (the "Custodian") of the assets of the Fund pursuant to the Trust Agreement. The Custodian, in its capacity as valuation services agent, also carries out certain aspects of the day-to-day administration of the Fund, including calculating Net Asset Value, net income and net realized capital gains of the Fund and maintaining the books and records of the Fund. The Custodian's office is located in Toronto, Ontario.

5.7 THE AUDITOR

The auditor of the Fund is PricewaterhouseCoopers LLP, Chartered Professional Accountants, at 18 York Street, Suite 2600, Toronto, Ontario, M5J 0B2.

5.8 TRANSFER AGENT AND REGISTRAR

Pursuant to the Registrar, Transfer Agency and Distribution Agency Agreement, Computershare Investor Services Inc., at its office in Toronto, Ontario, maintains the securities registers of the Units, registers transfers of the Units and accepts deposits of securities of Exchange Eligible Issuers.

5.9 PORTFOLIO TRANSACTIONS AND BROKERAGE

The Manager is responsible for selecting members of securities exchanges, brokers and investment dealers for the execution of transactions in respect of the Fund's investments and, when applicable, the negotiation of commissions in connection therewith. The Fund is responsible to pay those commissions.

6 FEES AND EXPENSES

6.1 INITIAL FEES AND EXPENSES

The expenses of the initial offering (including the costs of creating and organizing the Fund, the costs of printing and preparing the prospectus, legal expenses, marketing expenses and other reasonable out-of-pocket expenses incurred by the Agents and other incidental expenses), which were \$2,251,441, were paid out of the gross proceeds of the Offerings. There was an additional amount of \$33,910 to be reimbursed by the Manager to account for issue expenses above the 1.5% limit of gross proceeds of the offering as per the Fund's Prospectus terms and conditions.

6.2 MANAGEMENT FEES

The Manager receives a management fee from the Fund equal in the aggregate to 0.90% per annum of the Net Asset Value of the Fund comprised of 0.50% per annum of the Net Asset Value of the Fund, calculated and payable monthly in arrears, plus an amount calculated quarterly and paid as soon as practicable after the end of each calendar quarter equal to the service fee of 0.40% per annum of the Net Asset Value attributable to the Class A Units.

The management fees charged to the Fund during the year ended August 31, 2015 were \$85,396 plus applicable taxes (\$109,372 during the year ended August 31, 2014).

6.3 SERVICE FEES

From the amounts received by the Manager from the Fund, a service fee is payable by the Manager to each registered dealer whose clients hold Class A Units at the end of a calendar quarter. The service fee is equal to 0.40% annually of the Net Asset Value for each Class A Unit held by clients of the registered dealers, calculated and paid at the end of each calendar quarter.

The total service fees paid by the Manager during the year ended August 31, 2015 were \$61,934 (\$83,431 during the year ended August 31, 2014).

6.4 COUNTERPARTY FEES

The Fund pays to the Counterparty a fee under the Forward Agreement equal to (a) a fixed fee of 0.30% to 0.35% of the net notional amount of the Forward Agreement (being effectively equal to the net asset value of the Portfolio) per annum, plus (b) an additional variable fee which initially will not exceed 0.70% per annum of the net asset value of the Portfolio calculated daily and paid quarterly.

The total amount of the counterparty fees charged to the Fund during the year ended August 31, 2015 were \$220,120 plus applicable taxes (\$252,974 during the year ended August 31, 2014).

6.5 ONGOING EXPENSES

The Fund pays for all expenses incurred in connection with its operation and administration, which is generally allocated to the Units of each class pro rata based on the Net Asset Value applicable to each class of Units, including, fees payable to the Trustee, custodial fees, legal, audit, valuation fees and expenses, any additional fees payable to third party service providers, expenses of the directors of the Manager, fees and expenses of the members of the Independent Review Committee appointed under NI 81-107 and expenses related to compliance with NI 81-107, costs of reporting to Unitholders, registrar, transfer and distribution agency costs, printing and mailing costs, listing fees and expenses and other administrative expenses and costs incurred in connection with the continuous public filing requirements of the Fund and investor relations, fees and expenses relating to the voting of proxies by a third party, taxes, brokerage commissions, costs and expenses relating to the issue of Units, costs and expenses of preparing financial and other reports, costs and expenses arising as a result of complying with all applicable laws, regulations and policies and extraordinary expenses that the Fund may incur, but excluding the fees payable to the Manager. Such expenses also include expenses of any action, suit or other proceedings in which or in relation to which the Manager, the Custodian, the Trustee and/or any of their respective officers, directors, employees, consultants or agents is entitled to indemnity by the Fund. The total ongoing expenses charged to the Fund during the year ended August 31, 2015 were \$126,007 plus applicable taxes (\$126,024 during the year ended August 31, 2014).

7 CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax consequences relating to the deductibility of interest on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on an investor's particular circumstances including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor. Investors should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units, based on their particular circumstances.

7.1 STATUS OF THE FUND

The Fund qualifies and intends to qualify as a “unit trust” and a “mutual fund trust” within the meaning of the Tax Act. The Fund elected under the Tax Act to be a mutual fund trust from the date it was established. To qualify as a mutual fund trust the Fund must, among other things, comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of Units.

The Fund will at no time be subject to the tax for SIFT Trusts for purposes of the Tax Act. The investment restrictions of the Fund prohibit it from managing its investments and affairs in a manner that would result in it being subject to the tax for SIFT Trusts.

7.2 TAXATION OF THE FUND

The Fund is subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of the amount paid or payable to Unitholders in the year. Counsel have been advised that the Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year and, therefore, provided the Fund makes distributions in each year of its net income and net realized capital gains as described under “Distributions”, it will generally not be liable in such year for income tax under Part I of the Tax Act. The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (capital gains refund). The capital gains refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of Canadian Securities Portfolio securities acquired by the Fund under the Forward Agreement in connection with a redemption of Units. In computing its income for tax purposes (and subject to the October 31 Proposal, described below), the Fund may deduct reasonable administrative and other expenses incurred to earn income. The Fund may deduct the costs and expenses of the Offering paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund’s taxation year is less than 365 days.

The Fund does not realize any income, gain or loss as a result of entering into the Forward Agreement and no amount is included in computing the Fund’s income as a result of the acquisition of Canadian Securities Portfolio securities under the Forward Agreement. The cost to the Fund of such Canadian Securities Portfolio securities is that portion of the aggregate amount paid by the Fund under the Forward Agreement attributable to such securities and any other costs of acquisition. Provided the Fund elects in accordance with the Tax Act to have each of its Canadian securities treated as capital property, gains or losses realized by the Fund on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement are taxed as capital gains or capital losses.

On October 31, 2003, the Department of Finance announced a Tax Proposal (the “October 31 Proposal”) relating to the deductibility of losses under the Tax Act. Under this Tax Proposal, a taxpayer will be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize a cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. If the October 31 Proposal were to apply to the Fund, deductions that would otherwise reduce the Fund’s taxable income could be denied, with after-tax returns to the Unitholders reduced as a result. On February 23, 2005, the Minister of Finance (Canada) announced that an alternative proposal to replace the October 31, Proposal would be released for comment at an early opportunity. To date no such alternative proposal has been announced.

7.3 TAXATION OF UNITHOLDERS

A Unitholder will generally be required to include, in computing income for a taxation year, the amount of the Fund’s net income for the taxation year, including net realized taxable capital gains, paid or payable to the Unitholder in the taxation year. The non-taxable portion of the Fund’s net realized capital gains paid or payable (whether in cash or in Units) to a Unitholder in a taxation year will not be included in the Unitholder’s income for the year. Any other amount in excess of the Fund’s net income for a taxation year paid or payable to the Unitholder in the year will generally not be included in the Unitholder’s income. Such amount, however, will generally reduce the adjusted cost base of the Unitholder’s Units. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder’s adjusted cost base will be increased by the amount of such deemed gain. Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund as is paid or payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act.

On the disposition or deemed disposition of a Unit (including a redemption), the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder’s proceeds of disposition (net of any reasonable costs of disposition) exceed (or are less than) the

adjusted cost base of the Unit. Any capital gains or income distribution paid on the redemption of a Unit will not be included in the proceeds of disposition. For the purpose of determining the adjusted cost base to a Unitholder, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all identical Units owned by the Unitholder as capital property immediately before that time. For this purpose, the cost of Units that have been issued as an Additional Distribution will generally be equal to the amount of the net income or capital gain distributed to the Unitholder in Units.

One-half of any capital gain (a “taxable capital gain”) realized on the disposition of Units will be included in the Unitholder’s income and one-half of any capital loss (an “allowable capital loss”) realized may be deducted from taxable capital gains in accordance with the provisions of the Tax Act. Subject to the detailed rules in the Tax Act, allowable capital losses in excess of taxable capital gains in the year of disposition may be applied to reduce net taxable capital gains of the Unitholder in any of the three years preceding the year of disposition or in any year following the year of disposition in accordance with the Tax Act. A conversion of Class F Units into Class A Units will not constitute a disposition of such Class F Units for the purposes of the Tax Act.

7.4 FEDERAL BUDGET ANNOUNCEMENT

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

8 MATERIAL CONTRACTS

The following contracts that have been entered into by the Fund can reasonably be regarded as material to the unitholders:

- (a) the Trust Agreement;
- (b) the Agency Agreement
- (c) the Forward Agreement; and
- (d) Registrar, Transfer Agency and Distribution Agency Agreement

Copies of the foregoing documents may be examined during normal business hours at the principal office of the Fund. Copies of the Fund Trust Agreement may be obtained at any time from the Manager on written request. These documents are also available on www.sedar.com.

U.S. Agency Mortgage-Backed REIT Advantaged Fund

Additional information about U.S. Agency Mortgage-Backed REIT Advantaged Fund is available in the financial statements. You can get a copy of the financial statements, including a statement of portfolio transactions, at no charge by contacting the Manager by:

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