U.S. Agency Mortgage-Backed REIT Advantaged Fund

Annual Report

August 31, 2014

U.S. Agency Mortgage-Backed REIT Advantaged Fund Message to Unitholders

November 28, 2014

Dear Investor,

We are pleased to provide you with the annual report for the U.S. Agency Mortgage-Backed REIT Advantaged Fund (the "Fund") for the fiscal year ended August 31, 2014. Thank you for investing in the Fund. 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.

The Fund is designed to provide exposure to the ten largest Agency Mortgage-Backed REITs ("Agency MREITs") by market capitalization. These REITS invest in high quality, low credit risk prime residential mortgages via highly liquid agency mortgage-backed securities. U.S. government or government sponsored enterprises guarantee payment of interest and principal which minimizes default risk. The REITs generate high levels of income by borrowing at low cost to invest in the mortgages.

The management teams at the different REITs use different strategies with respect to asset mix (e.g. fixed rate mortgages versus floating rate), interest rate management (e.g. hedging) and leverage. We believe that one of the benefits of the Fund is to provide diversification with respect to the different management approaches. Although in times of major market moves, such as we have seen during the past year, this diversification is not as effective.

The fund's Class A units returned 19.6% for the year to August 31st. NAV per unit increased from $6.89 to $7.35, and regular quarterly distributions totalled $0.80.

The Fund met its distribution objective, paying distributions yielding 8.0% on the original issue price which based on the price on November 24 represents a yield of 11.6% with a pre-tax interest equivalent of approximately 16.6%.

Despite strong performance during the year, fiscal 2014 got off to an inauspicious start. The summer and fall of 2013 was a difficult period for fixed income investors. Rates staged a volatile climb starting in May last year, driven by factors including uncertainty over the Federal Reserve's plans to wind down its $85 billion/month QE3 asset purchases; a near shutdown of the US government; a change of leadership at the Federal Reserve; and, finally, the hint of improved economic growth as the year came to a close.

As the year closed, however, the MBS market looked to be in better shape. With a clear path set by the Fed for tapering QE3, a key uncertainty was removed from pricing. Treasury rates and MBS spreads peaked at year-end and proceeded to decline rapidly through January. The first quarter of 2014 presented a stable and constructive environment for the Mortgage REITs. Long maturity Agency MBS rallied; house prices, on a seasonally adjusted basis, climbed; mortgage refinancing activity was extremely low; and interest rates were generally stable. The uncertainty surrounding the Fed's asset purchases subsided, removing a significant source of volatility and allowing the market to focus on other things, such as whether the US had finally reached the early stages of a broad-based economic recovery.

I would like to thank you for investing in the Fund. Please check our website for quarterly investment updates and other timely information.

Yours truly,

W. Neil Murdoch
Chief Executive Officer
Aston Hill Capital Markets Inc.

Management Report of Fund Performance

This annual management report of fund performance for **U.S. Agency Mortgage-Backed REIT Advantaged Fund** (the "Fund") contains financial highlights but does not contain the complete annual financial statements of the Fund. **The annual financial statements and accompanying notes are attached to this report.**

You can obtain a copy of the annual financial statements at no cost by writing to Aston Hill Capital Markets Inc. (the "Manager") to the following address: Aston Hill Capital Markets Inc., 77 King Street West, Suite 2110, PO Box 92, Toronto, Ontario M5K 1G8 or calling 1-800-513-3868 or visiting the Manager's website at www.astonhill.ca or by visiting www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

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

Investment Objectives and Strategy

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 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 fiscal year-end of the Fund is August 31. Beneficial interest in the net assets and net income of the Fund is divided into units of two classes, Class A Units (the "Class A Units") and Class F Units (the "Class F Units"). The Class A Units are listed on the Toronto Stock Exchange (the "TSX") under the symbol USM.UN. The Class F Units are not listed on a stock exchange but may be converted into Class A Units on a weekly basis. The principal differences between the Class A Units and the Class F Units are that the Agents' fees payable with respect to the original issuance of the units were lower for the Class F Units, the service fee component of the Manager's fee are not paid by the Class F Units and the Class F Units are not listed on the TSX.

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.

In order to achieve the Fund's investment objectives, the Fund obtained exposure to a Portfolio (the "Portfolio") through a forward purchase and sale agreement (the "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 the Forward Agreement with the Bank of Montreal. Under the Forward Agreement, the Fund will receive, on or about the Forward Termination Date, a specified portfolio consisting of securities of Canadian public issuers that are "Canadian securities" for the purposes of the Tax Act ("Canadian Securities") in an amount equal to the value of 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.

Risk

There were no changes in the risk exposure of the Fund during the year ended August 31, 2014 and the period from October 23, 2012 (commencement of operations) to August 31, 2013.

For full disclosure of risks associated with an investment in the Fund's units, please refer to the Prospectus dated September 28, 2012 and to the Fund's most recent Annual Information Form. Both are available at www.sedar.com.

Recent Developments

International Financial Reporting Standards (IFRS)

Beginning September 1, 2014, the Fund will prepare its semi-annual and annual financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and provide comparative statements on an IFRS basis, including an opening balance sheet as at September 1, 2014 (the transition date). The Fund will also report its interim financial statements for the period ending February 28, 2015, in accordance with IFRS.

The Manager has reviewed and developed its IFRS changeover plan that included performing an impact assessment and identifying differences between existing Canadian GAAP and IFRS. Management has monitored developments in IFRS and has assessed the likely impacts on accounting policies, implementation decisions, internal controls, information systems and training. Based on management's assessment to date, the more significant changes impacting the financial statements may be how the Fund measures the classification of net assets representing unitholders' equity. The Manager does not believe that these will be any adjustment to net asset of the Fund on transition. The Manager does not consider this to be comprehensive list of the accounting changes when the Fund adopts IFRS but in the view of the Manager represent the key differences.

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

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

Federal Budget Announcement

On March 21, 2013, the Minister of Finance announced proposals in a federal budget that would treat the gain realized by a mutual fund under forward agreements such as the one entered into by the Fund 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 intends to comply. The federal budget, part of Bill C-4, was enacted into law on December 12, 2013.

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 Portfolio Manager regarding factors that might be reasonably expected to affect the performance and the distribution on units of the Fund and are based on information available at the time of writing. The Portfolio Manager believes that the expectations reflected in these forward-looking statements and in the analysis are reasonable but no assurance can be given that these expectations or the analysis will prove to be correct and accordingly, they should not be unduly relied on. These statements speak only as of the date of this report. Actual events and outcomes may differ materially from those described in these forward-looking statements or analysis.

The Manager's Commentary (November 2014)

Performance

The fund's Class A units returned 19.6% for the year to August 31st. NAV per unit increased from $6.89 to $7.35, and regular quarterly distributions totalled $0.80, representing a current yield on the unit's August 29th market price of 11.5%, and a pre-tax interest equivalent of 16.5%. In the interest rate market, the US 10-year yield rallied from 2.78% to 2.35% in the year to August, while the US 30-year yield came in from 3.70% to 3.09%.

Despite strong performance during the year, fiscal 2014 got off to an inauspicious start. The summer and fall of 2013 was a difficult period for fixed income investors. Rates staged a volatile climb starting in May last year, driven by factors including uncertainty over the Federal Reserve's plans to wind down its $85 billion/month QE3 asset purchases; a near shutdown of the US government; a change of leadership at the Federal Reserve; and, finally, the hint of improved economic growth as the year came to a close. At $40 billion/month, Agency Mortgage Backed Securities (Agency MBS) had been a significant beneficiary of the Fed's asset purchases. As a result, the spectre of tapering sent Agency MBS spreads sharply higher along with rates. Finally, the uncertainty led equity investors to apply an unprecedented discount to book value to the Mortgage REITs. By the end of December, the average discount to book value for the fund's portfolio had climbed from near zero in June to about 16.0%.

As the year closed, however, the MBS market looked to be in better shape. With a clear path set by the Fed for tapering QE3, a key uncertainty was removed from pricing. Treasury rates and MBS spreads peaked at year-end and proceeded to decline rapidly through January. The first quarter of 2014 presented a stable and constructive environment for the Mortgage REITs. Long maturity Agency MBS rallied; house prices, on a seasonally adjusted basis, climbed; mortgage refinancing activity was extremely low; and interest rates were generally stable. The uncertainty surrounding the Fed's asset purchases subsided, removing a significant source of volatility and allowing the market to focus on other things, such as whether the US had finally reached the early stages of a broad-based economic recovery.

The mortgage REITs continued to make gains in the second quarter and through the summer. The U.S. yield curve flattened as long bonds and swaps rallied and short-term rates remained stable. Spreads on mortgage-backed securities tightened, with price gains driven by a lack of new origination and conservative investor positioning, including the Federal Reserve's substantial holding in the market, which had grown to about 1/3rd of all Agency MBS outstanding. Mortgage refinancing remained low, benefitting the REITs through lower amortization of premiums (the amount in excess of par value paid for a bond). The Fed continued to pare back asset purchases; the Fed's Agency MBS purchases for July were down to $15 billion.

By mid-September 2014, the Mortgage REITs began to give back some of the gains made earlier in the year, as MBS prices retreated marginally. The end of the Federal Reserve's QE3 asset purchases has not had a significant effect on MBS pricing, however, and the Fed's policy of re-investing cash flows remains a large and consistent source of demand. Mortgage refinancing has remained subdued, another positive for the MREITs, although mortgage rates have continued to creep down. The average adjustable rate at the end of year was 4.09%, down from 4.25% in January, according to the Federal Housing Finance Agency. The weighted average share price of the mortgage REITs in the fund's portfolio dropped more steeply than book value per share, however, with the discount widening by a third, to around 15%, amid market volatility by the end of September.

Housing and Mortgage Securities

The US economy grew at an annualized 3.5% in the third quarter, a result that combined with the second quarter's annualized growth of 4.6% to mark the best six months of GDP growth in over a decade. Gains came across the board, boosted by high military spending and an improved trade balance. At the same time, the unemployment rate dropped to 5.9% in September, the first reading under 6.0% since July, 2008, while claims for unemployment insurance benefits reached a 14-year low.

The housing market continued to recover but turned in slower gains, with the S&P/Case Schiller U.S. National Home Price Index up 5.1% year over year to August, compared to a 10.2% climb in the same period a year earlier. Slow wage growth remains a significant constraint, but mortgage rates, with the 30-year fixed mortgage rate now at its lowest level since last June, are providing some catalyst. New home sales, which account for about 8 percent of the housing market, hit a six-year high in September, although that was accompanied by a sharp downward revision to the August result. Existing, or previously owned, home sales reached a one-year high in September. The Federal Housing Finance Agency Price Index, which includes homes with guaranteed mortgages (and therefore prices up to $417,000), had a 4.8% rise in the year to August and remains 5.8% below its April 2007 peak.

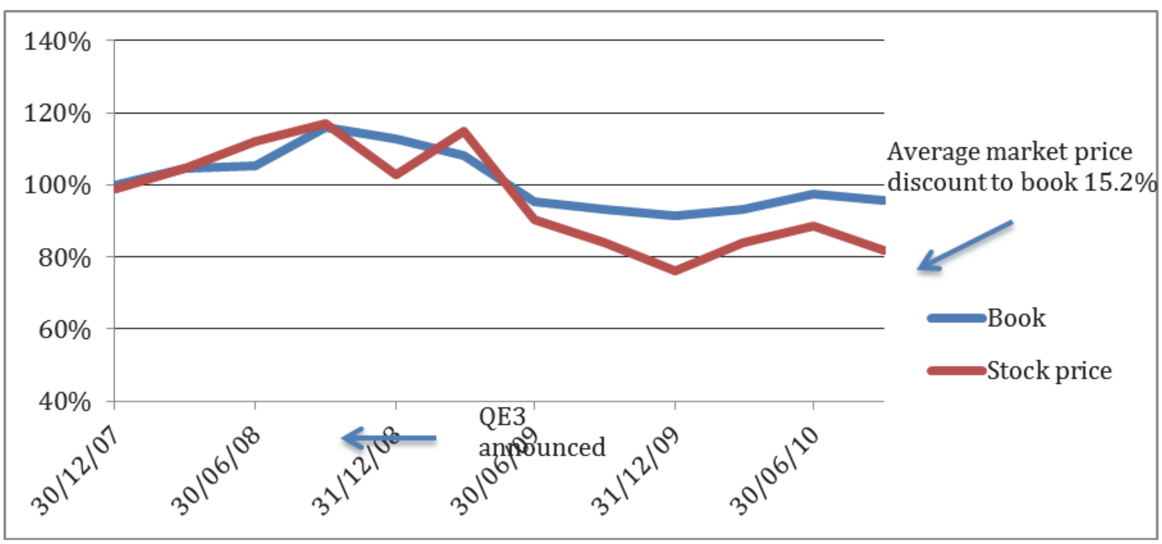
The Federal Reserve's October survey of banks' lending practices showed easing prices and terms in some markets, but little change in demand for borrowing. A significant fraction of banks eased pricing and terms listed in the survey for commercial and industrial loans as well as on commercial construction and land development loans. Some large banks indicated they had eased lending standards for closed-end residential mortgages, but there was little change in terms for other types of household lending. Banks reported modestly higher demand for commercial and industrial loans to larger firms, as well as for auto loans. On the demand side, the Fed's September survey of senior credit officers at securities dealers showed one in three dealers indicating an increase in demand for non-agency residential mortgage-backed securities (RMBS) and about one in five seeing higher demand to invest in commercial MBS.

Non-agency mortgage related security issuance is running at about 60% of its 2013 level, which was less than one tenth of the pre-financial crisis peak. Including Agency MBS, total issuance is down 42% year to date compared to 2013, and running at about 50% of pre-crisis levels. The U.S. Fed owns about 1/3rd of the total Agency MBS outstanding, and the market benefits from both the resulting stability and the Fed's reinvestment of mortgage pay-downs, which has become a substantial source of demand and a counterbalance to the elimination of new Fed purchases. The Fed indicated its intention to continue reinvesting portfolio runoff at least until the next rise in the Federal Funds target rate. The market's implied forecast for the timing of a Fed rate increase, based on swaps and futures pricing, is mid to late 2015.

Book Value and Share Price

The following graph shows the path of weighted average book value per share compared to market price (shown as a percent of book value per share) for the Mortgage REITs in the portfolio. The data is for calendar quarters because the majority of Mortgage REITs report book value quarterly. On average, market price was approximately equal to book value at the end of 2011 and ended the third quarter at a discount of 15.2%. Prior to 2012, the mortgage REITs generally traded at a premium to book value. The vertical line on the graph in is drawn at September 2012, when the most recent round of Federal Reserve asset purchases, QE3, was announced. The Fed began reducing asset purchases at the end of 2013 and completed the program in October this year.

Weighted average book value per share and market discount from December 2011



Portfolio

The fund's portfolio consists of the ten largest publicly traded mortgage REITs, weighted by market capitalization. There was one substitution in the portfolio during the year, with Two Harbors Investment Corp. replacing Anworth Mortgage in the fourth quarter of 2013.

Two Harbors is a hybrid REIT, with close to 30% of its portfolio in non-Agency investments. As of September 30, 2014, Two Harbors had $10.4 billion invested in its rates strategy, which principally includes Agency RMBS, as well as Agency derivatives and mortgage servicing rights, and $3.9 billion devoted to a credit strategy of non-Agency RMBS, prime jumbo mortgages, interests in consolidated securitization trusts and credit sensitive loans.

The following table shows the fund's portfolio holdings along with their investment focus, reported leverage ratio, and one-year economic return to August 31st. The REITs with a hybrid investment focus invest principally in agency securities, but also have substantial holdings in non-agency securities, such as commercial MBS. Economic return is the percentage difference of ending share price plus dividends paid to starting share price. The weighted average economic return for the securities in the portfolio was 16.7% for the year.

	Percent of portfolio	One-year economic return	Portfolio focus	Reported leverage*
American Capital Agency	25.0%	16.0%	Agency MBS	4.8
Annaly Mortgage	24.8%	12.7%	Hybrid	5.4
Two Harbors	11.9%	23.9%	Hybrid	2.9
MFA Financial	9.6%	28.6%	Hybrid	3.0
Invesco Mortgage	6.5%	28.2%	Hybrid	6.7
Hatteras Financial	5.9%	19.9%	Agency MBS (ARMs)	7.6
Armour Residential	4.7%	15.6%	Agency MBS	6.4
CYS Investments	4.5%	39.7%	Agency MBS	6.6
Capstead Mortgage	3.9%	23.7%	Agency MBS (ARMs)	8.5
American Capital Mortgage	3.2%	15.9%	Hybrid	4.1

* As of September 30th, 2014

Interest Rates and Yields

The ten-year US Treasury rallied during the year, down 43 basis points to 2.35%, as longer-term treasuries rallied and the yield curve flattened. The US 30 year treasury yield fell 61 bps, to 3.09%. Agency MBS prices rallied for long maturities in response to the rates rally but 15-year fixed rates held steady or declined as mortgage spreads increased. The following table shows market prices for selected yields and terms over the year to September 30th:

Security	9/30/2013	12/31/2013	3/31/2014	6/30/2014	9/30/2014	Δ Year to September
30 Year Fixed Rate Agency MBS						
Coupon	Prices					
3.0%	97.70	95.11	96.61	98.77	98.59	0.89
3.5%	101.83	99.48	100.67	102.92	102.23	0.40
4.0%	104.86	103.11	103.98	106.11	105.41	0.55
4.5%	106.80	106.06	106.73	108.30	107.91	1.11
15 Year Fixed Rate Agency MBS						
Coupon	Prices					
2.5%	100.61	99.00	99.92	101.59	100.55	-0.06
3.0%	103.55	102.02	102.73	103.88	102.98	-0.57
3.5%	105.55	104.58	104.83	105.98	105.11	-0.44
4.0%	106.23	105.92	105.80	106.17	105.69	-0.54

Portfolio EPS and Dividends at August 31st, 2014

	Q3 Dividend	Stock Price	Implied Dividend Yield
American Capital Agency	0.65	23.65	11.0%
Annaly Mortgage	0.30	11.90	10.1%
Two Harbors	0.26	10.72	9.7%
MFA Financial	0.20	8.44	9.5%
Invesco Mortgage	0.50	17.62	11.4%
Hatteras Financial	0.50	19.90	10.1%
Armour Residential	0.15	4.23	14.2%
CYS Investments	0.30	9.43	12.7%
Capstead Mortgage	0.34	13.22	10.3%
American Capital Mortgage	0.65	20.58	12.6%

Capital transactions

On October 23, 2012, the Fund completed an initial public offering pursuant to a 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 expenses totalled $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 prospects terms and conditions.

During the year ended August 31, 2014, there were 700,635 Class A Units redeemed for net payment of $4,928,886. There were also 30,640 Class F Units converted to 31,807 Class A Units for the total value of $216,185 during the same period. (During the period from October 23, 2012 (commencement of operations) to August 31, 2013, there were 24,685 Class F Units converted to 25,481 Class A Units for a total value of $205,220.)

Market repurchases

The Trust Agreement provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A Unit not exceeding the most recently calculated Net Asset Value per Class A Unit immediately prior to the date of any such purchase of Units.

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

Net Assets

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

On August 31, 2014, the prepaid amount to the Counterparty under the Forward Agreement was $21,900,801 and the value of the unrealized loss on the Forward Agreement was $578,456. Other liabilities net of other assets in the Fund totalled $1,345,904, leaving net assets of $19,976,441 (On August 31, 2013, the prepaid amount to the Counterparty under the Forward Agreement was $30,798,909 and the value of the unrealized loss on the Forward Agreement was $5,854,079. Other liabilities net of other assets in the Fund totalled $1,401,039, leaving net assets of $23,543,791). This amount is assigned to the Class A and Class F Unitholders using an allocation percentage that takes into consideration any class level specific expenses. On August 31, 2014, the GAAP Net assets per unit were $7.35 per Class A Unit and $7.69 per Class F Unit (On August 31, 2013, the GAAP Net assets per unit were $6.89 per Class A Unit and $7.13 per Class F Unit).

Distributions

The Fund intends to make quarterly tax-advantaged cash 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.

The Fund declared an initial distribution covering the period from October 23, 2012 (commencement of operations) to January 31, 2013 of $0.2178 per Class A Unit and Class F Unit respectively. The Fund made regular quarterly distributions of $0.2000 per Class A Unit and U.S. $0.2000 per Class F Unit thereafter, representing an annualized current yield of 8.0% based on the initial offering prices of the Class A Unit and Class F Unit issue prices respectively.

During the year ended August 31, 2014, the Fund paid distributions of $0.8000 per Class A Unit and U.S. $0.8000 per Class F Unit ($0.6178 per Class A and Class F Unit respectively during the period from October 23, 2012 (commencement of operations) to August 31, 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 year ended August 31, 2014.

Related Party Transactions

Management Fees

Pursuant to the Trust Agreement, the Fund retained Aston Hill Capital Markets Inc. to act as manager. As compensation for coordinating the organization of and managing the ongoing business and administrative affairs of the Fund, the Manager is entitled to an annual management fee in an amount equal to 0.50% per annum of the Net Asset Value of the Fund, calculated and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund during the year ended August 31, 2014 were $109,372 plus applicable taxes ($127,612 during the period from October 23, 2012 (commencement of operations) to August 31, 2013).

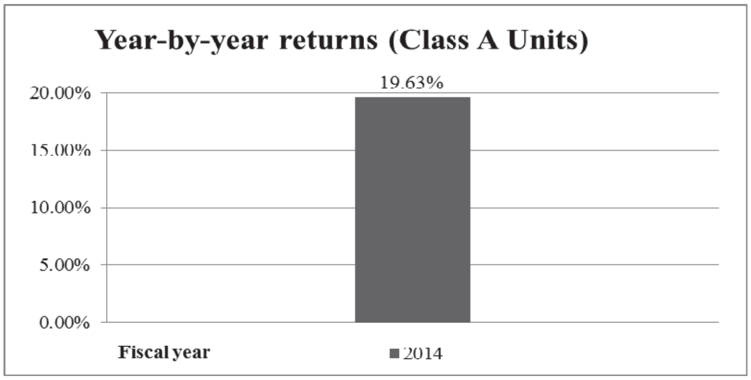
Service Fees

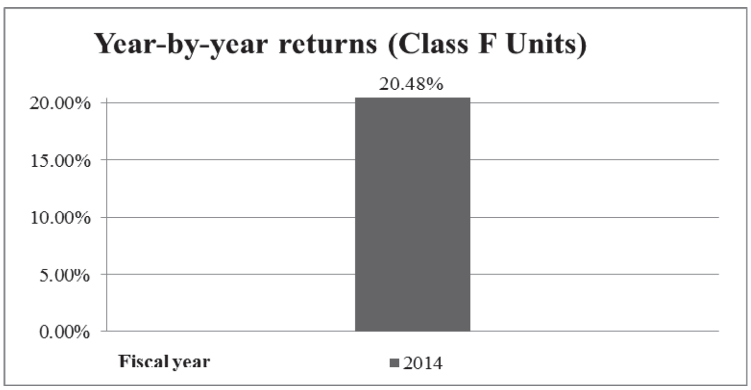
The Fund pays to the Manager a service fee which is payable by the Manager to each registered dealer whose clients hold Class A Units of the Fund at the end of a calendar quarter. The service fee is equal to 0.40% annually of the Net Asset Value for each Class A Unit held by clients of the registered 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, 2014 were $83,431 plus applicable taxes ($99,512 during the period from October 23, 2012 (commencement of operations) to August 31, 2013).

Past Performance

The following bar charts and table show the Fund's annual performance of the Class A Units and Class F Units by showing both annual returns by fiscal year and annualized compound returns from inception assuming all the distributions made by the Fund during the year shown were reinvested. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance. The bar charts show, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period. Past performance is not necessarily indicative of future performance.





Annual Compound Returns

	Past Year	Since Inception [(1)]
Based on NAV (Class A Units)	19.63%	-2.56%
Based on share price (Class A Units)	18.79%	-8.67%
Based on NAV (Class F Units)	20.48%	-2.18%
Dow Jones U.S. Mortgage REITs Index	22.32%	1.85%

(1) Annualized for the period from October 23, 2012 (commencement of operations) to August 31, 2014.

The Dow Jones U.S. Mortgage REITs Index is a float-adjusted market capitalization weighted index comprised of real estate investment trusts or corporations or listed property trusts that are directly involved in lending money in the real estate sector. The constituents of the index include both Agency Mortgage REITs and non-agency mortgage REITs, whereas the Fund focuses on Agency Mortgage REITs only.

Financial Highlights

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

Class A Units:

The Fund's Net Assets per Class A Unit:

	August 31, 2014	August 31, 2013 (1)
Net Assets, beginning of period	**6.89**	**10.00**
Unit issue expense (2)	–	(0.68)
Increase (decrease) from operations:		
Total revenues	–	–
Total expenses	(0.19)	(0.19)
Realized gains (losses) for the period	(0.54)	(0.03)
Unrealized gains (losses) for the period	1.97	(1.61)
Total increase (decrease) from operations (3)	**(1.24)**	**(1.83)**
Distributions:		
From income (excluding dividends)	–	–
From dividends	–	–
From capital gains	–	–
Return of capital	(0.80)	(0.62)
Total Distributions (4)	**(0.80)**	**(0.62)**
Net Assets, end of period (5)	**7.35**	**6.89**

(1) Results for the period from October 23, 2012 (commencement of operations) to August 31, 2013.
(2) Issue expenses of $2,188,475 were incurred in connection with the Class A Units issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes. The Manager will reimburse Class A with the amount of $32,250 for issue expenses above the maximum allowable percentage of 1.5% of the gross proceeds of the initial public offering as set out in the Fund's Prospectus.
(3) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of 3,048,841 Class A units outstanding as of August 31, 2014 (August 31, 2013 – 3,235,728 units).
(4) The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on estimates.
(5) This is not a reconciliation between the opening and the closing net assets per unit.

Ratios and Supplemental Data (Class A Units):

	August 31, 2014	August 31, 2013 (1)
Net asset value ($000's)	19,110	22,523
Number of units outstanding	2,598,838	3,267,666
Base management expense ratio (annualized) (2) (3)	2.74%	2.53%
Issue expenses ratio (2) (3)	0.00%	7.83%
Interest expense ratio (annualized) (2) (3)	0.00%	0.00%
Management expense ratio (annualized) (3)	2.74%	10.36%
Management expense ratio before waivers or absorptions (annualized) (3)	2.74%	10.36%
Portfolio turnover rate (4)	0.00%	0.00%
Trading expense ratio (5)	0.00%	0.00%
Net asset value per unit (6)	7.35	6.89
Closing market price (TSX)	6.97	6.60

(1) Results for the period from October 23, 2012 (commencement of operations) to August 31, 2013.
(2) A separate base management expense ratio has been presented to include the normal operating expenses and exclude the issue expense ratio representing all agents' fees and unit issue expenses.
(3) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Unit issue expenses, representing all agents' fees and other offering expenses, which are one-time expenses, are not annualized.
(4) The Fund's turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund's buying and selling all of the securities (including fixed income) in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Fund.
(5) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
(6) The net asset value (Transactional NAV) per unit is based on the last traded price for the day of the underlying portfolio.

Class F Units:

The Fund’s Net Assets per Class F Unit:

	August 31, 2014	August 31, 2013 (1)
Net Assets, beginning of period	**7.13**	**10.00**
Unit issue expense (2)	–	(0.39)
Increase (decrease) from operations:		
Total revenues	–	–
Total expenses	(0.20)	(0.16)
Realized gains (losses) for the period	(0.57)	(0.03)
Unrealized gains (losses) for the period	2.05	(1.62)
Total increase (decrease) from operations (3)	**1.28**	**(1.81)**
Distributions:		
From income (excluding dividends)	–	–
From dividends	–	–
From capital gains	–	–
Return of capital	(0.80)	(0.62)
Total Distributions (4)	**(0.80)**	**(0.62)**
Net Assets, end of period (5)	**7.69**	**7.13**

(1) Results for the period from October 23, 2012 (commencement of operations) to August 31, 2013.

(2) Issue expenses of $62,966 were incurred in connection with the Class F Units issuance. The full amount of issue expenses was deducted from the unit capital for accounting purposes and is amortized over a period of five years for tax purposes. The Manager will reimburse Class F with the amount of $1,660 for issue expenses above the maximum allowable percentage of 1.5% of the gross proceeds of the initial public offering as set out in the Fund’s Prospectus.

(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 124,503 Class F units outstanding over the financial period (August 31, 2013 – 161,400 units).

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

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

Ratios and Supplemental Data (Class F Units):

	August 31, 2014	August 31, 2013 (1)
Net asset value ($000's)	866	1,021
Number of units outstanding	112,585	143,225
Base management expense ratio (annualized) (2) (3)	2.33%	2.11%
Issue expenses ratio (2) (3)	0.00%	4.35%
Interest expense ratio (annualized) (2) (3)	0.00%	0.00%
Management expense ratio (annualized) (3)	2.33%	6.46%
Management expense ratio before waivers or absorptions (annualized) (3)	2.33%	6.46%
Portfolio turnover rate (4)	0.00%	0.00%
Trading expense ratio (5)	0.00%	0.00%
Net asset value per unit (6)	7.69	7.13

(1) Results for the period from October 23, 2012 (commencement of operations) to August 31, 2013.

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

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

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

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

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

Summary of Investment Portfolio as of August 31, 2014

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

Investment portfolio of U.S. Agency Mortgage-Backed REIT Advantaged Fund

	Fair value $	% of NAV
Portfolio by Category		
Equity derivatives	21,322,345	106.7%
Cash	81,018	0.4%
Other liabilities net of other assets	(88,748)	(0.4%)
Foreign currency forward contracts	(1,338,174)	(6.7%)
Top 25 Holdings		
Forward Agreement	21,322,345	106.7%
Cash	81,018	0.4%
Foreign currency forward contracts	(1,338,174)	(6.7%)
Net asset value	**19,976,441**	

The Fund obtained exposure to the performance of the Portfolio through the Forward Agreement (see Investment Objectives and Strategy). The following is the summary of the Portfolio as of August 31, 2014:

Portfolio

	Fair value $	% of NAV
Portfolio by Category		
United States	21,176,645	99.3%
Cash	145,700	0.7%
Top 25 Holdings*		
American Capital Agency Real Estate Investment Trust	6,432,140	24.8%
Annaly Capital Management Real Estate Investment Trust	6,173,094	24.6%
Two Harbors Investment Real Estate Investment Trust	2,562,116	11.9%
MFA Financial Real Estate Investment Trust	2,043,729	9.4%
Invesco Mortgage Capital Real Estate Investment Trust	1,783,109	6.6%
Hatteras Financial Real Estate Investment Trust	1,543,253	5.8%
CYS Investments Real Estate Investment Trust	1,322,012	4.6%
ARMOUR Residential Real Estate Investment Trust	1,171,692	4.6%
Capstead Mortgage Real Estate Investment Trust	1,105,625	3.8%
American Capital Mortgage Investment Real Estate Investment Trust	632,596	3.2%
Cash	145,700	0.7%
Net asset value	**21,322,345**	

*There are less 25 holdings in the Fund

Management's Responsibility for Financial Reporting

The accompanying financial statements of **U.S. Agency Mortgage-Backed REIT Advantaged Fund** (the "Fund") and all the information therein have been prepared by Aston Hill Capital Markets Inc. in its capacity as Manager of the Fund. The Fund's Manager is responsible for all the information and representations contained in these financial statements and other sections of the annual report. Management maintains appropriate processes to ensure that relevant and reliable financial information is produced.

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

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

W. Neil Murdoch
President and Chief Executive Officer
Aston Hill Capital Markets Inc.

Darren N. Cabral
Vice President and Chief Financial Officer
Aston Hill Capital Markets Inc.

Toronto, Canada
November 28, 2014

November 28, 2014

Independent Auditor's Report

To the Unitholders of
U.S. Agency Mortgage-Backed REIT Advantaged Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statement of investment portfolio as at August 31, 2014, the statements of net assets as at August 31, 2014 and August 31, 2013, and the statements of operations, changes in net assets, retained earnings (deficit) and contributed surplus, and cash flows for the year ended August 31, 2014 and for the period from October 23, 2012 (commencement of operations) to August 31, 2013 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at August 31, 2014 and August 31, 2013 and the results of its operations, the changes in its net assets and its cash flows for the year ended August 31, 2014 and for the period from October 23, 2012 (commencement of operations) to August 31, 2013 then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

U.S. Agency Mortgage-Backed REIT Advantaged Fund

Statement of Net Assets

As at August 31, 2014 and 2013

	2014	**2013**
	$	**$**
Assets		
Cash	81,018	22,594
Short-term investments	-	99,854
Prepaid forward agreement (cost - $21,900,802; 2013 - $30,798,910) (note 7)	21,322,345	24,944,830
Issue expense reimbursement from Manager (note 5)	-	33,910
Interest receivable	-	56
Prepaid expenses	3,716	4,655
	21,407,079	25,105,899
Liabilities		
Accounts payable and accrued liabilities	86,179	87,341
Management fees payable	6,285	11,462
Unrealized loss on foreign currency forward contracts	1,338,174	1,463,305
	1,430,638	1,562,108
Net assets and unitholders' equity	19,976,441	23,543,791
Net Assets		
Class A Units	19,110,379	22,522,900
Class F Units	866,062	1,020,891
	19,976,441	23,543,791
Units issued and outstanding (note 5)		
Class A Units	2,598,838	3,267,666
Class F Units	112,585	143,225
Net assets per unit		
Class A Units	7.35	6.89
Class F Units	7.69	7.13
Unitholders' equity (note 5)		
Unit Capital	20,635,192	29,742,583
Contributed surplus	1,589,573	-
Deficit	(2,248,324)	(6,198,792)
Total Unitholders' equity	19,976,441	23,543,791

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

Director **Director**

(See accompanying notes to financial statements)

U.S. Agency Mortgage-Backed REIT Advantaged Fund

Statement of Operations

For the year ended August 31, 2014 and period from October 23, 2012 (commencement of operations) to August 31, 2013

	2014	2013
	$	$
Income		
Interest income	555	1,120
Expenses		
Counterparty fees (note 7)	252,974	272,435
Management fees (note 9)	109,372	127,612
Service fees (note 10)	83,431	99,512
Harmonized sales tax	30,095	24,855
Audit fees	28,732	26,273
Custodial and other unitholder fees	26,045	2,232
Administration fees	25,071	20,362
Filing fees	13,176	11,733
Transfer agent fees	9,751	11,131
Other fees	9,567	4,684
TSX fees	9,368	6,367
Printing and mailing fees	3,086	11,924
Legal fees	904	12,894
IRC fees	324	2,221
	601,896	634,235
Investment Income (loss)	(601,341)	(633,115)
Unrealized gain (loss) on investments		
Unrealized gain (loss) on forward agreement (note 7)	6,152,563	(3,993,802)
Unrealized gain (loss) on foreign currency forward contracts	125,131	(1,463,305)
Unrealized gain (loss) on foreign exchange	(41)	-
	6,277,653	(5,457,107)
Realized gain (loss) on investments		
Net realized gain (loss) on forward agreement	(974,804)	(111,862)
Net realized gain (loss) on foreign currency forward contracts	(725,972)	-
Net realized gain (loss) on foreign exchange	(25,068)	3,292
	(1,725,844)	(108,570)
Net gain (loss) on investments	4,551,809	(5,565,677)
Increase (Decrease) in net assets from operations	3,950,468	(6,198,792)
Increase (Decrease) in net assets from operations		
Class A Units	3,791,016	(5,907,233)
Class F Units	159,452	(291,559)
Increase (Decrease) in net assets from operations per unit (*)		
Class A Units	1.24	(1.83)
Class F Units	1.28	(1.81)

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

(See accompanying notes to financial statements)

U.S. Agency Mortgage-Backed REIT Advantaged Fund

Statement of Changes in Net Assets, Retained Earnings (Deficit) and Contributed Surplus

For the year ended August 31, 2014 and period from October 23, 2012 (commencement of operations) to August 31, 2013

	Class A 2014 $	Class A 2013 $	Class F 2014 $	Class F 2013 $	Total 2014 $	Total 2013 $
Increase (Decrease) in net assets from operations	3,791,016	(5,907,233)	159,452	(291,559)	3,950,468	(6,198,792)
Distributions to unitholders from: (note 8)						
Return of capital	(2,490,836)	(2,008,462)	(98,096)	(98,464)	(2,588,932)	(2,106,926)
Unitholders' transactions (note 5)						
Proceeds from issuance of units	-	32,421,850	-	1,679,100	-	34,100,950
Agents' fees and issue expenses	-	(2,188,475)		(62,966)	-	(2,251,441)
Class F units converted to Class A	216,185	205,220	(216,185)	(205,220)	-	-
Payments on redemption/cancellation of units (note 4 & 5)	(4,928,886)	-	-	-	(4,928,886)	-
	(4,712,701)	30,438,595	(216,185)	1,410,914	(4,928,886)	31,849,509
Change in net assets during the period	(3,412,521)	22,522,900	(154,829)	1,020,891	(3,567,350)	23,543,791
Net assets - Beginning of period	22,522,900	-	1,020,891	-	23,543,791	-
Net assets - End of period	19,110,379	22,522,900	866,062	1,020,891	19,976,441	23,543,791
Deficit, beginning of period	(5,907,233)	-	(291,559)	-	(6,198,792)	-
Increase (Decrease) in net assets from operations	3,791,016	(5,907,233)	159,452	(291,559)	3,950,468	(6,198,792)
Deficit, end of period	(2,116,217)	(5,907,233)	(132,107)	(291,559)	(2,248,324)	(6,198,792)
Contributed surplus, beginning of period	-	-	-	-	-	-
Cost of shares redeemed at less than original issue price	1,589,573	-	-	-	1,589,573	-
Contributed surplus, end of period	1,589,573	-	-	-	1,589,573	-

(See accompanying notes to financial statements)

U.S. Agency Mortgage-Backed REIT Advantaged Fund

Statement of Cash Flows

For the year ended August 31, 2014 and period from October 23, 2012 (commencement of operations) to August 31, 2013

	2014	2013
	$	$
Operating Activities		
Increase (Decrease) in net assets from operations	3,950,468	(6,198,792)
Items not affecting cash:		
Unrealized (gain) loss on forward agreement	(6,152,563)	3,993,802
Unrealized (gain) loss on foreign currency forward contracts	(125,131)	1,463,305
Net realized (gain) loss on forward agreement	974,804	111,862
Changes in non-cash working capital:		
(Increase) decrease in prepaid expenses	939	(4,655)
(Increase) decrease in interest receivable	56	(56)
(Increase) decrease in issue expense reimbursement from Manager	33,910	(33,910)
Increase (decrease) in accounts payable and accrued liabilities	(1,162)	87,341
Increase (decrease) in management fees payable	(5,177)	11,462
Investment in forward agreement	-	(33,827,452)
Pre-settlements received by the Fund from the Counterparty under the forward agreement	8,800,244	2,916,681
Net cash flow (used in) operating activities	7,476,388	(31,480,412)
Financing Activities		
Proceeds from issuance of units	-	34,100,950
Unit issue costs	-	(2,251,441)
Payments on redemption and cancellation of units (note 5)	(4,928,886)	-
Distributions paid to unitholders	(2,588,932)	(2,106,926)
Net cash flow provided by financing activities	(7,517,818)	29,742,583
Net increase in cash and short-term investments	(41,430)	122,448
Cash investments - beginning of period	22,594	-
Short-term investments - beginning of period	99,854	-
Cash - end of period	81,018	22,594
Short-term investments - end of period	-	99,854

(See accompanying notes to financial statements)

U.S. Agency Mortgage-Backed REIT Advantaged Fund

Statement of Investment Portfolio

As at August 31, 2014

	Number of shares / par value $	Average cost $	Fair value $	% of Net assets
Investments				
Forward agreement:				
Investments notionally held in the Portfolio under the forward agreement				
Investments				
United States				
American Capital Agency Real Estate Investment Trust	206,301	7,246,641	5,292,523	26.5%
Annaly Capital Management Real Estate Investment Trust	407,167	6,962,939	5,255,933	26.3%
Two Harbors Investment Real Estate Investment Trust	217,748	2,265,702	2,532,091	12.7%
MFA Financial Real Estate Investment Trust	218,358	1,935,931	1,999,134	10.0%
Invesco Mortgage Capital Real Estate Investment Trust	73,237	1,696,225	1,399,803	7.0%
Hatteras Financial Real Estate Investment Trust	57,484	1,697,936	1,240,882	6.2%
CYS Investments Real Estate Investment Trust	96,142	1,395,731	983,457	4.9%
ARMOUR Residential Real Estate Investment Trust	212,624	1,636,683	975,625	4.9%
Capstead Mortgage Real Estate Investment Trust	57,028	761,590	817,805	4.1%
American Capital Mortgage Investment Real Estate Investment Trust	30,433	818,363	679,392	3.4%
		26,417,741	21,176,645	106.0%
Total investments held in the Portfolio under the Forward Agreement		26,417,741	21,176,645	106.0%
Other Portfolio assets net of other liabilities			145,700	0.7%
Net assets value of the Portfolio			21,322,345	106.7%
Forward agreement			21,322,345	106.7%

	Maturity date	Contract price/rate $	Unrealized gain (loss) $	% of Net assets
Foreign currency forward contracts				
Bought CAD 9,737,194, sold USD 9,546,268	23/10/2015	0.980392	(727,697)	-3.6%
Bought CAD 9,846,976, sold USD 9,546,268	23/10/2017	0.969462	(610,477)	-3.1%
Total foreign currency forward contracts			(1,338,174)	-6.7%
Other liabilities net of other assets of the Fund			(7,730)	0.0%
Net assets of the Fund			19,976,441	100.0%

(See accompanying notes to financial statements)

1 Corporate activities

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. The Fund is divided into units of two classes, Class A Units and Class F Units. The Class A Units are listed on the Toronto Stock Exchange (the "TSX") under the symbol USM.UN. The Class F Units are not listed on a stock exchange but may be converted into Class A Units on a weekly basis.

2 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.

In order to achieve the Fund's investment objectives, the Fund obtained exposure to a notional Portfolio (the "Portfolio") held through a prepaid 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 receive, on or about the Forward Termination Date which is October 23, 2017, a specified portfolio consisting of securities of Canadian public issuers that are "Canadian securities" for the purposes of the Tax Act ("Canadian Securities") in an amount equal to the value of the Portfolio, net of any amount owing by the Fund to the Counterparty. A fee of up to 1.05% per annum, calculated with reference to the NAV of the Portfolio, is payable monthly to BMO under the Forward Agreement.

3 Summary of significant accounting policies

Basis of presentation

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

Valuation of investments

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

The valuation of the Portfolio that the Fund has exposure to through the Prepaid Forward Agreement is calculated based on last traded prices.

There were no differences between the Transactional NAV and GAAP Net Assets as at August 31, 2014 and 2013.

Cash and short-term investments

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

Income recognition

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

Expense recognition

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

Foreign currency forward contracts

The Fund may enter into foreign currency forward contracts to hedge against exposure to foreign currency fluctuations. The carrying value of these contracts is the gain or loss that would be realized if the positions were closed out on the valuation date and is recorded as an unrealized gain or loss. Upon closing of a contract, the gain or loss is recorded as a net realized gain or loss on foreign currency forward contracts.

Foreign currency translation

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

Initial fees and expenses

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

Increase (Decrease) in net assets from operations per unit

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

Valuation of a class

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

Designation of financial assets and liabilities

For the purpose of measuring and recognizing assets and liabilities, the following designations have been made: All investments, including derivatives, if any, are initially recognized at fair value and are designated as held for trading. Interest receivable and other assets are designated as loans and receivables and reported at cost or amortized cost. Accounts payable accrued expenses, management fee payable, and other liabilities are designated as other financials liabilities and reported at amortized cost.

Related party transactions

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

International Financial Reporting Standards

Beginning September 1, 2014, the Fund will prepare its semi-annual and annual financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and provide comparative statements on an IFRS basis, including an opening balance sheet as at September 1, 2014 (the transition date). The Fund will also report its interim financial statements for the period ending February 28, 2015, in accordance with IFRS.

The Manager has reviewed and developed its IFRS changeover plan that included performing an impact assessment and identifying differences between existing Canadian GAAP and IFRS. Management has monitored developments in IFRS and has assessed the likely impacts on accounting policies, implementation decisions, internal controls, information systems and training. Based on management's assessment to date, the more significant changes impacting the financial statements may be how the Fund measures the classification of net assets representing unitholders' equity. The Manager does not believe that these will be any adjustment to net asset of the Fund on transition. The Manager does not consider this to be comprehensive list of the accounting changes when the Fund adopts IFRS but in the view of the Manager represent the key differences.

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

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

4 Custodian

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

5 Unitholders' equity

The beneficial interest in the net assets and net income of the Fund is divided into Class A Units and Class F Units. The Fund is authorized to issue an unlimited number of Units of each class. 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 NAV per Unit of a particular class.

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.

Total Agents' fees and issue expenses totalled $2,251,441 plus an 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.

The Class A Units and Class F Units may be redeemed on an Annual Redemption Date, which is the second to last Business Day (any day except Saturday, Sunday, a statutory holiday in Toronto or any other day on which the TSX is not open for trading) of April of each year, commencing in 2014, subject to certain conditions. A holder of Units whose Units are redeemed on an Annual Redemption Date will receive a redemption price in an amount equal to 100% of the net asset value per Unit (less 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 the holder concurrently with the proceeds of disposition on redemption).

In addition to the Annual Redemption Date, the Units may also be redeemed on the 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. Unitholders surrendering a Class A Unit for redemption will receive a redemption price equal to the lesser of (i) 95% of the Market Price of a Class A Unit, which is the weighted average trading price on the TSX (or such other stock exchange on which such security is listed), for the 10 trading days immediately preceding such Monthly Redemption Date and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date, which is the closing price of such security on the TSX on such Monthly Redemption Date (or such other stock exchange on which such security is listed) or, if there was no trade on the relevant Monthly Redemption Date, the average of the last bid and the last asking prices of the security on the TSX on such Monthly Redemption Date (or such other stock exchange on which the security is listed) less, in each case, any costs associated with the redemption, including brokerage costs 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.

During the year ended August 31, 2014, there were 700,635 Class A Units redeemed for net payment of $4,928,886. There were also 30,640 Class F Units converted to 31,807 Class A Units for the total value of $216,185 during the same period. (During the period from October 23, 2012 (commencement of operations) to August 31, 2013, there were 24,685 Class F Units converted to 25,481 Class A Units for a total value of $205,220.)

Changes in outstanding Units during the year ended August 31, 2014 and the period from October 23, 2012 (commencement of operations) to August 31, 2013 are summarized as follows:

	Class A Units		Class F Units	
	August 31, 2014	August 31, 2013	August 31, 2014	August 31, 2013
Balance – beginning of period	3,267,666	–	143,225	–
Units issued	–	3,242,185	–	167,910
Class F Units converted to Class A Units	31,807	25,481	(30,640)	(24,685)
Units redeemed	(700,635)	–	–	–
Balance – end of period	2,598,838	3,267,666	112,585	143,225

The Unit Capital dollar amount represents the face value of the Fund's units minus any return on capital distributions and issue costs paid since October 23, 2012 (commencement of operations) to August 31, 2014. If the redemption price is lower than the average cost per unit, the difference is included in Contributed Surplus on the Statement of Net Assets. If the redemption price is greater than the average cost per unit, the difference is first charged to Contributed Surplus until the balance in Contributed Surplus is eliminated and the remaining amount is charged to Retained Earnings (Deficit).

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

6 Market purchase program

The Trust Agreement provides that the Fund may, in its sole discretion, from time to time, purchase (in the open market or by invitation for tenders) Class A Units for cancellation subject to applicable law and stock exchange requirements, based on the Manager's assessment that such purchases are accretive to Unitholders, in all cases at a price per Class A Unit not exceeding the most recently calculated NAV per Class A Unit immediately prior to the date of any such purchase of Units.

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

7 Forward agreement

The Fund does not invest directly in the Portfolio, the Fund used the net proceeds of the initial public offering of its Class A Units and Class F Units to pre-pay its purchase obligations under a forward purchase and sale agreement (the "Forward Agreement") with the Bank of Montreal (the "Counterparty" or "BMO") (whose S&P credit rating is A+ as of August 31, 2014 and 2013). Under the Forward Agreement, the Fund will receive, on or about the Forward Termination Date of October 23, 2017, a specified portfolio consisting of securities of Canadian public issuers that are "Canadian securities" for the purposes of the Tax Act ("Canadian Securities") in an amount equal to the value of the Portfolio, net of any amount owing by the Fund to the Counterparty. To secure the obligations of the Counterparty under the Forward Agreement, the Counterparty has pledged collateral in favour of the Fund with an aggregate value equal to 100% of the mark-to-market value of the exposure under the Forward Agreement and the amount of the collateral will be reset to 100% on a weekly basis. The Fund pays a fee to the Counterparty under the Forward Agreement equal to (a) a fixed fee of 0.35% per annum, calculated with reference to the NAV of the Portfolio and paid monthly, plus (b) an additional variable fee which initially will not exceed 0.70% per annum of the NAV of the Portfolio, calculated daily and paid quarterly. The Counterparty fees charged to the Fund during the year ended August 31, 2014 were $ 252,974 ($272,435 during the period from October 23, 2012 (commencement of operations) to August 31, 2013).

On August 31, 2014, the prepaid amount to the Counterparty under the Forward Agreement was $21,900,801 and the value of the unrealized loss on the Forward Agreement was $578,456. Other liabilities net of other assets in the Fund totalled $1,345,904, leaving net assets of $19,976,441 (On August 31, 2013, the prepaid amount to the Counterparty under the Forward Agreement was $30,798,909 and the value of the unrealized loss on the Forward Agreement was $5,854,079. Other liabilities net of other assets in the Fund totalled $1,401,039, leaving net assets of $23,543,791). This amount is assigned to the Class A and Class F Unitholders using an allocation percentage that takes into consideration any class level specific expenses. On August 31, 2014, the GAAP Net assets per unit were $7.35 per Class A Unit and $7.69 per Class F Unit (On August 31, 2013, the GAAP Net assets per unit were $6.89 per Class A Unit and $7.13 per Class F Unit).

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 Distributions

The Fund intends to make quarterly tax-advantaged cash 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.

The Fund declared an initial distribution covering the period from October 23, 2012 (commencement of operations) to January 31, 2013 of $0.2178 per Class A Unit and Class F Unit respectively. The Fund made regular quarterly distributions of $0.2000 per Class A Unit and U.S. $0.2000 per Class F Unit thereafter, representing an annualized current yield of 8.0% based on the initial offering prices of the Class A Unit and Class F Unit issue prices respectively.

During the year ended August 31, 2014, the Fund paid distributions of $0.8000 per Class A Unit and U.S. $0.8000 per Class F Unit ($0.6178 per Class A and Class F Unit respectively during the period from October 23, 2012 (commencement of operations) to August 31, 2013).

9 Management fees

Pursuant to the Trust Agreement, the Fund retained Aston Hill Capital Markets Inc. to act as manager. As compensation for coordinating the organization of and managing the ongoing business and administrative affairs of the Fund, the Manager is entitled to an annual management fee in an amount equal to 0.50% per annum of the NAV of the Fund, calculated and payable monthly in arrears, plus applicable taxes.

The management fees charged to the Fund during the year ended August 31, 2014 were $109,372 plus applicable taxes ($127,612 during the period from October 23, 2012 (commencement of operations) to August 31, 2013).

10 Service fees

The Fund pays to the Manager a service fee which is payable 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 NAV 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, 2014 were $83,431 plus applicable taxes ($99,512 during the period from October 23, 2012 (commencement of operations) to August 31, 2013).

11 Income taxes

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

As at tax year end December 31, 2013, the Fund had net capital losses of $653,173 ($60,785 as December 31, 2012), which may be carried forward indefinitely to reduce future realized capital gains and non-capital losses of $1,511,398, which will expire within the next twenty years as shown in the following table:

Year of the realized non-capital tax loss	Amount of tax loss	Expiry date
2012	654,013	2032
2013	857,385	2033
Total	**1,511,398**	

12 Broker commission charges and soft dollar services

There were $nil broker commissions paid during the year ended August 31, 2014 and the period from October 23, 2012 (commencement of operations) to August 31, 2013 in connection with portfolio transactions. No contractual arrangements for soft dollar services exist in the broker commission charges.

13 Financial instruments

For the purposes of categorization in accordance with CPA Canada Section 3862, Financial Instruments – Disclosures, cash is reported at fair value, while interest receivable and prepaid expenses are deemed to be loans and receivable and are recorded at cost or amortized cost as they are short term in nature and amortised cost approximates fair value. Similarly, management fees payable and accounts payable and accrued liabilities are deemed to be financial liabilities and reported at amortized cost.

The Fund obtained exposure to the performance of the Portfolio held through the prepaid Forward Agreement (see note 7) and therefore, the following tables illustrate the classification of the Fund's and the Portfolio's financial instruments within the fair value hierarchy on a combined basis as at August 31, 2014 and 2013:

Assets at fair value as at August 31, 2014	Level 1	Level 2	Level 3	Total
Equities	21,176,645	–	–	21,176,645
Total	**21,176,645**	–	–	**21,176,645**

Liabilities at fair value as at August 31, 2014	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	–	1,338,174	–	1,338,174
Total	–	**1,338,174**	–	**1,338,174**

Assets at fair value as at August 31, 2013	Level 1	Level 2	Level 3	Total
Equities	24,769,366	–	–	**24,769,366**
Short-term investments	–	99,854	–	**99,854**
Total	**24,769,366**	**99,854**	–	**24,869,220**

Liabilities at fair value as at August 31, 2013	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	–	1,463,305	–	1,463,305
Total	–	**1,463,305**	–	**1,463,305**

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

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

Short-term investments and prepaid forward agreement: Short-term investments are classified as Level 2 as they are valued using observable inputs, including interest rate curves, credit spreads and volatilities and are not actively traded. The prepaid forward agreement is a level 2 security as its value is based on observable input which is not actively traded.

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

There were no transfers among the three levels during the year ended August 31, 2014 and the period from October 23, 2012 (commencement of operations) to August 31, 2013.

14 Financial instrument risk

The Fund obtained exposure to the performance of the Portfolio through the Forward Agreement (see note 7) and therefore, the risks associated with an investment in the Fund's units are best defined by describing the financial risks associated with an investment in the Portfolio.

Interest rate risk

Interest rate risk is the risk that the fair value of the Fund's interest-bearing investments will fluctuate due to changes in the prevailing interest rates. Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as short-term notes. The Fund is exposed indirectly to the risk that the value of interest-sensitive financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

Credit risk

The Fund is exposed to the risk that a security issuer will be unable to pay amounts in full when due. The Fund is exposed to the credit risk associated with the Counterparty. To secure the obligations of the Counterparty under the Forward Agreement, the Counterparty has pledged collateral in favour of the Fund with an aggregate value equal to 100% of the mark-to-market value of the exposure under the Forward Agreement and the amount of the collateral will be reset to 100% on a weekly basis The possibility exists that the Counterparty will default on its obligations under the Forward Agreement. The Counterparty is rated A+ by S&P as of August 31, 2014 and 2013.

The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt investments and unrealized gain (loss) on derivative instruments outstanding with counterparties represents the maximum exposure to credit risk.

As of August 31, 2014 the Fund's does not expose to credit risk through its exposure to the Portfolio. The table below summarizes credit risk as of August 31, 2013. Amounts shown are based on the carrying value of debt investments and the unrealized loss on foreign currency forward contracts.

Rating	August 31, 2013 (% of NAV)
A-2	0.4%
Total	**-5.8%**

As at August 31, 2014 and 2013, no debt securities were contractually past due and no longer meeting interest payment obligations.

Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar ("CAD"), which is the Fund's functional currency. The Fund is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. The Statement of Investment Portfolio identifies all securities denominated in foreign currencies.

The table below summarizes the Fund's combined exposure to foreign currencies held by the Fund and the Portfolio as at August 31, 2014 and 2013. Amounts shown are based on the carrying values of monetary and non-monetary assets as well as the underlying principal amounts of foreign currency derivatives such as forward contracts. Other financial assets and liabilities denominated in foreign currencies do not expose the Fund to significant currency risk. The table below summarizes the significant exposure to foreign currencies and the approximate impact on net assets had the Canadian dollar weakened by 5% in relation to these currencies. If the Canadian dollar were to strengthen relative to these currencies, the opposite would occur. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

August 31, 2014:

	Monetary instruments $	Non-monetary instruments $	Derivative instruments $	Net Exposure $	% of Net Assets	Sensitivity (based on devaluation of CAD) $
U.S. Dollar	145,700	21,176,645	(20,922,344)	400,001	2.0%	20,000

August 31, 2013:

	Monetary instruments $	Non-monetary instruments $	Derivative instruments $	Net Exposure $	% of Net Assets	Sensitivity (based on devaluation of CAD) $
U.S. Dollar	175,464	24,769,366	(27,060,779)	(2,115,949)	(9.0%)	(106,000)

Liquidity risk

Liquidity risk is the risk of not being able to meet the Fund's cash requirements in a timely manner and includes the risk of not being able to liquidate assets at reasonable prices. This risk arises mainly from the Fund's exposure to daily cash redemptions from its market purchase program which is limited to certain conditions (see note 6). The Fund is also exposed to monthly redemptions and unlimited annual anniversary redemptions on the second to last day of April of every year commencing in 2014 (see note 6); therefore, the Fund, which has exposure to the Portfolio through the prepaid Forward Agreement, invests the majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund also achieves liquidity through its ability to pre-settle the Forward Agreement. In addition, the Fund retains sufficient cash and cash equivalent positions to meet its daily cash requirements. All liabilities, with the exception of the foreign currency forward contracts, are due within three months.

Concentration risk

The Portfolio's assets are concentrated in the real estate sector and in particular, the Mortgage REIT sector. By concentrating its assets in this sector, the Portfolio is subject to the risk that economic, political or other conditions that have a negative effect on that sector will negatively impact the Portfolio to a greater extent than if the Portfolio's assets were invested in a wider variety of sectors or industries. The securities of many or all of the companies in the real estate sector may decline in value due to developments adversely affecting such sector. This may have a negative impact on the value of the Fund's Units.

Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The 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 Portfolio's equity instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

If the Portfolio's equity prices had increased or decreased by 10% on August 31, 2014, all other variables held constant, the net assets of the Fund, through exposure to the Forward Agreement, would have increased or decreased, respectively, by approximately 2,118,000 ($2,477,000 on August 31, 2013). In practice, actual results may differ from this sensitivity analysis and the difference could be material.