



U.S. AGENCY MORTGAGE-BACKED REIT ADVANTAGED FUND

Semi-Annual Management Report of Fund Performance

February 29, 2016

MANAGEMENT REPORT OF FUND PERFORMANCE

This semi-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 semi-annual financial statements of the Fund.

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

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

INVESTMENT OBJECTIVES AND STRATEGIES

The Fund is 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 & Treasury Services (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 six-month periods ended February 29, 2016 and February 28, 2015.

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

Termination of Fund

On April 27, 2016, Aston Hill Capital Markets Inc., as Manager of the Fund, announced today the intention to terminate the Fund on or about June 30, 2016 (the “Termination Date”). The decision was made to terminate the Fund following receipt of the most recent annual redemption requests. Unitholder redemption rights are not affected by the termination of the Fund. Unitholders who properly surrendered units for redemption on or before March 31, 2016 will be paid the annual redemption amount on or about May 13, 2016.

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 distributions on units of the Fund and are based on information available at the time of writing. The 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.

MANAGER COMMENTARY (AS AT APRIL 2016)

Performance

The fund's Class A units returned -0.16% for the six months to February 29th, performing best in the final weeks as both rates and MBS spreads retreated in January and February. Annualized performance since inception stands at -4.20%. Much of 2015 was characterized by uncertainty: the continued failure of global economic growth to meet forecasts, notably among critical trading partners including Europe, China and Japan, combined with speculation over the timing of the Federal Reserve's first interest rate increase since the Financial Crisis to fuel interest rate volatility and raise the price of credit. Mortgage REIT managers responded to this environment by reducing risk, reining in their potential earnings. While the majority of the portfolio holdings earned positive economic returns for the six months, gains were offset by increased trading discounts to book value, which expanded from an average of about 18% to over 21%. The fund's NAV per unit declined from \$5.92 to \$5.56, and regular quarterly distributions totalling \$0.33 were paid. The current quarterly distribution target of \$0.133 represents a yield on the units' \$5.25 February 29th market price of 10.2%, resulting in a pre-tax equivalent yield of approximately 14.6%.

Market Update

US economic growth slowed in the 4th quarter of 2015, slipping to an annualized rate of 1.4% compared to 2.0% in the third quarter and 2.0% for the full year. 2.0% annual growth is relatively anaemic by historical standards (the long term average rate from 1945 to 2015 was 3.22%) and reflects a slow and fragile global recovery that has yet to return either advanced or developing economies to consistent, robust activity 7 years on from the Financial Crisis. Constructive employment data, increasing industrial production and modest growth in personal consumption expenditure in the first quarter of 2016 were offset by weak exports and a decline in non-residential investment. In aggregate, the data are painting a neutral picture for the US economy in 2016. Inflation expectations remain low, with the US 10-year treasury yield (1.78%) within 10 basis points of its 3-year low at the time of writing and the 10-year breakeven inflation rate (the difference between the yield on 10-year nominal treasuries and 10-year Treasury Inflation Protected Securities (TIPs)) standing at 1.58%, 30 bps above post-crisis lows reached in February but still well below the Federal Reserve's 2.0% inflation target. After a correction in January and February, share prices have rebounded to near the level at which they closed out 2015. Commodities and Credit have also rallied since February although credit spreads, the extra yield required by investors in high yield debt, remain elevated and key commodities including oil and iron ore are hovering just above their lows for the past decade.

The US labour market appears to be generally on track with the unemployment rate (5.0%), the number of unemployed (8.0 million), and the number of long-term unemployed (2.2 million) undergoing little change since last summer. Over the first half of 2015, unemployment fell from 5.6% to 5.0% and the number of jobless dropped by 800,000. The percentage of the population that are employed ended March 2016 at 59.9%, up 0.4% from year-end, while average weekly earnings for those on private, non-farm payrolls ended the March quarter at \$874.79 up from \$858.02 a year earlier.

Partly as a result of continued low energy and import prices, both linked to the strength of the dollar, inflation remains contained. The price index for core personal consumption expenditures (core PCI), which excludes food and energy and is the Fed's preferred gauge of inflation, recorded an increase of 1.68% in the year to March, its highest annual increase since February 2013. The Headline PCE Index, weighed down by factors which have dissipated in recent weeks including falling commodities prices and the strong dollar, recorded a one year change of just 0.96%. Following the Fed's December rate increase, the case for throwing on the economic brakes has weakened somewhat, with modest indications of economic recovery offset by continued low expectations for global economic growth and the apparent ascendance of inward-looking political populism. Fed funds futures currently show about a 58% chance of a rate increase before 2017; at the beginning of the year the same chance was priced at 95%.

Interest rates climbed in the closing weeks of 2015 before retreating sharply in January and February. The benchmark ten-year treasury yield ended the fund's fiscal year at 1.74% compared to 2.00% a year earlier and 2.27% at December 31st, 2015. US rates remain high compared to other rates in developed economies around the globe: the medium term bonds of a growing contingent of sovereign issuers including Germany, Japan and Switzerland trade at negative yields. Spreads on most fixed income categories widened substantially during 2015, having begun the year at historically tight levels. That trend continued to February 2016 and spreads have since retreated, mirroring the path of equities. The price of a representative 15-year 3.0% coupon MBS climbed fell by 0.5% for the year, resulting in a total return of 2.82%, while a 30 year 3.5% price climbed by 0.7%, yielding a total return of 3.31%.

Portfolio Holdings

The fund's portfolio consists of the ten largest publicly traded U.S. Agency Mortgage REITs, weighted by market capitalization. American Capital Agency Corp. (AGNC), one of the largest mortgage REITs and is the fund's largest holding. AGNC invests principally in 15 and 30-year fixed-rate agency MBS. AGNC paid distributions of \$1.40 per share during the period while its share price fell from \$19.13 to \$18.07. The price decline resulted from a combination of falling book value, mainly due to rising credit spreads, and an increase in trading discount to book value. AGNC's 2015 annual report commented that:

"We prioritized risk management over current period earnings by operating with a historically low leverage profile and relatively minimal interest rate risk. We maintained this defensive posture throughout 2015."

Looking ahead to 2016:

"...we believe the Federal Reserve's ability to raise short term interest rates will be limited in the near to intermediate term. This interest rate outlook, when combined with the enhanced earnings power of our portfolio stemming from wider MBS spreads, gives us reason to be optimistic about 2016. Our decision to operate with historically low leverage throughout 2015 provides us capacity and flexibility to take advantage of more attractive investment opportunities that exist as a result of the significant widening in agency MBS spreads when we believe the timing is appropriate. Portfolio returns could be further supported by either higher leverage or a reduction in aggregate hedge cost."

Two Harbors Investment Corp. (TWO), the fund's third-largest holding, is a diversified mortgage REIT that invests in residential mortgage loans, mortgage servicing rights and commercial real estate in addition to residential MBS. TWO's share price fell from \$9.46 to \$7.75 over the period, a decline which far outstripped its approximately \$0.25 fall in book value, again reflecting a much wider trading discount. TWO Harbors paid distributions totalling \$0.52/share during the half year. CEO Thomas Siering discussed Two Harbors' achievements in diversifying its revenue sources in the REIT's January earnings release:

"During the year, we sponsored seven prime jumbo securitizations and were a leading issuer in the market. We also added MSR (mortgage servicing rights) through both flow-sale and bulk purchases. Additionally, we completed the build out of our commercial real estate team and began deploying capital to these assets. We believe allocating resources and capital thusly will build franchise value for our stockholders over the long-term."

High trading discounts are creating an opportunity for consolidation in the Mortgage REIT sector, resulting in two recent acquisition announcements. Annaly Capital Management, which made up 24.6% of the fund's portfolio as of the end of March, and Hatteras Financial Corp, at 6.2% of the portfolio, announced the signing of a definitive merger agreement on April 11th. Annaly will acquire Hatteras for \$15.85/share, a premium of approximately 24% on the 60-day weighted average trading price, and a multiple of approximately 0.85x Hatteras' estimated book value on Feb 29th, 2016. The transaction was touted as improving diversification and liquidity for the shareholders of both REITs.

Armour Residential REIT, a smaller holding at 3.7% of the portfolio, recently completed the acquisition of Javelin Mortgage Investment Corp. (not a portfolio holding) for a cash consideration that values Javelin at 0.87x its book value. Like the Annaly/Hatteras transaction, this purchase will be accretive to Armour's book value and should also contribute to diversification and liquidity.

Housing and Mortgage Markets

The home ownership rate for the United States, which has been falling steadily since 2004, began to rebound in the second half of 2015, according to the Census Bureau, with gains driven by an improving jobs market and slightly easier access to credit. 63.7% of Americans owned their own homes as of December 2015, up marginally from 63.4% in June but still near a 48-year low. Home ownership peaked in 2004 at 69.1%.

While home ownership among the 25 to 34 year olds has been in decline since the 1980's, recent research from Fannie Mae speculates that the demographic is ready to turn to owning their own place in droves. Factors supporting the argument include steady job gains, easier access to

credit, and an expected spike of demographic growth in the age group of about 500,000 a year over the next five years.

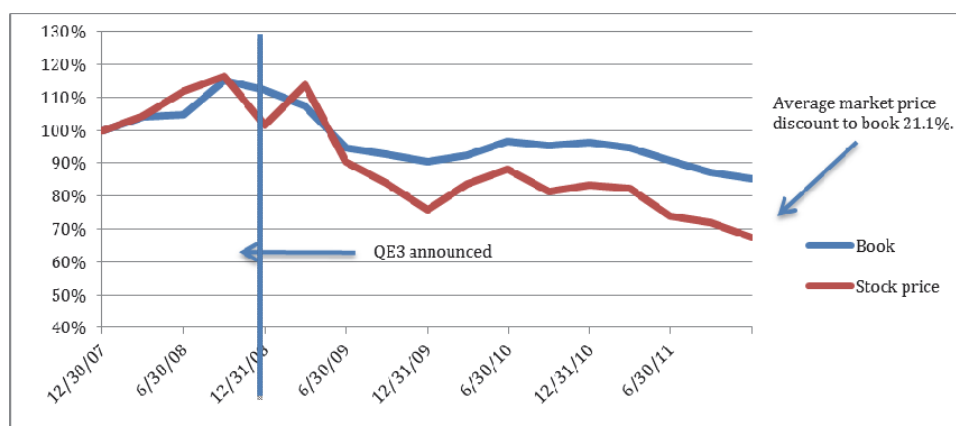
The housing market continued on a growth trajectory during the period. Existing home sales dropped 7.1% in February, to a seasonally adjusted annual rate of 5.08 million, but are still 2.2% higher than a year ago. The median existing home price for all types of houses was \$210,800, up 4.4% year over year and marking the 48th consecutive month of year-over-year price gains. The S&P/Case Schiller U.S. National Home Price Index gained 5.4% over the year to January as house prices overall continue to rise at an annual rate of about 5%, about three times the rate of inflation. The index closed the month 5.0% below its 2006 peak. Mortgage rates declined marginally during the year, with fixed 30-year mortgages falling from an average 3.80% to 3.62%.

Total mortgage related security issuance in the United States was up 27.3% for 2015 compared to 2014, at \$1.69 trillion versus \$1.35 trillion. 2014 issuance was the lowest since 2000, however, and 2015 the second lowest. Agency MBS issuance was up 35.1%, to \$1.323 trillion, while the printing of new non-agency mortgage related securities also climbed higher to a total of \$202.0 billion compared to \$156.2 billion, still a faint shadow of pre-financial crisis non-agency levels, which approached \$1 trillion in 2007.

Book Value and Share Price

The following graph shows the path of weighted average book value per share compared to market price (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, Mortgage REIT shares have been trading at a discount consistently since mid-2013. The vertical line on the graph is drawn at September 2012, when QE3, the US Federal Reserve's third round of quantitative easing, which included substantial monthly purchases of Agency MBS, was announced. Prior to 2012, the mortgage REITs generally traded at a premium to book value. The Fed began reducing asset purchases at the end of 2013 and completed the program in October 2014. Since that time, the trading discount has persisted and widened. A trading discount provides an opportunity for the REITs to accrue value by buying their own shares in the market or through strategic acquisitions at below book value.

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



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 prospectus terms and conditions.

During the six-month period ended February 29, 2016, there were 16,500 Class F Units converted to 17,398 Class A Units for a total value of \$91,686. There were also redemption of 317,097 Class A Units for a total value of \$1,521,817 (During the six-month period ended February 28, 2015, there were 4,500 Class F Units converted to 4,734 Class A Units for a total value of \$32,274. There was also redemption of 10,000 Class F Units for a total value of \$ 70,068; none for Class A Units).

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 six-month periods ended February 29, 2016 and February 28, 2015.

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 \$0.20 per Class A Unit and \$0.20 per Class F Unit in 2015. Starting from January 2016, the Fund changed its regular quarterly distributions to \$0.1333 per Class A Unit and \$0.1333 per Class F Unit, representing an annualized current yield of 6.0% based on the initial offering prices of the Class A Unit and Class F Unit issue prices respectively.

During the six-month period ended February 29, 2016, the Fund paid distributions of \$0.3333 per Class A Unit and \$0.3333 per Class F Unit (\$0.40 per Class A Unit and \$0.40 per Class F Unit respectively during the six-month period ended February 28, 2015).

RECOMMENDATIONS OR REPORTS BY THE INDEPENDENT REVIEW COMMITTEE

The Independent Review Committee of the Fund tabled no special reports and made no extraordinary material recommendations to management of the Fund during the six-month period ended February 29, 2016.

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 six-month period ended February 29, 2016 were \$29,200 plus applicable taxes (\$46,588 during the six-month period ended February 28, 2015).

Service Fee

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 six-month period ended February 29, 2016 were \$20,630 (\$34,248 during the six-month period ended February 28, 2015).

Administration Fees

The Manager allocates back to the Fund a portion of the base salaries of individuals who have spent time working on matters relating to the operations of the Fund. The expenses are directly attributable to the Fund as they relate to time spent on Fund accounting, valuation, taxation, compliance, investor relations, financial and shareholder reporting, cost management, oversight and any other operations matter. During the six-month period ended February 29, 2016, administration fees amounted to \$9,117 (\$12,114 during the six-month period ended February 28, 2015).

INDEPENDENT REVIEW COMMITTEE (“IRC”) FEE

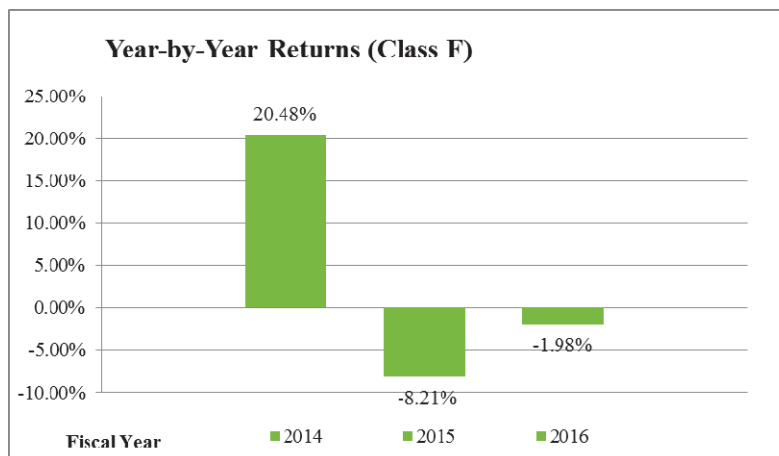
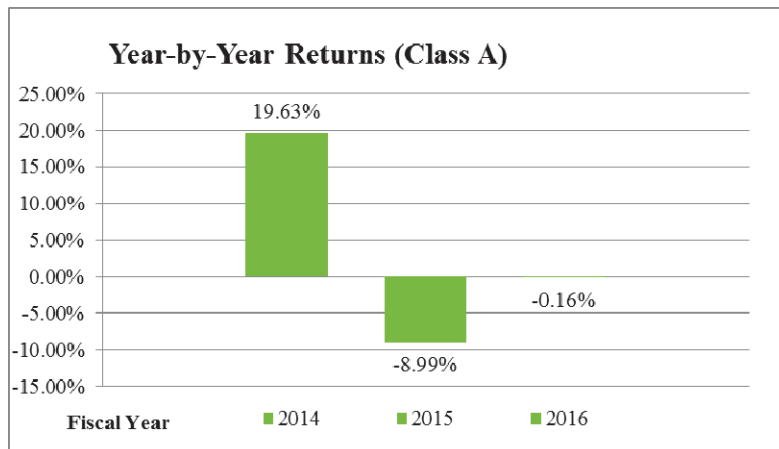
The members of the Independent Review Committee are John Crow (chair), Joseph Wright, Robert B. Falconer and Scott Browning. The Independent Review Committee acts as a review committee for a number of investment Funds managed by the Manager.

The 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. These fees and expense reimbursements are allocated across investment Funds that are managed by the Manager in a manner that is fair and reasonable.

The IRC fees charged to the Fund during the six-month period ended February 29, 2016 were \$229 (\$1,289 during the six-month period ended February 28, 2015).

PAST PERFORMANCE

The following bar chart and table shows the Fund’s semi-annual performance of the Class A Units and Class F Units by showing semi-annual returns by fiscal year assuming all the distributions made by the Fund during the six-month period 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 chart shows, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period. Past performance is not necessarily indicative of future performance.



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:

<i>The Fund's Net Assets per Class A Unit:</i>	February 29, 2016⁽²⁾	August 31, 2015	August 31, 2014	August 31, 2013⁽¹⁾
Net Assets, beginning of period⁽⁷⁾	5.92	7.35	6.89	10.00
Unit issue expense⁽³⁾	–	–	–	(0.68)
Increase (decrease) from operations:				
Total revenues	–	–	–	–
Total expenses	(0.06)	(0.12)	(0.19)	(0.19)
Realized gains (losses) for the period	(1.28)	(0.60)	(0.54)	(0.03)
Unrealized gains (losses) for the period	1.17	0.09	1.97	(1.61)
Total increase (decrease) from operations⁽⁴⁾	(0.17)	(0.63)	(1.24)	(1.83)
Distributions:				
From income (excluding dividends)	–	–	–	–
From dividends	–	–	–	–
From capital gains	–	–	–	–
Return of capital	(0.33)	(0.80)	(0.80)	(0.62)
Total Distributions⁽⁵⁾	(0.33)	(0.80)	(0.80)	(0.62)
Net Assets, end of period⁽⁶⁾⁽⁷⁾	5.56	5.92	7.35	6.89

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

(2) Results for the six-month period ended February 29, 2016.

(3) Issue expenses of \$2,188,475 were incurred in connection with the Class A Units issuance for the period from October 23, 2012 (commencement of operations) to August 31, 2013. 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.

(4) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase / decrease from operations is based on the weighted average number of 2,042,091 Class A units outstanding over the financial period (August 31, 2015 – 2,458,043).

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

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

(7) The Fund adopted International Financial Reporting Standards ("IFRS") commencing August 31, 2015. This information for the period up to August 31, 2013 is presented under Canadian GAAP.

<i>Ratios and Supplemental Data (Class A Units):</i>	February 29, 2016⁽²⁾	August 31, 2015	August 31, 2014	August 31, 2013⁽¹⁾
Net Assets (\$000's)	10,525	12,987	19,110	22,523
Number of units outstanding	1,892,211	2,191,910	2,598,838	3,267,666
Base management expense ratio (annualized) ⁽³⁾⁽⁴⁾	2.07%	1.79%	2.74%	2.53%
Issue expenses ratio ⁽³⁾⁽⁴⁾	0.00%	0.00%	0.00%	7.83%
Management expense ratio (annualized) ⁽⁴⁾	2.11%	1.79%	2.74%	10.36%
Management expense ratio before waivers or absorptions (annualized) ⁽⁴⁾	2.11%	1.79%	2.74%	10.36%
Portfolio turnover rate ⁽⁵⁾	0.00%	0.00%	0.00%	0.00%
Trading expense ratio ⁽⁶⁾	0.00%	0.00%	0.00%	0.00%
Closing market price (TSX)	5.25	5.64	6.97	6.60

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

(2) Results for the six-month period ended February 29, 2016.

(3) 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.

(4) 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.

(5) 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.

(6) 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.

<i>The Fund's Net Assets per Class F Unit:</i>	February 29, 2016⁽²⁾	August 31, 2015	August 31, 2014	August 31, 2013⁽¹⁾
Net Assets, beginning of period⁽⁷⁾	6.29	7.69	7.13	10.00
Unit issue expense⁽³⁾	–	–	–	(0.39)
Increase (decrease) from operations:				
Total revenues	–	–	–	–
Total expenses	(0.05)	(0.10)	(0.20)	(0.16)
Realized gains (losses) for the period	(1.35)	(0.64)	(0.57)	(0.03)
Unrealized gains (losses) for the period	1.15	0.12	2.05	(1.62)
Total increase (decrease) from operations⁽⁴⁾	(0.25)	(0.62)	(1.28)	(1.81)
Distributions:				
From income (excluding dividends)	–	–	–	–
From dividends	–	–	–	–
From capital gains	–	–	–	–
Return of capital	(0.33)	(0.80)	(0.80)	(0.62)
Total Distributions⁽⁵⁾	(0.33)	(0.80)	(0.80)	(0.62)
Net Assets, end of period^{(6) (7)}	5.82	6.29	7.69	7.13

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

(2) Results for the six-month period ended February 29, 2016.

(3) Issue expenses of \$62,966 were incurred in connection with the Class F Unit 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.

(4) 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 70,552 Class A units outstanding over the financial period (August 31, 2015 – 98,208).

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

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

(7) The Fund adopted International Financial Reporting Standards ("IFRS") commencing August 31, 2015. This information for the period up to August 31, 2013 is presented under Canadian GAAP.

<i>Ratios and Supplemental Data (Class F Units):</i>	February 29, 2016⁽²⁾	August 31, 2015	August 31, 2014	August 31, 2013⁽¹⁾
Net Assets (\$000's)	357	490	866	1,021
Number of units outstanding	61,335	77,835	112,585	143,225
Base management expense ratio (annualized) ^{(3) (4)}	1.66%	1.37%	2.33%	2.11%
Issue expenses ratio ^{(3) (4)}	0.00%	0.00%	0.00%	4.35%
Management expense ratio (annualized) ⁽⁴⁾	1.70%	1.37%	2.33%	6.46%
Management expense ratio before waivers or absorptions (annualized) ⁽⁴⁾	1.70%	1.37%	2.33%	6.46%
Portfolio turnover rate ⁽⁵⁾	0.00%	0.00%	0.00%	0.00%
Trading expense ratio ⁽⁶⁾	0.00%	0.00%	0.00%	0.00%

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

(2) Results for the six-month period ended February 29, 2016.

(3) 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.

(4) 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.

(5) 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.

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

SUMMARY OF INVESTMENT PORTFOLIO AS OF FEBRUARY 29, 2016

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

<i>Investment portfolio of U.S. Agency Mortgage-Backed REIT Advantaged Fund</i>	
Portfolio by Category	% of Net Asset
Prepaid forward agreement	121.9%
Cash	0.5%
Net Other Assets (Liabilities)	(0.7%)
Foreign Currency Forward Contracts	(21.7%)
Total	100.0%

Top 25 Holdings	% of Net Asset
Prepaid forward agreement	121.9%
Cash	0.5%
Foreign Currency Forward Contracts	(21.7%)
Total Net Assets	\$ 10,881,614

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 February 29, 2016:

Portfolio by Category	% of Net Asset
United States	121.3%
Cash	0.4%
Top 25 Holdings*	
Annaly Capital Management Inc.	29.9%
American Capital Agency Corporation	29.5%
Two Harbors Investment Corporation	16.2%
MFA Financial Inc.	14.5%
Hatteras Financial Corporation	7.7%
CYS Investments Inc.	7.0%
Capstead Mortgage Corporation	5.4%
ARMOUR Residential REIT Inc.	4.4%
American Capital Mortgage Investment Corporation	4.0%
Anworth Mortgage Asset Corporation	2.7%
Cash	0.4%
Total Net Assets	\$ 13,265,465

*There are less than 25 holdings in the Fund