

AHF CREDIT OPPORTUNITIES FUND

Financial Statements

December 31, 2015



March 29, 2016

Independent Auditor's Report

**To the Unitholders of
AHF Credit Opportunities Fund
(the Fund)**

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2015 and 2014 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Fund in accordance with International Financial Reporting Standards, 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 of the Fund 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*

PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Opinion

In our opinion, the financial statements of the Fund present fairly, in all material respects, the financial position of the Fund as at December 31, 2015 and 2014 and the financial performance and cash flows of the Fund for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario

AHF CREDIT OPPORTUNITIES FUND
STATEMENTS OF FINANCIAL POSITION

As at December 31 2015 2014

Assets

Current assets

Financial assets at fair value through profit or loss	\$	10,719,739	\$	2,221,268
Short-term investments		-		3,293,076
Cash		7,563,500		2,644,546
Subscription receivable		12,000		302,150
Broker margin		465,778		-
Dividends receivable		21,121		4,381
Interest receivable		72,225		31,103
Total assets		18,854,363		8,496,524

Liabilities

Current liabilities

Financial liabilities at fair value through profit or loss		358,610		-
Forward currency contracts		291,476		-
Due to broker		557,401		-
Management fees payable (note 7)		2,345		7,300
Performance fees payable (note 7)		-		37,785
Accounts payable and accrued liabilities		12,637		66,603
Redemptions payable		313,187		-
Distributions payable		53,720		144,717
Total liabilities		1,589,376		256,405

Net Assets attributable to holders of redeemable units \$ 17,264,987 \$ 8,240,119

Net Assets attributable to holders of redeemable units per series

Series A	\$	2,684,315	\$	2,469,172
Series F	\$	12,282,074	\$	3,810,843
Series I	\$	2,298,598	\$	1,960,104

Units outstanding per series (note 6)

Series A	280,536	249,522
Series F	1,278,676	384,748
Series I	183,484	159,625

Net Assets attributable to holders of redeemable units per series per unit

Series A	\$	9.57	\$	9.90
Series F	\$	9.61	\$	9.90
Series I	\$	12.53	\$	12.28

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



Derek Slemko
Chief Operating Officer



Kal Zakarneh
Chief Financial Officer

AHF CREDIT OPPORTUNITIES FUND
STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31	2015	2014
Income		
Securities lending income (note 13)	\$ 5,929	\$ -
Net foreign currency gain (loss) on cash	499,826	52,231
Change in unrealized appreciation (depreciation) on cash	(25,752)	29,185
Net Gains (Losses) on investments and derivatives at FVTPL:		
Dividends	87,609	12,045
Interest for distribution purpose	425,795	73,583
Net realized gain (loss) on investments	682,022	875,849
Realized gain (loss) on foreign currency forward contracts	(574,984)	-
Change in unrealized appreciation (depreciation) on investments	4,052	(513)
Change in unrealized appreciation (depreciation) on foreign currency forward contracts	(291,476)	-
Total income	813,021	1,042,380
Expenses		
Management fees (note 7)	134,086	29,980
Performance fees (note 7)	308,269	118,122
Administration fees (note 7)	1,544	1,500
Legal fees	-	2,260
Audit fees	4,511	24,424
Unitholder reporting costs	74,353	59,258
Custody fees	45,499	14,120
Independent Review Committee fees (note 7)	-	248
Interest and bank charges	37	1,300
Securities borrowing fees	12	-
Other expenses	-	16,251
Withholding taxes	7,466	1,807
Transaction costs (note 15)	19,106	3,760
Total expenses	594,883	273,030
Increase (decrease) in Net Assets attributable to holders of redeemable units	218,138	769,350
Increase (decrease) in Net Assets attributable to holders of redeemable units per series		
Series A	\$ 58,353	\$ 127,762
Series F	\$ 21,291	\$ 192,374
Series I	\$ 138,494	\$ 449,214
Weighted average number of units outstanding for the year		
Series A	273,162	180,625
Series F	1,146,680	266,059
Series I	177,391	134,945
Increase (decrease) in Net Assets attributable to holders of redeemable units per unit ⁽¹⁾		
Series A	\$ 0.21	\$ 0.71
Series F	\$ 0.02	\$ 0.72
Series I	\$ 0.78	\$ 3.33

⁽¹⁾ Based on the weighted average number of units outstanding for the year.

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

AHF CREDIT OPPORTUNITIES FUND
STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE
TO HOLDERS OF REDEEMABLE UNITS

Series A

For the years ended December 31	2015	2014
Net Assets attributable to holders of redeemable units, beginning of year	\$ 2,469,172	\$ -
Increase (decrease) in Net Assets attributable to holders of redeemable unit:	58,353	127,762
Redeemable unit transactions:		
Proceeds from redeemable units issued	600,212	2,342,946
Reinvestments of distributions to holders of redeemable unit	161,586	193,965
Redemption of redeemable unit	(440,911)	-
	320,887	2,536,911
Distributions to holders of redeemable units:		
Return of capital	(113,180)	-
From net realized capital gain	(50,917)	(195,501)
	(164,097)	(195,501)
Net increase (decrease) in Net Assets attributable to holders of redeemable units	215,143	2,469,172
Net Assets attributable to holders of redeemable units, end of year	\$ 2,684,315	\$ 2,469,172

Series F

For the years ended December 31	2015	2014
Net Assets attributable to holders of redeemable units, beginning of year	\$ 3,810,843	\$ -
Increase (decrease) in Net Assets attributable to holders of redeemable unit:	21,291	192,374
Redeemable unit transactions:		
Proceeds from redeemable units issued	10,650,945	3,859,011
Reinvestments of distributions to holders of redeemable unit	137,463	140,453
Redemption of redeemable unit	(1,623,161)	(79,582)
	9,165,247	3,919,882
Distributions to holders of redeemable units:		
Return of capital	(492,921)	-
From net realized capital gain	(222,386)	(301,413)
	(715,307)	(301,413)
Net increase (decrease) in Net Assets attributable to holders of redeemable units	8,471,231	3,810,843
Net Assets attributable to holders of redeemable units, end of year	\$ 12,282,074	\$ 3,810,843

Series I

For the years ended December 31	2015	2014
Net Assets attributable to holders of redeemable units, beginning of year	\$ 1,960,104	\$ 1,114,536
Increase (decrease) in Net Assets attributable to holders of redeemable unit:	138,494	449,214
Redeemable unit transactions:		
Proceeds from redeemable units issued	200,000	425,000
Reinvestments of distributions to holders of redeemable unit	106,594	158,117
Redemption of redeemable unit	-	(28,646)
	306,594	554,471
Distributions to holders of redeemable units:		
Return of capital	(73,521)	-
From net realized capital gain	(33,073)	(158,117)
	(106,594)	(158,117)
Net increase (decrease) in Net Assets attributable to holders of redeemable units	338,494	845,568
Net Assets attributable to holders of redeemable units, end of year	\$ 2,298,598	\$ 1,960,104

Fund Total

For the years ended December 31	2015	2014
Net Assets attributable to holders of redeemable units, beginning of year	\$ 8,240,119	\$ 1,114,536
Increase (decrease) in Net Assets attributable to holders of redeemable unit:	218,138	769,350
Redeemable unit transactions:		
Proceeds from redeemable units issued	11,451,157	6,626,957
Reinvestments of distributions to holders of redeemable unit	405,643	492,535
Redemption of redeemable unit	(2,064,072)	(108,228)
	9,792,728	7,011,264
Distributions to holders of redeemable units:		
Return of capital	(679,622)	-
From net realized capital gain	(306,376)	(655,031)
	(985,998)	(655,031)
Net increase (decrease) in Net Assets attributable to holders of redeemable units	9,024,868	7,125,583
Net Assets attributable to holders of redeemable units, end of year	\$ 17,264,987	\$ 8,240,119

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

AHF CREDIT OPPORTUNITIES FUND

STATEMENTS OF CASH FLOWS

For the years ended December 31

2015

2014

Cash flows from operating activities

Increase (decrease) in Net Assets attributable to holders of redeemable units	\$ 218,138	\$ 769,350
Adjustments to reconcile to operating cash flows:		
Net realized (gain) loss on sale of investments	(682,022)	(875,849)
Change in unrealized (appreciation) depreciation on cash	25,752	(29,185)
Change in unrealized (appreciation) depreciation on investments	(4,052)	513
Change in unrealized (appreciation) depreciation on foreign currency forward contracts	291,476	-
Proceeds from investments sold	69,263,245	58,617,826
Purchase of investments	(72,866,555)	(62,839,463)
(Increase) decrease in dividends receivable	(16,740)	(4,381)
(Increase) decrease in interest receivable	(41,122)	(28,739)
Increase (decrease) in management fees payable	(4,955)	7,300
Increase (decrease) in performance fees payable	(37,785)	37,785
Increase (decrease) in accounts payable and accrued liabilities	(53,966)	45,329
(Increase) decrease in broker margin	(465,778)	-
Net cash from (used in) operating activities	(4,374,364)	(4,299,514)

Cash flows from financing activities

Proceeds from redeemable units issued	11,741,307	6,324,807
Redemption of redeemable units	(1,750,885)	(108,228)
Distributions paid to holders of redeemable units, net of reinvested distributions	(671,352)	(17,779)
Net cash from (used in) financing activities	9,319,070	6,198,800

Net increase (decrease) in cash during the year

Change in unrealized appreciation (depreciation) on cash	(25,752)	29,185
Cash, beginning of year	2,644,546	716,075
Cash, end of year	\$ 7,563,500	\$ 2,644,546

Supplementary Information

Dividends received, net of withholding taxes	\$ 63,403	\$ 5,857
Interest received	\$ 384,673	\$ 44,844
Interest paid	\$ 37	\$ 1,300

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

AHF CREDIT OPPORTUNITIES FUND
SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2015

Currency	Par Value		Coupon Rate	Maturity Date	Cost	Fair Value	% of Net Assets (%)
Bonds							
Domestic Bonds							
	330,000	Essar Steel Algoma Inc. ⁽¹⁾	9.500%	November 15, 2019	\$ 374,549	\$ 169,609	
Total Domestic bonds					374,549	169,609	1.0%
Foreign Bonds							
United States of America							
USD	250,000	HCA Inc.	5.375%	February 01, 2025	325,065	343,368	
USD	1,000,000	Jefferies Finance LLC	7.500%	April 15, 2021	1,240,287	1,227,618	
USD	500,000	Nationstar Mortgage LLC	7.875%	October 01, 2020	614,520	666,421	
USD	1,000,000	T-Mobile USA Inc.	6.375%	March 01, 2025	1,357,185	1,409,938	
Total United States of America					3,537,057	3,647,345	21.1%
Total Foreign bonds					3,537,057	3,647,345	21.1%
Total Bonds					3,911,606	3,816,954	22.1%
Equities - Long							
Consumer discretionary							
	501,000	Mood Media Corp.			278,685	65,130	
Total Consumer discretionary					278,685	65,130	0.4%
Consumer staples							
USD	15,654	Alliance One International Inc.			253,035	249,415	
Total Consumer staples					253,035	249,415	1.4%
Financials							
	20,000	Agellan Commercial REIT			171,966	176,800	
	5,000	Clairvest Group Inc.			116,487	141,500	
	10,000	Inovalis REIT			86,998	93,700	
	67,880	Milestone Apartments REIT			1,017,361	1,021,594	
USD	27,000	Nationstar Mortgage Holdings Inc.			503,268	501,452	
	107,455	Slate Retail REIT			1,402,662	1,553,799	
Total Financials					3,298,742	3,488,845	20.2%
Utilities							
	55,600	Hydro One Ltd.			1,139,800	1,239,324	
Total Utilities					1,139,800	1,239,324	7.2%
Exchange Traded Funds							
USD	34,336	BlackRock Corporate High Yield Fund Inc.			449,698	466,469	
USD	2,000	iShares 20+ Year Treasury Bond ETF			340,506	335,107	
USD	5,000	iShares iBoxx \$ High Yield Corporate Bond ETF			557,262	559,669	
USD	14,000	PowerShares DB US Dollar Index Bullish Fund			477,139	498,826	
Total Exchange Traded Funds					1,824,605	1,860,071	10.8%
Total Equities - Long					6,794,867	6,902,785	40.0%
Equities - Short							
Exchange Traded Funds							
USD	(11,525)	PowerShares Senior Loan Portfolio			(351,159)	(358,610)	
					(351,159)	(358,610)	-2.1%
Total Equities - Short					(351,159)	(358,610)	-2.1%
Total investments					10,355,314	10,361,129	60.0%
Embedded broker commissions					(8,521)		
Total					\$ 10,346,793	\$ 10,361,129	60.0%
Cash						\$ 7,563,500	43.8%
Foreign Currency Forward Contracts						\$ (291,476)	-1.7%
Net Other Assets (Liabilities)						\$ (368,166)	-2.1%
Net Assets Attributable to Holders of Redeemable units						\$ 17,264,987	100.0%

⁽¹⁾ Level 3 financial assets (note 9)

AHF CREDIT OPPORTUNITIES FUND**SCHEDULE OF INVESTMENT PORTFOLIO (continued)**

As at December 31, 2015

Schedule A

Forward Currency Contracts

As at December 31, 2015

Number of Contracts	Sold	Bought	Settlement Date	Unrealized Gain (Loss)	Counterparty	Counterparty Credit Rating
1	USD (5,000,000)	CAD 6,653,725	January 13, 2016	\$ (291,476)	Royal Bank of Canada	AAA
Total				(CAD 291,476)		

AHF CREDIT OPPORTUNITIES FUND

Notes to the Financial Statements

December 31, 2015

1. THE FUND

AHF Credit Opportunities Fund (the “Fund”) is an investment trust established under the laws of the Province of Ontario pursuant to a master declaration of trust dated as of September 30, 2013 (as amended from time to time, the “Declaration of Trust”). AHF Capital Partners Inc. is the trustee (in such capacity, the “Trustee”) and the manager (in such capacity, the “Manager”) of the Fund.

The investment objective (the “Investment Objective”) of the Fund is to maximize total returns for Unitholders, consisting of both distributions and capital appreciation. The Fund invests, directly or indirectly, primarily in debt and equity securities of non-investment grade rated issuers, both publicly-traded and privately-held.

The Fund currently offers Series A Units, Series F Units and Series I Units (together, the “Units”) for sale to investors.

Although the Fund is a “mutual fund” as defined in applicable securities-legislation, it is not required to (and does not) operate in accordance with the requirements of National Instrument 81-102 Mutual Fund and other regulations and policies of the Canadian securities regulators that are applicable only to public mutual Fund. (Note 12)

The address of the Fund’s registered office is 77 King Street West, Suite 2110, Toronto, Ontario, M5K 1G8.

These financial statements were authorized for issue by AHF Capital Partners Inc. on March 29, 2016.

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

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of financial statements, under the historical cost convention basis, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit and loss.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following is a summary of significant accounting policies:

1. Financial Instruments

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

2. Fair Value Measurement

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

The fair value of financial assets and liabilities that are not traded in an active market including foreign currency forward contracts and options are determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each measurement date. Valuation techniques include the use of comparable recent arm’s length transactions, reference to other instruments that are substantially the same and others commonly used by market participants and which make the maximum use of observable inputs. Refer to Note 9 for further information about the Fund’s fair value measurements.

The Fund’s investments in securities having no quoted market value are valued at estimated fair value using valuation techniques as determined by the Manager. Estimated fair value is determined on the basis of the expected realizable value of

AHF CREDIT OPPORTUNITIES FUND

Notes to the Financial Statements

December 31, 2015

the investments if they were disposed of in an orderly manner over a reasonable period of time. The Manager uses estimation techniques to determine fair value, including discounted cash flows, multiples of earnings and comparison with other securities that are substantially the same. The difference between fair value and average cost, as recorded in the accounts, is shown as change in unrealized appreciation (depreciation) on investments.

3. Cash

Cash consists of cash in hand, deposits held at call with banks and bank overdrafts.

4. Other Assets and Liabilities

Other financial assets, which may include, pre-paid expenses, interest receivable, subscriptions receivable from unitholders, due from broker and due from the Manager, are designated as loans and receivables and carried at amortized cost. Other financial liabilities, which may include accounts payable and accrued liabilities, management fees payable, redemptions payable to unitholders, and distributions payable to unitholders, are designated as such and are carried at amortized cost. Due to their short-term nature, the carrying value of the financial assets and liabilities approximates fair value.

5. Investment Transactions and Income Recognition

All investment transactions are accounted for on a trade date basis. Dividend income is recorded on the ex-dividend date. The interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. Distributions are recorded on the ex-distribution date as a reduction of the adjusted cost of the related instrument in case of return of capital. Securities lending income is recognized upon receipt.

Realized gains and losses on the sale of investments and unrealized appreciation or depreciation of investments are determined based on the average cost basis.

6. Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in Net assets attributable to holders of redeemable units during the reporting period. A significant area requiring the use of management judgments and estimates is the valuation of non-public investments. The resulting values may differ materially from values that would have been used had a readily available market existed for the investments and the prices at which the investments may be sold.

7. Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities are expensed and are included in transaction costs in the Statements of Comprehensive Income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

8. Foreign Currency Translation

The majority of the Fund's subscriptions and redemptions are denominated in Canadian dollar, which is also its functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated in to the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash and those relating to other financial assets and liabilities are presented as "Net foreign currency gain (loss) on cash" in the Statements of Comprehensive Income.

9. Forward Currency Contracts

Forward currency contracts are valued at current fair value on each valuation date. The value is determined as the gain or loss that would be realized if, on the valuation date, the position of the forward currency contracts were closed out. Gains or losses incurred when forward currency contracts entered into by the Fund, mature or are closed out are included in net realized gain (loss) on derivative contracts in the Statements of Comprehensive Income.

10. Account Standards Issued but Not Yet Adopted

The final version of International Financial Reporting Standard (IFRS) 9, Financial Instruments, was issued by IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking expected loss impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Manager is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

AHF CREDIT OPPORTUNITIES FUND

Notes to the Financial Statements

December 31, 2015

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Classification of Redeemable Units Issued by the Fund

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

Functional and Presentation Currency

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

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

The Fund holds financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes are obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using their own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk (both owned and counterparty), violates and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 9 for further information about the fair value measurement of the Fund's financial instruments.

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

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Funds is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments-Recognition and measurement (IAS 39). The most significant judgments made include the determination that contain investments are held-for-trading and that fair value option can be applied to those which are not.

5. FINANCIAL INSTRUMENTS BY CATEGORY

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2015 and 2014.

Category	Net gains (losses)	
	2015	2014
Net gains (losses) on financial instruments at FVTPL		
Financial Assets and Liabilities at FVTPL:		
Held for Trading	(868,243)	-
Designated at inception	1,201,261	960,964
Total financial assets and liabilities at FVTPL	333,018	960,964

6. REDEEMABLE UNITS OF THE FUND

The Fund is authorized to issue an unlimited number of Units, issuable in series, on a continuous basis. Each Unit represents an equal interest in the assets of the series of such Unit without distinction, preference or priority. The proportionate interest of each Unitholder is expressed by the number of Units and fractions thereof held by and registered in the name of each Unitholder.

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Currently, the Fund offers prospective investors the opportunity to purchase Series A Units, Series F Units and Series I Units.

Series A Units are available to all qualified investors. A “qualified investor” is an investor who is able to purchase Units on a prospectus -exempt basis under applicable securities legislation.

Series F Units are intended for qualified investors who participate in fee -based programs through their dealer. These investors pay their dealer an annual investment advisory fee (which the investor negotiates with his or her dealer) for ongoing services. Since the Manager pays no trailer fees to dealers in these circumstances and the Fund’s servicing costs are lower, the Manager charges a lower management fee to the Fund in respect of Series F Units than for Series A Units.

Series I Units are available only to institutional clients and investors who have been approved by the Manager and have entered into a Series I Account Agreement with the Manager. The criteria for approval may include the size of the investment, the expected level of 4 account activity and the investor’s total investment with the Manager. The minimum initial investment for Series I Shares is determined when the investor enters into a Series I Account Agreement with the Manager. No management or performance fees are charged to the Fund with respect to Series I Units. Instead, each investor negotiates a separate fee which is payable directly to the Manager. Series I Units also are available to directors and employees of the Manager and its affiliates.

Redeemable units of the Fund surrendered for redemption at least 5 business days prior to the redemption date will be redeemed at the net asset value per unit calculated on the redemption date.

Series A unit transactions for the years ended December 31, 2015 and 2014 were as follows:

(Series A commenced operation on June 30, 2014)

Series A		
	2015	2014
Units outstanding, beginning of year	249,522	-
Redeemable units issued	58,397	230,155
Redeemable units redeemed	(43,394)	-
Redeemable units issued on reinvestment	16,011	19,367
Units outstanding, end of year	280,536	249,522

Series F unit transactions for the years ended December 31, 2015 and 2014 were as follows:

(Series F commenced operation on June 30, 2014)

Series F		
	2015	2014
Units outstanding, beginning of year	384,748	-
Redeemable units issued	1,042,463	378,355
Redeemable units redeemed	(162,151)	(7,543)
Redeemable units issued on reinvestment	13,616	13,936
Units outstanding, end of year	1,278,676	384,748

Series I unit transactions for the years ended December 31, 2015 and 2014 were as follows:

Series I		
	2015	2014
Units outstanding, beginning of year	159,625	112,253
Redeemable units issued	15,651	36,835
Redeemable units redeemed	-	(2,229)
Redeemable units issued on reinvestment	8,208	12,766
Units outstanding, end of year	183,484	159,625

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7. RELATED PARTY TRANSACTIONS AND EXPENSES OF THE FUND

a) Related Party Transactions

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

As at December 31, 2015, RJT Capital Inc. had a 49% (December 31, 2014 - 49%) ownership in the outstanding shares of the Manager of the Fund, AHF Capital Partners Inc., and Aston Hill Financial Inc. held 51% (December 31, 2014 - 51%) of the outstanding shares of AHF Capital Partners Inc. As at December 31, 2015, RJT Capital Inc. held 120,191 (December 31, 2014 - 99,184) Series I units of the Fund and Aston Hill Financial Inc. held 63,293 (December 31, 2014 - 60,441) Series I units of the Fund.

Management Fees

Each series of units of the Fund (other than Series I units) pays the Manager a management fee for providing general management and administrative services. The fee is calculated and accrued daily and paid monthly. The maximum annual rate of the management fee for Series A and Series F are 1.85% and 0.85%, respectively. No management fees are charged to the Fund for Series I units. Instead, each investor will negotiate a separate fee, which is payable directly to the Manager.

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 years ended December 31, 2015, the Manager allocated administration expenses \$1,544 (2014 - \$1,500) to the Fund's expenses.

Performance Fees

The Fund will pay to the Manager, a performance fee in respect of each outstanding Series A Unit and Series F Unit. The performance fee is calculated and accrued on each Valuation Date and is payable to the Manager on the last Business Day of each calendar quarter. The performance fee for each unit in each calendar quarter is equal to 20% of the amount (if any) by which its NAV per Unit on the last Valuation Date in the calendar quarter plus any distributions paid (excluding any accrued performance fee for such calendar quarter) exceeds its highwater mark for the calendar quarter. The highwater mark for a Unit in a calendar quarter is the greatest of (a) \$10.00, (b) the NAV per Unit of that Series on the most recent Valuation Date that a performance fee was payable to the Manager in respect of such Series (after payment of such Performance Fee), and (c) the NAV per Unit of that Series on the last Business Day of the immediately preceding calendar quarter (after payment of any performance fee for such previous calendar quarter). Where a Unit is redeemed on a Redemption Date other than the last Valuation Date of a calendar quarter, the Fund will pay the Manager a performance fee in respect of such redeemed Unit as if the Redemption Date was the last Valuation Date in the calendar quarter.

b) Operating Expenses

The Fund pays its own operating expenses. These expenses include legal, audit and custodial safekeeping fees, taxes, interest, operating and administrative costs, investor servicing costs and the costs for reports. There were no soft dollars amounts used by the Fund to pay for commissions or any other operating expenses during the year.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Fund is exposed to a variety of financial instruments risks: portfolio concentration risk, credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk). The value of investments within the portfolio can fluctuate daily as a result of changes in prevailing interest rates, economic and market conditions and company-specific news related to investments held by the Fund. The Manager of the Fund may minimize the potential adverse effects of these risks on the Fund's performance by, but not limited to, regular monitoring of the Fund's positions and market events and diversification of the investment portfolio by asset type, country, sector, and term to maturity within the constraints of the stated objectives, and through the usage of derivatives to hedge certain risk exposures.

c) Concentration Risk

Concentration risk is the risk associated with the exposure to any one or more particular country, asset class or security.

The following is a summary of concentration as at December 31, 2015 and 2014:

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As a % of the Fund's Net Assets Attributable to Holders of Redeemable Units

Sector	2015	2014
Fixed income investments		
Domestic Bonds	1.0%	5.4%
Foreign Bonds	21.1%	10.7%
Equities		
Financials	20.2%	5.2%
Consumer discretionary	0.4%	1.5%
Consumer staples	1.4%	-
Utilities	7.2%	-
Exchange Traded Funds	10.8%	4.1%
Equities - short	(2.1%)	-
Net Other Assets (Liabilities)	40.0%	73.1%
	100.0%	100.0%

The Fund's concentration risk is mitigated by the monitoring of the Fund's investment portfolio to ensure compliance with its investment guidelines. The Manager regularly monitors the Fund's positions and market events, and diversifies investment portfolios within the constraints of the investment guidelines.

d) Market Risk

The Manager attempts to minimize the potential adverse effects of these risks on the Fund's performance by diversifying the investment portfolio within the constraints of the investment objectives, and by using financial instruments to hedge certain risk exposures. To assist in managing risks, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and restrictions, internal guidelines, and securities regulations.

e) Price Risk

Price risk is the risk that the fair 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). The value of each investment is influenced by the outlook of the issuer and by general economic and political conditions, as well as industry and market trends. All securities present a risk of loss of capital.

Other assets and liabilities are monetary items that are short-term in nature and therefore are not subject to significant other price risk.

As at December 31, 2015, had the fair values of the securities increased or decreased by 10%, with all other variables held constant, this would have increased or decreased Net assets attributable to holders of redeemable units by approximately \$654,418 (December 31, 2014 - \$89,537). In practice, the actual trading results could differ and the difference could be material.

f) Interest Rate Risk

Interest rate risk is the risk that the fair value of interest-bearing investments will fluctuate due to changes in prevailing levels of market interest rates. As a result, the value of the Fund that invest in debt securities and/or income Fund will be affected by changes in applicable interest rates. If interest rates fall, the fair value of existing debt securities may increase due to the increase in yield. Alternatively, if interest rates rise, the yield of existing debt securities may decrease, which may then lead to a decrease in their fair value. The magnitude of the decline will generally be greater for long-term debt securities than for short-term debt securities.

The Fund is exposed to interest rate risk from debt instruments, the value of which fluctuates due to changes in prevailing levels of market interest rates. The Fund's exposure to interest rate risk by debt instruments' remaining term to maturity was as follows:

As at December 31, 2015				
	Less Than 1 Year	3 - 5 Years	Greater Than 5 Years	Total
Debt Instruments	\$ -	\$ 836,030	\$ 2,980,924	\$ 3,816,954
As a percentage of Net assets attributable to holders of redeemable units	-	4.8%	17.3%	22.1%
As at December 31, 2014				
	Less Than 1 Year	3 - 5 Years	Greater Than 5 Years	Total
Debt Instruments	\$ 3,293,076	\$ 856,484	\$ 469,410	\$ 4,618,970
As a percentage of Net assets attributable to holders of redeemable units	40.0%	10.4%	5.7%	56.1%

As at December 31, 2015, if the prevailing interest rates had risen by 0.25%, assuming a parallel shift in the yield curve, with all other variables held constant, the Fund's Net assets attributable to holders of redeemable units would have decreased by approximately \$36,468 (December 31, 2014 - \$30,352). Similarly, if the prevailing interest rates had declined

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by 0.25%, assuming a parallel shift in the yield curve, with all other variables held constant, the Fund's Net assets attributable to holders of redeemable units would have increased by approximately \$37,119 (December 31, 2014 - \$22,930). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the bonds. In practice, the actual results may differ from this sensitivity analysis, and the difference could be material.

g) Currency Risk

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's functional currency. The value of securities denominated in other currencies will fluctuate due to changes in exchange rates.

The following summarizes the Fund's exposure to currency risks in Canadian dollars, as at December 31, 2015 and 2014:

December 31, 2015							
Currency	Exposure			Impact on net assets attributable to holders of redeemable units			Total
	Non-Monetary Instruments	Monetary Instruments	Total	Non-Monetary Instruments	Monetary Instruments	Total	
Euro	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
USD dollar	2,252,327	753,531	3,005,858	112,616	37,677	150,293	150,293
Total	\$ 2,252,327	\$ 753,531	\$ 3,005,858	\$ 112,616	\$ 37,677	\$ 150,293	\$ 150,293
% of net assets attributable to holders of redeemable units	13.0%	4.4%	17.4%	0.7%	0.2%	0.9%	

December 31, 2014							
Currency	Exposure			Impact on net assets attributable to holders of redeemable units			Total
	Non-Monetary Instruments	Monetary Instruments	Total	Non-Monetary Instruments	Monetary Instruments	Total	
Euro	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
USD dollar	633,024	3,355,669	3,988,693	31,651	167,783	199,434	199,434
Total	\$ 633,024	\$ 3,355,669	\$ 3,988,693	\$ 31,651	\$ 167,783	\$ 199,434	\$ 199,434
% of net assets attributable to holders of redeemable units	7.7%	40.7%	48.4%	0.4%	2.0%	2.4%	

h) Credit Risk

Credit risk is the risk that a security issuer or counterparty to a financial instrument will fail to meet its financial obligations. The fair value of a debt instrument includes consideration for the creditworthiness of the debt issuer. The credit risk exposure of the Fund's other assets is represented by their carrying amount as disclosed in the Statements of Financial Position.

Credit ratings for debt securities, preferred securities and derivative instruments are obtained from Standard & Poor's, where available; otherwise, ratings are obtained from Moody's Investors Service, Dominion Bond Rating Services or Canadian Bond Rating Services.

The Fund's primary credit risks are its investments in fixed income and short-term debt securities. The Manager performs ongoing credit risk evaluation of counterparties.

As at December 31, 2015 and 2014, the Fund was invested in debt securities with the following credit ratings:

Debt Securities by S&P Rating as a % of Net Assets attributable to holders of redeemable units		
	2015	2014
AAA	-	40.0%
BB	8.2%	0.7%
B	12.9%	15.4%
Non rated	1.0%	-
Total	22.1%	56.1%

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

i) Liquidity Risk

Liquidity risk is the risk the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Unitholder redemption requests are the main liquidity risk for the Fund. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of. There can be no assurance that an active trading market for the investments will exist at all times, or that the prices at which the securities trade accurately reflect their values. Thin trading in a security could make it difficult to liquidate holdings quickly. The Schedule of Investment Portfolio of the Fund identifies securities for which a market quotation could not be obtained and may be illiquid, if applicable. As at December 31, 2015, the Fund had \$7,563,500 (December 31, 2014 - \$5,937,622) in cash and short-term investments on hand to meet its short-term obligations.

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The Fund's accounts payable and accrued liabilities are generally due within 90 days. All of the Fund's other financial liabilities as at December 31, 2015 and 2014 had maturities of less than 90 days from the financial statement date.

9. FAIR VALUE MEASUREMENTS

The Fund uses a fair value hierarchy that reflects the significance of the inputs used in making fair value measurements. The hierarchy has the following levels: quoted prices in an active market (level 1 – unadjusted inputs); observable inputs other than quoted prices (level 2 – directly or indirectly derived from quoted prices); and inputs not based on observable market data (level 3 – unobservable inputs).

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

a) Equities

The Fund's equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. Certain of the Fund's equities do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

b) Options and Warrants

Options and warrants that are actively traded on an exchange are classified as level 1. Where the options and warrants are traded over the counter and the inputs into the fair value are based on reliable observable market data they are classified as level 2. When a significant portion of the fair valuation is based on inputs which are not observable the options and warrants are classified as level 3.

c) Fixed Income Investments

Bonds include primarily government and corporate bonds, which are valued using models with inputs including interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Fund's bonds have been classified as Level 2.

d) Short-term Investments

Short-term investments are classified as level 2 and not traded.

The following is a summary of the inputs used as at December 31, 2015 and 2014 in valuing the Fund's investments carried at fair values:

December 31, 2015

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial Assets				
Equities	5,881,191	1,021,594	-	6,902,785
Fixed income investments	-	3,647,345	169,609	3,816,954
Total Financial Assets	5,881,191	4,668,939	169,609	10,719,739
Other financial instruments				
Derivative liabilities	-	(291,476)	-	(291,476)
Total other financial instruments	-	(291,476)	-	(291,476)
Financial Liabilities				
Equities-Short	(358,610)	-	-	(358,610)
Total Financial Liabilities	(358,610)	-	-	(358,610)

December 31, 2014

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial Assets				
Short Term Investments	-	3,293,076	-	3,293,076
Equities	767,974	127,400	-	895,374
Fixed income investments	-	1,325,894	-	1,325,894
Total Financial Assets	767,974	4,746,370	-	5,514,344

There were no transfers of financial assets between Level 1 and Level 2 during the years ended December 31, 2015 and 2014.

The following is a reconciliation of investments in which significant unobservable inputs (level 3) were used in determining their fair value:

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As at December 31, 2015	Fixed income investments	Total
Balance as at December 31, 2014	\$ -	\$ -
Purchases	-	-
Sales	-	-
Net transfers in (out)	223,833	223,833
Realized gains/losses	-	-
Change in unrealized appreciation (depreciation) on investments	(54,224)	(54,224)
Balance as at December 31, 2015	\$ 169,609	\$ 169,609

Net change in unrealized appreciation (depreciation) from investments as at December 31, 2015 **\$ (54,224) \$ (54,224)**

The following shows the impact to the fair value of material assets and liabilities categorized in level 3 held at the end of December 31, 2015, had the value of the security increased or decreased as a result in a reasonable shift in value of any unobservable inputs used to value these securities:

Security Name	Fair Value	Valuation technique	Unobservable inputs	Weighted average	Reasonable Shift (+/-)	Change in valuation
Essar Steel Algoma Inc., 9.500%, due November 15, 2019	\$169,609.25	Recoverability analysis	EV/EBITDA Multiple	3.50 x	0.5 -0.75	46,000 - 60,000

As at December 31, 2014, the Fund held no level 3 investments.

10. INCOME TAXES

The Fund is taxed as a unit trust under the Income Tax Act (Canada). The Fund is required to make distributions each period of its net income and net realized capital gains and, therefore, will not generally be liable for income taxes. However, such part of a fund's taxable income and net realized capital gains that is not so paid or payable will be taxable to that fund. In addition, as the Fund did not qualify as a mutual fund trust for the year ended December 31, 2015 and 2014, it is also subject to alternative minimum tax.

Net capital losses may be carried forward indefinitely to reduce future net realized capital gains. Non-capital losses arising in taxation years after 2005 may be carried forward 20 years. Non-capital losses carried forward may reduce future net investment income.

As at December 31, 2015, the Fund had no non-capital losses (2014: \$nil). There were no capital losses as at December 31, 2015 (2014: \$nil).

11. WITHHOLDING TAXES

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

12. FILING EXEMPTION

The Fund is exempt under Section 2.11 of National Instrument 81-106, Investment Fund Continuous Disclosure, to not file its financial statements with the Ontario Securities Commission.

13. SECURITIES LENDING

The Fund has entered into a securities lending program with its custodian, RBC Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund will receive collateral of at least 102% of the value of the securities on loan. Collateral will generally be comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or the United States Government or its agencies, or a permitted supranational agency as defined in NI 81-102. There was \$1,248,338 (Collateral - \$1,273,307) of securities on loan as at December 31, 2015. There were no securities on loan as at December 31, 2014.

14. OFFSETTING OF FINANCIAL INSTRUMENTS

The Fund may enter into various master netting arrangements in connection with its Forward Currency Contracts. These agreements do meet the criteria for offsetting in the Statements of Financial Position and allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

As at December 31, 2015, the Fund had entered into only one Derivative Contract with Royal Bank of Canada.

As at December 31, 2014, the Fund had not entered into any Derivative Contracts.

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15. TRANSACTION COSTS AND SOFT DOLLAR SERVICES

The Fund paid \$19,106 (2014 - \$3,760) in brokerage commissions during the year. There were no soft dollar amounts included in these payments.