Corporate Information

Independent Review Committee

John Crow
Chairman

Robert Falconer

C. Scott Browning

Directors and Senior Officers of the Manager

Eric Tremblay
Director and Chief Executive Officer

Ben Cheng[1]
Chief Investment Officer

Michael J. Killeen
Director and President

Larry W. Titley
Director and Chief Financial Officer

Portfolio Management

Jeffrey Burchell
Vice President and Portfolio Manager

Andrew Hamlin
Vice President and Portfolio Manager

Joanne Hruska
Vice President and Portfolio Manager

Sandy Liang
Vice President and Portfolio Manager

Vivian Lo
Vice President and Portfolio Manager

Steve Vannatta
Portfolio Manager

Manager

Aston Hill Asset Management Inc.

Transfer Agent

RBC Investor Services Trust

Custodian

RBC Investor Services Trust

Auditors

PricewaterhouseCoopers LLP

Website

www.astonhill.ca

[1] Mr. Cheng acts as a portfolio manager exclusively to investment funds managed by IA Clarington Investments Inc., and to two other investment funds, not including the funds in this document. See www.astonhill.ca for details.

AstonHill ASSET MANAGEMENT

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

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

2012
ANNUAL FINANCIAL STATEMENTS

AstonHill
ASSET MANAGEMENT

Aston Hill Strategic Yield

Aston Hill Strategic Yield Fund

Aston Hill Strategic Yield Trust

Table of Contents

Management Responsibility Statement

The financial statements of Aston Hill Strategic Yield Trust and Aston Hill Strategic Yield Fund (the “Funds”) have been prepared by Aston Hill Asset Management Inc. (the “Manager”) and approved by the Board of Directors of the Manager. The Manager is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Funds are described in note 2 to the financial statements.

The Board of Directors of the Manager is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements.

The Manager, with the approval of its Board of Directors, has appointed the external firm of PricewaterhouseCoopers LLP as the auditors of the Funds. They have audited the financial statements of each of the Funds in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements.

President
Aston Hill Asset Management Inc.

Chief Financial Officer
Aston Hill Asset Management Inc.

March 18, 2013

Independent Auditor's Report

To the Unitholders of

- **Aston Hill Strategic Yield Fund and**
- **Aston Hill Strategic Yield Trust**

(collectively the "Funds")

We have audited the accompanying financial statements of each of the Funds, which comprise the statement of investment portfolio as at December 31, 2012, the statements of net assets as at December 31, 2012 and December 31, 2011, and the statements of operations, changes in net assets and cash flows, as applicable, 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 each of the Funds 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 of each of the Funds based on each of 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 an 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 each of our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of each of the Funds present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2012 and December 31, 2011, and the results of each of their operations, each of their cash flows, as applicable, and the changes in each of their net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta

March 18, 2013

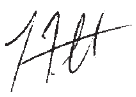
Aston Hill Strategic Yield Fund

STATEMENTS OF NET ASSETS

As at December 31	2012	2011
Assets		
Cash	**$ 2,957,301**	$ 345,636
Common Share Portfolio, at fair value	**85,191,182**	30,237,645
Unrealized gain on Forward Agreement, at fair value (note 3)	**8,686,129**	1,635,975
Subscription receivable from unitholders	**728,009**	—
Due from Manager	**135,813**	4,802
Total assets	**97,698,434**	32,224,058
Liabilities		
Accounts payable and accrued liabilities	**172,597**	161,180
Redemptions payable to unitholders	**24,145**	4,658
Distributions payable to unitholders	**440,436**	148,218
Total liabilities	**637,178**	314,056
Net Assets representing unitholders equity	**$ 97,061,256**	$ 31,910,002
Net Assets per Series		
Series X	**$ 21,435,742**	$ 24,448,478
Series A	**$ 50,509,667**	$ 247,888
Series F	**$ 11,377,563**	$ 1,450,197
Series I	**$ 11,463,302**	$ 3,173,419
Series Y	**$ 2,274,982**	$ 2,590,020
Units outstanding (note 6)		
Series X	**2,374,063**	2,925,134
Series A	**5,512,100**	29,541
Series F	**1,232,266**	172,813
Series I	**1,036,342**	318,726
Series Y	**208,428**	259,230
Net Assets per unit (note 4)		
Series X	**$ 9.03**	$ 8.36
Series A	**$ 9.16**	$ 8.39
Series F	**$ 9.23**	$ 8.39
Series I	**$ 11.06**	$ 9.96
Series Y	**$ 10.91**	$ 9.99

Approved on behalf of the Manager, Aston Hill Asset Management Inc.

Michael J. Killeen
Director



Larry W. Titley
Director

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

Aston Hill Strategic Yield Fund

STATEMENTS OF OPERATIONS

For the years ended December 31		2012		2011
Expenses				
Management fees (note 9)	$	**900,075**	$	851,593
Fund valuation fees		**37,657**		56,082
Audit fees		**84,197**		44,327
Independent review committee fees		**21,148**		12,067
Custody fees		**17,042**		22,903
Insurance		**8,177**		—
Legal fees		**27,863**		76,393
Unitholder reporting costs		**103,283**		44,597
Administration fees		**52,884**		70,973
Filing fees		**94,385**		—
		1,346,711		1,178,935
Expenses reimbursed by Manager		**(267,637)**		(4,802)
		1,079,074		1,174,133
Net investment loss		**(1,079,074)**		(1,174,133)
Net realized and unrealized gain (loss) on investments				
Net realized (loss) gain on Common Share Portfolio		**(1,092,103)**		8,533,706
Forward fees (note 3)		**(388,860)**		(347,625)
Change in unrealized appreciation (depreciation) on Common Share Portfolio		**3,356,255**		(10,251,507)
Change in unrealized appreciation on Forward Agreement		**7,050,154**		64,778
Net realized and unrealized gain (loss) on investments		**8,925,446**		(2,000,648)
Increase (decrease) in Net Assets from operations	$	**7,846,372**	$	(3,174,781)
Increase (decrease) in Net Assets from operations per series				
Series X	$	**3,127,179**	$	(3,176,032)
Series A	$	**2,806,665**	$	(3,718)
Series F	$	**635,471**	$	(13,870)
Series I	$	**922,815**	$	10,599
Series Y	$	**354,242**	$	8,240
Increase (decrease) in Net Assets from operations per unit[(1)]				
Series X	$	**1.20**	$	(0.65)
Series A	$	**1.13**	$	(0.15)
Series F	$	**1.29**	$	(0.13)
Series I	$	**1.55**	$	0.08
Series Y	$	**1.36**	$	0.03

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

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

Aston Hill Strategic Yield Fund

STATEMENTS OF CHANGES IN NET ASSETS

Series X

For the years ended December 31	2012	2011
Net Assets, beginning of year	**$ 24,448,478**	$ 65,088,458
Operations:		
Increase (decrease) in Net Assets from operations	**3,127,179**	(3,176,032)
Capital unit transactions:		
Proceeds from issuance of Fund units	**10**	260,235
Reinvested Fund units	**1,180,033**	642,021
Redemptions	**(6,009,365)**	(35,357,817)
	(4,829,322)	(34,455,561)
Distributions to unitholders:		
From capital gains	**—**	(1,378,612)
Return of capital	**(1,310,593)**	(1,629,775)
	(1,310,593)	(3,008,387)
Net decrease in Net Assets	**(3,012,736)**	(40,639,980)
Net Assets, end of year	**$ 21,435,742**	$ 24,448,478

Series A

For the year ended December 31, 2012 and for the period from August 11, 2011[1] to December 31, 2011	2012	2011
Net Assets, beginning of year/period	**$ 247,888**	$ —
Operations:		
Increase (decrease) in Net Assets from operations	**2,806,665**	(3,718)
Capital unit transactions:		
Proceeds from issuance of Fund units	**49,961,169**	250,000
Reinvested Fund units	**543,658**	—
Redemptions	**(1,643,130)**	3,726
	48,861,697	253,726
Distributions to unitholders:		
From capital gains	**—**	(972)
Return of capital	**(1,406,583)**	(1,148)
	(1,406,583)	(2,120)
Net increase in Net Assets	**50,261,779**	247,888
Net Assets, end of year/period	**$ 50,509,667**	$ 247,888

[1] Inception date of the series.

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

Aston Hill Strategic Yield Fund

STATEMENTS OF CHANGES IN NET ASSETS (continued)

Series F

For the year ended December 31, 2012 and for the period from August 11, 2011[1] to December 31, 2011	2012	2011
Net Assets, beginning of year/period	$ 1,450,197	$ —
Operations:		
Increase (decrease) in Net Assets from operations	635,471	(13,870)
Capital unit transactions:		
Proceeds from issuance of Fund units	9,887,924	1,496,299
Reinvested Fund units	110,260	748
Redemptions	(435,413)	(21,910)
	9,562,771	1,475,137
Distributions to unitholders:		
From capital gains	—	(5,073)
Return of capital	(270,876)	(5,997)
	(270,876)	(11,070)
Net increase in Net Assets	9,927,366	1,450,197
Net Assets, end of year/period	$ 11,377,563	$ 1,450,197

Series I

For the year ended December 31, 2012 and for the period from August 11, 2011[1] to December 31, 2011	2012	2011
Net Assets, beginning of year/period	$ 3,173,419	$ —
Operations:		
Increase in Net Assets from operations	922,815	10,599
Capital unit transactions:		
Proceeds from issuance of Fund units	11,628,746	3,180,227
Reinvested Fund units	283,241	—
Redemptions	(4,230,383)	(4,658)
	7,681,604	3,175,569
Distributions to unitholders:		
From capital gains	—	(5,842)
Return of capital	(314,536)	(6,907)
	(314,536)	(12,749)
Net increase in Net Assets	8,289,883	3,173,419
Net Assets, end of year/period	$ 11,463,302	$ 3,173,419

[1] Inception date of the series.

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

Aston Hill Strategic Yield Fund

STATEMENTS OF CHANGES IN NET ASSETS (continued)

Series Y

For the year ended December 31, 2012 and for the period from December 20, 2011[1] to December 31, 2011	2012	2011
Net Assets, beginning of year/period	$ 2,590,020	$ —
Operations:		
Increase in Net Assets from operations	354,242	8,240
Capital unit transactions:		
Proceeds from issuance of Fund units	1,163,164	2,692,768
Reinvested Fund units	56,662	—
Redemptions	(1,759,284)	(100,619)
	(539,458)	2,592,149
Distributions to unitholders:		
From capital gains	—	(4,752)
Return of capital	(129,822)	(5,617)
	(129,822)	(10,369)
Net (decrease) increase in Net Assets	(315,038)	2,590,020
Net Assets, end of year/period	$ 2,274,982	$ 2,590,020

Fund Total

For the year ended December 31	2012	2011
Net Assets, beginning of year	$ 31,910,002	$ 65,088,458
Operations:		
Increase (decrease) in Net Assets from operations	7,846,372	(3,174,781)
Capital unit transactions:		
Proceeds from issuance of Fund units	72,641,013	7,879,529
Reinvested Fund units	2,173,854	646,495
Redemptions	(14,077,575)	(35,485,004)
	60,737,292	(26,958,980)
Distributions to unitholders:		
From capital gains	—	(1,395,251)
Return of capital	(3,432,410)	(1,649,444)
	(3,432,410)	(3,044,695)
Net increase (decrease) in Net Assets	65,151,254	(33,178,456)
Net Assets, end of year	$ 97,061,256	$ 31,910,002

(1) Inception date of the series.

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

Aston Hill Strategic Yield Fund

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2012		Cost	Fair Value	% of Portfolio
No. of Shares	**Common Stocks**			
	Energy			
365,788	Celtic Exploration Ltd.	$ 6,647,217	$ 9,594,618	
710,107	Crew Energy Inc.	6,634,637	4,580,190	
163,686	MEG Energy Corp.	6,696,892	4,982,602	
214,176	Paramount Resources Ltd.	6,695,599	6,838,640	
	Total Energy	**26,674,345**	**25,996,050**	**30.5%**
	Financials			
199,379	FirstService Corp.	5,492,535	5,582,612	
	Total Financials	**5,492,535**	**5,582,612**	**6.6%**
	Healthcare			
	Pharmaceuticals and Biotechnology			
128,161	Valeant Pharmaceuticals International Inc.	6,653,774	7,592,258	
	Total Healthcare	**6,653,774**	**7,592,258**	**8.9%**
	Information technology			
	Software and services			
332,324	CGI Group Inc.	6,324,089	7,623,513	
124,604	Open Text Corp.	6,324,048	6,900,570	
	Total Software and services	**12,648,137**	**14,524,083**	**17.0%**
	Technology hardware and equipment			
795,464	Celestica Inc.	6,324,322	6,419,394	
493,694	Research In Motion Ltd.	6,324,251	5,815,715	
	Total Technology hardware and equipment	**12,648,573**	**12,235,109**	**14.4%**
	Total Information technology	**25,296,710**	**26,759,192**	**31.4%**
	Materials			
260,386	Detour Gold Corp.	6,098,338	6,481,008	
686,621	New Gold Inc.	9,360,567	7,525,366	
660,968	Osisko Mining Corp.	6,324,113	5,254,696	
	Total Materials	**21,783,018**	**19,261,070**	**22.6%**
	Total Common Stocks	**85,900,382**	**85,191,182**	**100.0%**
	Total	**$ 85,900,382**	**$ 85,191,182**	**100.0%**

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

Aston Hill Strategic Yield Trust

STATEMENTS OF NET ASSETS

As at December 31	2012	2011
Assets		
Cash and short-term investments	**$ 6,089,541**	$ 5,108,478
Investments, at fair value	**86,007,911**	28,102,687
Unrealized gain on forward currency contracts (note 11)	**170,704**	75,506
Interest receivable	**1,600,731**	416,783
Total assets	**93,868,887**	33,703,454
Liabilities		
Unrealized loss on forward currency contracts (note 11)	**128,077**	84,003
Amounts payable for investments purchased	**—**	771,036
Accounts payable and accrued liabilities	**29,118**	8,137
Redemptions payable to unitholders	**—**	1,000,000
Total liabilities	**157,195**	1,863,176
Net Assets representing unitholders' equity	**$ 93,711,692**	$ 31,840,278
Units outstanding (note 6)	**7,665,435**	3,095,584
Net Assets per unit (note 4)	**$ 12.23**	$ 10.29

Approved on behalf of the Manager, Aston Hill Asset Management Inc.

Michael J. Killeen
Director

Larry W. Titley
Director

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

Aston Hill Strategic Yield Trust

STATEMENTS OF OPERATIONS

For the years ended December 31	2012	2011
Income		
Dividends	$ 143,035	$ 150,130
Interest income	4,038,480	1,873,371
	4,181,515	2,023,501
Expenses		
Audit fees	13,965	7,200
Custody fees	13,258	—
Legal fees	22,061	—
Dividends paid on investments sold short	2,082	—
Unitholder reporting costs	4,027	—
Securities borrowing fees	1,160	—
Administration fees	42,668	2,111
	99,221	9,311
Net investment income	4,082,294	2,014,190
Net realized and unrealized gain (loss) on investments		
Net realized gain on investments	1,104,894	656,333
Net realized loss on foreign exchange	(202,326)	(1,713,169)
Net realized gain (loss) on forward currency contracts	600,089	(62,269)
Change in unrealized appreciation (depreciation) on investments	3,535,279	(1,354,446)
Change in unrealized appreciation (depreciation) on forward currency contracts	51,124	(981,581)
Change in unrealized appreciation on foreign exchange	3,349	71,564
Transaction costs	(2,668)	(11,630)
Net realized and unrealized gain (loss) on investments	5,089,741	(3,395,198)
Increase (decrease) in Net Assets from operations	$ 9,172,035	$ (1,381,008)
Increase (decrease) in Net Assets from operations per unit[1]	$ 1.87	$ (0.32)

[1] Based on the weighted average number of units outstanding for the year.

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

Aston Hill Strategic Yield Trust

STATEMENTS OF CASH FLOWS

For the years ended December 31	2012	2011
Operating activities		
Increase (decrease) in Net Assets from operation	$ 9,172,035	$ (1,381,008)
Adjustments to reconcile to operating cash flows:		
Proceeds from investments sold	78,525,997	110,900,459
Purchase of investments	(132,563,917)	(78,232,636)
Net realized gain on sale of investments	(1,104,894)	(656,333)
Change in unrealized (appreciation) depreciation on investments	(3,533,446)	1,354,446
Change in unrealized (appreciation) depreciation on forward currency contracts	(51,124)	981,581
	(58,727,384)	34,347,517
Net change in non-cash balances		
Change in other assets and liabilities	(1,162,967)	219,327
Cash flows (used in) from operating activities	(59,890,351)	34,566,844
Financing activities		
Net proceeds of issuance of Trust units	52,699,379	6,311,020
Redemption of Trust units	(1,000,000)	(37,500,000)
Cash flows from (used in) financing activities	51,699,379	(31,188,980)
Increase in cash and cash equivalents during the year	981,063	1,996,856
Cash and short-term investments, beginning of year	5,108,478	3,111,622
Cash and short-term investments, end of year	$ 6,089,541	$ 5,108,478
Cash	$ 3,792,133	$ 4,109,171
Short-term investments	2,297,408	999,307
	$ 6,089,541	$ 5,108,478

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

Aston Hill Strategic Yield Trust

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31	**2012**	2011
Net Assets, beginning of year	**$ 31,840,278**	$ 65,410,267
Operations:		
Increase (decrease) in Net Assets from operations	**9,172,035**	(1,381,008)
Capital unit transactions (note 6):		
Proceeds from issuance of Trust units	**52,699,379**	6,311,019
Reinvested Trust units	**8,714,372**	275,548
Redemptions	**—**	(38,500,000)
	61,413,751	(31,913,433)
Distributions to unitholders:		
From income	**(8,714,372)**	(275,548)
	(8,714,372)	(275,548)
Net increase (decrease) in Net Assets	**61,871,414**	(33,569,989)
Net Assets, end of year	**$ 93,711,692**	$ 31,840,278

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

Aston Hill Strategic Yield Trust

STATEMENT OF INVESTMENT PORTFOLIO

As at December 31, 2012		Cost (CDN)	Fair Value (CDN)	% of Portfolio
Par Value	**Investment Grade**			
	Financials			
1,000,000	Ares Capital Corp., *4,875%, due March 15, 2017*	$ 990,566	$ 1,028,686	
1,000,000	BGC Partners Inc., *4.500%, due July 15, 2016*	945,850	913,553	
1,000,000	Prospect Capital Corp., *5.750%, due March 15, 2018*	974,661	997,501	
100,000	Prospect Capital Corp., *6.25%, due December 15, 2015*	100,814	105,482	
	Total Financials	**3,011,891**	**3,045,222**	**3.5%**
	Total Investment Grade	**3,011,891**	**3,045,222**	**3.5%**
	High Yield			
	Consumer discretionary			
1,500,000	Algeco Scotsman Global Financial, *10.750%, due October 15, 2019*	1,455,006	1,471,145	
500,000	Burlington Coat Factory Warehouse Corp., *10.000%, due February 15, 2019*	496,057	537,677	
500,000	Caesars Entertainment Operating Company Inc., *11.250%, due June 1, 2017*	539,189	533,321	
1,250,000	Chrysler GP/CG Company, *8.000%, due June 15, 2019*	1,278,375	1,356,639	
1,557,500	Citycenter Holdings, *10.750%, due January 15, 2017*	1,665,623	1,682,619	
1,300,000	Claires Store Inc., *9.000%, due March 15, 2019*	1,311,637	1,388,253	
2,065,000	CNL Lifestyle Properties, *7.250%, due April 15, 2019*	1,937,971	1,963,592	
2,000,000	Golf Town, *10.500%, due July 24, 2018*	2,008,875	2,021,481	
750,000	HDTFS inc., *6.250%, due October 15, 2022*	737,398	795,314	
1,700,000	Landrys Holdings II Inc., *10.250%, due January 1, 2018*	1,674,080	1,684,224	
450,000	Roadhouse Financing Inc., *10.750%, due October 15, 2017*	433,469	416,140	
1,000,000	Logo Merger Sub Corp., *8.375%, due October 15, 2020*	978,148	1,000,677	
450,000	Mohegan Tribal Gaming, *10.500%, due December 15, 2016*	392,402	439,103	
1,500,000	Mood Media Corp., *9.250%, due October 15, 2020*	1,486,193	1,573,826	
1,250,000	Niska Gas Storage, *8.875%, due March 15, 2018*	1,181,971	1,278,850	
1,350,000	Proquest LLC, *9.000%, due October 15, 2018*[1]	1,175,152	1,270,262	
500,000	Reynolds Group, *9.000%, due April 15, 2019*	494,937	517,763	
600,000	Reynolds Group, *9.875%, due August 15, 2019*	600,691	639,238	
500,000	Sitel LLC, *11.000%, due August 1, 2017*	478,774	505,317	
750,000	Taylor Morrison Inc., *7.750%, due April 15, 2020*	749,588	791,580	
994,921	Zuffa LLC, *7.500%, due June 18, 2015*	1,018,249	998,383	
	Total Consumer discretionary	**22,093,785**	**22,865,404**	**26.6%**
	Consumer staples			
1,500,000	Pilgrims Pride Corp., *7.875%, due December 15, 2018*	1,477,912	1,514,084	
1,000,000	Smithfield Foods Inc., *6.625%, due August 15, 2022*	1,006,103	1,100,247	
1,500,000	U.S. Food Services, *8.500%, due June 30, 2019*	1,516,715	1,523,419	
650,000	Vector Group Ltd., *11.000%, due August 15, 2015*	692,309	673,901	
	Total Consumer staples	**4,693,039**	**4,811,651**	**5.6%**

[1] Published market quotations for these investments are not readily available (see note 2b).

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

Aston Hill Strategic Yield Trust

STATEMENT OF INVESTMENT PORTFOLIO (continued)

As at December 31, 2012		Cost (CDN)	Fair Value (CDN)	% of Portfolio
Par Value	**High Yield** (continued)			
	Energy			
1,250,000	Athabasca Oil, *7.500%, due November 19, 2017*	$ 1,250,625	$ 1,252,344	
850,000	Aurora Oil & Gas, *9.875%, due February 15, 2017*	850,891	905,588	
875,000	Calfrac Holdings LP, *7.500%, due December 1, 2020*	859,471	862,524	
1,000,000	CVR Refining LLC, *6.500%, due November 1, 2022*	976,896	990,720	
1,500,000	Essar Energy Investment Ltd., *4.250%, due February 1, 2016*[1]	1,053,819	1,071,621	
497,373	GMX Resources Inc., *11.000%, due December 1, 2017*	505,524	493,996	
1,250,000	Legacy Reserves/Finance, *8.000%, due December 1, 2020*	1,220,776	1,269,516	
1,450,000	Magnum Hunter Resources Company, *9.750%, due May 15, 2020*	1,436,084	1,497,904	
500,000	Saratoga Resources Inc., *12.500%, due July 1, 2016*[1]	491,076	490,780	
250,000	Saratoga Resources Inc., *12.500%, due July 1, 2016*	236,774	251,414	
1,500,000	Shelf Drilling Holding Ltd., *8.625%, due November 1, 2018*	1,477,222	1,530,887	
1,335,000	Southern Pacific Resource Corp., *6.000%, due June 30, 2016*	1,308,195	1,349,685	
1,200,000	Trilogy Energy Trust, *7.250%, due December 13, 2019*	1,200,000	1,223,625	
100,000	Western Refining Inc., *5.750%, due June 15, 2014*	195,126	285,031	
	Total Energy	**13,062,479**	**13,475,635**	**15.7%**
	Financials			
1,700,000	ACE Cash Express Inc., *11.000%, due February 1, 2019*	1,582,370	1,595,358	
434,713	Asurion LLC, *9.000%, due May 24, 2019*[1]	439,972	444,747	
2,050,000	Crescent Resources, *10.250%, due August 15, 2017*	2,088,687	2,153,448	
1,250,000	Ipayment Inc., *10.250%, due May 15, 2018*	1,077,987	998,810	
200,000	Istar Financial Inc., *7.00%, due March 19, 2017*	207,055	207,354	
1,250,000	Istar Financial Inc., *7.00%, due March 19, 2017*	1,235,719	1,309,965	
500,000	Lake Shore Gold Corp., *6.250%, due September 30, 2017*	500,000	456,000	
1,700,000	Mattamy Group Corp., *6.875%, due November 15, 2020*	1,700,000	1,706,376	
500,000	National Money Mart Co., *10.375%, due December 15, 2016*	535,362	550,123	
1,000,000	Nationstar Mortgage, *7.875%, due October 1, 2020*	999,648	1,050,462	
500,000	Realogy Corp., *7.630%, due January 15, 2020*	499,800	563,814	
400,000	Rivers Pittsburgh LP, *9.500%, due June 15, 2019*	414,319	432,133	
	Total Financials	**11,280,919**	**11,468,590**	**13.3%**
	Healthcare			
500,000	HCA Inc., *6.500%, due February 15, 2020*	477,605	560,080	
700,000	IMS Health Inc., *12.500%, due March 1, 2018*	824,427	843,357	
	Total Healthcare	**1,302,032**	**1,403,437**	**1.6%**

1) Published market quotations for these investments are not readily available (see note 2b).

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

Aston Hill Strategic Yield Trust

STATEMENT OF INVESTMENT PORTFOLIO (continued)

As at December 31, 2012		Cost (CDN)	Fair Value (CDN)	% of Portfolio
Par Value	**High Yield** (continued)			
	Industrials			
1,000,000	Ainsworth Lumber Ltd., *7.500%, due December 15, 2017*	$ 1,002,500	$ 1,042,994	
300,000	Air Canada, *10.125%, due August 1, 2015*	289,875	314,250	
1,000,000	Air Canada, *12.000%, due February 1, 2016*	974,672	1,028,059	
600,000	Air Canada, *9.25%, due August 1, 2015*	564,846	624,303	
1,500,000	Atkore International, *9.875%, due January 1, 2018*	1,494,723	1,586,895	
1,000,000	Avis Budget Car/Finance, *4.875%, due November 15, 2017*	994,847	1,010,634	
750,000	Avis Budget Car Rental, *8.250%, due January 15, 2019*	775,560	825,185	
1,550,000	Ceva Group PLC, *8.375%, due December 1, 2017*	1,543,368	1,520,183	
1,380,000	Ceridian Corp., *8.875%, due July 15, 2019*	1,421,933	1,490,859	
250,000	Ceridian Corp. New, *11.250%, due November 15, 2015*	244,277	248,925	
1,000,000	Clean Harbors Inc., *5.125%, due June 1, 2021*	994,700	1,030,548	
1,495,000	Cleaver Brooks Inc., *8.750%, due December 15, 2019*	1,461,977	1,536,948	
500,000	Micron Finance Sub, *8.375%, due May 15, 2019*	496,699	510,296	
1,080,000	Metalico Inc., *7.000%, due April 30, 2028*	1,000,394	978,573	
1,350,000	Garda World Security Corp., *9.750%, due March 15, 2017*	1,392,688	1,408,714	
750,000	Penn Virginia Resource, *8.375%, due June 1, 2020*	751,759	804,649	
800,000	SIL II BO/SIL US Holder Unsecured, *7.750%, due December 15, 2020*	793,840	824,438	
500,000	SPL Logistics Escrow LLC, *8.875%, due August 1, 2020*	509,726	527,720	
200,000	Taylor Morrison, *7.750%, due April 15, 2020*	208,521	211,088	
800,000	Tembec Industries Inc., *11.250%, due December 15, 2018*	838,788	844,352	
500,000	United Rentals North, *6.125%, due June 15, 2013*	500,225	525,231	
	Total Industrials	**18,255,918**	**18,894,844**	**22.0%**
	Materials			
900,000	Allied Nevada Gold, *8.750%, due June 1, 2019*	901,438	938,250	
950,000	Essar Steel Algoma Inc., *9.375%, due March 15, 2015*	931,876	856,052	
1,000,000	First Quantum Minerals, *7.250%, due October 15, 2019*	981,653	1,005,656	
1,400,000	Hudbay Minerals Inc., *9.500%, due October 1, 2020*	1,367,869	1,474,132	
1,000,000	Inmet Mining Corp., *7.500%, due June 1, 2021*	987,300	1,030,518	
1,250,000	New Gold Inc., *6.250%, due November 15, 2022*	1,252,066	1,288,185	
600,000	USG Corp., *9.750%, due January 15, 2018*	511,860	676,577	
	Total Materials	**6,934,062**	**7,269,370**	**8.4%**
	Telecommunication services			
500,000	Cricket Communications Inc., *7.750%, due May 15, 2016*	525,798	527,098	
1,000,000	Crown Castle Intl Corp., *5.250%, due January 15, 2023*	981,653	1,065,397	
	Total Telecommunication services	**1,507,451**	**1,592,495**	**1.9%**
	Total High Yield	**79,129,685**	**81,781,426**	**95.1%**
No. of Shares	**Equities**			
	Financials			
44,550	GMAC Capital Trust I, Preferred	1,104,682	1,181,263	
	Total Financials	**1,104,682**	**1,181,263**	**1.4%**
	Total Equities	**1,104,682**	**1,181,263**	**1.4%**
	Total	**$ 83,246,258**	**$ 86,007,911**	**100.0%**

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

Notes to the Financial Statements

December 31, 2012 and 2011

1. THE TRUSTS

Aston Hill Strategic Yield Fund (the "Fund") is a mutual fund trust governed by the laws of the Province of Ontario by a declaration of trust dated November 25, 2009. Aston Hill Strategic Yield Trust (the "Trust") (together with the Fund, the "Trusts") is an investment trust established under the laws of the Province of Ontario by a declaration of trust dated November 25, 2009. The Fund effectively began operations on December 9, 2009 when it completed an initial public offering of 6,700,000 units at $10.00 per unit, for gross proceeds of $67.0 million. Each Fund unit consisted of one redeemable, transferable Fund Unit ("Fund Unit"). The Trust effectively began operations on December 9, 2009.

Aston Hill Asset Management Inc. ("AHAM") is the Manager (the "Manager") and trustee (the "Trustee") of the Trusts.

Effective June 4, 2011, AHAM assumed the role of the Trust's Portfolio Advisor ("Portfolio Advisor"), which was previously performed by Lazard Asset Management LLC and Lazard Asset Management (Canada), Inc.

On June 30, 2011, the Fund was converted to an open-end mutual fund. The conversion ("Conversion") on June 30, 2011 was anticipated when the Fund was launched as a closed-end fund in December 2009.

As part of the Conversion, the following changes were made to the Fund to conform to Aston Hill's public mutual funds platform:

- The previously issued units have been renamed "Series X" and now can be redeemed on a daily basis at their Net Asset Value per unit. Series A, F and I units of the Fund are available for new purchases.
- Investors have the ability to switch to other Aston Hill mutual funds and different series of units or shares, provided they meet the eligibility criteria of the series.

Effective as of close of business on December 20, 2011, the Aston Hill Global High Income Fund (the "Terminating Fund") transferred its Net Assets into the Aston Hill Strategic Yield Fund (the "Continuing Trust Fund") and the Aston Hill Strategic Yield Class ("Continuing Corporate Fund" and, together with the Continuing Trust Fund, the "Continuing Funds").

The cost associated with the Net Asset transfer was borne by the Manager. The Continuing Corporate Fund is an existing class of shares of Aston Hill Corporate Funds Inc.

The Net Asset transfer was not completed on a tax-deferred basis. Prior to the close of business on December 20, 2011, the Terminating Fund completed its forward transaction by transferring its Common Share Portfolio to the Counterparty and receiving cash on settlement of the forward equal to the Net Asset Value of the Aston Hill Global High Income Trust. Upon completion of this transaction, the Terminating Fund's Net Asset Value was entirely comprised of cash, which was transferred to the Continuing Funds in return for units of the Continuing Trust Fund and shares of the Continuing Corporate Fund, allocated as shown in the table below.

Terminating Fund	Continuing Funds	Net Assets Acquired	Units Issued
Aston Hill Global High Income Fund	Aston Hill Strategic Yield Fund – Series F	$ 567,878	67,688
	Aston Hill Strategic Yield Fund – Series Y	2,692,768	269,277
	Aston Hill Strategic Yield Class – Series F	15,983	1,598
	Aston Hill Strategic Yield Class – Series Y	3,034,524	303,452

Concurrently, the Terminating Fund redeemed all of its outstanding units equal to the Net Asset Value of cash transferred. The deemed redemption resulted in a taxable event for the Terminating Fund.

The Terminating Fund's results prior to the Net Asset transfer are not included in these financial statements.

On February 7, 2012, as previously announced on December 21, 2011, the Continuing Fund changed its investment objectives in order to permit the Fund to seek to provide investors with a high yield by investing primarily in, or obtaining exposure primarily to, fixed income securities of corporate issuers located in Canada or the United States.

Aston Hill Strategic Yield Fund has entered into a forward purchase and sale agreement (the "Forward Agreement") with BMO Capital Markets Inc. (the "Counterparty"). Under the Forward Agreement, the Fund agrees to buy securities from the Counterparty in return for a purchase price of the Trust. Through the Forward Agreement the Fund provides unitholders with exposure to the performance of the Trust. The Trust consists of fixed income and high-yield securities issued by issuers in Canada and the United States. However, neither the Fund nor the unitholders will have any ownership interest in the Trust.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The following is a summary of significant accounting policies followed by the Trusts in the preparation of their financial statements:

a) Cash and Short-term Investments

Cash and short-term investments consist of cash on deposit and short-term, interest-bearing notes with an original term to maturity of less than three months. Cash and short-term investments are deemed to be held for trading and therefore are recorded at fair value.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

b) Valuation of Investments

Investments and derivatives are deemed to be classified as held-for-trading and are required to be recorded at fair value in accordance with Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, Financial Instruments – Recognition and Measurement ("Section 3855").

The Fund's investments in the Common Share Portfolio have offsetting market risks against the Forward Agreement and, accordingly, the value of any security in the Common Share Portfolio is valued on the same basis as specified in the Forward Agreement. The terms of the Forward Agreement stipulate that the investments in the Common Share Portfolio, for purposes of determining a value for cash settlement, be valued at the closing price on a designated exchange.

For financial statement reporting purposes, the Fund's Common Share Portfolio is valued at bid price.

The Trust'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 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. Securities listed on a recognized public stock exchange are valued at their bid and ask prices for long and short investments, respectively. Short-term investments and bonds are recorded at fair value using bid price market quotations.

c) Other Assets and Liabilities

The Fund's and the Trust's other financial assets, which may include interest receivable, subscriptions receivable from unitholders, amounts receivable for investments sold, and due from Manager are designated as loans and receivables and carried at amortized cost. The Fund's other financial liabilities, which may include accounts payable and accrued liabilities, amounts payable for investments purchased, redemptions payable to unitholders, and distributions payable to unitholders, are designated as such and are carried at amortized cost. Amortized cost for these financial assets and liabilities approximates their fair value.

d) Investment Transactions and Income Recognition

All investment transactions are accounted for on the trade date. Realized gains and losses from investment transactions and unrealized appreciation or depreciation in the value of investments are calculated on an average cost basis, excluding transaction costs and effect of foreign exchange, which is disclosed separately.

Interest income and expenses are recognized daily on an accrual basis.

Dividend income is recognized on the ex-dividend date.

e) Use of Estimates

The preparation of financial statements in conformity with GAAP 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 amount of increases and decreases in Net Assets from operations 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 materially differ 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.

f) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Fund and the Trust are expensed and are included in transaction costs in the Statements of Operations. 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.

g) Foreign Currency Translation

Investments at fair value and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange applicable on the valuation date. Investment transactions and income and expenses are translated at the rate of exchange on the date of such transactions.

h) Forward Foreign Currency Contracts

Forward foreign 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 foreign currency contracts were closed out. Gains or losses incurred when forward foreign currency contracts entered into by the Trust, which are of the nature of a general hedge of the currency exposure of the underlying portfolio of investments, mature or are closed out are included in net realized gain (loss) on foreign exchange in the Statements of Operations.

i) Forward Agreement

The Forward Agreement is valued as the gain or loss that would be realized on the valuation date if the contract were closed out or expired. The amount to be received (or paid) on the Forward Agreement as at the valuation date is recognized as unrealized gain (loss) on Forward Agreement on the Statements of Net Assets. All gains (losses) arising from the Forward Agreement are recorded as part of change in unrealized appreciation (depreciation) on Common Share Portfolio and Forward Agreement in the Statements of Operations.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

j) Income and Expense Allocation

The Fund allocates income, expenses, realized gains (losses) and unrealized gains (losses) on the following basis:

Income and realized and unrealized gains (losses) are apportioned on a daily basis based on the Net Asset Value of the respective series to the total Net Asset Value of the Fund as at the most recent valuation date.

Expenses are categorized and tracked as expenses directly attributable to a specific series ("direct expenses") and those that are common expenses of the Fund. Direct expenses of a particular series are recorded as a direct expense to that series. Common expenses are allocated to each series in a manner consistent with the common income allocation described above.

k) Net Asset Value per Unit

The Net Asset Value per unit of the Fund is computed by dividing the Net Asset Value of the Fund by the total number of units outstanding. The increase (decrease) in Net Assets from operations of that series for the year is based on the weighted average number of units outstanding of that series during the year.

The Net Asset Value per unit of the Trust is computed by dividing the Net Asset Value of the Trust by the total number of units outstanding for the Trust on the valuation date. The increase (decrease) in Net Assets from operations for the year is based on the weighted average number of units outstanding during the year.

l) Transition to International Financial Reporting Standards ("IFRS")

The Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board extended the deferral of the mandatory International Financial Reporting Standards ("IFRS") changeover date for investment companies to fiscal years beginning on or after January 1, 2014. The Funds, which are investment companies, will adopt IFRS commencing January 1, 2014.

In order to prepare for the transition to IFRS, the Manager has performed an assessment of the impact of significant accounting differences between IFRS and Canadian GAAP including the impact to business processes and systems. Currently, the Manager does not expect any significant impact to Net Assets from the changeover to IFRS, with the main impact of IFRS on the Funds' financial statements being additional disclosures in the financial statements, the potential elimination of the difference between the Net Assets per unit and the Net Asset Value per unit at the financial statement reporting dates and a potential change in the presentation of unitholders' equity. Further updates on implementation progress and any changes to reporting impacts from the adoption of IFRS will be provided during the implementation period leading up to January 1, 2014. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

3. FORWARD AGREEMENT

In order to achieve its investment objectives, the Fund obtains economic exposure to the returns of the Trust by investing the net proceeds of its portfolio of common shares (the "Common Share Portfolio") and entering into a Forward Agreement with the Counterparty. The Fund does not invest directly in the Trust. As a result of the Forward Agreement, the returns of the Fund are intended to correlate with the investment in the Trust.

The Fund will partially settle the Forward Agreement prior to the Forward Agreement termination date in order to fund monthly distributions as well as redemptions of Fund Units by unitholders from time to time and for payment of expenses of the Fund and the Trust.

The Fund also pays to the Counterparty a fee under the Forward Agreement equal to 0.45% per annum of the Net Asset Value of the Underlying Trust plus a fee, which may vary, based on the value of the Common Share Portfolio, calculated and payable monthly in arrears. This fee is intended to compensate the Counterparty for the costs of hedging its exposure under the Forward Agreement.

The unrealized gain on the Forward Agreement as at December 31, 2012 of $8,686,129 is the difference between the notional value of the Common Share Portfolio as at December 31, 2012 of $85,393,696 and the Trust's Net Asset Value of $94,079,825.

The Forward Agreement has a termination settlement date of December 9, 2014.

4. NET ASSET VALUE AND NET ASSETS

The application of Section 3855 may result in a different value of securities for financial reporting purposes than the value used for pricing unitholder transactions.

The following is the Net Asset Value per unit determined in accordance with Part 14 of National Instrument 81-106 and the Net Assets per unit as shown on the Statements of Net Assets. The difference between these amounts represents the valuation difference of securities resulting from the application of Section 3855.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

Fund

										As at December 31, 2012
		Series X		**Series A**		**Series F**		**Series I**		**Series Y**
Net Asset Value per unit	$	**9.05**	$	**9.18**	$	**9.25**	$	**11.08**	$	**10.94**
Section 3855 adjustment		**(0.02)**		**(0.02)**		**(0.02)**		**(0.02)**		**(0.03)**
Net Assets per unit	$	**9.03**	$	**9.16**	$	**9.23**	$	**11.06**	$	**10.91**

										As at December 31, 2011
		Series X		Series A		Series F		Series I		Series Y
Net Asset Value per unit	$	8.38	$	8.42	$	8.42	$	9.99	$	10.02
Section 3855 adjustment		(0.02)		(0.03)		(0.03)		(0.03)		(0.03)
Net Assets per unit	$	8.36	$	8.39	$	8.39	$	9.96	$	9.99

Trust

As at December 31		**2012**		2011
Net Asset Value per unit	$	**12.27**	$	10.33
Section 3855 adjustment		**(0.04)**		(0.04)
Net Assets per unit	$	**12.23**	$	10.29

5. UNITS

The Fund

The Fund is authorized to issue an unlimited number of units of beneficial interest, each of which represents an equal, undivided interest in the Net Assets of the Fund. Each unitholder is entitled to one vote for each unit held and is entitled to participate equally with respect to any and all distributions made by the Fund to unitholders, including distributions of return of capital, net income and net realized capital gains, if any. On termination or liquidation of the Fund, unitholders are entitled to receive on a pro rata basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund.

The attributes of Series A, Series F, Series I, Series X, and Series Y are as follows:

- Series A units and shares are available to all investors.
- Series F units and shares are available only to investors who participate in fee-based programs through their financial advisor.
- Series I units and shares are available only to institutional clients and investors who have been approved by the Manager and have entered into a Series I Account Agreement.
- Series X units were the existing units of the Fund prior to conversion to an open-end public mutual fund on June 30, 2011. These units are no longer available for issuance.
- Series Y units were the existing Class A units of the Aston Hill Global High Income Fund, which were merged into the Fund on December 20, 2011. These units are no longer available for issuance.

Effective June 30, 2011, units of the Fund are eligible to be surrendered for redemption daily for a redemption price per unit equal to the Net Asset Value per unit. The unitholder will receive payment on or before the third business day following the redemption date. Redemption of units may only be effected through FundSERV by the book-entry only system administered by RBC Investor Services Trust.

The Trust

The Trust is authorized to issue an unlimited number of units of a single class of transferable, redeemable units of beneficial interest, each of which represents an equal, undivided interest in the Net Assets of the Trust.

Units of the Trust may be redeemed for a redemption price per unit equal to the Net Asset Value per unit as at any business day. Units surrendered for redemption by a unitholder on or before 4:00 p.m. (Eastern time) on any redemption date will be redeemed as at such redemption date and the unitholder will receive payment in respect of any units surrendered for redemption on the second business day after the redemption date.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

6. NET CAPITAL TRANSACTIONS

Net capital transactions for the Fund for the years ended December 31, 2012 and 2011 consisted of the following:

Series X

	Number of Units	
	2012	2011
Units, beginning of year	**2,925,134**	6,615,900
Issuance of units	**10**	28,058
Redemption of units	**(686,194)**	(3,793,122)
Distributions reinvested	**135,113**	74,298
Units, end of year	**2,374,063**	2,925,134

Series A

	Number of Units	
	2012	2011
Units, beginning of year	**29,541**	—
Issuance of units	**5,605,933**	29,102
Redemption of units	**(184,251)**	—
Distributions reinvested	**60,877**	439
Units, end of year	**5,512,100**	29,541

Series F

	Number of Units	
	2012	2011
Units, beginning of year	**172,813**	—
Issuance of units	**1,095,102**	175,314
Redemption of units	**(47,954)**	(2,589)
Distributions reinvested	**12,305**	88
Units, end of year	**1,232,266**	172,813

Series I

	Number of Units	
	2012	2011
Units, beginning of year	**318,726**	—
Issuance of units	**1,099,857**	319,193
Redemption of units	**(408,940)**	(467)
Distributions reinvested	**26,699**	—
Units, end of year	**1,036,342**	318,726

Series Y

	Number of Units	
	2012	2011
Units, beginning of year	**259,230**	—
Issuance of units	**110,482**	269,277
Redemption of units	**(166,658)**	(10,047)
Distributions reinvested	**5,374**	—
Units, end of year	**208,428**	259,230

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

Net capital transactions for the Trust for the years ended December 31, 2012 and 2011 consisted of the following:

Trust

	Number of Units	
	2012	2011
Units, beginning of year	**3,095,584**	5,978,681
Issuance of units	**4,569,851**	614,342
Redemption of units	**—**	(3,497,439)
Units, end of year	**7,665,435**	3,095,584

7. DISTRIBUTIONS

Distributions of the Fund, as declared by the Manager, are made on a monthly basis to unitholders of record on the last business day of each month. The distributions are payable on the first business day of the following month. For the year ended December 31, 2012, the Fund declared total distributions of $0.51 per unit (2011 – $0.089), which amounted to $3,432,410 (2011 – $3,044,695).

8. INCOME TAXES

The Fund qualifies as a mutual fund under the Income Tax Act (Canada). The Fund is subject to applicable federal and provincial taxes on the amount of its net income for tax purposes for the period, including net realized taxable capital gains, to the extent such net income for tax purposes has not been paid or made payable to unitholders in the period.

The Trust qualifies as a unit trust and is a deemed financial institution under the Income Tax Act (Canada). Provided the Trust makes distributions in each year of its net income and net realized and unrealized capital gains, the Trust will not generally be liable for income tax. It is the intention of the Trust to distribute all of its net income and net realized and unrealized capital gains on an annual basis. Accordingly, no income tax provision has been recorded. All units of the Trust are held by one unitholder.

No provision for income taxes has been recorded in the accompanying financial statements as all income and net realized capital gains are distributed to the unitholders. Capital losses realized in excess of those utilized to offset realized capital gains in the current taxation year can be carried forward indefinitely and may be applied against future years' capital gains. Non-capital losses may be carried forward for a period of 20 years and applied against future years' taxable income. As at December 31, 2012, the Trust had nil capital losses and nil (2011 – $547,179) non-capital loss carry-forward balances, and the Fund had a $900,679 capital loss and $2,475,041 (2011 – nil) non-capital loss carry-forward balances. If not utilized, the non-capital loss carry-forward will expire in 2031.

9. EXPENSES OF THE TRUSTS

Management Fees

Pursuant to the Declaration of Trust, the Manager provides all administrative services required by the Fund and the Trust.

On July 15, 2011, the Fund was converted to an open-end public mutual fund. Prior to July 15, 2011, the Fund paid the Manager a management fee of 1.25%, plus applicable taxes, of the Net Asset Value of the Fund, calculated and payable monthly in arrears. Prior to July 15, 2011, the Fund also paid to the Manager an annual servicing fee equal to 0.40% of the Net Asset Value of the Fund. The servicing fee was payable to each dealer whose clients held Fund Units. The servicing fee, plus applicable taxes, accrued daily and was paid at the end of each calendar quarter and to dealers in arrears. Existing unitholders of the Fund at the time of conversion were renamed "Series X" unitholders.

Effective August 11, 2011, management fees, in accordance with the Fund's simplified prospectus, are up to 1.65%, 2%, 1%, and 1.5% per annum of the Net Asset Value for Series X, Series A, Series F, and Series Y units, respectively, calculated daily and paid monthly in arrears, plus applicable taxes. No management fees are charged to the Fund for Series I units or shares. Instead, each investor negotiates a separate fee, which is payable directly to the Manager. The Trust does not pay a management fee.

Out of the management fees of Series X, Series Y and Series A, the Manager pays 0.40%, 0.4% and 0.75%, respectively, per annum to investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter.

Other Expenses

The Fund and Trust are responsible for all other expenses incurred in connection with its operation and administration, such as custodian, valuation, transfer agent, reporting, audit filing and legal fees.

10. TRANSACTION COSTS

Brokerage commissions paid on securities transactions are expensed in the period in which the transaction occurred. These commissions are included in the cost of purchasing or netted out of the proceeds from selling securities. For the year ended December 31, 2012, brokerage commissions for the Fund were nil (2011 – nil), and for the Trust were $2,668 (2011 – $11,630), $1,080 soft dollar amounts included in these payments.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

11. FORWARD CURRENCY CONTRACTS

As at December 31, 2012 and 2011, the Fund had not entered into forward currency contracts to deliver currencies at specified future dates.

As at December 31, 2012 and 2011, the Trust had entered into forward currency contracts to deliver currencies at specified future dates as follows:

						December 31, 2012
Number of Contracts	**Sold**	**Bought**	**Settlement Date**	**Unrealized Gain (Loss)**	**Counterparty**	**Counterparty Credit Rating**
2	USD 7,500,000	CAD 7,376,880	January 16, 2013	CAD(93,408)	Bank of Montreal	AA
1	CAD 5,014,925	USD 5,000,000	January 16, 2013	CAD(34,669)	Bank of Montreal	AA
3	USD 37,300,000	CAD 37,292,606	January 16, 2013	CAD 139,973	Bank of Nova Scotia	AA
1	USD 7,000,000	CAD 6,925,590	February 13, 2013	CAD(50,742)	Bank of Nova Scotia	AA
2	USD 12,500,000	CAD 12,495,800	January 16, 2013	CAD 45,187	Nationale Banque du Canada	AA-
3	USD 10,500,000	CAD 10,494,800	January 16, 2013	CAD 36,286	TD Bank Corp.	AA+
Total				**CAD 42,627**		

						December 31, 2011
Number of Contracts	Sold	Bought	Settlement Date	Unrealized Gain (Loss)	Counterparty	Counterparty Credit Rating
1	USD 17,900,000	CAD 17,602,517	January 11, 2012	CAD(29,087)	State Street	AA-
2	CAD 4,512,159	USD 4,700,000	January 11, 2012	CAD(54,916)	State Street	AA-
Total				CAD(84,003)		
2	USD 3,500,000	CAD 3,428,012	February 8, 2012	CAD 75,506	Bank of Nova Scotia	AA-
Total				CAD 75,506		

CAD – Canadian dollar

USD – US dollar

In the Statements of Net Assets, amounts are netted by Counterparties.

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

a) Management of Financial Risks

Through the Forward Agreement, the Fund is exposed to the financial instrument risks of the Trust, which invests primarily in US dollar denominated, global high-yield bonds. The Fund is also exposed to various types of risks that are associated with the Trust's investment strategies, financial instruments and the markets in which it invests.

The Fund and the Trust are exposed to various financial risks, including market risk (consisting of currency risk, interest rate risk, and other price risk), credit risk and liquidity risk. The overall risk management program of the Fund and the Trust seeks to minimize potentially adverse effects of those risks on the financial performance of the Fund and the Trust. The Trust may use derivative financial instruments to mitigate certain risk exposures.

The Fund's investment objectives are to provide unitholders with monthly distributions and to achieve capital appreciation through an actively managed portfolio comprised primarily of US dollar denominated, global high-yield bonds.

The Trust is an actively managed investment trust. The Trust's investment objectives are to provide the Counterparty to the Forward Agreement with distributions and the opportunity for capital appreciation in order for the Fund to meet its investment objectives.

b) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

As at December 31, 2012 and 2011, the Fund did not hold short-term deposit notes or other interest-bearing securities directly. The Fund also has no interest-bearing liabilities. As a result of this, the Fund had minimal direct risk due to the changes in prevailing market interest rates.

Through its investment in the Trust, the Fund is exposed to interest rate risk from the Trust's holding in fixed-rate debt instruments, the value fluctuates due to changes in prevailing levels of market interest rates.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

As at December 31, 2012 and 2011, the Fund's and the Trust's exposure to interest rate risks by the fixed income, short-term and long-term debt instruments' remaining term to maturity was as follows:

As at December 31, 2012	**Less Than 1 Year**	**1–3 Years**	**3–5 Years**	**Greater Than 5 Years**	**Total**
Debt instruments	**$ 2,297,408**	**$ 4,106,327**	**$ 22,548,738**	**$ 58,171,583**	**$ 87,124,056**

As at December 31, 2011	Less Than 1 Year	1–3 Years	3–5 Years	Greater Than 5 Years	Total
Debt instruments	$ 3,408,451	$ 2,886,221	$ 11,077,124	$ 10,322,616	$ 27,694,412

At December 31, 2012, if the prevailing interest rates had risen or declined by 0.25%, assuming a parallel shift in the yield curve, with all other variables held constant, the Fund and the Trust's Net Assets would have decreased or increased, respectively, by approximately $723,409 (2011 – $180,114). The Trust'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.

c) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund or the Trust. The Fund is exposed to credit risk through the Forward Agreement for the full amount of the Forward Agreement. The unrealized gain on the Forward Agreement represents the maximum credit risk exposure of the Forward Agreement as at December 31, 2012.

Other assets will be settled in the short term.

As at December 31, 2012 and 2011, the Counterparty to the Forward Agreement had a credit rating of AA from Standard & Poor's.

As at December 31, 2012 and 2011, the Fund had indirect exposure to the debt securities of the Trust through the Forward Agreement with the following credit ratings. Credit ratings are obtained from Standard & Poor's. DBRS or Moody's are used if there are no ratings from Standard & Poor's.

Debt Securities by S&P Rating as a % of Trust's Net Assets	**2012**	2011
AAA	**2.5%**	—
AA	—	3.1%
BBB	**3.2%**	28.6%
BB	**10.5%**	8.0%
B	**57.5%**	25.3%
CCC	**13.9%**	10.8%
CC	—	1.2%
Not Rated	**5.4%**	9.9%
Total	**93.0%**	86.9%

d) Liquidity Risk

Liquidity risk is the risk the Fund and the Trust will encounter difficulty in meeting their obligations associated with financial liabilities. Unitholder redemption requests are the main liquidity risk for the Fund. The Trust 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 Fund and the Trust are exposed to liquidity risk through their redemptions. The Fund maintains sufficient cash to maintain adequate liquidity. The Statement of Investment of the Trust identifies securities for which a market quotation could not be obtained and may be illiquid. In the event there is insufficient cash for redemptions in the Fund, the Manager has the ability to partially settle the Forward Agreement in order to fund the redemptions.

All of the Fund's liabilities at December 31, 2012 and 2011 had maturities of less than one year.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

e) Currency Risk

Net Asset Value of the Fund is measured in Canadian dollars and payments to unitholders are made in Canadian dollars. The Fund itself is not directly exposed to the fluctuations in the value of the Canadian dollar relative to other currencies as a result of the Forward Agreement.

Through its exposure to the Trust, the Fund is exposed to currency risk as the Trust may hold assets or have liabilities denominated in currencies other than in Canadian dollars, the functional currency of the Trust and the Fund. As at December 31, 2012, the Trust and the Fund are exposed to currency risk as the value of any assets or liabilities denominated in currencies other than the Canadian dollar will vary due to changes in foreign exchange rates. The following summarizes the Trust's exposure to currency risk, as at December 31, 2012 and 2011:

As at December 31, 2012

Currency	**Financial Assets**	**Other Assets**	**Forward Currency Contracts**	**Other Liabilities**	**Total**	**% of Net Assets**
US dollar	$ 75,337,188	$ 1,865,822	$(69,570,571)	$ —	$ 7,632,439	8.14%
Total	**$ 75,337,188**	**$ 1,865,822**	**$(69,570,571)**	**$ —**	**$ 7,632,439**	**8.14%**

As at December 31, 2011

Currency	Financial Assets	Other Assets	Forward Currency Contracts	Other Liabilities	Total	% of Net Assets
Euro	$ 443,716	$ —	$ —	$ —	$ 443,716	1.39%
US dollar	25,591,452	678,255	(16,518,370)	(771,036)	8,980,301	28.20%
Total	$ 26,035,168	$ 678,255	$(16,518,370)	$ (771,036)	$ 9,424,017	29.59%

As at December 31, 2012, had the Canadian dollar strengthened or weakened by 1% against each of the other currencies, with all other variables remaining constant, Net Assets of the Fund and Trust for the period would have decreased or increased by $76,324 (2011 – $94,240).

f) Other Price Risk

Other 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.

Although the Fund's Common Share Portfolio is comprised of equity securities that are subject to market price risk and the value of the Forward Agreement will fluctuate as a result of changes in market conditions, the Fund itself is not exposed to the market price risk of the equity securities as they are pledged under the Forward Agreement.

The Trust may take positions in traded instruments, which may include derivatives. Therefore, within defined limits, the Trust may buy or sell call or put options and financial futures or other derivatives.

All investments in securities present a risk of loss of capital. The Manager mitigates this risk through the careful selection of securities and other financial instruments, within specified limits. The maximum risk for financial instruments held by the Trust is determined by the fair value thereof.

The Trust's overall market positions are monitored on a daily basis by the Portfolio Manager, and are reviewed semi-annually by the Board of Directors of the Manager.

As at December 31, 2012, the Fund's market risk is potentially affected by two main components, which are changes in actual market prices and changes in foreign currency rates. The Fund's sensitivity to foreign currency movements is reported above under Currency Risk.

If prices of each of the investments in the Trust had strengthened or weakened by 1%, with all other variables remaining constant, including prices of each of the investments in the Fund, Net Assets of the Fund and the Trust would have increased or decreased by $860,079 (2011 – $281,027).

If prices of each of the investments in the Fund had strengthened or weakened by 1%, with all other variables remaining constant, including prices of each of the investments in the Trust, Net Assets of the Fund would have remained the same due to the fact that the Common Share Portfolio is held as collateral and thus is not subject to market risk.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

g) Capital Management

Unitholders' equity is considered to be the source of capital for the Fund and the Trust. The Fund's and the Trust's objectives are managing capital to safeguard the Fund's and the Trust's ability to continue as a going-concern, to provide financial capacity and flexibility to meet their strategic objectives, and to provide an adequate return to unitholders commensurate with the level of risk while maximizing the distributions to unitholders.

Since both revenues and expenses of the Fund and the Trust are reasonably predictable and stable and since the Fund and the Trust do not have any externally imposed capital requirements, the Manager believes that the current level of distributions, capital and capital structure are sufficient to sustain ongoing operations. The Manager monitors the cash position and financial performance.

h) Portfolio Concentration Risk

Portfolio concentration risk is the risk associated with the exposure to any one or more particular country, sector, asset class or security. The Manager believes that there is no significant concentration risk for the Fund due to diversification by asset class and security.

The following is a summary of portfolio concentration as at December 31, 2012 and 2011:

	As a % of the Fund's Total Investments	
Sector	**2012**	2011
Fixed income investments		
Consumer discretionary	**26.6%**	10.9%
Financials	**16.8%**	17.8%
Industrials	**22.0%**	6.0%
Energy	**15.7%**	0.9%
Materials	**8.4%**	1.8%
Consumer staples	**5.6%**	9.8%
Telecommunication services	**1.9%**	7.8%
Healthcare	**1.6%**	5.9%
Oil and gas	—	17.9%
Real estate	—	9.4%
Technology	—	6.8%
Equities		
Financials	**1.4%**	—
Warrants	—	5.0%
	100.0%	100.0%

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

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

13. FAIR VALUE MEASUREMENTS

The Fund and the Trust use 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 observable market data); and inputs not based on observable market data (level 3 – unobservable inputs).

The following is a summary of the Fund's investments, classified using a three-level fair value hierarchy framework, based on the relative reliability of the inputs used to estimate their fair value:

Fund

				December 31, 2012
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Equities	$ 85,191,182	$ —	$ —	$ 85,191,182
Forward Agreement	—	8,686,129	—	8,686,129
Total financial assets	**$ 85,191,182**	**$ 8,686,129**	**$ —**	**$ 93,877,311**

				December 31, 2011
	Level 1	Level 2	Level 3	Total
Financial assets				
Equities	$ 30,237,645	$ —	$ —	$ 30,237,645
Forward Agreement	—	1,635,975	—	1,635,975
Total financial assets	$ 30,237,645	$ 1,635,975	$ —	$ 31,873,620

Trust

				December 31, 2012
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Equities	$ 1,181,263	$ —	$ —	$ 1,181,263
Short-term notes	—	2,297,408	—	2,297,408
Bonds and convertible bonds	—	81,341,884	3,484,764	84,826,648
Total financial assets	**$ 1,181,263**	**$ 83,639,292**	**$ 3,484,764**	**$ 88,305,319**
Other financial instruments				
Forward contracts	$ —	$ 42,627	$ —	$ 42,627
Total other financial instruments	**$ —**	**$ 42,627**	**$ —**	**$ 42,627**

				December 31, 2011
	Level 1	Level 2	Level 3	Total
Financial assets				
Equities	$ 1,407,581	$ —	$ —	$ 1,407,581
Short-term notes	—	999,307	—	999,307
Bonds and convertible bonds	—	25,732,863	962,243	26,695,106
Total financial assets	$ 1,407,581	$ 26,732,170	$ 962,243	$ 29,101,994
Other financial instruments				
Forward contracts	$ —	$ (8,497)	$ —	$ (8,497)
Total other financial instruments	$ —	$ (8,497)	$ —	$ (8,497)

During the year ended December 31, 2012, there was $962,243 worth of bonds transferred from the level 3 to level 2.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

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

	December 31, 2012	
	Bonds and Convertible Bonds	**Total**
Balance as at December 31, 2011	$ 962,243	$ 962,243
Purchases	3,404,908	3,404,908
Sales	(443,558)	(443,558)
Net transfers in (out)	(603,574)	(603,574)
Realized gain	8,904	8,904
Change in unrealized appreciation on investments	117,689	117,689
Balance as at December 31, 2012	**$ 3,484,764**	**$ 3,484,764**
Net change in unrealized appreciation from investments as at December 31, 2012	**$ 155,840**	**$ 155,840**

	December 31, 2011	
	Bonds and Convertible Bonds	Total
Balance as at December 31, 2010	$ —	$ —
Purchases	1,000,394	1,000,394
Change in unrealized depreciation on investments	(38,151)	(38,151)
Balance as at December 31, 2011	$ 962,243	$ 962,243
Net change in unrealized depreciation from investments as at December 31, 2011	$ (38,151)	$ (38,151)

As at December 31, 2012, had the fair values of the level 3 investments increased or decreased by 10%, with all other variables held constant, this would have increased or decreased Net Assets by approximately $348,476 (2011 – $96,224).

14. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.