AstonHill
ASSET MANAGEMENT

Looking for attractive income opportunities in today's low interest rate environment?

How do you plan to allocate your fixed income portfolio? **High Yield Bonds** provide all the returns of equities but with less risk. See how the **Aston Hill Strategic Yield Fund** can provide you with low volatility, risk-adjusted returns by accessing the U.S. high yield bond market.

Since taking over management of the Aston Hill Strategic Yield Fund in January 2012, Portfolio Manager Sandy Liang has generated an annualized return of **4.3%**, outperforming the benchmark while providing significant downside protection.

HIGHLIGHTS:

- Tactical bond fund; current focus is in the U.S. high yield/ corporate debt market; provides access to an asset class not accessible to retail investors
- Actively managed by PM with over 25 years industry experience, 12 based in New York
- Focused on strong asset value protection with the priority being the return of principal
- PM is focused on reducing interest rate risk; low duration of ~ 3.4 years
- Targets secured debt or the only debt in a company's capital structure
- U.S. high yield market over $1.5 trillion plus another $1.8 trillion in loans versus Canadian market of $20 billion
- Low volatility targeted returns; successful track record of protecting on the downside
- Pays a fixed monthly distribution yielding approximately 6.5% per annum
- Good complement to a passive fixed income strategy

	Volatility*	1 Mo	3 Mo	6 Mo	YTD	1 Yr	2 Yr	3 Yr	Inception
Aston Hill Strategic Yield Fund	4.7%	-3.6%	-4.9%	-9.2%	-5.5%	-5.5%	-2.7%	0.8%	3.9%
BAML U.S. High Yield Master II Index	5.2%	-2.6%	-2.2%	-7.0%	-4.6%	-4.6%	-1.1%	1.6%	4.1%

*Performance is for Series A as at December 31, 2015. Inception for the Fund is August 19, 2011. The Fund's Benchmark is the BAML US High Yield Master II Index. iShares iBoxx $ High Yield Corporate Bond Fund is shown to represent the investable U.S. high yield market. Total returns in local currency. *Sandy Liang took over as portfolio manager on January 1, 2012. Accordingly, volatility shown herein is from Jan-2012 to Dec-2015. Sandy Liang is President of AHF Capital Partners Inc., a sub-advisor to Aston Hill Asset Management Inc. General statistics of the High Yield Market are from J.P. Morgan.*

Contents

The Case for High Yield Bonds

There's an ***opportunity cost*** of not being invested in high yield...

Trying to time the high yield market? It's called 'High Yield' for a reason – the high coupon that bonds in this asset class pay – and every day an investor is *not invested* in this asset class, they are giving up that high coupon payment they could have been earning.

Why High Yield Bonds, and Why Now?

1. All the reward with less risk...

Despite being issued by companies who are seen to be at greater risk of a loan default, high yield bonds have ***returned as much or more*** than equities in Canada and the U.S. over the mid- to long-term with ***lower volatility***.

	Compound ROR Last 5 Years	Standard Deviation Last 5 Years	Compound ROR Last 10 Years	Standard Deviation Last 10 Years	Compound ROR Last 15 Years	Standard Deviation Last 15 Years
Barclays U.S. High Yield Index	**5.0%**	**6.3%**	**7.0%**	**10.6%**	**7.6%**	**10.0%**
S&P 500 Total Return Index	12.6%	11.7%	7.3%	15.1%	5.0%	15.0%
S&P/TSX Composite Total Return Index	2.3%	9.6%	4.4%	13.7%	5.1%	13.8%

As at December 31, 2015. Source: Bloomberg

2. High yield bonds perform well as interest rates rise...

This is primarily due to the yield cushion provided by higher yielding corporate debt, which helps offset price declines. Periods of rising interest rates also typically accompany periods of economic expansion (i.e. an improving economy), which tends to support risk assets such as high yield bonds. ***Read the results from the portfolio manager's case study on page 3 to learn more.***

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3. An improving high yield market because of...

Healthy balance sheets:
Corporate balance sheets are generally in good shape and likely to improve as the economy continues to recover.

Higher-quality new issues:
The quality of new high yield bond issues has been comparatively good for the past several years. In 2015 for example, **over 40%** of new issues were used to refinance debt – a positive situation that helps improve a company's financial health.

Low default rates:
The default rate has been below **2.3%** since 2010 compared to the longer term average of **3.6%**.

Did you know?

Default rates are more of a theoretical concept for active high yield bond investors, because a company's bonds usually trade down well before the company defaults, so by the time it actually happens it is usually expected.

4. With a market size of $1.5 trillion, there are investment opportunities everywhere...

The U.S. high yield market is huge: $1.5 trillion... plus another $1.8 trillion when you include bank loans. By comparison, in 2013 there were only $30 billion of new issues in the entire Canadian equity market. And the Canadian high yield market? Only $20 billion in size.

Diversified by industry and maturity, the U.S. high yield market provides almost endless opportunities to find yield. And regardless of market conditions, there will always be companies to lend to at a favourable risk/reward evaluation.

The U.S. High Yield Market

$1.5
trillion in size

+

$1.8
trillion of bank loans

The Canadian High Yield Market

$20
billion in size

Case Study

High Yield Debt Performs Well in Rising Interest Rate Environments

When looking at all periods in the past 30 years where 10-Year Treasury yields increased by 1% or more during a period of up to 18 months:

High yield debt outperformed investment grade debt over 92% of the time.

The average annualized return for high yield debt was 10.4%, while the median annualized return was 7.6%.

This compares with investment grade debt which had a negative return 46% of the time, with a median return of -0.1%.

What's this mean?
This suggests that the credit spread could not make up for the change in interest rates half the time for so-called high quality corporate debt.

While equities outperformed high yield in rising rate environments, it did so with **1.8 times the volatility of high yield**, so there is a risk/return trade-off of which to be cognizant.

				Annualized Return			
From	To	Months	10-Year Rise (%)	S&P 500	HY	IG	HY less IG
Jul-83	Jun-84	11	2.1	-2.0%	3.0%	2.9%	0.1%
Aug-86	Sep-87	13	2.7	29.2%	5.6%	-0.5%	6.1%
Feb-88	Feb-89	12	1.1	11.9%	7.6%	4.7%	2.9%
Jul-89	Apr-90	9	1.2	-2.7%	-7.3%	0.4%	-7.8%
Jan-94	Nov-94	10	2.3	-4.2%	-4.6%	-7.0%	2.4%
Dec-95	Mar-97	15	1.4	21.0%	10.1%	2.0%	8.1%
Sep-98	Jan-00	16	2.3	29.5%	3.1%	-0.9%	4.0%
Oct-01	Mar-02	5	1.2	21.6%	12.0%	-4.9%	16.9%
Jun-03	May-04	11	1.1	18.3%	9.5%	0.0%	9.5%
Jun-05	Jun-06	12	1.2	8.6%	4.8%	-2.0%	6.8%
Mar-09	Dec-09	9	1.2	55.9%	65.5%	28.6%	36.9%
Aug-10	Mar-11	7	1.1	47.9%	18.0%	-0.1%	18.1%
Jul-12	Jun-13	11	1.0	20.7%	8.1%	-1.1%	9.3%
Average				19.7%	10.4%	1.7%	8.7%
Median				20.7%	7.6%	-0.1%	6.8%
% Positive Return Instance				77%	85%	54%	92%
% Negative Return Instance				23%	15%	46%	8%
Historical Volatility (Monthly)				4.4%	2.5%	1.6%	–

Source: Bloomberg, Barclays, Bank of America

The Investment Strategy

A bottom-up approach to earning **return on capital** through **credit research**. We look for risk reduction and yield enhancement opportunities across all sectors.

Step 1

Look for strong asset value protection

Step 2

Target the right part of the capital structure (often secured debt OR the only debt in a company's capital structure)

Step 3

Avoid declining industries, and emphasize industries that are growing or are at the right point in the business cycle

Idea Generation

1. Quantitative screens:
Used to compare the relative valuation of a company's high yield debt versus their equity

2. Industry network:
Significant relationships with Wall Street buy side and sell side

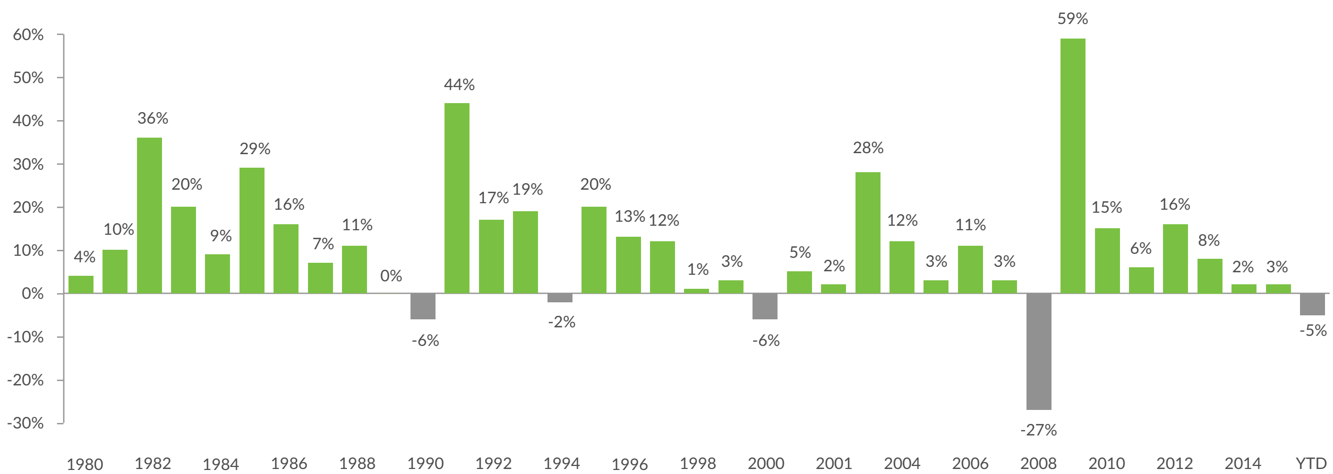
3. New issues:
Aston Hill is a real customer for the top high yield debt underwriters and regularly gets 'early look' on new issues – which means a longer due diligence period and access to management

Managing Interest Rate Risk

When rates go up for the right reason (i.e. an improving economy), it's a good thing!

High yield bonds tend to have shorter durations than most other fixed income investments, meaning high yield bonds are less likely to be adversely affected by rising interest rates.

As you saw from the portfolio manager's case study on page 3, the performance of high yield bonds during previous periods of rising interest rates demonstrates this. Plus, there have been only five years of negative returns in the past 36 years!



Source: JP Morgan. YTD as at December 31, 2015.

Did you know?

2008 was a volatile year for all asset classes, and while high yield bonds were not immune, if you were invested in equities you would have been down even more: 37% if you were invested in U.S. equities, and 33% if invested in Canadian equities. ('Equities' are measured by the S&P 500 TR Index and S&P/TSX Composite TR Index, respectively.)

The **Aston Hill Strategic Yield Fund** is positioned to benefit from rising interest rates:

- The Fund has a short duration of ~ 3.4 years
- The internal yield of the Fund is in the low-8% area
- New issues are offered at a higher coupon to reflect prevailing interest rates at the time of issue
- The Fund does not use any leverage

Shorting government treasuries to 'hedge' the portfolio

The value of treasuries declines during periods of rising interest rates because investors will be able to get a better interest rate when purchasing a newly issued treasury. Shorting government treasuries provides some protection to the portfolio should interest rates start to increase. The short position also helps to decrease the overall duration of the portfolio.

Did you know?

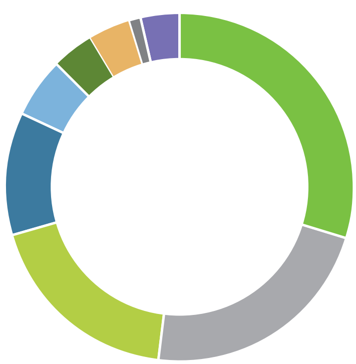
High yield debt has more correlation with the business cycle than with interest rates.
Why? Because higher interest rates usually means higher growth, which also means higher credit quality.

Managing Credit Risk

Credit risk can be controlled through diversification and security selection.

If a portfolio is diversified then it is less likely to be affected by adverse credit events. The Aston Hill Strategic Yield Fund is diversified by sector, term structure, and bond rating, just to highlight a few.

Portfolio positioning as at December 31, 2015:



Sector Breakdown

Consumer, Cyclical 30.0%
Financials (including REITs) 22.2%
Industrials 18.5%
Basic Materials 11.5%
Diversified 5.5%
Energy 3.9%
Communications 3.7%
Consumer, Non-Cyclical 1.2%
Cash & Equivalents 3.6%

Did you know?

Security selection matters when it comes to high yield. It is not enough to simply buy exchange-traded funds – ETFs – to add high yield exposure to your portfolio, because *ETFs merely buy the bonds of companies that have the most debt*, regardless of any other factors.

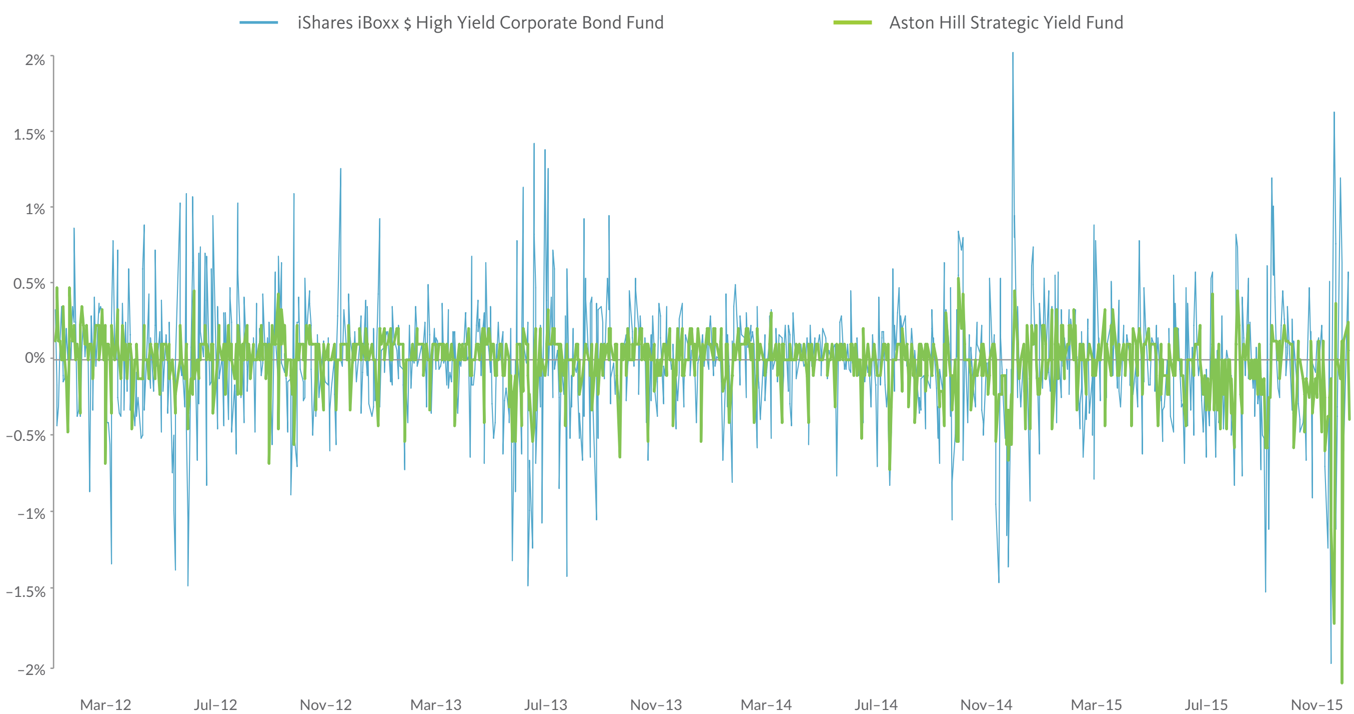
Low Volatility Returns

The Aston Hill Strategic Yield Fund has *generated positive returns* **72% of the time** with less volatility than the comparable ETF!

Jan. 1, 2012 to Dec. 31, 2015	Volatility	# of Negative Days	# of Negative Days >1%
Aston Hill Strategic Yield Fund	**4.7%**	**284**	**3**
iShares iBoxx $ High Yield Corp Bond Fund	6.2%	498	15

Daily Total Returns

Jan. 1, 2012 – Dec. 31, 2015



Downside Protection

Since the manager took over in January 2012, the Fund has demonstrated **limiting downside risk** during the market's largest drawdowns:

- ~ 80% of the time the Fund has outperformed its benchmark and the investable high yield market in negative months

Date	BAML U.S. High Yield Master II Index	AH Strategic Yield	Fund's Outperformance
Mar-12	-0.1%	**+1.4%**	**+1.5%**
May-12	-1.2%	**+0.0%**	**+1.2%**
May-13	-0.5%	**+0.2%**	**+0.7%**
Jun-13	-2.6%	-2.2%	**+0.4%**
Aug-13	-0.6%	**+0.2%**	**+0.8%**
Jul-14	-1.3%	-0.1%	**+1.2%**
Sep-14	-2.1%	-1.0%	**+1.1%**
Nov-14	-0.8%	-1.0%	–
Dec-14	-1.4%	-2.8%	–
Mar-15	-0.5%	**+0.5%**	**+1.0%**
Jun-15	-1.5%	-1.2%	**+0.3%**
Jul-15	-0.6%	-0.4%	**+0.2%**
Aug-15	-1.8%	-1.9%	–
Sep-15	-2.6%	-2.3%	**+0.3%**
Nov-15	-2.2%	-2.1%	**+0.1%**
Dec-15	-2.6%	-3.6%	–

The Fund's Benchmark is the BAML US High Yield Master II Index.

Date	iShares iBoxx $ High Yield Corporate Bond Fund	AH Strategic Yield	Fund's Outperformance
Mar-12	-1.0%	**+1.4%**	**+2.4%**
May-12	-3.2%	**+0.0%**	**+3.2%**
May-13	-2.6%	**+0.2%**	**+2.8%**
Jun-13	-1.7%	-2.2%	–
Aug-13	-1.3%	**+0.2%**	**+1.5%**
Mar-14	-0.1%	**+0.7%**	**+0.8%**
Jul-14	-2.4%	-0.1%	**+2.3%**
Sep-14	-2.0%	-1.0%	**+1.0%**
Nov-14	-1.1%	-1.0%	**+0.1%**
Dec-14	-0.8%	-2.8%	–
Mar-15	-0.9%	**+0.5%**	**+1.4%**
Jun-15	-1.9%	-1.2%	**+0.7%**
Jul-15	-0.5%	-0.4%	**+0.1%**
Aug-15	-2.0%	-1.9%	**+0.1%**
Sep-15	-3.0%	-2.3%	**+0.7%**
Nov-15	-2.5%	-2.1%	**+0.4%**
Dec-15	-3.0%	-3.6%	–

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In addition to providing protection when the market has sold off, the Fund also has a demonstrable track record of participating when the market rallies:

	...versus the BAML U.S. High Yield Master II Index		
Jan. 1, 2012 to Dec. 31, 2015	Up Capture	Down Capture	Correlation
Aston Hill Strategic Yield Fund	76.0%	75.0%	0.9

	...versus the iShares iBoxx $ High Yield Corporate Bond Fund		
Jan. 1, 2012 to Dec. 31, 2015	Up Capture	Down Capture	Correlation
Aston Hill Strategic Yield Fund	74.0%	56.1%	0.7

Up Capture

Up Capture - The Up Capture Ratio is a measure of the Investment's compound return when the Index was up divided by the Index's compound return when the Index was up. **The greater the value, the better.**

Down Capture

Down Capture - The Down Capture Ratio is a measure of the Investment's compound return when the Index was down divided by the Index's compound return when the Index was down. **The smaller the value, the better.**

Why Size Matters

Smaller does not mean riskier, it means more opportunity!

Experts agree that size reduces performance...

"There has been a considerable amount of non-sense written on this topic. I believe that every professional investor knows that it is an ironclad law that size reduces outperformance, but I also understand the investment guild's vested financial interest in muddying the water."

- *Jeremy Grantham, Chairman, GMO*

So would you rather be invested in a 2 billion dollar fund, or a 200 million dollar fund?

Advantages of a smaller fund:

1. **Trading liquidity is not an issue for a smaller fund...**

2. **A smaller fund can buy smaller market cap issues with ease...**

3. **A smaller fund can easily trade without being a significant amount of daily trading volume...**

BUT, smaller does not mean riskier!

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DISCLAIMER

All performance information is as of December 31, 2015 and is for Series A of the Fund. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Other sources: RBC IS, Bloomberg, PerTrac.

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