

**ASTON HILL AVIP TRUST**

**ANNUAL INFORMATION FORM**

**Units**

**FINANCIAL YEAR ENDED  
DECEMBER 31, 2016**

**March 31, 2017**

No securities regulatory authority has expressed an opinion about these Units and it is an offence to claim otherwise.

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this annual information form constitute forward-looking statements. The use of any of the words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “believe” and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Manager believes the expectations reflected in forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this annual information form should not be unduly relied upon. These statements speak only as of the date of this annual information form.

In particular, this annual information form may contain forward-looking statements pertaining to distributable cash and Distributions. The actual results could differ materially from those anticipated in these forward-looking statements as a result of, among other things, the risk factors set out in this annual information form. The Manager does not undertake any obligation to publicly update or revise any forward-looking statements.

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## GLOSSARY OF TERMS

In this Annual Information Form, the following terms shall have the meanings set forth below, unless otherwise indicated.

“**Additional Distribution**” means with respect to any taxation year of the Fund, the amount, if any, by which the aggregate of the Net Income and the Net Realized Capital Gains, less any Net Realized Capital Gains the tax on which would be refundable to the Fund in the current year under Part I of the Income Tax Act, for such taxation year exceeds the aggregate cash distributions paid or payable by the Fund for such taxation year.

“**AV Fund**” means Aston Hill Advantage VIP Income Fund, an investment fund governed pursuant to an amended and restated declaration of trust dated as of July 11, 2008, as amended.

“**Business Day**” means any day except Saturday, Sunday, a statutory holiday in Toronto, Ontario or any other day on which the TSX is not open for trading.

“**CRA**” means the Canada Revenue Agency.

“**Custodian**” means RBC Investor Services Trust in its capacity as custodian under the Custodian Agreement, as appointed from time to time by the Manager.

“**Custodian Agreement**” means the master custodian agreement between the Custodian and the Manager dated November 18, 2011, as it may be amended from time to time.

“**Declaration of Trust**” means the declaration of trust governing the Fund, as it may be amended, restated or modified from time to time, as described in section 1.1 of this Annual Information Form.

“**Distributions**” means the distributions of the Fund declared in accordance with the Declaration of Trust.

“**Extraordinary Resolution**” means a resolution passed by the affirmative vote of at least  $66\frac{2}{3}\%$  of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“**Fund**” means Aston Hill AVIP Trust.

“**Fund Investment**” means an investment acquired and managed by the Manager on behalf of the Fund, and “**Fund Investments**” means more than one Fund Investment taken collectively.

“**Fund Property**” means the property and assets of the Fund.

“**Income Tax Act**” means the *Income Tax Act* (Canada), as amended, or successor statutes, and shall include regulations promulgated thereunder.

“**Investment Objectives**” means the investment objectives of the Fund as set forth in the Declaration of Trust as described in section 1.1.1 of this Annual Information Form.

“**Investment Restrictions**” means the investment restrictions of the Fund as set forth in the Declaration of Trust, including without limitation, those described in section 2.0 of this Annual Information Form.

“**Investment Strategy**” means the investment strategy of the Fund as set forth in the Declaration of Trust as described in section 1.1.2 of this Annual Information Form.

“**IRC**” means the Independent Review Committee established by the Manager for the Fund pursuant to NI 81-107.

“**Loan Facility**” means the loan agreement described in section 14.1 of this Annual Information Form.

“**LOGiQ**” means LOGiQ Asset Management Ltd. (formerly, Aston Hill Asset Management Inc.)

“**Management Agreement**” means the amended and restated management agreement dated as of July 11, 2008 between the Manager and the Fund, as it may be amended from time to time.

“**Management Fee**” means the management fee payable to the Manager pursuant to the Management Agreement and the Declaration of Trust as described in section 8.1.1 of this Annual Information Form.

“**Manager**” means the manager and administrator of the Fund, namely LOGiQ, or, if applicable, its successor.

“**Manitou**” means Manitou Investment Management Ltd.

“**Net Asset Value**” means the net asset value of the Fund, as determined in accordance with the Declaration of Trust as described in section 5.0 of this Annual Information Form.

“**Net Asset Value per Unit**” means the Net Asset Value divided by the total number of Units outstanding on any Valuation Date.

“**Net Income**” or “**Net Loss**” of the Fund for a taxation year means the amount, if any, by which the income or loss of the Fund for such taxation year computed in accordance with the provisions of the Income Tax Act, other than paragraph 82(1)(b) and subsection 104(6) thereof and disregarding any designations made by the Fund under subsection 104(19) of the Income Tax Act, without reference to the Fund’s “capital gains” or “capital losses” (as those terms are defined in the Income Tax Act) for the taxation year, exceeds the non-capital losses of the Fund (as defined in the Income Tax Act) for any preceding taxation years of the Fund, to the extent that they may be, and are deducted in computing taxable income of the Fund for such taxation year for the purposes of the Income Tax Act.

“**Net Realized Capital Gains**” of the Fund for a taxation year means the amount, if any, by which:

- (i) the capital gains realized by the Fund in the taxation year;

exceed the aggregate of:

- (ii) the capital losses incurred by the Fund in the taxation year;
- (iii) the unapplied capital losses incurred by the Fund in the preceding taxation years, to the extent that they may be, and are applied against capital gains realized by the Fund in the taxation year; and
- (iv) any Net Loss of the Fund for the year, and if the Trustee so determines, any unapplied non-capital losses (as defined in the Income Tax Act) of the Fund for preceding years of the Fund, in each case multiplied by the reciprocal of the applicable fraction in paragraph 38(a) of the Income Tax Act.

For this purpose, “capital gains” and “capital losses” shall be computed in accordance with the provisions of the Income Tax Act.

“**NI 81-107**” means National Instrument 81-107 *Independent Review Committee for Investment Funds* of the Canadian Securities Administrators (or any successor policy, rule or national instrument), as it may be amended from time to time.

“**Ordinary Resolution**” means a resolution passed by the affirmative vote of at least 50% of the votes cast, either in person or by proxy, at a meeting of Unitholders called for the purpose of considering such resolution.

“**Portfolio**” means the portfolio of Fund Investments held by the Fund.

“**Redemption Date**” means any Business Day on which Units are surrendered for redemption by a Unitholder provided that the redemption notice is given to the Trustee on or before 5:00 p.m. (Toronto time) on that day.

“**S&P**” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc.

“**SIFT Rules**” means the provisions of the Income Tax Act that apply to a SIFT Trust, as that term is defined in section 122.1 of the Income Tax Act, and the unitholders of a SIFT Trust.

“**Tax Proposals**” means all specific proposals to amend the Income Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof.

“**Termination Date**” means the date the Fund is terminated in accordance with the Declaration of Trust, as described in section 3.4 of this Annual Information Form.

“**Total Assets**” means the aggregate value of the assets of the Fund determined in accordance with the Declaration of Trust as described in section 4.0 of this Annual Information Form.

“**Trustee**” means LOGiQ, in its capacity as trustee under the Declaration of Trust.

“**TSX**” means the Toronto Stock Exchange.

“**Unit**” means one transferable, redeemable trust unit of the Fund, representing an equal, fractional and undivided beneficial interest in the Fund Property net of all liabilities of the Fund. “**Units**” represents more than one transferable, redeemable trust unit of the Fund.

“**Unitholder(s)**” means the holder(s) of the Units.

“**Valuation Date**” means, at a minimum, Thursday of each week, or if any Thursday is not a Business Day, the immediately preceding Business Day and includes any other date on which the Manager elects, in its discretion, to calculate the Net Asset Value per Unit.

## **1.0 NAME, FORMATION AND HISTORY**

Aston Hill AVIP Trust is a closed-end investment trust with a registered office located at 77 King Street West, Suite 2110, P.O. Box 92, Toronto-Dominion Centre, Toronto, Ontario, M5K 1G8. The Fund was established under the laws of the Province of Ontario pursuant to a declaration of trust dated as of January 27, 2006. Material amendments to the declaration of trust included (a) an amendment dated as of July 11, 2008 which included: (i) amending the Investment Strategy and Investment Restrictions to, among other things, broaden the investment universe beyond income trusts; (ii) adopting an active investment management strategy; (iii) amending the name of the Fund from “ATF Trust” to “AVIP Trust”; and (iv) effecting certain administrative changes to improve operating efficiency; and (b) an amendment dated August 22, 2011 which changed the name of the Fund from “AVIP Trust” to its current name.

On December 8, 2016, Aston Hill Asset Management Inc., as part of Aston Hill Financial Inc. ("Aston Hill") and together with Front Street Capital 2004 ("Front Street") and Tuscarora Capital Inc. ("TCI"), an entity under common control with Front Street, completed a previously announced transaction whereby Aston Hill would acquire all of the equity interests in the Front Street and TCI, and the companies would combine their respective operations. As part of the transaction, Aston Hill also changed its name to LOGiQ Asset Management Inc., consequently Aston Hill Asset Management Inc. changed its name to LOGiQ Asset Management Ltd and Front Street changed its name to LOGiQ Capital 2016.

### **1.1 Declaration of Trust**

#### **1.1.1 Investment Objectives**

The Declaration of Trust provides that the Investment Objectives of the Fund are to provide Unitholders with the benefits of a high level of monthly income together with the opportunity for capital appreciation, which is actively managed by Manitou Investment Management Ltd. (the “Sub-Advisor”).

#### **1.1.2 Investment Strategy**

The Fund will seek to achieve its Investment Objectives through active asset and sector allocation and by investing in those income producing securities that the Sub-Advisor believes represent the best weighting to achieve the Investment Objectives. The Fund invests in a diversified Portfolio consisting of income producing securities, including income trusts, dividend paying common shares, convertible debt, preferred shares and investment grade fixed income investments. Subject to the Investment Restrictions, the Fund may also invest in high yield debt and special situations, being foreign equities and non- dividend paying equities.

#### **1.1.3 General**

LOGiQ is the Trustee of the Fund pursuant to the Declaration of Trust. The Declaration of Trust also provides for the administration of the Fund and governs matters including, without limitation, the powers of the Trustee, the issue and sale of Units, the form and content of Unit certificates, the registration and the transfer of Units, the redemption of Units, distributions to Unitholders, the provision of management and administration, portfolio advisory and custodial services to the Fund, the limitation on the liability of the Unitholders, the Trustee and other parties and the termination of the Fund.

## **2.0 INVESTMENT RESTRICTIONS**

The Fund was required to become a reporting issuer under the *Securities Act* (Quebec) by the Quebec securities regulatory authorities. The Fund was not required to become a reporting issuer by any other provincial or territorial securities regulatory authorities.

The Fund is not subject to the standard investment restrictions and practices set out in National Instrument 81-102 *Mutual Funds* (“NI 81-02”). However, the Fund is subject to certain other requirements and restrictions contained in securities legislation, including National Instrument 81-106 *Investment Fund Continuous Disclosure*, which governs the continuous disclosure obligations of investment funds, such as the Fund. The Fund is managed in accordance with such applicable requirements and restrictions and the Investment Restrictions set out in the Declaration of Trust.

### **3.0 DESCRIPTION OF SECURITIES**

#### **3.1 The Units**

The Fund is authorized to issue an unlimited number 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 Fund. Each Unit entitles the holder to the same rights and obligations as a holder of any other Unit and no holder of Units is entitled to any privilege, priority or preference in relation to any other holder of Units. Each holder of Units is entitled to one vote for each whole Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of Net Income and Net Realized Capital Gains, if any. On termination or liquidation of the Fund, the holders of outstanding Units of record 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 Declaration of Trust permits fractions of Units to be issued which have the same rights, restrictions, conditions and limitations attaching to whole Units in the proportion which they bear to a whole Unit, except that fractional Units do not have the right to vote.

#### **3.2 Distributions**

The Fund will make Distributions to Unitholders if, as and when declared by the Manager. There can be no assurance that the Fund will be able to make any Distributions.

The Fund will be subject to tax under Part I of the Income Tax Act in each taxation year on the amount of its income for the year, including Net Realized Capital Gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. The Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year, and therefore, provided the Fund makes distributions in each year of its net income and Net Realized Capital Gains, it will generally not be liable in such year for income tax under Part I of the Income Tax Act.

The Fund will distribute such portion of its net income and Net Realized Capital Gains earned in each fiscal year to ensure that it is not liable for income tax under Part I of the Income Tax Act. To the extent that the Fund has not distributed in cash a sufficient amount of its net income and Net Realized Capital Gains in any year to ensure that it is not liable to tax in that year, the difference between such amount and the amount actually distributed by the Fund will be paid through the issuance of additional Units having a Net Asset Value in the aggregate at the date of distribution equal to this difference. Immediately after any such distribution of Units, the number of outstanding Units will be consolidated such that each Unitholder of the Fund (other than holders that are not resident in Canada) will hold after the consolidation the same number of Units as it held before the distribution of additional Units. Additional information regarding tax matters is set out in section 11.0.

#### **3.3 Amendment of the Declaration of Trust**

##### **3.3.1 Amending of the Declaration of Trust by the Trustee**

The Declaration of Trust provides that the Trustee is entitled to amend the Declaration of Trust without consent of, or notice to, the Unitholders to:



- (i) remove any conflicts or other inconsistencies which may exist between any terms of the Declaration of Trust and any provisions of any law, regulation or requirements of any governmental authority applicable to or affecting the Fund;
- (ii) make any change or correction which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;
- (iii) bring the Declaration of Trust into conformity with applicable laws, rules and policies of Canadian securities regulators or with current practice within the securities or investment fund industries, provided such amendments do not, in the opinion of the Manager, adversely affect the pecuniary value of the interest of the Unitholders or restrict any protection for the Trustee or the Manager or increase their respective responsibilities;
- (iv) maintain the status of the Fund as a “unit trust” for the purposes of the Income Tax Act or to respond to amendments to such Act or to the interpretation or administration thereof; or
- (v) provide added protection or benefit to Unitholders.

### **3.3.2 Amending of the Declaration of Trust by the Unitholders**

The Declaration of Trust may be amended by the written consent of the Unitholder in lieu of a meeting if there is only one Unitholder. Currently, there is only one Unitholder. In the event there is more than one Unitholder, the Declaration of Trust provides that except as otherwise required by or contemplated in the Declaration of Trust, which exceptions are summarized below, the Declaration of Trust may be amended by an Ordinary Resolution of the Unitholders passed at a meeting called for the purpose of considering such Ordinary Resolution.

The Declaration of Trust provides that the following may only be undertaken with the approval of Unitholders by an Extraordinary Resolution:

- (i) the removal of the Trustee or any of its affiliates as the trustee of the Fund;
- (ii) any change in the Investment Objectives, Investment Strategy or Investment Restrictions of the Fund, unless such changes are necessary to ensure compliance with applicable laws, regulations or other requirements imposed by applicable regulatory authorities from time to time;
- (iii) any material change in the Management Agreement, other than a change in the Manager provided the new manager is an affiliate of the Manager;
- (iv) any increase in the Management Fee;
- (v) any amendment, modification or variation in the provisions or rights attaching to the Units;
- (vi) any issue of Units for net proceeds per Unit less than the most recently calculated Net Asset Value per Unit prior to the date of the setting of the subscription price by the Fund;
- (vii) any change in the frequency of calculating Net Asset Value per Unit to less often than weekly;

- (viii) the sale of all or substantially all of the assets of the Fund other than in the ordinary course;
- (ix) any merger, arrangement or similar transaction other than in the ordinary course;
- (x) any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interest of the Unitholders or otherwise in accordance with the Declaration of Trust; and
- (xi) any amendment to the above provisions except as permitted by the Declaration of Trust.

### **3.4 Termination of the Fund**

Pursuant to the Declaration of Trust, the Fund will terminate on the earlier of June 29, 2028, and the date specified in an Extraordinary Resolution of Unitholders calling for the termination of the Fund or an alternative to termination is approved by way of an Extraordinary Resolution at a duly called meeting of Unitholders. In addition, the Declaration of Trust also provides that if the Manager resigns and no new Manager is appointed by the Trustee within 120 days of the Manager giving notice to the Trustee of such resignation, the Fund will automatically terminate on the date which is 60 days following the end of such 120 day period.

The Declaration of Trust further provides that prior to a Termination Date (as specified in the Declaration of Trust and summarized above), the Manager will convert the Fund Investments to cash to the extent practicable and will satisfy or make appropriate provision for all liabilities of the Fund. The Declaration of Trust permits that the Manager may, in its discretion and upon not less than 30 days prior written notice to the Unitholders, postpone the Termination Date by a period of up to 180 days if the Manager is unable to convert all of the Fund Investments to cash prior to the original Termination Date and the Manager determines that it would be in the best interests of the Unitholders to do so. Upon termination, the Declaration of Trust provides that the Fund will distribute to Unitholders their *pro rata* portions of the remaining assets of the Fund which will include cash and, to the extent liquidation of certain assets is not practicable or the Manager considers such liquidation not to be appropriate prior to the Termination Date, such unliquidated assets *in specie* rather than in cash.

### **4.0 VALUATION OF PORTFOLIO SECURITIES**

Under the Declaration of Trust, the calculation of Total Assets on a Valuation Date is to be determined as follows:

- (a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, distribution, dividend or other amount receivable (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the Total Assets are being determined, and to be received) and interest accrued and not yet received shall be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution, dividend or other amount receivable (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the Total Assets are being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Manager determines to be the fair market value thereof;
- (b) the value of any bonds, debentures, and other debt obligations shall be valued by taking the average of the bid and ask prices on a Valuation Date at such times as the Manager, in its discretion, deems appropriate. Short-term investments including notes and money market instruments shall be valued at cost plus accrued interest;

- (c) the value of any security which is listed or traded upon a stock exchange (or if more than one, on the principal stock exchange for the security, as determined by the Manager) shall be determined by taking the latest available sale price of recent date, or lacking any recent sales or any record thereof, the simple average of the latest available offer price and the latest available bid price (unless in the opinion of the Manager such value does not reflect the value thereof and in which case the latest offer price or bid price shall be used), as at the Valuation Date on which the Total Assets are being determined, all as reported by any means in common use, provided that for the purpose of calculating the redemption amount of the Units on a Redemption Date that falls on the second last Business Day of August of any year, the value of any security will be equal to the weighted average trading price over the last three Business Days of the month of August in which such a Redemption Date occurs;
- (d) the value of a forward contract shall be the gain or loss with respect thereto that would be realized if, on the Valuation Date, the position in the forward contract were to be closed out in accordance with its terms;
- (e) the value of any security which is traded over-the-counter will be priced at the average of the last bid and asked prices quoted by a major dealer or recognized information provider in such securities;
- (f) the value of any security or other asset for which a market quotation is not readily available will be its fair market value on the Valuation Date on which the Total Assets are being determined as determined by the Manager (generally the Manager will value such security at cost until there is a clear indication of an increase or decrease in value);
- (g) any market price reported in currency other than Canadian dollars shall be translated into Canadian currency at the rate of exchange available to the Fund from the Custodian on the Valuation Date on which the Total Assets are being determined;
- (h) listed securities subject to a hold period will be valued as described above with an appropriate discount as determined by the Manager and investments in private companies and other assets for which no published market exists will be valued at the lesser of cost and the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is determined to be appropriate by the Manager; and
- (i) the value of any security or property to which, in the opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair market value thereof determined in good faith in such manner as the Manager from time to time adopts.

The Manager has not exercised its discretion to determine fair market value in the last three years.

The primary difference between the valuation principles set out above and Canadian generally accepted accounting principals ("Canadian GAAP") is that under Canadian GAAP, securities traded in an active market are valued using the last available bid price rather than the latest available sale price.

## **5.0 CALCULATION OF NET ASSET VALUE**

Pursuant to the Declaration of Trust, the Net Asset Value per Unit on any Valuation Date is calculated by dividing the Net Asset Value on such Valuation Date (calculated by subtracting the aggregate amount of the Fund's liabilities from the Total Assets) by the total number of Units outstanding on such Valuation Date. The Net Asset Value per Unit is calculated as at the close of business on each Valuation Date which is, at a minimum, Thursday of each week (or if any Thursday is not a Business Day, the immediately

preceding Business Day), and includes any other date on which the Manager elects, in its discretion, to calculate the Net Asset Value per Unit.

The Net Asset Value per Unit is calculated in Canadian dollars.

## **6.0 PURCHASES OF FUND UNITS**

Pursuant to the Declaration of Trust, the Trustee shall allot and issue Units at such times and in such manner and for such consideration and to such persons as the Manager in its sole discretion shall determine.

## **7.0 REDEMPTION OF SECURITIES**

Subject to the Fund's right to suspend redemptions as discussed below, Unitholders are entitled to surrender Units for redemption in accordance with the Declaration of Trust at any time. The Declaration of Trust provides that Units surrendered for redemption will be redeemed at a redemption price per Unit that is equal to the Net Asset Value per Unit for each Unit so redeemed, minus any costs associated with the redemption, including all brokerage costs. At the option of the Unitholder the redemption price may be satisfied by delivery to the Unitholder of Portfolio securities. Payment of the redemption price will be made on or before the tenth Business Day following such redemption date.

Units may be surrendered for redemption by presentation by the Unitholder to the Trustee of a redemption notice in a form acceptable to the Trustee, specifying the number of Units to be redeemed, and if definitive Unit certificates have been issued therefore, accompanied by such Unit certificates.

### **7.1 Suspension of Redemptions**

The Declaration of Trust permits the Manager to direct the Trustee to suspend the redemption of Units or payment of redemption proceeds (a) for the whole or any part of a period during which normal trading is suspended on one or more stock exchanges, options exchanges or futures exchanges on which more than 50% of the Fund Investments included in the Portfolio (by value) are listed and traded; or (b) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension, but for which payment has not been made, as well as to all requests received while the suspension is in effect. In such circumstances all Unitholders shall have, and shall be advised that they have, the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first Business Day on which the condition giving rise to the suspension has ceased to exist provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

## **8.0 RESPONSIBILITY FOR OPERATIONS**

### **8.1 Manager**

The Declaration of Trust provides that the Trustee shall appoint or retain a manager to manage the business and affairs of the Fund. The Trustee has appointed the Manager pursuant to the terms of the Declaration of Trust and the Management Agreement.

The Manager was formed pursuant to the *Business Corporations Act* (Ontario) by articles of amalgamation dated December 30, 2011. Its head office is located at 77 King Street West, Suite 2110, P.O. Box 92, Toronto-Dominion Centre, Toronto, Ontario, M5K 1G8. Its telephone number is (416) 583-

2300, its e-mail address is info@astonhill.ca and its website address is [www.logiqasset.com](http://www.logiqasset.com).

The Manager is a wholly-owned subsidiary of LOGiQ Asset Management Inc., a public company listed on the TSX.

The Manager is registered with the Ontario Securities Commission as an exempt market dealer, portfolio manager and investment fund manager.

Pursuant to the Sub-advisor Agreement, the Manitou Investment Management Ltd. manages the Portfolio.

The Sub-Advisor employs a disciplined process to identify, analyze, purchase and monitor investments. This process begins with macro-economic research. The Sub-Advisor continually monitors world events, interest rate trends, domestic and global economic cycles and other economic variables. This research helps the Sub-Advisor identify industries for further review and analysis, while avoiding sectors prone to the clustering of defaults.

Once industries have been identified for further review and analysis, the Sub-Advisor analyzes those industries in terms of whether they are cyclical or non-cyclical, production or distribution, durable or non-durable, integrated or non-integrated, industrial or consumer, domestic or international, and analyzes their capital flows, developing trends, pricing power and supply/demand dynamics.

Fundamental credit analysis is the foundation of the Sub-Advisor's portfolio construction. The Sub-Advisor analyzes potential investments with respect to both the individual company and the deal structure. Fundamental credit analysis of a company is an in-depth, independent analysis focused on free cash flow generation, liquidity and adequacy of collateral coverage. In addition, the Sub-Advisor evaluates a company's management, its competitive position, its market share within its industry, and the strengths and weaknesses of its business segments.

The Sub-Advisor's review of the structure of a proposed transaction focuses on the provisions of the credit documents, particularly the strength of the protective covenants and the voting rights of lenders. The Sub-Advisor also analyzes the sponsors of the transaction to determine whether they are proven, committed, and have the financial resources required to support the company if necessary.

### **8.1.1 Management Fee**

In consideration for its services to the Fund and AV Fund, the Fund and AV Fund pay the Manager a fee and reimburse the Manager for all reasonable costs and expenses incurred by the Manager on behalf of the Fund. The Manager receives a Management Fee from the Fund and AV Fund which in aggregate is equal to 0.90% per annum of the Net Asset Value of the Fund, calculated and payable monthly in arrears, plus applicable taxes. The Fund pays a management fee equal to 0.25% per annum of the Net Asset Value as its portion of the fee.

During the year ended December 31, 2016, management fees amounted to \$241,973 (\$298,772 during the year ended December 31, 2015).

### **8.1.2 Termination of the Management Agreement**

The Management Agreement may be terminated at any time by Trustee on behalf of the Fund on 90 days written notice with the approval of the Unitholders by an Ordinary Resolution passed at a duly convened meeting of Unitholders called for the purpose of considering such Ordinary Resolution. The Management Agreement may also be terminated by the Trustee on behalf of the Fund:

- at any time on 30 days written notice to the Manager in the event of the persistent failure

of the Manager to perform its duties and discharge its obligations under the Management Agreement, or the continuing malfeasance or misfeasance of the Manager in the performance of its duties under the Management Agreement;

- at any time on 10 days written notice to the Manager for an uncured material breach of the Management Agreement by the Manager following written notice of such breach by the Trustee;
- immediately in the event of the commission by the Manager of any fraudulent act; and
- automatically, if the Manager becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors.

The Manager may resign and the Management Agreement may be terminated upon 120 days' notice to the Trustee. The Manager may assign the Management Agreement to an affiliate of the Manager at any time.

### 8.1.3 Directors and Officers of the Manager

The name, municipality of residence, position with the Manager and principal occupation of each of the directors and officers of the Manager are set out below:

<b>Name Municipality</b>	<b>and Position with the Manager</b>	<b>Principal Occupation</b>
Joseph Canavan Toronto, Ontario	Director and Chief Executive Officer	Chief Executive Officer, LOGiQ Asset Management Inc.
Kal Zakarneh Toronto, Ontario	Director and Chief Financial Officer	Chief Financial Officer, LOGiQ Asset Management Ltd.
Mary Anne Palangio Toronto, Ontario	Director and President	Chief Financial Officer, LOGiQ Asset Management Inc.
Terence Lui Toronto, Ontario	Vice President, Chief Compliance Officer and General Counsel	Vice President, General Counsel and Chief Compliance Officer, LOGiQ Asset Management Inc.

**Joseph Canavan:** Mr. Canavan joined LOGiQ Asset Management Inc. as President and Chief Executive Officer in December 2016. Mr. Canavan has several years of financial services industry experience as an executive, entrepreneur and venture investor. He served as the Chief Executive Officer and President at Assante Wealth Management (Canada) Limited. Mr. Canavan served as the Chief Executive Officer and Chairman of United Financial Corporation from November 2003 to November 2009, and prior to that he served as the Chief Executive Officer and President at Synergy Asset Management Inc. from October 1997 to July 2003. Mr. Canavan was awarded "Person of Influence of the Decade" during the 2004 Canadian Investment Awards, was honoured as Concordia University's "Alumnus of the Year" in 2006 and was also the recipient of the Queen Elizabeth Diamond Jubilee II Medal in 2012. He received a Bachelor of Business Administration in Business at Concordia University and holds an OPM in Business from Harvard Business School.

**Kal Zakarneh:** B.Comm, University of Jordan. Mr. Zakarneh joined LOGiQ Asset Management Ltd. in 2013. Prior thereto Mr. Zakarneh was a Fund Accounting Controller with Connor, Clark & Lunn Financial Group since 2005.

**Mary Anne Palangio:** Ms. Palangio joined LOGiQ Asset Management Inc. in February 2017. Previously, she served as Chief Financial Officer of the Ontario Retirement Pension Plan Administration Corporation until August 2016. From 2008 to 2016, Ms. Palangio held several senior operations roles within Manulife Financial Corporation. From 2005 to 2008, she served as the Executive Vice-President, Operations at Perimeter Financial Corporation, and before that also held a number of senior finance and operations roles at EdgeStone Capital Partners and The Canada Life Assurance Company. Ms. Palangio holds a Bachelor of Arts, Commerce and Economics, degree from the University of Toronto. She is also a Chartered Professional Accountant, Chartered Accountant, and holds the Chartered Financial Analyst designation.

**Terence Lui:** Mr. Lui is the Vice President, General Counsel and Chief Compliance Officer of LOGiQ Asset Management Inc., having joined LOGiQ Capital 2016 (formerly Front Street Capital 2004) in May 2012, which was acquired by LOGiQ Asset Management Inc. in December 2016. Prior to joining Front Street Capital 2004, Mr. Lui was at Borden Ladner Gervais LLP from September 2004 to April 2012, being a partner specializing in corporate and securities law in his last role. He was also an adjunct professor at Osgoode Hall Law School. Mr. Lui holds a Juris Doctor from the University of Toronto Faculty of Law and a Bachelor of Commerce from the Rotman School of Management at the University of Toronto. Mr. Lui also holds the Chartered Financial Analyst designation.

#### **8.1.4 Independent Review Committee**

The Manager has appointed an independent review committee (the “Independent Review Committee”) in accordance with NI 81-107 comprised of four members, each of whom is independent of the Manager and entities related to the Manager. The Independent Review Committee intends to function in accordance with applicable securities law, including NI 81-107. The mandate of the Independent Review Committee is to review and provide its decisions to the Manager on conflict of interest matters that the Manager has referred to the Independent Review Committee for review. The Manager is required to identify conflict of interest matters inherent in its management of the Fund and request input from the Independent Review Committee in respect of how it manages those conflicts of interest, as well as its written policies and procedures outlining its management of those conflicts of interest. The Independent Review Committee has adopted a written charter which it follows when performing its functions and is subject to requirements to conduct regular assessments. In performing their duties, members of the Independent Review Committee are required to act honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Independent Review Committee report annually to the Fund which report is available free of charge upon request to the Manager and is also posted on the Manager’s website at [www.logiqasset.com](http://www.logiqasset.com).

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

The principal occupations and biographies of the Independent Review Committee members are set out below:

**John Crow (chair)** is the former Governor of the Bank of Canada and a noted economist. He is a director or advisor to a number of companies, and is also a Senior Fellow of the C.D. Howe Institute. In 1999, he chaired a committee of international experts that was commissioned by the Executive Board of the

International Monetary Fund (the “IMF”) to evaluate IMF bilateral, regional, and multilateral surveillance activities, and in 2002, he took part in a high level international mission to advise on monetary problems in Argentina. In 2003, he chaired an international task force commissioned by the International Federation of Accountants to examine the loss of credibility in financial reporting and how to restore it. Mr. Crow is the author (2002) of *Making Money: An Insider's Perspective on Finance, Politics, and Canada's Central Bank*.

**C. Scott Browning** received his doctorate in chemistry from the University of Toronto in 1992. He returned to join the faculty at UofT after a sixteen month term as a post-doctoral Fellow at the National Institute of Bioscience in Japan. His research on the modular design, synthesis and properties of tunable phosphine ligands has been published in the journals of the Royal Society of Chemistry and the American Chemical Society and presented at international conferences. Dr. Browning is a Fellow of the University of St. Michael's College and is currently coauthoring a textbook that emphasizes a strong mechanistic approach to understanding organic chemistry.

**Robert B. Falconer** is a Member of Board of Directors, Audit and Valuation, Investment and Independent Review Committee (chair) of VentureLink Funds and has financial consulting contracts with Altamira Financial Services, Ontario Clean Water Agency and GHD International. He recently worked as a Director of Community Loans Policy & Risk Control for Ontario Strategic Infrastructure Financing Authority and as a Vice President of Corporate Finance for Altamira Financial Services.

**Joseph H. Wright** spent 23 years with Citibank in New York, Geneva and Toronto. He left Citibank in 1986 to join Burns Fry Limited where he worked until 1994, finishing as a Vice Chairman. In 1995, he joined Swiss Bank Corporation (Canada) as President & CEO. Following Swiss Bank, he has spent 16 years as a corporate director, serving on the boards of Loblaw Companies Limited, O & Y Real Estate Investment Trust, Call-Net Enterprises Inc. and St. Laurent Paperboard Inc., to name a few. He also served for 5 years as the Chair of the Connor, Clark & Lunn Financial Group's independent review committee.

The IRC members each receive \$15,000 per annum (\$20,000 for the Chairman) plus \$1,250 per meeting for acting in such capacity and are also reimbursed for expenses in connection with performing their duties. These fees and expense reimbursements are allocated across investment funds that are managed by the Manager in a manner that is fair and reasonable.

For the year ended December 31, 2016, members of the IRC were paid the following aggregate compensation: Mr. Crow: \$25,000; Mr. Falconer: \$18,750; Mr. Browning: \$20,000 and Mr. Wright: \$20,000.

The report prepared by the IRC is available on the Manager's website ([www.logiqasset.com](http://www.logiqasset.com)), or on request at no cost, by contacting the Manager at 77 King Street West, Suite 2110, P.O. Box 92, Toronto-Dominion Centre, Toronto, Ontario M5K 1G8; telephone: (416) 583-2300; or toll free: 1-800-513-3868.

The IRC reviews its compensation on an annual basis, giving consideration to: industry practice; the number, nature and complexity of the funds; and the nature and extent of the workload.

## **8.2 Portfolio Manager**

As of May 1<sup>st</sup>, 2016, the Manager appointed Manitou Investment Management Inc. to manage the portfolio of AVIP Trust. From April 2012 to April 2016, the Manager acts as the portfolio manager to the Fund. As portfolio manager, the Manager is responsible for maintaining the Portfolio in accordance with the Investment Strategy and subject to the Investment Restrictions.



### **8.2.1 Principal Portfolio Advisors**

The following individuals are primarily responsible for making investment decisions for AVIP Trust:

**Peter Hofstra:** joined Manitou Investment Management Ltd. in 2010. Manitou is a sub-advisor to LOGiQ Asset Management. Peter is Manitou's Chief Investment Officer and also supports the research team as an Analyst and Portfolio Manager. Prior to joining Manitou, he spent six years at AIC Investment managing a US equity technology portfolios. He later co-founded an LP focused on environmentally responsible investing. He also spent eight years as a senior manager for a publicly traded technology company.

Peter earned a Bachelor of Science Degree in Chemistry from the University of Guelph, a Ph.D. in Engineering Physics from McMaster University and holds the Chartered Financial Analyst® designation.

### **8.2.3 Brokerage Arrangements**

The Manager has an approved list of dealers with whom to trade based on the dealer's financial strength and regulatory history. Factors considered when selecting a dealer from this list include the dealer's ability to source liquidity, provide anonymity, willingness to commit capital, trading experience and reputation. Commission rate schedules have been negotiated with each approved dealer considering the overall level of service provided by each dealer. The majority of the commission rate schedules are in the form of bundled services where the dealer provides the Manager with trade execution services and their proprietary research services which typically include sector and company research reports, economic reports, analyst calls, meetings with company management, analyst meetings, sales calls and financial models. The Manager also uses third party research services provided by third party vendors. The Manager obtains these research services using client commissions in accordance with applicable securities regulations.

On any given trade, the trader considers the full range of a dealer's capabilities and services which may include the ability to execute a difficult order, certainty of execution and the overall cost of transaction. On a regular basis, the trader and the portfolio manager monitor and evaluate the performance and execution capabilities of the dealers. The dealers are ranked on a number of qualitative criteria that relate to the level of service that the Manager has received. In addition, a working group reviews reports that provide analysis of the Manager's trading execution performance and of the dealers that are used. This enables the Manager to assess the overall quality of execution obtained for clients. The results of the findings may ultimately alter the ranking of a dealer and future trading with a dealer. The Manager does not trade through affiliated dealers.

Since the date of the last annual information form, the Manager has had brokerage relationships with dealers who have provided research goods and services in addition to order execution. The names of the dealers and third parties who provide research and order execution services to the Fund are available upon request by calling the Manager toll-free at 1-800-513-3868, by sending the Manager an email at [info@astonhill.ca](mailto:info@astonhill.ca) or by writing to the Manager.

### **8.3 Trustee**

LOGiQ Asset Management Ltd. (formerly, Aston Hill Asset Management Inc.) is the Trustee of the Fund and is responsible for certain aspects of the administration of the Fund as described in the Declaration of Trust. The address of the Trustee is 77 King Street West, Suite 2110, P.O. Box 92, Toronto-Dominion Centre, Toronto, Ontario, M5K 1G8.

## **8.4 Custodian**

The Manager has appointed RBC Investor Services Trust as Custodian of the Fund Property pursuant to the terms of the Custodian Agreement, to provide various safekeeping and custodial services relating to the Fund Property. The address of the Custodian is 155 Wellington Street West, Toronto, Ontario M5V 3L3.

The Custodian may, in accordance with the terms of the Custodian Agreement, appoint sub-custodians and enter into sub-custodian agreements. The principal sub-custodian appointed by the Custodian is The Bank of New York Mellon, 1 Wall Street, New York, New York. The Custodian entered into sub-custodian agreements with The Bank of New York Mellon, under which The Bank of New York Mellon provides for the safekeeping of client assets of the Custodian in the United States.

### **8.4.1 Custodian Fees**

In consideration for its services, the Fund pays to the Custodian such compensation as agreed upon in writing between the Manager and the Custodian from time to time and reimburses the Custodian for all reasonable costs and expenses incurred by the Custodian on behalf of the Fund.

## **8.5 Valuation Services**

The Manager, on behalf of the Fund, has appointed RBC Investor Services Trust to provide the Fund with valuation services. Such services include the calculation of the Fund's Net Asset Value, calculated in accordance with the Fund's valuation parameters described in section 4.0.

## **8.6 Auditor, Registrar, Transfer Agent and Distribution Agent**

The auditors of the Fund are PricewaterhouseCoopers LLP, Chartered Accountants, Calgary, Alberta. The auditors of the Fund can be changed by an Ordinary Resolution of the Unitholders. The register and transfer ledger for the Units is kept by the Trustee at its offices located in Toronto.

## **8.7 Ongoing Expenses**

The Fund pays for all expenses incurred in connection with the operation and administration of the Fund. These expenses include, without limitation: mailing and printing expenses for periodic reports to Unitholders; fees payable to the Trustee for acting as trustee of the Fund; fees payable to the Registrar and Transfer Agent for performing certain financial, record-keeping, Unitholder reporting, distribution agency and general administrative services; fees payable to the auditors and legal advisors of the Fund; ongoing regulatory filing fees and other fees; any reasonable out-of-pocket expenses incurred by the Manager or its agents in connection with their ongoing obligations to the Fund; expenses relating to portfolio transactions; and any expenditures which may be incurred upon the termination of the Fund.

Administration and operating costs were approximately \$225,658 during the year ended December 31, 2016 (administration and operating costs were \$294,629 during the year ended December 31, 2015).

## **9.0 CONFLICTS OF INTEREST**

### **9.1 Principal Holders of Securities**

The Manager is a wholly-owned subsidiary of LOGiQ Asset Management Inc. (formerly, Aston Hill Financial Inc.), a public company traded on the TSX. As of the date hereof, all of the outstanding Units were held by The Royal Bank of Canada or an affiliate thereof.

The Declaration of Trust acknowledges that the Trustee may provide services to the Fund in other capacities, provided that the terms of any such arrangements are no less favourable to the Fund than those which would be obtained from parties which are at arm's length for comparable services. The services of the Custodian and the officers and directors of the Custodian are not exclusive to the Fund. The Custodian and its affiliates and associates (as defined in the *Securities Act* (Ontario)) may, at any time, engage in any other activity.

The Manager and its directors and officers engage in the promotion, management or investment management of one or more funds or trusts with investment objectives similar to the Fund. The Manager acts as the investment advisor or administrator for other funds and may in the future act as the investment advisor to other funds which invest in securities and which are considered competitors of the Fund. The Manager also acts as manager of AV Fund and the services of the Manager are not exclusive to the Fund.

In addition, the directors and officers of the Manager may be directors, officers, shareholders or unitholders of one or more issuers in which the Fund may acquire securities. The Manager or its affiliates may be a manager of one or more issuers in which the Fund may acquire securities and may be managers or administrators of funds with similar investment objectives as the Fund. Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager will devote as much time as is necessary to supervise the management of (in the case of the directors) or to manage the business and affairs of (in the case of officers) the Fund and the Manager, as applicable.

No person or entity that provides services to the Fund or the Manager in relation to the Fund is an affiliated entity of the Manager.

## **9.2 Securities Held by Members of the Independent Review Committee**

As at the date hereof, the members of the IRC did not own, directly or indirectly, any securities in the Manager. Further, as at the date hereof, the percentage of securities of each class or series of voting securities beneficially owned, directly or indirectly, in aggregate, by all members of the IRC in any person or company that provides material services to the Fund or Manager or in any one or more Canadian chartered bank which provides a loan facility or other credit to the Fund or Manager is less than 1%.

## **10.0 FUND GOVERNANCE**

The Manager supports good governance practices for its investment funds. The board of directors of the Manager (the "Board") is responsible for the overall stewardship of the business and affairs of the the Fund. The Board consists of 3 directors. Details regarding the names and principal occupations of the Board are set out in section 8.1.3.

To ensure the proper management of the Fund and compliance with regulatory requirements, the Manager has adopted policies, procedures and guidelines relating to business practices, risk management control, and internal conflicts of interest. As part of managing its business practices, the Manager has adopted a whistleblower policy, a privacy policy and a proxy voting policy. The whistleblower policy establishes a procedure for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls and auditing matters pertaining to the Fund. The privacy policy dictates the manner in which the Manager may collect, use and disclose personal information regarding the Unitholders. The proxy voting policy is described in section 10.2. As part of its risk management, the Manager has adopted a disclosure policy. The disclosure policy sets out guidelines that aim to ensure that complete, accurate and balanced information is disclosed to the public in a timely, orderly and broad-based manner in accordance with securities laws and regulations. As part of managing potential internal conflicts of interest, the Manager has adopted a code of business ethics and an insider trading policy. The code of business ethics and

insider trading policy, address, among other things, ethical business practices and handling of material information and purchasing or selling of securities by insiders.

NI 81-107 requires the Manager to have policies and procedures relating to conflicts of interest and the Manager has such policies and procedures in place.

In accordance with NI 81-107, the Manager has appointed an IRC to deal with potential conflict of interest matters between the Manager and the Fund. See section 8.1.4 of this Annual Information Form.

The Manager maintains a website for the Fund at [www.logiqasset.com](http://www.logiqasset.com). The mandate of the Board is available on the website. The Manager has an investor relations line to respond to inquiries from Unitholders, which is 1-800-513-3868.

### **10.1 Composition of the Independent Review Committee**

As indicated in section 8.1.4 of this Annual Information Form, the IRC is comprised of four members, who were appointed by the Manager in accordance with NI 81-107. Subsequent to this appointment by the Manager, the IRC shall, taking into consideration any recommendation of the Manager, fill vacancies on the IRC, provided that if for any reason the IRC has no members, the Manager shall fill the vacancies.

### **10.2 Proxy Voting Policy**

The Manager is authorized to exercise all rights and privileges incidental to ownership for the Fund Investments. The Fund has adopted the Manager's proxy voting policy (the "Proxy Voting Policy"), which provides general guidance, in compliance with applicable legislation, for the voting of proxies. The Manager has retained a third party service provider to provide proxy analysis, vote recommendations and vote execution services on behalf of the Manager, all in accordance with the Proxy Voting Policy. However, the ultimate decision as to how to cast a vote rests with the Manager, based on what the Manager believes to be in the best interest of the Fund and in accordance with the Fund's Investment Objectives, Investment Strategy and Investment Restrictions.

The Manager's Proxy Voting Policy includes:

- (i) a standing policy with respect to dealing with routine matters, such as the election of directors, appointment of auditors, reporting of results and changes in capital structure. The Proxy Voting Policy generally provides for voting in favour of management's recommendations, unless there are specific circumstances for voting against and/or the Manager believes that the Fund's best interests would be better served by such counter vote. The Manager will also document the reasons for a decision to cast a proxy vote in a manner that deviates from the standing policy;
- (ii) policies and procedures with respect to dealing with non-routine matters, including situations, albeit infrequently, where the Manager refrains from voting on such matters. Non-routine matters include: corporate restructurings, mergers and acquisitions, proposals affecting shareholder rights and executive compensation. These policies vary depending on the specific matter involved and are usually addressed on a case-by-case basis with a focus on the best interests of the securityholders of the Fund and the potential impact of the vote on securityholder value; and
- (iii) policies and procedures with respect to dealing with potential conflicts of interest. With respect to potential conflicts of interest that may arise, the Manager will first review the matter to assess whether a conflict does in fact exist. In the event a conflict of interest has been initially determined, the matter will be thereafter referred to an internal

committee of the Manager and if required, the Fund's IRC, for final determination. The rationale for the committee's ultimate decision will be documented accordingly.

The policies and procedures that the Fund follows when voting proxies relating to portfolio securities are available on request, at no cost, by calling 1-800-513-3868 or by writing to the Manager at 77 King Street West, Suite 2110, P.O. Box 92, Toronto-Dominion Centre, Toronto, Ontario, M5K 1G8.

The Fund's voting record for the most recent period ended June 30 of each year is available free of charge to any Unitholder of the Fund upon request at any time after August 31 of that year. The Fund has made its proxy voting record available on its website at [www.logiqasset.com](http://www.logiqasset.com).

### **10.3 Use of Derivatives**

The Declaration of Trust allows the Fund to invest in or use derivative and other instruments for hedging, leverage or other purposes consistent with the Investment Strategy and Investment Objectives and subject to the Investment Restrictions.

### **10.4 Securities Lending**

In order to generate additional returns, the Fund may enter into securities lending transactions through its Custodian as agent.

The Manager manages the risks associated with securities lending by requiring the Custodian to:

- Enter into securities lending, repurchase or reverse purchase transactions with reputable and well-established Canadian and foreign brokers, dealers and institutions ("counterparties");
- Maintain internal controls, procedures and records including a list of approved counterparties based on generally accepted creditworthiness standards, transaction and credit limits for each counterparty and collateral diversification standards;
- Establish daily the market value of both the securities loaned by the Fund under a securities lending transaction or sold by the Fund under a repurchase transaction and the cash or collateral held by the Fund. If on any day the market value of the cash or collateral is less than 102% of the market value of the borrowed or sold securities, the Custodian will request that the counterparty provide additional cash or collateral to the Fund to make up the shortfall;
- Ensure that no more than 50% of the Total Assets of the Fund are out on loan at one time; and
- Ensure that the collateral to be delivered to the Fund is one or more of cash, qualified securities or securities immediately convertible into, or exchangeable for, securities of the same issuer, class or type, and same term, if applicable, as the securities being loaned by the Fund.

The transaction may be terminated by the Fund at any time and the loaned securities recalled within the normal and customary settlement period for such transactions.

The Manager has written procedures that set out the objectives, goals and risk management practices with respect to securities lending arrangements which are reviewed by the Board. The securities lending arrangements and risks are monitored by the Manager. The Custodian conducts simulations to test the portfolio under stress conditions.

## **10.5 Short-Term Trades**

The Fund does not have policies and procedures in place to monitor, detect and deter short-term trading given that there is only one Unitholder.

## **11.0 INCOME TAX CONSIDERATIONS**

The following summary is based upon the current provisions of the Income Tax Act, the current published administrative practices of the CRA and the Tax Proposals. This summary assumes that the Tax Proposals will be enacted as proposed. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in the law, whether by way of legislative, governmental or judicial decision or action, nor does it take into account other federal or any provincial or foreign tax legislation or considerations.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations that may be relevant to the Fund, and is not intended to be legal or tax advice to any particular Unitholder. Unitholders should consult their own tax advisors with respect to the income tax consequences of investing in Units, based upon the Unitholder's particular circumstances.

### **11.1 Taxation of the Fund**

The Fund will be a "financial institution" for purposes of the "mark-to-market" rules contained in the Income Tax Act at any time if more than 50% of the fair market value of all interests in the Fund are held at that time by one or more "financial institutions". The Income Tax Act contains special rules for determining the income of financial institutions.

The Fund will be subject to tax in each taxation year under Part I of the Income Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amounts paid or payable to Unitholders in the year. The Fund intends to deduct, in computing its income in each taxation year, the full amount available for deduction in each year, and therefore, provided the Fund makes Distributions in each year of its Net Income and Net Realized Capital Gains, it will generally not be liable in such year for income tax under Part I of the Income Tax Act.

In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred to earn income, including interest on the Loan Facility, to the extent that the borrowed funds are used to purchase investments. The Fund may deduct over a five-year period the costs and expenses of any offering paid by the Fund. Although the Fund intends to deduct interest payable on the Loan Facility to the extent borrowed funds are used to purchase investments, the CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in an income fund may be reduced on a *pro rata* basis in respect of distributions from the income fund that are a return of capital which are not reinvested for an income earning purpose. The ability to deduct interest depends on the facts. Based on the jurisprudence, the CRA's position should not impact the Fund's ability to deduct interest on money borrowed to acquire income funds in the Portfolio. If the CRA's view were to prevail and apply to the Fund, part of the interest payable by the Fund on money borrowed under the Loan Facility to acquire certain income funds in the Indicative Portfolio could be non-deductible, increasing the net income of the Fund for tax purposes and the taxable component of distributions to Unitholders. Income of the Fund that is not distributed to Unitholders would be subject to non-refundable income tax in the Fund.

The Fund may be subject to "minimum tax" under the Income Tax Act. The Trustee will endeavour to manage the Fund in a manner such that the Fund will not be subject to minimum tax.

The Income Tax Act provides for a special tax on designated income of certain trusts which have

designated beneficiaries. The Declaration of Trust prohibits ownership of Units by any person that would be a designated beneficiary for the purposes of the Income Tax Act.

## **12.0 REMUNERATION OF DIRECTORS, OFFICERS, IRC AND TRUSTEE**

The Manager is paid the Management Fee as disclosed in section 8.1.1 of this Annual Information Form. The directors of the Manager do not receive any fees from the Fund.

The IRC members each receive \$15,000 per annum (\$20,000 for the Chairman) plus \$1,250 per meeting for acting in such capacity and are also reimbursed for expenses in connection with performing their duties. These fees and expense reimbursements are allocated across investment funds that are managed by the Manager in a manner that is fair and reasonable. For the year ended December 31, 2015, members of the IRC were paid the following aggregate compensation: Mr. Crow: \$29,662; Mr. Falconer: \$24,012; Mr. Browning \$24,012 and Mr. Wright \$24,012.

As the Trustee is also the Manager, the Trustee, in its capacity as such, is not entitled to receive fees from the Fund but is entitled to be reimbursed by the Fund for all expenses which it reasonably incurs in connection with the activities of the Fund.

## **13.0 MATERIAL CONTRACTS**

The Fund and/or the Manager, on behalf of the Fund, are party to the Declaration of Trust, the Management Agreement, and the Custodian Agreement. Copies of these material contracts may be accessed by prospective or existing Unitholders at [www.sedar.com](http://www.sedar.com) under the Fund's profile. They are also available at the Fund's office during normal business hours. Details regarding each of these contracts are provided in section 1.1 in the case of the Declaration of Trust and in section 8 in the case of the other contracts.

## **14.0 OTHER MATERIAL INFORMATION**

### **14.1 Loan Facility**

The Fund entered into a loan facility with a Canadian chartered bank (the "Lender") in order to provide the Fund with the ability to utilize leverage to enhance the Fund's total return. The terms, conditions, interest rates, fees and expenses of and under the Loan Facility are typical for loans of this nature. The Lender is at arm's length to the Trustee, the Manager and their respective affiliates and associates.

A portion of the Loan Facility, not to exceed 20% of the Total Assets of the Fund, determined at the time of borrowing, may be used by the Fund to purchase additional securities of income funds to be included in the Portfolio. In the event that the total amount borrowed by the Fund under this portion of the Loan Facility at any time exceeds 25% of the Total Assets, the Manager will sell Fund Investments in an orderly manner and use the proceeds to reduce indebtedness so that the amount borrowed by the Fund under this portion of the Loan Facility does not exceed 20% of Total Assets.

### **14.2 Risk Factors**

Certain risk factors relating to the Fund and the Units are described below. Additional risks and uncertainties not currently known to the Manager, or that are currently considered immaterial, may also impair the operations of the Fund. If any such risk actually occurs, the business, financial condition, liquidity or results of operations of the Fund and the ability of the Fund to make distributions on the Units, could be materially adversely affected.

### *Fluctuation in Value of Fund Investments*

The value of the Units will vary according to the value of the Fund Investments, and in some cases the value of the Fund Investments may be affected by factors beyond the control of the Manager or the Fund. There is no assurance that an adequate market exists for the Fund Investments. The Portfolio securities issued by issuers who are not reporting issuers in all provinces may be subject to an indefinite hold period under certain provincial securities legislation. In some circumstances, the issuers of the Portfolio securities may have limited operating histories. The amounts which such issuers have been distributing may not be sustainable and the forecast distributions of such issuers may not be realized. The value of the Fund Investments will be influenced by factors which are not within the control of the Fund, including the financial performance of the respective issuers, operational risks relating to the specific business activities of respective issuers, quality of assets owned by respective issuers, commodity prices, risks associated with issuers operating outside of Canada, exchange rates, interest rates, environmental risks, political risks, issues relating to government regulation and other financial market conditions.

### *Recent Global Financial Developments*

Global financial markets experienced a sharp increase in volatility beginning in 2008. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities, contributing to a reduction in liquidity among financial institutions and a reduction in the availability of credit to those institutions and to the issuers who borrow from them. While central banks and governments continue attempts to restore liquidity to the global economy, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. Some or all of these economies may experience significantly diminished growth and some or all may suffer a recession, the duration of which cannot be predicted. These market conditions and unexpected volatility or illiquidity in financial markets may also adversely affect the prospects of the Fund and the value of the Fund Investments. A substantial decline in the North American equities markets could be expected to have a negative effect on the Fund.

### *Sensitivity to Interest Rates*

It is anticipated that the market price for the Units at any given time will be affected by the level of interest rates prevailing at such time. A rise in interest rates may have a negative effect on the market price of the Units and increase the cost of borrowing to the Fund, if any. Unitholders who wish to redeem or sell their Units may, therefore, be exposed to the risk that the redemption price or sale price of the Units will be negatively affected by interest rate fluctuations.

### *Illiquid Securities*

There is no assurance that an adequate market will exist for the Fund Investments. The Fund cannot predict whether the Fund Investments will trade at a discount to, a premium to, or at their respective net asset values. In addition, if the Manager is unable, or determines that it is inappropriate to dispose of some or all of the Fund Investments prior to the termination of the Fund, Unitholders may, subject to applicable laws, receive distributions of Fund Investments *in specie* upon the termination of the Fund, for which there may be an illiquid market or which may be subject to resale restrictions of indefinite duration.

### *Taxation of Distributions from Specified Investment Flow-Throughs (“SIFTs”)*

Certain income funds in which the Fund may hold units are SIFTs. Accordingly, the after-tax returns ultimately realized by Unitholders will be reduced to the extent that the Fund receives distributions from such SIFTs that are subject to the distributions tax at the trust level. As a result of the SIFT Rules, it is



possible that SIFTs may seek to restructure their affairs and organizational structures in a manner that could have an impact upon the returns to the Fund.

#### *Changes in Legislation*

There can be no assurance that certain laws applicable to the Fund, including income tax laws and government incentive programs, will not be changed in a manner which adversely affects the distributions received by the Fund and/or by the Unitholders.

#### *Use of Leverage*

The Fund utilizes leverage in order to enhance total returns for Unitholders. The use of leverage may result in capital losses or a decrease in Distributions to Unitholders. The interest expense and banking fees incurred in respect of the Loan Facility may exceed the incremental capital gains, if any, and income generated by the incremental investment with the borrowed funds in Fund Investments to be included in the Portfolio. There can be no assurance that the borrowing strategy employed by the Fund will enhance returns. In addition, the Fund may not be able to renew the Loan Facility on acceptable terms. The level of leverage actually employed may impose additional restrictions on the Fund and the Fund will be affected by credit markets and the availability of credit at the relevant time.

#### *Loss of Investment*

An investment in the Fund is appropriate only for investors who have the capacity to absorb investment losses.

#### *Securities Lending*

The Fund may engage in securities lending. Although the Fund will receive collateral for the loans and such collateral will be marked-to-market, the Fund will be exposed to the risk of loss should the borrower default on its obligation to return the borrowed securities and the collateral be insufficient to reconstitute the portfolio of loaned securities.

#### *Conflicts of Interest*

The Manager and its directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Fund. Although none of the directors or officers of the Manager will devote his or her full time to the business and affairs of the Fund, each director and officer of the Manager will devote as much time as is necessary to supervise the management of (in the case of the directors), or to manage the business and affairs of (in the case of officers) the Fund and the Manager, as applicable.

#### *Status of the Fund*

Some of the protections provided to investors in mutual funds under Quebec securities laws will not be available to investors in the Units and certain restrictions imposed on mutual funds under Canadian securities laws, including NI 81-102, do not apply to the Fund.

#### *No Assurance in Achieving Investment Objectives or Monthly Distributions*

There is no assurance that the Fund will be able to achieve its Investment Objectives. Furthermore, there is no assurance that the Fund will be able to pay distributions in the short or long term, nor is there any assurance that the Net Asset Value will be preserved. Changes in the relative weightings between the

various types of investment vehicles making up the Fund Investments can affect the overall yield to Unitholders. The distributions received by the Fund from Fund Investments may vary from month to month and certain of these issuers may pay distributions less frequently than monthly, with the result that revenue generated by the Fund Investments and available for distribution to Unitholders may vary substantially. To the extent necessary, Fund Investments will be sold in order that distributions can be paid to Unitholders at the distribution rate then in effect.

#### *Fixed Income Investments*

The Portfolio includes fixed income investments which may include high yield debt, convertible debt and preferred securities. High yield debt investments involve greater risk than investment grade debt, including risks of default on interest and principal, lower recovery rates on high yield debt that is in default and greater price changes due to such factors as general economic conditions and the issuer's creditworthiness. Such securities can be regarded as predominantly speculative, and involve certain risk exposure to adverse conditions and may be subject to substantial price volatility, especially during times of economic change. Lower rated debt may be less liquid than investment grade debt. During periods of thin trading, the spread between bid and ask prices is likely to increase significantly and the Manager may have difficulty selling such securities. There are no formal exchanges on which such high yield debt trades; accordingly, there may be limited liquidity for holders of such debt.

#### *Composition of Portfolio*

The composition of the Portfolio may vary widely from time to time and may be concentrated by type of security, commodity, industry or geography, resulting in the Portfolio being less diversified than anticipated. Overweighting investments in certain sectors or industries involves risk that the Fund will suffer a loss because of declines in the prices of securities in those sectors or industries.

#### *Reliance on the Manager*

The Manager will manage the Portfolio in a manner consistent with the Investment Objectives, Investment Strategy and Investment Restrictions of the Fund. The officers of the Manager who will be primarily responsible for the management of the Portfolio have extensive experience in managing investment portfolios, however there is no certainty that such individuals will continue to be employees of the Manager until the termination of the Fund.

#### *Interest Rate and Foreign Exchange Hedging*

Interest rate and foreign exchange hedges may be used by the Fund to the extent that the Manager considers appropriate. The use of hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used.

#### *Foreign Currency Exposure*

As a portion of the Fund Investments may be comprised of securities denominated in United States dollars or other foreign currencies or securities whose value may be linked, in part, with the value of the United States dollar or other foreign currencies, the Net Asset Value per Unit and the value of distributions received by the Fund, when measured in Canadian dollars, will be affected by fluctuations in the value of the United States dollar or other foreign currencies relative to the Canadian dollar.

### *Use of Derivatives*

The Fund may invest in and use derivative instruments for hedging purposes to the extent considered appropriate by the Manager taking into account factors including transaction costs. There can be no assurance that the Fund's hedging strategies will be effective. The Fund is subject to the credit risk that its counterparty (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of over-the-counter instruments) may be unable to meet its obligations. In addition, there is a risk of loss by the Fund of margin deposits in the event of the bankruptcy of the dealer with whom the Fund has an open position in an option or futures or forward contract. Derivative instruments traded in foreign markets may offer less liquidity and greater credit risk than comparable instruments traded in North American markets. The ability of the Fund to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If the Fund is unable to close out a position, it will be unable to realize its profit or limit its losses until such time as the option becomes exercisable or expires or the futures or forward contract terminates, as the case may be. The inability to close out options, futures and forward positions could also have an adverse impact on the Fund's ability to use derivative instruments to effectively hedge its Portfolio or implement its investment strategy.

### *Not a Trust Company*

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under provisions of that Act or any other legislation.

### *Nature of the Units*

The Units are neither fixed income nor equity securities. The Units represent a fractional interest in the assets of the Fund. Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

An investment in Units does not constitute an investment by Unitholders in the securities included in the Portfolio. Unitholders will not own the securities held by the Fund.

### *General Risks of Investing in Equity Securities*

The Fund will be subject to the risks inherent in investments in equity securities, including the risk that the financial condition of the issuers in which the Fund invests may become impaired or that the general condition of the stock markets may deteriorate. Equity securities are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in, and perceptions of, the issuers change. In addition, issuers of equity securities may reduce or eliminate dividends or distributions.

## **14.3 Accounting Changes**

Beginning January 1, 2014, the Fund will prepare its annual financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and provide comparative statements on an IFRS basis, including an opening balance sheet as at January 1, 2013 (the transition date). The Fund will also report its interim financial statements for the period ending June 30, 2014, in accordance with IFRS.

The Manager has reviewed and developed its IFRS changeover plan, which included performing an impact assessment and identifying differences between existing Canadian generally accepted accounting principles ("GAAP") and IFRS. Management has monitored developments in IFRS and

has assessed the likely impacts on accounting policies, implementation decisions, internal controls, information systems and training. Based on management's assessment to date, the more significant changes impacting the financial statements may be how the Fund measures fair values of its investments and the classification of Net Assets representing unitholders' equity. The Manager does not consider this to be a comprehensive list of the accounting changes required when the Fund adopts IFRS, but in the view of the Manager, they represent the key differences. The differences described in the sections that follow are based on Canadian GAAP as at December 31, 2013 and IFRS that are in effect as of January 1, 2014.

Under Canadian GAAP, the Fund measures the fair values of its investments in accordance with the CPA Canada Handbook Section 3855, Financial Instruments – Recognition and Measurement. This section requires the use of bid prices for the long positions and ask prices for the short positions to the extent such prices are available. In May 2011, the IASB issued IFRS 13, Fair Value Measurement, which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical means for fair value measurements within a bid-ask spread. The impact of this may result in the elimination of the differences between the transactional Net Asset Value and Net Assets at the financial statements reporting dates.

The Fund's outstanding redeemable unit entitlement includes a contractual obligation to deliver cash or another financial asset on the Fund's fixed termination date, and therefore the ongoing redemption feature is not the Fund's only contractual obligation. Consequently, the Fund's outstanding redeemable units will be classified as financial liabilities in accordance with the requirements of International Accounting Standard 32, Financial Instruments: Presentation. The impact of this standard is on classification and disclosure only and does not impact Net Assets per unit.

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

## ANNUAL INFORMATION FORM FOR ASTON HILL AVIP TRUST

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### ADDITIONAL INFORMATION:

Additional information about the Fund is available in the Fund's management report of fund performance and financial statements, and copies of these documents may be obtained at no cost:

- By calling (416) 583-2300 or toll-free at 1-800-513-3868,
- Direct from your dealer, or
- By e-mail at [info@astonhill.ca](mailto:info@astonhill.ca).

Copies of these documents and other information about the Fund, such as information circulars and material contracts, are also available on the Fund's website at [www.logiqasset.com](http://www.logiqasset.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).