

**ASTON HILL ADVANTAGE  
BOND FUND**

**ANNUAL INFORMATION FORM**

**Class A Units  
Class F 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.

## TABLE OF CONTENTS

GLOSSARY OF TERMS .....	4
1.0 NAME, FORMATION AND HISTORY .....	9
1.1 Declaration of Trust .....	9
1.1.1 Investment Objectives .....	9
1.1.2 Investment Strategy of MBB Trust .....	9
1.1.3 General .....	9
2.0 INVESTMENT RESTRICTIONS .....	10
3.0 DESCRIPTION OF SECURITIES .....	10
3.1 The Units .....	10
3.1.1 Conversion of Class F Units .....	11
3.2 Distributions .....	11
3.3 Amendment of the Declaration of Trust .....	11
3.3.1 Amending of the Declaration of Trust by the Trustee .....	11
3.3.2 Amending of the Declaration of Trust by the Unitholders .....	12
3.4 Termination of the Fund .....	13
4.0 VALUATION OF PORTFOLIO SECURITIES .....	13
5.0 CALCULATION OF NET ASSET VALUE .....	15
6.0 PURCHASES OF UNITS .....	15
6.1 General .....	15
6.2 Issuer Bid .....	15
7.0 REDEMPTION OF SECURITIES .....	15
7.1 Monthly .....	15
7.2 Annual .....	16
7.3 General .....	16
7.4 Suspension of Redemptions .....	16
7.5 Funding Redemption Price .....	17
8.0 RESPONSIBILITY FOR OPERATIONS .....	17
8.1 Manager .....	17
8.1.1 Management Fee .....	17
8.1.2 Service Fee .....	17
8.1.3 Termination of the Management Agreement .....	18
8.1.4 Directors and Officers of the Manager .....	18
8.1.5 Independent Review Committee .....	19
8.2 Portfolio Manager .....	20
8.2.1 Principal Portfolio Advisor .....	20
8.3 Trustee .....	21
8.4 Custodian .....	21
8.4.1 Custodian Fees .....	21
8.4.2 Termination of the Custodian Agreement .....	21
8.5 Valuation Services .....	21
8.6 Auditor, Registrar, Transfer Agent and Distribution Agent .....	21
8.7 Ongoing Expenses .....	22
9.0 CONFLICTS OF INTEREST .....	22
9.1 Principal Holders of Securities .....	22
9.2 Securities Held by Members of the Independent Review Committee .....	22
10.0 FUND GOVERNANCE .....	23
10.1 Composition of the Independent Review Committee .....	23
10.2 Proxy Voting Policy .....	24
10.3 Use of Derivatives .....	24
10.4 Short-Term Trades .....	25
11.0 INCOME TAX CONSIDERATIONS .....	25
11.1 Taxation of the Fund .....	26
11.2 Taxation of Unitholders .....	26
13.0 MATERIAL CONTRACTS .....	27
13.1 Forward Agreement .....	28
14.0 OTHER MATERIAL INFORMATION .....	28
14.1 Risk Factors .....	28
14.2 Accounting Changes .....	34

## 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 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 Distributions paid or payable by the Fund to Unitholders for such taxation year.

“**Additional Distribution Date**” means December 31 of any taxation year.

“**Annual Redemption Amount**” means in respect of a class of Units a redemption price per Unit of such class surrendered for redemption on the Annual Redemption Date that is equal to 100% of the net assets of the Fund per Unit of such class minus costs associated with the redemption, including brokerage costs and where, for this purpose, the net assets of the Fund per Unit are calculated similar to the Net Asset Value per Unit except that the value of the Forward Agreement is determined on the basis that any bonds, debentures and other debt obligations that are owned by MBB Trust are valued by taking the bid price on the Valuation Date and any short position of MBB Trust is valued by taking the ask price on the Valuation Date.

“**Annual Redemption Date**” means the second last Business Day of October in any year.

“**Annual Redemption Payment Date**” means a date on or before the tenth Business Day of the month subsequent to an Annual Redemption Date.

“**Approved Rating**” means the long-term debt rating of the Counterparty or each successor counterparty of at least A by S&P or an equivalent rating from DBRS Limited, Moody’s Investors Service, Inc., Fitch Ratings or any of their respective successors.

“**Bonds**” means debt securities with a term to maturity greater than one year issued by corporations or by governments and their agencies.

“**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.

“**Canadian Securities Portfolio**” means the specified portfolio of securities of Canadian public issuers that are “Canadian securities” as defined under subsection 39(6) of the Income Tax Act and are listed on the TSX.

“**CDS**” means CDS Clearing and Depository Services Inc.

“**CDS Participant**” means a participant in CDS.

“**Class A Unitholder**” means a holder of a Class A Unit.

“**Class A Units**” means the class of transferrable, redeemable units of the Fund designated as the “Class A Units”.

“**Class F Unitholder**” means a holder of a Class F Unit.

“**Class F Units**” means the class of transferrable, redeemable units of the Fund designated as the “Class F Units”.

“**Closing Market Price**” means the closing price of the Class A Units on the TSX (or such other stock exchange on which the Class A Units are listed, if the Class A Units are no longer listed on the TSX) on a Monthly Redemption Date or, if there was no trade on the relevant Monthly Redemption Date, the average of the last bid and the last asking prices of the Class A Units on the TSX (or such other stock exchange on which the Class A Units are listed, if the Class A Units are no longer listed on the TSX).

“**Conversion Date**” means the first Business Day of a month.

“**Corporate Bonds**” means Bonds that are not Government Bonds which, for greater certainty, includes (i) debt securities issued by North American issuers and (ii) Canadian or United States dollar denominated debt securities issued by non-North American issuers.

“**Counterparty**” means The Bank of Nova Scotia in its capacity as counterparty under the Forward Agreement and/or such other Canadian financial institutions or their affiliates having an Approved Rating as the Fund may approve.

“**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 custodian agreement entered into by the Manager, on behalf of the Fund, and the Custodian as of November 18, 2011, as it may be amended from time to time.

“**Declaration of Trust**” means the second amended and restated declaration of trust, 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 declared in accordance with the Declaration of Trust.

“**Early Termination**” means the termination of the Forward Agreement on the Annual Redemption Date that occurs in October 2019 at the option of the Counterparty or the Fund, as provided in the Forward Agreement.

“**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.

“**Forward Agreement**” means the forward purchase and sale agreement entered into between the Fund and the Counterparty dated as of April 23, 2009, or any contract entered into in whole or partial replacement thereof.

“**Forward Agreement Termination Date**” means the earlier of (i) the Scheduled Forward Termination Date and (ii) the date on which Early Termination occurs.

“**Fund**” means Aston Hill Advantage Bond Fund.

“**Fund Investment**” means an investment acquired by the Fund and “**Fund Investments**” means more than one Fund Investment taken collectively.

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

“**High-Yield**” with respect to a Bond, means a Bond that has a rating of BB+ or less from S&P, or Ba1 or less from Moody’s Investor Services, Inc., or a similar rating from a qualified rating agency.

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

“**Investment Grade**” means a Bond having rating of BBB- or greater from S&P, or Baa3 or greater from Moody’s Investor Services, Inc., or a similar rating from a qualified rating agency.

“**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 MBB Trust as set forth in the MBB 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.

“**Lender**” means a Canadian chartered bank or other lending institution.

“**LOGiQ**” means LOGiQ Asset Management Ltd.

“**Management Agreement**” means the management agreement dated as of April 23, 2009 between the Manager and the Trustee on behalf of 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 Asset Management Ltd. (formerly, Aston Hill Asset Management Inc.) or, if applicable, its successor.

“**Market Price**” means the weighted average trading price of the Class A Units on the TSX (or such other stock exchange on which the Class A Units are listed, if the Class A Units are no longer listed on the TSX) for the 10 trading days immediately preceding the relevant Monthly Redemption Date.

“**MBB Declaration of Trust**” means the amended and restated declaration of trust for MBB Trust, dated as of April 23, 2009, as it may be amended and amended and restated from time to time.

“**MBB Portfolio**” means the portfolio of securities held by MBB Trust.

“**MBB Trust**” means Aston Hill MBB Trust, an investment trust established pursuant to the MBB Declaration of Trust.

“**Monthly Redemption Amount**” means a redemption price per Unit surrendered for redemption on a Monthly Redemption Date that is:

- (i) with respect to a Class A Unit, equal to the lesser of:
  - (A) 94% of the Market Price of a Class A Unit, and
  - (B) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date,

less in each case any costs associated with the redemption, including brokerage costs, such amount being the “**Class A Monthly Redemption Amount**”; and

- (ii) with respect to a Class F Unit, an amount equal to the product of (a) the Class A Monthly Redemption Amount and (b) a fraction, the numerator of which is the most recently calculated Net Asset Value per Class F Unit and the denominator of which is the most recently calculated Net Asset Value per Class A Unit.

“**Monthly Redemption Date**” means the second last Business Day of any month, excluding the month of October in any year.

“**Monthly Redemption Payment Date**” means on or before the tenth Business Day of the month subsequent to a Monthly Redemption Date.

“**Net Asset Value**” means, at any time, 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, in respect of a class of Units, the Net Asset Value allocated to that class (including an allocation of any Net Realized Capital Gains or other amounts payable to Unitholders of that class on or before such date) divided by the total number of Units of that class outstanding on any Valuation Date (before giving effect to any units issued or redeemed on that 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 of the Fund 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 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.

where, 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 a majority 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 an Annual Redemption Date or a Monthly Redemption Date, as the case may be.

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

“**Scheduled Forward Termination Date**” means March 21, 2018. Due to recent amendments to the Tax Act, the manager intends to terminate the forward transaction on or before March 21, 2018.

“**Service Fee**” means the fee required to be paid by the Fund to the Manager, who is in turn required to pay such fee in an equivalent amount to dealers, all in accordance with the Declaration of Trust, as described in section 8.1.2 of this Annual Information Form.

“**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.

“**Total Distributions**” means the aggregate of the sum of all Distributions and Additional Distributions paid or payable to Unitholders in a taxation year.

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

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

“**Unit**” means a Class A Unit or a Class F Unit, as applicable. “**Units**” represents more than one Class A or Class F Unit, as applicable.

“**Unitholder(s)**” means the holder(s) of a Unit, as applicable.

“**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 the last Business Day of each month, and includes any



other date on which the Manager elects, in its discretion, to calculate the Net Asset Value and Net Asset Value per Unit.

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

Aston Hill Advantage Bond Fund is an 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 12, 2009. The Declaration of Trust was amended and restated as of March 27, 2009 in relation to the appointment of a new trustee and on April 23, 2009 in connection with the initial public offering and included, among other amendments, changing the name of the Fund and adding provisions relating to the management, administration and operation of the Fund. On July 27, 2011, the Management Agreement was acquired by LOGiQ Asset Management Ltd. (formerly, Aston Hill Management Limited). On September 6, 2011, the Declaration of Trust was amended to change the name of the Fund from “Manulife Brompton Advantaged Bond Fund” to “Aston Hill Advantage Bond Fund”.

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 attractive monthly tax advantaged cash distributions together with the opportunity for capital appreciation based on the performance of the MBB Portfolio.

To achieve exposure to the MBB Portfolio, the Fund entered into the Forward Agreement with the Counterparty pursuant to which the Fund prepaid its purchase obligations under the Forward Agreement, and the Counterparty agreed to deliver to the Fund on the Forward Agreement Termination Date (or earlier in whole or in part at the request of the Fund) the Canadian Securities Portfolio with an aggregate value equal to the redemption proceeds of the relevant number of units of MBB Trust, net any amount owing by the Fund to the Counterparty.

#### **1.1.2 Investment Strategy of MBB Trust**

MBB Trust seeks to achieve its investment objectives through an actively managed portfolio consisting of North American corporate bonds managed by the Manager of MBB Trust and, at the discretion of the Manager, short selling government bonds with an aggregate sales price of up to one-third of the total assets of MBB Trust and investing the proceeds in additional corporate bonds.

#### **1.1.3 General**

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 registration and the transfer of Units, the redemption and repurchase of Units, distributions to Unitholders, the provision of management and administration 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 is not considered to be a mutual fund under the securities legislation of the provinces and territories of Canada. Consequently, the Fund is not subject to the various policies and regulations that apply to conventional mutual funds under such legislation, including National Instrument 81-102 *Mutual Funds*. 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.

The Units are qualified investments under the Income Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, deferred profit sharing plans, tax-free savings accounts and registered education savings plans. During 2013, the Fund did not deviate from the rules under the Income Tax Act that apply to the status of the Units qualifying for inclusion in such plans.

Units will not be a prohibited investment under the Income Tax Act for a tax-free savings account or a trust governed by a registered retirement savings plan or a registered retirement income fund, provided the holder of the tax-free savings account or the annuitant of a registered retirement savings plan or a registered retirement income fund deals at arm's length with the Fund, does not have a "significant interest" (within the meaning of the Income Tax Act) in the Fund, and does not have a "significant interest" (within the meaning of the Income Tax Act) in a corporation, partnership or trust that does not deal at arm's length with the Fund.

## **3.0 DESCRIPTION OF SECURITIES**

### **3.1 The Units**

The beneficial interest in the net assets and net income of the Fund is divided into two classes of Units, Class A Units and Class F Units.

The Fund is authorized to issue an unlimited number of Units of each class. The Class F Units are designated for fee-based accounts and differ from the Class A Units in the following ways: (i) Class F Units are not listed on a stock exchange, and (ii) the Service Fee is only payable in respect of the Class A Units. Accordingly, the Net Asset Value per Unit of each class will not be the same as a result of the different fees allocated to each class of Units.

Each Unit entitles the holder to the same rights and obligations as a Unitholder and no Unitholder is entitled to any privilege, priority or preference in relation to any other Unitholder. Each Unitholder 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 Realized Capital Gains, if any. On the redemption of Units, however, the Fund may, in its sole discretion, designate payable to the redeeming Unitholders, as part of the redemption price any capital gains realized by the Fund in the taxation year of the Fund in which the redemption occurred. On termination or liquidation of the Fund, the Unitholders 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. Unitholders will have no voting rights in respect of securities held by 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.

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This

statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the *Securities Act* (Ontario), and (ii) the trust is governed by the laws of Ontario. The Fund is a reporting issuer in each of the provinces and territories of Canada, and it is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

### **3.1.1 Conversion of Class F Units**

A holder of Class F Units may convert Class F Units into Class A Units and it is expected that liquidity for the Class F Units will be obtained by means of conversion into Class A Units and the sale of those Class A Units through the facilities of the TSX. Class F Units may be converted in any month on the Conversion Date by delivering a notice and surrendering such Class F Units by 5:00 p.m. (Toronto time) at least 10 Business Days prior to the Conversion Date. For each Class F Unit so converted, a holder will receive that number of Class A Units equal to the Net Asset Value per Class F Unit as of the close of trading on the Business Day immediately preceding the Conversion Date divided by the Net Asset Value per Class A Unit as of the close of trading on the Business Day immediately preceding the Conversion Date. No fractions of Class A Units will be issued upon any conversion Class F Units, and any fractional amounts will be rounded down to the nearest whole number of Class A Units.

### **3.2 Distributions**

Distributions are payable to Unitholders of record on the last Business Day of each month to be paid no later than the tenth Business Day of the subsequent month. The Fund will make monthly Distributions to Unitholders at the discretion of the Trustee, upon the advice of the Manager. Distributions will be paid out of revenue generated by the MBB Portfolio and if required, out of capital. Future distribution rates will be determined from time to time by the Manager. There can be no assurance that the Fund will make any distribution in any particular month or months.

The Fund is subject to tax under Part I of the Income Tax Act on the amount of its income for tax purposes 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. To ensure that the Fund will not generally be liable for income tax under Part I of the Income Tax Act., the Declaration of Trust provides that, if necessary, an Additional Distribution will be automatically payable in each year to Unitholders of each class of record on December 31, *pro rata* based on the Net Asset Value of each class. The Additional Distribution may be necessary where the Fund realizes income for tax purposes which is in excess of the monthly Distributions paid or made payable to Unitholders during the year. In the event that the Fund must pay an Additional Distribution, such Additional Distribution may, at the option of the Manager, be satisfied by the issuance of Units. Following such issue of additional Units, the outstanding Units will be automatically consolidated on a basis such that each Unitholder of a class of the Fund will hold after the consolidation the number of Units of the applicable class of the Fund as it held before the distribution of Additional Units except in the case of a non-resident Unitholder if tax was required to be withheld in respect of the distribution. 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 “mutual fund trust” or, if applicable, a “registered investment” for the purposes of the Income Tax Act or to respond to amendments to such Act or to the interpretation or administration thereof;
- (v) provide added protection or benefit to Unitholders; or
- (vi) to make such modifications as may be necessary or desirable in connection with the termination of the Forward Agreement prior to the Forward Termination Date.

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

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.

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 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 that 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 change in the frequency of calculating Net Asset Value per Unit to less often than weekly;
- (vii) any merger, arrangement or similar transaction or the sale of all or substantially all of the assets of the Fund other than in the ordinary course of business;
- (viii) 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 terms of the Declaration of Trust; and
- (ix) 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 continue until 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 Extraordinary Resolution at a duly called meeting of Unitholders. In addition to such termination upon the approval of the Unitholders, the Declaration of Trust also provides that:

- in the event that 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 Manager may, in its discretion and upon not less than 30 days prior written notice to Unitholders by press release, terminate the Fund without the approval of Unitholders if, in its opinion, it would be in the best interests of the Unitholders; and
- the Manager may terminate the Fund in the event of an Early Termination of the Forward Agreement, provided that the Manager has given Unitholders notice of such termination at least 60 days in advance of such Early Termination.

The Declaration of Trust provides that prior to the Termination Date, the Manager will, after settlement of the Forward Agreement, dispose of the Canadian Securities Portfolio acquired under the Forward Agreement 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 determines that it will be 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 and short positions shall be valued by taking the average of the bid and ask prices quoted by a major dealer or recognized information provider in such securities at consistent times on a Valuation Date. 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;
- (d) the value of the Forward Agreement and any other forward contract shall be the value that would be realized by the Fund if, on the date on which the Total Assets are being determined, the Forward Agreement or any other forward contract were 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 will 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 since inception of the Fund.

For the purposes of calculating the Net Asset Value per Unit in connection with a redemption of Units on an Annual Redemption Date, the value of the Forward Agreement will be determined on the basis that any bonds, debentures and other debt obligations that are owned by MBB Trust will be valued by taking the bid price on the Valuation Date and any short position of MBB Trust will be valued by taking the ask price of the Valuation Date. Such Net Asset Value per Unit will be calculated on a fully diluted basis, if applicable.

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 generally valued using the bid prices for securities held long and the ask prices for securities sold short.

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

Pursuant to the Declaration of Trust, the Net Asset Value per Unit of each class shall be calculated by dividing the Net Asset Value of the Fund allocated to that class (including an allocation of any Net Realized Capital Gains or other amounts payable to Unitholders of that class or before such date) by the total number of Units of that class outstanding on such Valuation Date (before giving effect to any issue of Units issued on that date or the redemption of Units redeemed on that 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 the last Business Day of each month, and includes any other date on which the Manager elects, in its discretion, to calculate the Net Asset Value per Unit. The Fund has been granted an exemption from the requirement under NI 81-106 *Investment Fund Continuous Disclosure* to calculate Net Asset Value on a daily basis.

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

## **6.0 PURCHASES OF UNITS**

### **6.1 General**

The Class A Units are listed for trading on the TSX under the symbol MBB.UN and may be purchased through the facilities of the TSX. Registration of interests in and transfers of the Units are made only through CDS and the Units must be purchased, transferred and surrendered for redemption through a CDS Participant. All rights of holders must be exercised through, and all payments or other property to which such holders are entitled are made or delivered by, CDS or the CDS Participant through which the holder holds such Units. Upon purchase of any Units, holders receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the securities are purchased.

### **6.2 Issuer Bid**

The Declaration of Trust provides that, subject to applicable law and stock exchange requirements, the Fund may, in its sole discretion, from time to time purchase (in the open market or by invitation for tenders) Units for cancellation.

## **7.0 REDEMPTION OF SECURITIES**

### **7.1 Monthly**

Subject to the Fund's right to suspend redemptions as discussed in section 7.4, Unitholders are entitled to surrender Units for redemption in accordance with the Declaration of Trust on a Monthly Redemption Date, provided the Units are surrendered by no later than 5:00 P.M. (Toronto time) on the last Business Day of the month prior to the Monthly Redemption Date. The Declaration of Trust provides that Units surrendered for redemption on the Monthly Redemption Date will be redeemed at a redemption price per Unit that is equal to the Monthly Redemption Amount and payment will be made on the Monthly Redemption Payment Date.

## **7.2 Annual**

Subject to the Fund's right to suspend redemptions as discussed in section 7.4, Units may be surrendered for redemption on the Annual Redemption Date, provided the Units are surrendered by no later than 5:00 p.m. (Toronto time) on the last Business Day of September. The Declaration of Trust provides that Units surrendered for redemption on an Annual Redemption Date will be redeemed at a redemption price per Unit that is equal to the Annual Redemption Amount and payment will be made on the Annual Redemption Payment Date.

## **7.3 General**

A Unitholder who desires to exercise redemption privileges must do so by causing the CDS Participant through which he or she holds Units to deliver to CDS at its office in the City of Toronto on behalf of the Unitholder, a written notice of the Unitholder's intention to redeem Units. A Unitholder who desires to redeem Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise the redemption right sufficiently in advance of the Redemption Date deadline so as to permit the CDS Participant to deliver a notice to CDS by 5:00 p.m. (Toronto time) on the last Business Day of the month prior to a Monthly Redemption Date and by 5:00 p.m. (Toronto time) on the last Business Day of September in the case of an Annual Redemption Date.

By causing a CDS Participant to deliver to CDS a notice of the Unitholder's intention to redeem Units, the Unitholder shall be deemed to have irrevocably surrendered his or her Units for redemption and appointed such CDS Participant to act as his or her exclusive settlement agent with respect to the exercise of such redemption privilege and the receipt of payment in connection with the settlement of obligations arising from such exercise, provided that the Manager may from time to time prior to the Monthly Redemption Date or Annual Redemption Date permit the withdrawal of a redemption notice on such terms and conditions as the Manager may determine, in its sole discretion, provided that in the opinion of the Manager such withdrawal will not adversely affect the Fund. Any expense associated with the preparation and delivery of the redemption notice or its withdrawal will be for the account of the Unitholder exercising the redemption privilege.

Any redemption notice that CDS determines to be incomplete, not in proper form or not duly executed shall, for all purposes, be void and of no effect and the redemption privilege to which it relates shall be considered, for all purposes, not to have been exercised. A failure by a CDS Participant to exercise redemption privileges or to give effect to the settlement thereof in accordance with a Unitholder's instructions will not give rise to any obligations or liability on the part of the Fund or the Trustee to the CDS Participant or the Unitholder.

On the redemption of Units, the Fund may, in its sole discretion, designate payable to the redeeming Unitholder, as part of the redemption price any capital gain realized by the Fund in the taxation year of the Fund in which the redemption occurred.

## **7.4 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 issuers included in the Canadian Securities 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 MBB Trust. The suspension may apply to all requests for redemption received prior to the suspension, but as 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. Redemptions so suspended will be effected at a price determined on the first date that the Net Asset Value per Unit, Market Price and Closing Market Price, as applicable, is calculated following the termination of the suspension. 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 announced by any government body having jurisdiction over the Fund, any declaration of suspension made by the Manager shall be conclusive.

## **7.5 Funding Redemption Price**

In order to fund a redemption price, the Fund will partially settle the Forward Agreement, as required, prior to the Forward Agreement Termination Date.

## **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](mailto:info@astonhill.ca) and its website address is [www.logiqasset.com](http://www.logiqasset.com).

Pursuant to the Management Agreement, the Manager is responsible for providing, or causing to be provided, management and administrative services and facilities to the Fund, and may delegate certain of its powers to third parties at no additional cost to the Fund where, in the discretion of the Manager, it would be in the best interests of the Fund and the Unitholders to do so.

#### **8.1.1 Management Fee**

In consideration for its services to the Fund and MBB Trust, the Fund pays the Manager a fee and reimburses 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 MBB Trust which in aggregate is equal to 0.75% per annum of the Total Assets of the Fund, calculated and payable monthly in arrears, plus applicable taxes. The Manager pays the Portfolio Manager out of its Management Fee.

For the year ended December 31, 2016, the management fee for the Fund amounted to \$48,154 (December 31, 2015 - \$77,850); for the year ended December 31, 2016, the management fee for the underlying trust MBB Trust amounted to \$43,396 (December 31, 2015 - \$71,482).

#### **8.1.2 Service Fee**

The Manager is paid a Service Fee by the Fund for paying the fees payable to dealers based on the number of Class A Units held by clients of such dealers at the end of each relevant quarter. The Service Fee (calculated quarterly and paid as soon as practicable after the end of each calendar quarter) is equal to 0.50% per annum of the Net Asset Value attributable to the Class A Units of the Fund represented by the Units held at the end of the relevant quarter by clients of dealers, plus applicable taxes. No service fee is payable in respect of the Class F Units.

For the year ended December 31, 2016, the service fee amounted to \$45,261 (December 31, 2015 - \$74,440).

### 8.1.3 Termination of the Management Agreement

The Management Agreement may be terminated at any time by the 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 provided that Unitholders holding at least 10% of the Units outstanding on the record date of the meeting vote in favour of the 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;
- 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.

### 8.1.4 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 and Municipality</b>	<b>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.

### **8.1.5 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. For the year ended December 31, 2016, there were IRC fees of \$538 charged to the Fund (December 31, 2015 - \$537).

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**

The Manager has retained its affiliate AHF Capital Partners Inc. to act as the portfolio manager to the Fund. As portfolio manager, AHF Capital Partners Inc. is responsible for maintaining the Portfolio in accordance with the Investment Strategy and subject to the Investment Restrictions.

### **8.2.1 Principal Portfolio Advisor**

The following individual is primarily responsible for making investment decisions for the Fund.

<b>Name</b>	<b>Length of Service and Experience in the Past 5 Years</b>
ALEXANDER (SANDY) LIANG Toronto, Ontario	Chief Executive Officer and Portfolio Manager, AHF Capital Partners Inc. since March, 2013; prior thereto Vice President and Portfolio Manager, LOGiQ Asset Management Ltd.; prior thereto, Portfolio Manager, Cobalt Capital Management, since 2008; prior thereto, Senior Managing Director, Bear, Stearns & Co. Inc., since 2000.

Mr. Liang makes all investment decisions for the Fund's Portfolio. These decisions are not subject to oversight, approval or ratification of a committee.

### **8.3 Trustee**

Equity Financial Trust Company 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 200 University Avenue, Suite 400, Toronto, Ontario M5H 4H1.

### **8.4 Custodian**

The Manager has appointed RBC Investor Services Trust as Custodian, pursuant to the terms of a 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.

#### **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.

#### **8.4.2 Termination of the Custodian Agreement**

The Custodian Agreement may be terminated by either party without penalty by giving at least 60 days prior written notice. Prior notice is not required and termination will be immediate if:

- either party is declared bankrupt or shall be insolvent;
- the assets or the business of either party shall become liable to seizure or confiscation by any public or governmental authority; or
- the Manager's powers and authorities to act on behalf of or represent the Fund have been revoked or terminated.

### **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, Toronto, Ontario.

The auditors of the Fund can be changed by an Ordinary Resolution of the Unitholders. Equity Financial Trust Company is the registrar, transfer agent and distribution agent for the Units. 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 \$117,075 during the year ended December 31, 2016 (administration and operating costs were \$123,250 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, no person owned more than 10% of the outstanding Units.

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 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 8.1.4.

The Board is responsible for developing the Fund’s approach to governance issues. To ensure the proper management of the Fund and compliance with regulatory requirements, the Board 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 Board has adopted a whistleblower policy and a privacy 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 Fund and the Manager may collect, use and disclose personal information regarding the Unitholders. As part of its risk management, the Board 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 Board 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 8.1.5 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 8.1.5 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 initial 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 Fund does not hold voting securities, but is exposed to voting securities held in the MBB Portfolio by means of the Forward Agreement. The Manager is authorized to exercise all rights and privileges incidental to ownership for the MBB Portfolio. MBB Trust 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 MBB Trust.

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 MBB Trust'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 MBB Trust and the potential impact of the vote on the value of MBB Trust; 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's internal legal department 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, MBB Trust's independent review committee, for final determination. The rationale for the committee's ultimate decision will be documented accordingly.

The policies and procedures that MBB Trust follows when voting proxies relating to the MBB Portfolio 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.

MBB Trust'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 MBB Trust's proxy voting record available on the Fund's 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 derivatives and other instruments for hedging, leverage or other purposes consistent with the Investment Objectives and subject to the Investment Restrictions.



## 10.4 Short-Term Trades

The Fund's Class A Units trade on the TSX. The Fund does not have policies and procedures in place to monitor, detect and deter short-term trading given that:

- (i) the Fund is a closed-end investment trust;
- (ii) Unitholders are only permitted to redeem Units on a monthly or annual basis;
- (iii) the Monthly Redemption Amount is equal to the lesser of (i) 94% of the Market Price of a Class A Unit, and (ii) 100% of the Closing Market Price of a Class A Unit on the applicable Monthly Redemption Date, minus in each case any costs associated with the redemption, including brokerage costs;
- (iv) the Annual Redemption Amount is based on the Net Asset Value per Unit on the second last business day of October, minus costs associated with the redemption, including brokerage costs;
- (v) for the purposes of calculating the Annual Redemption Amount, the value of the Forward Agreement is determined on the basis that any bonds, debentures and other debt obligations that are owned by MBB Trust will be valued by taking the bid price and any short position of MBB Trust will be valued by taking the ask price; and
- (vi) redemptions require more than 4 weeks to process from the date a holder notifies CDS of their redemption request to the date the redemption proceeds are paid out.

## 11.0 INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations under the Income Tax Act with respect to the acquisition, ownership and disposition of Units generally applicable as at the date of this annual information form to you if you are an individual (other than a trust) and, for the purposes of the Income Tax Act, are resident in Canada, deal at arm's length with the Fund and hold Units as capital property.

Generally, Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold Units in the course of carrying on a business of buying and selling securities and has not acquired Units in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have Units treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Income Tax Act.

This summary is based upon the current provisions of the Income Tax Act, the Tax Proposals, and an understanding of the current published administrative policies and assessing practices of the CRA. 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 provincial, territorial or foreign tax legislation or considerations. There is no assurance that the Tax Proposals will be enacted in the form proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units and does not describe the income tax considerations relating to the deductibility of interest on money borrowed to acquire Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary according to the status of the Unitholder, the province or provinces in which the Unitholder resides or carries on business and, generally, the Unitholder's own

particular circumstances. Accordingly, the following description of income tax matters is of a general nature only and is not intended to constitute advice to any particular Unitholder. Prospective 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.

This summary is based on the assumption that the Fund will qualify at all times as a "unit trust" and a "mutual fund trust" within the meaning of the Income Tax Act. In order to so qualify, the Fund must at all times comply with various requirements including certain minimum distribution requirements relating to the Units. In the event the Fund were not to qualify as a mutual fund trust at any time, the income tax consequences described below would in some respects be materially and adversely different.

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

The Fund is 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 deducts in respect of the amounts paid or payable to Unitholders in the year. The Fund makes Distributions in each year of its Net Income and Net Realized Capital Gains and provided that the Fund deducts in computing its income the full amount available for deduction in each year, the Fund will not generally be liable in such year for income tax under Part I of the Income Tax Act.

No amount will be included in computing the Fund's income as a result of the acquisition of Canadian Securities Portfolio securities under the Forward Agreement. The cost to the Fund of such Canadian Securities Portfolio securities will be that portion of the aggregate amount paid by the Fund under the Forward Agreement attributable to such securities and any other costs of acquisition. The Fund has elected in accordance with the Income Tax Act to have each of its Canadian securities treated as capital property. Gains or losses realized by the Fund on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement will therefore be taxed as capital gains or capital losses.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its Net Realized Capital Gains by an amount determined under the Income Tax Act based on the redemptions of Units during the year ("Capital Gains Refund"). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the sale of securities from the Canadian Securities Portfolio in connection with redemptions of Units. In computing its income for tax purposes, the Fund may deduct reasonable administrative and other expenses incurred by it for the purpose of earning income. The Fund may deduct the costs and expenses of its initial public offering paid by the Fund and not reimbursed at a rate of 20% per year, pro-rated where the Fund's taxation year is less than 365 days.

### **11.2 Taxation of Unitholders**

A Unitholder will generally be required to include in income for a particular taxation year of the Unitholder such portion of the Net Income, including the taxable portion of the Net Realized Capital Gains of the Fund for a taxation year as is paid or becomes payable to the Unitholder in that particular taxation year, whether received in cash or reinvested in additional Units. Provided that appropriate designations are made by the Fund, such portion of the net realized taxable capital gains of the Fund and the taxable dividends received or deemed received by the Fund on shares of taxable Canadian corporations as is paid or becomes payable to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply. An enhanced dividend tax credit may be available to individual Unitholders in respect of certain "eligible dividends". Any loss of the Fund for purposes of the Income Tax Act cannot be allocated to, and cannot be treated as a loss of, the Unitholders.

The non-taxable portion of Net Realized Capital Gains of the Fund that are paid or become payable to a Unitholder in a year will not be included in computing the Unitholder's income for the year. Any other amount in excess of a Unitholder's share of the net income of the Fund for a taxation year that is paid or becomes payable to the Unitholder in such year will not generally be included in computing the Unitholder's income for the year but will reduce the adjusted cost base of Units to the Unitholder. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain.

The Net Asset Value per Unit will reflect any income and gains of the Fund that have accrued or been realized but have not been made payable at the time Units are acquired. A Unitholder who acquires Units, including in satisfaction of an Additional Distribution, may become taxable on the Unitholder's share of such income and gains of the Fund.

Upon the disposition or deemed disposition by a Unitholder, the Unitholder will realize a capital gain (or capital loss) to the extent that the Unitholder's proceeds of disposition (net of any reasonable costs of disposition) exceed (or are less than) the adjusted cost base of Units. For the purpose of determining the adjusted cost base of a Unit to a Unitholder, when a Unit is acquired, the cost of the newly acquired Units will be averaged with the adjusted cost base of all Units owned by the Unitholder as capital property before that time. For this purpose, the cost of Units that have been issued as an Additional Distribution as contemplated in section 3.2 will generally be equal to the amount of the Distributions so satisfied.

Generally one-half of any capital gain ("taxable capital gain") realized by a Unitholder or designated by the Fund in respect of the Unitholder in a taxation year must be included in computing the income of the Unitholder for that year and one-half of any capital loss ("allowable capital loss") realized by a Unitholder in a taxation year must be deducted from taxable capital gains realized by the Unitholder or designated by the Fund in respect of the Unitholder in that year. Allowable capital losses for a taxation year in excess of taxable capital gains for that year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year, against taxable capital gains realized in those years, including taxable capital gains realized on the disposition of Units or amounts designated by the Fund to a Unitholder as taxable capital gains.

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

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 director's 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, 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.

## **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, the Forward 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, in section 13.1 in the case of the Forward Agreement and in section 8 in the case of the other contracts.

### **13.1 Forward Agreement**

The Fund entered into a Forward Agreement with The Bank of Nova Scotia on April 23, 2009. The Fund prepaid its purchase obligations under the Forward Agreement and The Bank of Nova Scotia agreed to deliver to the Fund on the Forward Agreement Termination Date (or earlier in whole or in part at the request of the Fund) the Canadian Securities Portfolio with an aggregate value equal to the redemption proceeds of the relevant number of units of MBB Trust, net of any amount owing by the Fund to The Bank of Nova Scotia. The amounts deliverable by The Bank of Nova Scotia to the Fund under the Forward Agreement will be reduced by 0.25% per annum of the notional amount of the Forward Agreement, such reduction being the consideration paid to The Bank of Nova Scotia.

The terms of the Forward Agreement provide that it may, in certain circumstances, be partially settled prior to the Scheduled Forward Termination Date at the request of the Manager. The Manager may settle the Forward Agreement in whole or in part prior to the Scheduled Forward Termination Date: (i) in order to fund redemptions and repurchases of units from time to time; (ii) in order to fund operating expenses and other liabilities of the Fund; and (iii) for any other reason. Pursuant to the terms of the Forward Agreement, the Counterparty will, in connection with a requested partial settlement, deliver to the Fund securities from the Canadian Securities Portfolio.

The Forward Agreement may be terminated prior to the Scheduled Forward Termination Date in certain circumstances, including (i) if an event of default or a termination event occurs with respect to the Fund or the Counterparty under the Forward Agreement, or (ii) the Fund or the Counterparty exercises its option to terminate the Forward Agreement on or around March 21, 2018 (Due to recent amendments to the Tax Act, the manager intends to terminate the forward transaction on or before March 21, 2018). The option is exercisable by a party on 4 calendar months' notice to the other party. The federal budget that was announced in March 2013 proposed measures with respect to certain financial arrangements, such as the Forward Agreement, that would eliminate certain tax benefits for taxable Unitholders of investment funds that utilize this kind of agreement. The budget announcement states that these changes apply only to forward agreements entered into on or after March 21, 2014 (the "Budget Day"). The Forward Agreement was entered into prior to the Budget Day. Based on the Manager's current understanding of the budget announcement and discussions with the Manager's tax counsel, distributions paid by the Fund are expected to continue to be treated as capital gains and return of capital for tax purposes until March, 2018.

## **14.0 OTHER MATERIAL INFORMATION**

### **14.1 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.

#### *General Risks of Investing in Bonds*

Generally, Bonds will decrease in value when interest rates rise and increase in value when interest rates

decline. The Net Asset Value of MBB Trust will fluctuate with interest rate changes and the corresponding changes in the value of the securities in the Portfolio. The value of Bonds is also affected by the risk of default in the payment of interest and principal and price changes due to such factors as general economic conditions and the issuer's creditworthiness. Corporate Bonds may not pay interest or their issuers may default on their obligations to pay interest and/or principal amounts. Certain of the Bonds that may be included in the Portfolio from time to time may be unsecured, which will increase the risk of loss in case of default or insolvency of the issuer.

#### *Risks of Investing in High-Yield Bonds*

High-Yield Bonds involve greater risks than do Investment Grade Bonds, including risks of default in the payment of interest and principal, lower recovery rates on a Bond 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 Bonds may be less liquid than investment rated securities. During periods of thin trading, this 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 Bonds trade. Accordingly, there may be limited liquidity for holders of such Bonds.

#### *Fluctuation in Value of Portfolio Securities*

The value of the Units will vary according to the value of the securities included in the Portfolio by virtue of the Forward Agreement. The value of the securities included in the Portfolio will be influenced by factors which are not within the control of MBB Trust or the Manager including the financial performance of the respective issuers, operational risks relating to the specific business activities of the respective issuers, quality of assets owned by the 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, credit markets 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 MBB Portfolio. A substantial decline in the North American equities markets could be expected to have a negative effect on the Fund and the market price of the Class A Units.

#### *Use of Short Selling and Leverage*

Selling securities short may result in the loss of an amount greater than the amount invested since there is theoretically no limit to the price to which the securities that have been sold short may rise before the short position is closed out. The return to Unitholders may be adversely affected if the securities purchased with borrowed funds decline in value or securities that are sold short increase in value. In addition, a short sale entails the borrowing of the security and the supply of securities which can be

borrowed in order to remain short fluctuates from time to time. There is no assurance that the strategy of selling Government Bonds short and investing the proceeds in additional Corporate Bonds will work to the benefit of Unitholders, and an increase in the spreads of Corporate Bonds over Government Bonds will adversely affect the potential benefit to Unitholders of this shorting strategy. There is no assurance that the lender of securities or financial instruments will not require the security to be repaid before the Manager wishes to do so, thereby requiring MBB Trust to borrow the security elsewhere or purchase the security in the market at an unattractive price. In the event that numerous lenders of the security in the market simultaneously recall the same security, a “short-squeeze” may occur, whereby the market price of the borrowed security may increase significantly. The borrowing of securities entails the payment of a borrowing fee and payment of any interest paid on the security prior to closing the short position. There is no assurance that any borrowing fee will not increase during the borrowing period or that MBB Trust will have sufficient funds to pay interest on the securities to the lender, adding to the expense of the short sale strategy. In addition, there is no assurance that the security sold short can be repurchased due to supply and demand constraints in the marketplace. The Manager may sell short Government Bonds with an aggregate sale price up to one-third of the Total Assets of MBB Trust (which equates to approximately one-half of the net assets of MBB Trust), however if such limits are exceeded the Manager will be required to sell Portfolio securities to reduce the outstanding short position, which may adversely affect the value of the Portfolio and the return to Unitholders. Additionally, to the extent the Manager employs short sales, the Portfolio will be leveraged, and if the Portfolio securities decrease in value, the leverage component of the Portfolio will cause a decrease in the Net Asset Value in excess of that which would otherwise be experienced.

#### *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 of the Fund will appreciate or be preserved. Changes in the relative weightings between the various types of securities making up the MBB Portfolio can affect the overall yield to Unitholders.

#### *Composition of the Portfolio*

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

#### *Working Capital Facility*

MBB Trust may borrow amounts from a working capital facility for short term purposes. A working capital facility, if any, may impose restrictions on MBB Trust. MBB Trust may not be able to obtain a working capital facility on acceptable terms, or at all.

#### *Interest Rate Fluctuations*

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 securities included in the MBB Portfolio and it cannot be predicted whether the securities included in the MBB Portfolio will trade at a discount to, a premium to, or at their respective par or maturity values.

### *Counterparty Risk*

In entering into the Forward Agreement, which is the sole material assets of the Fund, the Fund is exposed to the credit risk associated with the Counterparty. The Counterparty may have relationships with any or all of the issuers whose securities are included in the Canadian Securities Portfolio which could conflict with the interests of the Fund or MBB Trust. Depending on the value of the Canadian Securities Portfolio, the Fund's exposure to the credit risk of the Counterparty may be significant. In addition, the possibility exists that the Counterparty will default on its payment obligations under a Forward Agreement or that the proceeds of the Forward Agreement will be used to satisfy other liabilities of the Fund, which liabilities could include obligations to third-party creditors in the event the Fund has insufficient assets, excluding the proceeds of the Forward Agreement, to pay its liabilities. Unitholders will have no recourse or rights against the assets of MBB Trust or the Counterparty and the Counterparty is not responsible for the returns of the Canadian Securities Portfolio.

### *Early Termination of the Forward Agreement*

In the event the Forward Agreement terminates prior to the termination of the Fund, the Fund may enter into a new forward agreement or amend the Declaration of Trust to permit the Fund to hold the Portfolio directly. The tax consequences to Unitholders may be different in the event that the Fund holds the MBB Portfolio directly.

### *Use of Derivatives*

MBB Trust 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 MBB Trust's hedging strategies will be effective. MBB Trust 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 MBB Trust 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 MBB Trust to close out its positions may also be affected by exchange imposed daily trading limits on options and futures contracts. If MBB Trust 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 MBB Trust's ability to use derivative instruments to effectively hedge the MBB Portfolio.

### *Securities Lending*

MBB Trust may engage in securities lending. Although MBB Trust will receive collateral for the loans and such collateral will be marked-to-market, MBB Trust 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.

### *Currency Exposure*

As the MBB Portfolio is invested in securities traded in United States dollars, the Net Asset Value, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of the United States dollar relative to the Canadian dollar. MBB Trust may not be fully hedged at all times and distributions received on the Portfolio may not be hedged and accordingly no assurance can be given that the Fund will not be adversely impacted by changes in foreign exchange rates or other factors. The use of hedges, if used, 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 reduce total returns or result in losses greater than if the hedging had not been used. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

### *Reliance on the Portfolio Manager*

The Portfolio Manager manages the MBB Portfolio in a manner consistent with the investment objectives and investment restrictions of MBB Trust. The officer of the Portfolio Manager who is primarily responsible for the management of the MBB Portfolio has extensive experience in managing investment portfolios; however, there is no certainty that such individual will continue to be employee of the Portfolio Manager until the termination of MBB Trust. While the Portfolio Manager uses shorting strategies from time to time in connection with the equity and bond portfolios in which it acts as portfolio manager, it has not previously utilized the specific strategy of shorting Government Bonds to increase exposure to Corporate Bonds being used by MBB Trust. The performance of MBB Trust (and therefore the return to Unitholders) will be defendant on the ability of the Portfolio Manager to successfully execute the investment strategy of MBB Trust.

### *Trading Price of Units*

The Class A Units may trade in the market at a discount to the Net Asset Value per Class A Unit and there can be no assurance that Class A Units will trade at a price equal to the Net Asset Value per Unit. Units will be redeemable at 100% of the Net Asset Value per Unit of the relevant class on an Annual Redemption Date less any costs associated with the redemption, including brokerage costs. While the redemption right provides Unitholders the option of annual liquidity at the Net Asset Value per Unit, there can be no assurance that it will reduce trading discounts of the Class A Units.

### *Class F Units*

Class F Units will not be listed on any stock exchange. It is expected that liquidity for the Class F Units will be obtained by means of conversion into Class A Units and the sale of those Class A Units through the facilities of the TSX.

### *Taxation of the Fund*

In determining its income for tax purposes, the Fund will not treat the acquisition of Canadian Securities Portfolio securities under the Forward Agreement as a taxable event and will treat gains or losses on any disposition of Canadian Securities Portfolio securities acquired under the Forward Agreement as capital gains and losses. No advance income tax ruling has been requested or obtained from the CRA regarding the timing or characterization of the Fund's income, gains or losses.

If the acquisition of Canadian Securities Portfolio securities under the Forward Agreement was a taxable event or if gains realized on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreement were treated other than as capital gains on the sale of such securities, after-tax returns



to Unitholders would be reduced.

If the Fund ceases to qualify as a “mutual fund trust” under the Income Tax Act, the income tax considerations described under the heading “Income Tax Considerations” would be materially and adversely different in certain respects. There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders.

#### *Changes in Legislation*

There can be no assurance that certain laws applicable to the Fund, including income tax laws, government incentive programs and the treatment of mutual fund trusts under the Income Tax Act will not be changed in a manner which adversely affects the Fund and/or the Unitholders.

#### *Loss of Investment*

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

#### *Conflicts of Interest*

The Manager and its respective 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*

As the Fund is not a mutual fund as defined under Canadian securities laws, the Fund is not subject to the Canadian policies and regulations that apply to open-end mutual funds. The Fund is a mutual fund trust for purposes of the Income Tax Act.

#### *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.

#### *Significant Redemptions*

If a significant number of Units are redeemed, the trading liquidity of the Units could be significantly reduced. In addition, the expenses of the Fund would be spread among fewer Units resulting in a potentially lower Distribution per Unit. The Manager has the ability to terminate the Fund if, in its opinion, it would be in the best interests of Unitholders to do so.

#### *Nature of the Units*

The Units are neither fixed income nor equity securities. The Units represent a fractional interest in the net assets of the Fund. Units are dissimilar to debt instruments in that there is no principal amount owing to Unitholders. Unitholders do 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 does not constitute an investment by Unitholders in the securities included in the Portfolio. Unitholders do not own securities held by the Portfolio.

## **14.2 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, the inclusion of a statement of cash flows and the classification of Net Assets representing unitholders’ equity. The Manager does not consider this to be a comprehensive list of the accounting changes that will occur 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.

Under Canadian GAAP, the Fund is not required to provide a statement of cash flows. In addition to the financial statements currently presented for the Fund, a statement of cash flows will now be included in the financial statements in accordance with the requirements of IFRS, and prepared in accordance with International Accounting Standard (“IAS”) 7, Statement of Cash Flows.

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 ADVANTAGE BOND FUND

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Telephone: (416) 583-2300  
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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).