



Aston Hill Advantage Oil & Gas Income Fund

Annual Management Report of Fund Performance

December 31, 2016

MANAGEMENT REPORT OF FUND PERFORMANCE

This annual management report of Fund performance for **Aston Hill Advantage Oil & Gas Income Fund** (the “Fund”) contains financial highlights but does not contain the complete annual financial statements of the Fund. **The annual financial statements and accompanying notes are attached to this report.**

You can obtain a copy of the annual financial statements at no cost by writing to LOGiQ Asset Management Ltd. (formerly, Aston Hill Asset Management Inc.) (the “Manager”) to the following address: 77 King Street West, Suite 2110, PO Box 92, Toronto-Dominion Centre, Toronto, Ontario M5K 1G8, or calling 1-800-513-3868 or visiting the Manager’s website at www.logiqasset.com or by visiting www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

THE FUND

Aston Hill Advantage Oil & Gas Income Fund is a closed-end investment trust managed by LOGiQ Asset Management Ltd. (the “Manager”). The units of the Fund trade on the Toronto Stock Exchange (“TSX”) under the symbol AOG.UN. Through a forward agreement, the Fund is exposed to a portfolio of oil and gas securities held by Aston Hill O&G Trust (“O&G Trust”). The Fund is RRSP, DPSP, RRIF, RESP and TFSA eligible. The Fund has a forward agreement (“Forward Agreement”) that provides exposure to the return on the portfolio held by O&G Trust and tax advantages. The return to investors of the Fund is dependent upon the return of the O&G Trust portfolio pursuant to the Forward Agreement. As a result, this management report of Fund performance includes discussion of the performance of O&G Trust, where applicable.

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. and consequently Aston Hill Asset Management Inc. changed its name to LOGiQ Asset Management Ltd.

INVESTMENT OBJECTIVES AND STRATEGIES

The investment objectives of the Fund are designed to achieve a high level of monthly distributions and the opportunity for capital appreciation by investing in a diversified portfolio of oil and gas investments, including oil-and-gas dividend-paying equities and convertible debt of oil and gas producers, energy service companies and pipelines.

RISK

Risks associated with an investment in the units of the Fund are discussed in the Fund’s 2016 annual information form, which is available on the Manager’s website at www.astonhill.ca or on SEDAR at www.sedar.com. There were no changes to the Fund for the year ended December 31, 2016 that materially affected the risks associated with an investment in the units of the Fund.

Use of leverage

The Underlying O&G Trust maintains a 364-day revolving credit facility. The revolving credit facility provides for maximum borrowings of \$5.0 million (December 31, 2015 – \$5.0 million), with borrowings in Canadian currency at either the prime rate of interest or the bankers’ acceptance rate, plus a fixed percentage, or in US currency at either the US base rate or the LIBOR rate, plus a fixed percentage. There were no borrowings outstanding under this facility as at December 31, 2016 and 2015. The credit facility is secured by a first-priority security interest over all of the Fund’s assets. During the year ended December 31, 2016, the minimum and maximum amounts of borrowings were nil (December 31, 2015 – nil) and nil (December 31, 2015 – \$1,800,000), respectively.

RESULTS OF OPERATIONS

Caution regarding forward-looking statements

The analysis in the document includes forward-looking statements. The use of any of the words anticipate, may, will, expect, estimate, should, believe and similar expressions are intended to identify forward-looking statements. Such statements reflect the opinion of the Investment Manager regarding factors that might be reasonably expected to affect the performance and the distributions on units of the Fund and are based on information available at the time of writing. The Manager believes that the expectations reflected in these forward-looking statements and in the analysis are reasonable but no assurance can be given that these expectations or the analysis will prove to be correct and accordingly, they should not be unduly relied on. These statements speak only as of the date of this report. Actual events and outcomes may differ materially from those described in these forward-looking statements or analysis.

Portfolio Manager Commentary

After OPEC and Non-OPEC producers agreed to cut production by 1.8 million barrels per day in late November, the price of oil stabilized in the low \$50 per barrel range. OPEC's decision two years earlier to overproduce in an attempt to drive out competition failed as new technology enabled producers to adapt to the new price realities, especially in North America. Nonetheless, earlier in 2016, when the price of oil fell into the low \$30s, the dramatic fall in revenue put many OPEC countries' budgets under stress. The current consensus is that they will try to protect a \$50 per barrel a floor price by curtailing production when necessary. It appears they will maintain these cuts through the first half of 2017, then will determine if they are still needed in the face of increasing global demand.

For natural gas, positive fundamentals drove the price 28% higher during the fourth quarter. After the warm winter of 2016, gas inventories had ballooned on low heating demand. However, by year's end inventory levels sat below their five-year average. Demand for natural gas has climbed significantly in North America. Strong industrial demand, increasing exports and the ongoing transitioning from coal to natural gas for electrical generation have helped to draw down inventories.

We maintain the fund's exposure to the energy service sector at roughly 15% of the portfolio. These are the companies that provide the drilling and completion equipment, consumable products, and well-maintenance services to the oil and gas industry. By-and-large they have seen their revenues fall dramatically over the last couple of years, as exploration budgets have been cut. But it appears that the day rates that many of these companies charge for their services have finally bottomed. Although there is still an excess supply of drill rigs available, other parts of the services industry have started to rebound. Companies like Trican, who perform well fracturing, managed a price increase in the fall, and will likely see further positive pricing moves in the coming months. A major input for these companies is frac sand, which the fund has exposure to through US Silica and Hi Crush Partners.

Recent developments

After a few years of falling energy prices and slashed exploration budgets, many companies are starting to look at modest increases to their capital expenditure programs in 2017. The better companies, however, expect to increase production on the back of lower costs and improved drilling efficiencies. Nonetheless, dividend increases from many of these companies may take more time, as they continue to recover from two year of falling prices, and will seek to repair their balance sheets first.

A particularly warm winter will likely put downward price pressure on natural gas and gas producers. Although inventories continue to be drawn down due to increased demand, the negative sentiment will likely keep investors on the sidelines in the early part of 2017. The fund will maintain a greater exposure to oil producing companies in the first part of 2017. The direction for oil prices in early 2017 will likely be determined by how successful OPEC is in meeting their production quotas that they have laid out to the markets.

Recent moves by the Trump administration to advance pipeline development bodes well for the infrastructure sector. Companies such as Williams and TransCanada should benefit from an administration that realizes that to attain energy self-sufficiency, companies must be able to get their products to market.

Capital transactions

There were 608,144 units redeemed for the value of \$1,801,383 during the year ended December 31, 2016 (853,946 units redeemed for the value of \$2,694,370 and 3,805 units were repurchased for the value of \$11,224 during the year ended December 31, 2015).

Forward Agreement

The Fund entered into a forward purchase and sale agreement (the "Forward Agreement") with a Canadian chartered bank (the "Counterparty"). The obligations of the Counterparty to the Fund under the Forward Agreement are determined by reference to the performance of O&G Trust.

Gains and losses realized by the Fund on the sale of the portfolio of Canadian securities under the Forward Agreement are treated as capital gains and losses for tax purposes by the Fund. However, 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, 2013 (the "Budget Day"). The federal budget, part of Bill C-4, was enacted into law on December 12, 2013.

Based on the foregoing, the Manager must terminate the Forward Agreement on or before March 21, 2018.

In order to permit the Fund to pay (i) monthly distributions, (ii) redemptions and repurchases of units, and (iii) operating expenses and other liabilities of the Fund, the terms of the Forward Agreement provide that the Forward Agreement may be settled in whole or in part prior to March 21, 2018, by the Fund at its discretion.

Under the Forward Agreement, the Fund pays to the Counterparty a fee of 0.25% of the Net Asset Value of O&G Trust, calculated and payable monthly in arrears. During the year ended December 31, 2016, the Fund paid forward fees of \$23,201 (during the year ended December 31, 2015 - \$32,817).

DISTRIBUTIONS

For the year ended December 31, 2016, the Fund has paid distributions of \$0.14 per unit (\$0.21 for the year ended December 31, 2015). Since inception in March 2005, the Fund has paid total cash distributions of \$5.93 per unit.

RECOMMENDATIONS OR REPORTS BY THE INDEPENDENT REVIEW COMMITTEE

The Independent Review Committee of the Fund tabled no special reports and made no extraordinary material recommendations to management of the Fund during the year ended December 31, 2016.

RELATED PARTY TRANSACTIONS

Management and Service Fees

The Fund, together with O&G Trust, pays a management fee equal to 0.90% per annum of the Net Asset Value of the Fund, plus applicable taxes. The portion of the management fee paid by the Fund is 0.65% per annum. The sub-advisor fees are paid out of Management fees.

The Fund also pays to the Manager a service fee equal to 0.40% per annum of the Net Asset Value of the Fund. The service fee is in turn paid by the Manager to investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter.

For the year ended December 31, 2016, the management fee amounted to \$63,611 (for the year ended December 31, 2015 - \$45,168), and the service fee amounted to \$38,255 (for the year ended December 31, 2015 - \$55,660). The Fund is responsible for all other operating expenses incurred in connection with its operation and administration, such as custodian, valuation, trustee, reporting, audit and legal fees.

Administration Fees

The Manager allocates back to the Fund a portion of the cost of individuals who have spent time working on the operation and oversight of the Fund. For the year ended December 31, 2016, administration fees amounted to \$7,588 (for the year ended December 31, 2015 - \$7,910).

IRC Fee

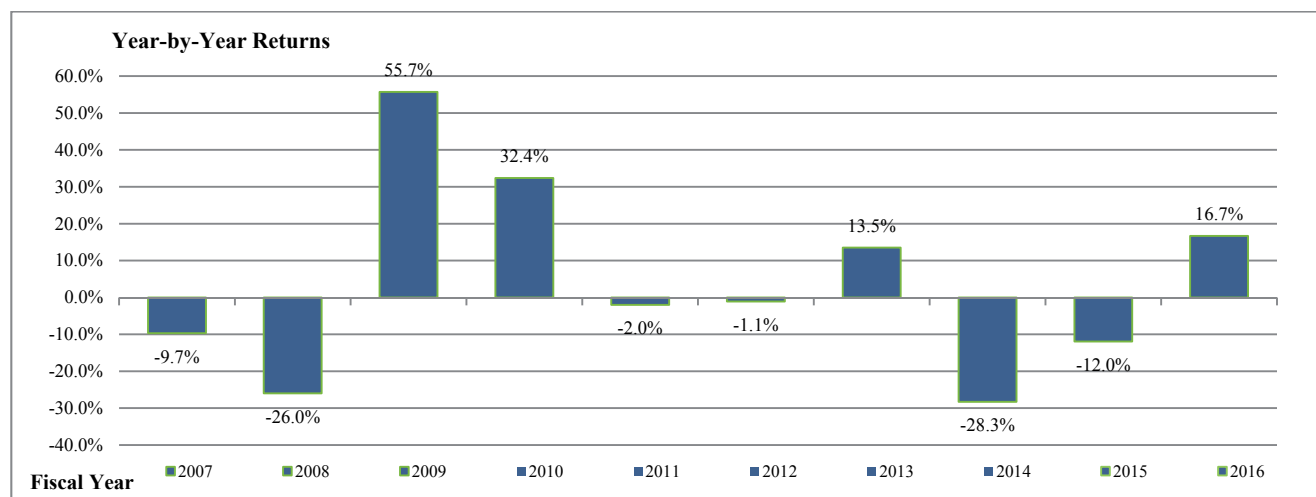
The members of the Independent Review Committee are John Crow (chair), Joseph Wright, Robert B. Falconer and Scott Browning. The Independent Review Committee acts as a review committee for a number of investment Funds managed by the Manager.

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, there were IRC fees of \$569 charged to the Fund (for the year ended December 31, 2015 - \$496).

PAST PERFORMANCE

The following bar charts show the Fund’s annual performance by showing annual returns by fiscal year and annualized compound returns from inception assuming all the distributions made by the Fund during the years shown were reinvested. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance. The bar chart shows, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period. Past performance is not necessarily indicative of future performance.



Annual Compound Returns

	1-Year	3-Year	5-Year	7-Year	10-Year	Since Inception ⁽¹⁾
Aston Hill Advantage Oil & Gas Income Fund	16.74%	(9.65%)	(3.72%)	(0.19%)	(0.10%)	(0.37%)
S&P/TSX Capped Energy Index	39.64%	(3.95%)	(0.91%)	(1.35%)	(0.84%)	2.12%
S&P/TSX Composite Index	21.08%	7.05%	8.23%	6.89%	4.70%	6.79%

⁽¹⁾ Period from March 17, 2005 (commencement of operations) to December 31, 2016

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to aid in understanding the Fund's financial performance since inception. This information is derived from the Fund's audited annual financial statements:

Net Assets per Unit

	2016	2015	2014	2013	2012
Net Assets, beginning of period ⁽¹⁾	\$2.96	\$3.58	\$5.27	\$4.89	\$5.32
Increase (decrease) from operations:					
Total revenues	0.01	0.01	–	–	–
Total expenses	(0.08)	(0.06)	(0.12)	(0.09)	(0.09)
Realized gains (losses) for the period	(0.12)	(0.11)	0.68	0.30	0.08
Unrealized gains (losses) for the period	0.62	(0.25)	(1.48)	0.41	(0.10)
Total increase (decrease) from operations ⁽²⁾	0.43	(0.40)	(0.92)	0.62	(0.11)
Distributions:					
Return of capital	(0.14)	(0.14)	(0.27)	(0.27)	(0.36)
Total Distributions ^{(1) (3)}	(0.14)	(0.14)	(0.27)	(0.27)	(0.36)
Net Assets, end of period ⁽⁴⁾⁽⁵⁾	\$3.30	\$2.96	\$3.58	\$5.27	\$4.89

⁽¹⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time.

⁽²⁾ The increase (decrease) in Net Assets from operations per unit is based on the weighted average number of units outstanding over the fiscal period.

⁽³⁾ The percentages used to allocate distributions among income, dividends, capital gains and return on capital are based on the Fund's tax return.

⁽⁴⁾ This is not intended to be reconciliation between the opening and closing Net Assets balances.

⁽⁵⁾ The Fund adopted International Financial Reporting Standards ("IFRS") commencing January 1, 2014. Information for periods prior to January 1, 2013 continues to be reported under Canadian GAAP.

Ratios and Supplemental Data	2016	2015	2014	2013	2012
Net Assets (000s)	8,826	9,716	14,818	29,866	36,921
Number of units outstanding (in 000s)	2,672	3,280	4,138	5,671	7,543
Consolidated (Fund and O&G Trust) MER ⁽¹⁾	3.46%	2.46%	2.67%	2.13%	1.98%
Trading expense ratio ⁽²⁾	0.30%	0.29%	0.31%	0.31%	0.41%
Portfolio turnover rate ⁽³⁾	27.03%	29.18%	34.83%	28.27%	20.95%
Net Assets Value ⁽⁴⁾	\$3.30	\$2.96	\$3.58	\$5.27	\$4.89
Closing Market price	\$3.28	\$2.81	\$ 3.47	\$ 5.10	\$ 4.65

⁽¹⁾ MER is based on the requirements of NI 81-106 and includes the total expenses (excluding commissions and other portfolio transaction cost) of the Fund for the stated period, including interest expense and issuance costs, if applicable, and is expressed as an annualized percentage of daily average net asset value during the period.

⁽²⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

⁽³⁾ The Fund's turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund's buying and selling all of the securities (including fixed income) in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Fund.

⁽⁴⁾ The Fund adopted International Financial Reporting Standards ("IFRS") commencing January 1, 2014. Information for periods prior to January 1, 2013 continues to be reported under Canadian GAAP.

SUMMARY OF INVESTMENT PORTFOLIO AS OF DECEMBER 31, 2016

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available at www.astonhill.ca and at www.sedar.com.

Investment portfolio of Aston Hill Advantage Oil & Gas Income Fund

As at December 31, 2016

Portfolio by Category	
Sector Allocation	% of NAV
Prepaid Forward Agreement	100.6%
Cash	0.9%
Net Other Assets (Liabilities)	(1.5%)
Total	100.0%
Top 25 Holdings	
Security Name	% of NAV
Prepaid Forward Agreement	100.6%
Cash	0.9%
Total Net asset value (NAV):	\$8,825,593

The Fund obtained exposure to the performance of the portfolio held by O&G Trust through the Forward Agreement (see Investment Objectives and Strategies). The following is the summary of investment portfolio for O&G Trust as of December 31, 2016:

Investment portfolio of Aston Hill O&G Trust

As at December 31, 2016

Portfolio by Category	
Sector Allocation	% of NAV
Oil and Gas	70.1%
Materials	16.2%
Cash	10.3%
Utilities	2.6%
Capital Goods	0.8%
Net Other Assets (Liabilities)	0.0%
Total	100.0%
Top 25 Holdings	
Security Name	% of NAV
Cash	10.3%
Enerplus Corp.	7.2%
Devon Energy Corp.	6.2%
EOG Resources Inc.	6.1%
US Silica Holdings Inc.	5.1%
Williams Cos Inc.	4.7%
Hess Corp.	4.5%
Pioneer Natural Resources Co.	4.1%
TransCanada Corp.	4.1%
Halliburton Co.	3.3%
Hi-Crush Partners LP	3.0%
Athabasca Oil Corp.	2.8%
Range Resources Corp.	2.8%
Northland Power Inc.	2.6%
Eastman Chemical Co.	2.6%
Apache Corp.	2.6%
Canfor Corp.	2.6%
Oasis Petroleum Inc.	2.3%
Platform Specialty Products Corp.	2.2%
TETRA Technologies Inc.	1.9%
Boise Cascade Co.	1.9%
Nabors Industries Ltd.	1.9%
Cabot Oil & Gas Corp.	1.6%
Independence Contract Drilling Inc.	1.5%
Cenovus Energy Inc.	1.4%
Total Net asset value (NAV):	\$8,879,172