

**ASTON HILL ADVANTAGE OIL & GAS INCOME FUND**

**ANNUAL INFORMATION FORM**

**Units**

**FINANCIAL YEAR ENDED  
DECEMBER 31, 2015**

**March 30, 2016**

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 O&G Trust.....	9
1.1.3 General .....	9
2.0 INVESTMENT RESTRICTIONS .....	9
3.0 DESCRIPTION OF SECURITIES .....	10
3.1 The Units .....	10
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 of O&G Trust.....	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
9.0 CONFLICTS OF INTEREST .....	21
9.1 Principal Holders of Securities .....	21
9.2 Securities Held by Members of the Independent Review Committee .....	22
10.0 FUND GOVERNANCE .....	22
10.1 Composition of the Independent Review Committee.....	23
10.2 Proxy Voting Policy .....	23
10.3 Use of Derivatives .....	24
10.4 Securities Lending .....	24
10.5 Short-Term Trades.....	24
11.0 INCOME TAX CONSIDERATIONS .....	25
11.1 Taxation of the Fund.....	26
11.2 Taxation of Unitholders .....	26
12.0 REMUNERATION OF DIRECTORS, OFFICERS, IRC AND TRUSTEES .....	27
13.0 MATERIAL CONTRACTS .....	28
13.1 Forward Agreement .....	28
14.0 OTHER MATERIAL INFORMATION .....	29
14.1 Risk Factors.....	29
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.

“**Annual Redemption Amount**” means a redemption price per Unit surrendered for redemption on the Annual Redemption Date that is equal to 100% of the Net Asset Value per Unit minus costs associated with the redemption, including brokerage costs.

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

“**Annual Redemption Payment Date**” means 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.

“**Aston Hill**” means Aston Hill Asset Management Inc.

“**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.

“**Closing Market Price**” means the closing price of the Units on the TSX (or such other stock exchange on which the Units are listed, if the Units are no longer listed on the TSX) 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 Units on the TSX (or such other stock exchange on which the Units are listed, if the Units are no longer listed on the TSX).

“**Counterparty**” means The Royal Bank of Canada in its capacity as counterparty under the Forward Agreement and/or such other Canadian financial institutions 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 master custodian agreement between the Custodian and the Manager dated November 18, 2011, as it may be amended from time to time.

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

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

“**Early Termination**” means the termination of the Forward Agreement before the Scheduled Forward Termination Date, 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<sup>2</sup>/<sub>3</sub>% 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 between the Fund and the Counterparty, with respect to the Portfolio as of June 19, 2008.

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

“**Fund**” means Aston Hill Advantage Oil & Gas Income 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.

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

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

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

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

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

“**Management Agreement**” means the amended and restated management agreement dated as of June 19, 2008 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 Aston Hill Asset Management Inc.

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

“**Monthly Redemption Amount**” means a redemption price per Unit surrendered for redemption on a Monthly Redemption Date that is equal to the lesser of:

- (A) 94% of the Market Price of the Units, and
- (B) 100% of the Closing Market Price of the Units on the applicable Monthly Redemption Date,

minus in each case any costs associated with the redemption, including brokerage costs.

“**Monthly Redemption Date**” means the second last Business Day of any month, excluding the month of August 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 the net asset value of the Fund, as determined in accordance with the Declaration of Trust as described in section 5.0 of this Annual Information Form.

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

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

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

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

exceed the aggregate of:

- (ii) the capital losses incurred by the Fund in the taxation year;
- (iii) the unapplied capital losses incurred by the Fund in the preceding taxation years, to the extent that they may be, and are applied against capital gains realized by the Fund in the taxation year; and

- (iv) any Net Loss of the Fund for the year and if the Trustee so determines, any unapplied non-capital losses (as defined in the Income Tax Act) of the Fund for preceding years of the Fund, in each case multiplied by the reciprocal of the applicable fraction in paragraph 38(a) of the Income Tax Act.

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

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

“**O&G Declaration of Trust**” means the declaration of trust for O&G Trust, dated as of June 19, 2008 as it may be amended and amended and restated from time to time, as described in section 1.1 of this Annual Information Form.

“**O&G Portfolio**” means the portfolio of securities held by Aston Hill O&G Trust.

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

“**Oil & Gas Issuers**” means an issuer where the principal underlying business is the production and sale of oil and/or natural gas and includes but is not limited to oil and gas producers and energy service and pipeline entities.

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

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

“**Redemption Date**” means an Annual Redemption Date or a Monthly Redemption Date, as the case may be.

“**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.

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

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

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

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

“**Valuation Date**” means, at a minimum, Thursday of each week, or if any Thursday is not a Business Day, the immediately preceding Business Day, and 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 Oil & Gas Income Fund is a closed-end investment trust with a registered office located at 77 King Street West, Suite 2110, P.O. Box 92, Toronto-Dominion Centre, Toronto, Ontario, M5K 1G8. The Fund was established under the laws of the Province of Ontario pursuant to a declaration of trust dated January 26, 2005. Material amendments to the declaration of trust included: (a) an amendment dated as of December 20, 2006 to amend the Forward Agreement to a prepaid structure; (b) an amendment dated as of June 19, 2008 which included: (i) setting the distribution policy of the Fund, with distribution rates to be determined by the Manager from time to time; (ii) amending the redemption provisions to move forward, on a permanent basis, the annual redemption date to the second last Business Day in August; (iii) amending the name of the Fund from “Brompton Advantaged Equal Weight Oil & Gas Income Fund” to “Brompton Advantaged Oil & Gas Income Fund”; and (iv) effecting certain administrative changes to improve operating efficiency; and (c) an amendment dated September 9, 2011 which changed the name of the Fund from “Brompton Advantaged Oil & Gas Income Fund” to “Aston Hill Advantage Oil & Gas Income Fund”.

### **1.1 Declaration of Trust**

#### **1.1.1 Investment Objectives**

The Investment Objectives of the Fund are to provide Unitholders with the benefits of high monthly tax advantaged distributions and the opportunity for capital appreciation based on the performance of the O&G Portfolio. To achieve exposure to the O&G Portfolio, the Fund has entered into the Forward Agreement with the Counterparty. The Fund used the existing assets in the Portfolio for the pre-payment of 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 O&G Trust, net of any amount owing by the Fund to the Counterparty.

#### **1.1.2 Investment Strategy of O&G Trust**

O&G Trust seeks to achieve its investment objectives by investing in an actively managed portfolio of oil and gas securities, including income trusts, dividend paying common equities and convertible debt of Oil & Gas Issuers. In addition, O&G Trust may invest in special situations, being non-dividend paying equities.

#### **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 Declaration of Trust provides that the Fund will not enter into or maintain a forward agreement or other derivative contract (other than the Forward Agreement or an agreement entered into for the same purpose), unless the Fund holds the Portfolio or other cash cover (within the meaning of National Instrument 81-102 *Mutual Funds* of the Canadian Securities Administrators) in an amount which, together with margin on account of the forward agreement or other derivative and the market value of the forward agreement or derivative, is not less than, on a daily mark-to-market basis, the underlying market exposure of the forward agreement or derivative (being that amount that is equal to the number of securities underlying the forward agreement or derivative multiplied by the current market value of such securities).

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 Fund is authorized to issue an unlimited number of a single class of transferable, redeemable units of beneficial interest, each of which represents an equal undivided interest in the net assets of the Fund. Each Unit entitles the holder to the same rights and obligations as a holder of any other Unit and no holder of Units is entitled to any privilege, priority or preference in relation to any other holder of Units. On the redemption of Units, however, 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. Each holder of Units is entitled to one vote for each whole Unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of Net Income and Net Realized Capital Gains, if any. On termination or liquidation of the Fund, the 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. 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.

### **3.2 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 O&G 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. Provided the Fund makes distributions in each year of its Net Income and Net Realized Capital Gains, and provided the Fund deducts in computing its income the full amount available for deduction in each year, the Fund will not generally be liable for income tax under Part I of the Income Tax Act. In order to ensure this result, the Declaration of Trust provides that, if necessary, an Additional Distribution will be automatically payable in each year to Unitholders of record on December 31. 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 does not have cash in an amount sufficient to pay the full amount of the Additional Distribution such Additional Distribution may, at the option of the Manager, be satisfied by the issuance of additional Units having a value equal to the cash shortfall. Following such issue of additional Units, the outstanding Units of the Fund will be automatically consolidated on a basis such that the number of consolidated Units (before giving effect to any redemption of Units on such date) is equal to the number of Units outstanding immediately preceding the date of such Additional Distribution, 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; or
- (v) provide added protection or benefit to Unitholders.

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

The Declaration of Trust 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 one 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 issue of Units for net proceeds per Unit less than the most recently calculated Net Asset Value per Unit prior to the date of the setting of the subscription price by the Fund;
- (vii) any change in the frequency of calculating Net Asset Value per Unit to less often than weekly;
- (viii) the sale of all or substantially all of the assets of the Fund other than in the ordinary course;
- (ix) any merger, arrangement or similar transaction other than in the ordinary course;
- (x) any liquidation, dissolution or termination of the Fund except if it is determined by the Manager, in its sole discretion, to be in the best interest of the Unitholders or otherwise in accordance with the terms of the Declaration of Trust; and

- (xi) any amendment to the above provisions except as permitted by the Declaration of Trust.

### 3.4 Termination of the Fund

Pursuant to the Declaration of Trust, the Fund will terminate on the earlier of June 29, 2028, and the date specified in an Extraordinary Resolution of Unitholders calling for the termination of the Fund or an alternative to termination is approved by way of 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, 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. Following such distribution, the Declaration of Trust provides that the Fund will be dissolved.

### 4.0 VALUATION OF PORTFOLIO SECURITIES

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

- (a) the value of any cash on hand or on deposit, bill, demand note, account receivable, prepaid expense, distribution, dividend or other amount receivable (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the Total Assets are being determined, and to be received) and interest accrued and not yet received shall be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable, prepaid expense, distribution, dividend or other amount receivable (or declared to holders of record of securities owned by the Fund on a date before the Valuation Date as of which the Total Assets are being determined, and to be received) or interest accrued and not yet received is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Manager determines to be the fair market value thereof;

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

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

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

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

Pursuant to the Declaration of Trust, the Net Asset Value per Unit on any Valuation Date shall be calculated by dividing the Net Asset Value on such Valuation Date (calculated by subtracting the aggregate amount of the Fund’s liabilities from the Total Assets) by the total number of Units outstanding on such Valuation Date (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 Units are listed for trading on the TSX under the symbol AOG.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 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 equal to

the Monthly Redemption Amount and payment will be made on or before the tenth Business Day of the subsequent month.

## **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 July. 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 of the redemption price will be made on or before the tenth Business Day of the subsequent month.

## **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 July 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 Oil & Gas Issuers held by the O&G Portfolio (by value) are listed and traded; or (b) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund. The suspension may apply to all requests for redemption received prior to the suspension, but 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 and its website address is www.astonhill.ca. The Manager is registered with the Ontario Securities Commission as an exempt market dealer, portfolio manager and investment fund manager.

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 O&G 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 which in aggregate is equal to 0.90% per annum of the Net Asset Value of the Fund, calculated and payable monthly in arrears, plus applicable taxes.

#### **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 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 0.40% per annum of the Net Asset Value of the Fund represented by the Units held at the end of the relevant quarter by clients of dealers, plus applicable taxes.

### **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. The Management Agreement may also be terminated by the Trustee on behalf of the Fund:

- at any time on 30 days written notice to the Manager in the event of the persistent failure of the Manager to perform its duties and discharge its obligations under the Management Agreement, or the continuing malfeasance or misfeasance of the Manager in the performance of its duties under the Management Agreement;
- at any time on 10 days written notice to the Manager for an uncured material breach of the Management Agreement by the Manager following written notice of such breach by the Trustee;
- immediately in the event of the commission by the Manager of any fraudulent act; and
- automatically, if the Manager becomes bankrupt, insolvent or makes a general assignment for the benefit of its creditors.

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

### **8.1.4 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 of Residence</b>	<b>Position with the Manager</b>	<b>Principal Occupation During Last Five Years</b>
James Werry Toronto, Ontario	CEO and Director	CEO and Director since February, 2016; CEO, President and Director of Aston Hill Financial Inc. since February, 2016; prior thereto, Chairman of the Board of Governance for CI Investments Inc. since September, 2011; CEO of Manitou Investment Management Ltd. since February, 2013; CEO of Myca Health Inc. since November, 2011; prior thereto, member of the Board of Directors of GMP Insurance Inc. from April, 2007 to May, 2011.
Derek L. Slemko Calgary, Alberta	President, COO and Director	President, COO and Director since December 31, 2015; prior thereto, Interim Chief Financial Officer since August 1, 2015; prior thereto, Senior Vice-President, Finance and Business Development, Aston Hill Financial Inc. from June, 2012 to August, 2015; prior thereto, Vice President Business Development, Aston Hill Financial Inc. from September, 2006 to June, 2012.
Benedict G. Cheng Toronto, Ontario	Chief Investment Officer	Chief Investment officer since July, 2015, prior thereto, President, Aston Hill Financial Inc. from December 2006 to February, 2016; Co-Chief Investment Officer, the Manager, from January, 2012 to July, 2015.
Sasha Rnjak Woodbridge, Ontario	Vice President, Fund Operations, Chief Compliance Officer and Secretary	Vice President, Fund Operations and CCO, the Manager, since September, 2013; Secretary, the Manager, since August, 2013; Chief Compliance Officer, the Manager, since April 2011; prior thereto, Compliance Manager, CI Investments Inc., since September, 2007.
Andrew LB Hamlin Toronto, Ontario	Vice President and Portfolio Manager	Vice President and Portfolio Manager, the Manager, since May 2007.
Alexander (Sandy) Liang Toronto, Ontario	President and CEO, AHF Capital Partners Inc.	President and CEO, AHF Capital Partners Inc., since March, 2013; prior thereto, Vice President and Portfolio Manager, the Manager, since October 2011; prior thereto, Portfolio Manager, Cobalt Capital Management, since 2008; prior thereto, Senior Managing Director, Bear, Stearns & Co. Inc., since 2000.
John Kim Toronto, Ontario	Vice President and Portfolio Manager	Vice President and Portfolio Manager, the Manager, since April 2014.
Vivian Lo Etobicoke, Ontario	Vice President and Portfolio Manager	Vice President and Portfolio Manager, the Manager, since February 2010; prior thereto, Senior Equity Analyst since January 2007.
Kal Zakarneh Toronto, Ontario	CFO and Director	CFO and Director since March, 2016; prior thereto, Vice President, Fund Accounting Controller since December, 2013; prior thereto, Fund Accounting Controller at Connor, Clark & Lunn Financial Group since May, 2005.
Hanley Mathew Burlington, Ontario	Vice President, Operations	Vice President, Operations since September, 2015; prior thereto, Senior Manager, Client Service, Russell Investments Canada since June 2011; prior thereto Manager, Operations, Russell Investments Canada since September 2001

### **8.1.5 Independent Review Committee**

On behalf of the Fund, the Manager maintains an independent review committee (the “IRC”) in accordance with the requirements of NI 81-107. NI 81-107 imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters (the “Policies”), to

maintain records in respect of these matters and to provide assistance to the IRC in carrying out its functions. The Policies have been adopted by the Manager and the IRC.

The IRC must be comprised of a minimum of three independent members and is required to conduct regular assessments and provide reports to the Manager and to Shareholders in respect of its functions. The report prepared by the IRC is available on the Manager's website ([www.astonhill.ca](http://www.astonhill.ca)), or on request at no cost, by contacting the Manager 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 current members of the IRC are Mr. John Crow, Mr. Robert Falconer, Mr. C. Scott Browning and Mr. Joseph Wright (joined August 15, 2013). The IRC has adopted a written charter that sets forth its mandate, responsibilities and functions and the policies and procedures it follows when performing its functions. The IRC reviews all conflict of interest matters referred to it by the Manager and makes recommendations on whether a course of action achieves a fair and reasonable result for the Fund. Only upon making such a determination will the IRC recommend to the Manager that the transaction proceed.

The IRC also reviews and assesses the adequacy and effectiveness of the Policies, of any standing instruction the IRC may have provided to the Manager, and the Fund's compliance with any conditions which the IRC may have imposed in a recommendation or approval which it may have provided to the Manager, and of any subcommittee to which the IRC may have delegated any of its functions.

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

The report prepared by the IRC is available on the Manager's website ([www.astonhill.ca](http://www.astonhill.ca)), 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.

## **8.2 Portfolio Manager of O&G Trust**

The Manager is the portfolio manager of O&G Trust. Prior to February 8, 2012, Manulife Asset Management Limited was the portfolio manager to the O&G Trust.

### **8.2.1 Principal Portfolio Advisor**

The principal portfolio advisor of the Manager who is responsible for the investment management of O&G Trust is as follows:

<b>Name</b>	<b>Length of Service and Experience in the Past 5 Years</b>
JOHN KIM Toronto, Ontario	Vice President and Portfolio Manager, the Manager, since April, 2014.

Mr. Kim 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**

Computershare Trust Company of Canada 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 100 University Avenue, 11th Floor, Toronto, Ontario M5J 2Y1.

### **8.4 Custodian**

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

#### **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 at any time on 90 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, Calgary, Alberta. The auditors of the Fund can be changed by an Ordinary Resolution of the Unitholders. Computershare Trust Company of Canada is the registrar, transfer agent and distribution agent for the Units. The register and transfer ledger for the Units are kept by the Trustee at its offices located in Toronto.

## **9.0 CONFLICTS OF INTEREST**

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

The Manager is a wholly-owned subsidiary of 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 Manager also acts as manager and trustee of O&G Trust, and the services of the Manager are not exclusive to the Fund. In addition, the directors and officers of the Manager may be directors, officers, shareholders or unitholders of one or more issuers in which the Fund may acquire securities. The Manager or its affiliates may be a manager of one or more issuers in which the Fund may acquire securities and may be managers or administrators of funds with investment objectives similar to 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 Fund. The Board is responsible for the overall stewardship of the business and affairs of 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 believes that the number of directors is appropriate.

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.astonhill.ca](http://www.astonhill.ca). 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 O&G Portfolio by means of the Forward Agreement. The Manager is authorized to exercise all rights and privileges incidental to ownership for the O&G Portfolio. O&G 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 O&G 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 O&G 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 O&G Trust and the potential impact of the vote on the value of O&G 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 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, O&G 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 O&G Trust follows when voting proxies relating to the O&G 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.

O&G 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 O&G Trust's proxy voting record available on the Fund's website at [www.astonhill.ca](http://www.astonhill.ca).

### **10.3 Use of Derivatives**

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

### **10.4 Securities Lending**

In order to generate additional returns, the Declaration of Trust allows the Fund to lend securities to borrowers acceptable to the Fund pursuant to the terms of a securities lending agreement between the Fund and such borrower (a "Securities Lending Agreement"). Under any Securities Lending Agreement: (i) the borrower shall pay a negotiated securities lending fee and will make compensation payments to the Fund equal to any distributions received by the borrower on the securities borrowed; (ii) the securities loans must qualify as "securities lending arrangements" for the purposes of the Income Tax Act; and (iii) the Fund will receive prescribed collateral security, which it may pledge as security under the Forward Agreement. To date the Fund has not entered into any Securities Lending Agreements.

### **10.5 Short-Term Trades**

The Fund's 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 the Units, and (ii) 100% of the Closing Market Price, 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 August, minus any 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 based on the value of the Oil & Gas Issuers held by O&G Trust determined by calculating the weighted average trading price of the units of such Oil & Gas Issuers over the last three Business Days of the month of August in which the Annual Redemption Date occurs; 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. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in the law, whether by way of legislative, governmental or judicial decision or action, nor does it take into account 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. 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. If the obligations of the Fund and the Counterparty under the Forward Agreement are settled by making cash payments, a payment made or received by the Fund may be treated as an income outlay or receipt, as applicable.

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.

The Income Tax Act contains taxation rules that apply to certain flow through entities including certain partnerships and income trusts, referred to as "specified investment flow-throughs" or "SIFTs". The SIFT rules apply a tax at the trust level on distributions of certain income (other than income which is a taxable dividend received by a SIFT trust) from a SIFT trust at a rate of tax comparable to the combined federal and provincial corporate tax rate. Such distributions are treated as taxable dividends to the SIFT trust's unitholders. To the extent that certain income funds in the O&G Portfolio are subject to such tax, their distributions will be reduced and will reduce the amount deliverable to the Fund by the Counterparty under the Forward Agreement.

### **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 of a Unit 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 the Unit. 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 Unit 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 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 may 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, IRC AND TRUSTEES**

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, 2015, members of the IRC were paid the following aggregate compensation: Mr. Crow: \$29,662; Mr. Falconer: \$24,012; Mr. Browning \$24,012 and Mr. Wright \$24,012.

For the year ended December 31, 2015, the Trustee was paid an aggregate amount of \$13,560 on account of its fees and expenses incurred in its capacity as Trustee, transfer agent, registrar and distribution agent of the Fund.

### **13.0 MATERIAL CONTRACTS**

The Fund and/or the Manager, on behalf of the Fund, are party to the Declaration of Trust, the Management Agreement, 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 Counterparty. 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 O&G Trust, net of any amount owing by the Fund to the Counterparty. The amounts deliverable by the Counterparty 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 Counterparty.

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. The option is exercisable by a party on 4 calendar months' notice to the other party.

The Forward Agreement may be terminated by the Counterparty prior to the Scheduled Forward Termination Date in certain circumstances, including: (i) if the Counterparty determines in its sole discretion that it is unable to hedge its position under the Forward Agreement on commercially reasonable terms; (ii) if the Manager ceases to be the manager of the Fund, unless a successor manager acceptable to the Counterparty is approved; and (iii) if at any time the net asset value of O&G Trust falls below \$10 million or 10% of the net asset value as at the date of the Forward Agreement.

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.

#### *Volatility of Oil and Gas Prices*

The operational results and financial condition of some of the oil & gas investments comprising the O&G Portfolio will be dependent upon the prices received for oil and gas production. Oil and gas prices have fluctuated widely during recent years and are affected by supply and demand factors, political events, weather and general economic conditions, among other things. Any decline in oil and gas prices could have an adverse effect on the distributions received (whether directly or indirectly) by O&G Trust from certain oil & gas investments comprising the O&G Portfolio and the value of such oil & gas investments.

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

There is no assurance that the Fund will be able to achieve its Investment Objectives. Furthermore, there is no assurance that the Fund will be able to pay Distributions in the short or long term, nor is there any assurance that the Net Asset Value will be preserved. Changes in the relative weightings between the various types of investment vehicles making up the O&G Portfolio can affect the overall yield to Unitholders. The distributions received by O&G Trust from issuers whose securities are held as investments may vary from month to month and certain of these issuers may pay distributions less frequently than monthly, with the result that revenue generated by the securities included in the O&G Portfolio and available for distribution to Unitholders may vary substantially. To the extent necessary, securities included in the O&G Portfolio will be sold in order that distributions can be paid to Unitholders at the distribution rate then in effect.

#### *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 securities included in the O&G 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 Units.

#### *Counterparty Risk*

In entering into the Forward Agreement, the Fund is exposed to the credit risk associated with the Counterparty. The Counterparty may have relationships with the issuers whose securities are included in the O&G Portfolio which could conflict with the interests of the Fund or O&G Trust. Depending on the value of the O&G 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 the 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 O&G Trust or the Counterparty and the Counterparty is not responsible for the returns of the Canadian Securities Portfolio.

#### *Fluctuation in Value of Fund Investments*

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

#### *Sensitivity to Interest Rates*

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

#### *Trading Price of Units*

Units may trade in the market at a discount to the Net Asset Value per Unit and there can be no assurance that 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 on the applicable 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 Units.

#### *Illiquid Securities*

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

#### *Use of Derivatives*

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

#### *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.

### *Interest Rate and Foreign Exchange Hedging*

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

### *Foreign Currency Exposure*

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

### *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 distributions received by the Fund and/or by the Unitholders.

### *Use of Leverage*

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

### *Loss of Investment*

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

### *Securities Lending*

The Fund and O&G Trust may engage in securities lending. Although the Fund and O&G Trust, as applicable, will receive collateral for the loans and such collateral will be marked-to-market, the Fund and O&G 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.

### *Conflicts of Interest*

The Manager and its directors and officers engage in the promotion, management or investment management of one or more funds or trusts with similar investment objectives to those of the Fund.



Although none of the directors or officers of the Manager or 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.

#### *Composition of Fund Investments*

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

#### *Reliance on the Manager*

The Manager will manage the O&G Portfolio in a manner consistent with the investment objectives, investment strategy and investment restrictions of O&G Trust. The officers of the Manager who will be primarily responsible for the management of the O&G Portfolio have extensive experience in managing investment portfolios, however there is no certainty that such individuals will continue to be employees of the Manager until the termination of O&G Trust.

#### *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.

#### *Not a Trust Company*

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

#### *Nature of the Units*

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

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

## *General Risks of Investing in Equity Securities*

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

### **14.2 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 OIL & GAS INCOME FUND**

Manager: Aston Hill Asset Management Inc.  
Address: 77 King Street West, Suite 2110, P.O. Box 92, Toronto-Dominion Centre, Toronto,  
Ontario M5K 1G8  
Telephone: (416) 583-2300  
Fax: (416) 861-9749  
Website: [www.astonhill.ca](http://www.astonhill.ca)

### **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.astonhill.ca](http://www.astonhill.ca) or on SEDAR at [www.sedar.com](http://www.sedar.com).