



Aston Hill MBB Trust

Annual Management Report of Fund Performance

December 31, 2016

MANAGEMENT REPORT OF FUND PERFORMANCE

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

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

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

THE FUND

Aston Hill MBB Trust is a closed-end investment trust that is managed by LOGiQ Asset Management Ltd. (the “Manager”).

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

INVESTMENT OBJECTIVES AND STRATEGIES

The investment objectives of the Fund are to provide unitholders with the benefits of attractive distributions together with the opportunity for capital appreciation. The Fund seeks to achieve its investment objectives by investing the Fund property in an actively managed portfolio consisting primarily of North American corporate bonds managed by the Manager and, at the discretion of the Manager, by selling short government bonds with an aggregate sales price up to one-third of the total assets and investing the proceeds in additional corporate bonds.

RISK

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

RESULTS OF OPERATIONS

Caution regarding forward-looking statements

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

Manager Commentary

The NAV of the Fund had a positive return in 2016 with a 7.8% total return. The high yield portion of the Fund was robust (60% of the portfolio) while investment-grade corporate debt lagged as interest rates rose. The Fund is at around its maximum weighting for high yield corporate debt.

In the post-U.S. election investment world we believe one of the most important investment themes has been the rapid rise in longer term interest rates not just in the U.S. but globally. The Fund is positioned for rising rates with an underweight position in interest-sensitive BB-rated bonds and targeted investments in industries that should benefit from deregulation and infrastructure spending including financial services, engineering & construction.

Since the upset election result in the U.S. long-term interest rates have marched higher with the U.S. 10-year yield reaching its highest level since early-2014, to 2.60% up from a low of 1.36%, and settling back down in the 2.3% area. Our sense is that this is finally the longer term bottoming for bond yields that has been anticipated every year since after the Credit Crisis. Our rationale is that inflation measures are up off the bottom including U.S. PPI, CPI and wage inflation, as well as the inflation rate discounted in inflation-protected bonds. The U.S. economy appears to be at full employment which will likely result in further wage inflation. At the same time there appears to be a sea change in the global

preponderance toward fiscal spending and budget deficits (the opposite of austerity) because when interest rates are close to zero it makes sense for governments to borrow. While we are not making a short-term call on long term interest rates we believe that the coming 12-24 month period will mark the end of the secular bull market in long bonds that has been in place since the 1980s.

With rates rising we see opportunity in the high yield debt market overall, because if long-term rates are rising it usually means that corporate credit quality is improving. In historical instances of the U.S. 10-year government yield rising more than 1% the high yield bond market has outperformed investment-grade corporate debt more than 90% of the time.

With respect to corporate credit quality, in the post-election world there has been an uptick in U.S. economic growth expectations which is a positive. Leading indicators such as consumer sentiment (U. of Michigan survey), small business sentiment (NFIB survey) and overall employment have been strong. Purchase mortgage applications, a leading indicator for the housing, repair and renovation sectors, continue to be robust even as 30-year mortgage rates have increased slightly. The rate at which high yield bond issuers default has recently been 3.6% (source: JP Morgan) which is in line with historical averages compared with default rates during an expansionary periods. Excluding energy and metals/mining (coal) defaults however, the overall default rate is 80 basis points. During recessions, default rates can be as high as 10% to the low-teens which was the case in 2000 and post-Credit Crisis. While the current economic expansion has been longer than average do not foresee a recession on the horizon for the next 24 months at least, which is favorable for returns on corporate debt.

Capital transactions

There were 570,366 units redeemed for the total value of \$4,786,000 during the year ended December 31, 2016 (339,985 units redeemed for the value of \$3,164,000 during the year ended December 31, 2015).

LEVERAGE

As part of its investment strategy, the Fund employs leverage by short selling government bonds and investing its proceeds in corporate bonds, as the Portfolio Manager believes government bonds are overvalued in relation to corporate bonds. Incorporating short sales also enhances the portfolio yield and allows the Fund to offset some or all of the interest rate risk on that portion of the portfolio. As at December 31, 2016, the Fund had net realized and unrealized gain of \$26,240 from short sales (loss of \$0.18 million in 2015).

DISTRIBUTIONS

For the year ended December 31, 2016, the Fund has paid distributions of \$0.85 per unit (\$0.89 in 2015). Since the inception on April 23, 2009 (commencement of operations), the Fund has distributed \$8.64 per unit.

RECOMMENDATIONS OR REPORTS BY THE INDEPENDENT REVIEW COMMITTEE

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

RELATED PARTY TRANSACTIONS

Aston Hill Advantage Bond Fund is the top fund, which is exposed to the portfolio held by the Fund through a forward agreement.

Management Fees

The Manager receives a management fee from the Fund and Aston Hill Advantage Bond Fund equal in the aggregate to 0.75% per annum of the total assets of the Fund, calculated and payable monthly in arrears, plus applicable taxes. The portion of the fee paid by the Fund equals 0.35% per annum.

For the year ended December 31, 2016, the management fee amounted to \$43,396 (for the year ended December 31, 2015- \$71,482). The Fund is responsible for all other operating expenses incurred in connection with its operation and administration, such as custodian, valuation, reporting, audit and legal fees.

Administration Fees

The Manager allocates back to the Fund a portion of the cost of individuals who have spent time working on the operations and oversight of the Fund.

The Fund's Administration Fees is paid through its top fund Aston Hill Advantage Bond Fund.

IRC Fee

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

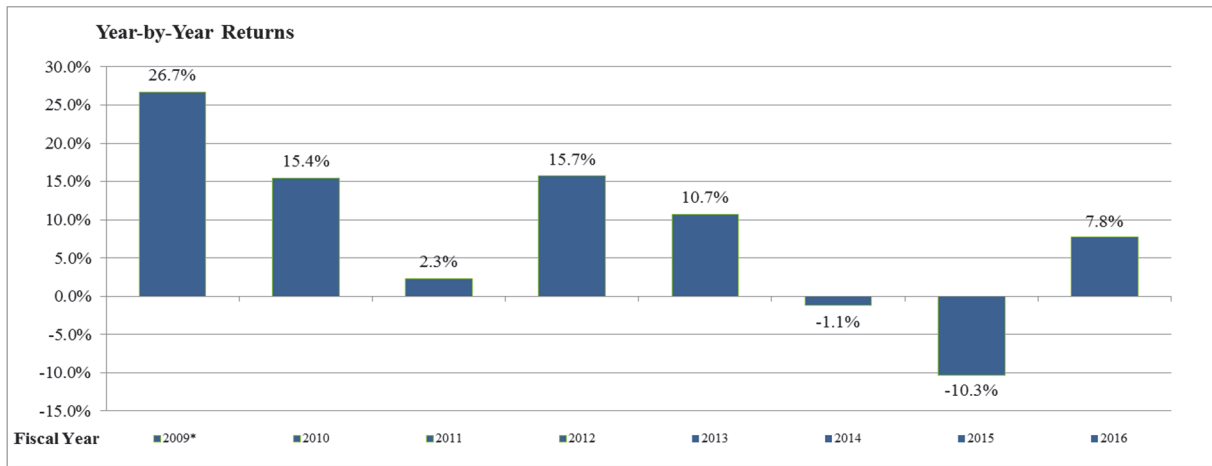
The IRC members each receive \$15,000 per annum (\$20,000 for the Chairman) plus \$1,250 per meeting for acting in such capacity and are also

reimbursed for expenses in connection with performing their duties. These fees and expense reimbursements are allocated across investment funds that are managed by the Manager in a manner that is fair and reasonable.

The Fund’s IRC fee is paid through its top fund Aston Hill Advantage Bond Fund.

PAST PERFORMANCE

The following bar charts and table show the Fund’s annual performance by showing annual returns by fiscal year and annualized compound returns from inception assuming all the distributions made by the Fund during the years shown were reinvested. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance. The bar charts show, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period. Past performance is not necessarily indicative of future performance. The Blended Benchmark is comprised 30% of the Dex all Corp Index, 20% of the Merrill Lynch US High Yield Master II Index and 50% of the Merrill Lynch US Corporate Index.



* Period from April 23, 2009 (commencement of operations) to December 31, 2009

Annual Compound Returns

| | 1-Year | 3-Year | 5-Year | 7-Year | Since Inception ⁽¹⁾ |
|----------------------------------|--------|---------|--------|--------|--------------------------------|
| Aston Hill MBB Trust | 7.77% | (1.49%) | 4.13% | 5.40% | 8.17% |
| Blended Benchmark | 4.39% | 11.51% | 9.54% | 8.94% | 8.71% |
| DEX Universe All-Corporate Index | 3.72% | 4.65% | 4.18% | 5.20% | 6.16% |

(1) Period from April 23, 2009 (commencement of operations) to December 31, 2016

FINANCIAL HIGHLIGHTS

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

Net Assets per Unit

| | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---------------|---------------|---------------|---------------|---------------|
| Net Assets, beginning of period ⁽¹⁾ | 8.66 | 10.57 | 11.56 | 11.47 | 10.73 |
| Increase (decrease) from operations: | | | | | |
| Total revenues | 0.69 | 0.82 | 1.00 | 1.09 | 0.91 |
| Total expenses | (0.07) | (0.08) | (0.19) | (0.21) | (0.20) |
| Realized gains (losses) for the period | 0.36 | (0.87) | (0.36) | 0.20 | 0.11 |
| Unrealized gains (losses) for the period | (0.40) | (0.81) | (0.40) | 0.07 | 0.82 |
| Total increase (decrease) from operations ⁽²⁾ | 0.58 | (0.94) | 0.05 | 1.14 | 1.64 |
| Distributions: | | | | | |
| Cash distributions: | | | | | |
| From net investment income | (0.85) | (0.89) | (0.97) | (1.08) | (0.94) |
| Unit distributions: | | | | | |
| From net investment income | – | – | – | (0.22) | (0.77) |
| Total Distributions ⁽¹⁾⁽³⁾ | (0.85) | (0.89) | (0.97) | (1.30) | (1.71) |
| Net Assets, end of period ⁽⁴⁾⁽⁵⁾ | 8.37 | 8.66 | 10.57 | 11.56 | 11.47 |

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

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

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

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

⁽⁵⁾ The Fund adopted International Financial Reporting Standards ("IFRS") commencing January 1, 2014. This information for the period up to December 31, 2012 is presented under Canadian GAAP.

| Ratios and Supplemental Data | 2016 | 2015 | 2014 ⁽⁵⁾ | 2013 ⁽⁵⁾ | 2012 |
|---|--------|--------|---------------------|---------------------|---------|
| Net Assets (000s) | 4,975 | 10,088 | 15,906 | 20,171 | 26,344 |
| Number of units outstanding (in 000s) | 594 | 1,165 | 1,505 | 1,745 | 2,296 |
| Base management expense ratio ⁽¹⁾ | 1.00% | 0.82% | 0.84% | 1.68% | 1.68% |
| Management expense ratio ("MER") ⁽²⁾ | 1.09% | 1.39% | 1.70% | 1.76% | 1.76% |
| Trading expense ratio ⁽³⁾ | - | - | - | - | - |
| Portfolio turnover rate ⁽⁴⁾ | 48.77% | 48.88% | 34.82% | 58.94% | 123.41% |
| Net Assets per unit ⁽⁵⁾ | 8.37 | 8.66 | 10.57 | 11.56 | 11.47 |

⁽¹⁾ A separate base management expense ratio is presented to exclude interest expenses and issuance cost.

⁽²⁾ MER is based on the requirements of NI 81-106 and includes the total expenses (excluding commissions and other portfolio transaction cost) of the Fund for the stated period, including interest expense and issuance costs, if applicable, and is expressed as an annualized percentage of daily average net asset value during the period.

⁽³⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

⁽⁴⁾ The Fund's turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund's buying and selling all of the securities (including fixed income) in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Fund.

⁽⁵⁾ The Fund adopted International Financial Reporting Standards ("IFRS") commencing January 1, 2014. This information for the period up to December 31, 2012 is presented under Canadian GAAP.

SUMMARY OF INVESTMENT PORTFOLIO AS OF DECEMBER 31, 2016

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

| <i>Investment portfolio of Aston Hill MBB Trust</i> | | | |
|---|------------------|-------------------|--------------------|
| | Coupon Rate % | Maturity date | % of Net assets |
| Portfolio by Category | | | |
| Foreign Corporate Bonds | | | 67.6% |
| Canadian Corporate Bonds | | | 38.9% |
| Cash | | | 9.8% |
| Canadian Government Bonds - Long | | | 2.5% |
| Net other Assets (Liabilities) | | | 1.0% |
| Foreign Currency Forward Contracts | | | (0.1%) |
| Canadian Government Bonds - Short | | | (19.7%) |
| Total | | | 100.0% |
| Top 25 Holdings⁽¹⁾ | | | |
| Long Positions | | | |
| Republic Services Inc. | 3.800% | May 15, 2018 | 13.9% |
| Michael Baker International LLC | 8.250% | October 15, 2018 | 13.3% |
| BI-LO LLC | 9.250% | February 15, 2019 | 11.5% |
| Enova International Inc. | 9.750% | June 1, 2021 | 10.8% |
| Athabasca Oil Corp. | 7.500% | November 19, 2017 | 10.0% |
| Cash | | | 9.8% |
| VistaJet Malta Finance PLC | 7.750% | June 1, 2020 | 9.4% |
| NYX Gaming Group Ltd. | 10.000% | December 31, 2019 | 8.8% |
| Genworth MI Canada Inc. | 5.680% | June 15, 2020 | 8.7% |
| Bell Canada | 7.650% | December 30, 2031 | 8.6% |
| Golf Town Canada Inc. | 0.000% | July 24, 2018 | 6.6% |
| Cameco Corp. | 5.670% | September 2, 2019 | 4.3% |
| Canadian Government Bond | 4.000% | June 1, 2041 | 2.5% |
| Royal Bank of Canada | 4.930% | July 16, 2025 | 0.6% |
| Short Positions | | | |
| Canadian Government Bond | 1.500% | June 1, 2026 | (19.7%) |
| Net assets | | | \$4,975,156 |

⁽¹⁾ There are less than 25 holdings in the Fund.