Aston Hill AVIP Trust

Management Responsibility Statement

The accompanying financial statements of Aston Hill AVIP Trust (the "Fund") have been prepared by Aston Hill Asset Management Inc. (the "Manager") and approved by the Board of Directors of the Manager. The Manager is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Fund are described in note 2 to the financial statements.

The Board of Directors of the Manager is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements.

The Manager, with the approval of its Board of Directors, has appointed the external firm of PricewaterhouseCoopers LLP as the auditors of the Fund. They have audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements.

Michael J. Killeen
President
Aston Hill Asset Management Inc.

Larry W. Titley
Chief Financial Officer
Aston Hill Asset Management Inc.

March 25, 2013

Independent Auditor's Report

To the Unitholders of Aston Hill AVIP Trust (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statement of investment portfolio as at December 31, 2012, the statements of net assets as at December 31, 2012 and 2011 and the statements of operations and deficit, cash flows and changes in net assets for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2012 and 2011 and the results of its operations, its cash flows and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta

March 25, 2013

Statements of Net Assets

As at December 31	2012	2011
Assets		(note 4)
Investments, at fair value[1]	**$ 119,624,140**	$ 120,517,252
Cash and short-term investments	**8,475,159**	15,346,390
Unrealized gain on foreign currency forward contracts (note 9)	**201,558**	—
Accounts receivable for investments sold	**22,077**	480,202
Income receivable	**1,219,436**	901,320
Total assets	**129,542,370**	137,245,164
Liabilities		
Unrealized loss on foreign currency forward contracts (note 9)	**—**	109,547
Accounts payable for investments purchased	**335,635**	31,339
Accounts payable and accrued liabilities	**50,850**	56,486
Total liabilities	**386,485**	197,372
Unitholders' equity		
Unitholders' capital (note 4)	**122,124,052**	131,835,318
Contributed surplus (note 4)	**51,080,563**	49,248,282
Deficit	**(44,048,730)**	(44,035,808)
Net Assets representing unitholders' equity	**$ 129,155,885**	$ 137,047,792
Units outstanding (note 4)	**13,313,921**	14,157,979
Net Assets per unit (note 3)	**$ 9.70**	$ 9.68

(1) Investments, at fair value, exclude the value of derivative contracts which are disclosed separately on the Statements of Net Assets.

Approved on behalf of the Manager, Aston Hill Asset Management Inc.

Michael J. Killeen
Director

Larry W. Titley
Director

The accompanying notes are an integral part of these financial statements.

Statements of Operations and Deficit

For the years ended December 31	2012	2011
Income		(note 4)
Dividends	**$ 3,383,176**	$ 3,701,700
Securities lending income (note 10)	**18,732**	33,045
Interest income	**2,780,442**	2,837,268
	6,182,350	6,572,013
Expenses		
Management fees (note 7)	**390,542**	443,889
Audit fees	**8,088**	12,093
Custodial fees	**23,167**	30,586
Other administrative expenses	**28,096**	20,421
Interest and bank charges (note 11)	**70,657**	62,435
	520,550	569,424
Net investment income	**5,661,800**	6,002,589
Net realized gain on investments (note 8)	**4,393,022**	8,947,149
Net realized loss on foreign currency transactions	**(56,366)**	(32,867)
Transaction costs	**(149,781)**	(240,612)
Net realized gain on foreign currency forward contracts	**731,454**	786,535
Net change in unrealized gain (loss) on investments	**5,115,015**	(11,829,263)
Net change in unrealized gain (loss) on foreign currency forward contracts (note 9)	**311,105**	(1,137,698)
Increase in Net Assets from operations	**16,006,249**	2,495,833
Deficit, beginning of year	**(44,035,808)**	(41,364,140)
Distributions to unitholders (note 6)	**(16,019,171)**	(5,170,501)
Deficit, end of year	**$ (44,048,730)**	$ (44,035,808)
Increase in Net Assets from operations per unit[1]	**$ 1.15**	$ 0.17

[1] Based on the weighted average number of units outstanding for the year (note 4).

The accompanying notes are an integral part of these financial statements.

Statements of Cash Flows

For the years ended December 31	2012	2011
Cash flows from operating activities:		
Increase in Net Assets from operations	**$ 16,006,249**	$ 2,495,833
Adjustments to reconcile net cash provided by operations		
Net realized gain on sale of investments	**(4,393,022)**	(8,947,149)
Net change in unrealized (gain) loss on investments	**(5,316,520)**	12,104,669
Net change in unrealized (gain) loss on foreign currency forward contracts	**(311,105)**	1,137,698
(Increase) decrease in income receivable	**(318,116)**	509,338
(Decrease) increase in accounts payable and accrued liabilities	**(5,636)**	25,029
Purchase of investments (note 8)	**(108,677,364)**	(90,746,054)
Proceeds from sale of investments (note 8)	**120,042,439**	115,270,066
Cash provided by operating activities	**17,026,925**	31,849,430
Cash flows from financing activities:		
Distributions paid to unitholders (note 6)	**(15,798,156)**	(16,726,292)
Amounts paid for redemption of units	**(8,100,000)**	(11,413,708)
Cash used in financing activities	**(23,898,156)**	(28,140,000)
Net (decrease) increase in cash and short-term investments	**(6,871,231)**	3,709,430
Cash and short-term investments, beginning of year	**15,346,390**	11,636,960
Cash and short-term investments, end of year	**$ 8,475,159**	$ 15,346,390
Supplemental information:		
Interest paid	**$ 4,853**	$ 2,389

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Net Assets

For the years ended December 31	2012	2011
Net Assets, beginning of year	**$ 137,047,792**	$ 162,691,959
Operations:		
Increase in Net Assets from operations	**16,006,249**	2,495,833
Unitholder distributions:		
Distributions to unitholders (note 6)		
From income (excluding dividends)	**(16,019,171)**	(5,170,501)
Return of capital (note 6)	**—**	(11,555,791)
	(16,019,171)	(16,726,292)
Unitholder transactions:		
Reinvested distributions (note 4)	**221,015**	—
Redemption of units (note 4)	**(8,100,000)**	(11,413,708)
	(7,878,985)	(11,413,708)
Net decrease in Net Assets	**(7,891,907)**	(25,644,167)
Net Assets, end of year	**$ 129,155,885**	$ 137,047,792

The accompanying notes are an integral part of these financial statements.

Statement of Investment Portfolio

As at December 31, 2012		Cost (CAD)	Fair Value (CAD)	% of Portfolio
	Equities			
No. of Shares	**Financials**			
34,670	Bank of Nova Scotia	$ 1,866,784	$ 1,990,751	
28,584	Berkshire Hathaway Inc., Cl B	2,267,485	2,555,233	
33,419	Canadian Imperial Bank of Commerce	2,448,138	2,672,517	
14,871	Gluskin Sheff & Associate Inc.	202,543	220,834	
110,405	Great West Lifeco Inc.	2,348,943	2,683,944	
50,435	IGM Financial Inc.	1,937,171	2,097,592	
22,000	Intact Financial Corp.	1,303,425	1,423,180	
34,547	Royal Bank of Canada	1,735,528	2,066,947	
29,932	Trilogy Energy Corp.	748,956	869,225	
	Total Financials	**14,858,973**	**16,580,223**	**13.9%**
	Energy			
18,305	Altagas Ltd.	608,345	613,218	
292,012	Argent Energy Trust, Unit	2,850,785	2,689,430	
37,550	Cenovus Energy Inc.	1,269,090	1,250,040	
55,000	Crescent Point Energy Corp.	2,266,426	2,062,500	
60,788	Freehold Royalty Ltd.	1,141,425	1,353,749	
76,409	Gibson Energy Inc.	1,711,815	1,831,524	
33,000	Shawcor Ltd., Cl A sub-voting	1,291,739	1,284,030	
38,997	Suncor Energy Inc.	1,275,093	1,275,592	
45,581	TransCanada Corporation	1,686,894	2,140,940	
	Total Energy	**14,101,612**	**14,501,023**	**12.1%**
	Consumer Discretionary			
66,600	Dorel Industries Inc.	2,212,073	2,390,940	
45,000	Hudson Bay Co.	765,000	752,400	
62,917	Shaw Communications Inc.	1,276,246	1,435,137	
20,000	Target Corp.	1,252,513	1,178,111	
67,913	Thomson Reuters	1,946,942	1,954,536	
20,173	Tim Horton Inc.	1,016,030	984,241	
219,067	Whistler Blackcomb Holdings	2,634,226	2,681,380	
	Total Consumer Discretionary	**11,103,030**	**11,376,745**	**9.5%**
	Consumer Staples			
27,893	George Weston Limited	1,892,295	1,969,525	
25,737	Procter & Gamble Co.	1,679,719	1,740,282	
45,884	Shoppers Drug Mart Corporation	1,707,611	1,959,706	
	Total Consumer Staples	**5,279,625**	**5,669,513**	**4.7%**
	Industrials			
30,567	Canadian Pacific Railway Ltd.	2,254,163	3,082,376	
27,376	Canadian National Railway Co.	1,877,833	2,472,874	
265,000	Horizon North Logistics Inc.	1,938,194	1,817,900	
	Total Industrials	**6,070,190**	**7,373,150**	**6.2%**
	Information Technology			
37,916	MacDonald, Dettwiler and Associates Ltd.	2,113,985	2,121,400	
	Total Information Technology	**2,113,985**	**2,121,400**	**1.8%**
	Materials			
97,700	Canexus Corp.	771,830	825,565	
	Total Materials	**771,830**	**825,565**	**0.7%**

The accompanying notes are an integral part of these financial statements.

Statement of Investment Portfolio (continued)

As at December 31, 2012		Cost (CAD)	Fair Value (CAD)	% of Portfolio
	Equities (continued)			
No. of Shares	**Real Estate**			
70,975	Brookfield Office Properties Inc.	$ 1,182,027	$ 1,198,058	
129,154	Chartwell Seniors Real Estate Investment Trust	1,292,005	1,403,904	
116,000	Dundee Industrial Real Estate	1,226,007	1,293,400	
135,000	Regal Lifestyle Communities Inc.	1,350,000	1,239,300	
96,200	RioCan Real Estate Investment Trust	2,599,490	2,645,500	
165,000	Tricon Capital Group Inc.	943,800	1,046,100	
	Total Real Estate	**8,593,329**	**8,826,262**	**7.4%**
	Telecommunication Services			
55,166	BCE Inc.	1,680,631	2,350,072	
7,500	Iridium, *7% Series PFD*[1]	737,398	759,842	
58,979	Rogers Communications Inc.	2,073,978	2,662,312	
39,200	TELUS Communication	2,506,121	2,549,568	
3,186	TELUS Communication, Non-Voting	195,403	205,784	
	Total Telecommunication Services	**7,193,531**	**8,527,578**	**7.1%**
	Information Technology			
14,057	ATCO Ltd.	804,211	1,128,496	
164,153	Innergex Renewable Energy Inc.	1,273,210	1,692,417	
	Total Information Technology	**2,077,421**	**2,820,913**	**2.4%**
	Total Equities	**$ 72,163,526**	**$ 78,622,372**	**65.7%**

(1) Level 3 financial assets (note 13).

The accompanying notes are an integral part of these financial statements.

Statement of Investment Portfolio (continued)

As at December 31, 2012			Cost (CAD)		Fair Value (CAD)	% of Portfolio
	Fixed Income Investments					
Par Value ($)	**Financials**					
2,045,000	ACE Cash Express Inc., *11.000%, due February 1, 2019*	$	1,921,885	$	1,919,122	
500,000	Atkore International, *9.875%, due January 1, 2018*		491,739		528,965	
1,575,000	Ipayment Inc., *10.250%, due May 15, 2018*		1,361,434		1,258,501	
1,900,000	Mattamy Group Corp., *6.875%, due November 15, 2020*		1,900,000		1,907,125	
	Total Financials		**5,675,058**		**5,613,713**	**4.7%**
	Energy					
1,500,000	Athabasca Oil, *7.500%, due November 19, 2017*		1,500,000		1,502,813	
1,500,000	Essar Energy Investment Ltd., *4.250%, due February 1, 2016*[(1)]		1,054,783		1,071,621	
2,000,000	Shelf Drilling Holding Ltd., *8.625%, due November 1, 2018*		2,014,673		2,041,182	
800,000	Trilogy Energy Trust, *7.250%, due December 13, 2019*		820,496		815,750	
	Total Energy		**5,389,952**		**5,431,366**	**4.5%**
	Consumer Discretionary					
1,200,000	Citycenter Holdings, *10.750%, due January 15, 2017*		1,260,566		1,296,400	
1,800,000	Claires Store Inc., *9.000%, due March 15, 2019*		1,858,640		1,922,196	
1,900,000	Algeco Scotsman Global Financial, *10.750%, due October 15, 2019*		1,843,008		1,863,450	
2,000,000	Landrys Holdings II Inc., *10.250%, due January 1, 2018*		1,969,566		1,981,440	
1,200,000	Logo Merger Sub Corp., *8.375%, due October 15, 2020*		1,186,598		1,200,812	
1,200,000	Mohegan Tribal Gaming, *10.250%, due December 15, 2016*		1,077,855		1,170,942	
1,800,000	Mood Media Corp., *9.250%, due October 15, 2020*		1,818,860		1,888,591	
1,600,000	Wok Acquisition Corp., *10.250%, due June 30, 2020*		1,695,232		1,694,679	
	Total Consumer Discretionary		**12,710,325**		**13,018,510**	**10.9%**
	Consumer Staples					
1,500,000	Alliance One Intl. Inc., *10.00%, due July 15, 2016*		1,654,081		1,571,959	
1,670,000	Harmony Foods Corp., *10.000%, due May 1, 2016*		1,763,386		1,791,685	
1,010,000	U.S. Food Services, *8.500%, due June 30, 2019*		1,021,254		1,025,769	
	Total Consumer Staples		**4,438,721**		**4,389,413**	**3.7%**
	Industrials					
1,350,000	Air Canada, *12.000%, due February 1, 2016*		1,310,323		1,387,878	
2,460,000	Crescent Resources, *10.250%, due August 15, 2017*		2,546,835		2,584,137	
1,900,000	ERA Group Inc., *7.750%, due December 15, 2022*		1,849,230		1,858,720	
1,500,000	RTL-Westcan Limited Partnership, *9.5%, due April 7, 2017*		1,500,000		1,572,759	
1,600,000	SPL Logistics Escrow LLC, *8.875%, due August 1, 2020*		1,689,470		1,688,705	
	Total Industrials		**8,895,858**		**9,092,199**	**7.6%**
	Materials					
2,150,000	First Quantum Minerals, *7.250%, due October 15, 2019*		2,191,618		2,162,159	
	Total Materials		**2,191,618**		**2,162,159**	**1.8%**
	Real Estate					
1,300,000	Delavaco Properties Inc. Convertible Debenture, *7.500%, due December 20, 2014*[(1)]		1,285,245		1,294,408	
	Total Real Estate		**1,285,245**		**1,294,408**	**1.1%**
	Total Fixed Income Investment	**$**	**40,586,777**	**$**	**41,001,768**	**34.3%**
	Total	**$**	**112,750,303**	**$**	**119,624,140**	**100.0%**
	Embedded Broker Commission		(75,865)		—	
	Total	**$**	**112,674,438**	**$**	**119,624,140**	**100.0%**

(1) Level 3 financial assets (note 13).

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

December 31, 2012 and 2011

1. OPERATIONS

Aston Hill AVIP Trust (the "Fund") is a closed-end investment trust created under the laws of the Province of Ontario on January 27, 2006, pursuant to a declaration of trust. Aston Hill Asset Management Inc. is the Trustee and the Manager of the Fund and is responsible for managing the affairs of the Fund. Manulife Asset Management Limited, a subsidiary of Manulife Financial Corp., managed the Fund's portfolio until September 30, 2012. Effective October 1, 2012, Aston Hill Asset Management Inc. (the "Portfolio Manager") became responsible for portfolio management of the Fund. RBC Investor Services Trust is the custodian of the Fund's assets and prepares the weekly valuations of the Fund. The Fund commenced operations on February 15, 2006. The Fund will be terminated on or about June 29, 2028, if not terminated earlier in accordance with the terms of the declaration of trust.

On July 27, 2011, by way of an assignment to an affiliate, BFML Management Limited (at the time, an affiliate of Brompton Funds Management Limited) was sold to Aston Hill Financial Inc. BFML Management Limited was then renamed Aston Hill Management Limited and became the manager.

On December 30, 2011, Aston Hill Management Limited, along with six other subsidiaries of Aston Hill Financial Inc., amalgamated to form Aston Hill Asset Management Inc. ("AHAM"), the Manager of the Fund.

Aston Hill Advantage VIP Income Fund has a forward agreement ("Forward Agreement") which provides exposure to the return on the portfolio held by the Fund. The return to investors of Aston Hill Advantage VIP Income Fund is dependent upon the return of the Fund pursuant to the Forward Agreement.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and they include estimates and assumptions made by management that affect the reported amounts of assets and liabilities at the date of these financial statements and the reported amounts of income and expenses during the periods for which the financial statements report. Actual results could differ from these estimates.

a) Valuation of Investments

Investments are deemed held for trading in accordance with Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855. The Fund's investments are valued at fair value. Investments that are publicly traded are valued at their bid price on the valuation date. Investments with no available bid price are valued at their closing price. Short-term investments and bonds are valued at the average bid quotations from recognized investment dealers. The cost of investments is based on their average cost.

Investments in securities having no quoted market value are valued at estimated fair value using valuation techniques as determined by the Manager. Estimated fair value is determined on the basis of the expected realizable value of the investments if they were disposed of in an orderly manner over a reasonable period of time. The Manager uses estimation techniques to determine fair value, including discounted cash flows, multiples of earnings and comparison with other securities that are substantially the same.

b) Cash and Short-Term Investments

Cash and short-term investments consist of cash on hand and short-term debt investments with original maturities of three months or less. Cash and short-term investments are deemed held for trading and therefore are carried at fair value.

c) Investment Transactions and Income Recognition

Investment transactions are recorded on the trade date, and any realized and unrealized gains or losses are recognized using the average cost of the investments, which exclude broker commissions. Interest income is recognized on an accrual basis. Dividend income is recognized on the ex-dividend date.

d) Transaction Costs

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities are expensed and are recognized in the Statements of Operations and Deficit.

e) Income Taxes

The Fund qualifies as a unit trust and is deemed a financial institution under the Income Tax Act (Canada). Provided the Fund makes distributions in each year of its net income and net realized capital gains, the Fund will not generally be liable for income tax. It is the intention of the Fund to distribute all of its net income and net realized and unrealized capital gains on an annual basis. Accordingly, no income tax provision has been recorded.

f) Foreign Exchange

The fair values of investments and other assets and liabilities that are denominated in foreign currencies are translated into Canadian dollars at the noon rate of exchange on each valuation date. Purchases and sales of investments and income derived from investments are translated at the rate of exchange prevailing on the date of such transactions.

g) Foreign Currency Forward Contracts

The Fund may enter into foreign currency forward contracts, which are agreements between two parties to buy and sell currencies at a set price on a future date. The fair value of such contracts will fluctuate with changes in currency exchange rates. The contracts are marked-to-market and the change in fair value is recorded as an unrealized gain or loss. When a contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the contract on the date it was opened and the value on the date it was closed.

h) Securities Lending

The Fund may enter into securities lending transactions. These transactions involve the temporary exchange of securities as collateral with a commitment to deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the Statements of Operations and Deficit.

i) Other Assets and Liabilities

For the purposes of categorization in accordance with Section 3855, income receivable and amounts receivable for investments sold are designated as receivables and recorded at amortized cost. Similarly, accounts payable and accrued liabilities and amounts payable for investments purchased are designated as financial liabilities and reported at amortized cost. Amortized cost approximates fair value for these assets and liabilities due to their short-term nature.

j) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in Net Assets from operations during the reporting period. A significant area requiring the use of management judgments and estimates is the valuation of non-public investments. The resulting values may materially differ from values that would have been used had a readily available market existed for the investments and the prices at which the investments may be sold.

k) International Financial Reporting Standards

The Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board extended the deferral of the mandatory International Financial Reporting Standards ("IFRS") changeover date for investment companies to fiscal years beginning on or after January 1, 2014. The Fund, which is an investment company, will adopt IFRS commencing January 1, 2014.

In order to prepare for the transition to IFRS, the Manager has performed an assessment of the impact of the significant accounting differences between IFRS and Canadian GAAP including the impact to business processes and systems. Currently, the Manager does not expect any significant impact to Net Assets from the changeover to IFRS, with the main impact of IFRS on the Fund's financial statements being additional disclosures in the financial statements, the potential elimination of the difference between the Net Assets per unit and the Net Asset Value per unit at the financial statement reporting dates and a potential change in the presentation of unitholders' equity. Further updates on implementation progress and any changes to reporting impacts from the adoption of IFRS will be provided during the implementation period leading up to January 1, 2014. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

3. RECONCILIATION OF NET ASSETS TO NET ASSET VALUE

In accordance with National Instrument ("NI") 81-106, a reconciliation is required between the Net Assets for financial reporting purposes (the "Net Assets") and the Net Asset Value for reporting other than in the financial statements (the "Net Asset Value"). The reconciliation is as follows:

As at December 31	2012		2011	
	Total	**Per Unit**	Total	Per Unit
Net Asset Value	**$ 129,466,484**	**$ 9.72**	$ 137,460,338	$ 9.71
Section 3855 adjustment[1]	**(310,599)**	**(0.02)**	(412,546)	(0.03)
Net Assets	**$ 129,155,885**	**$ 9.70**	$ 137,047,792	$ 9.68

[1] The Section 3855 adjustment relates to the valuation of investments traded on an exchange at bid price for Net Assets and closing price for Net Asset Value.

4. UNITS OF THE FUND

Authorized

The Fund is authorized to issue an unlimited number 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 one vote and to participate equally with respect to any and all distributions made by the Fund. On termination of the Fund, unitholders are entitled to receive their pro rata share of the assets of the Fund. Units may be tendered for redemption at any time for a redemption price per unit equal to the Net Asset Value per unit as at the redemption date. Redemption of tendered units will be settled on or before the tenth business day following such redemption date.

Issued

	2012		2011	
	Number of Units	**Amount**	Number of Units	Amount
Units, beginning of year	**14,157,979**	**$ 131,835,318**	15,330,299	$ 157,186,150
Redemption of units	**(844,058)**	**(9,932,281)**	(1,172,320)	(13,795,041)
Units distributed and consolidated	**—**	**221,015**	—	—
Return of capital	**—**	**—**	—	(111,555,791)
Units, end of year	**13,313,921**	**$ 122,124,052**	14,157,979	$ 131,835,318

During the year ended December 31, 2012, 844,058 (2011 – 1,172,320) units were redeemed at an average price of $9.60 (2011 – $9.73) per unit and the Fund issued nil (2011 – nil) units.

As at December 31, 2012, the Fund had accumulated contributed surplus of $51,080,563 (2011 – $49,248,282) since inception. Contributed surplus is recorded when units of the Fund are redeemed at prices per unit which are below the average cost per unit of unitholders' capital.

The weighted average number of units outstanding for the year ended December 31, 2012 was 13,938,893 (2011 – 14,960,938).

The comparative 2011 balances have been restated to present return of capital distributions as a deduction to unitholders' capital as opposed to deficit. This correction does not have any impact on the net assets or the increase in net assets from operations of the Fund. The comparative 2011 restated balances are as follows:

Reconciliation of Unitholders' Capital

	Previously Reported	Restated Amount	Change
Units beginning of year	$ 180,396,222	$ 157,186,150	$ (23,210,072)
Return of Capital		(11,555,791)	(11,555,791)
Units end of year	$ 166,601,181	$ 131,835,318	$ (34,765,863)

Statement of Net Assets

	Previously Reported	Restated Amount	Change
Unitholders' capital	$ 166,601,181	$ 131,835,318	$ (34,765,863)
Deficit	(78,801,671)	(44,035,808)	34,765,863

Statement of Operations and Deficit

	Previously Reported	Restated Amount	Change
Deficit, beginning of the year	$ (64,571,212)	$ (41,361,140)	$ 23,210,072
Distributions to unitholders	(16,726,292)	(5,170,501)	11,555,791
Deficit, end of the year	$ (78,801,671)	$ (44,035,808)	$ 34,765,863

5. CAPITAL MANAGEMENT

Unitholders' equity is considered to be the source of capital for the Fund. The Fund's objectives are managing capital to safeguard the Fund's ability to continue as a going concern, to provide financial capacity and flexibility to meet its strategic objectives, and to provide an adequate return to unitholders commensurate with the level of risk while maximizing the distributions to unitholders.

Since both the revenues and expenses of the Fund are reasonably predictable and stable and since the Fund does not have any externally imposed capital requirements, the Manager believes that the current level of distributions, capital and capital structure are sufficient to sustain ongoing operations. The Manager actively monitors the cash position and financial performance of the Fund to ensure there are resources to meet current distribution levels.

6. DISTRIBUTIONS PAYABLE TO UNITHOLDERS

The Fund will make distributions to unitholders if, as and when declared by the Manager. For the year ended December 31, 2012, the Fund declared total distributions of $1.14 (2011 – $1.12) per unit, which amounted to $16,019,171 (2011 – $16,726,292), part of which was a special unit distribution which amounted to $221,015 (2011 – nil). The unit distributions were immediately consolidated so that the number of units outstanding equaled the number of units outstanding immediately prior to the special distribution.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

7. MANAGEMENT FEES

Pursuant to management agreements, the Fund, together with Aston Hill Advantage VIP Income Fund, pays a management fee equal to 0.90% per annum of the Net Asset Value of the Fund, plus applicable taxes. The portion of the fee paid by the Fund is equal to 0.25% per annum.

The Fund is responsible for all other operating expenses incurred in connection with its operation and administration, such as custodian valuation, Trustee, reporting, audit and legal fees.

8. INVESTMENT TRANSACTIONS

Investment transactions for the years ended December 31 were as follows:

	2012	2011
Proceeds from sale of investments	**$ 119,584,314**	$ 115,522,154
Less cost of investments sold:		
Investments at cost, beginning of year	**118,884,070**	135,590,145
Investments purchased during the year	**108,981,660**	89,868,930
Investments at cost, end of year	**(112,674,438)**	(118,884,070)
Cost of investments sold during the year	**115,191,292**	106,575,005
Net realized gain (loss) on sale of investments	**$ 4,393,022**	$ 8,947,149

The brokerage commissions paid to dealers included $1,486 (2011 – $4,394) that was available for payment to third-party vendors, all of which was used for research by the Manager.

9. FOREIGN CURRENCY FORWARD CONTRACTS

The Fund uses foreign currency forward contracts to hedge foreign exchange risks associated with its US dollar investment portfolio.

As at December 31, 2012, the Fund had entered into the following foreign currency forward contracts with a Canadian chartered bank with an AA rating:

Canadian Dollars Purchased	**US Dollars Sold**	**Delivery Date**	**Forward Rate (USD/CAD)**	**Unrealized Gain**
$ 34,166,882	**$ (34,100,000)**	**January 16, 2013**	**0.99804**	**$ 201,558**

As at December 31, 2011:

Canadian Dollars Purchased	US Dollars Sold	Delivery Date	Forward Rate (USD/CAD)	Unrealized Loss
$ 33,870,956	$ (33,361,000)	January 13, 2012	0.98494	$ (109,547)

10. SECURITIES LENDING

The Fund has entered into a securities lending program with its custodian, RBC Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund will receive collateral of at least 102% of the value of the securities on loan. Collateral will generally be comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or the United States Government or its agencies, or a permitted supranational agency as defined in NI 81-102. The market values of the securities on loan and the related collateral at December 31, 2012, were $21.5 million (2011 – $35.0 million) and $22.2 million (2011 – $35.9 million), respectively.

11. LOANS PAYABLE

Pursuant to an agreement with a Canadian chartered bank, the Fund maintains a 364-day revolving credit facility. The revolving credit facility provides for maximum borrowings of $35.0 million with borrowing in Canadian currency at either the prime rate of interest or the bankers' acceptance rate, plus a fixed percentage, US base rate loans or LIBOR rate plus a fixed percentage. There were no borrowings outstanding under this facility as at December 31, 2012 and 2011. There was no borrowing during the year of 2012.

The credit facility is secured by a first-ranking and exclusive charge on all of the Fund's assets.

12. FINANCIAL RISK MANAGEMENT

The Fund's investment activities expose it to a variety of financial risks. The Statement of Investment Portfolio presents the securities held by the Fund as at December 31, 2012, and groups the securities by asset type and market segment. The following comparative summary represents the securities by asset type and market segment held by the Fund as at December 31, 2011.

As at December 31, 2011	Equities	Fixed Income Investments	Total
Financials	19.8%	6.9%	26.7%
Consumer discretionary	11.5%	5.4%	16.9%
Consumer staples	13.1%	—	13.1%
Energy	4.3%	4.9%	9.2%
Telecommunication services	14.0%	—	14.0%
Oil and gas	3.8%	1.5%	5.3%
Healthcare	1.3%	1.3%	2.6%
Industrials	7.7%	1.6%	9.3%
Information technology	0.5%	1.5%	2.0%
Materials	—	0.9%	0.9%
	76.0%	24.0%	100.0%

The Manager attempts to minimize the potential adverse effects of these risks on the Fund's performance by employing a professional, experienced portfolio manager, by diversifying the investment portfolio within the constraints of the investment objectives, and by using financial instruments to hedge certain risk exposures. To assist in managing risks, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and restrictions, internal guidelines, and securities regulations.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

Significant risks that are relevant to the Fund are discussed below.

a) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as corporate debt. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

The Fund is also exposed to interest rate risk on its variable interest rate loans. Fluctuations in interest rates have a direct impact on the interest payments the Fund makes on its loans.

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2012 by remaining term to maturity.

	Less Than 1 Year	1–3 Years	3–5 Years	>5 Years	Total
Short-term and fixed income investments	$ 2,996,619	$ 1,294,408	$ 13,950,193	$ 25,757,167	$ 43,998,387

As at December 31, 2011:

	Less Than 1 Year	1–3 Years	3–5 Years	>5 Years	Total
Short-term and fixed income investments	$ 8,280,435	$ 2,581,226	$ 7,061,442	$ 19,310,032	$ 37,233,135

As at December 31, 2012, had prevailing interest rates increased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, Net Assets of the Fund would have decreased by approximately $1.3 million or 1.0% (2011 – $1.1 million or 0.8%). Similarly, had prevailing interest rates decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, Net Assets of the Fund would have increased by $1.3 million or 1.0% (2011 – $1.1 million or 0.8%). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the portfolio and the impact on annual interest expense for the loans payable. In practice, the actual trading results may differ, and the difference could be material.

b) Currency Risk

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2012, the Fund's exposure of US$42.2 million in investment and cash and short-term investments (2011 – US$33.9 million) was substantially hedged through its foreign currency forward contract of US$34.1 million notional (2011 – US$33.4 million); see note 9.

				As at December 31, 2012
Currency (000s)	Financial Instruments Exposure	Derivatives Exposure	Total Currency Exposure	% of Net Assets
US dollars	$ 42,222	$ (34,167)	$ 8,055	6.2%
Total	**$ 42,222**	**$ (34,167)**	**$ 8,055**	**6.2%**

				As at December 31, 2011
Currency (000s)	Financial Instruments Exposure	Derivatives Exposure	Total Currency Exposure	% of Net Assets
US dollars	$ 33,598	$ (33,871)	$ (273)	(0.2%)
Total	$ 33,598	$ (33,871)	$ (273)	(0.2%)

As at December 31, 2012, had the Canadian dollar strengthened or weakened by 10% in relation to the US dollar, with all other variables held constant, Net Assets of the Fund would have decreased or increased, respectively, by approximately $805,500 (2011 – $27,300). In practice, actual results may vary from this analysis, and the difference may be material.

c) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The maximum risk of loss resulting from financial instruments is equivalent to their fair value.

The Fund is exposed to other price risk from its investment in equities. As at December 31, 2012, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, Net Assets would have increased or decreased by approximately $7.9 million or 6.1% of Net Assets (2011 – approximately $9.2 million or 6.7% of Net Assets). In practice, the actual trading results may differ, and the difference could be material.

d) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's greatest concentration of credit risk is in debt securities. The fair value of debt securities includes consideration of the creditworthiness of the issuer. The carrying amount of income receivable, amounts receivable for investments sold, unrealized gain on foreign currency forward contracts, debt securities and short-term investments, as presented on the Statement of Investment Portfolio and Statement of Net Assets, represents the maximum credit risk exposure as of December 31, 2012 and 2011.

Income receivable will be settled in the short-term. All transactions in securities are settled/paid for upon delivery. The risk of default is considered minimal, as delivery of securities sold is only made once the Fund has received payment. The trade will fail if either party fails to meet its obligation.

The Manager evaluates the credit quality of the securities prior to purchase and performs ongoing monitoring of the credit quality of securities. The Fund will not invest more than 10% of its total assets in the securities of any one issuer in accordance with investment restrictions.

As at December 31, 2012, the Fund had 34.4% (2011 – 27.4%) of its investment portfolio (including short-term investments) invested in debt securities with the following credit ratings. Credit ratings are obtained from Standard & Poor's.

Debt Securities by Rating Category as a % of Net Assets	**2012**	2011
AAA	**7%**	5%
AA	**—**	18%
BBB- to BBB+	**66%**	19%
Below BBB-	**27%**	58%
Total	**100%**	100%

As of December 31, 2012 and 2011, securities rated AAA were comprised of short-term investments.

The Fund has entered into a securities lending program with its custodian; see note 10. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned.

The Fund was also exposed to credit risk for the amount of unrealized gain under the foreign currency forward contracts (note 9) with a Canadian chartered bank with an AA rating.

e) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. Unitholder redemption requests are the main liquidity risk for the Fund. The Fund invests a majority of its assets in investments that are traded in an active market and can be readily disposed of. There can be no assurance that an active trading market for the investments will exist at all times, or that the prices at which the securities trade accurately reflect their values. Thin trading in a security could make it difficult to liquidate holdings quickly. The Fund is exposed to liquidity risk through its redemptions. To manage liquidity risk, the Fund's investment portfolio comprises readily marketable securities.

The Fund also has a 364-day revolving credit facility which can be used to fund redemptions or finance investments; see note 11. The credit facility contains several financial covenants that require the Fund to meet certain financial ratios and financial condition tests. The Fund is within its financial covenants with respect to the credit facility. The Manager monitors the use of the credit facility on a regular basis.

All of the Fund's financial liabilities at December 31, 2012 and 2011 had maturities of less than one year.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

13. FAIR VALUE DISCLOSURES

The Fund's assets and liabilities recorded at fair value have been categorized in accordance with CICA Handbook Section 3862, "Financial Instruments – Disclosure."

Section 3862 requires the Fund to classify its investments and derivative assets/liabilities into three categories based on the nature of the inputs used to determine their fair value. The categories and the nature of the inputs used in each category are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Short-term notes included in cash and short-term investments are classified as level 2.

Assets at fair value as at December 31, 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities	$ 77,862,530	$ —	$ 759,842	$ 78,622,372
Fixed income investments	—	38,635,739	2,366,029	41,001,768
Foreign currency forward contracts	—	201,558	—	201,558
Total	**$ 77,862,530**	**$ 38,837,297**	**$ 3,125,871**	**$ 119,825,698**

Assets at fair value as at December 31, 2011	Level 1	Level 2	Level 3	Total
Equities	$ 91,564,554	$ —	$ —	$ 91,564,554
Fixed income investments	—	28,952,698	—	28,952,698
Total	$ 91,564,554	$ 28,952,698	$ —	$ 120,517,252

Liabilities at fair value as at December 31, 2011	Level 1	Level 2	Level 3	Total
Foreign currency forward contracts	$ —	$ (109,547)	$ —	$ (109,547)
Total	$ —	$ (109,547)	$ —	$ (109,547)

There were no transfers of financial assets between the levels during the years ended December 31, 2012 and 2011.

The following table provides a reconciliation of fair value measurements using level 3 inputs from December 31, 2012:

			2012
	Equities	**Fixed Income Investments**	**Total**
Balance, beginning of year	$ —	$ —	$ —
Purchases	737,398	2,340,028	3,077,426
Net transfers in (out)	—	—	—
Gains (losses)			
Realized	—	—	—
Unrealized	22,444	26,001	48,445
Balance, end of year	**$ 759,842**	**$ 2,366,029**	**$ 3,125,871**

The change in unrealized gains (losses) during the year for assets held as at December 31, 2012 was $48,445.

As at December 31, 2012, had the fair value of the level 3 investments increased or decreased by 10%, with all other variables held constant, this would have increased or decreased Net Assets by approximately $312,587 (2011 – nil).

14. INCOME TAXES

As at December 31, 2012, the Fund had accumulated capital losses as at December 31, 2012 of $6,470,008 (2011 – $6,470,068). The capital loss can be carried forward for an indefinite period.

15. COMPARATIVE FIGURES

Certain prior year numbers have been reclassified to conform to current year presentation.

Corporate Information

Independent Review Committee

John Crow
Chairman

Robert Falconer

C. Scott Browning

Directors and Senior Officers of the Manager

Eric Tremblay
Director and Chief Executive Officer

Ben Cheng[(1)]
Chief Investment Officer

Michael J. Killeen
Director and President

Larry W. Titley
Director and Chief Financial Officer

Portfolio Management

Jeffrey Burchell
Vice President and Portfolio Manager

Andrew Hamlin
Vice President and Portfolio Manager

Joanne Hruska
Vice President and Portfolio Manager

Sandy Liang
Vice President and Portfolio Manager

Vivian Lo
Vice President and Portfolio Manager

Robert Gill
Vice President and Portfolio Manager

Steve Vannatta
Portfolio Manager

Manager

Aston Hill Asset Management Inc.

Trustee

Computershare Trust Company of Canada

Custodian

RBC Investor Services Trust

Auditors

PricewaterhouseCoopers LLP

Website

www.astonhill.ca

(1) Mr. Cheng acts as a portfolio manager exclusively to investment funds managed by IA Clarington Investments Inc., and to two other investment funds, not including the fund in this document. See www.astonhill.ca for details.

AstonHill Asset Management

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