AstonHill ASSET MANAGEMENT

AstonHill ADVANTAGE BOND FUND

MBB.UN

Actively managed portfolio of North American corporate bonds on a "tax-advantaged" basis.

Management Responsibility Statement

The accompanying financial statements of Aston Hill Advantage Bond Fund (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 Advantage Bond Fund (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 retained earnings 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 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		
Forward Agreement at fair value (note 6)	**$ 26,238,463**	$ 26,915,557
Cash and short-term investments	**81,419**	453,569
Prepaid fees	**—**	2,450
Total assets	**26,319,882**	27,371,576
Liabilities		
Accounts payable and accrued liabilities	**110,042**	115,012
Distributions payable to unitholders (note 7)	**125,330**	139,668
Total liabilities	**235,372**	254,680
Unitholders' equity		
Unitholders' capital (note 4)	**16,529,563**	20,441,599
Retained earnings	**9,554,947**	6,675,297
Net Assets representing unitholders' equity	**$ 26,084,510**	$ 27,116,896
Net Assets representing unitholders' equity per class		
Class A	**$ 24,841,278**	$ 25,841,183
Class F	**$ 1,243,232**	$ 1,275,713
Units outstanding (note 4)		
Class A	**2,052,227**	2,287,543
Class F	**96,410**	106,910
Net Assets per unit (note 3)		
Class A	**$ 12.10**	$ 11.30
Class F	**$ 12.89**	$ 11.93

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 Retained Earnings

For the years ended December 31	2012	2011
Income		
Interest income	$ —	$ 571
	—	571
Expenses		
Management fees (note 8)	**160,975**	214,915
Service fees (note 8)	**136,001**	164,239
Forward Agreement fees (note 6)	**69,042**	86,713
Audit fees	**20,190**	25,634
Independent review committee fees	**1,551**	15,012
Trustee fees	**3,304**	4,685
Custodial fees	**4,319**	8,664
Legal fees	**10,616**	5,038
Unitholder reporting costs	**29,442**	29,851
Other administrative expenses	**81,937**	75,233
	517,377	629,984
Net investment loss	**(517,377)**	(629,413)
Net realized gain on partial settlements of Forward Agreement (note 9)	**1,940,216**	3,721,122
Net change in unrealized gain (loss) on Forward Agreement	**2,117,117**	(2,757,017)
Increase in Net Assets from operations per class		
Class A	**3,368,038**	317,073
Class F	**171,918**	17,619
Total increase in Net Assets from operations	**3,539,956**	334,692
Retained earnings, beginning of year	**6,675,297**	7,929,003
Excess of stated value paid on repurchase of units	**(660,306)**	(1,588,398)
Retained earnings, end of year	**$ 9,554,947**	$ 6,675,297
Increase in Net Assets per unit from operations per class[1]		
Class A	**$ 1.51**	$ 0.11
Class F	**$ 1.67**	$ 0.15

[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 Changes in Net Assets

For the year ended December 31			2012
	Class A	**Class F**	**Total**
Net Assets, beginning of year	**$ 25,841,183**	**$ 1,275,713**	**$ 27,116,896**
Operations:			
Increase in Net Assets from operations	**3,368,038**	**171,918**	**3,539,956**
Unitholder distributions:			
Return of capital (note 4)	**(1,545,040)**	**(71,828)**	**(1,616,868)**
	(1,545,040)	**(71,828)**	**(1,616,868)**
Unitholder transactions: (note 4)			
Conversion of units	**57,429**	**(57,429)**	**—**
Redemption of units	**(2,379,612)**	**(75,142)**	**(2,454,754)**
Repurchase of units	**(500,720)**	**—**	**(500,720)**
	(2,822,903)	**(132,571)**	**(2,955,474)**
Net decrease in Net Assets	**(999,905)**	**(32,481)**	**(1,032,386)**
Net Assets, end of year	**$ 24,841,278**	**$ 1,243,232**	**$ 26,084,510**

For the year ended December 31			2011
	Class A	Class F	Total
Net Assets, beginning of year	$ 35,602,790	$ 1,442,505	$ 37,045,295
Operations:			
Increase in Net Assets from operations	317,073	17,619	334,692
Unitholder distributions:			
Return of capital (note 4)	(1,952,780)	(79,890)	(2,032,670)
	(1,952,780)	(79,890)	(2,032,670)
Unitholder transactions: (note 4)			
Conversion of units	55,331	(55,331)	—
Redemption of units	(7,208,376)	(49,190)	(7,257,566)
Repurchase of units	(972,855)	—	(972,855)
	(8,125,900)	(104,521)	(8,230,421)
Net decrease in Net Assets	(9,761,607)	(166,792)	(9,928,399)
Net Assets, end of year	$ 25,841,183	$ 1,275,713	$ 27,116,896

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
Unrealized Gain on Forward Agreement				
Investments held by Aston Hill MBB Trust				
Par Value	**Long Positions**			
	Investment Grade			
	Consumer discretionary			
750,000	CNL Lifestyle Properties, *7.25%, due April 15, 2019*	$ 698,624	$ 713,169	
750,000	Reynolds Group, *5.75%, due October 15, 2020*	728,849	771,044	
750,000	Niska Gas Storage, *8.875%, due March 15, 2018*	745,802	767,310	
354,000	Shaw Communications Inc., *5.65%, due October 1, 2019*	368,452	397,978	
		2,541,727	**2,649,501**	**14.29%**
	Consumer staples			
1,000,000	Pilgrims Pride Corp., *7.875%, due December 15, 2018*	989,987	1,009,389	
500,000	Loblaw Companies Ltd., *5.22%, due June 18, 2020*	515,371	569,152	
		1,505,358	**1,578,541**	**8.51%**
	Energy			
500,000	Legacy Reserves/Finance, *8.000%, due December 1, 2020*	488,310	507,806	
		488,310	**507,806**	**2.74%**
	Financials			
400,000	Great-West Lifeco Finance (Delaware) L.P., *5.691%, due June 21, 2067*	349,384	439,859	
8,000	Lloyds TSB Bank PLC Sub, *10.125%, due December 16, 2021*	7,972	9,140	
750,000	Mattamy Group Corp., *6.875%, due November 15, 2020*	750,000	752,813	
300,000	Nationstar Mortgage, *7.875%, due October 1, 2020*	299,894	315,139	
500,000	RioCan Real Estate Investment Trust, *4.499%, due January 21, 2016*	500,375	527,535	
26,000	Royal Bank of Canada, *4.93%, due June 16, 2025*	25,992	30,494	
		1,933,617	**2,074,980**	**11.19%**
	Government			
95,000	Canadian Government Bond, *4.00%, due June 1, 2041*	117,898	126,991	
		117,898	**126,991**	**0.68%**
	Industrials			
750,000	RTL-Westcan Limited Partnership, *9.5%, due April 7, 2017*	750,000	786,380	
1,000,000	Crescent Resources, *10.25%, due August 15, 2017*	1,004,046	1,050,462	
500,000	Taylor Morrison Common, *7.75%, due April 15, 2020*	521,302	527,720	
		2,275,348	**2,364,562**	**12.75%**
	Materials			
300,000	Allied Nevada Gold, *8.750%, due June 1, 2019*	298,688	312,750	
500,000	First Quantum Minerals, *7.250%, due October 15, 2019*	490,826	502,828	
750,000	Hudbay Minerals Inc., *9.50%, due October 1, 2020*	732,787	789,713	
500,000	Valspar Corp., *7.25%, due June 15, 2019*	563,093	613,694	
		2,085,394	**2,218,985**	**11.96%**
	Telecommunication services			
350,000	Bell Canada, *7.65%, due December 30, 2031*	395,500	443,620	
500,000	Goodman Networks Inc., *13.125%, due July 1, 2018*	502,939	545,145	
		898,439	**988,765**	**5.33%**
	Utilities			
1,500,000	Superior Plus Corp., *8.25%, Senior unsecured debentures, due October 27, 2016*	1,500,000	1,603,110	
400,000	Capital Power L.P., *4.6%, due December 1, 2015*	399,872	412,913	
		1,899,872	**2,016,023**	**10.87%**
	Total Investment Grade	**13,745,963**	**14,526,154**	**78.32%**

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
Par Value	**High Yield**			
	Consumer discretionary			
500,000	AIMIA Inc., *6.95%, due January 26, 2017*	$ 501,920	$ 549,433	
750,000	Algeco Scotsman Global Financial, *10.750%, due October 15, 2019*	727,503	735,572	
1,000,000	Golf Town, *10.500%, due July 24, 2018*	1,002,500	1,010,740	
750,000	Landrys Holdings II Inc., *10.250%, due January 1, 2018*	738,565	743,040	
500,000	Proquest LLC, *9.00%, due October 15, 2018*	460,035	470,468	
		3,430,523	**3,509,253**	**18.92%**
	Consumer staples			
500,000	U.S. Food Services, *8.500%, due June 30, 2019*	505,572	507,806	
		505,572	**507,806**	**2.74%**
	Energy			
50,000	AltaGas Ltd., *4.6%, due January 15, 2018*	49,966	54,051	
400,000	BRP Finance ULC Ser 3 mtn, *5.25%, due November 5, 2018*	424,736	438,636	
750,000	Athabasca Oil, *7.500%, due November 19, 2017*	750,625	751,406	
1,000,000	CVS Ref LLC/Coff Fin Inc. 2nd Lien 144A Call, *6.500%, due November 1, 2022*	976,896	990,720	
40,000	Interprovincial Pipeline, *3.839%, due July 30, 2018*	40,000	42,225	
500,000	Magnum Hunter Resources, Sr Unsecured 144A Call, *9.7500%, due May 15, 2020*	503,523	516,519	
243,000	Saratoga Resources Inc., *12.500%, due July 1, 2016*	238,663	238,519	
		2,984,409	**3,032,076**	**16.35%**
	Financials			
500,000	Ace Cash Express Inc., *11.00%, due February 1, 2019*	461,929	469,223	
250,000	GE Capital Canada Funding Co., *5.68%, due September 10, 2019*	249,813	291,449	
350,000	GE Capital Canada Funding Co., *5.73%, due October 22, 2037*	270,792	431,868	
400,000	Genworth MI Canada Inc., *5.68%, due June 15, 2020*	411,740	431,532	
1,000,000	Prospect Capital Corp., *5.750%, due March 15, 2018*	1,011,669	997,501	
500,000	Simon Property Group LP, *5.65%, due February 1, 2020*	513,871	597,429	
75,000	Canadian Western Bank, *4.389%, due November 30, 2020*	75,000	78,377	
		2,994,814	**3,297,379**	**17.78%**
	Industrials			
130,000	Canadian Pacific Railway Co., *6.45%, due November 17, 2039*	129,931	159,788	
500,000	Republic Services Inc., *3.8%, due May 15, 2018*	473,980	547,331	
1,000,000	Air Canada, *10.125%, due August 1, 2015*	990,460	1,047,500	
		1,594,371	**1,754,619**	**9.46%**
	Materials			
500,000	Allegheny Technologies Inc., *5.95%, due January 15, 2021*	498,831	551,503	
200,000	Cameco Corp., *5.67%, due September 2, 2019*	200,848	229,864	
		699,679	**781,367**	**4.21%**
	Telecommunication services			
450,000	Telus Corp., *5.05%, due July 23, 2020*	456,060	513,167	
325,000	Virgin Media Finance PLC, *8.375%, due October 15, 2019*	339,391	367,288	
		795,451	**880,455**	**4.75%**
	Total High Yield	**13,004,819**	**13,762,955**	**74.21%**
	Total Long Positions	**26,750,782**	**28,289,109**	**152.53%**
	Short Positions			
	Government			
(9,000,000)	Canadian Government Bond, *2.750%, due June 1, 2022*	(9,834,480)	(9,742,271)	
	Total Short Positions	**(9,834,480)**	**(9,742,271)**	**(52.53%)**
	Total Investments in Aston Hill MBB Trust	**$ 16,916,302**	**$ 18,546,838**	**100.00%**
	Cash and short-term investments of MBB Trust		$ 6,446,556	
	Other Net Assets held by MBB Trust		$ 1,245,069	
	Forward Agreement		**$ 26,238,463**	

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 Advantage Bond Fund (the "Fund") is a closed-end investment trust created under the laws of the Province of Ontario on March 30, 2009, pursuant to an amended and restated declaration of trust. Equity Financial Trust Company is the Trustee and Aston Hill Asset Management Inc. (the "Manager") is responsible for managing the affairs of the Fund. Effective April 26, 2012, Aston Hill Asset Management Inc., the Fund's Manager, assumed responsibility for management of the Fund's investment portfolio. Prior to April 26, 2012, Manulife Asset Management was the portfolio manager of the Fund. RBC Investor Services Trust is the custodian of the Fund's assets and prepares the weekly valuation of the Fund. The Fund commenced operations on April 23, 2009.

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., which is the current Manager of the Fund.

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. Short-term investments and bonds held are valued at the average bid quotations from recognized investment dealers. The cost of investments is based on their average cost.

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 excludes broker commissions. Interest income is recognized on an accrual basis.

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 Retained Earnings.

e) 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.

f) Valuation of Forward Agreement

The Forward Agreement is valued at the gain or loss that would be realized on the valuation date if the contract were closed or expired. The amount to be received (or paid) on the Forward Agreement as at the valuation date is recognized as unrealized gain (loss) on Forward Agreement on the Statements of Net Assets. All unrealized gains (losses) arising from the Forward Agreement are recorded as part of change in unrealized gain (loss) on Forward Agreement in the Statements of Operations and Retained Earnings.

The Forward Agreement is classified as held for trading in accordance with CICA Handbook Section 3855.

g) Other Assets and Liabilities

For the purposes of categorization in accordance with Section 3855, accounts payable and accrued liabilities and distributions payable to unitholders are designated as financial liabilities and reported at amortized cost. Amortized cost approximates fair value for these liabilities due to their short-term nature.

h) Income Taxes

The Fund qualifies as a mutual fund trust 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 capital gains on an annual basis. Accordingly, no income tax provision has been recorded.

i) 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 amount 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.

j) Transition to 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.

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		**Class A**		**Class F**
	Total	**Per Unit**	**Total**	**Per Unit**
Net Asset Value	**$ 24,941,519**	**$ 12.15**	**$ 1,248,246**	**$ 12.95**
Section 3855 adjustment[1]	**(100,241)**	**(0.05)**	**(5,014)**	**(0.06)**
Net Assets	**$ 24,841,278**	**$ 12.10**	**$ 1,243,232**	**$ 12.89**

As at December 31, 2011		Class A		Class F
	Total	Per Unit	Total	Per Unit
Net Asset Value	$ 25,950,483	$ 11.34	$ 1,281,108	$ 11.98
Section 3855 adjustment[1]	(109,300)	(0.04)	(5,395)	(0.05)
Net Assets	$ 25,841,183	$ 11.30	$ 1,275,713	$ 11.93

[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.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

4. UNITS OF THE FUND

Authorized

The Fund is authorized to issue an unlimited number of Class A and Class F units. The Class F units are designed for fee-based accounts and differ from the Class A units in the following ways: (i) Class F units will not be listed on a stock exchange, (ii) the agents' fee payable on the issuance of the Class F units is lower than the Class A units, and (iii) the service fee is only payable in respect of the Class A units. 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.

A holder of Class F units may convert Class F units into Class A units, and it is expected that liquidity for the Class F units will be obtained by means of conversion into Class A units and the sale of those Class A units through the facilities of the Toronto Stock Exchange. Class F units may be converted in any month on the conversion date by delivering a notice and surrendering such Class F units at least 10 business days prior to the conversion date. For each Class F unit so converted, a holder will receive that number of Class A units equal to the Net Asset Value per Class F unit as of the close of trading on the business day immediately preceding the conversion date, divided by the Net Asset Value per Class A unit as of the close of trading on the business day immediately preceding the conversion date. No fractions of Class A units will be issued upon any conversion of Class F units, and any fractional amounts will be rounded down to the nearest whole number of Class A units.

Class A units and Class F units may be redeemed on the second last business day of October of each year ("Annual Redemption Date"), commencing in 2010. Units redeemed on the Annual Redemption Date will receive a redemption price in an amount equal to 100% of Net Asset Value per unit of the relevant class (less any costs associated with the redemption, including brokerage costs).

In addition, Class A units and Class F units may also be redeemed on the second last business day of each month, other than in the month of October. Unitholders surrendering Class A units for redemption will receive a redemption price equal to the lesser of (i) 94% of the weighted average trading price of Class A units for the 10 trading days immediately preceding the redemption date and (ii) 100% of the closing market price of Class A units on the applicable date, less, in each case, any costs associated with the redemption, including brokerage costs. Unitholders surrendering Class F units for redemption will receive an amount equal to the product of (i) the monthly redemption amount of Class A units determined as above and (ii) a fraction, the numerator of which is the most recently calculated Net Asset Value per Class F unit and the denominator of which is the most recently calculated Net Asset Value per Class A unit.

The Fund received approval from the Toronto Stock Exchange to undertake a normal course issuer bid program for the period from May 24, 2011 to May 23, 2012. Pursuant to the issuer bid, the Fund could purchase up to 260,446 Class A units for cancellation when the Net Asset Value per unit exceeded its trading price. The Fund renewed the issuer bid for the period from May 24, 2012 to May 23, 2013, which allows the Fund to purchase up to 225,664 Class A units for cancellation. The Fund may repurchase units when the Net Asset Value per unit exceeds its trading price.

Issued

For the year ended December 31, 2012:

	Class A		Class F		Total
	Number of Units	Amount	Number of Units	Amount	Amount
Beginning of year	2,287,543	$ 19,496,539	106,910	$ 945,060	$ 20,441,599
Conversion of units	4,784	57,429	(4,500)	(43,142)	14,287
Repurchase of units under normal course issuer bid	(42,900)	(402,273)	—	—	(402,273)
Redemption of units	(197,200)	(1,849,660)	(6,000)	(57,522)	(1,907,182)
Return of capital	—	(1,545,040)	—	(71,828)	(1,616,868)
End of year	2,052,227	$ 15,756,995	96,410	$ 772,568	$ 16,529,563

For the year ended December 31, 2011:

	Class A		Class F		Total
	Number of Units	Amount	Number of Units	Amount	Amount
Beginning of year	2,988,360	$ 28,007,935	115,610	$ 1,108,357	$ 29,116,292
Conversion of units	4,852	55,331	(4,600)	(44,100)	11,231
Repurchase of units under normal course issuer bid	(84,000)	(787,311)	—	—	(787,311)
Redemption of units	(621,669)	(5,826,636)	(4,100)	(39,307)	(5,865,943)
Return of capital	—	(1,952,780)	—	(79,890)	(2,032,670)
End of year	2,287,543	$ 19,496,539	106,910	$ 945,060	$ 20,441,599

During the year ended December 31, 2012, the Fund issued 4,784 Class A units in respect of a conversion of 4,500 Class F units (2011 – 4,852 Class A units were converted from 4,600 Class F units).

On October 31, 2012, 197,200 Class A units were redeemed at $12.07 per unit (2011 – 621,669 Class A units at $11.60 per unit) under the annual redemption option.

For the year ended December 31, 2012, 42,900 Class A (2011 – 84,000) units were purchased for cancellation at an average price of $11.67 (2011 – $11.58) per unit.

Pursuant to the monthly redemption option, no (2011 – nil) Class A units and 6,000 (2011 – 6,000) Class F units were redeemed during the year.

The weighted average number of Class A and Class F units outstanding for the year ended December 31, 2012 was 2,224,928 and 103,068 (2011 – 2,842,181 and 114,486), respectively.

5. CAPITAL MANAGEMENT

The Fund's objectives in managing its capital are to provide unitholders with high, monthly, tax-advantaged cash distributions and the opportunity for capital appreciation. The Fund's capital is comprised of unitholders' equity. The Fund manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, purchase units for cancellation, or settle the Forward Agreement in whole or in part.

6. FORWARD AGREEMENT

On April 23, 2009, the Fund entered into a forward purchase and sale agreement (the "Forward Agreement") with a Canadian chartered bank (the "Counterparty"). The obligations of the Counterparty to the Fund under the Forward Agreement are determined by reference to the performance of Aston Hill MBB Trust.

Under the terms of the Forward Agreement, the Counterparty has agreed to pay to the Fund, on or about April 30, 2029 or earlier, in whole or in part at the request of the Fund, an amount equal to the redemption proceeds of the number of units of Aston Hill MBB Trust specified in the Forward Agreement in exchange for a portfolio of Canadian securities with an aggregate value equal to the redemption proceeds of the number of units of Aston Hill MBB Trust as specified in the Forward Agreement.

In order to permit the Fund to pay (i) monthly distributions, (ii) redemptions and repurchases of units, and (iii) operating expenses and other liabilities of the Fund, the terms of the Forward Agreement provide that the Forward Agreement may be settled in whole or in part prior to April 30, 2029, by the Fund at its discretion.

Under the Forward Agreement, the Fund pays to the Counterparty a fee of 0.25% of the Net Asset Value of Aston Hill MBB Trust, calculated and payable monthly in arrears.

7. DISTRIBUTIONS PAYABLE TO UNITHOLDERS

Distributions of the Fund, as declared by the Manager, are made on a monthly basis to unitholders of record on the last business day of each month. The distributions are payable by the tenth business day of the following month. For the year ended December 31, 2012, the Fund declared total distributions of $0.70 per Class A unit (2011 – $0.70) and $0.70 per Class F unit (2011 – $0.70), which amounted to $1,545,040 (2011 – $1,952,780) and $71,828 (2011 – $79,890), respectively.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

8. MANAGEMENT AND SERVICE FEES

The Manager will receive a management fee from the Fund and Aston Hill MBB Trust 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 0.4% per annum.

The Fund pays to the Manager a service fee solely with respect to the Class A units, equal to 0.50% per annum of the Net Asset Value attributable to the Class A units, plus applicable taxes. The service fee is in turn paid by the Manager to investment dealers based on the number of Class A units held by clients of each dealer at the end of the relevant quarter. No service fee is payable in respect of the Class F units.

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.

9. INVESTMENT TRANSACTIONS

Investment transactions related to the pre-settlements of the Forward Agreement for the years ended December 31, 2012 and 2011 were as follows:

	2012	2011
Proceeds from settlement of Forward Agreement	**$ 4,670,390**	$ 10,990,889
Less cost of investment portfolio sold:		
Prepayment of Forward Agreement during the year	**2,730,174**	7,269,767
Cost of Forward Agreement settled during the year	**2,730,174**	7,269,767
Net realized gain on sale of Forward Agreement	**$ 1,940,216**	$ 3,721,122

For the years ended December 31, 2012 and 2011, there were no soft dollar amounts paid.

10. FINANCIAL RISK MANAGEMENT

The Fund's investment activities expose it to a variety of financial risks. The Fund has a forward agreement which provides exposure to the return on the portfolio held by Aston Hill MBB Trust. The Statement of Investment Portfolio presents the securities held by Aston Hill MBB Trust 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 Aston Hill MBB Trust as at December 31, 2011.

As at December 31, 2011:

Investment Sector	% of Portfolio
Long positions	
Industrials	55.5%
Financials	27.6%
Consumer discretionary	14.3%
Telecommunication services	12.9%
Materials	7.9%
Utilities	6.0%
Information technology	5.8%
Consumer staples	3.8%
Healthcare	3.5%
Real estate investment trusts	2.2%
Energy	1.8%
Government	0.5%
Short positions	
Government	(41.8%)
Total	100.0%

The Fund invests in a Forward Agreement whose value is based on the performance of Aston Hill MBB Trust. The Manager attempts to minimize the potential adverse effects of this risk on the Fund's performance by employing a professional, experienced portfolio manager, by diversifying the investment portfolio of the Trust 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.

The investment portfolio of the Trust is primarily comprised of long and short positions in Canadian and US dollar denominated debt securities. 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 held by Aston Hill MBB Trust will fluctuate due to changes in the prevailing levels of market interest rates.

The table below summarizes Aston Hill MBB Trust's exposure to interest rate risk by remaining term to maturity as at December 31, 2012.

	Less Than 1 Year	1–3 Years	3–5 Years	> 5 Years	Total
Short-term and fixed income investments	$ 2,696,957	$ 1,460,413	$ 5,506,845	$ 21,321,851	$ 30,986,066
Fixed income investments sold short	—	—	—	(9,742,271)	(9,742,271)
Total	**$ 2,696,957**	**$ 1,460,413**	**$ 5,506,845**	**$ 11,579,580**	**$ 21,243,795**

As at December 31, 2011:

	Less Than 1 Year	1–3 Years	3–5 Years	> 5 Years	Total
Short-term and fixed income investments	$ 3,094,850	$ 7,235,633	$ 6,061,787	$ 18,974,397	$ 35,366,667
Fixed income investments sold short	—	—	(9,627,010)	—	(9,627,010)
Total	$ 3,094,850	$ 7,235,633	$ (3,565,223)	$ 18,974,397	$ 25,739,657

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 $0.3 million or 1.1% (2011 – $1.1 million or 3.9%). 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 $0.3 million or 1.1% (2011 – $1.1 million or 3.9%). 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. The investment portfolio of Aston Hill MBB Trust, to which the Fund is exposed through the Forward Agreement, includes US dollar denominated debt securities and US dollar denominated cash. As at December 31, 2012, Aston Hill MBB Trust's exposure to US dollar currency of US$17.4 million (2011 – US$21.6 million) was substantially hedged through its US dollar denominated foreign currency forward contracts of US$15.0 million notional (2011 – US$21.9 million).

				As at December 31, 2012
Currency (000s)	**Financial Instruments Exposure**	**Derivatives Exposure**	**Total Currency Exposure**	**% of Net Assets**
US dollars	$ 16,983	$ (15,031)	$ 1,952	7.4%
Total	**$ 16,983**	**$ (15,031)**	**$ 1,952**	**7.4%**

				As at December 31, 2011
Currency (000s)	Financial Instruments Exposure	Derivatives Exposure	Total Currency Exposure	% of Net Assets
US dollars	$ 22,022	$ (22,205)	$ (183)	(0.7%)
Total	$ 22,022	$ (22,205)	$ (183)	(0.7%)

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

As at December 31, 2012, had the Canadian dollar strengthened or weakened by 10% in relation to all other foreign currencies held in the Fund, with all other variables held constant, Net Assets of the Fund would have increased or decreased, respectively, by approximately $195,200 (2011 – $18,300). In practice, actual results may vary from this analysis, and the difference may be material.

c) 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 is exposed to credit risk through the Forward Agreement for the full amount of the Forward Agreement. The Net Asset Value of Aston Hill MBB Trust underlying the Forward Agreement, as presented on the Statement of Investment Portfolio, and other assets, represent the maximum credit risk exposure of the Forward Agreement as at December 31, 2012.

Other assets will be settled in the short term.

As at December 31, 2012, the Counterparty to the Forward Agreement had a credit rating of AA from Standard & Poor's.

As at December 31, 2012 and 2011, the Fund had indirect exposure to debt securities through the Forward Agreement with the following credit ratings. Credit ratings are obtained from Standard & Poor's. DBRS or Moody's are used if there are no ratings from Standard & Poor's.

Debt Securities by Rating Category as a % of Net Assets	**2012**	2011
AAA	**9%**	—
AA	**2%**	8%
A	**5%**	10%
BBB	**23%**	29%
BB	**10%**	20%
B	**44%**	22%
CCC	**6%**	7%
Unrated	**1%**	4%
Total	**100%**	100%

d) 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 is exposed to liquidity risk through its monthly and annual redemptions. This risk is mitigated by the pre-settlement option of the Forward Agreement. For the annual redemption, the Fund receives notice at least 20 business days prior to the Annual Redemption Date (note 4) and has up to the tenth business day in November to settle the redemptions, which gives the Manager time to sell securities in Aston Hill MBB Trust to pre-settle the Forward Agreement, although there may not be sufficient time to sell the securities at a reasonable price.

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

e) Other Price Risk

Other price risk is the risk that the fair 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) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. Exposure to other price risks comes from investments in securities and commodities.

As at December 31, 2012 and 2011, none of the Fund's Net Assets were invested in the asset types.

11. 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**
Forward Agreement	$ —	$ 26,238,463	$ —	$ 26,238,463
Total	**$ —**	**$ 26,238,463**	**$ —**	**$ 26,238,463**

Assets at fair value as at December 31, 2011	Level 1	Level 2	Level 3	Total
Forward Agreement	$ —	$ 26,915,557	$ —	$ 26,915,557
Total	$ —	$ 26,915,557	$ —	$ 26,915,557

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

12. INCOME TAXES

The Fund had accumulated non-capital losses of $173,854 as at December 31, 2012 (2011 – $105,470), which will expire in 2030.

13. COMPARATIVE FIGURES

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

14. SUBSEQUENT EVENT NOTE

On March 21, 2013, the Federal Minister of Finance presented the majority government's budget. The budget will treat the return from the derivative investment portion of character conversion transactions, such as those employed by the Fund, as ordinary income rather than capital gains. The change applies to agreements entered into or amended after March 20, 2013. The Manager is currently assessing the impact of the change on the Fund.

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 and Transfer Agent

Equity Financial Trust Company

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.

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