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Actively managed, broadly diversified portfolio of income-producing securities on a tax-advantaged basis.

Management Responsibility Statement

The accompanying financial statements of Aston Hill Advantage VIP Income 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 VIP Income 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 deficit, 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 (note 7)	**$ 129,155,885**	$ 137,047,792
Cash and short-term investments	**403,156**	—
Other assets	**—**	11,995
Total assets	**129,559,041**	137,059,787
Liabilities		
Bank indebtedness	**—**	44,554
Accounts payable and accrued liabilities	**356,614**	366,973
Distributions payable to unitholders (note 8)	**609,762**	974,072
Redemptions payable to unitholders	**39,547**	17,608
Total liabilities	**1,005,923**	1,403,207
Unitholders' equity		
Unitholders' capital (note 4)	**103,777,099**	126,061,890
Contributed surplus (note 4)	**54,852,796**	53,593,847
Deficit	**(30,076,777)**	(43,999,157)
Net Assets representing unitholders' equity	**$ 128,553,118**	$ 135,656,580
Units outstanding (note 4)	**12,837,103**	13,915,315
Net Assets per unit (note 3)	**$ 10.01**	$ 9.75

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
Expenses		
Management fees (note 9)	**$ 938,951**	$ 1,065,211
Service fees (note 9)	**522,810**	583,649
Forward Agreement fees (note 7)	**330,387**	374,232
Audit fees	**33,050**	25,531
Independent review committee fees	**6,566**	30,795
Trustee fees	**12,610**	12,571
Custodial fees	**5,769**	8,514
Legal fees	**13,515**	8,981
Unitholder reporting costs	**38,784**	50,050
Interest expense	**51**	—
Other administrative expenses	**140,342**	129,214
	2,042,835	2,288,748
Net investment loss	**(2,042,835)**	(2,288,748)
Net realized gain on partial settlements of Forward Agreement (note 10)	**6,019,674**	5,489,295
Transaction costs	**(43,447)**	(47,454)
Net change in unrealized gain (loss) on Forward Agreement	**9,988,988**	(2,954,113)
Increase in Net Assets from operations	**13,922,380**	198,980
Deficit, beginning of year	**(43,999,157)**	(44,198,101)
Issuance of warrants, net (note 5)	**—**	(36)
Deficit, end of year	**$ (30,076,777)**	$ (43,999,157)
Increase in Net Assets from operations per unit[1]	**$ 1.03**	$ 0.01

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

Statements of Changes in Net Assets

For the years ended December 31	2012	2011
Net Assets, beginning of year	**$ 135,656,580**	$ 161,450,262
Operations:		
Increase in Net Assets from operations	**13,922,380**	198,980
Unitholder transactions:		
Issuance costs on warrants (note 5)	**—**	(143,699)
Proceeds from issuance of units upon exercise of warrants (note 5)	**—**	182,425
Redemption of units (note 4)	**(8,110,933)**	(11,444,948)
Repurchase of units (note 4)	**(2,509,879)**	(2,215,155)
Warrant cost adjustment (note 5)	**60**	—
Total unitholder transactions	**(10,620,752)**	(13,621,377)
Unitholder distributions: (note 8)		
Return of capital	**(10,405,090)**	(12,371,285)
	(10,405,090)	(12,371,285)
Net decrease in Net Assets	**(7,103,462)**	(25,793,682)
Net Assets, end of year	**$ 128,553,118**	$ 135,656,580

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
Investments held by Aston Hill AVIP Trust				
	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*		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%**

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*	1,054,783	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*	1,285,245	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 Investments in Aston Hill AVIP Trust	**$ 112,674,438**	**$ 119,624,140**	
	Cash and short-term investments of Aston Hill AVIP Trust		8,475,159	
	Other Net Assets of Aston Hill AVIP Trust		1,056,586	
	Net Assets of Aston Hill AVIP Trust		129,155,885	
	Less: Prepayment under Forward Agreement		(90,519,009)	
	Unrealized gain on Forward Agreement		**$ 38,636,876**	

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 VIP Income Fund (the "Fund") is a closed-end investment trust created under the laws of the Province of Ontario on January 27, 2006, pursuant to an amended and restated declaration of trust. Computershare Trust Company of Canada is the Trustee and Aston Hill Asset Management Inc. (the "Manager") is responsible for managing the affairs 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 February 15, 2006.

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"), which is the current Manager of the Fund.

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

The Fund's investment objectives are to provide unitholders with high, monthly, tax-advantaged cash distributions and low management fees, together with the opportunity for capital appreciation, based on the performance of the portfolio of Aston Hill AVIP Trust. Aston Hill AVIP Trust's investments are comprised of income-producing securities, including dividend-paying common shares, income trusts, convertible debt, preferred shares, and investment grade and high yield bonds.

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.

b) 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 (paid out) on the Forward Agreement as at the valuation date is recognized as the fair value Forward Agreement on the Statements of Net Assets. All unrealized gains (losses) arising from the Forward Agreement are recorded as part of the change in unrealized gain (loss) on the Forward Agreement in the Statements of Operations and Deficit.

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

c) 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.

d) 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.

e) 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.

f) 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.

g) 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.

h) Other Assets and Liabilities

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

i) Warrants

Warrants are accounted for as equity in the financial statements. Upon issuance, a deemed distribution is recorded as a charge to retained earnings based on the fair value of the warrants on the date of issuance. The fair value of warrants, net of the related warrant issue costs, is categorized as a separate component of unitholders' equity and reclassified to unitholders' capital as the warrants are exercised. Any portion of the warrant capital related to warrants that expire is transferred to contributed surplus upon the expiry of the related warrants.

While the warrants are outstanding, diluted Net Assets per unit is calculated when the closing price of the Fund's units on a valuation date is greater than the subscription price. To calculate diluted Net Assets per unit, Net Assets are increased by the net proceeds received from the exercise of all warrants, and units are increased by the number of units issued from the exercise of all warrants.

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 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.

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.

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	**$ 128,863,717**	**$ 10.04**	$ 136,069,126	$ 9.78
Section 3855 adjustment[1]	**(310,599)**	**(0.03)**	(412,546)	(0.03)
Net Assets	**$ 128,553,118**	**$ 10.01**	$ 135,656,580	$ 9.75

[1] The Section 3855 adjustment relates to the valuation of an investment at bid price for Net Assets and at 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 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. Units may be redeemed at the option of unitholders by tendering units of the Fund by the last business day of July for redemption on the second last business day of August ("Redemption Valuation Date"). Redemption of tendered units will be settled based on the Net Asset Value per unit on the Redemption Valuation Date, less associated costs of the redemption, including brokerage costs. Units tendered for redemption will be redeemed effective on the Redemption Valuation Date and will be settled on or before the tenth business day in September.

Units may also be redeemed at the option of unitholders on the second last business day of the month, except for the month of August. Unitholders whose units are redeemed will receive a redemption price per unit equal to the lesser of (i) 94% of the weighted average trading price of the units for the 10 trading days immediately preceding the Redemption Valuation Date and (ii) 100% of the closing market price of the units.

The Fund received approval from the Toronto Stock Exchange to undertake a normal course issuer bid program for the period from April 14, 2011 to April 13, 2012. Pursuant to the issuer bid, the Fund could purchase up to 1,528,800 of its units for cancellation when the Net Asset Value per unit exceeded its trading price. The Fund renewed the issuer bid program for the period from April 14, 2012 to April 13, 2013, which allows the Fund to purchase up to 1,382,948 units for cancellation. The Fund may repurchase units when the Net Asset Value per unit exceeds its trading price.

Issued

	2012		2011	
	Number of Units	**Amount**	Number of Units	Amount
Units, beginning of year	**13,915,315**	**$ 126,061,890**	15,301,199	$ 153,857,317
Issuance of units upon exercise of warrants (note 5)	**—**	**—**	17,524	38,762
Redemption of units	**(818,012)**	**(9,012,873)**	(1,176,608)	(12,963,975)
Repurchase of units under normal course issuer bid	**(260,200)**	**(2,866,888)**	(226,800)	(2,498,929)
Return of capital	**—**	**(10,405,090)**	—	(12,371,285)
Warrant cost adjustment (note 5)	**—**	**60**	—	—
Units, end of year	**12,837,103**	**$ 103,777,099**	13,915,315	$ 126,061,890

During the year ended December 31, 2012, the Fund issued nil (2011 – 17,524) units upon the exercise of warrants for proceeds of nil (2011– $182,425).

On August 31, 2012, 812,491 (2011 – 1,172,320) units were redeemed at the price of $9.92 (2011 – $9.73) per unit.

During the year ended December 31, 2012, 260,200 units (2011 – 226,800) were purchased for cancellation.

Pursuant to the monthly redemption option, 5,521 (2011 – 4,288) units were redeemed at an average price of $9.18 (2011 – $8.82) per unit during the year.

As at December 31, 2012, the Fund had accumulated contributed surplus of $54,852,796 (2011 – $53,593,847) since inception. Contributed surplus is recorded when units of the Fund are redeemed or repurchased 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 13,495,681 (2011 – 14,829,837).

5. WARRANTS

The Fund issued 5,100,000 warrants to unitholders of record on February 22, 2011. Unitholders received warrants on the basis of one-third of one warrant for each unit held. A whole warrant entitled the holder to subscribe for one unit of the Fund at a subscription price of $10.57. Warrants not exercised prior to May 6, 2011 were void and of no value. Upon the exercise of a warrant, the Fund paid a fee equal to $0.16 per warrant to the dealer whose client was exercising the warrant. Pursuant to the warrant offering, the Fund issued 17,524 units for net proceeds of $182,425. Based on the closing price of the first trading day, the fair value of each warrant on the date of issuance was $0.03 per warrant. Costs associated with the issuance of these warrants amounted to $143,699, and 5,082,476 warrants expired on May 6, 2011.

As at December 31, 2011, there were $60 in accrued costs relating to previous issuance of warrants. As at December 31, 2012, these costs were no longer considered payable, resulting in an adjustment to issuance costs.

6. 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 includes 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.

7. FORWARD AGREEMENT

The Fund entered into a forward purchase and sale agreement ("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 AVIP Trust.

Under the terms of the Forward Agreement, the Counterparty has agreed to pay to the Fund, on or about June 29, 2028 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 AVIP 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 AVIP 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 June 29, 2028, 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 AVIP Trust, calculated and payable monthly in arrears.

8. 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 $0.77 (2011 – $0.84) per unit, which amounted to $10,405,090 (2011 – $12,371,285).

9. MANAGEMENT AND SERVICE FEES

Pursuant to management agreements, the Fund, together with Aston Hill AVIP Trust, pays a management fee equal to 0.90% per annum of the Net Asset Value of the Fund, plus applicable taxes. The portion of the fees paid by the Fund is equal to 0.65% per annum.

The Manager is responsible for paying the fees to AHAM, the Portfolio Manager of Aston Hill AVIP Trust. The Fund also pays to the Manager a service fee equal to 0.40% per annum of the Net Asset Value of the Fund. The service fee is in turn paid by the Manager to investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter.

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.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

10. INVESTMENT TRANSACTIONS

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

	2012	2011
Proceeds from settlement of Forward Agreement	**$ 23,570,423**	$ 27,798,029
Less cost of investment portfolio sold:		
Prepayment of Forward Agreement during the year	**17,550,749**	22,308,734
Cost of Forward Agreement settled during the year	**16,494,176**	22,308,734
Net realized gain on partial settlements of Forward Agreement	**$ 6,019,674**	$ 5,489,295

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

11. 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 AVIP Trust. The Statement of Investment Portfolio presents the securities held by Aston Hill AVIP Trust as at December 31, 2012 and groups the securities by asset type and market segment. The following comparative summary represents the securities held by Aston Hill AVIP Trust by asset type and market segment 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 Fund invests in a forward agreement whose value is based on the performance of Aston Hill AVIP Trust. 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 Aston Hill AVIP Trust's investment activities and monitors compliance with the Aston Hill AVIP Trust's stated investment strategy and restrictions, internal guidelines, and securities regulations.

The investment portfolio of Aston Hill AVIP Trust is primarily comprised of Canadian and US equities and Canadian and US dollar denominated debt securities. It is the Manager's intention to hedge substantially all of the US dollar foreign exchange exposure in Aston Hill AVIP Trust through its US dollar denominated loans of foreign currency forward contracts.

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 AVIP Trust will fluctuate due to changes in the prevailing levels of market interest rates.

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

The table below summarizes Aston Hill AVIP Trust'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%) of Net Asset Value. 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 AVIP Trust, to which the Fund is exposed through the Forward Agreement, is comprised of Canadian and US equities, Canadian and US dollar denominated debt securities and Canadian and US cash. As at December 31, 2012, Aston Hill AVIP Trust's exposure to US dollar foreign exchange of US$42.2 million (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).

				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 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 $805,500 (2011 – $27,300). In practice, actual results may vary from this analysis, and the difference may be material.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

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 Fund is exposed to other price risk through the Forward Agreement. The maximum risk of loss resulting from the Forward Agreement is equivalent to its fair value.

As at December 31, 2012, had the prices on the respective stock exchanges for the securities of Aston Hill AVIP Trust increased or decreased by 10%, with all other variables held constant, Net Assets would have increased or decreased, respectively, by approximately $7.9 million or 6.1% of Net Assets (2011 – approximately $12.1 million or 8.9% of Net Assets). 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 is exposed to the Counterparty in the full amount of the Forward Agreement. The Fund is also exposed to credit risk through the Forward Agreement. The carrying amount of the Net Assets of Aston Hill AVIP Trust underlying the Forward Agreement, as presented on the Statement of Investment Portfolio, and other assets, represent the maximum credit risk exposure 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 34.4% (2011 – 27.4%) exposure to debt securities through the Forward Agreement with the following credit ratings. Credit ratings represent the best ratings of Standard & Poor's, Moody's and Fitch Ratings.

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

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

e) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities.

The Fund is exposed to liquidity risk through its monthly and annual redemptions. For the annual redemption, the Fund receives notice at least 20 business days prior to the Redemption Valuation Date and has up to the tenth business day in September to settle the redemptions, which gives the Manager time to settle the Forward Agreement, in whole or in part.

The Fund manages liquidity risk by being able to partially settle the Forward Agreement.

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

12. 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 and bank indebtedness are classified as level 2.

Assets at fair value as at December 31, 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Forward Agreement	$ —	$ 129,155,885	$ —	$ 129,155,885
Total	**$ —**	**$ 129,155,885**	**$ —**	**$ 129,155,885**

Assets at fair value as at December 31, 2011	Level 1	Level 2	Level 3	Total
Forward Agreement	$ —	$ 137,047,792	$ —	$ 137,047,792
Total	$ —	$ 137,047,792	$ —	$ 137,047,792

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

13. INCOME TAXES

The Fund had accumulated non-capital losses for tax purposes as at December 31, 2012 of $3,550,603 (2011 – $4,054,338) that will expire as follows.

	2012	2011
2029	**$ 2,769,277**	$ 3,273,012
2030	**781,326**	781,326

The Fund had accumulated capital losses as at December 31, 2012 of $20,942,512 (2011 – $20,942,512). The capital losses can be carried forward for an indefinite period.

14. COMPARATIVE FIGURES

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

15. 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

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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