Aston Hill MBB Trust

Management Responsibility Statement

The accompanying financial statements of Aston Hill MBB 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 24, 2014

Independent Auditor's Report

To the Unitholder of Aston Hill MBB Trust (the Fund)

We have audited the accompanying financial statements of the Fund which comprise the statement of investment portfolio as at December 31, 2013, the statements of net assets as at December 31, 2013 and 2012 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 of the Fund 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, 2013 and 2012 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 24, 2014

Statements of Net Assets

As at December 31	2013	2012
Assets		
Investments, at fair value	**$ 23,106,868**	$ 28,289,109
Cash	**3,212,450**	3,749,599
Short-term investments	**—**	2,696,957
Unrealized gain on foreign currency forward contracts (note 9)	**—**	89,821
Income receivable	**494,197**	514,369
Broker margin	**690,000**	690,000
Total assets	**27,503,515**	36,029,855
Liabilities		
Investments sold short, at fair value	**7,051,148**	9,742,271
Unrealized loss on foreign currency forward contracts (note 9)	**330,041**	—
Management fees payable	**6,748**	8,902
Accounts payable and accrued liabilities	**33,010**	40,219
Total liabilities	**7,420,947**	9,791,392
Unitholders' equity		
Unitholders' capital (note 4)	**19,769,558**	26,146,953
Contributed surplus (note 4)	**736,218**	273,927
Deficit	**(423,208)**	(182,417)
Net Assets representing unitholders' equity	**$ 20,082,568**	$ 26,238,463
Units outstanding (note 4)	**1,745,009**	2,296,321
Net Assets per unit (note 3)	**$ 11.51**	$ 11.43

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 Deficits

For the years ended December 31		2013		2012
Income				
Interest income	$	**2,411,311**	$	2,254,285
		2,411,311		2,254,285
Expenses				
Management fees (note 7)		**137,340**		146,553
Audit fees		**—**		8,041
Custodial fees		**27,508**		22,182
Unitholder reporting costs		**5,762**		9,981
Administration fees		**1,155**		1,126
Interest paid on investments sold short		**236,011**		269,646
Interest and bank charges		**1,393**		410
Security borrowing expense		**37,092**		30,668
		446,261		488,607
Net investment income		**1,965,050**		1,765,678
Net realized gain (loss) on sale of investments		**976,895**		(236,315)
Net realized gain on foreign currency transactions		**1,946**		52,807
Net realized (loss) gain on foreign currency forward contracts (note 9)		**(530,618)**		452,761
Net change in unrealized gain on investments		**522,969**		1,803,035
Net change in unrealized (loss) gain on foreign currency forward contracts (note 9)		**(419,862)**		218,708
Net change in unrealized gain on short-term investments and foreign exchange		**29,425**		732
Increase in Net Assets from operations		**2,545,805**		4,057,406
(Deficit) retained earnings, beginning of year		**(182,417)**		4,471
Distributions to unitholders		**(2,786,596)**		(4,244,294)
Deficit, end of year	$	**(423,208)**	$	(182,417)
Increase in Net Assets from operations per unit[1]	$	**1.15**	$	1.64

[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	2013	2012
Operating activities:		
Increase in Net Assets from operations	$ 2,545,805	$ 4,057,406
Adjustments to reconcile net cash provided by operations:		
Net realized (gain) loss on sale of investments	(976,895)	236,315
Net change in unrealized gain on investments	(520,604)	(1,802,939)
Net change in unrealized loss (gain) on forward contracts	419,862	(218,708)
Decrease in income receivable	20,172	79,786
Decrease in accounts payable and accrued liabilities	(9,363)	(17,849)
Purchase of investments – long	(32,379,876)	(44,157,415)
Purchase of investments – short	—	(9,834,480)
Proceeds from sale of investments – long	37,022,050	50,563,881
Proceeds from sale of investments – short	2,043,400	9,490,500
Cash provided by operating activities	8,164,551	8,396,497
Financing activities:		
Distributions paid to unitholders (note 6)	(2,407,700)	(2,334,500)
Amounts paid for redemption of units	(6,294,000)	(2,400,000)
Cash used in financing activities	(8,701,700)	(4,734,500)
(Decrease) increase in cash	(537,149)	3,661,997
Cash, beginning of year	3,749,599	87,602
Cash, end of year	$ 3,212,450	$ 3,749,599
Supplemental information:		
Interest paid	$ 237,404	$ 270,056

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

Statements of Changes in Net Assets

For the years ended December 31	2013	2012
Net Assets, beginning of year	**$ 26,238,463**	$ 26,915,557
Operations:		
Increase in Net Assets from operations	**2,545,805**	4,057,406
Unitholder distibutions: (note 6)		
From income	**(2,786,596)**	(4,244,294)
	(2,786,596)	(4,244,294)
Unitholder transactions: (note 4)		
Reinvestment of distributions	**378,896**	1,909,794
Redemption of units	**(6,294,000)**	(2,400,000)
	(5,915,104)	(490,206)
Net decrease in Net Assets	**(6,155,895)**	(677,094)
Net Assets, end of year	**$ 20,082,568**	$ 26,238,463

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

Statement of Investment Portfolio

As at December 31, 2013		Cost	Fair Value	% of Portfolio
Par Value	**Fixed income investments**			
	Domestic bonds			
500,000	AIMIA Inc., *6.95%, due January 26, 2017*	$ 501,920	$ 549,527	
400,000	Air Canada, *7.625%, due October 1, 2019*	400,000	421,370	
600,000	Air Canada, *8.75%, due April 1, 2020*	618,690	677,341	
50,000	AltaGas Ltd., *4.60%, due January 15, 2018*	49,966	53,329	
750,000	Athabasca Oil, *7.50%, due November 19, 2017*	750,625	707,129	
350,000	Bell Canada, *7.65%, due December 30, 2031*	395,500	413,491	
200,000	Cameco Corp., *5.67%, due September 2, 2019*	200,847	219,375	
95,000	Canadian Government Bond, *4.00%, due June 1, 2041*	117,898	108,064	
130,000	Canadian Pacific Railway Co., *6.45%, due November 17, 2039*	129,931	154,548	
75,000	Canadian Western Bank, *4.39%, due November 30, 2020*	75,000	77,832	
500,000	First Quantum Minerals Ltd., *7.25%, due October 15, 2019*	490,826	516,639	
250,000	GE Capital Canada Funding Co., *5.68%, due September 10, 2019*	249,813	284,131	
400,000	Genworth MI Canada Inc., *5.680%, due June 15, 2020*	411,740	435,624	
1,000,000	Golf Town Canada Inc., *10.50%, due July 24, 2018*[(1)]	1,002,500	1,042,500	
750,000	HudBay Minerals Inc., *9.50%, due October 1, 2020*	732,787	818,786	
40,000	Inter Pipeline Ltd., *3.84%, due July 30, 2018*	40,000	41,377	
500,000	Loblaw Cos Ltd., *5.22%, due June 18, 2020*	515,371	543,988	
750,000	Mattamy Group Corp., *6.88%, due November 15, 2020*	750,000	743,438	
500,000	RioCan Real Estate Investment Trust, *4.50%, due January 21, 2016*	500,375	522,589	
26,000	Royal Bank of Canada, *4.93%, due July 16, 2025*	25,992	28,008	
450,000	TELUS Corp., *5.05%, due July 23, 2020*	456,060	488,788	
	Total Domestic bonds	**8,415,841**	**8,847,874**	**55.1%**
	Foreign bonds			
	Britain			
750,000	Algeco Scotsman Global Financial, *10.75%, due October 15, 2019*	727,503	840,700	
8,000	Lloyds Bank PLC, *10.13%, due December 16, 2021*	7,972	9,340	
		735,475	**850,040**	**5.3%**
	Greece			
500,000	Eletson Holdings, *9.63%, due January 15, 2022*	549,019	544,529	
		549,019	**544,529**	**3.4%**
	United States of America			
1,000,000	Ace Cash Express Inc., *11.00%, due February 1, 2019*	908,691	852,653	
500,000	Allegheny Technologies Inc., *5.95%, due January 15, 2021*	498,831	551,111	
134,000	Allied Nevada Gold, *8.75%, due June 1, 2019*	133,414	85,760	
500,000	American Apparel Inc., *13.00%, due April 15, 2020*[(1)]	513,908	492,733	
750,000	CNL Lifestyle Properties Inc., *7.25%, due April 15, 2019*	698,624	820,778	
1,000,000	Crescent Resources LLC, *10.25%, due August 15, 2017*	1,013,752	1,155,464	
1,000,000	CVR Refining LLC, *6.50%, due November 1, 2022*	976,896	1,043,902	
500,000	Goodman Networks Inc., *12.13%, due July 1, 2018*	502,939	560,467	
750,000	Landrys Inc., *9.38%, due May 1, 2020*	825,983	868,590	
500,000	Legacy Reserves LP, *8.00%, due December 1, 2020*	488,310	552,498	
500,000	Magnum Hunter Resources Corp., *9.75%, due May 15, 2020*	503,523	573,748	
250,000	NGL Energy Partners LP, *6.88%, due October 15, 2021*	259,638	272,265	
750,000	Niska Gas Storage US LLC, *8.888%, due March 15, 2018*	745,802	828,747	
500,000	Patriot Merger Corp., *9.00%, due July 15, 2021*	511,005	557,810	
500,000	Proquest LLC, *9.00%, due October 15, 2018*[(1)]	482,499	531,248	

[(1)] Level 3 financial assets (note 11).

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

Statement of Investment Portfolio (continued)

As at December 31, 2013		Cost	Fair Value	% of Portfolio
Par Value	**Foreign bonds** (continued)			
	United States of America (continued)			
1,000,000	Prospect Capital Corp., *5.75%, due March 15, 2018*	$ 1,011,669	$ 1,119,605	
500,000	Republic Services Inc., *3.80%, due May 15, 2018*	473,980	562,661	
243,000	Saratoga Resources Inc., *12.50%, due July 1, 2016*	238,663	241,404	
500,000	Valspar Corp., *7.25%, due June 15, 2019*	563,093	631,186	
500,000	Vector Group Ltd., *7.75%, due February 15, 2021*	499,700	561,795	
		11,850,920	**12,864,425**	**80.1%**
	Total Foreign bonds	**13,135,414**	**14,258,994**	**88.8%**
	Total Fixed income investments	**21,551,255**	**23,106,868**	**143.9%**
	Short positions			
	Government			
(7,000,000)	Canadian Government Bond, *2.75%, due June 1, 2022*	(7,649,040)	(7,051,148)	
	Total Short positions	**(7,649,040)**	**(7,051,148)**	**(43.9%)**
	Total	**$ 13,902,215**	**$ 16,055,720**	**100.0%**

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

Notes to the Financial Statements

December 31, 2013 and 2012

1. OPERATIONS

Aston Hill MBB Trust (the "Fund") is a closed-end investment trust created under the laws of the Province of Ontario on January 12, 2009, pursuant to an amended and restated declaration of trust. Aston Hill Asset Management Inc., the Trustee and Manager of the Fund, is responsible for managing the affairs of the Fund and manages the Fund's investment portfolio as the Portfolio Manager. 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.

Through a forward agreement ("Forward Agreement"), Aston Hill Advantage Bond Fund obtains exposure to the return on the portfolio held by the Fund. The return to investors of Aston Hill Advantage Bond Fund is therefore dependent upon the return of the Fund pursuant to the Forward Agreement.

The investment objectives of the Fund are to provide unitholders with the benefits of attractive distributions together with the opportunity for capital appreciation.

The Fund seeks to achieve its investment objectives by investing the Fund property in an actively managed portfolio consisting primarily of North American corporate bonds managed by the Manager and, at the discretion of the Manager, by selling short government bonds with an aggregate sales price of up to one-third of the total assets and investing the proceeds in additional corporate 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, long and short, and derivatives are deemed to be classified as held-for-trading in accordance with the CPA Canada Handbook Section 3855, Financial Instruments – Recognition and Measurement ("Section 3855"). Securities listed on a recognized public stock exchange are valued at their bid and ask prices for long and short investments, respectively. 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.

Written options are valued at ask price, and purchased options are valued at bid price as reported on recognized exchanges.

b) Cash

Cash consists of cash on hand. Cash is deemed to be held-for-trading and therefore is 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 (Deficit).

e) 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.

f) 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 and unrealized 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.

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.

Notes to the Financial Statements (continued)

December 31, 2013 and 2012

h) Security Borrowing

The Fund may enter into security borrowing transactions. These transactions involve the temporary exchange of the securities borrowed and collateral, with a commitment to deliver to the lender the same securities borrowed on a future date. Expenses from these transactions, in the form of fees, are paid by the Fund and expensed in the Statements of Operations and Retained Earnings (Deficit).

i) Other Assets and Liabilities

For the purposes of categorization in accordance with Section 3855, income receivable and other receivables are designated as loans and receivables and are recorded at amortized cost. Similarly, accounts payable and accrued liabilities are deemed to be other financial liabilities and are reported at amortized cost. Amortized cost approximates fair value for these 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 judgements and estimates is the valuation of non-public investments. The resulting values may differ materially 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) Transition to International Financial Reporting Standards

Beginning January 1, 2014, the Fund will prepare its annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), and provide comparative statements on an IFRS basis, including an opening balance sheet as at January 1, 2013 (the transition date). The Fund will also report its interim financial statements for the period ending June 30, 2014, in accordance with IFRS.

The Manager has reviewed and developed the Fund's IFRS changeover plan, which included performing an impact assessment and identifying differences between existing Canadian generally accepted accounting principles ("GAAP") and IFRS. Management has monitored developments in IFRS and has assessed the likely impacts on accounting policies, implementation decisions, internal controls, information systems and training. Based on management's assessment to date, the more significant changes impacting the financial statements may be how the Fund measures the fair values of its investments and the classification of Net Assets representing unitholders' equity. The Manager does not consider this to be a comprehensive list of the accounting changes required when the Fund adopts IFRS, but in the view of the Manager, it represents the key differences. The differences described in the sections that follow are based on Canadian GAAP as at December 31, 2013 and IFRS that are in effect as of January 1, 2014.

Under Canadian GAAP, the Fund measures the fair values of its investments in accordance with the CPA Canada Handbook Section 3855, Financial Instruments – Recognition and Measurement. This section requires the use of bid prices for the long positions and ask prices for the short positions to the extent that such prices are available. In May 2011, the IASB issued IFRS 13, Fair Value Measurement, which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosures about fair value measurements. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. The standard allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical means for fair value measurement within a bid-ask spread. The impact of this may result in the elimination of the differences between the transactional Net Asset Value and Net Assets at the financial statements reporting dates.

The Fund's outstanding redeemable unit entitlement includes a contractual obligation to deliver cash or another financial asset on the Fund's fixed termination date, and therefore the ongoing redemption feature is not the Fund's only contractual obligation. Consequently, the Fund's outstanding redeemable units will be classified as financial liabilities in accordance with the requirements of International Accounting Standard 32, Financial Instruments: Presentation. The impact of this standard is on classification and disclosure only and does not impact Net Assets per unit.

Management will continue to monitor the Fund's IFRS changeover plan to address the key elements of the IFRS conversion.

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			2013			2012
		Total	**Per Unit**		Total	Per Unit
Net Asset Value	$	**20,171,436**	$ **11.56**	$	26,343,718	$ 11.47
Net Assets	$	**20,082,568**	$ **11.51**	$	26,238,463	$ 11.43

4. UNITS OF THE FUND

Authorized

Each unit of the Fund represents an equal, undivided interest in the Net Assets of the Fund. On termination of the Fund, unitholders are entitled to receive their pro rata share of the assets of the Fund. All units of the Fund are held by one unitholder.

Issued

			2013			2012
	Number of Units		**Amount**	Number of Units		Amount
Units, beginning of year	**2,296,321**	$	**26,146,953**	2,508,376	$	26,659,520
Redemption of units	**(551,312)**		**(6,756,291)**	(212,055)		(2,422,361)
Units issued under the distribution reinvestment plan[1]	**—**		**378,896**	—		1,909,794
Units, end of year	**1,745,009**	$	**19,769,558**	2,296,321	$	26,146,953

[1] Units were consolidated.

During the year ended December 31, 2013, 551,312 (2012 – 212,055) units were redeemed at an average price of $11.42 (2012 – $11.32).

As at December 31, 2013, the Fund had accumulated contributed surplus of $736,218 (2012 – $273,927). 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, 2013 was 2,210,225 (2012 – 2,475,930).

5. CAPITAL MANAGEMENT

The Fund's objectives in managing its capital are to provide the unitholder with the benefit of cash distributions and the opportunity for capital appreciation. 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 or increase or decrease its level of securities sold short. There are currently no externally imposed capital requirements for the Fund.

6. DISTRIBUTIONS PAYABLE TO UNITHOLDERS

The Fund will make distributions to unitholders if, as and when declared by the Manager. For the years ended December 31, 2013 and 2012, the Fund declared total distributions of $1.08 per unit (2012 – $0.94), which amounted to $2,786,596 (2012 – $4,244,294). Part of which was a special unit distribution of $0.22 per unit (2012 – $0.83), which amounted to $378,896 (2012 – $1,909,794). 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.

7. MANAGEMENT FEES

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

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

8. BROKER COMMISSION CHARGES AND SOFT DOLLAR SERVICES

For the year ended December 31, 2013, there was $1,011.33 (2012 – nil) of soft dollar amounts paid.

Notes to the Financial Statements (continued)

December 31, 2013 and 2012

9. FOREIGN CURRENCY FORWARD CONTRACTS

The Fund uses forward currency contracts to hedge foreign exchange risks associated with its US dollar investment portfolio. During the year ended December 31, 2013, the Fund realized losses in the amount of $530,618 (2012 – gains of $452,761) on the settlement of foreign currency forward contracts.

As at December 31, 2013 and 2012, the Fund had entered into the following forward currency contracts with a Canadian chartered bank with an AA rating:

As at December 31, 2013

Canadian Dollars Purchased	US Dollars Sold	Delivery Date	Forward Rate (USD/CAD)	Unrealized Loss	Counterparty	Counterparty Credit Rating
$ 2,064,600	$ (2,000,000)	January 15, 2014	0.96871	$ (61,175)	Royal Bank of Canada	AA+
15,685,200	(15,000,000)	February 12, 2014	0.95632	(268,866)	Royal Bank of Canada	AA+
$ 17,749,800	**$ (17,000,000)**			**$ (330,041)**		

As at December 31, 2012

Canadian Dollars Purchased	US Dollars Sold	Delivery Date	Forward Rate (USD/CAD)	Unrealized Loss	Counterparty	Counterparty Credit Rating
$ 15,030,580	$ (15,000,000)	January 16, 2013	0.99797	$ 89,821	Royal Bank of Canada	AA+

10. 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, 2013, 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, 2012.

As at December 31, 2012

Investment Sector	% of Portfolio
Long positions	
Consumer discretionary	33.2%
Industrials	22.2%
Energy	19.1%
Government	0.7%
Materials	16.2%
Consumer staples	11.2%
Financials	29.0%
Utilities	10.9%
Telecommunication services	10.0%
Short positions	
Government	(52.5%)
Total	100.0%

The Manager attempts to minimize potential adverse effects of these risks on the Fund's performance 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.

The investment portfolio of the Fund 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. 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 for such securities.

The tables below summarize the Fund's exposure to interest rate risk by remaining term to maturity as at December 31, 2013 and 2012.

As at December 31, 2013	Less Than 1 Year	1–3 Years	3–5 Years	> 5 Years	Total
Fixed income investments	$ —	$ 763,993	$ 7,152,054	$ 15,190,821	$ 23,106,868
Fixed income investments sold short	—	—	—	(7,051,148)	(7,051,148)
Total	$ —	$ 763,993	$ 7,152,054	$ 8,139,673	$ 16,055,720
As a percentage of Net Assets	0.0%	4.0%	35.6%	40.7%	80.3%

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 a percentage of Net Assets	10.3%	5.6%	21.0%	44.1%	81.0%

As at December 31, 2013, had prevailing interest rates increased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, Net Assets would have decreased by approximately $0.52 million or 2.6% (2012 – $0.3 million or 1.1%). Similarly, had prevailing interest rates decreased by 1%, assuming a parallel shift in the yield curve, with all other variables held constant, Net Assets would have increased by $0.55 million or 2.7% (2012 – $0.3 million or 1.1%). 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 includes US dollar denominated debt securities and US dollar denominated cash. As at December 31, 2013, the Fund's exposure to US currency of US$17.7 million (2012 – US$17.4 million) in its portfolio and cash and short-term investments was substantially hedged through its US dollar denominated foreign currency forward contracts of US$17.0 million notional (2012 – US$15.0 million).

The following tables summarize the Fund's exposure to currency risk in Canadian dollar equivalents as at December 31, 2013 and 2012.

				As at December 31, 2013
Currency (000s)	**Financial Instruments Exposure**	**Derivatives Exposure**	**Net Exposure**	**% of Net Assets**
US dollar	$ 18,760	$ (17,750)	$ 1,010	5.0%
Total	$ 18,760	$ (17,750)	$ 1,010	5.0%

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

As at December 31, 2013, had the Canadian dollar strengthened or weakened by 10% against the US dollar, with all other variables held constant, Net Assets of the Fund would have increased or decreased, respectively, by approximately $101,000 (2012 – $195,200). In practice, actual results may vary from this analysis, and the difference may be material.

Notes to the Financial Statements (continued)

December 31, 2013 and 2012

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 fair value of debt securities includes consideration of the creditworthiness of the issuer. The carrying amount of investments, as presented on the Statement of Investment Portfolio, represents their maximum credit risk exposure as of December 31, 2013.

The Portfolio 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, 2013 and 2012, the Fund had exposure to debt securities 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	**2013**	2012
AAA	**0.5%**	10.9%
AA	**1.6%**	2.9%
A	**2.2%**	5.7%
BBB	**29.6%**	27.3%
BB	**5.1%**	12.4%
B	**57.4%**	51.8%
CCC	**17.5%**	6.7%
Unrated	**1.2%**	0.9%
Total	**115.1%**	118.6%

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 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. Liquidity risk is managed by holding a portfolio of actively traded bonds that can be sold to meet redemption requests.

All of the Fund's financial liabilities, other than investments sold short, at December 31, 2013 and 2012 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 risk comes from investments in securities and commodities.

As at December 31, 2013 and 2012, none of the Fund's Net Assets were invested in those asset types.

11. FAIR VALUE DISCLOSURES

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

Section 3862 requires the Fund to classify its investments and derivative assets and 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 judgement 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, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Fixed income investments	$ —	$ 23,106,868	$ —	$ 23,106,868
Total	**$ —**	**$ 23,106,868**	**$ —**	**$ 23,106,868**

Liabilities at fair value as at December 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Investments sold short	$ —	$ (7,051,148)	$ —	$ (7,051,148)
Foreign currency forward contracts	—	(330,041)	—	(330,041)
Total	**$ —**	**$ (7,381,189)**	**$ —**	**$ (7,381,189)**

Assets at fair value as at December 31, 2012	Level 1	Level 2	Level 3	Total
Fixed income investments	$ —	$ 27,580,122	$ 708,987	$ 28,289,109
Foreign currency forward contracts	—	89,821	—	89,821
Total	$ —	$ 27,669,943	$ 708,987	$ 28,378,930

Liabilities at fair value as at December 31, 2012	Level 1	Level 2	Level 3	Total
Investments sold short	$ —	$ (9,742,271)	$ —	$ (9,742,271)
Total	$ —	$ (9,742,271)	$ —	$ (9,742,271)

There were no transfers of financial assets between level 1 and level 2 during the years ended December 31, 2013 and 2012.

The following table provides a reconciliation of fair value measurements using level 3 inputs from December 31, 2012 to December 31, 2013 and December 31, 2011 to December 31, 2012:

	2013	2012
Balance, beginning of year	$ 708,987	$ —
Purchases	—	698,698
Sales	—	—
Transfer in (out)	(708,987)	—
Realized gains	—	—
Unrealized gains	—	10,289
Balance, end of year	$ —	$ 708,987

During the year, investments were reclassified to level 2 as prices based on trades became available.

The change in unrealized gains during the year for assets held as at December 31, 2013 was nil (2012 – $10,289).

As at December 31, 2013, had the fair value of the level 3 investments increased or decreased by 10%, with all other variables held constant, the Net Assets would have increased or decreased by approximately nil (2012 – $70,899).

12. COMPARATIVE FIGURES

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

Corporate Information

Independent Review Committee

John Crow
Chairman

C. Scott Browning

Robert Falconer

Joseph H. Wright

Directors and Senior Officers of the Manager

Eric Tremblay
Director and Chief Executive Officer

Ben Cheng[1]
Co-Chief Investment Officer

Michael J. Killeen
Director and President

Larry W. Titley
Director and Chief Financial Officer

Portfolio Management

Jeffrey Burchell
Co-Chief Investment Officer and Portfolio Manager

Andrew Hamlin
Vice President and Portfolio Manager

Joanne Hruska
Vice President and Portfolio Manager

Vivian Lo
Vice President and Portfolio Manager

Steve Vannatta
Portfolio Manager

Barry Morrison
Portfolio Manager

Manager and Trustee

Aston Hill Asset Management Inc.

Transfer Agent

Equity Finance

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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