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 25, 2013

Independent Auditor's Report

To the Unitholders 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, 2012, the statements of net assets as at December 31, 2012 and 2011 and the statements of operations and retained earnings (deficit), cash flows and changes in net assets for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta

March 25, 2013

Statements of Net Assets

As at December 31	2012	2011
Assets		
Investments, at fair value[1]	**$ 28,289,109**	$ 32,679,116
Cash and short-term investments	**6,446,556**	2,775,153
Income receivable	**514,369**	594,155
Other receivable	**690,000**	690,000
Unrealized gain on foreign currency forward contracts (note 9)	**89,821**	—
Total assets	**36,029,855**	36,738,424
Liabilities		
Investments sold short, at fair value	**9,742,271**	9,627,010
Accounts payable and accrued liabilities	**49,121**	66,970
Unrealized loss on foreign currency forward contracts (note 9)	**—**	128,887
Total liabilities	**9,791,392**	9,822,867
Unitholders' equity		
Unitholders' capital (note 4)	**26,146,953**	26,659,520
Contributed surplus (note 4)	**273,927**	251,566
(Deficit) retained earnings	**(182,417)**	4,471
Net Assets representing unitholders' equity	**$ 26,238,463**	$ 26,915,557
Units outstanding (note 4)	**2,296,321**	2,508,376
Net Assets per unit (note 3)	**$ 11.43**	$ 10.73

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

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

Michael J. Killeen
Director

Larry W. Titley
Director

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

Statements of Operations and Retained Earnings (Deficit)

For the years ended December 31	2012	2011
Income		
Interest income	$ **2,254,285**	$ 3,576,053
	2,254,285	3,576,053
Expenses		
Management fees (note 7)	**146,553**	196,186
Security borrowing expenses	**30,668**	53,404
Audit fees	**8,041**	12,073
Custodial fees	**6,689**	1,792
Other administrative expenses	**26,600**	25,961
Interest expense on investments sold short	**270,056**	407,252
	488,607	696,668
Net investment income	**1,765,678**	2,879,385
Net realized (loss) gain on long and short investments (note 8)	**(236,315)**	478,069
Net realized gain (loss) on foreign currency transactions	**52,807**	(15,795)
Net realized gain on foreign currency forward contracts (note 9)	**452,761**	596,581
Net change in unrealized gain (loss) on investments, short-term investments and foreign currency transactions	**1,803,767**	(1,927,305)
Net change in unrealized gain (loss) on foreign currency forward contracts (note 9)	**218,708**	(1,043,448)
Increase in Net Assets from operations	**4,057,406**	967,487
Retained earnings, beginning of year	**4,471**	869,715
Distributions to unitholders	**(4,244,294)**	(1,832,731)
(Deficit) retained earnings, end of year	$ **(182,417)**	$ 4,471
Increase in Net Assets from operations per unit[1]	$ **1.64**	$ 0.32

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

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

Statements of Cash Flows

For the years ended December 31	2012	2011
Cash flows from operating activities:		
Increase in Net Assets from operations	**$ 4,057,406**	$ 967,487
Adjustments to reconcile net cash provided by (used in) operations		
Net realized loss (gain) on sale of investments	**236,315**	(478,069)
Net change in unrealized (gain) loss on investments	**(1,803,035)**	1,942,475
Net change in unrealized (gain) loss on forward contracts	**(218,708)**	1,043,448
Decrease in income receivable	**79,786**	267,061
Increase in other receivables	**—**	(690,000)
Increase in accounts payable and accrued liabilities	**(17,849)**	(8,039)
Purchase of investments – long (note 8)	**(18,941,340)**	(7,271,691)
Purchase of investments – short (note 8)	**(9,834,480)**	(5,307,210)
Proceeds from sale of investments – long (note 8)	**25,357,308**	21,315,342
Proceeds from sale of investments – short (note 8)	**9,490,500**	—
Cash provided by operating activities	**8,405,903**	11,780,804
Cash flows from financing activities:		
Distributions paid to unitholders (note 6)	**(2,334,500)**	(3,827,022)
Amounts paid for redemption of units	**(2,400,000)**	(7,248,679)
Cash used in financing activities	**(4,734,500)**	(11,075,701)
Net increase in cash and short-term investments	**3,671,403**	705,103
Cash and short-term investments, beginning of year	**2,775,153**	2,070,050
Cash and short-term investments, end of year	**$ 6,446,556**	$ 2,775,153
Supplemental information:		
Interest paid	**$ 270,056**	$ 407,252

Statements of Changes in Net Assets

For the years ended December 31	2012	2011
Net Assets, beginning of year	**$ 26,915,557**	$ 37,023,771
Operations:		
Increase in Net Assets from operations	**4,057,406**	967,487
Unitholder distributions: (note 6)		
Distributions to unitholders		
From income (excluding dividends)	**(4,244,294)**	(1,832,731)
Return of capital	**—**	(1,994,291)
	(4,244,294)	(3,827,022)
Unitholder transactions: (note 4)		
Reinvestment of distributions	**1,909,794**	—
Redemption of units	**(2,400,000)**	(7,248,679)
	(490,206)	(7,248,679)
Net decrease in Net Assets	**(677,094)**	(10,108,214)
Net Assets, end of year	**$ 26,238,463**	$ 26,915,557

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
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*[1]	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, *4.250%, due May 15, 2020*	503,523	516,519	
243,000	Saratoga Resources Inc., *12.500%, due July 1, 2016*[1]	238,663	238,519	
		2,984,409	**3,032,076**	**16.35%**
	Government			
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	**$ 16,916,302**	**$ 18,546,838**	**100.00%**

(1) Level 3 financial asset (note 11).

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 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 portfolio (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.

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, the Manager of the Fund. Effective April 26, 2012, the Manager assumed responsibility for the portfolio management of the Fund from Manulife Asset Management Limited.

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.

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 estimated fair value. Short-term investments and bonds held long (short) are valued at the average bid (ask) quotations from recognized investment dealers. The cost of investments is based on their average cost.

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

The Fund may sell a security it does not own in anticipation of a decline in the fair value of that security. When the Fund sells a security short, it must deliver the security sold short to the purchaser at a future date. A gain, limited to the proceeds received on the security sold short, or a loss, unlimited in size, will be realized when the securities to cover the short sale obligation are acquired by the Fund. Securities sold short are reported in the financial statements as a liability at the current fair value of the securities. Interest on securities sold short is payable to the purchaser and recognized as an expense on the Statements of Operations and Retained Earnings (Deficit), if applicable.

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 costs of the investments, which exclude 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.

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

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) 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 receivable 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 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 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) 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		2011	
	Total	**Per Unit**	Total	Per Unit
Net Asset Value	**$ 26,343,718**	**$ 11.47**	$ 27,030,252	$ 10.78
Net Assets	**$ 26,238,463**	**$ 11.43**	$ 26,915,557	$ 10.73

4. UNITS OF THE FUND

Authorized

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

Issued

	2012		2011	
	Number of Units	**Amount**	Number of Units	Amount
Units, beginning of year	**2,508,376**	**$ 26,659,520**	3,164,953	$ 36,154,056
Redemption of units	**(212,055)**	**(2,422,361)**	(656,577)	(7,500,245)
Units reinvested[1]	**—**	**1,909,794**	—	—
Return of capital	**—**	**—**	—	(1,994,291)
Units, end of year	**2,296,321**	**$ 26,146,953**	2,508,376	$ 26,659,520

[1] Units were consolidated.

During the year ended December 31, 2012, 212,055 (2011 – 656,577) units were redeemed at an average price of $11.32 (2011 – $11.04) per unit.

As at December 31, 2012, the Fund had accumulated contributed surplus of $273,927 (2011 – $251,566). 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 2,475,930 (2011 – 3,066,017).

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.

6. DISTRIBUTIONS PAYABLE TO UNITHOLDERS

The Fund will make distributions to unitholders if, as and when declared by the Manager. For the year ended December 31, 2012, the Fund declared total distributions of $0.94 per unit (2011 – $1.25), which amounted to $4,244,294 (2011 – $3,827,022). Part of which was a special unit distribution of $0.83 per unit, which amounted to $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 (formerly Manulife Brompton Advantaged 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. INVESTMENT TRANSACTIONS

Investment transactions for the years ended December 31, 2012 and 2011 were as follows:

	2012	2011
Proceeds from sale of investments	**$ 34,847,808**	$ 21,315,342
Less cost of long and short investments sold:		
Investments long and short at cost, beginning of year	**23,224,605**	31,482,977
Investments purchased during the year	**28,775,820**	12,578,901
Investments at cost, end of year	**(16,916,302)**	(23,224,605)
Cost of long and short investments sold during the year	**35,084,123**	20,837,273
Net realized (loss) gain on long and short investments	**$ (236,315)**	$ 478,069

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

Notes to the Financial Statements (continued)

December 31, 2012 and 2011

9. FORWARD CURRENCY 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, 2012, the Fund realized gains in the amount of $452,761 (2011 – $596,581) on the settlement of foreign currency forward contracts.

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

Canadian Dollars Purchased	**US Dollars Sold**	**Delivery Date**	**Forward Rate (USD/CAD)**	**Unrealized Gain**
$ 15,030,580	**$ (15,000,000)**	**January 16, 2013**	**0.99797**	**$ 89,821**

As at December 31, 2011:

Canadian Dollars Purchased	US Dollars Sold	Delivery Date	Forward Rate (USD/CAD)	Unrealized Loss
$ 22,204,873	$ (21,926,630)	January 13, 2012	$ 0.98747	$ (128,887)

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, 2012, and groups the securities by asset type and market segment. The following comparative summary represents the securities by asset type and market segment held by the Fund as at December 31, 2011.

As at December 31, 2011:

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 trust	2.2%
Energy	1.8%
Government	0.5%
Short positions	
Government	(41.8%)
Total	100.0%

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

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 table below summarizes the Fund'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 would have decreased by approximately $0.3 million or 1.1% (2011 – $1.1 million or 4.1%). 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 $0.3 million or 1.1% (2011 – $1.1 million or 4.1%). 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, 2012, the Fund's exposure to US currency of US$17.4 million (2011 – US$21.6 million) in its portfolio and cash and short-term investments was substantially hedged through its US dollar denominated foreign currency forward contracts of $15.0 million notional (2011 – $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%)

As at December 31, 2012, 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 $195,200 (2011 – $18,300). 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) 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, 2012.

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, 2012 and 2011, 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	**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 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, 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
Investment grade	$ —	$ 14,526,154	$ —	$ 14,526,154
High yield	—	13,053,968	708,987	13,762,955
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)**

Assets at fair value as at December 31, 2011	Level 1	Level 2	Level 3	Total
Investment grade	$ —	$ 15,703,726	$ —	$ 15,703,726
High yield	—	16,975,390	—	16,975,390
Total	$ —	$ 32,679,116	$ —	$ 32,679,116

Liabilities at fair value as at December 31, 2011	Level 1	Level 2	Level 3	Total
Investments sold short	$ —	$ (9,627,010)	$ —	$ (9,627,010)
Foreign currency forward contracts	—	(128,887)	—	(128,887)
Total	$ —	$ (9,755,897)	$ —	$ (9,755,897)

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

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

	2012
Balance, beginning of year	$ —
Purchases	**698,698**
Net transfers in (out)	—
Gains (losses)	
Realized	—
Unrealized	**10,289**
Balance, end of year	**$ 708,987**

The change in unrealized gain (loss) during the year for assets held as at December 31, 2012 was $10,289.

As at December 31, 2012, had the fair value of the level 3 investments increased or decreased by 10%, with all other variables held constant, this would have increased or decreased Net Assets by approximately $70,899 (2011 – nil).

12. COMPARATIVE FIGURES

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

Corporate Information

Independent Review Committee

John Crow
Chairman

Robert Falconer

C. Scott Browning

Directors and Senior Officers of the Manager

Eric Tremblay
Director and Chief Executive Officer

Ben Cheng[1]
Chief Investment Officer

Michael J. Killeen
Director and President

Larry W. Titley
Director and Chief Financial Officer

Portfolio Management

Jeffrey Burchell
Vice President and Portfolio Manager

Andrew Hamlin
Vice President and Portfolio Manager

Joanne Hruska
Vice President and Portfolio Manager

Sandy Liang
Vice President and Portfolio Manager

Vivian Lo
Vice President and Portfolio Manager

Robert Gill
Vice President and Portfolio Manager

Steve Vannatta
Portfolio Manager

Manager

Aston Hill Asset Management Inc.

Trustee 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.

AstonHill ASSET MANAGEMENT

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