



Aston Hill MBB Trust

Semi-Annual Management Report of Fund Performance

June 30, 2016

MANAGEMENT REPORT OF FUND PERFORMANCE

This semi-annual management report of fund performance for **Aston Hill MBB TRUST** (the “Fund”) contains financial highlights but does not contain the complete semi-annual financial statements of the Fund.

You can obtain a copy of the semi-annual financial statements at no cost by writing to Aston Hill Asset Management Inc. (the “Manager”) to the following address: 77 King Street West, Suite 2110, Toronto, Ontario M5K 1G8, or calling 1-800-513-3868 or visiting the Manager’s website at www.astonhill.ca or by visiting www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

INVESTMENT OBJECTIVES AND STRATEGIES

Aston Hill MBB Trust is a closed-end investment trust that is managed by Aston Hill Asset Management Inc. (the “Manager”).

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 up to one-third of the total assets and investing the proceeds in additional corporate bonds.

RISK

Risks associated with an investment in the units of the Fund are discussed in the Fund’s 2015 annual information form, which is available on the Manager’s website at www.astonhill.ca or on SEDAR at www.sedar.com. There were no changes to the Fund for the six-month period ended June 30, 2016 that materially affected the risks associated with an investment in the units of the Fund.

RESULTS OF OPERATIONS

Caution regarding forward-looking statements

The analysis in the document includes forward-looking statements. The use of any of the words anticipate, may, will, expect, estimate, should, believe and similar expressions are intended to identify forward-looking statements. Such statements reflect the opinion of the Investment Manager regarding factors that might be reasonably expected to affect the performance and the distributions on units of the Fund and are based on information available at the time of writing. The Portfolio Manager of the Fund believes that the expectations reflected in these forward-looking statements and in the analysis are reasonable but no assurance can be given that these expectations or the analysis will prove to be correct and accordingly, they should not be unduly relied on. These statements speak only as of the date of this report. Actual events and outcomes may differ materially from those described in these forward-looking statements or analysis.

Manager Commentary (August 2016)

Financial market volatility that characterized the first quarter of 2016 has given way to firmer risk markets in risk assets for two main reasons. First, after June’s Brexit-related (British EU referendum) volatility it’s clear that capital markets are willing to discount continued accommodative central bank policy (easy money) which has more than offset the prospect for slowing global economic growth when it comes to securities value. Second, the U.S. economy continues to move forward at a firm rate with strong employment figures in both jobs created (monthly payroll) and with less firings (unemployment claims).

The most important investing theme continues to be ultra-low interest rates (including NEGATIVE yields in major government bonds from countries including Germany and Japan) because of sub-par yet positive global economic growth. As global bond yields continue to decline, other risk assets including investment grade corporate debt, high yield debt and equities continue to grind higher as discount rates go lower. The interest rate environment is positive for income products including high yield bonds.

High yield market valuation continues to be more attractive than usual for an expansionary period, with the recent yield spread at 594 basis points over Treasury yield and the yield at 7.2% (source: JP Morgan). U.S. 10-year Treasury notes are currently yielding 1.6% which is near their all-time lowest yield ever. The internal yield of the Fund is in the 9% area and duration (interest rate risk) in high yield bonds is low.

Excluding commodity sectors (Energy, Metals & Mining) the high yield debt default rate is 0.6% which continues to suggest a healthy corporate credit environment. The overall high yield debt default rate including commodities has crept up to 3.7%, up from 1.9% one year ago (source: JP Morgan), however it still remains low by historical standards for an expansionary period.

The Fund continues to be underinvested in commodity sectors with the rationale that this recent upturn has been led by the lowest quality leveraged companies as commodity prices have bounced off the bottom. During the month of July and August to date crude oil (West Texas Intermediate – WTI) has come off its recent highs which has contributed to some volatility in energy related high yield debt and outflows in high yield debt exchange-traded funds (ETFs).

Instead of high commodity weights we are investing in debt of companies that have simple business models, operating in and dependent upon geographies with which we are more familiar. Away from commodity sectors, the Fund continues to invest in a number of U.S.-centric industries including homebuilders, financial services and selected retail, consumer and industrial credits. The outlook for credit quality in the U.S. remains steady with low debt default outlook and with continued opportunity for issuers to refinance in this low interest rate environment.

Capital transactions

The Fund didn't have capital transactions during the six-month periods ended June 30, 2016 and 2015.

Net Assets

The Net Asset Value per unit of the Fund was \$8.29 per unit as at June 30, 2016 (\$8.66 at December 31, 2015). The aggregate Net Asset Value of the Fund was \$9.7 million as at June 30, 2016 (\$10.1 million at December 31, 2015).

LEVERAGE

As part of its investment strategy, the Fund employs leverage by short selling government bonds and investing its proceeds in corporate bonds, as the Portfolio Manager believes government bonds are overvalued in relation to corporate bonds. Incorporating short sales also enhances the portfolio yield and allows the Fund to offset some or all of the interest rate risk on that portion of the portfolio. As at June 30, 2016, the Fund had net realized and unrealized loss of \$5,091 from short sales (loss of \$0.09 million in the first half of 2015).

DISTRIBUTIONS

For the six-month period ended June 30, 2016, the Fund has paid distributions of \$0.45 per unit (\$0.46 in the first half of 2015). Since the inception on April 23, 2009 (commencement of operations), the Fund has distributed \$7.17 per unit.

RECOMMENDATIONS OR REPORTS BY THE INDEPENDENT REVIEW COMMITTEE

The Independent Review Committee of the Fund tabled no special reports and made no extraordinary material recommendations to management of the Fund during the six-month period ended June 30, 2016.

RELATED PARTY TRANSACTIONS

Aston Hill Advantage Bond Fund is the top fund, which is exposed to the portfolio held by the Fund through a forward agreement.

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.

For the six-month period ended June 30, 2016, the management fee amounted to \$22,955 (for the six-month period ended June 30, 2015- \$39,431). 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.

Administration Fees

The Manager allocates back to the Fund a portion of the base salaries of individuals who have spent time working on matters relating to the operations of the Fund. The expenses are directly attributable to the Fund as they relate to time spent on Fund accounting, valuation, taxation, compliance, investor relations, financial and shareholder reporting, cost management, oversight and any other operations matter.

The Fund's Administration Fees is paid through its top fund Aston Hill Advantage Bond Fund.

IRC Fee

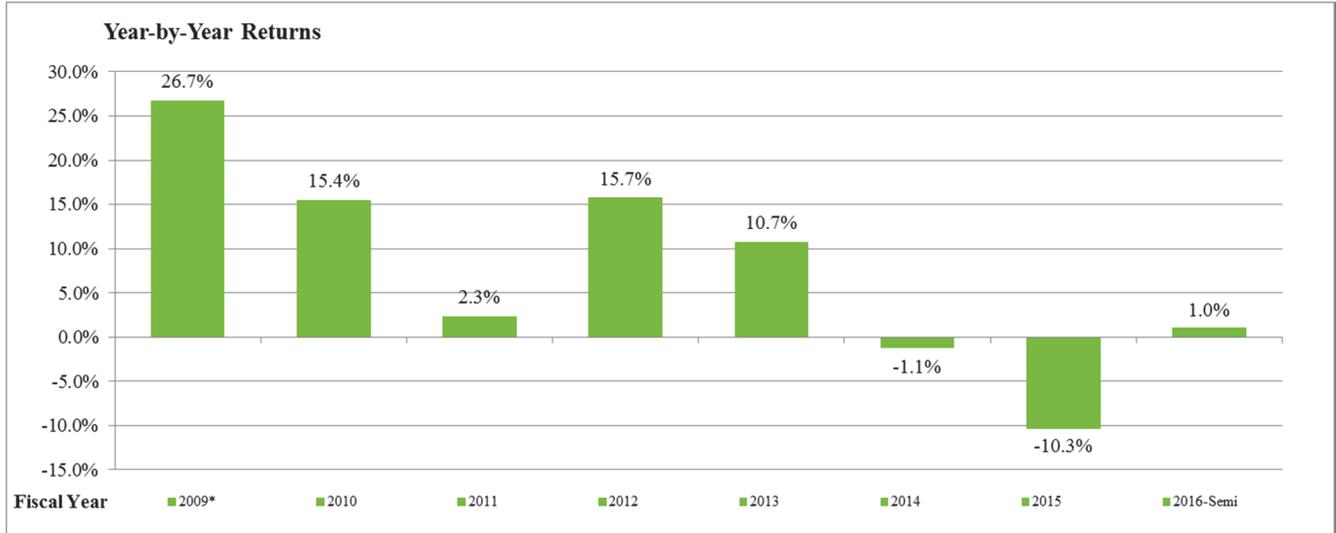
The members of the Independent Review Committee are John Crow (chair), Joseph Wright, Robert B. Falconer and Scott Browning. The Independent Review Committee acts as a review committee for a number of investment funds managed by the Manager.

The IRC members each receive \$15,000 per annum (\$20,000 for the Chairman) plus \$1,250 per meeting for acting in such capacity and are also reimbursed for expenses in connection with performing their duties. These fees and expense reimbursements are allocated across investment funds that are managed by the Manager in a manner that is fair and reasonable.

The Fund’s IRC fee is paid through its top fund Aston Hill Advantage Bond Fund.

PAST PERFORMANCE

The following bar charts show the Fund’s semi-annual and annual performance by showing both semi-annual and annual returns by fiscal year and annualized compound returns from inception assuming all the distributions made by the Fund during the years shown were reinvested. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance. The bar charts show, in percentage terms, how much an investment made on the first day of the period would have grown or decreased by the last day of the period. Past performance is not necessarily indicative of future performance.



* Period from April 23, 2009 (commencement of operations) to December 31, 2009

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to aid in understanding the Fund's financial performance since inception. This information is derived from the Fund's audited annual financial statements and unaudited semi-annual financial statements:

Net Assets per Unit

	2016 ⁽¹⁾	2015	2014 ⁽⁶⁾	2013 ⁽⁶⁾	2012
Net Assets, beginning of period ⁽¹⁾	8.66	10.57	11.56	11.47	10.73
Increase (decrease) from operations:					
Total revenues	0.37	0.82	1.00	1.09	0.91
Total expenses	(0.03)	(0.08)	(0.19)	(0.21)	(0.20)
Realized gains (losses) for the period	0.10	(0.87)	(0.36)	0.20	0.11
Unrealized gains (losses) for the period	(0.37)	(0.81)	(0.40)	0.07	0.82
Total increase (decrease) from operations ⁽³⁾	0.08	(0.94)	0.05	1.14	1.64
Distributions:					
Cash distributions:					
From net investment income	(0.45)	(0.89)	(0.97)	(1.08)	(0.94)
Unit distributions:					
From net investment income	–	–	–	(0.22)	(0.77)
Total Distributions ⁽²⁾⁽⁴⁾	(0.45)	(0.89)	(0.97)	(1.30)	(1.71)
Net Assets, end of period ⁽⁵⁾⁽⁶⁾	8.29	8.66	10.57	11.56	11.47

(1) Results are for the six-month period ended June 30, 2016.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time.

(3) The increase (decrease) in Net Assets from operations per unit is based on the weighted average number of units outstanding over the fiscal period.

(4) The percentages used to allocate distributions among income, dividends, capital gain and return on capital are based on the Fund's tax return.

(5) This is not intended to be a reconciliation between the opening and the closing Net Assets balances.

(6) The Fund adopted International Financial Reporting Standards ("IFRS") commencing January 1, 2014. This information for the period up to December 31, 2012 is presented under Canadian GAAP.

Ratios and Supplemental Data	2016 ⁽¹⁾	2015	2014 ⁽⁶⁾	2013 ⁽⁶⁾	2012
Net Assets (000s)	9,656	10,088	15,906	20,171	26,344
Number of units outstanding (in 000s)	1,165	1,165	1,505	1,745	2,296
Base management expense ratio ⁽²⁾	0.97%	0.82%	0.84%	1.68%	1.68%
Management expense ratio ("MER") ⁽³⁾	1.06%	1.39%	1.70%	1.76%	1.76%
Trading expense ratio ⁽⁴⁾	-	-	-	-	-
Portfolio turnover rate ⁽⁵⁾	16.18%	48.88%	34.82%	58.94%	123.41%
Net Assets per unit ⁽⁶⁾	8.29	8.66	10.57	11.56	11.47

(1) Results are for the six-month period ended June 30, 2016.

(2) A separate base management expense ratio is presented to exclude interest expenses and issuance cost.

(3) MER is based on the requirements of NI 81-106 and includes the total expenses (excluding commissions and other portfolio transaction cost) of the Fund for the stated period, including interest expense and issuance costs, if applicable, and is expressed as an annualized percentage of daily average net asset value during the period.

(4) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(5) The Fund's turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund's buying and selling all of the securities (including fixed income) in its portfolio once in the course of the year. There is not necessarily a relationship between turnover rate and the performance of the Fund.

(6) The Fund adopted International Financial Reporting Standards ("IFRS") commencing January 1, 2014. This information for the period up to December 31, 2012 is presented under Canadian GAAP.

SUMMARY OF INVESTMENT PORTFOLIO AS OF JUNE 30, 2016

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update is available at www.astonhill.ca and at www.sedar.com.

<i>Investment portfolio of Aston Hill MBB Trust</i>			
	Coupon Rate %	Maturity date	% of Net assets
Portfolio by Category			
Foreign Corporate Bonds			59.1%
Canadian Corporate Bonds			55.0%
Canadian Government Bonds-Short			(20.9%)
Canadian Government Bonds-Long			1.4%
Cash			3.6%
Foreign Currency Forward Contracts (Schedule A)			(0.1%)
Net Other Assets (Liabilities)			1.9%
Total			100.0%
Top 25 Holdings			
Long Positions			
Jefferies Finance LLC	7.500%	April 15, 2021	9.1%
Mattamy Group Corp.	6.875%	November 15, 2020	7.7%
Valspar Corp.	7.250%	June 15, 2019	7.7%
Republic Services Inc.	3.800%	May 15, 2018	7.0%
Enova International Inc.	9.750%	June 1, 2021	6.9%
Michael Baker International LLC	8.250%	October 15, 2018	6.6%
National Financial Partners Corp.	9.000%	July 15, 2021	6.5%
VistaJet Malta Finance PLC	7.750%	June 1, 2020	6.2%
Loblaw Cos. Ltd.	5.220%	June 18, 2020	5.8%
Air Canada	8.750%	April 1, 2020	5.7%
Allegheny Technologies Inc.	5.950%	January 15, 2021	5.6%
Athabasca Oil Corp.	7.500%	November 19, 2017	5.3%
Aimia Inc.	6.950%	January 26, 2017	5.3%
Telus Corp.	5.050%	July 23, 2020	5.2%
Golf Town Canada Inc.	10.500%	July 24, 2018	5.2%
Bell Canada	7.650%	December 30, 2031	4.8%
Genworth MI Canada Inc.	5.680%	June 15, 2020	4.5%
Cash			3.6%
Hunt Cos. Inc.	9.625%	March 1, 2021	3.4%
Cameco Corp.	5.670%	September 2, 2019	2.3%
Canadian Pacific Railway Co.	6.450%	November 17, 2039	1.8%
Canadian Government Bond	4.000%	June 1, 2041	1.4%
AltaGas Ltd.	4.600%	January 15, 2018	0.5%
Inter Pipeline Ltd.	3.839%	July 30, 2018	0.4%
Royal Bank of Canada	4.930%	July 16, 2025	0.3%
Short Positions			
Canadian Government Bond	1.250%	Aug/01/2017	(20.9%)
Net assets			\$9,655,945