



Aston Hill Advantage Oil & Gas Income Fund

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 Advantage Oil & Gas Income Fund** (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 Advantage Oil & Gas Income Fund is a closed-end investment trust managed by Aston Hill Asset Management Inc. (the “Manager”). The units of the Fund trade on the Toronto Stock Exchange (“TSX”) under the symbol AOG.UN. Through a forward agreement, the Fund is exposed to a portfolio of oil and gas securities held by Aston Hill O&G Trust (“O&G Trust”). The Fund is RRSP, DPSP, RRIF, RESP and TFSA eligible. The Fund has a forward agreement (“Forward Agreement”) that provides exposure to the return on the portfolio held by O&G Trust and tax advantages. The return to investors of the Fund is dependent upon the return of the O&G Trust portfolio pursuant to the Forward Agreement. As a result, this management report of Fund performance includes discussion of the performance of O&G Trust, where applicable.

The investment objectives of the Fund are designed to achieve a high level of monthly distributions and the opportunity for capital appreciation by investing in a diversified portfolio of oil and gas investments, including oil-and-gas dividend-paying equities and convertible debt of oil and gas producers, energy service companies and pipelines.

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.

Use of leverage

The Underlying O&G Trust maintains a 364-day revolving credit facility. The revolving credit facility provides for maximum borrowings of \$5.0 million (December 31, 2014 – \$9.0 million), with borrowings in Canadian currency at either the prime rate of interest or the bankers’ acceptance rate, plus a fixed percentage, or in US currency at either the US base rate or the LIBOR rate, plus a fixed percentage. There were no borrowings outstanding under this facility as at June 30, 2016 and 2015. The credit facility is secured by a first-priority security interest over all of the Fund’s assets. During the six-month period ended June 30, 2016, the minimum and maximum amounts of borrowings were nil (December 31, 2015 – nil) and nil (December 31, 2015 – \$1,800,000), respectively.

The credit facility contains several financial covenants that require O&G Trust to meet certain financial ratios and financial condition tests. The O&G Trust is within its financial covenants with respect to the credit facility. The Manager monitors the use of the credit facility on a regular basis.

The credit facility term was terminated on March 11, 2016, and the related interest expense was \$ nil for the six-month period ended June 30, 2016 (\$16,763 for the six-month period ended June 30, 2015).

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 Manager 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.

Portfolio Manager Commentary (August 2016)

Commodities sold off dramatically in the first 6 weeks of the year, as concerns around global growth mounted. Commodities then rebounded, taking the markets up with it.

The US oil and natural gas production has been declining along with the rig count for most of the first half of 2016. Rig count seems to have bottomed in May, but the recent rise does not mean production growth is resuming.

Base metals also rebounded from depressed levels as signs of demand stabilization started to appear.

Finally, forest products also rebounded, especially wood products related to US housing. Investors are betting that demand for housing will continue and grow as household formations start to rise.

The fund is focused mostly on energy, but we do have small weights in both base metals and forest products. The fund lagged the resource index as we carried a very large cash position in the first few months of this year due to our initially cautious stance. We have reduced the cash position as we now firmly believe that February was the low for most commodities, but especially oil.

We are a bit cautious near term due to the quick V-shaped rally, but remain constructive into the end of the year.

Capital transactions

For the six-month period ended June 30, 2016 no units were redeemed (2,255 units were redeemed for the six month period ended June 30, 2015).

Forward Agreement

The Fund entered into a forward purchase and sale agreement (the “Forward Agreement”) with a Canadian chartered bank (the “Counterparty”). The obligations of the Counterparty to the Fund under the Forward Agreement are determined by reference to the performance of O&G Trust.

Gains and losses realized by the Fund on the sale of the portfolio of Canadian securities under the Forward Agreement are treated as capital gains and losses for tax purposes by the Fund. However, the federal budget that was announced in March 2013 proposed measures with respect to certain financial arrangements, such as the Forward Agreement, that would eliminate certain tax benefits for taxable unitholders of investment Funds that utilize this kind of agreement. The budget announcement states that these changes apply only to forward agreements entered into on or after March 21, 2013 (the “Budget Day”). The federal budget, part of Bill C-4, was enacted into law on December 12, 2013.

Based on the foregoing, the Manager must terminate the Forward Agreement on or before March 21, 2018.

In order to permit the Fund to pay (i) monthly distributions, (ii) redemptions and repurchases of units, and (iii) operating expenses and other liabilities of the Fund, the terms of the Forward Agreement provide that the Forward Agreement may be settled in whole or in part prior to March 21, 2018, by the Fund at its discretion.

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

DISTRIBUTIONS

For the six-month period ended June 30, 2016, the Fund has paid distributions of \$0.07 per unit (\$0.14 for the six-month period ended June 30, 2015). Since inception in March 2005, the Fund has paid total cash distributions of \$5.86 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**Management and Service Fees**

The Fund, together with O&G Trust, pays a management fee equal to 0.90% per annum of the Net Asset Value of the Fund, plus applicable taxes. The portion of the management fee paid by the Fund is 0.65% per annum. The sub-advisor fees are paid out of Management fees.

The Fund also pays to the Manager a service fee equal to 0.40% per annum of the Net Asset Value of the Fund. The service fee is in turn paid by the Manager to investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter.

For the six-month period ended June 30, 2016, the management fee amounted to \$33,039 (for the six-month period ended June 30, 2015 - \$48,637), and the service fee amounted to \$19,756 (for the six-month period ended June 30, 2015 - \$33,000). The Fund is responsible for all other operating expenses incurred in connection with its operation and administration, such as custodian, valuation, trustee, reporting, audit and legal fees.

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 reporting and unitholder reporting cost management, oversight and any other operations matter. For the six-month period ended June 30, 2016, administration fees amounted to \$4,001 (for the six-month period ended June 30, 2015 - \$10,853).

IRC Fee

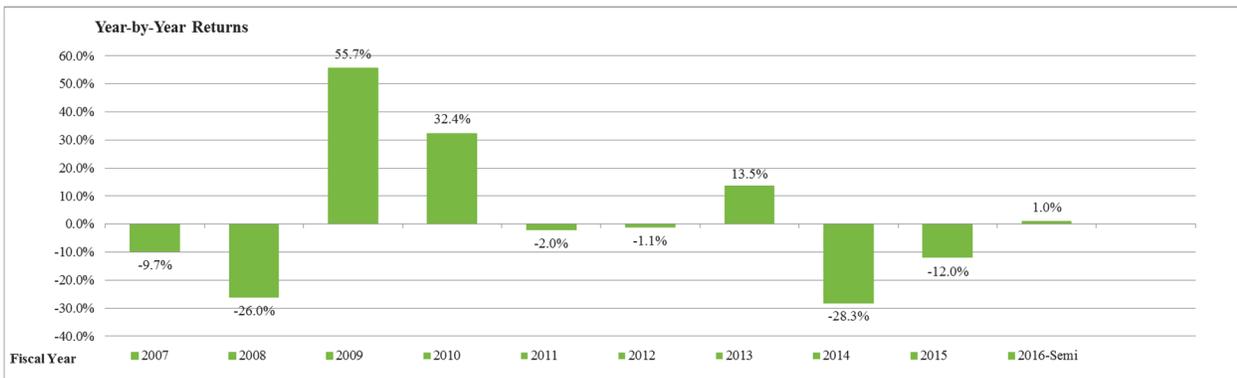
The members of the Independent Review Committee are John Crow (chair), Joseph Wright, Robert B. Falconer and Scott Browning. The Independent Review Committee acts as a review committee for a number of investment Funds managed by the Manager.

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.

For the six-month period ended June 30, 2016, there were IRC fees of \$278 charged to the Fund (nil for the six-month period ended June 30, 2015).

PAST PERFORMANCE

The following bar charts show the Fund’s semi-annual and annual performance by showing 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 chart shows, 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.



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 | 2013 | 2012 |
|---|---------------------|---------------|---------------|---------------|---------------|
| Net Assets, beginning of period ⁽²⁾ | \$2.96 | \$3.58 | \$5.27 | \$4.89 | \$5.32 |
| Increase (decrease) from operations: | | | | | |
| Total revenues | 0.01 | 0.01 | – | – | – |
| Total expenses | (0.04) | (0.06) | (0.12) | (0.09) | (0.09) |
| Realized gains (losses) for the period | (0.03) | (0.11) | 0.68 | 0.30 | 0.08 |
| Unrealized gains (losses) for the period | 0.09 | (0.25) | (1.48) | 0.41 | (0.10) |
| Total increase (decrease) from operations ⁽³⁾ | 0.03 | (0.40) | (0.92) | 0.62 | (0.11) |
| Distributions: | | | | | |
| Return of capital | (0.07) | (0.14) | (0.27) | (0.27) | (0.36) |
| Total Distributions ^{(3) (4)} | (0.07) | (0.14) | (0.27) | (0.27) | (0.36) |
| Net Assets, end of period ⁽⁵⁾⁽⁶⁾ | \$2.92 | \$2.96 | \$3.58 | \$5.27 | \$4.89 |

⁽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 gains and return on capital are based on the Fund's tax return. Estimated allocations for the six month period ended June 30, 2016.

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

⁽⁶⁾ The Fund adopted International Financial Reporting Standards ("IFRS") commencing January 1, 2014. Information for periods prior to January 1, 2013 continues to be reported under Canadian GAAP.

| Ratios and Supplemental Data | 2016 ⁽¹⁾ | 2015 | 2014 | 2013 | 2012 |
|--|---------------------|---------------|----------------|----------------|----------------|
| Net Assets (000s) | 9,586 | 9,716 | 14,818 | 29,866 | 36,921 |
| Number of units outstanding (in 000s) ⁽¹⁾ | 3,280 | 3,280 | 4,138 | 5,671 | 7,543 |
| Consolidated (Fund and O&G Trust) MER ⁽²⁾ | 3.81% | 2.46% | 2.67% | 2.13% | 1.98% |
| Trading expense ratio ⁽³⁾ | 0.27% | 0.29% | 0.31% | 0.31% | 0.41% |
| Portfolio turnover rate ⁽⁴⁾ | 4.14% | 29.18% | 34.83% | 28.27% | 20.95% |
| Net Assets Value ⁽⁵⁾ | \$2.92 | \$2.96 | \$3.58 | \$5.27 | \$4.89 |
| Closing Market price | \$2.82 | \$2.81 | \$ 3.47 | \$ 5.10 | \$ 4.65 |

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

⁽²⁾ 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.

⁽³⁾ 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.

⁽⁴⁾ 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.

⁽⁵⁾ The Fund adopted International Financial Reporting Standards ("IFRS") commencing January 1, 2014. Information for periods prior to January 1, 2013 continues to be reported 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.

Investment portfolio of Aston Hill Advantage Oil & Gas Income Fund

As at June 30, 2016

| Portfolio by Category | |
|-------------------------------------|--------------------|
| Sector Allocation | % of NAV |
| Prepaid Forward Agreement | 100.3% |
| Cash | 0.8% |
| Net Other Assets (Liabilities) | -1.1% |
| Total | 100.0% |
| Top 25 Holdings | |
| Security Name | % of NAV |
| Prepaid Forward Agreement | 100.3% |
| Cash | 0.8% |
| Total Net asset value (NAV): | \$9,586,263 |

The Fund obtained exposure to the performance of the portfolio held by O&G Trust through the Forward Agreement (see Investment Objectives and Strategies). The following is the summary of investment portfolio for O&G Trust as of June 30, 2016:

Investment portfolio of Aston Hill O&G Trust

As at June 30, 2016

| Portfolio by Category | |
|-------------------------------------|--------------------|
| Sector Allocation | % of NAV |
| Oil and Gas | 58.8% |
| Materials | 2.9% |
| Canadian Corporate Bonds | 0.5% |
| Cash | 42.7% |
| Net Other Assets (Liabilities) | -4.9% |
| Total | 100.0% |
| Top 25 Holdings | |
| Security Name | % of NAV |
| Cash | 42.7% |
| Enerplus Corp. | 8.9% |
| Apache Corp. | 4.5% |
| EOG Resources Inc. | 4.5% |
| TransCanada Corp. | 3.6% |
| Pioneer Natural Resources Co. | 3.1% |
| US Silica Holdings Inc. | 2.8% |
| Devon Energy Corp. | 2.4% |
| Halliburton Co. | 2.4% |
| Gulfport Energy Corp. | 2.1% |
| Tenaris SA | 1.9% |
| Weatherford International PLC | 1.9% |
| Hi-Crush Partners LP | 1.8% |
| Phillips 66 | 1.7% |
| MEG Energy Corp. | 1.4% |
| Athabasca Oil Corp. | 1.3% |
| AltaGas Ltd. | 1.2% |
| Range Resources Corp. | 1.2% |
| Precision Drilling Corp. | 1.1% |
| Turquoise Hill Resources Ltd. | 1.1% |
| Cimarex Energy Co. | 1.1% |
| Cenovus Energy Inc. | 1.1% |
| EQT Corp. | 1.0% |
| Valero Energy Corp. | 1.0% |
| Marathon Petroleum Corp. | 1.0% |
| Total Net asset value (NAV): | \$9,613,072 |