Aston Hill VIP Income Fund

Management Responsibility Statement

The accompanying financial statements of Aston Hill VIP Income Fund (the "Fund") have been prepared by Aston Hill Asset Management Inc. (the "Manager") and approved by the Board of Directors of the Manager. The Manager is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Fund are described in note 2 to the financial statements.

The Board of Directors of the Manager is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements.

The Manager, with the approval of its Board of Directors, has appointed the external firm of PricewaterhouseCoopers LLP as the auditors of the Fund. They have audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable them to express to unitholders their opinion on the financial statements.

Michael J. Killeen
President
Aston Hill Asset Management Inc.

Larry W. Titley
Chief Financial Officer
Aston Hill Asset Management Inc.

March 24, 2014

Independent Auditor's Report

To the Unitholders of Aston Hill VIP Income Fund (the Fund)

We have audited the accompanying financial statements of the Fund which comprise the statement of investment portfolio as at December 31, 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	**$ 317,051,093**	$ 308,412,953
Cash	**2,738,760**	5,982,118
Short-term investments	**6,990,817**	—
Unrealized gain on foreign currency forward contracts (note 10)	**—**	416,935
Income receivable	**3,160,165**	2,939,958
Due from broker	**1,025**	454,767
Amounts receivable for units sold	**—**	79,186
Total assets	**329,941,860**	318,285,917
Liabilities		
Unrealized loss on foreign currency forward contracts (note 10)	**2,068,993**	—
Management fees payable	**238,995**	248,232
Accounts payable and accrued liabilities	**452,834**	524,029
Distributions payable to unitholders	**1,337,415**	1,532,039
Due to broker	**—**	817,662
Redemptions payable to unitholders	**—**	209,514
Loans payable (note 12)	**19,961,700**	—
Total liabilities	**24,059,937**	3,331,476
Unitholders' equity		
Unitholders' capital (note 4)	**245,201,897**	298,549,711
Contributed surplus (note 4)	**129,320,857**	124,593,645
Deficit	**(68,640,831)**	(108,188,915)
Net Assets representing unitholders' equity	**$ 305,881,923**	$ 314,954,441
Units outstanding (note 4)	**29,720,340**	34,045,322
Net Assets per unit (note 3)	**$ 10.29**	$ 9.25

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

Michael J. Killeen
Director

Larry W. Titley
Director

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

Statements of Operations and Deficit

For the years ended December 31	2013	2012
Income		
Dividend income	**$ 5,765,767**	$ 7,979,803
Securities lending income (note 11)	**54,843**	42,011
Interest income	**9,692,613**	6,100,749
Other income	**15,621**	8,837
	15,528,844	14,131,400
Expenses		
Management fees (note 8)	**2,958,482**	3,007,222
Service fees (note 8)	**1,218,827**	1,259,065
Audit fees	**74,593**	45,466
Independent review committee fees	**18,305**	5,668
Trustee fees	**13,029**	13,147
Custodial fees	**44,067**	42,695
Legal fees	**7,042**	24,137
Unitholder reporting costs	**96,009**	157,996
Administration fees	**208,718**	193,828
Interest expenses and bank charges	**421,832**	171,100
	5,060,904	4,920,324
Net investment income	**10,467,940**	9,211,076
Net realized gain on sale of investments	**25,790,203**	11,649,490
Net realized gain (loss) on foreign currency transactions	**193,893**	(217,833)
Net realized (loss) gain on foreign currency forward contracts	**(3,404,003)**	1,904,992
Net change in unrealized gain on investments	**19,351,605**	13,346,368
Net change in unrealized (loss) gain on foreign currency forward contracts	**(2,485,928)**	653,311
Net changes in unrealized gain (loss) on short-term investments and foreign exchange	**10,654**	(841,815)
Transaction costs	**(409,168)**	(377,743)
Increase in Net Assets from operations	**49,515,196**	35,417,846
Deficit, beginning of year	**(108,188,915)**	(135,379,949)
Issuance of warrants, net (note 5)	**(445,805)**	—
Distributions to unitholders	**(9,521,307)**	(8,226,812)
Deficit, end of year	**$ (68,640,831)**	$ (108,188,915)
Increase in Net Assets from operations per unit(1)	**$ 1.52**	$ 1.00

(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	**$ 49,515,196**	$ 35,417,846
Adjustments to reconcile net cash provided by operations:		
Net realized gain on sale of investments	**(25,790,203)**	(11,649,490)
Net change in unrealized gain on investments	**(19,356,762)**	(13,422,397)
Net change in unrealized loss (gain) on foreign currency forward contracts	**2,485,928**	(653,311)
Change in working capital	**79,186**	28,764
Increase in income receivable	**(220,207)**	(958,962)
Decrease in accounts payable and accrued liabilities	**(80,432)**	(258,389)
Purchase of investments	**(451,570,549)**	(1,508,934,505)
Proceeds from sale of investments	**480,724,637**	1,529,313,148
Cash provided by operating activities	**35,786,794**	28,882,704
Financing activities:		
Issuance costs on warrants (note 5)	**(445,805)**	—
Warrant cost adjustment (note 5)	**—**	258,235
Increase in loan payable	**19,961,700**	—
Distributions paid to unitholders	**(17,145,411)**	(28,073,585)
Repurchase of units	**(738,488)**	(2,718,288)
Amounts paid for redemption of units	**(40,662,148)**	(16,818,981)
Cash used in financing activities	**(39,030,152)**	(47,352,619)
Decrease in cash and short-term investments	**(3,243,358)**	(18,469,915)
Cash, beginning of year	**5,982,118**	24,452,033
Cash, end of year	**$ 2,738,760**	$ 5,982,118
Supplemental information:		
Interest paid	**$ 326,079**	$ 10,954

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	**$ 314,954,441**	$ 326,017,192
Operations:		
Increase in Net Assets from operations	**49,515,196**	35,417,846
Unitholder distributions: (note 7)		
From income	**(9,521,307)**	(8,226,812)
Return of capital	**(7,429,480)**	(18,844,423)
Warrants issued	**(445,805)**	—
	(17,396,592)	(27,071,235)
Unitholder transactions:		
Proceeds from distribution reinvestment plan	**—**	79,186
Repurchase of units	**(738,488)**	(2,718,288)
Redemption of units	**(40,452,634)**	(17,028,495)
Warrant cost adjustment (note 5)	**—**	258,235
	(41,191,122)	(19,409,362)
Net decrease in Net Assets	**(9,072,518)**	(11,062,751)
Net Assets, end of year	**$ 305,881,923**	$ 314,954,441

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**			
	Convertible bonds			
3,100,000	Delavaco Properties Inc., Conver Deb, *7.500%, due December 20, 2014*[1]	$ 3,064,816	$ 3,293,735	
6,400,000	Essar Energy Investment Ltd., *4.250%, due February 1, 2016*[1]	4,709,849	5,031,981	
3,491,000	Tricon Capital Group Inc., *5.600%, due March 31, 2020*	3,491,000	3,648,095	
	Total Convertible bonds	**11,265,665**	**11,973,811**	**3.8%**
	High-yield bonds			
5,000,000	ACE Cash Express Inc., *11.000%, due February 1, 2019*	4,705,605	4,263,265	
4,300,000	Air Canada, *8.750%, due October 15, 2019*	4,435,027	4,854,279	
3,080,000	Algeco Scotsman Global Finance Plc, *10.750%, due October 15, 2019*	2,987,742	3,452,475	
4,700,000	American Apparel Inc., *13.00%, due April 15, 2020*[1]	4,686,249	4,631,686	
1,500,000	BI-LO LLC, *8.625%, due September 15, 2018*	1,532,144	1,665,463	
200,000	Century Aluminum Co., *7.500%, due August 15, 2014*	252,780	207,718	
4,750,000	Century Aluminum Co., *7.500%, due June 1, 2021*[1]	4,792,969	4,920,688	
6,240,000	Crescent Resources LLC, *10.250%, due August 15, 2017*	6,461,935	7,210,095	
3,250,000	Eletson Holdings, *9.625%, due January 15, 2022*	3,409,050	3,539,440	
4,300,000	Gibson Brands Inc., *8.875%, due August 1, 2018*	4,542,014	4,820,013	
3,500,000	Golden Nugget Escrow Inc., *8.500%, due December 1, 2021*	3,645,074	3,755,923	
3,500,000	Hockey Merger Sub 2 Inc., *7.875%, due October 1, 2021*	3,632,966	3,821,001	
3,200,000	Jefferies Finance LLC, *7.375%, due April 1, 2020*	3,276,800	3,535,987	
4,388,000	Landrys Holdings II Inc., *10.250%, due January 1, 2018*	4,321,096	4,947,794	
3,000,000	NGL Energy Partners LP, *6.875%, due October 15, 2021*	3,115,653	3,267,175	
2,350,000	Prospect Holding Co LLC, *10.250%, due October 1, 2018*	2,355,795	2,347,054	
4,500,000	Shelf Drilling Holdings Ltd., *8.625%, due November 1, 2018*	4,465,474	5,163,731	
3,000,000	United Continental Holdings Inc., *8.000%, due July 15, 2024*	3,084,930	3,197,051	
4,700,000	Vector Group Ltd., *7.750%, due February 15, 2021*	4,697,180	5,280,871	
4,055,000	Wok Acquisition Corp., *10.250%, due June 30, 2020*	4,298,780	4,680,023	
	Total High-yield bonds	**74,699,263**	**79,561,732**	**25.1%**
	Total Fixed income investments	**85,964,928**	**91,535,543**	**28.9%**
No. of Shares	**Equities**			
	Financials			
85,710	Allied Properties Real Estate Investment Trust	2,753,296	2,805,288	
65,998	Bank of Nova Scotia	3,666,632	4,382,267	
118,757	BankUnited Inc.	3,248,973	4,152,546	
278,550	Chartwell Retirement Residences	2,665,575	2,782,715	
62,760	CIT Group Inc.	2,694,812	3,476,813	
192,420	Cominar Real Estate Investment Trust	3,972,976	3,540,528	
358,200	Crombie Real Estate Investment Trust	4,643,321	4,850,028	
333,700	Dundee Industrial Real Estate Investment Trust	3,131,265	2,946,571	
429,900	Dundee International Real Estate Investment Trust	3,911,977	3,611,160	
180,000	Element Financial Corp., *6% Series A PFD*	4,500,000	4,516,200	
152,000	Gluskin Sheff + Associates Inc.	2,888,000	3,903,360	
126,873	Great-West Lifeco Inc.	2,939,313	4,153,822	
168,210	H&R Real Estate Investment Trust	3,785,704	3,596,330	
92,467	IGM Financial Inc.	4,218,970	5,186,474	
479,710	InterRent Real Estate Investment Trust	3,050,415	2,566,449	
48,260	Macerich Co.	3,085,650	3,018,622	
199,340	Manulife Financial Corp.	3,607,358	4,176,173	
903,470	Pure Industrial Real Estate Trust	4,268,154	4,282,448	
114,750	RioCan Real Estate Investment Trust	2,982,076	2,840,063	
53,994	Royal Bank of Canada	2,881,110	3,855,172	

[1] Level 3 financial assets (note 14).

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
No. of Shares	**Equities** (continued)			
	Financials (continued)			
143,000	Slate US Opportunity No 3 Realty Trust Class I Units[1]	$ 1,485,128	$ 1,519,369	
629,000	Tricon Capital Group Inc.	3,732,731	4,849,590	
254,100	WPT Industrial Real Estate Investment Trust	2,580,894	2,332,629	
	Total Financials	**76,694,330**	**83,344,617**	**26.3%**
	Energy			
82,320	AltaGas Ltd.	2,820,174	3,356,186	
547,665	Argent Energy Trust*	4,723,443	4,255,357	
296,100	Cardinal Energy Ltd.	3,236,157	3,419,955	
175,760	Inception Exploration Ltd.[1]	703,040	703,040	
132,610	Crescent Point Energy Corp.	5,450,227	5,467,510	
79,600	Enbridge Inc.	3,538,584	3,692,644	
477,831	ES Investments Ltd.[1]	764,530	764,530	
115,681	Gibson Energy Inc.	2,591,058	3,169,659	
120,150	Pembina Pipeline Corp.	3,760,149	4,496,013	
325,000	Precision Drilling Corp.	3,016,000	3,227,250	
116,502	Suncor Energy Inc.	3,817,099	4,336,204	
77,500	Tourmaline Oil Corp.	3,068,702	3,464,250	
99,938	Trilogy Energy Corp.	2,575,159	2,758,289	
	Total Energy	**40,064,322**	**43,110,887**	**13.6%**
	Consumer discretionary			
104,030	AutoCanada Inc.	2,600,750	4,765,614	
238,280	Bauer Performance Sports Ltd.	2,813,765	3,366,896	
58,410	Dollar General Corp.	3,320,096	3,742,242	
77,540	Dorel Industries Inc.	2,575,025	3,137,268	
120,229	Thomson Reuters Corp.	3,447,157	4,829,599	
	Total Consumer discretionary	**14,756,793**	**19,841,619**	**6.2%**
	Consumer staples			
55,742	Alimentation Couche Tard Inc.	2,768,851	4,450,999	
38,138	George Weston Ltd.	2,587,583	2,952,263	
30,779	Kraft Foods Group Inc.	1,533,602	1,762,995	
27,992	Procter & Gamble Co.	1,824,457	2,420,949	
	Total Consumer staples	**8,714,493**	**11,587,206**	**3.7%**
	Information technology			
1,633,300	Cenoplex Inc.[1]	2,049,288	2,082,450	
139,400	Davis + Henderson Corp.	3,109,154	4,149,938	
35,864	Ethoca Solutions Inc.[1]	2,303,113	2,324,427	
264,106	Information Services Corp.	3,880,091	4,555,829	
	Total Information technology	**11,341,646**	**13,112,644**	**4.1%**
	Materials			
795,400	Canexus Corp.	6,102,720	5,695,064	
633,400	East Africa Metals Inc.	159,934	79,175	
17,177	PPG Industries Inc.	2,176,397	3,461,389	
127,600	Richards Packaging Income Fund	802,096	1,318,108	
2,435,000	Western Forest Products Inc.	3,530,750	4,650,850	
2,435,000	Western Forest Products Inc., Warrants, *July 31, 2014*	—	779,200	
	Total Materials	**12,771,897**	**15,983,786**	**5.0%**

(1) Level 3 financial assets (note 14).

* Eric Tremblay, Chairman and Director of Aston Hill Financial Inc., the parent company of the Manager, is also a Director and the Executive Chairman of Argent Energy Trust.

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
No. of Shares	**Equities** (continued)			
	Telecommunication services			
64,718	BCE Inc.	$ 2,054,281	$ 2,974,439	
19,000	Iridium, *7% Series PFD*[1]	1,877,099	2,054,070	
104,134	Telus Communication	3,315,711	3,807,139	
	Total Telecommunication services	**7,247,091**	**8,835,648**	**2.8%**
	Utilities			
477,370	Algonquin Power & Utilities Co.	3,395,815	3,499,122	
97,800	Pattern Energy Group Inc.	2,296,666	3,148,537	
	Total Utilities	**5,692,481**	**6,647,659**	**2.1%**
	Industrials			
101,600	Boyd Group Income Fund	2,809,357	3,361,943	
784,500	CERF Inc.	2,118,150	2,290,740	
784,500	CERF Inc., Warrants, *January 25, 2015*	—	1	
77,408	Canadian National Railway Co.	2,655,002	4,686,280	
202,800	Fly Leasing Ltd.	3,029,929	3,464,825	
439,970	Horizon North Logistics Inc.	3,139,397	4,368,902	
59,425	MacDonald Dettwiler & Associates Ltd.	3,637,291	4,878,793	
	Total Industrials	**17,389,126**	**23,051,484**	**7.3%**
	Total Equities	**194,672,179**	**225,515,550**	**71.1%**
	Embedded Broker Commission	(198,950)	—	
	Total	**$ 280,438,157**	**$ 317,051,093**	**100.0%**

[1] Level 3 financial assets (note 14).

Schedule A Short-Term Investments

As at December 31, 2013		Cost	Fair Value
	Short-term investments		
Par Value ($)	**Treasury Bills**		
2,000,000	Canadian Treasury Bill, *0.909%, due January 7, 2014*	$ 1,997,960	$ 1,999,662
5,000,000	Canadian Treasury Bill, *0.918%, due March 13, 2014*	4,987,700	4,991,155
		$ 6,985,660	**$ 6,990,817**

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 VIP Income Fund (the "Fund") is a closed-end investment trust created under the laws of the Province of Ontario on October 25, 2001, pursuant to an amended and restated declaration of trust. Computershare Trust Company of Canada is the Trustee, and Aston Hill Asset Management Inc. (the "Manager") is responsible for managing the affairs of the Fund. RBC Investor Services Trust is the custodian of the Fund's assets and prepares the weekly valuations of the Fund. The Fund is listed on the Toronto Stock Exchange and commenced operations on February 19, 2002.

The investment objectives of the Fund are to provide unitholders with the benefits of a high level of monthly income, together with the opportunity for capital appreciation.

The Fund seeks to achieve its investment objectives through active asset and sector allocation and by investing in income producing securities that the Manager believes represent the best weighting to achieve the investment objectives. The Fund has exposure to a diversified portfolio consisting of income producing securities including income trusts, dividend paying common shares, convertible debt, preferred shares, and investment grade fixed income investments.

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 the CPA Canada Handbook Section 3855. The Fund's investments are valued at estimated fair value. Investments held long that are publicly traded are valued at their bid price on the valuation date. Investments with no available bid price are valued at their closing price. 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. Short-term investments and bonds held long are valued at the average bid quotations from recognized investment dealers. The cost of investments is based on their average cost.

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. Interest income is recognized on an accrual basis. Distributions from income trusts are recognized on the ex-distribution date. Dividend income is recognized on the ex-dividend date. Net realized and unrealized gains or losses on investments include net realized and unrealized gains or losses from foreign currency changes.

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 Deficit.

e) Income Taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). Provided the Fund makes distributions in each year of its net income and net realized capital gains, the Fund will not generally be liable for income tax. It is the intention of the Fund to distribute all of its net income and net realized capital gains on an annual basis. Accordingly, no income tax provision has been recorded.

f) 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.

g) 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.

h) Other Assets and Liabilities

For the purposes of categorization in accordance with Section 3855, income receivable, amounts receivable for units sold and due from broker are designated as loans and receivables and recorded at amortized cost. Similarly, accounts payable and accrued liabilities, accounts payable for investments purchased, redemptions payable to unitholders, due to broker, loan payable and distributions payable to unitholders are designated as financial liabilities and reported at amortized cost. Amortized cost approximates fair value for these assets and liabilities due to their short-term nature.

i) Securities Lending

The Fund may enter into securities lending transactions. These transactions involve the temporary exchange of securities as collateral with a commitment to deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the Statements of Operations and Deficit.

j) Warrants

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

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

Diluted increase (decrease) in Net Assets from operations per unit is calculated using the treasury stock method.

k) 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.

Notes to the Financial Statements (continued)

December 31, 2013 and 2012

l) 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	**$ 306,494,035**	**$ 10.31**	$ 315,757,404	$ 9.27
Section 3855 adjustment[(1)]	**(612,112)**	**(0.02)**	(802,963)	(0.02)
Net Assets	**$ 305,881,923**	**$ 10.29**	$ 314,954,441	$ 9.25

[(1)] The Section 3855 adjustment relates to the valuation of an investment at bid price for Net Assets and at closing price for Net Asset Value.

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 Asset Value of the Fund. Each unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Fund. Units may be redeemed at the option of unitholders by tendering units of the Fund by the last business day of July for redemption on the second last business day of August ("Redemption Valuation Date"). Redemption of tendered units will be settled based on the Net Asset Value per unit on the Redemption Valuation Date, less associated costs of the redemption, including brokerage costs. Units tendered for redemption will be redeemed effective the Redemption Valuation Date of each year and will be settled on or before the tenth business day in September.

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

The Fund received approval from the Toronto Stock Exchange for a normal course issuer bid for the period from November 10, 2012 to November 9, 2013. Pursuant to this issuer bid, the Fund was permitted to purchase up to 3,410,658 units for cancellation. The Fund renewed its issuer bid for the period from November 10, 2013 to November 9, 2014, which allows the Fund to purchase up to 2,972,034 units for cancellation. The Fund may only repurchase units when the Net Asset Value per unit exceeds its trading price.

Issued

	2013		2012	
	Number of Units	**Amount**	Number of Units	Amount
Units, beginning of year	**34,045,322**	**$ 298,549,711**	36,205,552	$ 340,099,811
Repurchase of units under normal course issuer bid	**(78,600)**	**(834,496)**	(305,400)	(3,255,394)
Redemption of units	**(4,246,382)**	**(45,083,838)**	(1,863,707)	(19,787,704)
Units issued under the distribution reinvestment plan	**—**	**—**	8,877	79,186
Return of capital	**—**	**(7,429,480)**	—	(18,844,423)
Warrant cost adjustments (note 5)	**—**	**—**	—	258,235
Units, end of year	**29,720,340**	**$ 245,201,897**	34,045,322	$ 298,549,711

Pursuant to the monthly redemption option, 7,854 (2012 – 27,401) units were redeemed at an average price of $8.87 (2012– $8.53) during the year.

As at December 31, 2013, the Fund had accumulated contributed surplus of $129,320,857 (2012 – $124,593,645). 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 32,545,835 (2012 – 35,431,662).

Notes to the Financial Statements (continued)

December 31, 2013 and 2012

5. WARRANTS

The Fund issued 14,860,170 warrants to unitholders of record on December 23, 2013. Unitholders received warrants on the basis of one-half of one warrant for each unit held. A whole warrant entitled the holder to subscribe for one unit of the Fund at a subscription price of $10.16. Warrants not exercised prior to June 10, 2014 will be void and of no value. Upon the exercise of a warrant, the Fund paid a fee equal to $0.15 per warrant to the dealer whose client was exercising the warrant. Costs associated with the issuance of these warrants amounted to $141,250. There were no warrants exercised as at December 31, 2013.

The Fund issued 9,430,000 warrants to unitholders of record on February 22, 2011. Unitholders received warrants on the basis of one-fourth of one warrant for each unit held. A whole warrant entitled the holder to subscribe for one unit of the Fund at a subscription price of $9.81. Warrants not exercised prior to May 6, 2011 were void and of no value. Upon the exercise of a warrant, the Fund paid a fee equal to $0.15 per warrant to the dealer whose client was exercising the warrant. Pursuant to the warrant offering, the Fund issued 132,786 units for net proceeds of $1,282,712. Based on the closing price of the first trading day, the fair value of each warrant on the date of issuance was $0.10 per warrant. Costs associated with the issuance of these warrants amounted to $195,628.

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

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

6. CAPITAL MANAGEMENT

The Fund's objectives in managing its capital are to provide unitholders with a high level of income through monthly cash distributions and to preserve the Net Asset Value per unit. The Fund's capital includes unitholders' capital and loans payable. The Fund manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to unitholders, return capital to unitholders, increase or decrease its level of borrowing, issue warrants or purchase units for cancellation. There are currently no externally imposed capital requirements for the Fund.

7. DISTRIBUTIONS PAYABLE TO UNITHOLDERS

Distributions, as declared by the Manager, are made on a monthly basis to unitholders of record on the last business day of each month. The distributions are payable by the tenth business day of the following month. For the year ended December 31, 2013, the Fund declared total distributions of $0.54 (2012 – $0.77) per unit, which amounted to $17,396,592 (2012 – $27,071,235). Under the Fund's distribution reinvestment plan, unitholders may elect to reinvest monthly distributions in additional units of the Fund, which may be issued from treasury or purchased in the open market. For the years ended December 31, 2013, no units (2012 – 8,877 units for the value of $79,186) were issued from treasury by the Fund pursuant to the reinvestment plan.

8. MANAGEMENT AND SERVICE FEES

Pursuant to a management agreement, the Manager provides management and administrative services to the Fund, for which it is paid a management fee equal to 0.85% per annum of the Net Asset Value of the Fund, plus applicable taxes. The Fund also pays to the Manager a service fee equal to 0.40% per annum of the Net Asset Value of the Fund. The service fee is in turn paid by the Manager to investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter.

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

9. BROKER COMMISSION CHARGES AND SOFT DOLLAR SERVICE

During the year, the Fund had foreign exchange gains arising from the disposition of investments of $193,893 (2012 – losses of $217,833).

The brokerage commissions paid to dealers included $409,168 (2012 – $377,743) that was available for paying to third party vendors, of which $15,367 (2012 – $377,743) was used for research by the Manager.

10. FOREIGN CURRENCY FORWARD CONTRACTS

The Fund may use foreign currency forward contracts to hedge foreign exchange risks associated with its US dollar investment portfolio.

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

As at December 31, 2013

	Canadian Dollars Purchased		**US Dollars Sold**	**Delivery Date**	**Forward Rate (USD/CAD)**		**Unrealized Gain (Loss)**	**Counterparty**	**Counterparty Credit Rating**
$	21,372,957	$	(20,700,000)	January 15, 2014	0.96851	$	(628,816)	Bank of Nova Scotia	AA
	(4,599,694)		4,400,000	February 12, 2014	0.95659		80,164	Bank of Nova Scotia	AA
	6,181,690		(5,900,000)	January 15, 2014	0.95443		(89,399)	Canadian Imperial Bank Canada	AA
	5,097,672		(4,800,000)	February 12, 2014	0.94161		(7,744)	Canadian Imperial Bank Canada	AA
	83,026,992		(79,400,000)	February 12, 2014	0.95632		(1,423,198)	Royal Bank of Canada	AA+
$	**111,079,617**	**$**	**(106,400,000)**			**$**	**(2,068,993)**		

As at December 31, 2012

	Canadian Dollars Purchased		US Dollars Sold	Delivery Date	Rate (USD/CAD)		Unrealized Gain	Counterparty	Counterparty Credit Rating
$	88,168,922	$	(88,100,000)	January 16, 2013	0.99922	$	416,935	Royal Bank of Canada	AA+

In the Statements of Net Assets, amounts are netted by counterparties.

11. SECURITIES LENDING

The Fund has entered into a securities lending program with its custodian, RBC Investor Services Trust. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund will receive collateral of at least 102% of the value of the securities on loan. Collateral will generally be comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or the United States Government or its agencies, or a permitted supranational agency as defined in NI 81-102. The market values of the securities on loan and the related collateral at December 31, 2013, were $60.6 million (2012 – $44.7 million) and $61.8 million (2012 – $46.1 million), respectively.

12. LOAN PAYABLE

Pursuant to an agreement with a Canadian chartered bank, the Fund maintains a 364-day revolving credit facility. The revolving credit facility provides for maximum borrowings of $65.0 million (2012 – $65.0 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. The loan facility is collateralized by the Fund's total Net Assets. During the year ended December 31, 2013, the minimum and maximum amounts of borrowing were nil and $20.0 million, respectively. There was a CAD $20.0 million loan outstanding under this facility as at December 31, 2013 (2012 – nil).

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

Notes to the Financial Statements (continued)

December 31, 2013 and 2012

13. 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 asset types and market segments of the securities held by the Fund as at December 31, 2012.

As at December 31, 2012

Investment Sector	Equities	Fixed Income Investments	Total
Energy	13.1%	7.1%	20.2%
Consumer discretionary	8.3%	10.0%	18.3%
Financials	12.6%	4.6%	17.2%
Industrials	7.4%	8.2%	15.6%
Real estate	6.2%	1.0%	7.2%
Consumer staples	4.6%	2.3%	6.9%
Telecommunication services	6.5%	—	6.5%
Materials	1.7%	2.6%	4.3%
Utilities	2.2%	—	2.2%
Information technology	1.6%	—	1.6%
Total	64.2%	35.8%	100.0%

The Manager attempts to minimize the 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 is primarily comprised of equities and debt securities. It is the Manager's intention to hedge substantially all of the US dollar foreign exchange exposure through its US dollar denominated loans and foreign currency forward contracts. Significant risks that are relevant to the Fund are discussed below.

a) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Manager attempts to moderate this risk through the careful selection of securities and other financial instruments within the parameters of the investment strategy. The maximum risk of loss resulting from financial instruments is equivalent to their fair value.

The Fund is exposed to other price risk from its investment in equity securities. As at December 31, 2013, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, Net Assets would have increased or decreased by approximately $22.6 million or 7.4% of total Net Assets (2012 – $19.8 million or 6.3% of total Net Assets). In practice, the actual trading results may differ, and the difference could be material.

b) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as debt securities. 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 Fund is also exposed to interest rate risk due to the potential fluctuations in the variable component of its 364-day revolving credit facility's interest rate. The impact of this is negligible given the main component of the interest rate is fixed.

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

As at December 31, 2013	**Less Than 1 Year**	**1–3 Years**	**3–5 Years**	**> 5 Years**	**Total**
Short-term and fixed income investments	**$ 10,492,273**	**$ 5,031,981**	**$ 26,154,152**	**$ 56,847,954**	**$ 98,526,360**
As a percentage of Net Assets	**3.4%**	**1.6%**	**8.6%**	**18.6%**	**32.2%**

As at December 31, 2012	Less Than 1 Year	1–3 Years	3–5 Years	> 5 Years	Total
Short-term and fixed income investments	$ —	$ 3,284,810	$ 30,450,325	$ 76,870,604	$ 110,605,739
As a percentage of Net Assets	—	1.0%	9.7%	24.4%	35.1%

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 $3.6 million or 1.2% of total Net Assets (2012 – approximately $3.9 million or 1.2%). 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 approximately $3.8 million or 1.2% of total Net Assets (2012 – approximately $3.9 million or 1.2%). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the bond 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.

c) 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 Fund holds US dollar denominated debt, equity securities and cash and short-term investments. As at December 31, 2013, the Fund's exposure to US dollar foreign exchange of US$122.4 million (2012 – US$112.1 million) was substantially hedged through foreign currency forward contracts of US$106.4 million notional (2012 – US$88.1 million); see note 10.

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**	**Total Currency Exposure**	**% of Net Assets**
US dollar	$ 130,068	$ (111,080)	$ 18,988	6.2%
Total	**$ 130,068**	**$ (111,080)**	**$ 18,988**	**6.2%**

				As at December 31, 2012
Currency (000s)	Financial Instruments Exposure	Derivatives Exposure	Total Currency Exposure	% of Net Assets
US dollar	$ 110,331	$ (88,169)	$ 22,162	7.0%
Total	$ 110,331	$ (88,169)	$ 22,162	7.0%

As at December 31, 2013, had the Canadian dollar strengthened or weakened by 10% in relation to US dollars held in the Fund, with all other variables held constant, Net Assets of the Fund would have increased or decreased, respectively, by approximately $1.9 million (2012 – $2.2 million). 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

d) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund's greatest concentration of credit risk is in debt securities. The fair value of debt securities includes consideration of the creditworthiness of the issuer. The carrying amount of debt securities, as presented on the Statement of Investment Portfolio, represents the maximum credit risk exposure as at December 31, 2013. The carrying amount of the Fund's other assets also represents the maximum credit risk exposure, as they will be settled in the short term.

All transactions in securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the Fund has received payment. Payment is made on a purchase once the securities have been received by the Fund. The trade will fail if either party fails to meet its obligation.

The Manager evaluates the credit quality of the securities prior to purchase and performs ongoing monitoring of the credit quality of the 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.

The Fund has entered into a securities lending program with its custodian; see note 11. Credit risk associated with these transactions is considered minimal as all counterparties have sufficient, approved credit and the value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned.

The Fund is also exposed to credit risk for the amount of unrealized gains under the foreign currency forward contracts (note 10) with Canadian chartered banks with an AA rating.

As at December 31, 2013, the Fund had invested 30.4% (2012 – 35.8%) of its portfolio in debt securities and short-term investments with the following credit ratings. Credit ratings are obtained from Standard & Poor's.

Debt Securities by Rating Category as a % of Net Assets	**2013**	2012
AAA	**2.3%**	—
Below BBB	**32.1%**	35.1%
Total	**34.4%**	35.1%

e) 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 the 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 value. Thin trading in a security could make it difficult to liquidate holdings quickly.

The Fund is exposed to liquidity risk through its annual and monthly redemptions and loans payable. For the annual redemption, the Fund receives notice at least 20 business days prior to the date of redemption and has up to 10 business days following the date of redemption to settle the redemptions, which provides the Manager time to sell securities, although there may not be sufficient time to sell the securities at a reasonable price.

All of the Fund's other financial liabilities at December 31, 2013 and 2012 had maturities of less than one year.

14. 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 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, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Equities – long	$ 217,342,533	$ —	$ 7,393,816	$ 224,736,349
Short-term investments	—	6,990,817	—	6,990,817
Fixed income investments	—	88,241,805	3,293,738	91,535,543
Warrants	779,200	—	1	779,201
Total	**$ 218,121,733**	**$ 95,232,622**	**$ 10,687,555**	**$ 324,041,910**

Liabilities at fair value as at December 31, 2013	**Level 1**	**Level 2**	**Level 3**	**Total**
Foreign currency forward contracts	$ —	$ (2,068,993)	$ —	$ (2,068,993)
Total	**$ —**	**$ (2,068,993)**	**$ —**	**$ (2,068,993)**

Assets at fair value as at December 31, 2012	Level 1	Level 2	Level 3	Total
Equities – long	$ 195,882,280	$ —	$ 1,924,934	$ 197,807,214
Fixed income investments	—	104,375,653	6,230,086	110,605,739
Foreign currency forward contracts	—	416,935	—	416,935
Total	$ 195,882,280	$ 104,792,588	$ 8,155,020	$ 308,829,888

There were no transfers of financial assets between levels 1 and 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	**$ 8,155,020**	$ —
Purchases	**7,305,100**	7,991,880
Sales	**—**	—
Net transfers in	**(5,068,354)**	—
Realized gains	**—**	—
Unrealized gains	**295,789**	163,140
Balance, end of year	**$ 10,687,555**	$ 8,155,020

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

The change in unrealized gains (losses) during the year for assets held as at December 31, 2013 was $295,789 (2012 – $163,140).

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, Net Assets would have increased or decreased by approximately $1.1 million (2012 – $815,502).

15. INCOME TAXES

The Fund had accumulated capital losses as at December 31, 2013 of $105,363,544 (2012 – $123,253,773). The capital losses can be carried forward for an indefinite period. As at December 31, 2013 and 2012, the Fund had nil non-capital loss carry-forwards.

16. 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

Aston Hill Asset Management Inc.

Transfer Agent and Trustee

Computershare Trust Company of Canada

Custodian

RBC Investor Services Trust

Auditors

PricewaterhouseCoopers LLP

Website

www.astonhill.ca

(1) Mr. Cheng acts as a portfolio manager exclusively to investment funds managed by IA Clarington Investments Inc., and to two other investment funds, not including the fund in this document. See www.astonhill.ca for details.

AstonHill ASSET MANAGEMENT

Mailing Address
77 King Street West
Suite 2110, PO Box 92
Toronto-Dominion Centre
Toronto, ON M5K 1G8

General Inquiries: 1-800-513-3868
Website: www.astonhill.ca