

Aston Hill Corporate Bond Fund

Fund Manager(s): Barry Morrison

Commentary

The Fund is designed to provide the Higher Income levels available in the Corporate Bond market. We strive to invest the assets in the Fund in to companies that are well managed, are financially strong, and can provide dependable streams of interest from fixed income securities. We aim to minimize Credit Risk (minimum "BBB") and protect capital with Hedging Strategies. We strongly recommend that the Fund be positioned as a major cornerstone of every client's Income Portfolio in order to generate reasonable levels of income and total rates of return.

Rates of Return – as at Sept 30, 2016					Current Yield
Fund/Indices	3 rd Qtr	YTD	1 Year	Inception	
AH Corporate Bond Fund	4.0%	8.7%	7.4%	1.6%	4.14%
BBOEGCCA*	1.8%	5.3%	5.9%	2.9%	2.75%
Market Indices (\$Cdn)					
FTSE Bond Universe	1.2%	5.3%	6.3%	4.2%	1.71%
FTSE Corporate Bond	1.6%	5.7%	6.3%	4.0%	2.36%
HYG – iShares High Yield	5.5%	6.6%	8.6%	6.5%	5.33%
S&P/TSX Preferred	4.6%	1.6%	8.5%	1.5%	5.65%
S&P/TSX Dividend	5.5%	17.7%	18.2%	15.4%	3.10%
S&P/TSX REIT	-3.6%	16.9%	12.7%	13.2%	5.89%
S&P 500	5.0%	2.3%	13.0%	11.3%	2.13%
*BBOEGCCA – Bloomberg Income Equity Funds Index – Domiciled in Canada (51 Funds)					

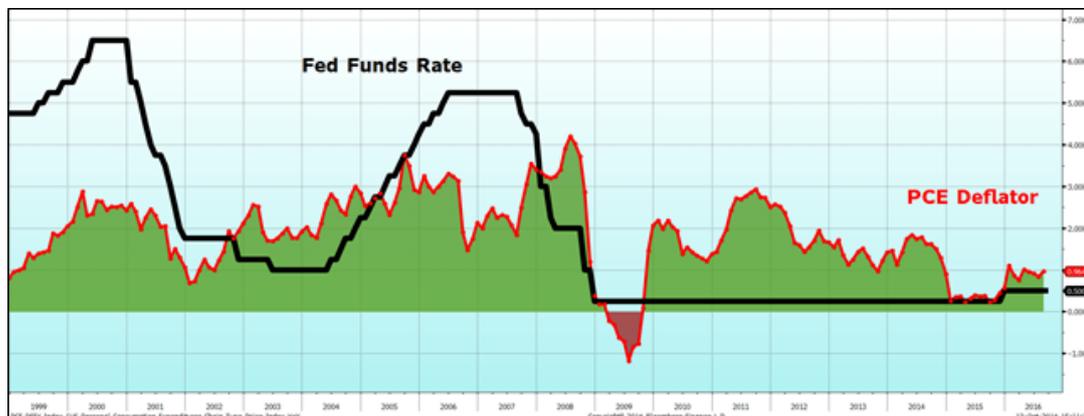
Security Class	Current Asset Mix	Asset Mix Guidelines	Current Yield
Cash	12%	0% to 25%	0.50%
Cdn Pay Corporate Bonds	18%	0% to 90%	3.28%
Foreign Pay Corporate Bonds	27%	0% to 70%	3.58%
Convertible Bonds	43%	0% to 50%	4.88%
Total Portfolio			4.14%

Third Quarter 2016

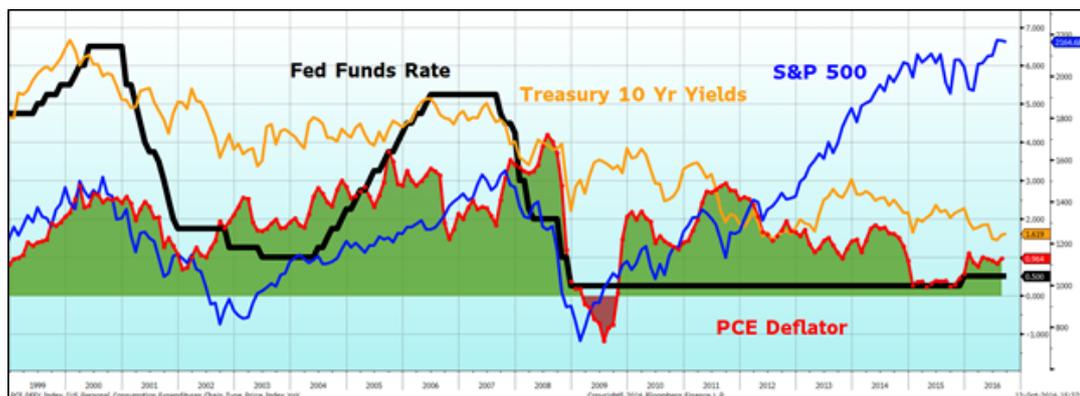
- In the first 9 months of 2016, the markets have been buffeted by the concerns over oil prices, prospect of slowing growth in China and Europe, the ramifications of a "Brexit", and the interest-raising intentions of the Federal Reserve Board (the 'Fed').
- Oil bottomed on February 11, 2015 at \$26.05, moving back into the \$40 to \$50 range providing major relief to all markets including Canadian dividend paying stocks.
- Once international hedge funds realized that the Canadian economy was not 100% oil based, the Canadian dollar bottomed at \$0.6808 and rebounded quickly into the \$0.75 to \$0.78 range.
- Meanwhile, China continued to grow and the Federal Reserve Board left interest rates unchanged.
- We bought a new issue of Liquor Stores NA 4.70% 2022 bonds to yield 4.70% and a position on Canada 3.50% 2045 bonds to protect against falling interest rates.

Concern Over The FED Raising Short Term Rates

- Recently, there has been a lot of concern in the markets over the probability that that Federal Reserve Board will raise Short Term Interest Rates.
- Looking at the chart below, it seems that the Federal Reserve Board likes to have a positive spread over the rate of inflation as measured by the PCE Deflator especially when the economy is in the middle part of the economic cycle - so we would not be surprised to see them act.



- It is interesting to observe that the stock market does very well when the Federal Reserve Board is raising rates but heads down when they cut rates (see chart below)
- Long Term interest rates follow the direction of the rate of inflation



2016 - Outlook

We believe that North American markets will continue to grow in 2016 and beyond:

- U.S. GDP Growth averaging +2% to +3%
- U.S. Inflation averaging +2%
- U.S. Short Term Interest Rates moving towards the Inflation Rate
- Canada GDP Growth resuming in the second half of 2016
- Canada Inflation averaging +2%
- Canada Short Term Interest Rates staying below the Inflation Rate
- Canadian Dollar short term, moving with the direction of oil, longer term recovering with the Economy

Forward-Looking Statements: This commentary contains certain "forward-looking statements" within the meaning of such statements under applicable securities law. Forward-looking statements are frequently characterized by words such as "plan", "continue", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur. These statements are only predictions. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this commentary. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements.

Fund Facts

CIFSC Category:	Canadian Fixed Income
NAVPS:	\$10.78 (Fund, Series A)
Inception:	February 18, 2010
AUM:	\$3.8 million
Minimum Purchase:	\$2,000 Initial, \$50 Subsequent

Fund Codes

CAD

Series A (FE) AHF320
Series A (LSC) AHF321
Series F AHF322

Risk Rating

When you invest in a fund, the value of your investment can go down as well as up. Aston Hill Asset Management Inc. has rated this Fund's risk as low.

Low	Low to Medium	Medium	Medium to High	High
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For a description of the specific risks of this Fund, see the Fund's simplified prospectus.