February 28, 2017

Aston Hill Strategic Yield Fund & Class

Fund Manager(s): Sandy Liang, President, LOGiQ Capital Partners Inc.

Commentary

The high yield debt market continued its strong performance in February but is now off from its highs for the year. The Fund returned 1.3% in the month (F-Class) compared with 1.3% in the high yield ETF hedged to Canadian dollars (XHY) and 1.5% in the high yield ETF (HYG). Most recently in the month of March to date the high yield market has given up some of its gains due to energy price weakness but total returns year to date are still robust at +3.2% for the Fund, +1.0% for XHY and +1.4% for HYG (March 8). The Fund continues to be underweight energy and commodities.

We would continue to characterize the investing environment as "Goldilocks" in nature. U.S. economic growth remains firmly positive but not at a rate that is forcing interest rates sharply higher – the U.S. 10-year Treasury yield is currently at 2.60% which is slightly higher than the 2.44% which is where it started the year and at a low level on an absolute basis. What is most important for corporate credit quality is that the U.S. economy continues to be on firm footing. Most recently, U.S. initial jobless claims (weekly number of people applying for unemployment insurance for the first time) have been at a level not seen since the early 1970s. People are not getting fired from their jobs. As we discussed last month, since the November election both consumer confidence (U. of Michigan survey) and small business confidence (NFIB Small Business Outlook) have been sharply higher. Confidence measures are generally reliable leading indicators. It appears there is no recession coming in the U.S. any time soon and if anything U.S. economic growth is accelerating. That is positive for corporate credit quality and returns on high yielding corporate debt.

Corporate default rates remain low (under 1% away from commodity sectors) as the U.S. economy remains on firm footing. Valuation of the market remains reasonable for an expansionary period with the JP Morgan High Yield Index at a spread of +442 basis points over Treasuries (JP Morgan on March 8).

We continue to believe over a longer time period the direction of interest rates over the next 12-24 months is higher commensurate with various consumer, producer and wage inflation measures. We also believe that as global central banks including the ECB and the BOJ withdraw their support of bond markets in the form of quantitative easing (QE) over the next couple of years this will provide a backdrop for further increases in long term interest rates, hopefully in an orderly fashion.

Our interest rate outlook favours investing in high yielding corporate debt securities, and is less favourable toward investment grade corporate debt securities and longer term government bonds. The Fund continues to be positioned for rising interest rates over time with an underweight position in interest-sensitive BB-rated bonds. The Fund is also targeting investments in industries that should benefit from deregulation and infrastructure spending from the new Presidential Administration. These industries would include financial services, engineering & construction. The internal yield of the Fund remains in the mid-7% area which is approximately 100 basis points wider than the high yield market due to an underweight in interest-sensitive areas of the market.

The Fund recently closed its position in HudBay Minerals 7.25% of 2023 at a price of 106.5 (5.5% yield). HudBay is a mining company focused largely on copper and zinc with operations in Manitoba, Arizona and South America. The Fund has a relatively long history with the company and was a significant investor in its inaugural 9.5% of 2020 issue that was completed in 2012. Most recently the company refinanced its 9.5% issue at a lower coupon rate this past December. While we are favorable on HudBay's growth profile and the supply demand fundamentals for copper have been improving, we view the relative value at 5.5% yield to be rich compared with other industrial and mining issues.

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:	High Yield Fixed Income
NAVPS:	$8.12 (Fund, Series A)
Inception:	August 2011 (Series A)
AUM (Feb.28, 2017):	$130.7 million
Distribution:	$0.0425/unit Monthly
Yield:	~ 6.3%
MER (Jun. 30, 2016):	2.24% (Fund, Series A)
Minimum Purchase:	$2,000 Initial, $50 Subsequent Series UA & UF: $10,000 Initial

Fund Codes

CAD	USD	Corporate Class
Series A (FE) AHF800	Series UA AHF864	Series A (FE) AHF810
Series A (LSC) AHF801	-	Series A (LSC) AHF811
Series F AHF802	Series UF AHF865	Series F AHF812
T-Series units available		

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 to medium.

Low	**Low to Medium**	Medium	Medium to High	High

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

LOGiQ Asset Management

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Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.