MARRET ASSET MANAGEMENT INC.

Financial Statements

Marret High Yield Strategies Fund

December 31, 2013

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Accompanying Financial Statements have been prepared by Marret Asset Management Inc. ("Marret"), the manager of the Fund and approved by the board of directors of Marret. Marret is responsible for the information and representations contained in these financial statements. Marret has maintained appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Fund are described in note 2 to the financial statements.

The board of directors of Marret is responsible for reviewing and approving the financial statements of the Fund and overseeing management's performance of its financial reporting responsibilities.

Barry Allan
President, Chief Executive Officer
Marret Asset Management Inc.
March 26, 2014

March 26, 2014

Independent Auditor's Report

To the Unitholders of
Marret High Yield Strategies 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 retained earnings, changes in net assets and cash flows 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 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.

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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, the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Statements of Net Assets

As at		December 31 2013		December 31 2012
Assets				
Investments, at fair value (note 2)	$	15,125	$	15,392
Forward purchase agreement, at fair value (note 3)		333,411,354		669,825,439
Cash and cash equivalents		73,818		5,505,664
Other receivable		101,683		236,222
Accrued interest receivable		37		37
Total assets		**333,602,017**		**675,582,754**
Liabilities				
Accrued liabilities		751,497		1,412,936
Distributions payable to unitholders		1,839,498		3,437,941
Total liabilities		**2,590,995**		**4,850,877**
Unitholders' equity				
Unitholders' equity (note 4)		296,933,518		595,314,556
Contributed Surplus		3,883		-
Retained earnings		34,073,621		75,417,321
Net Assets representing unitholders' equity	**$**	**331,011,022**	**$**	**670,731,877**
Units outstanding (note 4)		**36,789,967**		**68,758,811**
Net Assets per unit (note 2)	**$**	**9.00**	**$**	**9.75**

Approved on behalf of the Manager, Marret Asset Management Inc.

Barry Allan
President & Chief Executive Officer

Douglas Jamieson
Chief Financial Officer

See accompanying notes which are an integral part of these financial statements.

Statements of Operations and Retained Earnings

For the years ended		December 31 2013		December 31 2012
Income				
Interest revenue	$	14,826	$	450
Expenses				
Management fees (note 5)		1,415,453		2,025,910
Service fees (note 5)		2,264,725		3,241,427
Audit fees		14,388		9,865
Custodial fees		40,562		38,672
Professional fees		1,444		-
Trustee fees		5,462		5,555
Legal fees		43,679		3,057
Regulatory fees		74,437		56,125
Independent review committee		22,488		21,315
Security holder reporting costs		10,124		7,373
Transfer agent fees		12,055		13,349
Commission fees (note 4)		26,078		28,147
Counterparty fees (note 5)		1,450,081		1,996,877
Total expenses		**5,380,976**		**7,447,672**
Net investment loss		**(5,366,150)**		**(7,447,222)**
Realized and unrealized gain / (loss) on investments				
Net realized gain on forward purchase agreement		34,329,776		17,203,230
Net realized loss on foreign currency		(206)		-
Change in unrealized appreciation / (depreciation) on forward purchase agreement		(40,146,316)		10,345,816
Change in unrealized depreciation on investments		(267)		(326)
Realized and unrealized gain / (loss) on investments		**(5,817,013)**		**27,548,720**
Increase / (decrease) in net assets from operations	**$**	**(11,183,163)**	**$**	**20,101,498**
Increase in net assets from operations per unit [(1)]	**$**	**(0.20)**	**$**	**0.27**
Retained earnings, beginning of year	$	75,417,321	$	65,974,740
Increase / (decrease) in net assets from operations		(11,183,163)		20,101,498
Shares redeemed at more than weighted average unit capital		(30,160,537)		(10,658,917)
Retained earnings, end of year	**$**	**34,073,621**	**$**	**75,417,321**

[(1)] Based on the weighted average number of units outstanding for the period.

See accompanying notes which are an integral part of these financial statements.

Statements of Changes in Net Assets

For the years ended		December 31 2013		December 31 2012
Net Assets, beginning of year	$	670,731,877	$	605,283,670
Operations:				
Increase / (decrease) in net assets from operations		(11,183,163)		20,101,498
Unitholder transactions:				
Distribution to unitholders (note 6)				
Return of capital		(33,014,680)		(52,695,749)
Proceeds from issuance of units		8,220,201		224,555,250
Payments on redemption of units		(303,411,599)		(117,124,672)
Issuance costs		(331,614)		(9,388,120)
Total unitholder transactions		(328,537,692)		45,346,709
Increase / (decrease) in Net Assets		**(339,720,855)**		**65,448,207**
Net Assets, end of year	**$**	**331,011,022**	**$**	**670,731,877**

See accompanying notes which are an integral part of these financial statements.

Statements of Cash Flows

For the years ended		December 31 2013		December 31 2012
Cash flows provided by / (used in) operating activities:				
Net investment income / (loss)	$	(5,366,150)	$	(7,447,222)
Net gain / (loss) on foreign currency and forward foreign currency contracts		(206)		-
Proceeds on sale of securities from partial settlements of forward purchase agreement		330,597,545		183,075,261
Prepayment of forward purchase agreement		-		(215,223,040)
Net change in working capital		(526,900)		68,508
Cash provided by / (used in) operating activities		**324,704,289**		**(39,526,493)**
Cash flows provided by / (used in) financing activities:				
Proceeds from issuance of units		8,220,201		224,555,250
Issuance costs		(331,614)		(9,388,120)
Distributions paid to unitholders		(34,613,123)		(53,255,772)
Payments on redemption of units		(303,411,599)		(117,124,672)
Cash provided by / (used in) financing activities		**(330,136,135)**		**44,786,686**
Net increase / (decrease) in cash and cash equivalents		**(5,431,846)**		**5,260,193**
Cash and cash equivalents, beginning of year		**5,505,664**		**245,471**
Cash and cash equivalents, end of year	**$**	**73,818**	**$**	**5,505,664**

See accompanying notes which are an integral part of these financial statements.

Statement of Investment Portfolio

As at December 31, 2013

Par Value		Average Cost ($)	Fair Value ($)
Canadian Bond			
15,000	Government of Canada, 3.000%, 2014/06/01	15,285	15,125
Government of Canada & Guaranteed (0.00%, 2012: 0.00%)		**15,285**	**15,125**
Forward Purchase Agreement (note 3) (100.73%, 2012: 99.87%)		**298,085,590**	**333,411,354**
Total Investments (100.73%, 2012: 99.87%)		**298,100,875**	**333,426,479**
Other assets, less liabilities (-0.73%, 2012: 0.13%)			(2,415,457)
Total Net Assets (100.00%)			**331,011,022**

See accompanying notes which are an integral part of these financial statements.

Notes to the Financial Statements
December 31, 2013

1. Fund Activities

Marret High Yield Strategies Fund (the “Fund”) is a closed-end investment fund established under the laws of the Province of Ontario and is governed by a declaration of trust dated May 28, 2009. Marret Asset Management Inc. (“Marret” or the “Manager”) is the manager of the Fund and provides all administrative services required by the Fund. On September 25, 2013, CI Financial Corp. announced its acquisition of 65% of Marret. The acquisition was completed in December 2013.

The Fund's investment objectives are:

(i) to maximize total returns for holders of units consisting of both tax-advantaged distributions and capital appreciation, while reducing risk; and
(ii) to provide unitholders with attractive monthly tax-advantaged cash distributions

The Fund has exposure to a portfolio focused primarily on High Yield Debt. The Manager’s investment strategy for the portfolio is designed to produce attractive risk-adjusted returns in each phase of the credit cycle. Over the course of the credit cycle, the investment strategy seeks to generate returns consistent with the long-term performance of equity indices, and with volatility and risk characteristics consistent with 10-Year U.S. Treasury notes.

Units of the Fund commenced trading on June 17, 2009 on the Toronto Stock Exchange. Net proceeds of $214.6 million (net of issue costs of $12.73 million) were raised in the initial public offering and exercise of the over-allotment option to brokers, on the issuance of 22,730,000 units.

The Fund made additional offerings of units in October 2010, September 2011, and February 2012. In October 2010, net proceeds of $167.3 million (net of issue costs of $7.4 million) were raised in an offering and exercise of the over-allotment option to brokers, on the issuance of 15,666,109 units. In September 2011, net proceeds of $225.3 million (net of issue cost of $9.8 million) were raised in an offering and exercise of the over-allotment option to brokers on the issuance of 21,275,000 units. In February 2012, net proceeds of $215.2 million (net of issue cost of $9.4 million) were raised in an offering and exercise of the over-allotment option to brokers on the issuance of 21,085,000 units. On February 28, 2013, the Fund completed a private placement for net proceeds of $7.9 million (net of issue costs of $0.3 million) on the issuance of 812,000 units.

To provide the Fund with the means to meet its investment objectives, the Fund used the net proceeds of its offerings to prepay its obligations under a forward purchase and sale agreement (the “Forward Purchase Agreement”) with The Bank of Nova Scotia (the “Counterparty”) all as described in note 3. Such net proceeds were invested by the Counterparty in Marret HYS Trust (the "Trust"). The cash received from the Counterparty was used by the Trust to purchase the portfolio securities.

The termination date for the Fund is May 30, 2014 (the “Termination Date”). The Units will be redeemed by the Fund for net asset value per Unit on the Termination Date. Prior to the Termination Date, the Manager may present a proposal to extend the term of the Fund for a further five year period, subject to approval of Unitholders at a meeting called for such purpose, provided that all Unitholders will be given a right to cause their Units to be redeemed on the Termination Date, regardless of whether they voted in favour of the term extension.

2. Significant Accounting Policies

Basis of Presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements requires management to make estimates and assumptions that may impact the reported amounts of assets and liabilities at the date of the financial statements and income and expenses during the reporting period. Actual results could differ from these estimates. The significant accounting policies followed in the preparation of these financial statements are summarized below:

Investments

The Fund's securities are held for trading and are presented at fair value. Investments held that are traded in an active market through recognized public stock exchanges, over the counter markets, or through recognized investment dealers, are valued at their bid prices. The cost of investments represents the amount paid for each security, and is determined on an average cost basis excluding commissions and other portfolio transaction costs, where applicable. The difference between fair value and the average cost of securities is recorded as unrealized appreciation/ (depreciation) of investments. Security transactions are recorded on a trade-date basis. Realized gains/(losses) on the disposition of investments and unrealized appreciation/(depreciation) of investments are determined on an average cost basis.

Forward Purchase Agreement

The fair value of the Forward Purchase Agreement (note 3) is the value that would be realized if, as of any date, the Forward Purchase Agreement was settled in accordance with its terms, in which case the value shall be determined with reference to the current fair value of the underlying investments of the Trust using closing sale prices. If no sale has taken place that day, valuation will be at the average of the bid and ask price. The value takes into account amounts equal to other assets including cash, prepaids and distributions receivable, less the liabilities of the Trust and other liabilities attributed to the Forward Purchase Agreement on such date.

The change in unrealized appreciation / (depreciation) on the Forward Purchase Agreement and the realized gains on partial settlements on the Forward Purchase Agreement are included in the Statements of Operations.

Income Recognition

Interest income is recorded on an accrual basis.

Net assets per unit

The net assets is calculated by subtracting the aggregate amount of the liabilities from the total assets of the Fund. The net assets per unit is calculated by dividing the net assets by the number of units outstanding at the end of the year.

Increase (decrease) in net assets from operations per unit

Increase (decrease) in net assets from operations per unit in the Statements of Operations represents the increase (decrease) in net assets from operations attributable to the Fund, divided by the weighted average number of units of the Fund outstanding during the year.

Financial Instruments

The Fund's financial instruments include cash and cash equivalents, other receivables, investments and derivatives, receivables for accrued interest, distributions payable to unitholders and accrued liabilities. Investments and derivatives are classified as held for trading and carried at fair value. Cash and cash equivalents, other receivables, and receivables for accrued interest are designated as loans and receivables and reported at amortized cost. Distributions payable and accrued liabilities are designated as other financial liabilities and reported at amortized cost.

Issuance Costs

Issue costs associated with the offerings have been recorded as a reduction to unitholders' equity during the years. The amount represents a one-time charge in connection with each offering and was paid out of the gross proceeds of the offerings.

3. Forward Purchase Agreement

Pursuant to the Forward Purchase Agreement, the Counterparty will acquire, on or before May 30, 2014 ("the Termination Date"), the Canadian securities portfolio ("Canadian Securities") having a value based on the economic return provided by the Portfolio from inception to the Termination Date. The Portfolio is held by the Trust. Under the Forward Purchase Agreement, the Counterparty will deliver, on the Termination Date, a specified portfolio of Canadian Securities with an aggregate value equal to the redemption proceeds of all of the corresponding units of the Trust, net of any amount then owing by the Fund to the Counterparty. The Fund will partially settle the Forward Purchase Agreement prior to the Termination Date in order to fund (i) redemptions, distributions, and repurchases of units; and (ii) operating expenses and other liabilities of the Fund. Pursuant to the terms of the Forward Purchase Agreement, the Counterparty will, in connection with a requested partial settlement deliver to the Fund securities of certain issuers in the Canadian Securities Portfolio based on the partial settlement amount. Refer to Note 6 for discussion of tax changes impacting the Forward Purchase Agreement.

The Counterparty is the Bank of Nova Scotia rated AA by the Dominion Bond Rating Service. The Bank of Nova Scotia has a significant interest in CI Financial Corp., which owns 65% of the Manager as described in Note 1.

Until the additional offering in February 2012, the obligations of the Counterparty under the Forward Purchase Agreement were unsecured. Due to regulatory changes prior to the February 2012 offering, the February 2012 offering was collateralized by a portfolio of TSX listed equity securities. Following the closing and to address future partial settlements, it was agreed that 26% of the Forward Purchase Agreement would be collateralized on an ongoing basis. The collateral is for the benefit of all units, not just those issued in the February 2012 opening. Fees paid to the Counterparty were also adjusted due to the partially collateralized nature of the Forward Purchase Agreement (see Note 5).

The fair value of the Fund's Forward Purchase Agreement is equal to the net asset value of the Trust calculated at closing sale prices. For financial statement reporting purposes, the net assets of the Trust includes the investments measured in accordance with Section 3855 of the CPA Canada Assurance Handbook, which for financial instruments that are quoted in active markets is based on closing bid prices for securities held long and on closing ask prices for securities sold short.

The following reconciles the net assets of the Trust for financial reporting purposes to the fair value of the Forward Purchase Agreement:

	As at December 31, 2013	As at December 31, 2012
Net assets of Marret HYS Trust	$ 332,395,988	$ 667,087,946
Valuation adjustment to Portfolio Securities to closing sale prices	1,015,366	2,737,493
Forward purchase agreement, at fair value	$ 333,411,354	$ 669,825,439

4. Unitholders' Capital

Pursuant to the declaration of trust, the Fund is authorized to issue an unlimited number of transferable, redeemable fund units of one class, each of which represents an equal, undivided interest in the net assets of the Fund. All units have equal rights and privileges. Each whole unit is entitled to one vote at all meetings of Unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund and distributions upon the termination of the Fund.

Annual Redemptions

Annual Conditional Redemption Right
The annual redemption date is on the last business day in July of each year beginning in 2011. Units may be redeemed at the option of Unitholders on the annual redemption date of each year, if and only if the annual redemption condition, described below, has been met in such year. Units so redeemed will be redeemed at a redemption price equal to the redemption net asset value per unit (see below) on the annual redemption date, less any costs associated with the redemption, including commissions and other such costs, if any, related to the partial settlement of the Forward Purchase Agreement to fund such redemption. The units must be surrendered for redemption at least ten business days prior to the annual redemption date. Payment of the proceeds of redemption will be made on or before the 15th business day of the following month.

The redemption net asset value per unit for the purpose of processing unitholder redemptions is calculated in a manner similar to the calculation of net assets per unit except that, for purposes of calculating the net assets of the Fund, the value of the Forward Purchase Agreement will be determined on the basis that any bonds, debentures, and obligations that are owned by the Trust will be valued by taking the bid price on the valuation date and any short positions of the Trust will be valued by taking the ask price on the valuation date, calculated on a fully diluted basis, if applicable.

Annual Redemption Condition: Units may only be redeemed on an annual redemption date if the average of the net asset values of the units on the first four valuation dates occurring in the month of May preceding the annual redemption date is less than $10.59. On the first business day following the fourth such valuation date, the Manager will issue a press release stating the average net asset value and whether or not the annual conditional redemption right has been triggered.

Monthly Redemptions
The monthly redemption date is the second last business day of each month, other than July in a year where the annual redemption condition has been met. Units may be redeemed at the option of unitholders on a monthly redemption date, subject to certain conditions and, in order to effect such a redemption, the units must be surrendered on the date which is the last business day of the month preceding the monthly redemption date. Payment of the redemption price will be made on or before the redemption payment date, subject to the Manager’s right to suspend redemptions in certain circumstances.

Unitholders surrendering a unit for monthly redemption will receive a redemption price equal to the lesser of: (i) 94% of the weighted average trading price on the TSX for the 10 days immediately preceeding the monthly redemption date, and (ii) 100% of the TSX closing market price, or if no closing price is provided then the average of the highest and lowest traded price, or if highest and lowest trades are not available, then the average of the last bid and last ask, in each instance in reference to transactions on the monthly redemption date. The proceeds will be net of any costs associated with the redemption including brokerage costs.

The following table shows a roll forward of issued and outstanding units and unitholders' equity for the years ended December 31, 2013 and December 31, 2012. When units of the Fund are retracted or repurchased at prices per share which are above the average cost per share of capital, the amount above the average cost per share reduces retained earnings. When units of the Fund are retracted or repurchased at prices per share which are below the average cost per share of capital, the difference is recorded as contributed surplus. The Fund does not have any accumulated contributed surplus.

	December 31, 2013		**December 31, 2012**	
	Units	**Dollars**	**Units**	**Dollars**
Units outstanding - beginning of year	68,758,811	595,314,556	59,671,109	539,308,930
Units issued	812,000	7,888,587	21,085,000	215,167,130
ROC Distributions	-	(33,014,680)	-	(52,695,749)
Units redeemed	(30,173,044)	(251,070,824)	(9,207,198)	(82,025,580)
Units redeemed - Issuer Bid [1]	(2,607,800)	(22,184,121)	(2,790,100)	(24,440,175)
Units outstanding - end of period	**36,789,967**	**296,933,518**	**68,758,811**	**595,314,556**

[1] These units were purchased and cancelled pursuant to issuer bid programs. The bid programs permit the purchase of units (see limits below) at prices which are less than the net asset value per Unit at the time of purchase (subject to certain other conditions including 30 day purchase limitations). The initial bid program ran from May 10, 2012 until May 9, 2013 and permitted the purchase of a maximum of 8,074,890 units. There were 4,418,100 units purchased under the initial bid program. A second bid program commenced May 10, 2013 and expires May 9, 2014 and permits the purchase of a maximum of 6,777,871 units. Through December 31, 2013, 979,800 units had been purchased under the second bid program. Commission fees on the purchase of units under the bid programs are recorded in the Statements of Operations.

5. Fees and Expenses

The Fund retained Marret Asset Management Inc., under an administration agreement (the "Administration Agreement") dated May 28, 2009 to administer all of the ongoing operations of the Fund. In consideration for the services provided by the Manager, the Fund pays a management fee equal to 0.25% per annum of the net asset value of the Fund (or 1.00% in total when combined with the management fee paid by the Trust). The management fee is calculated daily and payable monthly in arrears, plus applicable taxes. The total management fees (inclusive of taxes) earned by Marret Asset Management Inc. for the year ended December 31, 2013 were $1,415,453 (December 31, 2012 - $2,025,910), of which $79,911 (December 31, 2012 - $161,352) remained payable at year end.

The Manager is also paid a service amount calculated and paid as soon as practicable after the end of each calendar quarter, equal to 0.40% per annum of the net asset value attributable to the units plus applicable taxes. The service fee is in turn paid to the investment dealers in proportion to the number of units held by clients of each dealer at the end of each calendar quarter.

The Fund will pay to the Counterparty an additional amount under the Forward Purchase Agreement, calculated weekly and payable quarterly in arrears. The amount was initially 0.25% per annum of the notional amount of the Forward Purchase Agreement (being effectively equal to the net asset value of the Trust). Effective February 21, 2012 the rate changed to 0.276% per annum reflecting the fact that the Counterparty's obligation is partially collateralized in accordance with new regulatory guidance (see Note 3).

All other reasonable expenses in connection with the administration of the Fund are paid by the Fund.

6. Income Taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). A mutual fund trust is subject to tax on its net investment income for the year, including any net realized capital gains, which are not paid or payable to its unitholders. The financial statements of the Fund do not include a provision for income taxes because under the terms of the declaration of trust, net investment income and net realized capital gains are distributed each year to unitholders and are taxable in the unitholders' hands.

During the year ended December 31, 2013, the Fund made monthly cash distributions which totaled $0.60 (December 31, 2012 - $0.70) per unit.

The Fund did not realize any income, gain or loss as a result of entering into the Forward Purchase Agreement and no amount is expected to be included in the Fund's income by virtue of the acquisition of the Canadian Securities through partial pre-settlements or final settlement of the Forward Purchase Agreement. The cost to the Fund of such Canadian Securities will be that portion of the aggregate amount paid by the Fund under the Forward Purchase Agreement attributable to the Canadian Securities. The resulting gains or losses realized by the Fund on the sale of Canadian Securities acquired pursuant to the Forward Purchase Agreement is expected to be taxed as capital gains or capital losses.

The Fund's investment strategy utilizes a forward sale agreement "forward agreement" in order to gain exposure to the returns of an underlying fund. The government refers to these as character conversion transactions.

On March 21, 2013, the Minister of Finance announced proposals in a federal budget that would treat the gain realized by a mutual fund under such forward agreements as ordinary income rather than a capital gain, if the forward agreement was entered into or extended on or after March 21, 2013.

On July 11, 2013, the Department of Finance announced proposed technical changes to the transitional rules related to character conversion transactions announced in the federal budget. One of the announced changes includes the extension of the transition period for short-term agreements. The extended grandfathered period allows investment funds, whose forward agreements were entered into prior to March 21, 2013 and the terms of which provide for settlement or are a part of series of agreements that provide for settlement prior to 2015, to extend their forward agreements until end of 2014. For longer-dated forward agreements, the grandfathering transitional period will not extend beyond March 21, 2018. Grandfathering is subject to certain growth rules with which the Fund intends to comply. The federal budget, part of Bill C-4, was enacted into law on December 12, 2013.

The Manager is currently assessing the impact and implications of these changes to the Fund but does not expect any impact prior to the maturity of its existing Forward Purchase Agreement on May 30, 2014.

At December 31, 2013, the most recent taxation year end, the Fund has no capital loss carryforwards available to offset future capital gains for tax purposes. The non-capital loss amounts by year of expiry are as follows:

2029	$	1,864,522
2030		4,773,541
2031		8,001,929
2032		9,567,539
2033		1,030,508
Total	**$**	**25,238,039**

7. Capital Management

The Fund's capital consists of the unitholders' equity. The Manager is responsible for managing the underlying Trust's investments in line with its mandate and the affairs of the Fund, including receipt of cash from partial unwinds of the Forward Purchase Agreement primarily to fund operating expenses, annual and monthly redemptions (note 4), and monthly distributions.

8. Financial Instrument Risk Management

In the normal course of business, the Fund is exposed to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk. The Fund's overall risk management program focuses on compliance and execution of the Fund's investment objectives.

The Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisers, daily monitoring of the Fund's positions and market events and by diversifying the investment portfolio of the Trust within the constraints of the investment strategy. To assist in managing risks, the Manager also uses internal guidelines that identify the target exposure for each type of risk, maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

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.

By virtue of the Forward Purchase Agreement, the price risk for the Fund is derived from the value of the investments held by the Trust. The value of the Trust's equity investments can fluctuate on a daily basis as a result of factors outside of the Fund's control, including financial performance of the issuers of the underlying Trust's investments, operational risks relating to the specific business activities of the respective issuers, quality of assets owned by respective issuers, commodity prices, exchange rates, interest rates, environmental risks, political risks, issues relating to government regulation and taxation, composition of the investments and other financial market conditions. If the prices for the equity securities held by the Trust had increased or decreased by 5% as at December 31, 2013 (December 31, 2012 – 5%), with all other variables remaining constant, net assets of the Fund would have increased or decreased by approximately $191,664 or 0.06% (December 31, 2012 – increased or decreased $843,394 or 0.13%). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Concentration Risk

By virtue of the Forward Purchase Agreement, the Fund is exposed to concentration risk of the Trust's underlying portfolio.

The table below summarizes the concentration risk as a percentage of the underlying Trust's net assets.

	December 31, 2013	**December 31, 2012**
Government of Canada & Government Guaranteed	-	3.94%
Canadian Corporate	34.75%	24.76%
Canadian Corporate - short positions	-	(0.48%)
U.S. Federal Bonds & Government Guaranteed - short	(1.07%)	(18.45%)
U.S. Corporate Bonds	50.46%	64.86%
U.S. Corporate Bonds - short positions	(1.16%)	(3.58%)
International Bonds	12.47%	4.59%
Total of Bonds	**95.45%**	**75.64%**
Term Loans	**4.03%**	**2.57%**
Canadian Equities	2.15%	5.02%
Canadian Equities - short positions	-	(0.29%)
United States Equities	1.04%	2.95%
United States Equities - short positions	(2.04%)	(3.34%)
International Equities - short positions	-	(1.81%)
Total Equities	**1.15%**	**2.53%**
Total Investments	**100.63%**	**80.74%**

The Trust was also a party to several derivative contracts (forward foreign currency contracts, credit default swap contracts and total return swap contracts).

At December 31, 2013 the Trust had sold forward US$212,455,000 (counterparty Bank of New York Mellon – short term S&P rating A1+) and US$32,809,000 (counterparty Royal Bank of Canada – short term S&P rating A1+) to hedge USD currency risk (December 31, 2012 – sold forward US$404,255,000 with Bank of New York Mellon and US$39,921,000 with Royal Bank of Canada).

At December 31, 2013, the Trust had no open Credit Default Swap Contracts (December 31, 2012 - $11,130,000 notional amount under which the Trust received a 5% per annum premium and was liable to the counterparty for a default event of the Markit CDX NA HY S19 Index).

At December 31, 2013, the Trust had no open total return swap contracts (December 31, 2012 - the Trust had an open total return swap contract with Barclays Bank PLC (short-term S&P rating A1) under which the Trust paid 1.5% per annum on a monthly basis, and received the monthly return of the Dynamic VIX Futures Index. The notional amount of the contract was $13,680,000.

Interest Rate Risk

Interest rate risk arises from changes in the prevailing levels of market interest rates, resulting in fluctuations in the value of interest bearing financial instruments.

By virtue of the Forward Purchase Agreement, the Fund is exposed to changes in the value of the Trust's interest bearing securities.

The table below summarizes the Trust's net exposure to interest rate risks by remaining term to maturity.

	December 31, 2013			December 31, 2012		
	Long	**Short**	**Net**	**Long**	**Short**	**Net**
< 1 year	69,626,642	-	69,626,642	57,774,911	-	57,774,911
1 - 3 years	4,970,524	-	4,970,524	75,934,059	-	75,934,059
3- 5 years	60,713,868	(3,072,208)	57,641,660	136,228,757	(5,645,990)	130,582,767
> 5 years	202,756,177	(4,333,701)	198,422,476	401,944,131	(144,480,264)	257,463,867
Total	**338,067,211**	**(7,405,909)**	**330,661,302**	**671,881,858**	**(150,126,254)**	**521,755,604**

If interest rates had increased or decreased by 1% at December 31, 2013 (December 31, 2012 – 1%), with all other variables remaining constant, net assets of the Trust would have decreased or increased by approximately $9,082,357 or 2.73% (December 31, 2012 - $13,878,138 or 2.08%). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

The Trust also has interest rate exposure on credit facility borrowings. As at December 31, 2013, the borrowings were $10,138,881 (December 31, 2012 – nil). If interest rates had increased or decreased by 1% at December 31, 2013, with all other variables remaining constant, run-rate interest expense would have increased or decreased on an annualized basis by approximately $101,389 or 0.03% of Trust net assets. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Currency Risk

Currency risk is the risk that the value of investments will fluctuate due to changes in foreign exchange rates. This risk arises when financial instruments (including cash and cash equivalents) are denominated in a currency other than Canadian dollars, which represents the Fund's functional currency.

The portfolio securities of the Trust, to which the Fund is exposed through the Forward Purchase Agreement, are comprised in part of US dollar denominated securities. The table below indicates the currencies to which the Trust had significant net exposure as at December 31, 2013 and December 31, 2012, on its trading monetary and non-monetary assets and liabilities, as well as the underlying notional amount of forward currency contracts.

As at December 31, 2013

	Net Currency risk Investments	Working Capital	Currency risk Due from / (to) Broker	Forward Currency Contracts	Net Exposure	As a % of Net Assets
U.S. Dollar	281,307,420	6,338,520	(4,991,416)	(260,895,902)	21,758,622	6.55%

As at December 31, 2012

	Net Currency risk Investments	Working Capital	Currency risk Due from / (to) Broker	Forward Currency Contracts	Net Exposure	As a % of Net Assets
U.S. Dollar	421,301,371	17,753,145	2,869,417	(442,243,786)	(319,853)	-0.05%

As at December 31, 2013, had the Canadian dollar strengthened or weakened by 5% (December 31, 2012 – 5%) in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $1,087,931 or 0.33% (December 31, 2012 – increased or decreased $15,993 or 0.00%). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The main concentration of credit risk would be investments in debt instruments and derivatives. The Fund is exposed to the credit risk of the Bank of Nova Scotia on the non-collateralized portion (see Note 3) of the prepaid Forward Purchase Agreement. The Fund is also indirectly exposed to the credit risk of the investments held by the Trust. The fair value includes consideration of the credit worthiness of the issuer and therefore represents the maximum credit exposure of the Fund.

As at December 31, 2013 and December 31, 2012, the Trust invested in debt securities with the following credit ratings:

	As a % of Net Assets					
Debt securities by debt ratings	**December 31, 2013**			**December 31, 2012**		
	Long	**Short**	**Net**	**Long**	**Short**	**Net**
AAA	-	(1.07)	(1.07)	11.18	(18.45)	(7.27)
AA	-	-	-	14.08	-	14.08
A	-	-	-	3.83	-	3.83
BBB	0.79	-	0.79	1.51	-	1.51
BB	35.10	(0.47)	34.63	19.91	(1.15)	18.76
B	42.14	(0.69)	41.45	35.76	(2.91)	32.85
CCC	2.44	-	2.44	5.60	-	5.60
D	-	-	-	-	-	-
Unrated	21.24	-	21.24	8.85	-	8.85
Total	**101.71**	**(2.23)**	**99.48**	**100.72**	**(22.51)**	**78.21**

As at December 31, 2013 and December 31, 2012 the Trust invested in short-term investments with the following debt ratings:

	As a % of the Trust's Net Assets	
Short-term investment rating	**December 31, 2013**	**December 31, 2012**
R - 1(H)	-	14.98
Total	-	14.98

As at December 31, 2013 and December 31, 2012 the Trust invested in derivatives with the following counterparty ratings:

	As a % of the Trust's Net Assets	
Counterparty Ratings	**December 31, 2013**	**December 31, 2012**
A1+	0.28	(0.45)
A1	-	0.01
Total	0.28	(0.44)

Liquidity Risk

The Fund is exposed to annual and monthly redemptions. By virtue of the Forward Purchase Agreement, the Fund indirectly invests a substantial portion 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 adequate market for the Trust's investments will exist at all times, or that the prices at which the underlying investments trade, accurately reflect their net asset values. Partial pre-settlement of the Forward Purchase Agreement prior to the Termination Date is used to fund redemptions, distributions, operating expenses, and other liabilities of the Fund. All liabilities are due in less than 3 months.

Certain Data Audio & Visual Enterprises and Cline Mining Corp bond positions owned by the Trust are considered illiquid and represent 15.0% of the Trust's net assets at December 31, 2013.

Fair Value Hierarchy

CPA Canada Handbook Section 3862 ("Section 3862"), Financial Instruments - Disclosures, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Inputs may be based on independent market data ("observable inputs") or they may be internally developed ("unobservable inputs"). The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the hierarchy are as follows:

Level (1) - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level (2) - investments with inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.

Level (3) - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

The following is a summary of the inputs used in valuing the Fund's investments and derivatives carried at fair values:

As at December 31, 2013

		Level 1		Level 2		Level 3		Total
Bonds	$		$	15,125	$		$	15,125
Forward purchase agreement		-		333,411,354		-		333,411,354
Total Investments	$	-	$	**333,426,479**	$	-	$	**333,426,479**

As at December 31, 2012

		Level 1		Level 2		Level 3		Total
Bonds	$		$	15,392	$		$	15,392
Forward purchase agreement		-		669,825,439		-		669,825,439
Total Investments	$	-	$	**669,840,831**	$	-	$	**669,840,831**

The underlying Trust's financial statements include the fair value hierarchy disclosures for the investments it holds. There were no transfers between levels during the years.

9. Transition to International Financial Reporting Standards

On December 12, 2011 the Canadian Accounting Standards Board ("AcSB") allowed investment funds to defer mandatory adoption of International Financial Reporting Standards ("IFRS") as issued by the International Accounting standards Board ("IASB") until the fiscal year beginning on or after January 1, 2014. Accordingly, the Fund will adopt IFRS for its fiscal year beginning January 1, 2014, and will first issue financial statements in accordance with IFRS, including comparative information, for the semi-annual period ending June 30, 2014. The June 30, 2014 semi-annual and December 31, 2014 annual financial statements will include an opening Statement of Financial Position as at January 1, 2013 and comparative financial information prepared in accordance with IFRS.

The Manager has evaluated the differences between Canadian GAAP and IFRS and implemented a transition plan to meet the AcSB implementation timeline. The key elements of the plan include an assessment of: differences between Canadian GAAP and IFRS; changes required to financial statement disclosure; and, the impact on the financial reporting process.

Based on the Manager's assessment of the accounting differences between Canadian GAAP and IFRS, the following areas of differences were identified:

(a) IAS 32, "Financial Instruments; Disclosure and Presentation", requires puttable instruments to be classified as a liability unless certain conditions are met. The Fund's unitholders' equity meets the definition of a puttable instrument. The Manager has assessed the Fund's unitholder structure and currently expects that liability treatment will be the appropriate classification.

(b) IFRS 13, Fair Value Measurements, was published in May 2011. The standard provides guidance on the measurement of fair value and allows for the use of closing market prices or another price within the bid/ask spread to value investments. Under Canadian GAAP the fair value of investments for financial statement reporting purposes, was required to be measured at closing bid price for long positions and closing ask price for short positions. The Manager has assessed the guidance that will apply under IFRS and has determined that the use of closing market prices for exchange traded securities and the mean of the bid and ask for fixed income investments is likely to be appropriate in valuing investments.

The Manager has presently determined that the impact of IFRS will also include additional note disclosure and modifications to existing presentation. The Manager does not expect that the trading net asset value or trading net asset value per unit will be impacted by the changeover to IFRS.

The Manager's current evaluation may be subject to change due to issuance of new standards or new interpretations of existing standards.