ARROW CAPITAL GROUP OF FUNDS
OFFERING MEMORANDUM

Date: May 1, 2015

See glossary of terms for definitions.

The Issuers

Names:	**Arrow Diversified Fund, Curvature Market Neutral Fund, East Coast Investment Grade Fund, East Coast Investment Grade II Fund, Hirsch Performance Fund, Raven Rock Income Fund, Raven Rock Income II Fund and SG US Market Neutral Fund.**
Head Office:	36 Toronto Street, Suite 750 Toronto, Ontario M5C 2C5 Phone #: 1-877-327-6048 E-mail address: info@arrow-capital.com Fax#: 1-877-306-2020
Currently listed or quoted?	No. These securities do not trade on any exchange or market.
Reporting Issuer?	No.
SEDAR filer?	No.

The Offering

Securities Offered:	Class A and F Units of each of the Single Manager Funds, Class G and U Units of several of the Single Manger Funds, Class AI, FI, GI and UI of the Raven Rock Income II Fund and Class A2, F2, G2, U2 and O Units of the Diversified Fund. Each Fund is an unincorporated open-end mutual fund created under the laws of the Province of Ontario pursuant to a Trust Indenture as amended from time to time.
Price Per Security:	Net Asset Value per Class Unit as at the first Valuation Date following the date on which a subscription is received.
Minimum/Maximum Offering:	**There is no minimum. You may be the only purchaser.**
Minimum Subscription Amount:	The minimum investment is $150,000 or such lesser amount as the Manager, in its sole discretion may accept. For further details see "Section 5.2 - Subscription Procedure - Securities Law Exemptions and Minimum Investments".
Payment Terms:	The subscription price, together with the amount of any commission, if applicable, is payable on subscription, by cheque or by bank draft. For further details, see "Section 5 - Securities Offered - Subscription Procedure".
Proposed Closing Date(s)	The Funds are offered on a continuous basis.
Income Tax Consequences:	There are important tax consequences to these securities. See "Section 6 - Income Tax Consequences and RRSP Eligibility".
Selling Agent(s):	See "Section 7 - Compensation Paid to Sellers and Finders".

Resale restrictions

You will be restricted from selling your securities for an indefinite period as there is no market for the Units of the Funds; it may be difficult or even impossible for an investor to sell them. The Units are subject to resale restrictions. See "Section 10 - Resale Restrictions". However, an investor may redeem any or all of the investor's Units on the applicable Valuation Date. See "Section 5 - Securities Offered - Redemption of Units".

Purchaser's rights

You may have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this offering memorandum, you have the right to sue either for damages or to cancel the agreement. See "Section 11 – Purchaser's Rights".

This Offering Memorandum constitutes an offering of the securities described herein only in those jurisdictions where they may be lawfully offered for sale and is not, and under no circumstances is to be construed as, a prospectus or public offering of such securities. ***No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this offering memorandum. Any representation to the contrary is an offence. This is a risky investment. See "Section 8 – Risk Factors".***

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GLOSSARY OF TERMS

"Accredited Investor" means, generally speaking, a person who is permitted by applicable securities laws in the Offering Jurisdictions to make an initial investment in a Fund in an amount less than the Private Placement Threshold. See the Investment Application which accompanies this Offering Memorandum for further information;

"Advisory Agreements" means the advisory agreements between the Manager and the Single Manager Funds respective investment advisors, whereby the Manager has retained a third party investment advisor to provide investment advice in respect of the portfolios of the Single Manager Funds;

"CHS Asset" means CHS Asset Management Inc;

"Class" means the Class "A", "AI", "A2", "F", "FI", "F2", "U", "UI", "U2", "G", "GI", "G2" or "O" Units of a Fund, as applicable;

"Curvature Market Neutral Fund" means Curvature Market Neutral Fund;

"DSC Units" means Class "A2" Units of the Funds purchased under the Deferred Sales Charge Option and includes Class "A2" Units acquired through the automatic reinvestment of distributions paid on DSC Units;

"Deferred Sales Charge Option" means an option for purchasing eligible Units of the Funds whereby the entire amount of the subscription is applied to the purchase of eligible Units without deduction of a sales charge. A redemption charge payable to the Manager or such person as the Manager directs (and collected by the Fund for the Manager) will generally apply if eligible Units are redeemed prior to the termination of the Deferred Sales Charge Schedule based on the purchase date;

"Diversified Fund" means Arrow Diversified Fund;

"East Coast" means East Coast Fund Management Inc.,

"East Coast Investment Grade Fund" means East Coast Investment Grade Fund;

"East Coast Investment Grade II Fund" (formerly Arrow East Coast Fund) means East Coast Investment Grade II Fund;

"Financial Statements" means the most recent unaudited interim and audited annual financial statements of the Funds;

"Funds" means the Diversified Fund and the Single Manager Funds and **"Fund"** means the Diversified Fund or Single Manager Fund;

"Investment Advisors" means CHS Asset, East Coast, Enso Capital, Raven Rock, and SG Capital and the investment advisors to any other Underlying Funds and **"Investment Advisor"** means the applicable investment advisor;

"**Managed Fund**" means a fund that is not managed by the Manager in which the Diversified Fund makes an investment;

"**Managed Fund Subscription Agreement**" means a subscription agreement whereby the Diversified Fund makes an investment in a Managed Fund;

"Management Agreements" means the agreements between each of the Funds and the Manager, as amended from time to time;

"Manager" means Arrow Capital Management Inc.;

"NI 45-106" means National Instrument 45-106 Prospectus and Registration Exemptions adopted by the securities commission or securities regulatory authority in each of the provinces and territories;

"NI 81-102" means National Instrument 81-102, the rule of the Canadian securities administrators governing publicly-offered mutual funds;

"Net Asset Value" means the Net Asset Value of a Fund calculated in accordance with the Fund's Trust Indenture, and **"Class Net Asset Value per Unit"** means a price or Net Asset Value per Unit for a particular Class of that Fund calculated in accordance with the Fund's Trust Indenture;

"Offering Jurisdictions" means British Columbia, Nova Scotia, New Brunswick and Newfoundland and Labrador;

"Offering Memorandum" means, collectively, the Offering Memorandum of the Funds dated May 1, 2015 as amended from time to time and the Financial Statements;

"Performance Fees" means an annual performance fee payable by each of the Funds. See "Fees and Expenses - Performance Fees";

"Promoter" means Arrow Capital Management Inc.;

"Raven Rock" means Raven Rock Capital Management, LLC;

"Raven Rock Income Fund" means Raven Rock Income Fund;

"Raven Rock Income II Fund" (formerly Arrow Raven Rock Fund) means Raven Rock Income II Fund;

"Registered Dealers" means dealers or brokers registered under applicable securities laws in the Offering Jurisdictions to sell securities of mutual funds;

"Sales Charge Option" means an option for purchasing Class "A", "AI", "A2", "F", "FI", "F2", "U", "UI", "U2", "G", "GI", "G2" or "O" Units of a Fund, as applicable, whereby a sales charge is deducted from the subscription and paid to the subscriber's Registered Dealer and the remaining amount is used to purchase Class "A", "AI", "A2", "F", "FI", "F2", "U2", "UI", "G", "GI", "G2" or "O" Units, as applicable.

"Sales Charge Units" " means Class "A", "AI", "A2", "F", "FI, "F2", "U", "UI", "U2", "G", "GI", "G2" or "O" Units purchased under the Sales Charge Option;

"Servicer" means another person, company or entity appointed by the Funds or the Manager, as applicable, to provide certain distribution and/or non-regulated services to the Funds;

"SG US Market Neutral Fund" means SG US Market Neutral Fund;

"SG Capital" means SG Capital Management, LLC;

"Single Manager Funds" means the Curvature Market Neutral Fund, the East Coast Investment Grade Fund, the East Coast Investment Grade II Fund, the High Yield Fund, the Hirsch Performance Fund, the Raven Rock Income Fund, the Raven Rock Income II Fund, and the SG US Market Neutral Fund;

"**Subscription Price**" means the Class Net Asset Value per Unit on the first Valuation Date following the date on which the investment is received by the Manager;

"Tax Act" means the *Income Tax Act* (Canada), as amended from time to time;

"Tax Deferred Plan" means a trust governed by a registered retirement savings plan, registered retirement income fund, registered education savings plan, registered disability savings plan, deferred profit sharing plan or tax-free savings account under the Tax Act;

"Trust Indentures" means the trust indentures establishing each of the Funds, in each case as amended from time to time;

"Trustee" means Arrow Capital Management Inc. or any successor trustee appointed pursuant to the Trust Indentures from time to time;

"Underlying Funds" means the funds invested in by the Funds, including, but not limited to, the Funds or other funds managed by the Manager;

"Units" means the units of each Class of the Funds; and

"Valuation Date" means the last trading day of each week and of each calendar month on which the Toronto Stock Exchange is open for business or such other business day or days as the Manager may determine. Unless otherwise noted, all references to dollar amounts in this Offering Memorandum are to Canadian dollars.

1 Use of Available Funds

1.1 Funds

It is not possible to determine accurately what the net proceeds of the Offering will be. The Funds are under continuous distribution. Each of the Funds offers multiple classes of Units. The Subscription Price will vary depending on what Class Net Asset Value per Unit is applicable to your investment. Sales commissions will also vary, depending on what your Dealer charges you, and whether or not you purchase the Units on a deferred sales charge basis (See "Section 7- Compensation Paid to Sellers and Finders").

1.2 Use of Available Funds

The net proceeds of the Offering will be used by the applicable Fund in accordance with that Fund's investment objectives and strategies outlined in "Section 2.3- Investment Objectives and How We Plan to Achieve Them.

1.3 Reallocation

We intend to spend the available funds as stated. We do not intend to reallocate funds.

2 Business of the Funds

2.1 Structure

Each of the Funds is an unincorporated open-end mutual fund created under the laws of the Province of Ontario pursuant to a Trust Indenture between the Manager and the Trustee (as defined below) as amended from time to time. Arrow Capital Management Inc. is the promoter (the "**Promoter**"), the manager (the "**Manager**") and the trustee (the "**Trustee**") of the Funds.

The Funds were established as follows:

Fund	DATE OF ORIGINAL TRUST INDENTURE
Arrow Diversified Fund	January 1, 2002
Raven Rock Income Fund[2]	July 1, 2010
Raven Rock Income II Fund	September 1, 2011
Curvature Market Neutral Fund	April 20, 2010
East Coast Investment Grade Fund	December 1, 2010
East Coast Investment Grade II Fund	November 12, 2010
Hirsch Performance Fund	September 11, 1997
SG US Market Neutral Fund[1]	January 1, 2003

[1]Prior to November 15, 2006 the Fund had a different name investment objective and strategy. Prior to November 1, 2010 the name for this Fund was Tetra US Long/Short Fund and had a different investment advisor.

[2]Prior to September 1, 2011 the Fund had a different name and strategy.

The head office and principal business address of the Funds is 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5. The fiscal year end of the Fund is December 31st and the auditor of the Funds is PricewaterhouseCoopers LLP, 18 York Street, Suite 2600, Toronto, ON M5J 0B2. The record keeper of the Class "A", "AI", "A2", "F", "FI", "F2", "U", "UI", "U2", "G", "GI", "G2" and "O" Units of the Funds is RBC Investor Services Trust. For Canada Post deliveries send to: RBC Investor Services, Attention: Investment Shareholder Services, P.O. Box 7500, Station A, Toronto, Ontario, M5W 1P9. For Courier deliveries send to: RBC Investor Services, Attention: Investment Shareholder Services, 155 Wellington Street West, Street Level, Toronto, Ontario, M5V 3L3.

An investment in each of the Funds is represented by Units, each of which represents an interest in the net assets of the Fund. See "Section 5 – Units of the Funds". There is no minimum or maximum number of Units offered or minimum or maximum proceeds from the sale of Units.

The Manager

The Funds are managed by the Manager pursuant to management agreements (the "**Management Agreements**"), as amended from time to time. The Manager is responsible for the day-to-day business of the Funds, including management of each Fund's investment portfolio. The Manager was incorporated under the laws of Ontario on December 2, 1999 and is registered with the Ontario Securities Commission as a portfolio manager, commodity trading manager, exempt market dealer and investment fund manager. On April 1, 2011, the Manager changed its name from Arrow Hedge Partners Inc. The principal office of the Manager is 36 Toronto Street, Suite 750, Toronto, Ontario M5C 2C5. See "Section 2.4 Material Agreements - Management Agreement". On December 2, 2013, the Manager acquired all of the outstanding shares of BluMont Capital Corporation ("BluMont"). On April 1, 2014, the Manager and BluMont were amalgamated continuing under the name Arrow Capital Management Inc. Effective with this amalgamation Arrow became the manager of the Hirsch Performance Fund.

The services of the Manager under the Management Agreements are not exclusive to the Funds, and nothing in the Management Agreements will prevent the Manager, or any affiliate thereof, from providing similar services to other investment funds and other clients (whether their investment objectives and policies are similar to those of the Funds) or from engaging in other activities. See "Section 8 - Risk Factors — Broad Authority of the Manager and Conflicts of Interest".

The Trustee

Arrow Capital Management Inc. acts as the Trustee of the Funds pursuant to the provisions of the Trust Indentures.

2.2 Our Business

The Funds provide sophisticated investors with the ability to participate in investment strategies on a global basis, which are alternative to the traditional "buy and hold" approach to stock and bond investing. Further, each of the Funds utilizes distinctive investment strategies and are structured using hedge fund management specialists.

Funds

The Funds are pooled investment portfolios that are distinguishable from traditional investment funds in a number of ways. As private portfolios, the Funds usually have a great degree of latitude in terms of investment mandate and may make use of leverage from time to time. Unlike most funds, which are limited to long positions in securities, the Funds can also engage in the short sale of investments or use other techniques in order to reduce market exposure and enhance the rate of return. The Funds were established to pursue a particular trading strategy or series of strategies. Historically they have been termed "hedge funds" because certain of the managers have constructed their portfolios with long and short positions to be largely insensitive to broad market fluctuation. The initial focus of the industry was to hedge away market risk in a common stock portfolio. As the industry has grown, the range of securities contemplated for hedge funds has greatly expanded. Today, there is great diversity in the range of hedge fund strategies that are available to investors.

Hedged investing encompasses a wide variety of investment strategies. Many of these strategies seek to exploit securities mispricings without taking an overall directional position in the markets. Hedged strategies are also distinguished by their low correlation to the returns and direction of debt, equity and other markets and by their absolute return focus. Within the hedge fund universe, there are a broad range of styles and methodologies the Manager believes can be grouped into one of four general categories.

Relative Value Strategies

Relative value based strategies are typically "market neutral" strategies i.e. they seek to neutralize certain market risks by taking offsetting long and short positions in securities (bonds, stocks, etc.) with actual or theoretical relationships. Generally, relative value strategies have low correlation to stock and bond markets. Therefore, market neutral type strategies do not eliminate risk entirely but rather allow managers to reduce or eliminate unwanted risk and replace it with risk exposures they want to maintain. Because relative value strategies are generally dependent on relationships to generate returns, the stability or lack thereof, in those relationships determine returns. Examples of relative value strategies include convertible bond arbitrage, fixed income arbitrage and equity market neutral.

Convertible Bond Arbitrage

This strategy attempts to take advantage of relative pricing discrepancies between the convertible bond and the equity of the issuing firm. The value of the inherent option of a convertible bond is hedged with a short position in the stock (or a corresponding option position on the stock). Positive cash flows are generated from the convertible bond coupon and the rebate earned on the proceeds of the equity short sale. Profits can be enhanced by volatility in the underlying stock and trading profits. As the equity exposure inherent in the convertible bond is hedged, this arbitrage strategy is generally less risky than investing in convertible bonds on a standalone basis. However, convertible bond arbitrage may have default risk, interest rate risk and equity risk.

Fixed Income Arbitrage

This strategy involves the purchase and short sale of different fixed income securities and seeks to profit from the yield spreads between different classes of fixed income securities while simultaneously creating a position that is relatively insensitive to interest rate fluctuations. Spreads between federal, provincial, municipal and corporate bond yields may be exploited. Derivative securities may be used to hedge interest rate exposure and leverage is frequently used to enhance returns.

Equity Market Neutral

Equity market neutral strategies generate consistent returns from being simultaneously long and short a relatively large number of positions which offer equal amounts of capital for a total net exposure close to zero, sometimes referred to as dollar neutral. Many equity market neutral managers extend the idea of neutrality to include concepts such as beta, sector, style, market capitalization and price neutrality to eliminate most sources of market or systemic risks. In essence, equity market neutral managers attempt to generate absolute returns regardless of the direction of equity markets. The key risks associated with this strategy are model risk and trading costs. As leverage is typically two to three times equity the manager must demonstrate an ability to handle the many risk factors exposures present in these strategies.

Event Driven Strategies

Event driven strategies focus on exploiting the mispricing of securities that are the result of extraordinary transactions or situations in the market. These corporate events typically include mergers and acquisitions, liquidations, bankruptcies or special situations. The dynamics of the transactions create strategies that generally exhibit returns that are not market dependent and are often structured to be market neutral. However, the correlation of these strategies to equity markets is generally higher than relative strategies. Examples of event driven strategies include risk or merger arbitrage and distressed/high yield securities.

Risk or Merger Arbitrage

This strategy usually focuses on companies involved in a merger or acquisition. Merger arbitrage managers are typically long the stock of the company being acquired and short the stock of the acquiring company. This position is hedged to profit from the convergence of the stocks to the same value at the time of the merger. The key risk in merger arbitrage is that the deal may not be consummated.

Distressed/High Yield Securities

Distressed securities hedge funds invest in the debt, equity or trade claims of companies that are in financial distress or bankruptcy. These securities generally trade at substantial discounts to fair value due to the market's overreaction to initial news of the distressed situation. High yield hedge funds are similar to distressed securities strategies with the important difference that the debt is usually not in bankruptcy. As there tends to be better liquidity and a public market (although often very thin), returns are generally less, but so too is volatility.

Equity Hedge (Long/Short Equity) Strategies

Equity hedge based strategies represent the largest constituency of the hedge fund universe. Equity hedge strategies involve the combining of long stock holdings with short sales of stock or indices. Equity hedge fund managers use a number of different technical and fundamental measures to determine security selection. In contrast to equity market neutral strategies, equity hedge mangers will maintain either net long or net short positions. Typically these portfolios are net long biased with a range of net long exposures between 20% and 50% depending on market conditions. On the other hand, some managers will maintain much higher net long exposures (>70% net long) and could be classified in a different category of equity non-hedge.

Global Macro

Global macro strategies involve investing based on anticipated price movements of stock markets, interest rates, foreign exchange and physical commodities which may include the use of leverage. Macro managers employ a "top-down" global approach, and may invest in any markets using any instruments to participate in expected market movements. These movements may result from forecasted shifts in world economies, political fortunes or global supply and demand for resources, both physical and financial. Exchange-traded and over-the-counter derivatives are often used to magnify these price movements. Global macro strategies can be either discretionary or systematic.

Discretionary

This class is characterized by proprietary approaches employing technical and/or fundamental analysis in a specific combination. The strategies are usually either short-term based or consist of spread trading approaches.

Systematic

Proprietary computer models generate buy and sell decisions. The models utilize quantitative analysis of different technical factors. The most typical examples of this class are trend following or counter-trend models. The trading is almost 100% systematic, i.e. no human interference with the trading decision.

In addition to the above strategies, the Funds or Underlying Funds may also utilize other strategies and financial instruments, including, but not limited to: capital structure arbitrage, warrant hedging, short selling, volatility arbitrage, mortgage-backed securities arbitrage, option strategies, financial futures, commodity futures, index arbitrage convertible preferred shares. The above lists are not intended to be a comprehensive list of hedge strategies, nor are the descriptions necessarily the only ways in which such strategies are employed.

Fund of Funds

A fund of funds (FOF) is a portfolio of single manager funds that seeks to deliver more consistent returns than any individual fund and its relevant benchmark. Investments within the FOF are generally diversified not only by manager but also by investment strategy, style, geography and focus. A FOF is the preferred entry route into hedge funds for most investors including pension funds, endowments, private banks, family offices and high net worth individuals. This approach offers a way to gain exposure and diversification through a single investment vehicle without having to commit substantial assets or resources to create, monitor and adjust a portfolio of single manager funds. Arrow's FOFs are diversified portfolios of single manager funds utilizing different styles, sectors and strategies to generate absolute returns. Arrow's investment management team spans the globe to identify and retain talented managers and then allocate capital accordingly to achieve a target rate of return, volatility and correlation.

2.3 Development of Business

The Funds develop their business through the growth of assets. The following table shows the change in net assets over the last three completed financial years and as at April 30, 2015:

Fund	Net assets as at January 1, 2013	Net assets as at December 31, 2013	Net assets as at December 31, 2014	Net assets as at April 30, 2015
Diversified Fund	$31,250,359	$20,640,440	$15,967,124	$15,529,953
Curvature Market Neutral Fund	$53,581,704	$128,668,342	$181,546,863	$193,893,261
East Coast Investment Grade Fund	$107,669,158	$116,823,788	$97,350,030	$86,969,669
East Coast Investment Grade II Fund	$107,234,986	$136,853,081	$115,702,560	$104,486,534
Hirsch Performance Fund	$32,068,813	$33,559,860	$36,405,233	$37,688,225
Raven Rock Income Fund	$61,862,050	$66,903,659	$63,498,708	$60,660,528
Raven Rock Income Fund II Fund	$61,308,536	$81,029,111	$220,568,736	$190,824,170
SG US Market Neutral Fund	$19,996,552	$33,083,282	$30,140,940	$27,012,759

Other major events over the same time period are as follows:

Hirsch Performance Fund: Effective April 1, 2014, the Manager became the manager of the Hirsch Performance Fund.

2.4 Investment Objectives and How We Intend to Achieve Them

Arrow Diversified Fund

Investment Objective

The investment objective of the Diversified Fund is to generate consistent absolute returns while limiting the overall volatility of the Fund and minimizing the Fund's correlation to major equity indices.

Investment Strategies and Restrictions

To achieve its objective, the Fund will mainly invest in Underlying Funds that employ a variety of strategies, including, but not limited to long and short equity, merger arbitrage, high yield securities, convertible bond arbitrage, global macro and equity market neutral.

The Fund may employ leverage and from time to time also hold cash and/or money market instruments. The Fund aims to reduce its volatility by diversification across Investment Advisors and the strategies employed. Allocation to Underlying Funds will be closely monitored and reviewed at least monthly in an attempt to optimize the Fund's risk and return characteristics. The Manager will also monitor and review the risk and return characteristics of the combined investments of the Underlying Funds. If, in the Manager's opinion, these risk and return characteristics are not optimal, the Fund will make an investment to attempt to optimize the Fund's risk and return characteristics. Also, the Fund's assets may be invested to supplement the investments in the Underlying Funds. These investments may include, but are not limited to, cash, equity or debt securities, short selling, options, futures, swaps and other derivative instruments.

The Manager reserves the right to change, add additional, or adjust the allocation of, Underlying Funds, from time to time without notice to investors. The Fund has no geographic, industry sector or market capitalization restrictions.

Prior to selecting Underlying Funds, the Manager conducts thorough and extensive research and due diligence. Numerous quantitative and qualitative factors are considered, including the background and experience of the Investment Advisor, its track record, investment process, risk management systems, the infrastructure and organization of the Investment Advisor, the size and growth of the assets under management, hedging techniques and the Investment Advisor's use of leverage.

Inherent Risks

In accordance with the methodology described on page 37, we have rated the Fund as low-to-medium risk. It is not intended as a complete investment program and is designed only for investors who have adequate means of providing for their needs and contingencies without relying on distributions or withdrawals from their Fund accounts, who are financially able to maintain their investment and who can afford the loss of their investment. There can be no assurance that the Fund will achieve its investment objectives. All potential investors in the Fund should understand the investment approaches and techniques that the Manager expects to use in the management of the Fund and the particular risks associated with those approaches and techniques.

Significant risks investing in the Fund may include: Business Risk; Commodity Risk; Counterparty Risk; Currency Risk, Credit Risk; Emerging Markets Risk; Foreign Exchange Hedge Risk; Forward Contracts Risk; Futures Trading Risk; Hedging Risk; Illiquid Assets Risk; Interest Rate Fluctuations Risk; International Securities Risk; Investment Advisor Risk; Low Rated or Unrated Debt Obligation Risk; Margin Trading Risk; Short Sales Risk; Market Risk; Net Asset Value Risk; Reliance on Manager and Investment Advisor Risk; Use of Options Risk; and Use of Prime Broker to Hold Assets Risk.

Other risks investing in the Fund may include: Arbitrage Risk; Broad Authority of the Manager Risk; Conflicts of Interest Risk; Earnings Surprise Risk; Lack of Insurance Risk; Lack of Operating History Risk; Newly Established and Smaller Capitalization Companies Risk; Portfolio Turnover Risk; Potential Lack of Diversification Risk; Securities Believed to be Undervalued or Incorrectly Valued Risk; and Unitholder Liability Risk.

These and other risks, which may also apply to the Fund, are described under "Section 8 - Risk Factors".

Except as identified above, the investments of the Fund will not be subject to restrictions.

Hirsch Performance Fund

Investment Objective

The investment objective of the Fund is to strive to deliver consistently positive returns by investing primarily in securities issued by Canadian issuers and mitigating the overall risk of the portfolio by varying market exposure and through the use of option strategies.

Investment Strategies and Restrictions

To achieve its investment objective, the Fund may employ the following strategies:

- invest its assets primarily in equities or equity equivalents (such as warrants, rights, options or convertible securities) of Canadian issuers with superior growth prospects;
- invest in a diversified portfolio, chosen from those industries that the investment advisor believes offer the best opportunity for superior near-term returns at each stage of the economic and market cycle;
- invest in issuers that have a proven and respected management team, well-defined growth strategies, a distinct competitive advantage and/or are leaders in their respective industries;
- search for event driven trading opportunities;
- invest in issuers encompassing a range of capitalizations including a number of smaller and less liquid issuers which the investment advisor believes to have the potential for significant price appreciation;
- use option strategies to mitigate risk and enhance returns of the underlying equity positions;
- establish short positions, up to an aggregate of 50% of the Fund's NAV (at the time of investment), in issuers suffering declining business prospects combined with weak balance sheets; and
- when market conditions warrant, invest in debt obligations and rely on money market instruments for the preservation of capital and the

maintenance of liquidity.

The Manager will invest most of the portfolio in equities and other securities that are traded on a recognized stock exchange. The Manager may also invest in:

- small to mid-cap unlisted stocks which the Manager believes has potential for exceptional price appreciation; and
- listed securities that may be considered more risky than traditional investments.

To the extent that the Fund uses leverage, it will leverage to a maximum of 100% (at the time of investment), in the aggregate, of the Fund's NAV.

Inherent Risks

In accordance with the methodology described on page 40, we have rated the Fund as medium risk.

It is not intended as a complete investment program and is designed only for investors who have adequate means of providing for their needs and contingencies without relying on distributions or withdrawals from their Fund accounts, who are financially able to maintain their investment and who can afford the loss of their investment. There can be no assurance that the Fund will achieve its investment objectives. All potential investors in the Fund should understand the investment approaches and techniques that the Manager expects to use in the management of the Fund and the particular risks associated with those approaches and techniques.

Significant risks investing in the Fund may include: Business Risk, Counterparty Risk, Earnings Surprise Risk; Hedging Risk; Interest Rate Fluctuations Risk; Margin Trading Risk; Short Sales Risk; Market Risk; Portfolio Turnover Risk; Potential Lack of Diversification Risk; Reliance on Manager and Investment Advisor Risk; Securities Believed to be Undervalued or Incorrectly Valued Risk; and Use of Prime Broker to hold Assets Risk.

Other risks investing in the Fund may include: Broad Authority of the Manager Risk; Commodity Risk; Conflicts of Interest Risk; Currency Risk; Illiquid Assets Risk; Lack of Insurance Risk; Net Asset Value Risk; Newly Established and Smaller Capitalization Companies Risk; and Unitholder Liability Risk;.

Except as identified above, the investments of the Hirsch Performance Fund will not be subject to restrictions.

Raven Rock Income Fund

Investment Objective

The investment objective of the Raven Rock Income Fund is to achieve attractive risk-adjusted returns through investment in a diversified portfolio of assets.

Structure of the Fund

The Fund will seek to achieve its investment objective by obtaining exposure to the Raven Rock Fund Income II Fund which invests in a broad range of public and private corporate debt securities. It is expected that distributions received by the Unitholders will consist primarily of returns of capital and capital gains for tax purposes.

The Fund will use substantially all of the proceeds from the sale of Units for the pre-payment of forward purchase and sale agreements ("Forward Agreements") between the Fund and a Canadian financial institution or their affiliate as the fund may approve ("Counterparty"). The gain or loss of each Forward Agreement may be allocated to different Classes of Units depending on the currency of such Class of Unit. Pursuant to the terms of the Forward Agreements, the Counterparty will deliver to the Fund, on or about October 6, 2016 (the "Termination Date") or for periodic redemptions or repurchases of units from time to time, a specified portfolio of securities of Canadian public issuers that are: (i) "Canadian securities", as defined in subsection 39(6) of the Tax Act; and (ii) listed on the TSX (the "Canadian Securities Portfolio") with an aggregate value equal to the redemption proceeds of the relevant number of units of the Raven Rock Income II Fund net of any amount owing by the Fund to the Counterparty. Under the terms of the Forward Agreements, the Fund and the Counterparty have agreed that the Counterparty's settlement obligations under the Forward Agreements will be discharged by the physical delivery of the Canadian Securities Portfolio by the Counterparty to the Fund.

The terms of the Forward Agreements will provide that the Forward Agreements may, in certain circumstances, be settled prior to the Termination Date at the request of the Fund. The Fund may settle the Forward Agreements in whole or in part prior to the Termination Date at the request of the Fund: (i) to fund redemptions and repurchases of the Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason. Pursuant to the terms of the Forward Agreements, the Counterparty will, in connection with a requested partial settlement, deliver to the Fund securities of certain of the issuers in the Canadian Securities Portfolio based on the partial settlement amount. Any capital gain or income realized by the Fund on the sale of such securities to fund a redemption may be allocated to the redeeming Unitholder.

The Forward Agreements may be terminated prior to the Termination Date in certain circumstances, including if an event of default or a termination event occurs with respect to the Fund or the Counterparty under the Forward Agreements.

If the Forward Agreements are terminated prior to the Termination Date for any reason, it is anticipated that the Forward Agreements will be settled by physical delivery of the Canadian Securities Portfolio by the Counterparty to the Fund after payment of any amounts owing to the Counterparty. In the event of a termination prior to the Termination Date, the Manager may terminate the Fund and may take such other action as it considers necessary under the circumstances. Also, if the existing Forward Agreement cannot be utilised for additional assets of the Fund, the Fund may not enter into a forward agreement for part or all of the assets of the Fund which may result in distributions received by Unitholders to consist of net income in addition to capital gains and return of capital. As a result of amendments to the Tax Act enacted on December 12, 2013 regarding "character conversion transactions", the Fund will not enter into a forward agreement after the Termination Date.

Forward Agreement Counterparty Risk

The Forward Agreements, which are the principal material assets of the Fund, exposes the Fund to the unsecured credit risk associated with the Counterparty. The Counterparty may have relationships with any or all of the issuers whose securities are included in the Raven Rock Income II Fund which could conflict with the interests of the Fund. In addition, the possibility exists that the Counterparty will default on its payment obligations under the Forward Agreements or that the proceeds from the sale of the Canadian Securities Portfolio acquired pursuant to the Forward Agreements will be used to satisfy other liabilities of the Fund, which liabilities could include obligations to third-party creditors in the event the Fund has insufficient assets, excluding the proceeds from the sale of the Canadian Securities Portfolio acquired pursuant to the Forward Agreements, to pay its liabilities. Unitholders will have no recourse or rights against the assets of the Raven Rock Income II Fund or the Counterparty and the Counterparty is not responsible for the returns of the Raven Rock Income II Fund.

Structure of the Raven Rock Income II Fund

The Raven Rock Income II Fund expects to invest and hold substantially all of its assets in a separately managed account at a major prime brokerage. Alternatively, at the Manager's discretion, some of the assets in the Raven Rock Income II Fund may be invested in the Raven Rock Credit Offshore Fund, Ltd. ("Raven Rock Feeder Fund"), a Cayman Islands exempted company organized in August 2009. The Raven Rock Feeder Fund expects to invest and hold substantially all of its assets in the Raven Rock Credit Master Fund LP ("Raven Rock Master Fund").

For convenience of reference, the Fund, the Raven Rock Income II Fund, Raven Rock Feeder Fund and the Raven Rock Master Fund are sometimes referred to in this Offering Memorandum (collectively or individually, as the context may require) as the "Raven Rock Income Fund". The following description of the investment strategy and restrictions provides information on how the Fund will be managed, but it is subject to change from time to time without notice.

Investment Strategy

The Fund is a corporate credit fund that seeks to earn superior risk-adjusted absolute returns while emphasizing preservation of capital. Raven Rock believes that there are long-term investment opportunities in the corporate credit market due to uncertain economic conditions and pricing inefficiencies and that only a sophisticated professional manager can take full advantage of these opportunities. The Fund will capitalize on Raven Rock's core strengths: fundamental credit analysis and broad experience in valuing complex credit securities.

The Fund's investments will be subdivided into two portfolio strategies: Directional Credit and Relative Value. The Directional Credit portfolio will capitalize on Raven Rock's fundamental credit research to select credit exposures within the framework of its industry and macro views. The Relative Value portfolio will be a hedged portfolio that seeks to profit from pricing differences between similar securities. The Fund's returns are expected to comprise a mix of positive cash flow and capital gains.

The Fund expects to trade securities that include, without limitation, corporate investment grade and non-investment grade fixed income securities, bank debt, convertible securities, U.S. and non-U.S. securities, distressed securities, trade claims, other debt securities both in cash and derivative form, government securities, options, preferred securities and equities from both long and short perspectives. Raven Rock may use derivative securities and instruments, such as credit default swaps ("CDS"), in the implementation of the Fund's trading program. Raven Rock will use its experience and knowledge to select securities positions that it believes will generate attractive risk-adjusted returns. Raven Rock may, in its sole discretion, use other trading techniques and strategies that it believes will maximize capital appreciation with an acceptable level of risk.

The Fund may also invest in other open-ended or closed-ended funds managed by the Manager, including the Single Manager Funds. The Fund will not invest more than approximately 10% of the Net Asset Value of the Fund in these other funds as measured at the time of investment. Any investment will be made in accordance with the investment objective and investment strategies of the Fund.

Directional Credit

The Fund will invest on a long and short basis primarily in the credit markets of North America. The Fund intends to invest in corporate debt securities, convertible securities, bank debt, preferred stock, and CDS and may establish positions in equity and equity derivatives for the purposes of hedging. The Fund will be opportunistic in targeting the asset classes, industries and corporate capital structures that Raven Rock believes currently offer the most attractive risk-adjusted return opportunities. The Fund generally intends to be net long credit exposure, with the ratio of long versus short positions varying based on Raven Rock's view on the overall level and direction of corporate credit spreads. When Raven Rock believes that opportunities in the credit market are attractive, the Fund anticipates increasing its exposure to directional long investments. Absent such market conditions, the Fund expects to reduce its net exposure to directional long investments and increase its exposure to hedged and directional short investments.

Long Credit Risk.

The Fund will establish long positions by purchasing loans, bonds, and preferred stock in the cash market or by selling CDS referencing the credit of a corporate issuer. Such trades will be established when Raven Rock believes that the operating and financial performance of the underlying entity will remain stable or improve over time or that the collateral value underlying the investment is in excess of the claim amount. Further, Raven Rock will seek long credit risk investments where the spread earned is greater than the spread implied by Raven Rock's estimate of the probability of default and the recovery rate. In addition, Raven Rock may purchase debt securities that are trading at prices below their potential value. Raven Rock will look for those companies which are potentially subject to a reorganization or acquisition attempt, upon the occurrence of which the debt securities are expected to rise in value. The Fund may purchase such securities in anticipation of such extraordinary events. The profit realized, if any, will typically be the difference between the price paid for the securities and the consideration received in any subsequent sale, exchange offer or tender offer plus any interest payments received during the period between the purchase and the extraordinary events.

Short Credit Risk.

The Fund will establish short directional positions by selling short loans, bonds and preferred stock or by purchasing CDS referencing the credit of a corporate issuer. Raven Rock establishes these trades when it believes that a specific negative event will occur or the risk profile of the referenced entity will deteriorate over a period of time. These situations should cause the credit spreads on the bonds, loans, or preferred stock to widen and the price to decrease resulting in a mark-to-market gain for the Fund.

Relative Value

The Fund may from time to time acquire securities positions on the basis of relative value, buying and selling securities issued by a single company or companies within the same industry. Raven Rock believes that this strategy will allow the Fund to isolate a pricing inefficiency while mitigating macroeconomic, industry and company-specific risks. The securities involved may be trading at similar levels when the underlying financial performance of the issuer and general economic conditions suggest that one security should be worth more than the other. By purchasing the relatively undervalued security while selling the relatively overvalued security, a profit may be realized on the increasing spread between the two securities when the market incorporates the information available about the issuer into its securities prices. Alternatively, the securities involved may be trading at significantly divergent levels when the underlying financial performance of the issuer and general economic conditions suggest that the two securities are of similar value. By purchasing the relatively undervalued security while selling the relatively overvalued security, a profit may be realized as the spread between the two securities decreases when the market incorporates the information available about the issuer. In some cases it may be an extraordinary corporate transaction that will cause the spread between two securities to increase or decrease, and by researching and evaluating the likelihood, timing, and terms of such a transaction, Raven Rock expects to be able to take advantage of inefficient relative security prices.

Within the Relative Value portfolio, the Fund will invest using convertible arbitrage and capital structure arbitrage strategies. Raven Rock believes that these strategies are central to the Fund's objective of earning superior risk-adjusted returns while emphasizing preservation of capital.

Convertible Arbitrage

Convertible arbitrage capitalizes on pricing inefficiencies between a company's convertible securities and its common stock. If a convertible security is deemed under-valued, Raven Rock will purchase the convertible security and sell short the common stock of the issuer. The combined position is designed to minimize stock price risk through a neutral hedging relationship while taking advantage of price changes in the securities, the differential between interest and dividend payments, and the expansion and contraction of the conversion premium in the convertible security. Convertible Arbitrage is generally a market neutral strategy that results in both credit exposure and exposure to the volatility of the underlying common stock.

Capital Structure Arbitrage

Capital structure arbitrage exploits the mispricing of securities within the capital structure of a single company. Those securities that are relatively more attractive are purchased while those that are relatively less attractive are sold short. Capital structure arbitrage isolates the pricing inefficiencies from the underlying business of the issuer as well as the broader market.

Overlay Portfolio

Through its investment in Directional Credit and Relative Value strategies, the Fund will potentially have exposure to interest rate risk, credit risk, currency risk, equity volatility, and other sources of systematic risk. Raven Rock may seek to mitigate such risk through portfolio level hedging activities. This hedging may be conducted using cash or derivative instruments, including but not limited to futures, options, swaps, and forward contracts.

Leverage

In order to increase the size of the Fund's positions, Raven Rock may from time to time leverage the Fund's capital by trading on margin. The Fund employs leverage through the use of margin provided by a prime broker and via derivatives including total return swaps and credit default swaps. Raven Rock expects that Gross Leverage (defined below), at any point in time, will range from unlevered to a maximum of fourto one. Gross leverage for the Fund has historically been maintained much below four to one. "Gross Leverage" is defined as the ratio of the Fund's long market value to the Fund's net equity. The liquidity of the Fund's portfolio and general market liquidity will be a factor in determining the appropriate Gross Leverage.

Total Rate of Return Swaps.

A total rate of return swap ("TRS") is a bilateral financial contract in which the counterparty agrees to pay the Fund the total return on the security (interest, fees and capital gains or losses) in return for receiving a floating rate payment (interest plus a funding spread). As part of the agreement, the Fund provides a certain amount of collateral against each loan in the TRS program. While the counterparty is the lender of record, it transfers the risk of the loan to the Fund in exchange for a fee. The counterparty is also responsible for administering the loan.

Purchasing and Selling CDS.

When the Fund sells CDS, it is required to post collateral against the position. As the mark-to-market on the position changes, the amount of collateral will increase or decrease. The amount of collateral also depends on the credit quality of the referenced entity. When the Fund purchases CDS, the Fund is only required to post collateral if the mark-to-market of the position moves against it.

Raven Rock Capital may at any time adopt new strategies as market conditions dictate. While Raven Rock Capital typically will try to minimize risk in selecting investments, it should be understood that the risk management techniques utilized by Raven Rock Capital cannot provide any assurance that the Fund will not be exposed to risks of significant investment losses.

Inherent Risks

In accordance with the methodology described on page 40, we have rated the Fund as low to medium risk.

It is not intended as a complete investment program and is designed only for investors who have adequate means of providing for their needs and contingencies without relying on distributions or withdrawals from their Fund accounts, who are financially able to maintain their investment and who can afford the loss of their investment. There can be no assurance that the Fund will achieve its investment objectives. All potential investors in the Fund should understand the investment approaches and techniques that Raven Rock Capital expects to use in the management of the Fund and the particular risks associated with those approaches and techniques.

Significant risks investing in the Fund may include: Business Risk; Counterparty Risk; Earnings Surprise Risk; Foreign Exchange Hedge Risk; Forward Contracts Risk; Investment Advisor Risk; Interest Rate Fluctuations Risk; Margin Trading Risk; Short Sales Risk; Market Risk; Portfolio Turnover Risk; Potential Lack of Diversification Risk; Reliance on Manager and Investment Advisor Risk; Securities Believed to be Undervalued or Incorrectly Valued Risk; and Use of Prime Broker to Hold Assets Risk.

Other risks investing in the Fund may include: Broad Authority of the Manager Risk; Commodity Risk; Conflicts of Interest Risk; Currency Risk, ; Futures Trading Risk; Illiquid Assets Risk; International Securities Risk; Lack of Insurance Risk; Low Rated or Unrated Debt Obligation Risk; Net Asset Value Risk; Newly Established and Smaller Capitalization Companies Risk; and Unitholder Liability Risk.

These and other risks, which may also apply to the Fund, are described under the heading "Risk Factors".

Except as identified above, the investments of the Fund will not be subject to restrictions.

Raven Rock Income II Fund

Investment Objective

The investment objective of the Raven Rock Income II Fund is to achieve attractive risk-adjusted returns through investment in a diversified portfolio of assets.

Structure of the Fund

The Raven Rock Income II Fund expects to invest and hold substantially all of its assets in a separately managed account at a major prime brokerage. Alternatively, at the Manager's discretion, some of the assets in the Raven Rock Income II Fund may be invested in the Raven Rock Credit Offshore Fund, Ltd. ("Raven Rock Feeder Fund"), a Cayman Islands exempted company organized in August 2009. The Raven Rock Feeder Fund expects to invest and hold substantially all of its assets in the Raven Rock Credit Master Fund LP ("Raven Rock Master Fund").

For convenience of reference, the Fund, , Raven Rock Feeder Fund and the Raven Rock Master Fund are sometimes referred to in this Offering Memorandum (collectively or individually, as the context may require) as the "Raven Rock Income II Fund". The following description of the investment strategy and restrictions provides information on how the Fund will be managed, but it is subject to change from time to time without notice.

Investment Strategies and Restrictions

The Fund is a corporate credit fund that seeks to earn superior risk-adjusted absolute returns while emphasizing preservation of capital. Raven Rock believes that there are long-term investment opportunities in the corporate credit market due to uncertain economic conditions and pricing inefficiencies and that only a sophisticated professional manager can take full advantage of these opportunities. The Fund will capitalize on Raven Rock's core strengths: fundamental credit analysis and broad experience in valuing complex credit securities.

The Fund's investments will be subdivided into two portfolio strategies: Directional Credit and Relative Value. The Directional Credit portfolio will capitalize on Raven Rock's fundamental credit research to select credit exposures within the framework of its industry and macro views. The Relative Value portfolio will be a hedged portfolio that seeks to profit from pricing differences between similar securities. The Fund's returns are expected to comprise a mix of positive cash flow and capital gains.

The Fund expects to trade securities that include, without limitation, corporate investment grade and non-investment grade fixed income securities, bank debt, convertible securities, U.S. and non-U.S. securities, distressed securities, trade claims, other debt securities both in cash and derivative form, government securities, options, preferred securities and equities from both long and short perspectives. Raven Rock may use derivative securities and instruments, such as credit default swaps ("CDS"), in the implementation of the Fund's trading program. Raven Rock will use its experience and knowledge to select securities positions that it believes will generate attractive risk-adjusted returns. Raven Rock may, in its sole discretion, use other trading techniques and strategies that it believes will maximize capital appreciation with an acceptable level of risk.

The Fund may also invest in other open-ended or closed-ended funds managed by the Manager, including the Single Manager Funds. The Fund will not invest more than approximately 10% of the Net Asset Value of the Fund in these other funds as measured at the time of investment. Any investment will be made in accordance with the investment objective and investment strategies of the Fund.

Directional Credit

The Fund will invest on a long and short basis primarily in the credit markets of North America. The Fund intends to invest in corporate debt securities, convertible securities, bank debt, preferred stock, and CDS and may establish positions in equity and equity derivatives for the purposes of hedging. The Fund will be opportunistic in targeting the asset classes, industries and corporate capital structures that Raven Rock believes currently offer the most attractive risk-adjusted return opportunities. The Fund generally intends to be net long credit exposure, with the ratio of long versus short positions varying based on Raven Rock's view on the overall level and direction of corporate credit spreads. When Raven Rock believes that opportunities in the credit market are attractive, the Fund anticipates increasing its exposure to directional long investments. Absent such market conditions, the Fund expects to reduce its net exposure to directional long investments and increase its exposure to hedged and directional short investments.

Long Credit Risk.

The Fund will establish long positions by purchasing loans, bonds, and preferred stock in the cash market or by selling CDS referencing the credit of a corporate issuer. Such trades will be established when Raven Rock believes that the operating and financial performance of the underlying entity will remain stable or improve over time or that the collateral value underlying the investment is in excess of the claim amount. Further, Raven Rock will seek long credit risk investments where the spread earned is greater than the spread implied by Raven Rock's estimate of the probability of default and the recovery rate. In addition, Raven Rock may purchase debt securities that are trading at prices below their potential value. Raven Rock will look for those companies which are potentially subject to a reorganization or acquisition attempt, upon the occurrence of which the debt securities are expected to rise in value. The Fund may purchase such securities in anticipation of such extraordinary events. The profit realized, if any, will typically be the difference between the price paid for the securities and the consideration received in any subsequent sale, exchange offer or tender offer plus any interest payments received during the period between the purchase and the extraordinary events.

Short Credit Risk.

The Fund will establish short directional positions by selling short loans, bonds and preferred stock or by purchasing CDS referencing the credit of a corporate issuer. Raven Rock establishes these trades when it believes that a specific negative event will occur or the risk profile of the referenced entity will deteriorate over a period of time. These situations should cause the credit spreads on the bonds, loans, or preferred stock to widen and the price to decrease resulting in a mark-to-market gain for the Fund.

Relative Value

The Fund may from time to time acquire securities positions on the basis of relative value, buying and selling securities issued by a single company or companies within the same industry. Raven Rock believes that this strategy will allow the Fund to isolate a pricing inefficiency while mitigating macroeconomic, industry and company-specific risks. The securities involved may be trading at similar levels when the underlying financial performance of the issuer and general economic conditions suggest that one security should be worth more than the other. By purchasing the relatively undervalued security while selling the relatively overvalued security, a profit may be realized on the increasing spread between the two securities when the market incorporates the information available about the issuer into its securities prices. Alternatively, the securities involved may be trading at significantly divergent levels when the underlying financial performance of the issuer and general economic conditions suggest that the two securities are of similar value. By purchasing the relatively undervalued security while selling the relatively overvalued security, a profit may be realized as the spread between the two securities decreases when the market incorporates the information available about the issuer. In some cases it may be an extraordinary corporate transaction that will cause the spread between two securities to increase or decrease, and by researching and evaluating the likelihood, timing, and terms of such a transaction, Raven Rock expects to be able to take advantage of inefficient relative security prices.

Within the Relative Value portfolio, the Fund will invest using convertible arbitrage and capital structure arbitrage strategies. Raven Rock believes that these strategies are central to the Fund's objective of earning superior risk-adjusted returns while emphasizing preservation of capital.

Convertible Arbitrage.

Convertible arbitrage capitalizes on pricing inefficiencies between a company's convertible securities and its common stock. If a convertible security is deemed under-valued, Raven Rock will purchase the convertible security and sell short the common stock of the issuer. The combined position is designed to minimize stock price risk through a neutral hedging relationship while taking advantage of price changes in the securities, the differential between interest and dividend payments, and the expansion and contraction of the conversion premium in the convertible security. Convertible arbitrage is generally a market neutral strategy that results in both credit exposure and exposure to the volatility of the underlying common stock.

Capital structure arbitrage exploits the mispricing of securities within the capital structure of a single company. Those securities that are relatively more attractive are purchased while those that are relatively less attractive are sold short. Capital structure arbitrage isolates the pricing inefficiencies from the underlying business of the issuer as well as the broader market.

Overlay Portfolio

Through its investment in Directional Credit and Relative Value strategies, the Fund will potentially have exposure to interest rate risk, credit risk, currency risk, equity volatility, and other sources of systematic risk. Raven Rock may seek to mitigate such risk through portfolio level hedging activities. This hedging may be conducted using cash or derivative instruments, including but not limited to futures, options, swaps, and forward contracts.

Leverage

In order to increase the size of the Fund's positions, Raven Rock may from time to time leverage the Fund's capital by trading on margin. The Fund employs leverage through the use of margin provided by a prime broker and via derivatives including total return swaps and credit default swaps. Raven Rock expects that Gross Leverage (defined below), at any point in time, will range from unlevered to a maximum of four to one. Gross leverage for the Fund has historically been maintained much below four to one. "Gross Leverage" is defined as the ratio of the Fund's long market value to the Fund's net equity. The liquidity of the Fund's portfolio and general market liquidity will be a factor in determining the appropriate Gross Leverage.

Total Rate of Return Swaps.

A total rate of return swap ("TRS") is a bilateral financial contract in which the counterparty agrees to pay the Fund the total return on the security (interest, fees and capital gains or losses) in return for receiving a floating rate payment (interest plus a funding spread). As part of the agreement, the Fund provides a certain amount of collateral against each loan in the TRS program. While the counterparty is the lender of record, it transfers the risk of the loan to the Fund in exchange for a fee. The counterparty is also responsible for administering the loan.

Purchasing and Selling CDS.

When the Fund sells CDS, it is required to post collateral against the position. As the mark-to-market on the position changes, the amount of collateral will increase or decrease. The amount of collateral also depends on the credit quality of the referenced entity. When the Fund purchases CDS, the Fund is only required to post collateral if the mark-to-market of the position moves against it.

Raven Rock may at any time adopt new strategies as market conditions dictate. While Raven Rock typically will try to minimize risk in selecting investments, it should be understood that the risk management techniques utilized by Raven Rock cannot provide any assurance that the Fund will not be exposed to risks of significant investment losses.

Inherent Risks

In accordance with the methodology described on page 40, we have rated the Fund as low to medium risk.

It is not intended as a complete investment program and is designed only for investors who have adequate means of providing for their needs and contingencies without relying on distributions or withdrawals from their Fund accounts, who are financially able to maintain their investment and who can afford the loss of their investment. There can be no assurance that the Fund will achieve its investment objectives. All potential investors in the Fund should understand the Investment approaches and techniques that Raven Rock Capital expects to use in the management of the Fund and the particular risks associated with those approaches and techniques.

Risks investing in the Fund include: Arbitrage Risk; Broad Authority of the Manager Risk; Business Risk; Commodity Risk; Conflicts of Interest Risk; Counterparty Risk; Credit Risk; Earnings Surprise Risk; Foreign Exchange Hedge Risk; Forward Contracts Risk; Futures Trading Risk Hedging Risk; Illiquid Assets Risk; Interest Rate Fluctuations Risk; International Securities Risk; Investment Advisor Risk; Lack of Insurance Risk; Lack of Operating History Risk; Low Rated or Unrated Debt Obligation Risk; Margin Trading Risk; Short Sales Risk; Market Risk; Net Asset Value Risk; Newly Established and Smaller Capitalization Companies Risk; Portfolio Turnover Risk; Potential Lack of Diversification Risk; Reliance on Manager and Investment Advisor Risk; Securities Believed to be Undervalued or Incorrectly Valued Risk; Unitholder Liability Risk; Use of Options Risk; and Use of Prime Broker to Hold Assets Risk. These and other risks, which may also apply to the Fund, are described under the heading "Risk Factors".

Except as identified above, the investments of the Fund will not be subject to restrictions.

Curvature Market Neutral Fund

Investment Objective

The investment objective of the Curvature Market Neutral Fund is to maximize absolute returns on investments.

Investment Strategies and Restrictions

The Curvature Market Neutral Fund seeks to achieve its objective primarily through investments in opportunities that provide what CHS Asset believes, at the time of investment, to have the best risk/return ratio. CHS Asset also intends to optimize the returns of the Fund's investment portfolio by varying the allocation of long and short positions amongst at least three distinct strategies that have non-perfect correlation characteristics providing added diversification benefits. The common themes of the three strategies are that they focus on capturing market inefficiencies by focusing on identifying significant changes in company fundamentals and are implemented utilizing less efficient small cap equity and equity-linked securities.

The initial strategies which CHS Asset or the Investment Advisor expects to initially employ are as follows:

(1) *Fundamental Change Strategy*: Trading in long and short positions where the primary investment criteria are fundamental change. Specific catalysts for forecasted position appreciation are typically necessary before entering a position. CHS Asset attempts to capture market inefficiencies created by the market's systematic under-reaction to major "changes" in the intermediate timeframe, caused by a combination of behavioral inefficiencies and market "reflexivity".

(2) *Event-Driven Change Strategy*: Trading in long/short positions where the primary investment objective is capturing alpha from major corporate events such as merger arbitrage and equity-linked financings.

(3) *Systematic Change Investment Strategy*: Trading in long/short positions where investment decisions are based upon change-based quantitative model inputs overlaid upon the Fund's/Partnership's core investment universe. As with the Fundamental Change Strategy, CHS Asset attempts to capture market inefficiencies created by the market's systematic under-reaction to major "changes" in the intermediate timeframe, caused by a combination of behavioral inefficiencies and market "Reflexivity" (defined as a feedback loop between significant changes in company fundamentals and changes in the market valuation of that company).

CHS Asset shall not be restricted to utilizing only the foregoing investment strategies and, in its discretion, may employ other or additional investment strategies from time to time in seeking to achieve the Fund's/Partnership's investment objective.

Risk Management and Controls

CHS Asset has adopted a set of risk management controls and policies. CHS Asset's Chief Investment Officer and Chief Compliance Officer ("CIO/CCO") is responsible for identifying and managing the material trading risks of the Fund and supervising CHS Asset's portfolio manager(s) and analyst(s) adherence to internal risk management policies and Fund risk limits.

The quantifiable risks relating to the Fund's' investment strategies will be monitored using risk management software. A risk budget and limits will be assigned to the portfolio manager(s) and will be monitored on a "real time" basis. The portfolio manager is required to manage the portfolio within the risk budget. Non quantifiable risks and risks not handled in the risk budgeting system will be monitored and managed by the CIO/CCO.

CHS Asset will employ the following investment policies and restrictions:

1. Long/Short: The proportion of long positions versus short positions in the Fund will fluctuate from time to time and will be determined by CHS Asset. It is anticipated that under normal circumstances the net market exposure will range from -10% to +10% but may be exceeded if CHS Asset believes current market conditions warrant it.

2. Leverage: Leverage will be employed subject to the following limits: A maximum leverage of 200% of the Net Asset Value of the Fund will be employed, although it is expected that the Fund will normally be operated significantly below this threshold.

3. Concentration: The Fund will limit the weighting in a particular security at the time of investment to no more than 5% of the Net Asset Value of the Fund. Further, each sub-strategy will be limited to no more than 50% of the Net Asset Value of the Fund.

4. Illiquid Investments: Purchases of non-marketable securities at the time of investment will be limited to less than 5% of the Net Asset Value of the Fund,

5. Derivatives: The Fund may make use of options and other derivatives to enhance returns or to manage risk.

Inherent Risks

In accordance with the methodology described on page 40, we have rated the Fund as low to medium risk.

It is not intended as a complete investment program and is designed only for investors who have adequate means of providing for their needs and contingencies without relying on distributions or withdrawals from their Fund accounts, who are financially able to maintain their investment and who can afford the loss of their investment. There can be no assurance that the Fund will achieve its investment objectives. All potential investors in the Fund should understand the Investment approaches and techniques that CHS Asset expects to use in the management of the Fund and the particular risks associated with those approaches and techniques.

Significant risks investing in the Fund include: Arbitrage Risk; Business Risk; Counterparty Risk; Hedging Risk; Investment Advisor Risk; Lack of Operating History Risk; Margin Trading Risk; Short Sales Risk; Market Risk; Reliance on Manager and Investment Advisor Risk; Use of Options Risk; and Use of Prime Broker to Hold Assets Risk.

Other risks investing in the Fund include Broad Authority of the Manager Risk; Commodity Risk; Conflicts of Interest Risk; Credit Risk; Currency Risk, Earnings Surprise Risk; Foreign Exchange Hedge Risk; Forward Contracts Risk; Illiquid Assets Risk; Interest Rate Fluctuations Risk; Lack of Insurance Risk; Low Rated or Unrated Debt Obligation Risk; Net Asset Value Risk; Newly Established and Smaller Capitalization Companies Risk; Portfolio Turnover Risk; Potential Lack of Diversification Risk; Securities Believed to be Undervalued or Incorrectly Valued Risk; and Unitholder Liability Risk;.

These and other risks, which may also apply to the Fund, are described under the heading "Risk Factors".

Except as identified above, the investments of the Fund will not be subject to restrictions.

Disclosure for clients of ScotiaMcLeod:

Scotia Caribbean Treasury Limited ("**SCTL**") is an indirect wholly-owned subsidiary of The Bank of Nova Scotia. SCTL has a minority ownership interest in Accelerator Capital Fund Inc. ("**Accelerator Fund**"), an investment fund established in the Cayman Islands, which provided seed capital to asset management companies in exchange for a share of revenue generated by the asset management companies on new capital raised. Accelerator Fund is not currently in active operation. Previously, Accelerator Fund provided capital to Curvature Market Neutral Fund entitling Accelerator Fund to a share of the revenue earned on the assets in Curvature Market Neutral Fund. While Accelerator Fund no longer provides capital to Curvature Market Neutral Fund, it continues to be entitled to a share of the revenue earned on the capital. The revenue share will expire in June 2017 and is subject to certain other limitations. SCTL derives an indirect benefit from this revenue sharing arrangement to the extent of its ownership interest in Accelerator Fund, which benefit is not material to The Bank of Nova Scotia.

East Coast Investment Grade Fund

Investment Objective

The primary objective of the Fund is to maximize risk-adjusted returns while preserving the Fund's capital.

Structure of the Fund

The Fund will seek to achieve its investment objective by obtaining exposure to the East Coast Investment Grade II Fund which invests in a broad range of public and private corporate debt securities. It is expected that distributions received by the Unitholders will consist primarily of returns of capital and capital gains for tax purposes.

The Fund will use substantially all of the proceeds from the sale of Units for the pre-payment of forward purchase and sale agreements ("Forward Agreements") between the Fund and a Canadian financial institution or their affiliate as the fund may approve ("Counterparty"). The gain or loss of each Forward Agreement may be allocated to different Classes of Units depending on the currency of such Class of Unit. Pursuant to the terms of the Forward Agreements, the Counterparty will deliver to the Fund, on or about November 30, 2015 (the "Termination Date") or for periodic redemptions or repurchases of units from time to time, a specified portfolio of securities of Canadian public issuers that are: (i) "Canadian securities", as defined in subsection 39(6) of the Tax Act; and (ii) listed on the TSX (the "Canadian Securities Portfolio") with an aggregate value equal to the redemption proceeds of the relevant number of units of the East Coast Investment Grade II Fund net of any amount owing by the Fund to the Counterparty. Under the terms of the Forward Agreements, the Fund and the Counterparty have agreed that the Counterparty's settlement obligations under the Forward Agreements will be discharged by the physical delivery of the Canadian Securities Portfolio by the Counterparty to the Fund.

The terms of the Forward Agreements will provide that the Forward Agreements may, in certain circumstances, be settled prior to the Termination Date at the request of the Fund. The Fund may settle the Forward Agreements in whole or in part prior to the Termination Date at the request of the Fund: (i) to fund redemptions and repurchases of the Units from time to time; (iii) to fund operating expenses and other liabilities of the Fund; and (iv) for any other reason. Pursuant to the terms of the Forward Agreements, the Counterparty will, in connection with a requested partial settlement, deliver to the Fund securities of certain of the issuers in the Canadian Securities Portfolio based on the partial settlement amount. Any capital gain or income realized by the Fund on the sale of such securities to fund a redemption may be allocated to the redeeming Unitholder.

The Forward Agreements may be terminated prior to the Termination Date in certain circumstances, including if an event of default or a termination event occurs with respect to the Fund or the Counterparty under the Forward Agreements.

If the Forward Agreements are terminated prior to the Termination Date for any reason, it is anticipated that the Forward Agreements will be settled by physical delivery of the Canadian Securities Portfolio by the Counterparty to the Fund after payment of any amounts owing to the Counterparty. In the event of a termination prior to the Termination Date, the Manager may terminate the Fund and may take such other action as it considers necessary under the circumstances. Also, if the existing Forward Agreement cannot be utilised for additional assets of the Fund, the Fund may not enter into a forward agreement for part or all of the assets of the Fund which may result in distributions received by Unitholders to consist of net income in addition to capital gains and return of capital. As a result of amendments to the Tax Act enacted on

December 12, 2013 released regarding "character conversion transactions", the Fund will not enter into a forward agreement after the Termination Date.

Forward Agreement Counterparty Risk

The Forward Agreements, which are the principal material assets of the Fund, exposes the Fund to the unsecured credit risk associated with the Counterparty. The Counterparty may have relationships with any or all of the issuers whose securities are included in the East Coast Investment Grade II Fund which could conflict with the interests of the Fund. In addition, the possibility exists that the Counterparty will default on its payment obligations under the Forward Agreements or that the proceeds from the sale of the Canadian Securities Portfolio acquired pursuant to the Forward Agreements will be used to satisfy other liabilities of the Fund, which liabilities could include obligations to third-party creditors in the event the Fund has insufficient assets, excluding the proceeds from the sale of the Canadian Securities Portfolio acquired pursuant to the Forward Agreements, to pay its liabilities. Unitholders will have no recourse or rights against the assets of the East Coast Investment Grade II Fund or the Counterparty and the Counterparty is not responsible for the returns of the East Coast Investment Grade II Fund.

Structure of the East Coast Investment Grade II Fund

For convenience of reference, the Fund and the East Coast Investment Grade II Fund are sometimes referred to in this Offering Memorandum (collectively or individually, as the context may require) as the "Fund". The following description of the investment strategy and restrictions provides information on how the Fund will be managed, but it is subject to change from time to time without notice.

Investment Strategy and Restrictions

To achieve its objective the East Coast Investment Grade II Fund will pursue a diversified investment program that focuses on fixed income (both credit and interest rate), equity, commodity, foreign exchange and derivative trading. The East Coast Investment Grade II Fund expects to profit from a core trading strategy of being long fixed income assets while utilising the other assets outlined below to extract relative value and protect the East Coast Investment Grade II Fund from systemic market risk similar to that experienced in 2008 and Q1 2009.

The assets of the East Coast Investment Grade II Fund will be invested according to the following guidelines and restrictions:

- The East Coast Investment Grade II Fund will invest primarily in investment-grade fixed income securities issued by Canadian or non-Canadian governments, corporations, and international agencies. The East Coast Investment Grade II Fund will from time to time hedge interest rate risk associated with such investments so that the East Coast Investment Grade II Fund 's principal investment exposure will be to changing corporate credit spreads.
- The East Coast Investment Grade II Fund will buy and sell credit protection on the credit indices and on single names in order to reduce downside risk and maximize returns to the East Coast Investment Grade II Fund.
- The East Coast Investment Grade II Fund will trade options for several reasons, including to take advantage of market dislocation, to monetize periods of extreme volatility and to adequately manage systemic risk in the market.
- The East Coast Investment Grade II Fund will employ capital structure arbitrage strategies from time to time in an attempt to profit from dislocations in the price of different levels of an issuer's debt and equity (typically this trade combines a long position in an issuer's senior debt with a short position in its common equity).
- The East Coast Investment Grade II Fund may enter into various derivative agreements, such as but not limited to, interest rate swaps, equity, FX options, FX forwards and cross-currency swaps; primarily for the purposes of hedging. In addition, where it is more efficient to do so, the East Coast Investment Grade II Fund may use credit default swaps to manage credit exposure.
- The East Coast Investment Grade II Fund may invest some of its assets in non-investment grade income securities. These assets may either be held in a separately managed account at a major prime brokerage or East Coast may deem it appropriate to invest some of the assets of the Fund in the East Coast Credit Opportunities Fund LP, an Ontario limited partnership managed by East Coast.
- The amount of cash and cash equivalents held by the East Coast Investment Grade II Fund will fluctuate and may at times be significant.

East Coast intends on implementing a number of investment techniques in order to achieve the objectives of the East Coast Investment Grade II Fund. Such techniques will include, among others: investing long and short; engaging in hedging strategies in order to mitigate market exposure; investing in derivative instruments; arbitrage strategies (i.e. simultaneous long and short positions in order to capture mispricing of assets); and employing leverage in the implementation of the investment strategies of the Fund.

Subject to market conditions, East Coast will frequently use leverage against assets with satisfactory liquidity characteristics in order to increase return on capital.

East Coast intends to manage portfolio exposure to foreign currency exposure and interest rate exposure. Additionally, portfolio management will include monitoring and limiting industry and issuer exposure, concentration exposure, and default exposure.

The Fund may also invest in other open-ended or closed-ended funds managed by the Manager, including the Single Manager Funds. The Fund will not invest more than approximately 10% of the Net Asset Value of the Fund in these other funds as measured at the time of investment. Any investment will be made in accordance with the investment objective and investment strategies of the Fund.

The above-described investment strategies which may be pursued by the East Coast Investment Grade II Fund are not intended to be exhaustive and other strategies may also be employed. The actual strategies utilized by East Coast will depend upon its assessment of market conditions and the relative attractiveness of the available opportunities. East Coast may, in its sole and absolute discretion, use strategies other than those described above or discontinue the use of any strategy without advance notice to unitholders.

Inherent Risks

In accordance with the methodology described on page 40, we have rated the Fund as low risk.

It is not intended as a complete investment program and is designed only for investors who have adequate means of providing for their needs and contingencies without relying on distributions or withdrawals from their Fund accounts, who are financially able to maintain their investment and who can afford the loss of their investment. There can be no assurance that the Fund will achieve its investment objectives. All potential investors in the Fund should understand the Investment approaches and techniques that East Coast expects to use in the management of the Fund and the particular risks associated with those approaches and techniques.

Significant risks investing in the Fund may include: Business Risk; Counterparty Risk; Credit Risk; Currency Risk, Earnings Surprise Risk; Foreign Exchange Hedge Risk; Forward Contracts Risk; Hedging Risk; Interest Rate Fluctuations Risk; Investment Advisor Risk; Low Rated or Unrated Debt Obligation Risk; Margin Trading Risk; Short Sales Risk; Market Risk; Reliance on Manager and Investment Advisor Risk; Securities Believed to be Undervalued or Incorrectly Valued Risk; and Use of Prime Broker to Hold Assets Risk.

Other risks investing in the Fund may include: Broad Authority of the Manager Risk; Conflicts of Interest Risk; Futures Trading Risk; Lack of Insurance Risk; Net Asset Value Risk; Newly Established and Smaller Capitalization Companies Risk; Portfolio Turnover Risk; and Unitholder Liability Risk.

These and other risks, which may also apply to the Fund, are described under the heading "Risk Factors".

Except as identified above, the investments of the East Coast Investment Grade Fund will not be subject to restrictions.

East Coast Investment Grade II Fund

Investment Objective

The primary objective of the Fund is to maximize risk-adjusted returns while preserving the Fund's capital.

Investment Strategies and Restrictions

To achieve its objective the Fund will pursue a diversified investment program that focuses on fixed income (both credit and interest rate), equity, commodity, foreign exchange and derivative trading. The Fund expects to profit from a core trading strategy of being long fixed income assets while utilising the other assets outlined below to extract relative value and protect the Fund from systemic market risk similar to that experienced in 2008 and Q1 2009.

The assets of the Fund will be invested according to the following guidelines and restrictions:

- The Fund will invest primarily in investment-grade fixed income securities issued by Canadian or non-Canadian governments, corporations, and international agencies. The Fund will from time to time hedge interest rate risk associated with such investments so that the Fund's principal investment exposure will be to changing corporate credit spreads.
- The Fund will buy and sell credit protection on the credit indices and on single names in order to reduce downside risk and maximize returns to the Fund.
- The Fund will trade options for several reasons, including to take advantage of market dislocation, to monetize periods of extreme volatility and to adequately manage systemic risk in the market.
- The Fund will employ capital structure arbitrage strategies from time to time in an attempt to profit from dislocations in the price of different levels of an issuer's debt and equity (typically this trade combines a long position in an issuer's senior debt with a short position in its common equity).
- The Fund may enter into various derivative agreements, such as but not limited to, interest rate swaps, equity, FX options, FX forwards and cross-currency swaps; primarily for the purposes of hedging. In addition, where it is more efficient to do so, the Fund may use credit default swaps to manage credit exposure.
- The Fund may invest some of its assets in non-investment grade income securities. These assets may either be held in a separately managed account at a major prime brokerage or East Coast may deem it appropriate to invest some of the assets of the Fund in the East Coast Credit Opportunities Fund LP, an Ontario limited partnership managed by East Coast.
- The amount of cash and cash equivalents held by the Fund will fluctuate and may at times be significant.

Subject to market conditions, East Coast will frequently use leverage against assets with satisfactory liquidity characteristics in order to increase return on capital.

East Coast intends to manage portfolio exposure to foreign currency exposure and interest rate exposure. Additionally, portfolio management will include monitoring and limiting industry and issuer exposure, concentration exposure, and default exposure.

The Fund may also invest in other open-ended or closed-ended funds managed by the Manager, including the Single Manager Funds. The Fund will not invest more than approximately 10% of the Net Asset Value of the Fund in these other funds as measured at the time of investment. Any investment will be made in accordance with the investment objective and investment strategies of the Fund.

The above-described investment strategies which may be pursued by the Fund are not intended to be exhaustive and other strategies may also be employed. The actual strategies utilized by East Coast will depend upon its assessment of market conditions and the relative attractiveness of the available opportunities. East Coast may, in its sole and absolute discretion, use strategies other than those described above or discontinue the use of any strategy without advance notice to unitholders.

Inherent Risks

In accordance with the methodology described on page 40, we have rated the Fund as low risk.

It is not intended as a complete investment program and is designed only for investors who have adequate means of providing for their needs and contingencies without relying on distributions or withdrawals from their Fund accounts, who are financially able to maintain their investment and who can afford the loss of their investment. There can be no assurance that the Fund will achieve its investment objectives. All potential investors in the Fund should understand the investment approaches and techniques that the Manager and sub-advisor expect to use in the management of the Fund and the particular risks associated with those approaches and techniques.

Risks investing in the Fund may include: Broad Authority of the Manager Risk; Business Risk; Commodity Risk; Conflicts of Interest Risk; Counterparty Risk; Earnings Surprise Risk; Foreign Exchange Hedge Risk; Hedging Risk; Interest Rate Fluctuations Risk; Investment Advisor Risk; Lack of Insurance Risk; Margin Trading Risk; Short Sales Risk; Market Risk; Net Asset Value Risk; Portfolio Turnover Risk; Reliance on Manager and Investment Advisor Risk; Securities Believed to be Undervalued or Incorrectly Valued Risk; Unitholder Liability Risk; and Use of Prime Broker to Hold Assets Risk. These and other risks, which may also apply to the Fund, are described under the heading "Risk Factors". Except as identified above, the investments of the Fund will not be subject to restrictions.

SG US Market Neutral Fund

Investment Objective

The investment objective of the SG US Market Neutral Fund is to maximize risk-adjusted returns.

Structure of the Fund

The SG US Market Neutral Fund expects to invest and hold substantially all of its assets in a separately managed account at a major prime brokerage. Alternatively, SG Capital may deem it appropriate to invest any and or all of the assets of the Fund in the Cedar Street Offshore Fund, Ltd. (the "SG Offshore Fund"), a Cayman Islands exempted company incorporated with limited liability. These assets will be managed with the investment strategy, policies and restrictions as described below. Where the assets of the Fund are invested in the SG Offshore Fund, the investment strategies, policies and restrictions are applicable to the SG Offshore Fund. Where the Fund makes investments apart from the SG Offshore Fund, the investment strategies, policies and restrictions are applicable to the Fund. Use of the SG Offshore Fund permits SG Capital to offer its services in an administratively efficient manner to a wide variety of investors and to maintain accounts in different currencies.

For convenience of reference, the SG Offshore Fund and the SG US Market Neutral Fund are sometimes referred to in this Offering Memorandum (collectively or individually, as the context may require) as the "SG US Market Neutral Fund". The following description of the investment strategy and restrictions provides information on how the SG US Market Neutral Fund will be managed, but it is subject to change from time to time without notice.

Investment Strategy and Restrictions

The SG US Market Neutral Fund is dedicated to providing investors with high absolute rates of return while minimizing the risk of capital loss.

The SG US Market Neutral Fund invests primarily in growing companies that SG Capital believes are reasonably priced and where current business conditions have been incorrectly interpreted by consensus thought. Long or short positions in a stock will be established based upon SG Capital's analysis of companies through a research/due diligence process that entails discussions with company management, competitors, suppliers, customers, related companies and Wall Street analysts. Ultimately, a position will be initiated if it meets SG Capital's relative value, event driven requirements. SG Capital expects that the majority of the SG US Market Neutral Fund's portfolio will be invested in equity securities and will trade on a market neutral basis at a leverage level ranging between no leverage and two times actual equity.

SG Capital intends to invest the SG US Market Neutral Fund's assets primarily in the stock of companies with a market capitalization of $2 billion or less (generally referred to as small and mid cap stocks). However, SG Capital will also invest opportunistically in the stock of larger companies to capitalize on its research or as part of a pairing strategy to hedge against an existing portfolio position. SG Capital believes that there are more attractive investment opportunities in the small and mid cap stocks because of Wall Street's limited attention to such companies, greater access to such companies' senior management and their more focused product and business lines. It believes that the lack of accurate Wall Street research in the small to mid cap area leads to incorrectly priced securities and therefore excellent long and short investment opportunities.

SG Capital employs risk management tools to minimize the potential for capital loss while striving to achieve high absolute returns. Each holding may have a unique set of circumstances and therefore the same hedging techniques will not apply to all holdings. The quality of the idea, valuation, options availability and pairing opportunities are all considered in determining if and how to hedge a position. Some of the risk management tools that may be utilized are:

- Pairing Strategies – Long one company while short another company in the same business.
- Sell Limits on an unhedged position.
- Use Options or Flex Options as a hedging vehicle.
- Natural hedges – where balance sheet and valuation of a company serves as a hedge.
- Other Risk Reduction factors.
    - Diversification – Limits on position size of 7% without a specific hedge to reduce stock specific and systematic market risk and 20% limit to sector exposure on a net equivalent share basis.
    - Liquidity – Commitment size will not represent more than 5 trading days volume based on the latest 30-day average volume.
    - Cash – Cash levels will be driven by the availability of investable ideas.

The SG US Market Neutral Fund will not trade in a "tax-aware" manner. The decisions to buy and sell the SG US Market Neutral Fund's portfolio holdings will be dictated by SG Capital's analysis of each position's current and future prospects rather than the effect a purchase or a sale might have on the SG US Market Neutral Fund's taxable income. The general characteristics of small and mid cap stocks point toward taking profits and limiting losses in an opportunistic manner.

The SG US Market Neutral Fund's investment strategies are speculative and entail substantial risk of loss. There can be no assurance that the investment objective of the Fund will be achieved. Accordingly, the SG US Market Neutral Fund's strategies could result in substantial losses under certain circumstances.

Inherent Risks

In accordance with the methodology described on page 40, we have rated the Fund as low to medium risk.

It is not intended as a complete investment program and is designed only for investors who have adequate means of providing for their needs and contingencies without relying on distributions or withdrawals from their Fund accounts, who are financially able to maintain their investment and who can afford the loss of their investment. There can be no assurance that the Fund will achieve its investment objectives. All potential investors in the Fund should understand the Investment approaches and techniques that SG Capital expects to use in the management of the Fund and the particular risks associated with those approaches and techniques.

Significant risks investing in the Fund may include: Business Risk; Counterparty Risk; Earnings Surprise Risk; Foreign Exchange Hedge Risk; Forward Contracts Risk; Hedging Risk; International Securities Risk; Investment Advisor Risk; Margin Trading Risk; Short Sales Risk; Market Risk; Newly Established and Smaller Capitalization Companies Risk; Reliance on Manager and Investment Advisor Risk; Securities Believed to be Undervalued or Incorrectly Valued Risk; Use of Options Risk and Use of Prime Broker to Hold Assets Risk.

Other risks investing in the Fund may include: Broad Authority of the Manager Risk; Commodity Risk; Credit Risk; Illiquid Assets Risk; Interest Rate Fluctuations Risk; Lack of Insurance Risk; Lack of Operating History Risk; Portfolio Turnover Risk; and Unitholder Liability Risk;
These and other risks, which may also apply to the Fund, are described under the heading "Risk Factors".

Except as identified above, the investments of the SG US Market Neutral Fund will not be subject to restrictions.

FEES AND EXPENSES

Management Fees

For providing its services pursuant to the Management Agreements, the Manager receives management fees from the Funds. Each class of Units is responsible for the management fee referable to that class. The management fee paid by each Fund to the Manager is as follows:

	Class "A" Units	**Class "U" Units**	**Class "F" Units Class "G" Units**	**Class "O" Units**
Curvature Market Neutral Fund, and SG US Market Neutral Fund.	2.50%	2.50%	1.50%	
East Coast Investment Grade Fund[1]	1.75%[1]	1.75%[1]	1.00%[1]	Negotiable with and paid directly by each Class "O" investor
East Coast Investment Grade II Fund	1.75%	1.75%	1.00%	
Hirsch Performance Fund	1.00%			
Raven Rock Income Fund[2]	2.50%[2]	2.50%[2]	1.50%[2]	
Raven Rock Income II Fund	1.50%	1.50%	1.50%	
	Class "AI" Units	**Class "UI" Units**	**Class "FI" Units Class "GI" Units**	
Raven Rock Income II Fund	2.25%	2.50%	1.50%	
	Class "A2" Units	**Class "U2" Units**	**Class "F2" Units Class "G2" Units**	**Class "O" Units**
Diversified Fund	2.00%	2.00%	1.00%	Negotiable with and paid directly by each Class "O" investor

[1]Included in this fee is an annual rate of 1.00% of the Net Asset Value of the East Coast Investment Grade II Fund that the East Coast Investment Grade II Fund will pay the Manager.

[2]Included in this fee is an annual rate of 1.50% of the Net Asset Value of the Raven Rock Income II Fund that the Raven Rock Income II Fund will pay the Manager.

Management fees are calculated and paid as of the last Valuation Date of each month. The Manager will charge reduced management fees to ensure that any investments made by the Diversified Fund in Underlying Funds managed by the Manager will not result in a duplication of management fees paid to the Manager. In the case of each Underlying Fund managed by a third party, the Manager attempts to negotiate the management fee payable to the third party. This reduced fee or rebate of fees from the third party Investment Advisors will be for the benefit of the Diversified Fund. Although the Manager will make every effort in this regard there is no guarantee that it will be able to negotiate successfully.

From time to time to encourage very large holdings by investors in a Fund, the Manager may charge a reduced management fee from that it otherwise would be entitled to receive from the Fund. If the Manager so reduces the management fee, the Fund will distribute an amount equal to the reduction to the applicable unitholder. The reduction of management fees is negotiable between the Manager and a unitholder and is based on the size of the holdings of such unitholder, among other factors. Management fee distributions will be made monthly by a Fund to the relevant unitholder, first out of net income and capital gains (net of applicable losses) and thereafter out of capital. All management fee distributions of the Fund will be automatically reinvested in additional Units of the same class of the same Fund unless otherwise requested. See “Income and Capital Gains Distributions”.

Performance Fees

The Manager is entitled to receive from the Single Manager Funds, except for the East Coast Investment Grade Fund, the East Coast Investment Grade II Fund, the Hirsch Performance Fund and the Raven Rock Income Fund, an annual Performance Fee equal to 20% of the increase in the Net Asset Value (after adjusting for capital transactions and before accruing performance fees for the period) of the Single Manager Funds, respectively.

The Manager is entitled to receive from the East Coast Investment Grade II Fund an annual Performance Fee equal to 15% of the increase in the Net Asset Value (after adjusting for capital transactions and before accruing performance fees for the period) of the East Coast Investment Grade II Fund.

The Hirsch Performance Fund pays to the Manager a Performance Fee based on an amount equal to 20% of the Fund's net gain for each period (including net unrealized capital gains, if any), subject to reduction for prior period losses that have not previously been offset against net gains. The Performance Fee will be accrued weekly and paid on a semi-annual basis. Notwithstanding the foregoing, no Performance Fee will be payable with respect to any period unless the Net Asset Value at the end of such period exceeds the Net Asset Value at the end of the preceding period by a minimum of 5% per annum.

No Performance Fee will be charged by the East Coast Investment Grade Fund and the Raven Rock Income Fund.

The Diversified Fund will be charged an annual Performance Fee equal to 5% of the increase during the year in the Net Asset Value (after adjusting for capital transactions and before accruing performance fees for the period) of the Diversified Fund. Performance Fees will be reduced to ensure that any investments made by the Diversified Fund in Underlying Funds managed by the Manager will not result in a duplication of Performance Fees paid to the Manager. In the case of each Underlying Fund managed by a third party, the Manager attempts to negotiate the performance fee payable to the third party. This reduced fee or rebate of fees from the third party Investment Advisors will be for the benefit of the Diversified Fund. Although the Manager will make every effort in this regard there is no guarantee that it will be able to negotiate successfully.

To the extent that the Net Asset Value declines in any year the negative amount will be carried forward and deducted from the Net Asset Value used to calculate the Performance Fee in future years. (In other words, the Performance Fee will be based on a “high water mark”.) Except for the Hirsch Performance Fund, the Performance Fee will be accrued on every Valuation Date and payable on the last Valuation Date of each calendar year, except where Units are redeemed in which case the Performance Fee will be payable on a pro rata basis in respect of the redeemed Units on the redemption date. The Manager may make such adjustments to the Net Asset Value or the applicable “high water mark” as are determined by the Manager to be necessary to account for the payment of any distribution on Units, any Unit splits or consolidations or any other event or matter that would, in the opinion of the Manager, impact upon the computation of the Performance Fee.

Administration Fees and Expenses

Each Fund is responsible, on a separate basis, for the payment of all fees and expenses relating to its establishment and operation, including registrar and transfer agent fees and expenses, audit, accounting, administration (other than advertising and promotional expenses which are paid for by the Manager), record keeping and legal fees and expenses, custody and safekeeping charges, all costs and expenses associated with the qualification for sale of the Units in the Offering Jurisdictions, providing financial and other reports to unitholders and convening and conducting meetings of unitholders, all taxes, assessments or other governmental charges levied against the Fund, interest and all brokerage and other fees relating to the purchase and sale of the assets of the Fund. The Manager may provide any of these services and is reimbursed all of its costs in providing these services to the Funds which may include but not limited to personnel costs, office space, insurance, and depreciation. The East Coast Investment Grade Fund and the Raven Rock Income Fund will pay to the Counterparty an additional fee under the Forward Agreement. Each Fund is generally required to pay applicable Canadian sales and use taxes) on the management fee, the performance fee and most administration fees and expenses which it pays. Each class of Units is responsible for the operating expenses incurred by the Fund relating to the offering of Units of that Class and the expenses specifically related to that class and a proportionate share of expenses that are common to all classes of units of the Fund. See “Section 5.1 – Terms of Securities - Portfolio Valuation and Net Asset Value”.

A Fund may determine, with the Manager’s approval, that the applicable Investment Advisor shall be entitled to reimbursement from the Fund for costs, fees and expenses incurred by the Investment Advisor, or by the Investment Advisor on behalf of the Fund or Manager, in connection with the Fund. To the extent that these expenses are incurred for the benefit of a Fund and other entities affiliated with or advised by the Investment Advisor, the Investment Advisor shall make a good faith pro-rata allocation of such expenses among all such entities and the Fund and any such allocation shall be made in a manner consistent with the Investment Advisor’s fiduciary obligations. Expenses not incurred for the benefit of a Fund will be excluded from the pro-rata allocation of expenses to the Fund. All expenses in excess of the amounts payable by a Fund as described above and all office, office supplies, related equipment and secretarial services and salary expenses of the Investment Advisor and its affiliates’ employees will be borne by the Investment Advisor or an affiliate of the Investment Advisor.

The Manager may from time to time pay for certain operating expenses of the Funds to maintain the Funds’ management expense ratios at a competitive level. The management expense ratio of a Fund is the fees and operating expenses (including applicable Canadian sales and use taxes) paid by a Fund expressed as a percentage of its average net assets during the year.

2.4 Material Agreements

Below is a description of all material agreements relevant to the management, organization and administration of the Funds.

Trust Indentures

Each of the Funds is an unincorporated open-end mutual fund created under the laws of the Province of Ontario pursuant to a Trust Indenture between the Manager and the Trustee as amended from time to time.

Amendment of the Trust indentures and Termination of the Funds

Pursuant to the Trust Indentures, the Manager may remove the Trustee and appoint a successor Trustee from time to time. The Trustee may transfer, sell or assign the performance of any of the trusts and powers vested in it under the Trust Indentures. The Trustee or any successor appointed pursuant to the terms of the Trust Indentures may resign upon 90 days' written notice to unitholders during which period the Manager shall use its best efforts to arrange for a successor Trustee. If the Manager is unable to arrange for a successor Trustee, the unitholders of the applicable Fund may appoint a successor to the Trustee at a meeting called to obtain their consent. If no successor Trustee is appointed the applicable Fund shall be terminated.

Each Trust Indenture provides that the Trustee has a right of indemnification in carrying out its duties under the Trust Indenture except in cases of negligence, wilful default, dishonesty or lack of good faith or in cases where the Trustee fails to act honestly and in good faith with a view to the best interests of the Fund and the unitholders or to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In addition, the Trust Indentures contains provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Manager may determine to amend a Fund's Trust Indenture at any time, without notice to unitholders provided that no amendment shall be made which adversely affects the pecuniary interests of any unitholder or which amends any other matter or thing stated in the Trust Indenture as requiring to be consented to or approved by the unitholders or restricts any protection provided to the Trustee or increases the responsibilities of the Trustee hereunder.

Any amendment which cannot be made in accordance with the above may be made, at any time, by the Manager and the Trustee with the consent of unitholders as provided for in the Trust Indentures.

Each Fund may be terminated on the occurrence of certain events stipulated in its Trust Indenture. The Manager may resign as manager of a Fund and if no successor is appointed the Fund will be terminated. On termination of a Fund, the Trustee will distribute the assets of the Fund in cash or in kind in accordance with its Trust Indenture.

Management Agreements

The Funds are managed by the Manager pursuant to Management Agreements as amended from time to time. Pursuant to such agreements, the Manager receives the Management Fees and Performance Fees. The Management Agreements, as amended, were entered into on the following dates:

Fund	**Date of Original Management Agreement**
Arrow Diversified Fund..	January 1, 2002
Raven Rock Income Fund..	July 1, 2010
Raven Rock Income II Fund...	September 1, 2011
Curvature Market Neutral Fund..	April 20, 2010
East Coast Investment Grade Fund..	December 1, 2010
East Coast Investment Grade II Fund...	December 1, 2010
Hirsch Performance Fund..	December 22, 2000
SG US Market Neutral Fund..	January 1, 2003

Each Management Agreement may be terminated by the Trustee immediately in writing without prior notice to the Manager in the case of criminal conviction or events of insolvency or bankruptcy of the Manager. The Manager may resign or terminate the Management Agreements on 90 days' notice. In the event that the Manager resigns, the Trustee shall call a meeting of unitholders of the applicable Fund to appoint a new Manager and the Trustee may nominate a person to assume the duties of the Manager. If no new Manager is appointed, the applicable Fund shall be terminated. The Management Agreements, unless terminated as described above, will continue in effect until the termination of the Funds.

Prime Broker and Custody Agreements

Pursuant to a prime brokerage services agreement dated as of July 1, 2010, Scotia Capital Inc., 40 King Street West, Toronto, Ontario, M5W 2X6, is custodian and prime broker of some of the assets of the Diversified Fund.

Pursuant to a prime brokerage services agreement dated as of October 21, 2011, Scotia Capital Inc., 40 King Street West, Toronto, Ontario, M5W 2X6 is custodian and prime broker of the majority of the assets of the Curvature Market Neutral Fund.

Pursuant to a prime brokerage services agreement dated as of January 26, 2011, TD Securities Inc., 222 Bay Street, Toronto, Ontario, M5K 1A2, is custodian and prime broker of most of the assets of the East Coast Investment Grade II Fund.

Scotia Capital Inc., Scotia Plaza, 40 King Street West, 65th Floor, Toronto, Ontario M5H 3Y2, and TD Securities Inc., TD Tower, 66 Wellington Street West, 7th Floor, Toronto, Ontario M5K 1A2 and BMO Nesbitt Burns Inc., 1 First Canadian Place, 100 King St. West, Toronto, Ontario, M5X 1H3 are custodian and prime brokers of most of the assets of the Raven Rock Income II Fund pursuant to institutional prime brokerage services agreements dated as of August 15, 2014, August 6, 2014 and December 15, 2011 respectively.

Pursuant to a prime brokerage agreement dated as of February 15, 2013, JP Morgan Clearing Corp., Three Metro Tech Center, Brooklyn NY 11201, is custodian and prime broker of most of the assets of the SG US Market Neutral Fund.

Pursuant to a prime broker services agreement dated October 22, 2014, Scotia Capital Inc., Scotia Plaza, 40 King Street West, 65th Floor, Toronto, Ontario M5H 3Y2 is custodian and prime broker of the Hirsch Performance Fund.

Advisory Agreements and Subscription Agreements

In the ordinary course of business of the Manager, advisory agreements ("**Advisory Agreements**") with investment advisors are entered into or, when the services of a particular investment advisor are accessed through an investment in a Managed Fund, subscription agreements ("**Managed Fund Subscription Agreements**") are signed pursuant to which the Funds subscribe for the securities of such Managed Funds. These Advisory Agreements and/or Managed Fund Subscription Agreements are entered into when it is deemed appropriate to use the services of a particular investment advisor. If it is determined that the services of a particular investment advisor should be terminated, then the Manager will terminate the Advisory Agreement or redeem the securities of the particular Managed Fund. The Advisory Agreements normally provide that the Investment Advisors will manage the assets of one of the Funds in consideration for a portion of the Management Fee and/or Performance Fee commensurate with normal industry practice. Any fees paid to Investment Advisors as a result of an Advisory Agreement is paid by the Manager out of the Management Fees and/or Performance Fees.

A copy of the Trust Indentures, the Management Agreements, the prime broker agreements referred to under "Prime Broker Agreements", the Advisory Agreements and the Managed Fund Subscription Agreements (the "Material Contracts") may be inspected at the office of the Manager during normal business hours. To the extent there is any inconsistency or conflict between any of the Material Contracts and this Offering Memorandum, the provisions of the Material Contracts shall prevail.

3 Interests of Directors, Management, Promoters and Principal Holders

3.1 Compensation and Securities Held

There are no directors or officers of the Funds. The name, municipality of residence, positions held and securities held (where greater than 10% of class) as of April 30, 2015 of the directors and officers of Arrow Capital Management Inc, the Manager, Trustee and Promoter of the Funds, are as follows:

Name and municipality of principal residence	Positions held and the date of obtaining that position	Compensation paid directly by the Funds in the most recently completed financial year and the compensation anticipated to be paid in the current financial year
James L. McGovern[(1)] Toronto, Ontario	Director (elected December 10, 1999), Managing Director and CEO of the Manager	Nil
Frederick F. Dalley Toronto, Ontario	Director (elected January 1, 2002), Managing Director, Portfolio Management of the Manager	Nil
Robert W. Maxwell Toronto, Ontario	Director (elected January 1, 2002), Managing Director and CFO of the Manager	Nil
Mark R. Purdy Ajax, Ontario	Director (elected January 1, 2002), Managing Director and CIO of the Manager	Nil
Robert Parsons Toronto, Ontario	Managing Director (since September 9, 2002) and COO of the Manager	Nil

[(1)] James L. McGovern owns or controls 9,638 Class J Units of the Diversified Fund, .

The Manager owns or controls 1,269 Class G2 Units of the Diversified Fund.

3.2 Management Experience

Name	Principal occupation and related experience
James L. McGovern	*Director, Managing Director and Chief Executive Officer,* Mr. McGovern founded Arrow Capital Management Inc. in 1999 after working for over thirteen years at BPI Financial Corporation (Canada) ("BPI"), the company of which he co-founded, and where he ultimately held the positions of President and Chief Executive Officer. BPI, a publicly traded company, managed or administered over $6 billion dollars on behalf of Canadian and U.S. investors. Mr. McGovern was the founding Chairman (currently, Past Chairman) of the Canada National Group of the Alternative Investment Management Association ("AIMA Canada"). He is actively involved in the international hedge fund community and has spoken at conferences in Canada and globally. Mr. McGovern graduated from the University of Toronto with a Bachelor of Commerce and Finance degree in 1985. He is active in charitable organizations, including Hedge Funds Care Canada and University Health Network. He also serves on the Board of Trustees of the Fraser Institute, an independent Canadian economic and social research and educational.
Frederick F. Dalley	*Director, Managing Director, Portfolio Management,* joined the Manager in December 1999. Mr. Dalley is Managing Director, Portfolio Management at Arrow Capital Management . In this role, he is actively involved in the asset allocation process, and has served on the Investment Committee since inception. Previously, Mr. Dalley was Executive Vice-President, Portfolio Management at BPI Financial Corporation (Canada). There, Mr. Dalley led a team of eight investment professionals who directly managed over $3.5 billion dollars on behalf of Canadian investors. Mr. Dalley began his investment career at Walwyn Stodgell Cochrane & Murray after graduating from the University of Western Ontario with a Bachelor's Degree in Economics. From there, Mr. Dalley worked at Burns Fry for five years before joining BPI as a Director in 1988. Altogether, Mr. Dalley brings over twenty years of investment experience to the Arrow Capital team. Mr. Dalley is also involved with several charities and sits on the governing council of Sunnybrook Women's Hospital

Robert W. Maxwell, CPA, CMA, CAIA	*Director, Managing Director and Chief Financial Officer, joined the Manager in February 2000. Mr. Maxwell is Managing Director and Chief Financial Officer and is the Head of the Risk Management Committee. Mr. Maxwell oversees all financial accounting and administrative functions with respect to all Arrow Capital offerings. Prior to joining Arrow Capital Management Inc. in early 2000, Mr. Maxwell held financial management roles at BPI Financial Corporation, rising to become Corporate Controller in 1999.* *Mr. Maxwell graduated from Queens University with a Bachelor of Commerce degree in 1993. Mr. Maxwell completed his MBA from the University of Toronto in 2000, is a Chartered Professional Accountant, CMA and a Chartered Alternative Investment Analyst.*
Mark R. Purdy, CFA	*Director, Managing Director and Chief Investment Officer,* joined the Manager in June 2000. Mr. Purdy serves as Chair of the Investment Committee at Arrow Capital Management Inc. and has over 15 years of experience in the investment industry. Mr. Purdy shares responsibility for the hedge fund manager selection and asset allocation process and has served on the Investment Committee at Arrow Capital Management since inception. Mr. Purdy held senior roles at BPI Financial Corporation and IBM Canada Ltd. Mr. Purdy graduated from the University of Toronto with a Bachelor of Commerce and Economics degree. He holds the CFA designation. Mr. Purdy is also actively involved in the Varsity Blues alumni fundraising projects at the University of Toronto and is on the Board of the Ireland Park Foundation
Robert Parsons, MBA, CAIA	*Managing Director and Chief Operating Officer* joined the Manager in 2002. Mr. Parsons has been with the company since 2002 and his responsibilities include the oversight of the firm's sales, business development, operations and technology. In 1993, Mr. Parsons started as an Investment Advisor at RBC Dominion Securities and shortly afterwards became a Vice President and Branch Manager. During his tenure, Mr. Parsons managed several different branch offices in Toronto and Vancouver, and spent two years running the sales training program for RBC's Investment Advisors. Mr. Parsons has a BA from the Western University, an MBA from Dalhousie University and is a Chartered Alternative Investment Analyst..

The Investment Advisors

Diversified fund

Management of the Funds' investment portfolios will be conducted by an investment team headed by the Manager. The Manager is responsible for all decisions concerning the investments of the Fund. The Manager invests and manages the assets of the fund in accordance with the stated objectives and policies of the applicable Fund, and in accordance with applicable laws, initiates all orders for the purchase and sale of portfolio assets on behalf of the Fund and selects any brokers and dealers with and though whom the Fund may trade. The Manager has established an Advisory Committee to oversee the allocation and reallocation of the Fund's assets. The majority of the underlying investments of the Fund are themselves separate funds each advised by a different Investment Advisor. The members of the Advisory Committee and their biographies are below:

Mark R. Purdy, *CFA, Director, Managing Director and Chief Investment Officer*, joined the Manager in June 2000. Mr. Purdy's biography can be found above.

James L. McGovern, Director, Managing Director and Chief Executive Officer, founded the Manager in December 1999. Mr. McGovern's biography can be found above.

Frederick F. Dalley, *Director, Managing Director, Portfolio Management*, joined the Manager in December 1999. Mr. Dalley's biography can be found above.

Raven Rock Income Fund and Raven Rock Income II Fund

The Manager has retained Raven Rock to provide investment advice to the Manager in respect of the Raven Rock Income II Fund's investment portfolio pursuant to an agreement (the "Raven Rock Advisory Agreement") dated as of February 1, 2012. Raven Rock Capital Management, LLC ("Raven Rock"), a Delaware limited liability company controlled by Nate Brown and Bobby Richardson, is the investment manager of Raven Rock Master Fund.

Nate Brown, CFA

Prior to founding Raven Rock, Mr. Brown was the Head Trader and Senior Portfolio Manager for the Argent Funds Group where he was responsible for portfolio strategy, trading ideas and trade execution for all of the Argent portfolios. As a Managing Director, he was responsible for managing the operations, accounting and information technology departments of the firm. He began working at Argent in 1996 as a Junior Trader, where he focused on idea generation, security selection and delta hedging of the convertible portfolios. Mr. Brown received his Bachelor of Arts in Economics, magna cum laude, from Washington University in 1995. He is a member of Phi Beta Kappa.

Bobby Richardson, CFA

Prior to founding Raven Rock, Mr. Richardson was the Director of Research and Portfolio Manager of the Classic products for the Argent Funds Group. As a Managing Director, he was responsible for managing the operations, accounting and information technology departments of the firm and for fundamental credit and equity analysis for the funds. Prior to joining Argent in 1998, Mr. Richardson was a Director of the Convertible Securities Portfolio Team at Northwestern Investment Management Company, where he was responsible for investment analysis, trading and management of a $1 billion portfolio. He joined Northwestern Mutual in 1991, and worked as an investment analyst on the Public High Yield Bond and Private Placement portfolios in addition to his work with convertibles. From 1986 to 1989, Mr. Richardson worked for

Travelers as a Financial Analyst. Mr. Richardson received his Masters of Management with Distinction from the Kellogg Graduate School of Business at Northwestern University in 1991 and a Bachelor of Science in Finance with Distinction from the University of Virginia in 1986.

Investment decisions as to the purchase or sale of the Raven Rock Income II Fund's portfolio securities are made by Raven Rock subject to the Raven Rock Income II Fund's investment objectives and restrictions and to supervision by the Manager.

The Raven Rock Advisory Agreement is subject to termination upon 90 days' written notice on certain terms set out in the Raven Rock Advisory Agreement or immediately in the event of the bankruptcy or insolvency of either party or by the Manager in the event of a change of legal or defacto control of Raven Rock. It contains provisions limiting the liability of Raven Rock and, except in certain circumstances, indemnifying Raven Rock in respect of liabilities incurred in carrying out its duties under the Raven Rock Advisory Agreement. The Manager is responsible for all investment advice provided to the Raven Rock Income Fund and the Raven Rock Income II Fund, including that provided indirectly by Raven Rock.

Investment decisions as to the purchase or sale of the Raven Rock Master Fund's portfolio securities are made by Raven Rock, subject to the Raven Rock Master Fund's investment objectives and restrictions.

Curvature Market Neutral Fund

The Manager has retained CHS Asset Management Inc. to provide investment advice to the Manager in respect of the Curvature Market Neutral Fund's investment portfolio pursuant to an agreement (the "**CHS Asset Advisory Agreement**") dated as of May 1, 2010. CHS asset is a corporation incorporated under the laws of Ontario that was formed on September 26, 2008 and is controlled by James Hodgins, CFA. CHS Asset is registered with the Ontario Securities Commission as a portfolio manager, exempt market dealer and investment fund manager.

Prior to founding CHS Asset in 2008, Mr. Hodgins founded Canaccord Capital's Hedge Strategy Group in 2004. Prior to joining Canaccord, Mr. Hodgins spent approximately 5 years at the Ontario Teachers' Pension Plan, one of Canada's premier asset managers with more than $100B under management. He graduated with a degree in business, and an MBA from the Simon School of Business, University of Rochester, then achieved his CFA Charter designation in 2001.

Geoffrey Phipps is Vice President, Arbitrage Strategies for CHS Asset and is responsible for the design and implementation of the Risk Arbitrage and Equity-Linked Arbitrage Strategies. Mr. Phipps had six years of investment research and trading expertise at Ontario Teachers' Pension Plan and Octagon Capital Corporation, and until recently was as a risk arbitrage specialist with the Hedge Strategy Group at Canaccord Capital.

Investment decisions as to the purchase or sale of the Curvature Market Neutral Fund's portfolio securities are made by CHS Asset, subject to the Curvature Market Neutral Fund's investment objectives and restrictions and to supervision by the Manager. The CHS Asset Agreement is subject to termination upon 90 days' written notice or immediately in the event of the bankruptcy or insolvency of either party, or by the Manager in the event of a change of legal or defacto control of CHS Asset. It contains provisions limiting the liability of CHS Asset and, except in certain circumstances, indemnifying CHS Asset in respect of liabilities incurred in carrying out its duties under the CHS Asset Advisory Agreement. The Manager is responsible for all investment advice provided to the CHS Asset Fund, including that provided by CHS Asset.

East Coast Investment Grade Fund and East Coast Investment Grade II Fund

The Manager has retained East Coast to provide investment advice to the Manager in respect of the East Coast Investment Grade II Fund's investment portfolio pursuant to an agreement (the "East Coast Advisory Agreement") dated as of December 1, 2010.

East Coast is a corporation incorporated under the laws of the Province of Ontario that was formed on June 22, 2009 originally under the name XDG Capital Inc. By articles of amendment dated February 17, 2010, the name of the investment advisor was changed to East Coast Fund Management Inc. East Coast is registered with the Ontario Securities Commission as a portfolio manager and exempt market dealer was founded by John Schumacher and Mike MacBain and is 100% employee owned. Although a founder of East Coast, Mr. Schumacher will not be involved with or responsible for any investment decisions in respect of the East Coast Investment Grade II Fund.

Michael MacBain has over 23 years experience in the financial services industry in various trading and senior management roles for leading investment dealers. Most recently he was Managing Director, Head of Global Debt Markets, RBC Capital Markets from 2008 to 2009, where his primary responsibilities included origination, research, underwriting, sales and trading for the derivative products (equity, interest rate and credit), fixed income, money market, foreign exchange and alternative asset global product groups. Prior to RBC Capital Markets he was employed by TD Securities for 12 years, including as President from 2002 to 2006. At TD he held various senior management roles focused on derivatives (equity, interest rate and credit), fixed income, money market and foreign exchange global products. From 1994 to 2001 he successfully grew the business from a revenue base of $25mm to $1.2bn. Prior to TD he was a derivatives trader at other leading global financial institutions. He was awarded Canada's Top 40 Under 40 Business Person in 2004. He has completed the Executive Management Program, Stanford University and received his Bachelor of Arts, Honours Economics and Finance, from McGill University. Investment decisions as to the purchase or sale of the East Coast Investment Grade II Fund's portfolio securities are made by East Coast subject to the East Coast Investment Grade II Fund's investment objectives and restrictions and to supervision by the Manager.

The East Coast Advisory Agreement is subject to termination upon 90 days' written notice on certain terms set out in the East Coast Advisory Agreement or immediately in the event of the bankruptcy or insolvency of either party or by the Manager in the event of a change of legal or defacto control of East Coast. It contains provisions limiting the liability of East Coast and, except in certain circumstances, indemnifying East Coast in respect of liabilities incurred in carrying out its duties under the East Coast Advisory Agreement. The Manager is responsible for all investment advice provided to the East Coast Investment Grade Fund and the East Coast Investment Grade II Fund, including that provided indirectly by East Coast.

Hirsch Performance Fund

Management of the Fund's investment portfolio will be conducted by an investment team headed by the Manager. The Manager is responsible for all decisions concerning the investments of the Fund. The Manager invests and manages the assets of the Fund in accordance with the stated objectives and policies of the Fund, and in accordance with applicable laws, initiates all orders for the purchase and sale of portfolio assets on behalf of the Fund and selects any brokers and dealers with and through whom the Fund may trade.

A biography of the lead portfolio manager of the Hirsch Performance Fund, Veronika Hirsch, is below:

Veronika Hirsch became Executive Vice-President and Portfolio Manager of Arrow in January 2014. Ms. Hirsch was Chief Investment Officer of BluMont Capital Corporation until March 2014. Prior thereto, Ms. Hirsch was a co-founder of Integrated Investment Management Inc. Prior thereto, she was a Vice-President and Portfolio Manager at AGF Management Limited, Fidelity Management and Research Co. and Prudential Life insurance Company of America. Ms. Hirsch holds a Bachelor of Commerce degree and is a Fellow of Life Management Institute.

The services of the Manager under the Management Agreement are not exclusive to the Fund, and nothing in the Management Agreement will prevent the Manager, or any affiliate thereof, from providing similar services to other investment funds and other clients (whether their investment objectives and policies are similar to those of the Fund) or from engaging in other activities.

SG US Market Neutral Fund

The Manager has retained SG Capital to provide investment advice to the Manager in respect of the SG US Market Neutral Fund's investment portfolio pursuant to an agreement (the "SG Capital Advisory Agreement") dated as of December 1, 2010. SG Capital is a limited liability company under the laws of the State of Delaware that was organized on November 28, 2001. SG Capital is registered with the U.S. Securities Exchange Commission as an investment adviser under the Investment Advisers Act of 1940.

Kenneth S. Grossman, who has more than 30 years experience in the investment industry, began his career in 1970 as manager of the pension program of Illinois Bell Telephone Company. In 1972, he became vice president of Mitchum, Jones & Templeton's Consulting Group where he was responsible for servicing institutional investment clients. He subsequently became one of the original partners who purchased the investment measurement and consulting division of Mitchum, Jones & Templeton to form the investment consulting firm, Callan Associates. From 1973 to 1978, Ken served as a vice president of A.G. Becker ("Becker") in its Funds Evaluation Consulting Group. While at Becker, Ken established their Consulting Group. From 1978 to 1983, he was a senior consulting principal with A.S. Hansen Inc., having national responsibility for the firm's investment services clients. He served as a consultant to plan sponsors and trustees of benefit funds, foundations and other tax-exempt institutions. In 1983, he founded the investment advisory firm of Hahn Holland & Grossman ("HH&G"), which subsequently became HGT Advisors. In 1996, Mesirow Financial purchased HGT Advisors. Ken co-managed Mesirow Financial Asset Management, responsible for the small cap equity portfolio, fixed income portfolio management, marketing and client-servicing. Ken served on Mesirow Financial's executive committee and was a Senior Managing Director of the firm. He received his bachelor's degree in finance cum laude in 1968 from the University of Miami and his master's degree in finance and economics from the University of Chicago in 1970.

Glen Schneider, CFA, began his career in 1994 as an investment associate for Merrill Lynch, where he was responsible for sales and marketing of retirement plans to small and mid-sized businesses. As part of a larger team of retirement plan specialists, his primary task was to recommend mutual fund investments and analyze existing plan costs. In 1995, he became an equity analyst for Coe Capital Management, providing investment recommendations to the firm's private client group, hedge fund and large institutional clients. Over his five years at the firm, he became their senior analyst, and his responsibilities became more focused on the most important institutional business. The last three years were directed to providing equity recommendations to a $10 billion institutional client, as well as long and short ideas for the firms' hedge fund. After five years at Coe Capital Management, Glen joined Mesirow Financial in 2000. He became the portfolio manager and analyst for a long-only small capitalization product, and his responsibilities included research analysis of small companies, as well as all buy and sell decisions made for the portfolio. He was responsible for managing a research analyst and overseeing all trading activity. Glen received his B.S. in economics from the University of Wisconsin, Madison. He is a Chartered Financial Analyst.

The SG Capital Advisory Agreement is subject to termination upon 90 days' written notice on certain terms set out in the SG Capital Advisory Agreement or immediately in the event of the bankruptcy or insolvency of either party or by the Manager in the event of a change of legal or defacto control of SG Capital. It contains provisions limiting the liability of SG Capital and, except in certain circumstances, indemnifying SG Capital in respect of liabilities incurred in carrying out its duties under the SG Capital Advisory Agreement. The Manager is responsible for all investment advice provided to the SG US Market Neutral Fund, including that provided indirectly by SG Capital.

3.3 Penalties, Sanctions and Bankruptcy

No director or officer of the Manager has, in the last 10 years:

a) Been subject to any penalties or sanctions imposed by a court or by a regulatory authority; or
b) Been a director, senior officer or control person of any issuer that has been subject to any penalties or sanctions imposed by a court or by a regulatory authority while the director, officer or control person was a director, officer or control person of such issuer; or
c) Made any declaration of bankruptcy, voluntary assignment in bankruptcy or proposal under bankruptcy or insolvency legislation or been subject to any proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver-manager or trustee to hold assets; or
d) Been a director, senior officer or control person of any issuer that has made any declaration of bankruptcy, voluntary assignment in bankruptcy or proposal under bankruptcy or insolvency legislation or been subject to any proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver-manager or trustee to hold assets while the director, officer or control person was a director, officer or control person of such issuer;

except for the following: Mr. Frederick Dalley was director of Glendale International Corp at the time it filed a voluntary assignment in bankruptcy under the Bankruptcy & Insolvency Act (Canada) on January 19, 2010.

4 Capital Structure

4.1 Share Capital of the Funds

As at April 30, 2015, the number of outstanding Units of Each Fund was as set out below:

Fund	Class “A/A2”	Class “F/F2”	Class “G/G2”	Class “I”	Class “J”	Class “O”	Class “X”	Class “U/U2”
Arrow Diversified Fund	564,453	595,691	1,269	395	9,638	Nil	N/A	65,550
Curvature Market Neutral Fund	5,821,670	8,301,977	N/A	Nil	N/A	N/A	146,831	N/A
East Coast Investment Grade Fund	4,082,432	2,119,532	121,575	Nil	N/A	3,052,818	N/A	135,231
East Coast Investment Grade II Fund	943,707	918,522	92,857	N/A	N/A	2,693,272	N/A	19,878
Hirsch Performance Fund	1,002,626	1	N/A	N/A	N/A	N/A	N/A	N/A
Raven Rock Income Fund	3,829,802	2,363,053	146,212	Nil	N/A	N/A	88,132	200,707
Raven Rock Income II Fund	450,043	942,251	90,554	N/A	N/A	N/A	N/A	7,514
SG US Market Neutral Fund	999,498	649,679	158,648	Nil	N/A	N/A	137,193	84,353
	Class “AI”	**Class “FI”**	**Class “GI”**	**Class “UI”**				
Raven Rock Income II Fund	13,799,391	4,800,067	29,981	523,541				
	Class A-S	**Class U-S**						
East Coast Investment Grade II Fund	4,868,570	195,872						
Raven Rock Income II Fund	4,551,489	361,155						

Each of the Funds is authorized to issue an unlimited number of Units of each of these Classes.

4.2 Long Term Debt

The Funds had no long-term debt.

4.3 Prior Sales

In the 12 months prior to April 30, 2015, or from the inception of the Fund if less than 12 months, the Funds issued the following Units of the Classes being offered under the Offering Memorandum:

Fund	Class of Units	Date of Issuance	Number of Units issued	Average Price per Unit[(1)]	Total Funds received
Arrow Diversified Fund	Class A	May 1,2014 to April 30, 2015	3,594	$10.863	$39,044
	Class F2		7,794	$11. 862	$92,451
	Class G2		Nil	N/A	Nil
	Class U2		Nil	N/A	Nil
	Class O		Nil	N/A	Nil
Raven Rock Income Fund	Class A	May 1,2014 to April 30, 2015	482 504	$9.681	$4 671 174
	Class F		613 434	$9.915	$6 082 080
	Class U		25 896	$9.521	$246 555
	Class G		65,927	$9.313	$613,964
Raven Rock Income II Fund	Class A	May 1,2014 to April 30, 2015	142,368	$12.635	$1,7987,67
	Class F		316,018	$12.603	$3,982,693 ,
	Class U		5,455	$13.476	$73,507
	Class G		94,858	$12.546	$1,190075
	Class AI		18,059,389	$6.287	$113,546,892
	Class FI		6,076,564	$7.124	$43,291,829
	Class GI		58,914	$9.539	$561,975
	Class UI		740,225	$8.162	$6,042,016

Curvature Market Neutral Fund	Class A	May 1,2014 to April 30, 2015	528,919	$13.127	$6,943,241
	Class F		1,640,256	$13.279	$21,781,271
East Coast Investment Grade Fund	Class A	May 1,2014 to April 30, 2015	91,8759	9.155	841,071
	Class F		235,264	9.383	2,207,554
	Class U		12,443	9.178	114,202
	Class G		33,729	9.242	311,728
	Class O		316,542	10.096	3,195,694
East Coast Investment Grade II Fund	Class A	May 1,2014 to April 30, 2015	259,673	$9.104	$2,364,013
	Class F		472,091	$9.175	$4,331,255
	Class U		2,599	$9.427	$24,500
	Class G		68,465	$9.072	$621,144
Hirsch Performance Fund	Class A	May 1 May 1	16,405	$36.289	$595,323
	Class F		1	$10.000	$10
SG US Market Neutral Fund	Class A	May 1	83,531	$12.203	$1,019,353
	Class F		71,931	$13.967	$1,004,679
	Class U		18,089	$11.001	$199,003
	Class G		47,985	$10.914	$523,693

(1) Average Subscription Price per Unit.

5 Securities Offered

5.1 Terms of Securities

Units of the Funds

An investment in a Fund is represented by Units. There is no limit on the number of Units that may be issued by a Fund. Units may only be issued as fully-paid and non-assessable upon receipt of the full consideration for which they are to be issued and are not subject to further call or assessment and no pre-emptive rights attach to them. The Manager may, at any time, direct the registrar and transfer agent to sub-divide or consolidate all Units outstanding. Fractions of Units may be issued. Fractional Units carry the rights and privileges and are subject to the restrictions and conditions, applicable to whole Units in the proportions which they bear to one Unit. No certificates representing Units shall be issued by the Manager or the Trustee. Unitholders of a Fund are not entitled to vote except for the purposes set out in the Fund's Trust Indenture. In such circumstances, each whole Unit is entitled to one vote at meetings of unitholders of a Fund, except meetings at which the holders of another class of Units are entitled to vote separately as a class. In lieu of a meeting, unitholder approval may be given by the written consent of not less than the majority of the outstanding Units of a Fund.

The rights of unitholders of a Fund are contained in the Fund's Trust Indenture and may be modified, amended or varied only in accordance with the provisions contained in the Trust Indenture. Units are transferable on the register only by a registered unitholder or his or her legal representative, subject to compliance with securities laws. Unitholders are entitled to redeem their Units, subject to the Manager's right to suspend the right of redemption. The Fund is authorized to redeem the Units held by a Unitholder in limited circumstances. See "Section 5.1 - Redemption of Units".

Classes of Units

Class "A" Units are offered for sale by the Single Manager Funds under the Sales Charge Option and are available to investors investing in Canadian dollars. Class "U" Units are offered for sale by the East Coast Investment Grade Fund, East Coast Investment Grade II Fund, Raven Rock Income Fund, Raven Rock Income II Fund and SG US Market Neutral Fund under the Sales Charge Option and are available to investors investing in U.S. dollars. Class "UI" Units of the Raven Rock Income II Fund under the Sales Charge Option are also available to investors investing in U.S. dollars. Class "A2" Units are offered for sale by the Diversified Fund under the Sales Charge Option and the Deferred Sales Charge Option and are available to investors investing in Canadian dollars.

Class "F" Units are offered for sale by the Single Manager Funds,, Class "FI" Units are offered for sale by the Raven Rock Income II Fund and Class "F2" Units are offered for sale by the Diversified Fund to investors investing in Canadian dollars. Class "GI" Units are offered for sale by the Raven Rock Income II Fund, Class "G2" Units are offered for sale by the Diversified Fund and Class "G" Units are offered for sale by, the East Coast Investment Grade Fund, the Raven Rock Income Fund and the SG U.S. Market Neutral Fund to investors investing in U.S. dollars. Class "F", "FI", "F2", "G", "GI" and "G2" Units are available only to investors who participate in certain programs or are members of certain groups including:

1. investors who participate in fee-based programs through their Registered Dealer. These investors pay their Registered Dealer an annual fee for ongoing financial planning advice. The Manager pays no commissions or service fees to their Registered Dealer; and
2. certain other groups of investors in the sole discretion of the Manager, provided the Manager incurs no distribution costs.

The Manager charges a lower management fee on Class "F", "FI", "F2", "G", "GI", and "G2" Units because distribution and servicing costs are reduced. An investor may purchase Class "F", "FI", "F2", "G", "GI" and "G2" Units only with the approval of the investor's Registered Dealer and the Manager. Each Registered Dealer's participation in a Class "F", "FI", "F2", "G", "GI" and "G2" Units program is subject to the Manager's terms and conditions.

If the Manager becomes aware that an investor no longer qualifies to hold Class "F", "FI", "F2", "G", "GI" or "G2" Units, the Manager may exchange the investor's Class "F", "FI", "F2", "G", "GI" or "G2" Units for another Class of Units of the same Fund after giving the investor 30 day's written notice. Any exchange of Units of one Class to Units of a different Class will trigger the payment of any redemption charges and accrued performance fees in respect of the Units being exchanged and will be treated for performance fee purposes as a new investment in Units of the new Class. See below for additional features of the Class "G", GI" and "G2" Units.

The Class "U", "UI", "U2","G", "GI" and "G2" Units are available to all investors investing in U.S. dollars and are offered for sale only by the Funds. As the Funds are denominated in Canadian dollars, investors who purchase the Class "UI", "U2", "G", "GI", "G2" or "U" Units will be exposed to fluctuations in the Canadian/U.S. exchange rate. To offset this exposure, the Manager will use its best efforts to hedge the currency risk. If the Manager is successful, the returns of the Class "U", "UI", "U2", "G", "GI" and"G2" will be similar to the returns of the Class "A", "AI", "A2", "F", FI", "F2" Units, respectively. Several factors may result in the returns not being equal, including, but not limited to, any expenses incurred by any of these Funds in hedging the currency and the timing of an investor's investment relative to when the Manager is able to hedge the currency of the Fund. Therefore, there is no guarantee that the Manager will be successful in hedging this currency exposure.

The Class "O" Units are available to investors who have invested a minimum of $5,000,000 in funds sponsored by the Manager and who have entered into a Class "O" Unit agreement with the Manager. The Class "O" Units are offered for sale only by the Diversified Fund, the East Coast Investment Grade Fund and the East Coast Investment Grade II Fund under the Sales Charge Option. The Manager may waive the minimum investment level for institutional accounts which are expected to exceed the minimum investment within a period of time acceptable to the Manager. The Class "O" Unit agreement with the Manager will specify the management fee and operating expense rates applicable to the investor's account. The Manager will give an investor 30 days written notice of any applicable change in the minimum investment amounts or other conditions for Class "O" Units.

As at the date hereof Class "A-S" and "U-S" Units also have been authorized for issuance by the East Coast Investment Grade II Fund and the Raven Rock Income II Fund.

The Manager may discontinue the offering of any Class of Units at any time and end or restrict purchases under the Deferred Sales Charge Option at any time. This offering of Units of each Fund is not subject to any minimum subscription level and therefore any funds received from an investor are available to the applicable Fund and need not be refunded to the investor. Units may be redeemed at the holder's request at the applicable Class Net Asset Value per Unit less any short term trading redemption charge as described in "Section 5.1 - Redemption of Units".

Conversions of Units

Class "F", "FI", "F2", "G", "GI" and "G2" Units may be converted by the Manager into units of another Class of the same Fund if the Manager becomes aware that the Unitholder is no longer entitled to hold such Units. See "Section 5.1 - Redemption of Units".

Redemption of Units

Except for the Hirsch Performance Fund, Unitholders may redeem their Units on the last Valuation Date of a calendar month at the applicable Class Net Asset Value per Unit. Unitholders of the Hirsch Performance Fund may redeem their Units on the last Valuation Date of each week. The effective day of the redemption order is called the "redemption trade date". Redemption orders must be in writing and the unitholder's signature guaranteed by a Registered Dealer, Canadian chartered bank, trust company, a member of a stock exchange in Canada or otherwise guaranteed to the satisfaction of the Manager. Redemption orders may be made directly to a Fund or through the unitholder's Registered Dealer. If a unitholder's Units are registered in the name of an intermediary such as a Registered Dealer, clearing agency or its nominee, redemption orders must be made through such intermediary. Redemption orders must be received by the Manager prior to 4:00 p.m. (Eastern time), or such earlier time as the Toronto Stock Exchange may close, as per the following:

Hirsch Performance Fund	On a redemption trade date
Diversified Fund, East Coast Investment Grade Fund, East Coast Investment Grade II Fund or SG US Market Neutral Fund	At least ten business days prior to the redemption trade date
Curvature Market Neutral Fund, Raven Rock Income Fund and Raven Rock Income II Fund	At least twenty business days prior to the redemption trade date

If the redemption order is received by the applicable time, Units will be redeemed at the applicable Class Net Asset Value per Unit calculated on the applicable Valuation Date and orders received after that time will be effective on the next applicable Valuation Date. The amount payable to a unitholder from a Fund for each Unit redeemed will be an amount equal to the applicable Class Net Asset Value per Unit on the redemption trade date, less an amount equal to the Performance Fee payable by the Fund to the Manager in respect of such Unit. In the sole discretion of the Manager, a Fund may redeem Units held by an individual unitholder to ensure that the Performance Fee paid by the Fund effectively reflects the actual performance of each investment by the unitholder in the Fund during the year. The Fund may also redeem Units where the unitholder ceases to qualify to hold a Class of Units, where the unitholder is a non-resident or designated beneficiary under the Tax Act, where a unitholder has withdrawn consent to disclosure of information as set out in the Investment Application which accompanies this Offering Memorandum or on the direction of the Manager for any or no reason on not less than 30 days' written notice to the unitholder.

Payment for Units which are redeemed will be made by a Fund either by cheque or by electronic means, or in an appropriate manner determined by the Manager. Payment will generally be made under normal industry settlement guidelines, but the Manager reserves the right to settle redemptions up to 30 days after the redemption trade date.

Each Fund may suspend the redemption of Units in the following circumstances:

(a) for any period when normal trading is suspended on any stock, options or other exchange or market, within or outside of Canada on which securities are listed and traded, or on which derivatives are traded which represent more than 50% by value or underlying market exposure of the total assets of the Fund, without allowance for liabilities; or

(b) provided that such suspension or postponement complies with applicable securities legislation.

Any redemption request of a unitholder which has been deferred because of a suspension of redemptions of a Fund will be completed by the Trustee on the first Valuation Date following the termination of the suspension unless earlier withdrawn by the unitholder.

The right of unitholders to redeem their Units or the Fund to redeem Units held by Unitholders are contained in the respective Trust Indentures. Subject to the short term trading redemption charge described below, no redemption charges apply to Units purchased under the Sales Charge Option. A redemption charge as described under "Section 5.2 – Subscription Procedures – Purchases Under the Deferred Sales Charge Option" will apply if the Units purchased under the Deferred Sales Charge Option are redeemed prior to the termination of the Deferred Sales Charge Schedule based on the date of purchase. Any redemptions of Units by a unitholder will be first applied to the Units which are not subject to redemption charges. In order to minimize redemption charges, Units subject to redemption charges are redeemed on a "first in, first out" basis.

Short Term Trading Redemption Charge

Short-term trading activities in the Funds may adversely affect unitholders. Short-term trading has the potential to increase costs associated with the administration of the trades and potentially poses challenges to the Investment Advisors in generating optimum returns through long-term portfolio investments. Accordingly, a redemption charge of 5% of the net asset value of the redeemed Units may be charged to the unitholder and paid to the Fund if Units are redeemed within 120 days of such Units having been acquired. This charge does not apply to systematic transactions. Further purchase orders from the same unitholder may be refused by the Manager. The short term trading redemption charge is in addition to any other fees a unitholder is otherwise subject to under this Offering Memorandum.

Income and Capital Distributions

Unitholders of a class will participate in distributions declared by a Fund with respect to the class and in the net distributable assets of the Fund with respect to the class on liquidation, in each case based on their holdings of whole and fractional Units of that class and in accordance with its Trust Indenture and may receive distributions and assets on liquidation in a manner which reflects the actual investment performance of each unitholder.

It is each Fund's policy to distribute at least annually to investors its net income and sufficient net realized capital gains so that the Fund will not be liable for any Canadian federal income tax under Part I of the Tax Act.

All distributions on Units will be automatically reinvested in additional Units of the applicable Class, without charge, at the Class Net Asset Value per Unit determined as of the date of distribution in accordance with securities legislation in the applicable Offering Jurisdiction. No sales charge is payable with respect to any purchase of Units made on the reinvestment of distributions. In the sole discretion of the Manager, a Fund may allocate the performance fees paid by the Fund and make distributions to individual unitholders in a manner that effectively reflects the actual performance of each investment by each unitholder in the Fund during the year or to the time of redemption, as applicable. Certain management fee distributions may be made first out of net income and capital gains (net of applicable losses) and thereafter of capital. Such distributions will be distributed monthly. See "Section 2.2 - Fees and Expenses - Management Fees".

Distributions of net income and/or net realized capital gains of a Fund are calculated separately for each class of Units.

Distributions will be made on Units of a particular class in an amount that reflects expenses attributable to that class. As a result, the amount of distributions per Unit of one Class will likely be different from the amount of distributions per Unit of another class. In addition, where the expenses attributable to a particular class exceed that class' proportionate share of a Fund's net income, including taxable capital gains, the amount of such excess ("excess class expenses") will be applied by the Manager in such reasonable manner as the Manager may determine in its sole discretion. The Manager may use the excess class expenses for a particular class of units of a Fund to reduce the distributions of net income (including taxable capital gain) made by the Fund to unitholders of other classes of Units of the Fund. However, the excess class expenses for a particular class of Units of a Fund will not reduce the net asset value of any other class of the Fund.

Distributions may include distributions out of capital. A distribution of capital is a non-taxable return of part of the investor's original capital investment.

Portfolio Valuation and Net Asset Value

The Manager will determine the Net Asset Value of each Fund, of each class and of each Unit as of every Valuation Date. The Net Asset Value of each Fund is determined in accordance with the provisions of its Trust Indenture by valuing the assets of the Fund and deducting all liabilities. A separate Net Asset Value per Unit for each Class is calculated by subtracting the liabilities specifically related to that Class from its proportionate share of the difference between the assets and liabilities of a Fund that are not specifically related to any Class. The Class Net Asset Value of a particular Class of a Fund is divided by the number of Units outstanding (before redemptions and subscriptions) at the close of business on a Valuation Date to determine the Class Net Asset Value per Unit. The Class Net Asset Value per Unit will be reported in Canadian currency and may also be reported in such other currencies as the Manager may from time to time determine, based on the rate or rates of exchange, as the case may be, reported by any report in common use.

The value of the assets and, if applicable, liabilities of each Fund is determined as follows:

(a) the value of any cash on hand, on deposit or on call, bills, demand notes and accounts receivable, prepaid expenses, cash dividends and interest accrued and not yet received, shall be deemed to be the full amount thereof unless the Manager has determined that any of the foregoing is not worth the full amount thereof, in which event the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;

(b) the value of any security which is listed on a stock exchange shall be its current value, being the last sale price on that day or, if there is no such sale price, the average of the bid and asked price at that time, all as reported by any report in common use or authorized as official by such stock exchange;

(c) the value of any security which is traded on an over-the-counter market shall be its current value, being the average of the closing bid and the closing asked price, all as reported by the financial press;

(d) the value of the securities of a fund in which the Fund is invested shall be the net asset value or similar value of the securities of the fund as provided by the manager, administrator or party acting in a similar capacity of the fund and available to the Manager as of a date proximate to the relevant Valuation Date, whether or not the securities of such fund are listed or dealt with on a stock exchange. If a net asset value or similar value of the fund as of a time reasonably proximate to the Valuation Date is not available to the Manager, the value shall be based on an estimate provided by the manager, administrator or other party acting in a similar capacity of the fund or in such other manner as the Manager shall determine. For the purposes of the foregoing rules any values or quotations that are supplied to the Manager by the manager, an administrator or any party acting in a similar capacity of a fund may be relied upon by the Manager. The Manager shall not be required to make any investigation or inquiry as to the accuracy or validity of such values or quotations and shall be held harmless and shall not be responsible nor held liable whatsoever for any loss or damage in so relying;

(e) "restricted securities" (as defined by the Canadian securities administrators) shall be valued at the lesser of (1) the value thereof based on reported quotations in common use; and (2) that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking, or agreement or by law, equal to the percentage that the Fund's acquisition cost was of the market value of such securities at the time of acquisition, provided that a gradual taking into account of the actual value of the securities may be made where the date on which the restrictions will be lifted is known;

(f) long and short positions in equity securities (except as provided for above), clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants shall be valued at the current market value thereof;

(g) where a clearing corporation option, option on futures or over-the-counter option is written, the premium received by the mutual fund shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the Net Asset Value of the Fund. The securities, if any, which are the subject of a written clearing corporation option or over-the-counter option shall be valued at their current market value;

(h) the value of a futures contract, or a forward contract, shall be the gain or loss with respect thereto that would be realized if, on the valuation date, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless "daily limits" are in effect, in which case fair value shall be based on the current market value of the underlying interest; and

(i) margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin

provided that, for purposes of paragraph (b), if on any Valuation Date a stock exchange is closed for business, the value of any security which is listed solely on that exchange shall be its value on such exchange on the immediately preceding trading day and provided further that, notwithstanding the foregoing, the value of any asset referred to in paragraph (b) shall be determined in accordance with applicable securities legislation;

The value of any security or asset for which a market quotation is not readily available or to which, in the opinion of the Manager, the above principles cannot be applied shall be the fair value thereof determined in such manner, consistent with industry practices, as the Manager from time to time determines;

For the purpose of all necessary conversion of funds from another currency to Canadian currency, such reasonable conversion rate as the Manager from time to time determines will be applied on a consistent basis by each Fund.

For the purposes of determining the Net Asset Value of a Fund, the liabilities of the Fund shall be deemed to include all liabilities of the Fund of whatsoever kind and nature except liabilities represented by outstanding Units and, for greater certainty but without limitation, include:

(a) all bills, notes and accounts payable;

(b) all administrative expenses payable or accrued (including fees payable pursuant to the Management Agreement);

(c) all contractual obligations for the payment of money or property, including liabilities under derivative securities and the amount of any accrued and unpaid distributions to the Unitholders but not yet paid on the day before the day as of which the Net Asset Value of the Fund is being determined;

(d) all allowances for taxes (if any) or contingencies; and

(e) all other liabilities of the Fund of whatsoever kind and nature, except liabilities represented by outstanding Units.

In calculating Class Net Asset Value per Unit of each Fund:

(a) the issue or redemption of Units shall be reflected in the computation of Net Asset Value of the Fund or any Class Net Asset Value per Unit not later than the next computation of Net Asset Value of the Fund and any Class Net Asset Value per Unit made after the time at which the Net Asset Value of the Fund and any Class Net Asset Value per Unit is determined for the purpose of the issue or redemption of Units; and

(b) each portfolio transaction will be reflected in the first computation of Net Asset Value of the Fund and Class Net Asset Value per Unit no later than the Valuation Date after the date on which the transaction becomes binding.

The Manager may declare a suspension of the determination of Net Asset Value of a Fund for the whole or part of any period in which the right of redemption has been suspended. See "Section 5.1 - Redemption of Units".

5.2 Subscription Procedure

Purchase of Units

Investors may purchase Units of the Funds offered pursuant to this Offering Memorandum through Registered Dealers in the Offering Jurisdictions. Registered Dealers may charge a sales commission as negotiated between the investor and the Registered Dealer. See "Section 7 - Compensation Payable to Seller and Finders". Registered Dealers will send orders to the Manager on the day such orders are placed by courier or telecommunications facilities without charge to the investor. Investors who wish to subscribe for Units of a Fund must complete, execute and deliver the Investment Application (and/or other applicable documentation) which accompanies this Offering Memorandum to a Registered Dealer, together with a cheque or bank draft in an amount equal to the purchase price (together, if applicable, with the amount of any commission payable by the investor to the Registered Dealer). To qualify to purchase Class "O" Units, an investor must also enter into a Class "O" Unit agreement with the Manager. The purchase price is an amount equal to the applicable Class Net Asset Value per Unit subscribed for. The Class Net Asset Value per Unit for subscriptions which are received and accepted by the Manager prior to 4:00 p.m. (Eastern Time) or such earlier time as the Toronto Stock Exchange may close, on a Valuation Date, will be calculated as of that Valuation Date. The Class Net Asset Value per Unit for subscriptions received and accepted after 4:00 p.m. (Eastern Time), or such earlier time as the Toronto Stock Exchange may close, on a Valuation Date, will be calculated on the next Valuation Date. See "Section 5.1 - Portfolio Valuation and Net Asset Value". The Manager reserves the right to accept or reject orders, provided that any decision to reject an order must be made promptly and any monies received with a rejected order will be refunded immediately after such determination has been made by the Manager. If the Manager does not receive payment for the Units purchased by the third business day following the relevant Valuation Date, together with a fully and correctly completed Investment Application (and/or other applicable documentation), the Manager may redeem the Units so purchased. If the proceeds of redemption exceed the cost of the Units purchased, the applicable Fund will retain the excess. However, if the proceeds of redemption are less than the cost of the Units purchased, the investor or his or her Registered Dealer will be responsible for paying the difference to the applicable Fund together with any associated costs.

Securities Law Exemptions and Minimum Investments

The Units are offered for sale under this Offering Memorandum pursuant to the exemptions from the prospectus requirements afforded by Sections 2.3, 2.9 and 2.10 of NI 45-106 to persons resident in the Offering Jurisdictions.

The offering is being conducted in a separate offering memorandum in the provinces of Alberta, Manitoba, Ontario, Prince Edward Island, Quebec and Saskatchewan and in the Yukon, Northwest Territories and Nunavut pursuant to the exemptions from the prospectus requirements afforded by Sections 2.3 and 2.10 of NI 45-106.

The exemption pursuant to Section 2.3 of NI 45-106 is available for distributions to investors purchasing as principal and who are Accredited Investors as defined in NI 45-106. The Manager, in its sole discretion and subject to certain securities law requirements, may accept minimum investments of $25,000 or more from Accredited Investors. Investors should consult their Registered Dealer and other advisors and refer to the representations, warranties and certifications contained in the Investment Application which accompanies the Offering Memorandum to determine whether they qualify as Accredited Investors.

The exemption pursuant to Section 2.9 of NI 45-106 is available only for distributions to investors in the Offering Jurisdictions purchasing as principal, who receive this Offering Memorandum prior to signing the Investment Application and who complete and sign the "Risk Acknowledgement Form" which accompanies the Investment Application and forward it to Arrow Capital Management Inc. prior to the purchase. The Manager, in its sole discretion may accept minimum investments of not less than $25,000 from such investors.

The exemption pursuant to Section 2.10 of NI 45-106 is available for distributions to non-individual investors purchasing as principal where the trade is made in a security that has an aggregate acquisition cost to the investor of not less than $150,000, paid in cash at the time of acquisition. This amount is referred to as the "Minimum Amount Investment". Purchases of Units for more than one Fund cannot be aggregated to achieve the Minimum Amount Threshold.

The foregoing exemptions relieve the Fund from the provisions of the applicable securities laws of each of the Offering Jurisdictions, which otherwise would require the Funds to file and obtain a receipt for a prospectus. Accordingly, prospective investors for Units will not receive the benefits associated with a subscription of securities issued pursuant to a filed prospectus, including the review of material by securities authorities.

The Manager reserves the right to change the minimum amounts for investments in the Funds at any time and from time to time.

Exchanging Units

A unitholder may exchange Units of one Fund for Units of the same Class of a different Fund. Each exchange must qualify as either a minimum investment or additional investment in the new Fund. See "Section 5.2 – Subscription Procedures – Securities Law Exemptions and Minimum Investments" and "Section 5.2 – Subscription Procedures – Additional Investments". In such circumstances, the unitholder will not be required to pay any redemption charges to effect the exchange, but the investor may have to pay a redemption charge when he or she redeems the Units acquired through the exchange. The redemption charge will be calculated based on the cost of the original Units and the date on which the unitholder bought the original Units. Unitholders may have to pay a performance fee on the original Units. Unitholders may have to pay their Registered Dealer a fee based on the value of the Units exchanged. Exchange fees are negotiable between unitholders and their Registered Dealers to a maximum charge of 2% of the total amount exchanged.

Money Laundering and Terrorist Financing

As required by the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act*, the Manager is obligated to implement specific measures to detect and deter money laundering and the financing of terrorist activity. As such, unitholders may have to provide additional information, as noted in the Subscription Agreement and corresponding forms. If the Manager is aware or suspects that a unitholder is engaged in money laundering, it is the duty of the Manager to report to the Financial Transactions and Reports Analysis Centre of Canada. This reporting will not be a breach of privacy laws or otherwise as it is required by law.

Additional Investments

Additional investments in Units are permitted pursuant to the exemptions from the prospectus requirements provided **(i)** the unitholder acquired Units pursuant to Section 2.10 of NI 45-106 and the Units held by the unitholder have an aggregate acquisition cost or Net Asset Value equal to $150,000**,** or (ii) the additional investment in a Fund is being made by an Accredited Investor or (iii) the additional investment in Units is being made pursuant to the exemptions from the prospectus requirements contained in section 2.9 of NI 45-106 and at the time of making each additional investment in a Fund, each unitholder will sign the "Risk Acknowledgement Form" (included in the Investment Application)..

Notwithstanding the foregoing, each additional investment, other than the reinvestment of distributions made by a Fund, must be in increments of at least $5,000. At the time of making each additional investment in a Fund, a unitholder will be deemed to have repeated to the Fund certain representations contained in the Investment Application documents delivered by the unitholder to the Fund at the time of the initial purchase. The Manager reserves the right to change the minimum amount for additional investments in the Funds at any time and from time to time.

Following each purchase of Units, unitholders will receive a written confirmation indicating details of the purchase transaction including the dollar amount of the purchase order, the applicable Class Net Asset Value per Unit and the number of Units purchased. For additional investments, the written confirmation will indicate the cumulative total of all Units held by the unitholder.

6 Income Tax Consequences and Eligibility for Investment for Tax Deferred Plans

The following summary outlines certain income tax considerations under the Tax Act relevant to the Funds and to unitholders of the Funds who, for the purposes of the Tax Act, are individuals resident in Canada, hold their Units as capital property and deal with the Funds at arm's length. This summary is based upon the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof and the Manager's understanding of the current published administrative and assessing policies of the Canada Revenue Agency ("CRA"). The tax consequences to a unitholder of acquiring, owning and disposing of Units (including the tax treatment of any fees or other expenses incurred by the unitholder in connection with an investment in Units) will depend on many factors including whether the unitholder is an individual, corporation, trust or other entity, the unitholder's jurisdiction of residence and the manner and frequency in which Units are acquired and disposed of by the unitholder. Unitholders are urged to consult their own tax advisors regarding the tax treatment to them of acquiring, holding and disposing of Units in their particular circumstances, including the tax treatment of any fees or other expenses incurred by the unitholder. This outline is not, and is not intended to be, tax advice to any particular unitholder.

Each of the Funds qualifies or is expected to qualify as a "mutual fund trust", as such term is defined in the Tax Act, at all material times. This summary is based on the assumption that such Funds qualify and will continue to so qualify at all material times. To qualify as a "mutual fund trust", the Funds must, among other things, comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of Units. If a Fund were to not qualify as a "mutual fund trust" under the Tax Act, the income tax considerations described herein would be materially and adversely different in certain respects.

Taxation of the Funds

Each Fund intends to distribute to unitholders in each year its net income and net realized capital gains, if any, and will deduct amounts in computing its income for purposes of the Tax Act, to such an extent that it will not be liable in any year for income tax under the Tax Act. Each Fund is required to compute its net income and net realized capital gains in Canadian dollars for purposes of the Tax Act and may, as a consequence, realize a foreign exchange gain or loss by virtue of changes in the value of any foreign currencies or foreign currency derivative investments acquired or disposed of by the Fund, relative to the Canadian dollar. The tax treatment of a particular revenue item, fee or other expense will depend on many factors. For example, a Fund generally will include gains and deduct losses on income account in connection with its derivatives activities, certain arbitrage activities and other transactions on income account and will recognize such gains or losses for tax purposes at the time they are realized by the Fund. Gains or losses realized by a Fund upon dispositions of securities of the Fund will constitute income gains or losses of the Fund in the year realized if the Fund is considered to be trading or dealing securities or otherwise carrying on a business of buying and selling securities or the Fund has acquired the securities in a transaction or transactions considered to be an adventure in the nature of trade. All of a Fund's deductible expenses, including expenses common to all classes of the Fund and fees and other expenses specific to a particular class of a Fund, will be taken into account in determining the income or loss of the Fund as a whole and applicable taxes payable by the Fund as a whole.

The Tax Act contains an anti-avoidance provision that is intended to prevent commercial trusts from allocating income and capital to different beneficiaries. This provision is broadly drafted to apply where it is reasonable to consider that one of the main purposes for the existence of any term, condition, right or other attribute of any interest in a trust is to give a beneficiary a percentage interest in the property of the trust that is greater than the beneficiary's percentage interest in the income of the trust. Although the currency hedge on the Class "G", "GI", "G2", "U", "UI" or "U2" Units can result in a unitholder's percentage share of a Fund's income being greater than their percentage interest in the property of the Fund, this result was not the main purpose of the currency hedge. The Manager takes the view that based on the CRA's administrative positions regarding the application of this anti-avoidance provision, the provision should not be applied to the Class "G", "GI", "G2", "U", "UI" or "U2" Units. No advance income tax ruling from the CRA has been sought on this point.

A Fund may be subject to section 94.1 of the Tax Act if the Fund holds or has an interest in "offshore investment fund property". If applicable, these rules can result in a Fund including an amount in its income based on the cost of the Fund's "offshore investment fund property" multiplied by a prescribed interest rate. These rules would apply in a taxation year to a Fund if it could reasonably be concluded, having regard to all the circumstances, that one of the main reasons for the Fund acquiring, holding or having the investment in the entity that is an "offshore investment fund property", was to benefit from the portfolio investments of the entity in such a manner that the taxes on the income, profits and gains therefrom for any particular year were significantly less than the tax that would have been applicable if such income, profits and gains had been earned directly by the Fund. The Manager takes the position that none of the reasons for a Fund acquiring an interest in "offshore investment fund property" may reasonably be considered to be as stated above. As a result, existing section 94.1 should not apply to the Funds.

No amount will be included in computing the East Coast Investment Grade Fund's and the Raven Rock Income Fund's income as a result of the acquisition of Canadian Securities Portfolio securities under the Forward Agreements. The cost to these Funds of such Canadian Securities Portfolio securities will be that portion of the aggregate amount paid by such Funds under their respective Forward Agreements attributable to such securities and any other costs of acquisition. The East Coast Investment Grade Fund and the Raven Rock Income Fund have elected in accordance with the Tax Act to have each of their "Canadian securities" treated as capital property such that gains or losses realized by them on the sale of Canadian Securities Portfolio securities acquired under the Forward Agreements will be taxed as capital gains or capital losses. No advance income tax ruling has been requested or obtained from the CRA regarding the timing of characterization of the Fund's income, gains or losses. Pursuant to legislation enacted December 12, 2013, the return from derivative forward agreements, such as the Forward Agreements entered into by the East Coast Investment Grade Fund and the Raven Rock Income Fund, will be treated as ordinary income rather than capital gains. This change applies to agreements entered into or amended after March 20, 2013, but a grandfathering provision will remain in effect until the termination date of the Forward Agreements. Based on the legal structure of these Funds and the Forward Agreements in place, the Manager does not expect this change to apply to these Funds prior to the maturity of their existing Forward Agreements.

Taxation of Unitholders

Unitholders of each Fund are generally required to include in their income (in Canadian dollars) for tax purposes for a particular year the amount of net income and net taxable capital gains, if any, paid or payable to them in the year and deducted by the Fund in computing the Fund's income, including such amounts reinvested in additional Units, management fee distributions and distributions in connection with Performance Fees. To the extent that distributions by a Fund in any year exceed the net income and the net realized capital gains of the Fund for the year, such distributions will generally be a return of capital and will not be taxable but will reduce the adjusted cost base of a unitholder's Units.

Each Fund will designate, to the extent permitted by the Tax Act, the portion, if any, of the net income distributed to unitholders that may reasonably be considered to consist of taxable dividends received by the Fund on securities of taxable Canadian corporations and net taxable capital gains of the Fund. Any such designated amount will be deemed for tax purposes to be received or realized by unitholders in the year as a taxable dividend and as a taxable capital gain, respectively. The dividend gross-up and tax credit treatment normally applicable to taxable dividends paid by a taxable Canadian corporation will apply to the amounts designated as taxable dividends to unitholders. Capital gains so designated will be subject to the general rules relating to the taxation of capital gains, which are described below. In addition, each Fund may make designations in respect of its income from foreign sources so that, for the purpose of computing any foreign tax credit to a unitholder, the unitholder will be deemed to have paid its proportionate share of such foreign income tax paid by the Fund. Unitholders will be advised each year of the composition of amounts distributed to them.

Unitholders are required to compute their net income and net realized capital gains in Canadian dollars for purposes of the Tax Act and may, as a consequence, realize income or capital gains by virtue of changes in the value of the U.S. dollar relative to the value of the Canadian dollar in connection with U.S. dollar denominated holdings of Funds purchased in U.S. dollars.

Upon the actual or deemed disposition of a Unit, including any redemption of a Unit by a Fund and the exchange of Units of one Fund for Units of another Fund, a capital gain (or a capital loss) will generally be realized to the extent that the proceeds of disposition of the Units exceed (or are exceeded by) the aggregate of the adjusted cost base to the unitholder of the Unit and any reasonable costs of disposition. The proportion of a capital gain to be included in a taxpayer's income is one-half.

The reclassification of Units of a Class into Units of another Class of the same Fund in the same currency will not be considered a disposition for tax purposes and accordingly a holder of Units will realize neither a gain nor loss as a result of a reclassification.

The Tax Act provides for an alternative minimum tax on individuals and certain trusts and estates. To compute taxable income subject to the alternative minimum tax, various adjustments are made to the unitholder's taxable income including adjustments with respect to realized capital gains and taxable dividends received from taxable Canadian corporations. Accordingly, such income may affect the unitholder's liability for alternative minimum tax.

Taxation of Registered Plans

Each of the Funds qualifies or is expected to qualify as a mutual fund trust within the meaning of the Tax Act, at all material times. Provided that a Fund qualifies as a mutual fund trust within the meaning of the Tax Act, its Units will be qualified investments for Registered Plans. Registered Plans are not subject to tax on distributions made by a Fund or on capital gains realized on the disposition of Units of a Fund.

If the Units are "prohibited investments" for a tax-free savings account ("TFSA"), registered retirement savings plan ("RRSP") or a registered retirement savings plan ("RRIF"), the holder of the TFSA or the annuitant of the RRSP or RRIF, as the case may be, will be subject to a penalty tax as set out in the Tax Act. Units will generally not be a "prohibited investment" for trusts governed by a TFSA, RRSP or RRIF unless the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, (i) does not deal at arm's length with the Fund for purposes of the Tax Act, or (ii) has a "significant interest" as defined in the Tax Act in the Fund. Generally, a holder or annuitant, as the case may be, will not have a significant interest in the Fund unless the holder or annuitant, as the case may be, owns interests as a beneficiary under the Fund that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the Fund, either alone or together with persons and partnerships with which the holder or annuitant, as the case may be, does not deal at arm's length.

You should consult your own professional advisors to obtain advice on the eligibility for investment of these securities for Registered Plans and with respect to whether Units of a Fund may be a prohibited investment.

U.S. FATCA

Pursuant to the *Foreign Account Tax Compliance* Act ("**FATCA**") and the Canada-US Intergovernmental Agreement ("**IGA**") and its implementing provisions under the Tax Act, starting in 2014 (for U.S. source income) and starting in 2017 (for non-U.S. source income and certain gross proceeds), unitholders of the Funds may be required to provide identity and residency information to the Funds and unitholders (and their controlling entities) of the Funds may be required to provide other financial information to the Funds, all of which may be provided by the Funds to the Canada Revenue Agency, which will in turn provide such information to the U.S. tax authorities, in order to avoid a U.S. withholding tax being imposed on U.S. and certain non-U.S. source income and proceeds of disposition received by the Funds or on certain amounts (including distributions) paid by the Funds to certain unitholders. If the Funds fail to comply with the international information reporting requirements under the IGA, they will be subject to the penalty provisions of the Tax Act. Any potential taxes or penalties associated with such reporting requirements may reduce the Funds' returns to unitholders.

7 Compensation Paid to Sellers and Finders

Class "A", "AI", "A2, "F", "FI", "F2", "U", "UI", "U2", "G", "GI", "G2" and "O" Units are distributed by Registered Dealers in the Offering Jurisdictions. The Manager provides the compensation programs described below to Registered Dealers placing orders, whose clients purchase Class "A", "AI", "A2, "F", "FI", "F2", "U", "UI", "U2", "G", "GI", "G2" and "O" Units, to assist them in their distribution efforts.

Purchases Under the Sales Charge Option

Sales charges are negotiable between investors and their Registered Dealers. Under this option, a sales charge is deducted from the amount of the subscription and paid to the investor's Registered Dealer. The remaining amount is divided by the applicable Class Net Asset Value per Unit to determine the number of applicable Units of the Fund purchased. The maximum sales charge for the Funds is 5% of the total amount invested. Units purchased on a reinvestment of distributions are not subject to a sales charge. There is no sales charge on the purchase of Class "F", "F1", "F2", "G", "GI" and "G2" Units.

Purchases Under the Deferred Sales Charge Option

Class "A2" Units of the Diversified Fund are also offered with a Deferred Sales Charge Option. Where purchases are made under the Deferred Sales Charge Option, no amount is deducted from the purchase order and the Manager will pay the Registered Dealer a fixed commission of 5% (with a 7 year redemption schedule) or 3% (with a 3 year redemption schedule) of the invested amount. For purchases made under the Deferred Sales Charge Option, the entire amount of an investor's subscription is applied to the purchase of DSC Units at a price per DSC Unit equal to the Class Net Asset Value per DSC Unit, as described under "Section 5.2 - Purchase of Units", without the deduction of a sales charge. No selling commission is paid for Class "A2" Units acquired through the automatic reinvestment of distributions on DSC Units.

The Manager, or such person as the Manager directs, will charge an investor the following redemption charges, based on the value of the Units on the redemption date, and the Fund will collect such amount for the Manager, if DSC Units are redeemed within the following time periods after purchase:

Deferred Sales Charge Schedule

Year(s) Since Purchased	**Redemption Charge with a 5% commission**	**Redemption Charge with a 3% commission**
Year 1………………………………………	5.5%	3%
Year 2………………………………………	5.5%	2.5%
Year 3………………………………………	4.5%	2.0%
Year 4………………………………………	4.0%	Nil
Year 5………………………………………	3.5%	Nil
Year 6………………………………………	2.5%	Nil
Year 7………………………………………	1.5%	Nil
Thereafter…………………….……………	Nil	Nil

The Deferred Sales Charge Option may be modified or cancelled by the Manager at any time.

The cost of each DSC Unit is adjusted downwards when additional Class "A2" Units are issued through automatic reinvestment of distributions paid on DSC Units.

Servicing Commissions

A servicing commission is a portion of the Manager's management fee shared with an investor's Registered Dealer. The servicing commissions pay for ongoing advice and service which the investor is entitled to receive from the investor's Registered Dealer so long as the investor's investment remains in the Funds.

Servicing commissions are calculated monthly and payable monthly or quarterly to Registered Dealers with client assets invested in the Funds. Servicing commissions are based on the daily total Net Asset Value of client assets invested in the Funds at an annual rate of 1.0% for Class "A", "AI", "A2", "U", "UI" and "U2" Units purchased under the Sales Charge Option, except for the East Coast Investment Grade Fund for which the annual rate is 0.75% for Class "A" and Class "U" Units and the Hirsch Performance Fund for which the annual rate is 0.50% for Class "A" Units. Servicing commissions may be modified or discontinued by the Manager at any time.

Sales Incentives

Co-operative Marketing Programs – The Manager may from time to time fund on a co-operative basis with Registered Dealers up to 50% of the direct costs of certain sales communications and investor seminars to provide educational information concerning the Funds, the Manager or mutual funds in general. Investors will be given written notice in the sales communication or seminar that the Manager has paid in part for the sales communication or investor seminar.

Conferences and Other Educational Programs – The Manager may financially participate in or provide product support at Registered Dealer conferences, the primary purpose of which is the provision of educational information about financial planning, investing in securities, mutual fund industry matters, the Funds, the other Underlying Funds, or the Manager, but will not subsidize more than 10% of the total direct cost (excluding travel and accommodation costs) of such conferences. The Manager may reimburse Registered Dealers for up to the total cost of the fees for educational courses, the primary purpose of which is the provision of educational information about financial planning, investing in securities, mutual fund industry matters, the Funds, the other Underlying Funds or the Manager, taken by salespersons. The Manager may also host seminars or conferences for salespersons or Registered Dealers, the primary purpose of which is the provision of educational information about financial planning, investing in securities, mutual fund industry matters, the Funds, the other Underlying Funds or the Manager, although the Manager will not pay or subsidize Registered Dealers travel and accommodation costs to attend such seminars or conferences.

Promotional and Other Items – The Manager may give promotional items of minimal value to Registered Dealers and salespersons and may engage in reasonable business promotional activities with Registered Dealers and salespersons.

8 Risk Factors

You should carefully consider the risks when contemplating an investment in the Funds and we urge you to consult with your professional advisors. These risks are summarized as follows:

Arbitrage Risk: Arbitrage has unique risk factors. Merger arbitrage focuses on companies involved in a merger or acquisition. The key risks in merger arbitrage are (i) that the deal may not be consummated; (ii) the deal may be significantly delayed; and (iii) the deal is re-priced to the detriment of the vendor. Special situations arbitrage is a non-standard, unique arbitrage opportunity. The risks associated with a given special situation will generally be unique to that arbitrage.

Broad Authority of the Manager Risk: The Trust Indentures and Management Agreements give the Manager broad discretion over the conduct of each Fund's business, over the specific companies, or in the case of the Diversified Fund, the specific Underlying Funds, in which a Fund invests and over the types of securities transactions in which a Fund or any other Underlying Fund engages. The constating documents and material contracts of other Underlying Funds may give similar broad discretion to the managers or Investment Advisors of such Underlying Funds.

Business Risk: While the Manager believes that each Fund's investment policies will be successful over the long term, there can be no guarantee against losses resulting from an investment in Units of the Funds and there can be no assurance that a Fund's investment approach will be successful or that its investment objective will be attained. A Fund could realize substantial losses, rather than gains, from some or all of the investments described herein.

Commodity Risk: The market value of a Fund's investments may be affected by adverse movements in commodity prices. When commodity prices decline, this generally has a negative impact on earnings of companies whose business is based in commodities, such as oil and gas.

Conflicts of Interest Risk: Certain inherent conflicts of interest are likely to arise as a result of the Manager, the Investment Advisors and affiliated persons carrying on similar investment activities both for themselves and for clients other than the Funds. The Manager and such other persons are or may be engaged in other business activities. The Manager and such persons will not be required to refrain from any other activity or to disgorge any profits from any such activity, and will not be required to devote all of their time and efforts to the Funds and their affairs. Similar conflicts of interest may arise in the case of any other Underlying Fund.

The Funds, any other Underlying Funds, other investment funds in which the Manager, the Investment Advisors and their affiliates may participate as an investor or serve as a manager and other investment management and consulting clients that the Manager and such other persons or their affiliates may have from time to time may share administrative offices and utilize common services, facilities, investment research and management. The Manager and such other persons may also determine from time to time that some investment opportunities are appropriate for certain investment management clients and not others, including the Funds or any other Underlying Funds, due to differing objectives, time horizons, liquidity needs or availability, tax consequences and assessments of general market conditions and of individual securities. It may also occasionally be necessary to allocate limited investment opportunities among the Funds and any other Underlying Funds and others on a basis deemed appropriate by the Manager or the respective Investment Advisors, which may mean that the Manager, the respective Investment Advisors or other accounts managed by any of them achieve profits that the Funds or any other Underlying Funds do not or avoid losses that the Funds or any other Underlying Funds suffer.

The Manager and the applicable Investment Advisors have complete discretion regarding the selection of those registered securities broker-dealers and other financial intermediaries with and through which each Fund and any other Underlying Fund executes and clears its portfolio transactions, the commissions and fees payable to a broker and the prices at which a Fund or any other Underlying Fund buys and sells its investments. It is expected that the Manager and the applicable Investment Advisors will allocate portfolio transaction business generally on the basis of best available execution and net results for a Fund or any other Underlying Fund. Subject to compliance with applicable law they may also allocate a Fund's or any other Underlying Fund's portfolio transactions based in part on the provision of or payment for other products or services (including but not limited to investment research) to a Fund, any other Underlying Fund, the Manager, such Investment Advisors or affiliated persons. Such products or services may not be used for the direct or exclusive benefit of a Fund or any other Underlying Fund and may reduce the overhead and administrative expenses otherwise payable by the Manager under the terms of the Management Agreements. These "soft dollar" or "directed brokerage" arrangements could also give the Manager and the applicable Investment Advisors an incentive to "churn" a Fund's or any other Underlying Fund's account by trading more actively in order to produce more credits with the securities firms providing the soft dollar or directed brokerage benefits. The Manager or any of such persons may also determine in the future to establish or become affiliated with a securities broker-dealer and to execute transactions for a Fund or any other Underlying Fund through such affiliated broker-dealer.

Counterparty Risk: Each Fund, and any other Underlying Fund, bears the risk of loss of the amount expected to be received under options, swaps, forward contracts or securities lending agreements in the event of the default or bankruptcy of a counterparty to such contracts or agreements.

Concentration Risk –A Fund, or any Underlying Fund, that directly or indirectly concentrate their investments in certain sectors or specific regions or countries are susceptible to higher volatility since the value of the Fund will vary more in response to changes in the market value of these securities, sectors, regions or countries. A Fund or any other Underlying Fund may directly or indirectly also concentrate its investments in a relatively small number of securities. A relatively high concentration of assets in a single or small number of investments may reduce the diversification and liquidity of a Fund or Underlying Fund.

Credit Risk: Credit risk is the risk that the government or company issuing a fixed income security will be unable to make interest payments or pay back the original investment. Securities that have a low credit rating have high credit risk. Lower-rated debt securities issued by companies or governments in emerging markets often have higher credit risk. Securities issued by well-established companies or by governments of developed countries tend to have lower credit risk. Funds that invest in companies or markets with high credit risk tend to be more volatile in the short term. However, they may offer the potential of higher returns over the long term.

Currency Risk: Investments denominated in a foreign currency generally involve additional risks to those in Canadian currency. Increases and decreases in the exchange rate between the Canadian currency and the foreign currency may increase or decrease the value of the foreign currency denominated investment within a Fund.

Earnings Surprises Risk: There can be no assurance that the investments will report earnings in the manner expected. A Fund or any other Underlying Fund, may hold stocks that disappoint earnings expectations and decline rapidly, and a Fund, or any other Underlying Fund, may short stocks that exceed earnings expectations and rise rapidly, in both cases producing losses.

Emerging Markets Risk: Many securities markets in developing and/or emerging markets have substantially less volume and are subject to less government supervision than in Canada and other developed country securities markets. Securities of many issuers in emerging markets may be less liquid and more volatile than securities of comparable Canadian and other developed country issuers. In addition, there is generally less governmental regulation of securities exchanges, securities dealers and listed and unlisted companies and less stringent reporting requirements in emerging markets than in Canada and other developed countries. Emerging markets may have slower clearance and settlement procedures, higher transaction costs and restrictions on investment in certain instruments, which may restrict or delay investments in such markets by the Fund. In addition, certain governments may require approval for, or otherwise restrict, the repatriation of investment income, capital or proceeds of sales of securities by foreign investors. War, governmental intervention, lack of capital, generally smaller size companies with less management depth and expertise or lack of availability of capital are also common risks in these markets.

Foreign Exchange Hedge Risk: Since it is expected that some of the assets of the Funds or any other Underlying Funds will not be denominated in the same currency as a unitholder has invested, the Funds will, or any other Underlying Funds will, on an on-going basis, use best efforts to hedge the currency exposure to the fluctuation of the currency of the investments compared to the unitholder's currency by using over–the-counter foreign exchange forward contracts and foreign exchange spot transactions. The performance of the Funds or the other Underlying Funds and the performance of a particular Class of the Funds may be impacted by the cost of foreign exchange hedges, and will not benefit from the appreciation of those currencies compared to the unitholder's currency as a result of the foreign exchange hedges. There are currency risks and some funds may use best efforts to hedge currency, if successful there's no exposure to currency.

Forward Contracts Risk: Each Fund, and any other Underlying Fund, may engage in forward contracts for hedging purposes and to participate in foreign markets. A forward contract is an obligation to purchase or sell an underlying asset, including currency and stocks, for an agreed price at a future date. The use of forward contracts as a hedging strategy may not be effective and may result in losses greater than if hedging had not been used. There may be an imperfect historical correlation between changes in the market value of the investment being hedged and the hedging derivative. Hedging against a decline in the value of the currency or stock or bond market does not eliminate fluctuations in the prices of portfolio securities or prevent losses if the prices of such securities decline. It may also preclude an opportunity for gain if the value of the hedged currency or stock or bond market should rise, because the derivative would incur an offsetting loss. Moreover, there is no assurance that a market will exist to purchase the forward contract when the Fund or any other Underlying Fund wants to close out its position. If a Fund or any other Underlying Fund is unable to close out a position, it will be unable to realize its profits or limit its losses until such time as the forward contract terminates. Forward contracts traded in foreign markets may offer less liquidity and greater credit risks than derivatives traded in North American markets, because North American markets are generally larger and more active.

Futures Trading Risk: Futures prices are highly volatile, with price movements being influenced by a multitude of factors such as changing supply and demand relationships, government trade, fiscal, monetary and exchange control programs and policies, national and international political and economic events and speculative frenzy and the emotions of the marketplace. In addition, governments from time to time intervene in certain markets, particularly currency and interest-rate markets.

The low margin deposits normally required in futures trading permit an extremely high degree of leverage; margin requirements for futures trading being in some cases as little as 2% of the face value of the contracts traded. Accordingly, a relatively small price movement in a futures contract may result in an immediate and substantial loss to the investor.

Most U.S. commodity exchanges limit fluctuations in futures contract prices during a single day by regulations referred to as "daily limits." During a single trading day no trades may be executed at prices beyond the daily limit. Once the price of a futures contract has increased or decreased to the limit point, positions can be neither taken nor liquidated.

The Commodity Futures Trading Commission and the U.S. commodities exchanges have established limits referred to as "speculative position limits" on the maximum net long or net short speculative positions that any person may hold or control in any particular futures or options contracts traded on U.S. commodity exchanges. All accounts owned or managed by an individual Investment Advisor will be combined for speculative position limit purposes. The Fund or any other Underlying Fund could be required to liquidate positions it holds in order to comply with such limits.

Hedging Risk: Various hedging techniques may be used in an attempt to reduce certain risks, including but not limited to currency risks associated with investments denominated in foreign currencies. For example, hedging in options may reduce the risks of both short-selling and taking long positions in certain transactions. Recalculations and adjustments to specific position hedges will be performed as market conditions warrant. However, such position hedges entail risks of their own. For example, unanticipated changes in currency exchange rates may result in an overall poorer performance than if currency risks had not been hedged. If market conditions are analyzed incorrectly or a risk reduction strategy is employed that does not correlate well with a Fund's, or any other Underlying Fund's, investments, the Fund's, or other Underlying Fund's, risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return.

Illiquid Assets Risk: An illiquid asset is a security or other position that cannot be disposed of quickly in the normal course of business. Illiquid assets generally include securities of a private company, and securities listed under an initial public offering or other securities the resale of which is restricted under applicable securities legislation. While investments in illiquid assets can often present above average growth opportunities, they can be difficult or impossible to value and/or sell at the time and price preferred by the Fund or any other Underlying Fund. Accordingly, there is a risk that the Fund or any other Underlying Fund may be unable to dispose of its illiquid assets, it may have to sell such securities at a lower price, or sell other securities instead to obtain cash and would therefore have to forego other investment opportunities. Although it is expected that the portfolio of each Fund, and any other Underlying Fund, will be highly liquid, securities that were liquid at the time of purchase may become less so over time as a result of numerous factors.

Interest Rate Fluctuations Risk: In the case of interest rate sensitive securities, the value of a security may change as the general level of interest fluctuates. When interest rates decline, the value of such securities can be expected to rise. Conversely, when interest rates rise, the value of such securities can be expected to decline.

International Securities Risk: Each Fund, and any other Underlying Fund, may invest a portion of its assets in securities of issuers domiciled or operating in one or more foreign countries or in securities issued by international governments. Investing in these securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in Canada, including instability of some international governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in Canada or abroad) or changed circumstances in dealings between nations. The application of international tax laws (for example, the imposition of withholding taxes on dividends, interest payments or capital gains) or confiscatory taxation may also affect investments in international securities. Higher expenses may result from investments in international securities than would be the case for investments in U.S. securities because of costs incurred in connection with conversions between various currencies and higher international brokerage commissions. International securities markets also may be less liquid, more volatile and less subject to governmental supervision than in Canada. Investments in international countries could be affected by other factors not present in Canada, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations.

Investment Advisor Risk: There can be no assurance that all of the current personnel of each Investment Advisor will continue to be associated with the Investment Advisor for any length of time. Given that Investment Advisors to some of the Funds or to any other Underlying Funds may be resident outside Canada and all or substantially all of their assets are located outside of Canada, unitholders, the Manager, the Funds and any other Underlying Funds may have difficulty in enforcing any legal rights they may have against the Investment Advisors. Certain Investment Advisors to some of the Funds or to any other Underlying Funds are exempt from registration as an advisor with the Canadian securities regulatory authorities and the regulatory authorities of the jurisdiction where they are resident.

Lack of Insurance Risk: The assets of a Fund are not, and of any other Underlying Fund may not be, insured by any government or private insurer except to the extent portions may be deposited in bank accounts insured by a government agency such as the Canada Deposit Insurance Corporation or the Federal Deposit Insurance Corporation (United States) or with brokers insured by the Canadian Investor Protection Fund, or the Securities Investor Protection Corporation (United States) and such deposits and securities are subject to such insurance coverage (which, in any event, is limited in amount). Therefore, in the event of the insolvency of a depository or custodian, a Fund or any other Underlying Fund may be unable to recover all of its funds or the value of its securities so deposited.

Lack of Operating History Risk: There may be no significant operating histories of the Funds, and any other Underlying Fund may also have no significant operating history. See "Section 3.2 – Management Experience – The Investment Advisors".

Low Rated or Unrated Debt Obligations Risk: A portion of a Fund's or any other Underlying Fund's portfolio may consist of instruments that have a credit quality rated below investment grade by internationally recognized credit rating organizations or may be unrated. These securities involve significant risk exposure as there is uncertainty regarding the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations. Low rated and unrated debt instruments generally offer a higher current yield than that available from higher grade issuers, but typically involve greater risk.

Margin Trading Risk; Short Sales Risk: Each Fund, and any other Underlying Fund, may engage in short sales, hedging, option trading, leverage and other strategies from time to time. A short sale will result in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed. A short sale will result in a loss if the price of the securities sold short increases. Any gain is decreased, and any loss is increased, by the amount of any payment, dividend or interest that may be required to be paid with respect to the borrowed securities, offset (wholly or partly) by short interest credits. In a generally rising market, short positions may be more likely to result in losses because securities sold short may be more likely to increase in value. A short sale involves a finite opportunity for appreciation, but a theoretically unlimited risk of loss. Hedging strategies in general are usually intended to limit or reduce investment risk, but they can also be expected to limit or reduce the potential for profit.

Trading on margin and other leveraging strategies can increase the profit potential of a securities portfolio, but can also increase the risk of loss. Any of such strategies that a Fund or any other Underlying Fund employs should be expected to increase transaction costs, interest expense and other costs and expenses. In addition, margin trading requires the pledge of securities as collateral, and margin calls can result in a Fund or any other Underlying Fund being required to pledge additional collateral or to liquidate securities holdings, which can result in the necessity for selling portfolio securities at substantial losses that would not otherwise be realized. No assurance can be given that short sales, hedging, leverage and other techniques and strategies will not result in material losses for a Fund or any other Underlying Fund.

Market Risk: The value of those securities in which the Funds or any other Underlying Funds invest and that are traded on exchanges or over-the-counter markets and the risks associated therewith vary in response to events that affect such markets and that are beyond the control of the Funds or any other Underlying Funds. Market disruptions such as those that occurred during October of 1987, September of 2001 and the second half of 2008 could result in substantial losses to the Funds or any other Underlying Funds.

There is no guarantee that securities exchanges and markets can at all times provide continuously liquid markets in which a Fund or any other Underlying Fund can close out its positions in those securities that are publicly traded, in particular because a Fund or any other Underlying Fund may invest in securities that are thinly traded or traded infrequently. Each Fund or any other Underlying Fund could experience delays and may be unable to sell securities purchased through a broker or clearing member that has become insolvent. In that event, positions could also be closed out fully or partially without a Fund's or any other Underlying Fund's consent.

Net Asset Value Risk: The Net Asset Value of each Fund and the Class Net Asset Value of the Units of each Fund will fluctuate with changes in the market value of each Fund's investments. Such changes in market value may occur as a result of various factors, including material changes in the intrinsic value of an issuer whose securities are held by the Fund. In addition, the calculation of the Net Asset Value of the Diversified Fund may be based on estimated values or out-of-date values provided by the Investment Advisors of the Underlying Funds. No adjustment will be made to the Net Asset Value of a Fund if these estimated values are subsequently determined to differ from the final values eventually obtained for an Underlying Fund.

Newly Established and Smaller Capitalization Companies Risk: A substantial portion of a Fund's or any other Underlying Fund's assets may be invested at any time in the equity securities of smaller and less well established companies. The earnings and stock prices of such smaller companies tend to be more volatile and the markets for their stocks tend to be less liquid, with resulting higher risk of loss, when compared to investments in larger and more established companies.

Portfolio Turnover Risk: The operation of a Fund or any other Underlying Fund may result in a high annual portfolio turnover rate. The Funds have not placed, and any other Underlying Fund may not place, any limit on the rate of portfolio turnover and portfolio securities may be sold without regard to the time they have been held when, in the opinion of the Manager or Investment Advisor, investment considerations warrant such action. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate (e.g., greater transaction costs such as brokerage fees) and may result in different tax consequences.

Potential Lack of Diversification Risk: The Funds do not, and any other Underlying Fund may not, have any specific limits on holdings in securities of issuers in any one country, region or industry. Unlike many mutual funds which are required by applicable securities laws to diversify portfolio holdings so that no more than a fixed percentage of their assets is invested in any industry or group of industries, the Funds have not adopted, and any other Underlying Fund may not adopt, fixed guidelines for diversification. Although each Fund's portfolio will generally be diversified, this may not be the case at all times if the Manager, on the advice of a Fund's respective Investment Advisor, if any, deems it advantageous for the Fund to be less diversified. Accordingly, the investment portfolio of the Funds may be subject to more rapid change in value than would be the case if there were a requirement to maintain a wide diversification among companies, industries, regions, types of securities and other asset classes.

Reliance on Manager and Investment Advisor Risk: The Manager may retain various Investment Advisors to manage the investment portfolio of each Fund, on a discretionary basis, subject to the supervision of the Manager and may retain other Investment Advisors to manage the investment portfolio of any other Underlying Fund. Each of these Investment Advisors has, or may have, substantial discretionary authority to identify, structure, execute, administer, monitor and liquidate investments of the applicable Fund, or the investments of any other Underlying Fund, consistent with the applicable investment objective, authority, strategy and restrictions as described in this Offering Memorandum or any other Underlying Fund's offering memorandum and as the same may be altered by the Manager from time to time. In exercising its authority, an Investment Advisor has no responsibility to consult with any unitholders or any other person. Substantially all other decisions with respect to the management of a Fund's affairs are made exclusively by the Manager (although it may also delegate administrative responsibilities from time to time). Unitholders have no right or power to take part in the management of a Fund or any other Underlying Fund. Accordingly, no person should purchase Units unless such person is willing to entrust all aspects of the management and all investment decisions of a Fund or any other Underlying Fund to the Manager, the applicable Investment Advisors and their officers, employees and agents from time to time.

Securities Believed to be Undervalued or Incorrectly Valued Risk: Securities which an Investment Advisor believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Investment Advisor anticipates. As a result, a Fund, or any other Underlying Fund, may lose all or substantially all of its investment in any particular instance. In addition, there is no minimum credit standard that is a prerequisite to a Fund's, or any other Underlying Fund's, investment in any instrument and some obligations and preferred stock in which the Fund, or any other Underlying Fund, invests may be less than investment grade.

Unitholder Liability Risk: Each Trust Indenture provides that no unitholder or annuitant shall have any personal liability in his or her capacity as a holder of Units or a fraction of a Unit, and no resort shall be had to a unitholder's property for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the applicable Fund, the Manager or the Trustee or out of or in connection with any obligation which a unitholder would otherwise have to indemnify the Trustee for any liability incurred by it in its capacity as trustee under the Trust Indenture, but rather that the assets of the Fund exclusively are to be extended and subject to levy or execution for such satisfaction. Notwithstanding the foregoing statement in the Trust Indentures, because of uncertainties in the law relating to trusts such as the Funds, there is a risk that a unitholder could be held personally liable for obligations of a Fund to the extent that claims are not satisfied out of the assets of the Fund. It is intended that each Fund's operation will be conducted in such a way as to minimize any such risk. In particular, the Manager will follow the investment restrictions of each Fund and will use its best efforts to avoid such liability being placed upon the unitholders. Based upon these measures being adhered to by a Fund, it is considered by the Manager that the risk of unitholder liability is remote in the circumstances. In any event, the risk of personal liability of unitholders is minimal in view of the large anticipated equity of each Fund relative to its anticipated indebtedness and liabilities, each Fund's investment approach and the intention that any agreement which is related to the borrowing of money by a Fund or the creation of potential liabilities of a Fund include an express disavowal of liability of unitholders. In the event that a unitholder should be required to satisfy any obligation of a Fund, such unitholder will be entitled to reimbursement from any available assets of the Fund. However, neither the Funds nor the unitholders of the Fund are expected to have any exposure in respect of any Underlying Funds which are corporations. In order to better protect unitholders from liability, each Fund may elect, without the consent of its unitholders, to become subject to any new trust legislation which would limit the liability of unitholders.

Use of a Prime Broker to hold Assets Risk: Special risks exist where the assets of a Fund, or any other Underlying Fund, are held by a prime broker rather than through a conventional custodial arrangement with a bank or trust company. Due to the use of leverage and the presence of short positions, some or all of the assets of a Fund, or the assets of any other Underlying Fund, may be held in one or more margin accounts which may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. In the event that the prime broker experiences severe financial difficulty, the assets of a Fund, or the assets of any other Underlying Fund, could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time while the prime broker's business is liquidated, resulting in a potential loss to the Fund or any other Underlying Fund's investment due to adverse market movements while the positions cannot be traded. Furthermore, if the prime broker's pool of customer assets is determined to be insufficient to meet all claims, the Fund or any other Underlying Fund could suffer a loss of some or all of the assets held by the prime broker.

Use of Options Risk: Subject to the restrictions on the use of options described under each Fund's "Investment Objective" and "Investment Strategies and Restrictions", each Fund, and any other Underlying Fund may purchase and write exchange-traded put and call options on debt and equity securities and indices (both narrow-and-broad-based), national securities exchange-traded put and call options on currencies and options on commodities and futures contracts. Put and call options are derivative securities traded on exchanges, including the NYSE Amex Equities, Chicago Board Options Exchange, NASDAQ OMX PHLX, TMX Exchange and New York Stock Exchange. Additionally, the Fund or any other Underlying Fund may purchase dealer options that are not traded on a securities exchange and options which trade on foreign exchanges.

A put option on securities or currencies gives the purchaser of the option, upon payment of a premium, the right to deliver a specified amount of the securities or currencies to the writer of the option on or before a fixed date at a predetermined price. A put option on a securities index gives the purchaser of the option, upon payment of a premium, the right to a cash payment from the writer of the option if the index drops below a predetermined level on or before a fixed date.

A call option on securities or currencies gives the purchaser of the option, upon payment of a premium, the right to call upon the writer to deliver a specified amount of the securities or currencies on or before a fixed date at a predetermined price. A call option on a securities index gives the purchaser of the option, upon payment of a premium, the right to a cash payment from the writer of the option if the index rises above a predetermined level on or before a fixed date.

The ability of a Fund or any other Underlying Fund to close out a position as a purchaser or seller of a listed put or call option is dependent, in part, upon the liquidity of the option market.

Call options may be purchased for speculative purposes or to provide exposure to increases in the market (e.g., with respect to temporary cash positions) or to hedge against an increase in the price of securities or other investments that a Fund or any other Underlying Fund intends to purchase. Similarly, put options may be purchased for speculative purposes or to hedge against a decrease in the market generally or in the price of securities or other investments. Buying options may reduce a Fund's or any Underlying Fund's returns, but by no more than the amount of the premiums paid for the options.

The Funds or any other Underlying Fund may also write (sell) listed covered options. Call options written give the holder the right to buy the underlying securities at a stated exercise price; put options give the holder the right to sell the underlying security. A call option is covered if the owner owns the security underlying the call or has an absolute and immediate right to acquire that security without additional cash consideration upon conversion or exchange of securities currently held. A put option is covered if the owner maintains cash or cash equivalents equal to the exercise price in a segregated amount. If a written option expires unexercised, a gain is realized equal to the premium received at the time the option was written. If a purchased option expires unexercised, a capital loss is realized equal to the premium paid.

Prior to the earlier of exercise or expiration, an option written may be closed out by an offsetting purchase or sale of an option. The Fund or any other Underlying Fund will realize a gain from a closing purchase transaction if the cost of the closing transaction is less than the premium received from writing the option; if it is more, the Fund or any other Underlying Fund will realize a capital loss. If the premium received from a closing sale transaction is more than the premium paid to purchase the option, the Fund or any other Underlying Fund will realize a gain; if it is less, the Fund or any other Underlying Fund will realize a loss.

Options on futures contracts and physical commodities are similar to options on stocks, except that the option on a commodity or futures contract gives the holder the right, in exchange for a premium representing the market value of the option, to either buy or sell the underlying futures contract or physical commodity during a certain period of time for a fixed price. Unless the price of the futures contract or the commodity underlying the option changes and it becomes profitable to exercise or offset the option before it expires, the Fund or any other Underlying Fund may lose the entire amount of the premium. Conversely, if the Fund or any other Underlying Fund sells an option (to either sell or buy a futures contract or commodity), the Fund or any other Underlying Fund will be credited with the premium but will have to deposit margin with a commodities broker due to the contingent liability to deliver or accept the futures contract or commodity (less any premium received).

The Fund or any other Underlying Fund may also employ certain combinations of put and call options. A "straddle" involves the purchase of a put and call option on the same security with the same exercise prices and expiration dates. A "strangle" involves the purchase of a put option and a call option on the same security with the same expiration dates but different exercise prices. A "spread" involves the sale of an option and the purchase of the same type of option (put or call) on the same security with the same or different expiration dates and different exercise prices. The Fund or any other Underlying Fund may, at the same time it employs certain combination of options, also have a position in the underlying security, and a holding of segregated collateral as part of its "coverage" of short options. Thus, the Fund's or any other Underlying Fund's entire position related to a particular security or index may be complex.

Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary market risks.

Investment risk classification methodology

We identify the investment risk level of each Fund as an additional guide to help you decide whether the Fund is right for you. Our determination of the risk rating for each Fund is guided by the methodology recommended by the Fund Risk Classification Task Force (the Task Force) of The Investment Funds Institute of Canada. The Task Force concluded that the most comprehensive, easily understood form of risk is the historical volatility of a Fund as measured by the standard deviation of its performance. The use of standard deviation as a measurement tool allows for a reliable and consistent quantitative comparison of a Fund's relative volatility and related risk. Standard deviation is widely used to measure volatility of return. Each Fund's risk is measured using rolling 1, 3 and 5 year standard deviation and comparing these values against other mutual funds and an industry standard framework. The standard deviation represents, generally, the level of volatility in returns that a mutual fund has historically experienced over the set measurement periods. For new Funds or Funds which have a historical performance of less than 3 to 5 years, the Manager uses an appropriate benchmark index to estimate the expected volatility and therefore risk level of the Fund.

Each Fund is assigned an investment risk rating in one of the following categories:

Low – for Funds with a level of risk that is typically associated with investments in money market funds and Canadian fixed income funds;

Low-to-Medium – for Funds with a level of risk that is typically associated with investments in balanced funds and global and/or corporate fixed income funds;

Medium – for Funds with a level of risk that is typically associated with investments in equity portfolios that are diversified among a number of large-capitalization Canadian and/or international equity securities;

Medium-to-High – for Funds with a level of risk that is typically associated with investments in equity funds that may concentrate their investments in specific regions or in specific sectors of the economy; and

High – for Funds with a level of risk that is typically associated with investment in equity portfolios that may concentrate their investments in specific regions or in specific sectors of the economy where there is a substantial risk of loss (e.g., emerging markets, precious metals).

The risk ratings set forth in the table below do not necessarily correspond to an investor's risk tolerance assessment. Investors are advised to consult their financial advisor for advice regarding an individual investor's personal circumstances.

Hedge Fund	Risk Rating
Arrow Diversified Fund	Low - Medium
Curvature Market Neutral Fund	Low - Medium
East Coast Investment Grade Fund	Low
East Coast Investment Grade II Fund	Low
Hirsch Performance Fund	Medium
Raven Rock Income Fund	Low - Medium
Raven Rock Income II Fund	Low - Medium
SG U.S. Market Neutral Fund	Low - Medium

Although monitored on a semi-annual basis, we review the investment risk level of each Fund on an annual basis and each time a material change is made to the Fund's investment strategies and/or investment objective.

The method that we use to identify the investment risk level of each Fund is available on request, at no cost, by calling us at 1-877-327-6048 or by sending an email to info@arrow-capital.com.

9 Reporting Obligations

The fiscal year end of each Fund is December 31. The audited annual and unaudited semi-annual financial statements of the Fund will be prepared and sent to Unitholders who elect to receive the financial statements in conformity with applicable securities law requirements, as these may be amended from time to time.

Each of the Funds has received relief from the requirement to include the names of the issuers of securities sold short in its statements of investment portfolio provided that the statement includes disclosure of short positions by industry, the average cost, market value and percentage of net assets of each industry category, and the names of issuers where the short position exceeds 5% of the Fund's net assets. This relief terminates upon the coming into force of any legislation or rule of the Ontario Securities Commission dealing with paragraph 3.5(1)1 of NI 81-106 or any matters relating to the disclosure of short positions by investment funds.

10 Resale Restrictions

The Units will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, you will not be able to trade the Units unless you comply with an exemption from the prospectus and registration requirements under securities legislation.

The Units, however, can be redeemed. See "Section 5.1 - Terms of Securities - Redemption of Units".

11 Purchaser's Rights

If you purchase Units you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

11.1 Two Day Cancellation Right

If you purchase Units in reliance on the exemption from the prospectus requirements afforded by Section 2.9 of NI 45-106, you can cancel your agreement to purchase the Units. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the Units.

11.2 Statutory and Contractual Rights of Action in the Event of a Misrepresentation

A purchaser of securities has a statutory right of action, which is described below, in the Offering Jurisdictions.

These rights are in addition to, and without derogation from, any other right or remedy that purchasers may have at law. For the purposes of the following, "Misrepresentation" generally means an untrue statement of a material fact, or an omission to state a material fact that is required to be stated, or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

The foregoing summary is subject to the express provisions of the relevant securities legislation and the rules, regulations and other instruments thereunder in the relevant provinces and territories. Those provisions may contain other limitations and statutory defenses, not described below, on which a defendant may rely.

British Columbia

If you purchase Units in reliance on the exemption from the prospectus requirements afforded by Section 2.9 of NI 45-106, if there is a misrepresentation in this Offering Memorandum, you have a statutory right to sue:

(a) the Fund to cancel your agreement to buy the Units; or

(b) for damages against the Fund and any person who signed this Offering Memorandum.

You may elect to exercise a right of rescission against the Fund, in which case you have no right of action for damages against the fund.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defenses available to the Fund or a person who signed the Offering Memorandum. In an action for damages, the defendant will not be liable for all or any portion of those damages that the defendant proves does not represent the depreciation in value of the Units as a result of the Misrepresentation. In particular, they have a defense if you knew of the misrepresentation when you purchased the Units.

If you intend to rely on the rights described in (a) or (b) above, you must do so within strict time limitations. You must commence your action to cancel the agreement within 180 days after the date of the transaction that gave rise to the cause of action. You must commence your action for damages within the earlier of (i) 180 days after you first had knowledge of the facts giving rise to the cause of action, or (ii) 3 years after the date of the transaction that gave rise to the cause of action.

The amount recoverable by you may not exceed the price at which the Units of the Fund were offered under the Offering Memorandum.

New Brunswick

If the Offering Memorandum delivered to a purchaser resident in New Brunswick contains a Misrepresentation, the purchaser will be deemed to have relied upon the Misrepresentation if it was a Misrepresentation at the time of purchase and will have a statutory right of action against the Fund and each person or company who signed the Offering Memorandum for damages or, alternatively, for rescission, against the Fund.

This right of action is subject to the following limitations:

(a) no person will be liable if it proves that the purchaser purchased the Units with knowledge of the Misrepresentation;

(b) in the case of an action for damages, the defendant will not be liable for all or any portion of those damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation; and

(c) in no case will the amount recoverable exceed the price at which the Units were sold to the purchaser.

Similar rights of action for damages and rescission are provided in respect of a Misrepresentation in advertising and sales literature disseminated in connection with an offering of Units.

Where an individual makes a verbal statement to a prospective purchaser that contains a Misrepresentation relating to the Unit purchased and the verbal statement is made either before or contemporaneously with the purchase of the Unit, the purchaser is deemed to have relied on the Misrepresentation, if it was a Misrepresentation at the time of purchase, and has a right of action for damages against the individual who made the verbal statement.

No action shall be commenced to enforce a right of action more than:

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of any action, other than an action for rescission, the earlier of:

- one year after the purchaser first had knowledge of the facts giving rise to the cause of action, and
- six years after the date of the transaction that gave rise to the cause of action.

Nova Scotia

If the Offering Memorandum, a record incorporated by reference in or deemed incorporated into the Offering Memorandum, any amendment to the Offering Memorandum or any advertising or sales literature contains a Misrepresentation that was a Misrepresentation at the time of purchase, a purchaser resident in Nova Scotia will be deemed to have relied upon the Misrepresentation and will have a statutory right of action for damages against the Fund and, subject to additional defences, against every person who signed the Offering Memorandum. Alternatively, the purchaser may elect to exercise a statutory right of rescission against the Fund, in which case the purchaser will have no right of action for damages.

This right of action is subject to the following limitations:

(a) the right of action for damages or rescission is exercisable not later than 120 days after the date on which payment was made for the Units;

(b) no person or company will be liable if it proves that the purchaser purchased the Units with knowledge of the Misrepresentation;

(c) in the case of an action for damages, the defendant will not be liable for all or any portion of those damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation;

(d) in no case will the amount recoverable exceed the price at which the Units were offered under the Offering Memorandum or amendment to the Offering Memorandum to the purchaser;

(e) no person or company, other than the issuer, is liable for damages if the person or company proves that:

- the Offering Memorandum or amendment to the Offering Memorandum was sent or delivered to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable general notice that it was sent or delivered without the person's or company's knowledge and consent;
- after delivery of the Offering Memorandum or the amendment to the Offering Memorandum and before the purchase of the Units by the purchaser, on becoming aware of the Misrepresentation in the Offering Memorandum or amendment to the Offering Memorandum, the person or company withdrew the person's or company's consent to the Offering Memorandum or amendment to the Offering Memorandum and gave reasonable general notice of the withdrawal and the reason for it; or
- with respect to any part of the Offering Memorandum or amendment to the Offering Memorandum purporting to be made on the authority of an expert, or purporting to be a copy of, or an extract from, a report, statement or opinion of an expert, the person or company had no reasonable grounds to believe and did not believe that:
  - there had been a Misrepresentation, or
  - the relevant part of the Offering Memorandum or amendment to the Offering Memorandum
    - did not fairly represent the report, statement or opinion of the expert, or
    - was not a fair copy of, or an extract from, the report, statement or opinion of the expert; and

(f) no person or company other than the Fund is liable for damages with respect to any part of the Offering Memorandum or amendment to the Offering Memorandum not purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, opinion or statement of an expert unless the person or company:

- failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation, or
- believed that there had been a Misrepresentation.

Newfoundland and Labrador

Where the Offering Memorandum or a record incorporated by reference in or deemed incorporated into the Offering Memorandum contains a Misrepresentation when a person or company resident in Newfoundland and Labrador purchases a Unit offered by the Offering Memorandum, the purchaser has, without regard to whether the purchaser relied on the Misrepresentation, a right of action for damages against the Fund, and every person or company who signed the Offering Memorandum and a right of action for rescission against the Fund. Where the purchaser elects to exercise a right of rescission against the Fund, the purchaser has no right of action for damages against a person or company referred to above.

Such rights of rescission and damages are subject to certain limitations including the following:

(a) a person or company shall not be liable where the person or company proves that the purchaser had knowledge of the Misrepresentation;

(b) the amount recoverable under the above provisions shall not exceed the price at which the Units were offered under the Offering Memorandum; and

(c) in an action for damages, the defendant is not liable for all or any part of the damages that the defendant proves do not represent the depreciation in value of the Unit as a result of the Misrepresentation.

A person or company, other than the Fund, shall not be liable:

(a) where the person or company proves that the Offering Memorandum was sent to the purchaser without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Fund that it was sent without the knowledge and consent of the person or company;

(b) if the person or company proves that the person or company, on becoming aware of the Misrepresentation in the Offering Memorandum, withdrew the person's or company's consent to the Offering Memorandum and gave reasonable notice to the Fund of the withdrawal and the reason for it;

(c) if, with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, the person or company proves that the person or company did not have any reasonable grounds to believe and did not believe that:

- there had been a Misrepresentation, or
- the relevant part of the Offering Memorandum:
  - did not fairly represent the report, opinion or statement of the expert, or
  - was not a fair copy of, or an extract from, the report, opinion or statement of the expert; or

(d) with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company:

- did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation, or

- believed there had been a Misrepresentation.

No action shall be commenced to enforce these rights more than:

(a) in the case of an action for rescission, 180 days after the date of the transaction that gave rise to the cause of action; or

(b) in the case of an action, other than an action for rescission, the earlier of:

- 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or
- 3 years after the date of the transaction that gave rise to the cause of action.

Contractual Rights

British Columbia Accredited Investors and purchasers in reliance on the $150,000 minimum investment exemption.

If this Offering Memorandum together with any amendments to it contains a Misrepresentation, an Accredited Investor or an investor relying on the minimum investment exemption in British Columbia, does not have any statutory rights under applicable securities laws, nor do the securities laws require the Fund to contractually provide any rights of action for damages or rescission. The Fund is voluntarily providing purchasers in those provinces with rights of action for damages, or alternatively, for rescission similar to those provided for in the *Securities Act* (Ontario).

12 Financial Statements

A N N U A L R E P O R T

ARROW CAPITAL MANAGEMENT INC.

AUDITED FINANCIAL STATEMENTS DECEMBER 2014

ARROW DIVERSIFIED FUND

ARROW DIVERSIFIED FUND

Statements of Financial Position

	Note	As at December 31, 2014	As at December 31, 2013	As at January 1, 2013
Assets				
Current assets				
Financial assets designated at fair value through profit and loss		$ 12,198,876	$ 15,569,099	$ 26,810,341
Financial assets held for trading				
Fair value of options		5,186	3,339	-
Warrants		1,850	-	-
Unrealized gain on forward currency contracts		800	48,186	-
Cash		1,354,041	8,935	940,190
Margin deposit		3,508,420	1,683,609	2,917,131
Accrued interest and dividends receivable		3,176	3,726	1,900
Receivable for units issued		-	-	966,179
Receivable for securities sold		721,225	6,068,525	4,112,579
		17,793,574	23,385,419	35,748,320
Liabilities				
Current liabilities				
Financial liabilities held for trading				
Investments sold short		410,184	3,478	-
Unrealized loss on forward currency contracts		56,406	-	23,741
Margin Loan		396,731	1,137,685	104,175
Loan payable	9	-	366,000	-
Payable for units redeemed		131,365	378,140	1,223,495
Payable for securities purchased		737,972	697,196	3,108,508
Accrued interest and dividends payable		1,534	1,924	882
Other liabilities	9	92,258	160,556	37,160
		1,826,450	2,744,979	4,497,961
Net assets attributable to holders of redeemable units		$ 15,967,124	$ 20,640,440	$ 31,250,359
Net assets attributable to holders of redeemable units				
Class A		$ 6,396,207	$ 10,246,842	$ 19,931,428
Class F		$ 7,172,040	$ 7,815,751	$ 9,049,922
Class G		$ 11,965	$ 10,613	$ 51,222
Class I		$ 60,640	$ 147,052	$ 141,822
Class J		$ 1,715,105	$ 1,625,695	$ 965,828
Class U		$ 611,167	$ 794,487	$ 1,110,137
Number of units outstanding	8			
Class A		608,802	954,101	1,833,886
Class F		611,668	660,298	766,686
Class G		1,248	1,188	6,123
Class I		395	992	1,002
Class J		9,638	10,309	6,827
Class U		69,172	95,185	139,425
Net assets attributable to holders of redeemable units per unit				
Class A		$ 10.51	$ 10.74	$ 10.87
Class F		$ 11.73	$ 11.84	$ 11.80
Class G US Dollars		$ 8.28	$ 8.41	$ 8.40
Class I		$ 153.68	$ 148.31	$ 141.47
Class J US Dollars		$ 153.65	$ 148.42	$ 142.08
Class U US Dollars		$ 7.63	$ 7.86	$ 8.00
USD/CAD Foreign Exchange Rate		0.8634	0.9412	1.0043

Approved on behalf of the Board of Directors of Arrow Capital Management Inc., the Manager of the Fund:

"James L. McGovern"

James L. McGovern, Director

"Robert W. Maxwell"

Robert W. Maxwell, Director

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

ARROW DIVERSIFIED FUND

Statements of Comprehensive Income
For the years ended December 31

	Note	2014 $	2013 $
Income			
Net gains on investments and derivatives			
Interest for distribution purposes	5	13,476	8,216
Dividend income	5	44,709	22,142
Dividend expense on short sales	5	(15,776)	(17,292)
Net realized gain (loss) on investments and derivatives	5	113,920	960,644
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	5	1,301,809	994,129
Net gains on investments and derivatives		1,458,138	1,967,839
Other Income Items:			
Management fee rebates	9	3,621	1,492
Performance fee rebates	9	12,832	15,986
Interest on cash		8,022	11,270
Foreign exchange gain (loss)		(65,532)	(75,702)
Net change in unrealized foreign exchange gain (loss)		(219)	363
Total income (net)		1,416,862	1,921,248
Expenses			
Securityholder reporting fees		90,191	146,789
Management fees	9	266,003	407,718
Performance fees	9	56,792	110,179
Interest expense		9,817	4,816
Audit fees		16,766	19,950
Legal fees		166	495
Withholding tax expense		2,707	2,608
Security borrowing expenses		9,355	5,781
Commissions and other portfolio transaction costs	9	60,405	35,175
Harmonized sales tax		40,749	61,673
Total expenses before manager absorption		552,951	795,184
Less: Expenses absorbed by manager	9	-	(20,000)
Total expenses after manager absorption		552,951	775,184
Increase (decrease) in net assets attributable to holders of redeemable units		**863,911**	**1,146,064**
Increase (decrease) in net assets attributable to holders of redeemable units per Class	11		
- Class A		301,093	493,520
- Class F		275,643	395,696
- Class G		1,352	2,606
- Class I		6,039	6,797
- Class J		198,635	160,391
- Class U		81,149	87,054
Increase (decrease) in net assets attributable to holders of redeemable units per Unit	11		
- Class A		0.41	0.36
- Class F		0.45	0.56
- Class G		1.11	1.36
- Class I		6.42	6.85
- Class J		20.56	16.02
- Class U		1.04	0.84

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

ARROW DIVERSIFIED FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
For the years ended December 31

		2014 $	2013 $
Net assets attributable to holders of redeemable units at beginning of year			
	Class A	10,246,842	19,931,428
	Class F	7,815,751	9,049,922
	Class G	10,613	51,222
	Class I	147,052	141,822
	Class J	1,625,695	965,828
	Class U	794,487	1,110,137
		20,640,440	31,250,359
Increase (decrease) in net assets attributable to holders of redeemable units			
	Class A	301,093	493,520
	Class F	275,643	395,696
	Class G	1,352	2,606
	Class I	6,039	6,797
	Class J	198,635	160,391
	Class U	81,149	87,054
		863,911	1,146,064
Distributions to holders of redeemable units			
From net investment income	Class A	-	-
	Class F	-	-
	Class G	-	-
	Class I	-	-
	Class J	-	-
	Class U	-	-
		-	-
From net realized gains on investments and derivatives	Class A	-	-
	Class F	-	-
	Class G	-	-
	Class I	-	-
	Class J	-	-
	Class U	-	-
		-	-
Return of capital	Class A	(398,416)	(733,607)
	Class F	(329,332)	(378,677)
	Class G	(565)	(859)
	Class I	-	-
	Class J	-	-
	Class U	(36,366)	(44,957)
		(764,679)	(1,158,100)
Total distributions to holders of redeemable units		(764,679)	(1,158,100)
Redeemable unit transactions			
Proceeds from redeemable units issued	Class A	432,521	992,558
	Class F	421,234	805,634
	Class G	565	504
	Class I	-	-
	Class J	-	499,476
	Class U	36,366	44,957
		890,686	2,343,129
Reinvestments of distributions to holders of redeemable units	Class A	-	-
	Class F	-	-
	Class G	-	-
	Class I	-	-
	Class J	-	-
	Class U	-	-
		-	-
Redemption of redeemable units	Class A	(4,185,833)	(10,437,057)
	Class F	(1,011,256)	(2,056,824)
	Class G	-	(42,860)
	Class I	(92,451)	(1,567)
	Class J	(109,225)	-
	Class U	(264,469)	(402,704)
		(5,663,234)	(12,941,012)
Net increase (decrease) from redeemable unit transactions		(4,772,548)	(10,597,883)
Net increase (decrease) in net assets attributable to holders of redeemable units		(4,673,316)	(10,609,919)
Net assets attributable to holders of redeemable units at end of year	Class A	6,396,207	10,246,842
	Class F	7,172,040	7,815,751
	Class G	11,965	10,613
	Class I	60,640	147,052
	Class J	1,715,105	1,625,695
	Class U	611,167	794,487
Net assets attributable to holders of redeemable units at end of year		15,967,124	20,640,440

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

ARROW DIVERSIFIED FUND

Statements of Cash Flow
For the years ended December 31

	Note	2014 $	2013 $
Cash flows from (used in) operating activities			
Increase (decrease) in net assets attributable to holders of redeemable units		863,911	1,146,064
Adjustment for:			
Net change in unrealized foreign exchange loss (gain)		219	(363)
Net realized loss (gain) on investments and derivatives		(113,920)	(960,644)
Net change in unrealized depreciation (appreciation) in value of investments and derivatives		(1,301,809)	(994,129)
Purchase of investments		(86,948,326)	(62,147,113)
Proceeds from sale of investments		97,629,155	70,904,082
(Increase) decrease in margin deposit		(1,824,811)	1,233,522
Increase (decrease) in loan payable		(366,000)	366,000
Decrease (increase) in accrued interest and dividends receivable		550	(1,826)
Increase (decrease) in accrued interest and dividends payable		(390)	1,042
Increase (decrease) in other liabilities		(68,298)	123,396
Net cash from (used in) operating activities		7,870,281	9,670,031
Cash flows from (used in) financing activities			
Proceeds from redeemable units issued		890,686	3,309,308
Redemption of redeemable units		(5,910,009)	(13,786,367)
Distributions paid to holders of redeemable units, net of reinvested distributions		(764,679)	(1,158,100)
Increase (decrease) in margin loan		(740,954)	1,033,510
Net cash from (used in) financing activities		(6,524,956)	(10,601,649)
Net Increase (decrease) in cash		1,345,325	(931,618)
Cash at beginning of the year		8,935	940,190
Net change in unrealized foreign exchange gain (loss)		(219)	363
Cash at end of the year		1,354,041	8,935
Interest received*		21,498	19,486
Dividends received, net of withholding tax*		42,551	17,708
Interest paid*		(9,817)	(4,816)
Dividends paid*		(16,166)	(16,250)
*Included as part of cash flows from operating activities			

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

ARROW DIVERSIFIED FUND

Schedule of Investment Portfolio - As at December 31, 2014

FUNDS 74.9%		PERCENTAGE OF FUND	QUANTITY	FAIR VALUE	AVERAGE COST
Distressed Securities Fund Class 'X' Units	CAD	4.8%	25,939	$ 772,166	$ 591,283
Arrow Russian Fund Class 'X' Units	USD	0.0%	11,346	5,999	87,893
Arrow V Relative Value Fund Class 'X' Units	USD	0.0%	7,266	7,169	72,612
Curvature Market Neutral Fund Class 'X' Units	CAD	12.3%	132,865	1,961,477	1,495,427
East Coast Investment Grade Income Fund	CAD	1.4%	22,600	223,966	225,207
Exemplar Diversified Portfolio Fund Class 'F' Units	CAD	4.4%	52,306	698,322	570,000
Hirsch Performance Fund	CAD	7.5%	33,193	1,195,233	1,100,000
Jet Capital Concentrated Offshore Fund, Ltd - CL A Series One 2005	CAD	10.9%	860	1,742,675	1,210,429
Market Vectors Junior Gold Miners ETF	CAD	0.4%	2,155	59,825	57,785
Northern Rivers Global Energy LP	CAD	2.6%	347	417,276	550,000
Raven Rock Income Fund Class 'X' Units	USD	7.4%	88,132	1,186,081	1,071,860
Raven Rock Strategic Income Fund	CAD	0.3%	5,600	43,568	47,706
SG US Market Neutral Fund Class 'X' Units	USD	11.7%	118,909	1,861,563	1,298,682
Vantage Protected Performance Fund - Class 'A' Units	CAD	11.2%	1,366,159	1,783,497	1,477,244
Total Funds				$ 11,958,817	$ 9,856,128

EQUITY LONG POSITIONS 1.5%

SECURITY NAME	QUANTITY	FAIR VALUE	AVERAGE COST
BASIC MATERIALS 1.4%			
Franco-Nevada Corp.	2,335	$ 133,586	$ 133,107
Goldcorp Inc.	3,175	68,294	67,483
Silver Wheaton Corp.	1,020	24,103	24,201
		225,983	224,791

SECURITY NAME	QUANTITY	FAIR VALUE	AVERAGE COST
INDUSTRIAL 0.1%			
Randgold Resources Ltd.	180	14,076	14,073
		14,076	14,073

	FAIR VALUE	AVERAGE COST
Total Equity Long Positions	$ 240,059	$ 238,864

EQUITY SHORT POSITIONS -2.6%

SECTOR	FAIR VALUE	AVERAGE COST
FINANCIAL -2.6%	$ (410,184)	$ (409,287)
Total Equity Short Positions	$ (410,184)	$ (409,287)

WARRANTS LONG POSITIONS 0.0%

SECURITY NAME	STRIKE PRICE	MATURITY DATE	QUANTITY	FAIR VALUE	AVERAGE COST
Roxgold Inc.	0.9	2/4/2016	8,940	$ 120	$ -
Rubicon Minerals Corp.	2.0	3/12/2015	33,895	1,186	-
Tribute Pharmaceuticals Canada Inc.	0.9	7/15/2016	17,892	544	-
Total Warrants Long Positions				$ 1,850	$ -

OPTIONS LONG POSITIONS 0.0%

SECURITY NAME	STRIKE PRICE	MATURITY DATE	QUANTITY	FAIR VALUE	AVERAGE COST
iShares Russell 2000 ETF	113.0	2/1/2015	19	$ 3,714	$ 4,308
SPDR Gold Trust	120.0	3/1/2015	9	1,472	2,013
Total Options Long Positions				$ 5,186	$ 6,321

FORWARD CURRENCY CONTRACTS -0.3%

CURRENCY PURCHASED	NOTIONAL VALUE	CURRENCY SOLD	NOTIONAL VALUE	CONTRACT RATE	MATURITY DATE	FAIR VALUE	COUNTERPARTY	CREDIT RATING
Canadian Dollar	2,992,773	US Dollar	(2,633,000)	1.136640	7-Jan-15	$ (57,178)	Bank of Nova Scotia	Aa2
Canadian Dollar	336,695	US Dollar	(290,000)	1.161017	7-Jan-15	772	Bank of Nova Scotia	Aa2
US Dollar	290,000	Canadian Dollar	(335,123)	0.865354	7-Jan-15	800	Bank of Nova Scotia	Aa2
Total Forward Currency Contracts						$ (55,606)		

INVESTMENT PORTFOLIO SUMMARY		FAIR VALUE	AVERAGE COST
Funds Positions	74.9%	$ 11,958,817	$ 9,856,128
Equity Long Positions	1.5%	240,059	238,864
Equity Short Positions	-2.6%	(410,184)	(409,287)
Warrants Long Positions	0.0%	1,850	-
Options Long Positions	0.0%	5,186	6,321
Forward Currency Contracts	-0.3%	(55,606)	-
Total Investments	73.5%	11,740,122	9,692,026
Total Other Net Assets	26.5%	4,227,002	
Total Net Assets	100.0%	$ 15,967,124	

1. GENERAL INFORMATION

Arrow Diversified Fund (the "Fund") is an open-ended investment trust established under the laws of Ontario and is governed by the Declaration of Trust dated January 1, 2002, as amended from time to time.

The investment objective of the Fund is to generate consistent absolute returns while limiting the overall volatility of the Fund and minimizing the Fund's correlation to major equity indices. This objective is achieved by investing in Funds (an "Underlying Fund" and together the "Underlying Funds") that employ a variety of strategies, including, but not limited to long and short equity, merger arbitrage, high yield securities, convertible bond arbitrage, global macro and equity market neutral. The Fund may also directly invest in equity or debt securities and derivatives.

The Manager of the Fund is Arrow Capital Management Inc. (the "Manager"). The address of the Fund's registered office is 36 Toronto Street, Suite 750, Toronto, Ontario.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation and Adoption of IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the Chartered Professional Accountant (CPA) Canada Handbook ("Canadian GAAP"). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

Note 12 discloses the impact of the transition to IFRS on the Fund's reported financial position, and financial performance, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

These financial statements were authorized for issue by the Manager on April 30, 2015.

b) Financial Instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit and loss ("FVTPL"). Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's long investment positions are designated at "FVTPL". The Fund's short investment positions and derivatives are classified as held for trading ("HFT") and are measured at FVTPL. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. Due to their short term nature, the carrying values of other assets and liabilities and net assets attributable to holders of redeemable units approximate their fair values. The Fund's accounting policies for measuring the fair value of its investments and derivatives are the same to those used in measuring its net asset value ("NAV") for transactions with unitholders. There were no differences between the net asset value attributable to holders of redeemable units used for reporting purposes under IFRS and that used for transactions with unitholders at December 31, 2014 or 2013 and January 1, 2013.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined on an average cost basis. Realized gains and losses on securities sold short and unrealized appreciation or depreciation on securities sold short are calculated with reference to the average proceeds of the related securities. Average cost does not include amortization of premiums or discounts on fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the fund accounted for on an accrual basis.

Dividend income and expense is recognized in the statement of comprehensive income on the ex-dividend date. Fund investment distribution is recognized when it is declared.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

c) Financial Instruments - Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for securities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The fair value of bonds is determined using mid-market pricing derived from bid and ask prices provided by independent security pricing services or recognized investment dealers. Gains and losses arising from changes in the fair value of financial assets or liabilities are presented in the statement of comprehensive income. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same and other commonly used methods by market participants which make the maximum use of observable inputs.

d) Investments in Underlying Funds

The Fund's investments in Underlying Funds are subject to the terms and conditions of the respective Underlying Fund's offering documentation. Except in the situation where Underlying Funds are actively traded on an exchange, the investments in the Underlying Funds are valued based on the latest available redemption price as determined by the respective Underlying Fund's administrator. The Fund reviews the details of the reported information and considers the liquidity of the Underlying Fund and its underlying investments, the value date of the net asset value provided, any restrictions on redemptions and the basis of accounting to determine whether any adjustment to the net asset value is necessary in determining fair value. Gains and losses arising from changes in fair value of the Underlying Funds are presented in the statement of comprehensive income.

e) Impairment of Financial Assets

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of future cash flows discounted using the assets original effective interest rate.

Impairment losses on financial assets at amortized cost are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

f) Foreign Currency Translation

The Fund's functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as 'Foreign exchange gain (loss)' and those relating to other financial assets and liabilities are presented within 'Net realized gain (loss) on investments and derivatives' and 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income.

g) Cash

Cash is comprised of deposits with financial institutions.

h) Margin Deposit

Cash collateral provided by the Fund is identified in the statement of financial position as 'Margin deposit'.

i) Collateral

For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral and such party has indentified the securities which are pledged as collateral, the fund classifies that asset in the statement of financial position as 'pledged collateral'.

j) Margin loan

Margin loan represents cash amounts borrowed under a margin agreement with the Fund's prime broker. The Fund has granted a first priority security interest over investments and other assets held at the prime broker in support of its obligations under its margin lending agreement. Amounts borrowed are payable on demand.

k) Forward Currency Contracts

The Fund may enter into forward currency contracts for purposes of minimizing currency exposure or to establish an exposure to a particular currency. The value of forward currency contracts entered into by the Fund is recorded as the difference between the contract rate and the current forward rates at the measurement date, applied to the contract's notional amount and adjusted for counterparty risk. The change in the fair value of forward currency contracts is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. Upon closing of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the statement of comprehensive income.

l) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. When the Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. Options held by the Fund are exchange-traded. Subsequent to initial recognition, changes in fair value, the difference between the premium paid or received, and fair value, are presented in 'Change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a gain or loss and is presented in 'Net realized gain (loss) on investments and derivatives' in the statement of comprehensive income.

m) Commissions and Other Portfolio Transaction Costs

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers. Such costs are expensed when incurred.

n) Income and Expense Allocation

The net assets of each class are computed by calculating the value of that class' proportionate share of the Fund's assets less that class' proportionate share of the Fund's common liabilities less class specific liabilities, if any. Expenses directly attributable to a class are charged to that class. Other income, expenses and gains/losses are allocated based on a reasonable allocation methodology which will include allocations based upon the assets of the Fund or the number of unitholders in the Fund or other methodology the Manager determines is fair.

The Fund is denominated in Canadian dollars. Class G units, Class J units and Class U units are issued in U.S. dollars. Where the Fund has utilized forward exchange contracts and cash to hedge the currency for the respective classes, resulting gains or losses have been included in the increase (decrease) in net assets attributable to these specific classes.

o) Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to the class by the weighted average number of units outstanding in that class during the year. Refer to Note 11 for the calculation.

p) Classification of Redeemable Units

The Funds' redeemable units contain multiple contractual obligations and multiple series of units have been issued which do not have identical features. Consequently, the units do not meet the conditions in IAS 32 to be classified as equity. As a result, the Funds' obligations for net assets attributable to holders of redeemable shares are presented at the redemption amounts.

q) Investments in Structured Entities

The Fund invests in underlying funds that are managed by their respective Investment Advisors and whose investment objectives may range from achieving short-term to long-term income and capital growth. Underlying funds may use leverage in a manner consistent with their respective objectives and as permitted by their respective governing regulatory authorities. Underlying funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportionate stake in the respective fund's net assets. The Fund's interest in underlying funds as at December 31, 2014 and 2013, and January 1, 2013, held the form of redeemable units, which are included at their fair value in the Statements of Financial Position which represents the Fund's maximum exposure in these underlying funds. The Fund does not provide, and has not committed to provide, any additional significant financial or other support to the underlying funds. The change in fair value of each of the underlying funds during the periods is included in 'Change in unrealized appreciation (depreciation) of value of investments and derivatives' in the Statements of Comprehensive Income in 'Net gains (losses) on investments and derivatives'.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Use of Estimates

Fair Value measurement of derivatives and securities not quoted in an active market

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. Fair value of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

As at December 31, 2014, the investment in the Underlying Funds represented 74.9% of financial assets at fair value through profit or loss [December 31, 2013 - 75.4%, January 1, 2013 - 85.7%]. Except in the situation where Underlying Funds are actively traded on an exchange, the fair value of the Underlying Funds is determined primarily by reference to the latest available redemption price for each of the Underlying Fund's units as reported by the respective administrator of the Underlying Fund. The Fund may make adjustments to the value based on considerations such as; liquidity of the Underlying Fund or its underlying investments, the value date of the net asset value provided, any restrictions on redemptions and the basis of accounting. Redemption can only be made on the redemption dates and subject to the required notice periods specified in the offering documents.

Refer to Note 5 for further information about the fair value measurement of the Fund's financial instruments.

Use of Judgments

Classification and Measurement of Investments and Application of the Fair Value Option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, *Financial Instruments - Recognition and Measurement* (IAS 39). The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

Assessment as Investment Entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The Fund meets the definition of investment entity as it obtains funds from one or more investors for the purpose of providing those investors with professional investment management services and commit to their investors that their business purpose is to invest funds solely for returns from capital appreciation, investment income or both. The Fund measures and evaluates the performance of substantially all of its investments on a fair value basis.

Determination if Underlying Funds Meet the Structured Entity Definition

The Fund has concluded that its investments in the Underlying Funds are investments in unconsolidated structured entities. This represents a significant judgment by the Fund that is based generally on the fact that the decision making about the Underlying Funds investing activities is not governed by voting rights held by the Fund and other investors.

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Fund's activities expose it to a variety of risks associated with financial instruments: credit risk, liquidity risk and market risk (including price risk, currency risk, and interest rate risk).

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments present a risk of loss of capital. The maximum loss of capital on fund investments, equities and bonds is limited to the fair value of those positions. The maximum loss on equities sold short can be unlimited and the maximum loss on forward currency contracts is the notional contract value of those positions.

The Manager seeks to minimize potential adverse effects of financial instruments risks on the Fund's performance by employing professional managers and experienced portfolio advisors to monitor the Fund's positions and market events and diversifying the investment portfolio within the constraints of the investment objectives of the Fund. The Manager aims to monitor and review the risk and return characteristics of the combined investments of the Underlying Funds. If, in the Manager's opinion, these risk and return characteristics are not optimal, the Fund will make an investment to attempt to optimize the Fund's risk and return characteristics. These investments may include, but are not limited to, cash, equity or debt securities, short selling, options, futures, swaps and other derivative instruments.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Fund has provided the broker with a general lien over assets held in return for services including borrowed securities and derivatives trading. The terms and conditions associated with collateral have no significant unusual requirements from the usual practice of recourse when a default occurs. Therefore, the Fund is also exposed to credit risk of the broker. The Fund has indirect credit risk related to the Underlying Fund's credit risk of their respective brokers.

The Fund is exposed to counterparty credit risk on cash, margin deposits, forward currency contracts, options, receivable for securities sold and other receivable balances. The counterparties to the Fund's foreign currency contracts is the Bank of Nova Scotia, which has a credit rating of Aa2 (December 31, 2013 – A1, January 1, 2013 – Aa1), as rated by Moody's bond rating services.

The Fund is exposed to indirect counterparty credit risk on cash, margin deposits, forward currency contracts, options, swaps, futures contracts, receivable for securities sold, and other receivable balances of the Underlying Funds.

The Fund is not exposed to any direct credit risk related to debt securities. However the Fund has indirect credit risk related to the Underlying Funds' debt portfolios at December 31, 2014, December 31, 2013, and January 1, 2013.

The Fund is exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (December 31, 2013: Aaa, January 1, 2013: Aaa).

There are also risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund and Underlying Fund respectively. Therefore, the Fund and Underlying Fund should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Fund and Underlying Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The credit risk related to the associated receivables is considered limited, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing the Fund's rights to its assets in the case of an insolvency of any such party.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to monthly cash redemptions of redeemable units which are redeemable on demand at the holder's option and payable three business days post trade date. The Fund reserves the right to settle redemptions up to thirty days after the redemption trade date. The Fund aims to retain sufficient cash and cash equivalents positions to maintain adequate liquidity including coverage of obligations related to all current liabilities payable. If an Underlying Fund imposes restrictions on redemptions, the Fund may not be able to meet its obligations. All liabilities are typically due within three months.

Market Risk

The Fund's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

(a) Currency Risk

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than the Canadian dollar, primarily US dollars (USD). Consequently, the Fund is exposed to currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The table below indicates the Fund's exposure to USD as at December 31, 2014, December 31, 2013 and January 1, 2013, in Canadian dollar terms, and the notional amounts of foreign currency contracts. The table below also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Non-monetary are comprised of long and short equities, and funds. Monetary include cash, derivatives, fixed income securities, and other current receivables and payables.

December 31, 2014	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
United States Dollar - Long	$1,752,404	$4,822,749	$6,575,153	$175,240	$482,275	$657,515
United States Dollar - Short	(3,781,309)	-	(3,781,309)	(378,131)	-	(378,131)
Danish Krone -Short	(165)	-	(165)	(17)	-	(17)
Japanese Yen - Long	86,594	-	86,594	8,659	-	8,659
British Pound - Short	(82)	-	(82)	(8)	-	(8)
Mexican Peso - Short	(169)	-	(169)	(17)	-	(17)
Norwegian Krone - Short	(56)	-	(56)	(6)	-	(6)
New Zealand Dollar - Short	(180)	-	(180)	(18)	-	(18)
Swedish Krona - Short	(148)	-	(148)	(15)	-	(15)
European Currency – Short	(87)	-	(87)	(9)	-	(9)
Total	($1,943,198)	$4,822,749	2,879,551	($194,322)	$482,275	287,953
Redeemable units issued in USD			(2,338,237)			(233,824)
Net exposure to foreign currencies			**$541,314**			**$54,131**
% of net assets attributable to holders of redeemable units	(12.2%)	30.2%	18.0%	(1.2%)	3.0%	1.8%
% of net assets attributable to units issued in USD			(14.6%)			(1.5%)
% of net assets exposed to foreign currencies			**3.4%**			**0.3%**

December 31, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	$3,241,443	$8,861,001	$12,102,444	$324,144	$886,100	$1,210,244
United States Dollar - Short	(9,732,157)	-	(9,732,157)	(973,216)	-	(973,216)
Total	($6,490,714)	$8,861,001	2,370,287	($649,072)	$886,100	237,028
Redeemable units issued in USD			(2,430,795)			(243,080)
Net exposure to foreign currencies			**($60,508)**			**($6,052)**
% of net assets attributable to holders of redeemable units	(31.5%)	42.9%	11.5%	(3.2%)	4.3%	1.2%
% of net assets attributable to units issued in USD			(11.8%)			(1.2%)
% of net assets exposed to foreign currencies			**(0.3%)**			**0.0%**

January 1, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	$4,074,872	$14,385,821	$18,460,693	$407,487	$1,438,582	$1,846,069
United States Dollar - Short	(17,423,027)	-	(17,423,027)	(1,742,303)	-	(1,742,303)
Total	($13,348,155)	$14,385,821	1,037,666	($1,334,816)	$1,438,582	103,766
Redeemable units issued in USD			(2,127,187)			(212,719)
Net exposure to foreign currencies			**($1,089,521)**			**($108,953)**
% of net assets attributable to holders of redeemable units	(42.7%)	46.0%	3.3%	(4.3%)	4.6%	0.3%
% of net assets attributable to units issued in USD			(6.8%)			(0.7%)
% of net assets exposed to foreign currencies			**(3.5%)**			**(0.4%)**

The Fund has invested in various Underlying Funds and may have indirect exposure to currency risk in the event that the Underlying Funds invest in financial instruments which are denominated in other currencies.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2014 the Fund had no direct exposure to debt instruments (December 31, 2013 - $nil, January 1, 2013 - $nil) and such did not produce any material interest rate risk for the current or comparative periods.

The Fund is indirectly exposed to interest rate risk to the extent that the Underlying Funds invest in interest bearing financial instruments.

(c) Price Risk

The Fund is exposed to price risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Fund's and the Underlying Fund's investments are subject to the risk of changes in the prices of equity securities, fixed income instruments and derivatives.

As at December 31, 2014, if the Fund's relevant benchmark index, the MSCI World Index (CAD), had increased or decreased by 10%, with all other variables constant, the net assets attributable to holders of redeemable units of the Fund would have increased or decreased by approximately $287,408 [December 31, 2013 -$412,775; January 1, 2013 $625,014] representing 1.8% of net assets attributable to holders of redeemable units [December 31, 2013 – 2.0%; January 1, 2013 – 2.0%].

The Fund and Underlying Funds engage in short selling activities, wherein they borrow securities and sell them to third parties. Until the Fund or the Underlying Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold, not yet purchased, at prices which may be significantly higher than the fair value reflected on the financial statements.

Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

The following is a summary of the Fund's concentration risk:

	December 31, 2014		December 31, 2013		January 1, 2013	
Market Segment	Long Positions	Short Positions	Long Positions	Short Positions	Long Positions	Short Positions
	%	%	%	%	%	%
Basic Materials	1.4	-	-	-	-	-
Communications	-	-	-	-	-	-
Consumer, Cyclical	-	-	-	-	-	-
Consumer, Non-Cyclical	-	-	-	-	0.1	-
Energy	-	-	-	-	-	-
Financial	-	(2.6)	1.7	-	-	-
Funds	74.9	-	73.7	-	85.7	-
Industrial	0.1	-	-	-	-	-
Technology	-	-	-	-	-	-
Utilities	-	-	-	-	-	-

As at December 31, 2014, the Fund held 74.9% [December 31, 2013 - 73.7%; January 1, 2013 – 85.7%] of its net assets in the Underlying Funds which would result in the Fund having higher indirect exposure to the above categories.

Capital Risk Management

Units issued and outstanding are considered to be the capital of the Fund. The Fund does not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit of the Fund for all or any of the units of such unitholder by giving written notice to the Manager. The written notice is irrevocable and must be received no later than 4:00 p.m., EST, on the date that is at least ten business days prior to the date upon which the units are to be redeemed (a "Redemption Date"). The units are redeemable for cash equal to a pro rata share of the Fund's nets asset value less an amount equal to the performance fee payable by the Fund to the manager in respect of such unit.

5. FINANCIAL INSTRUMENTS- FAIR VALUE MEASUREMENT

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2014, December 31, 2013 and January 1, 2013:

As at December 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
Equity long	$240,059	-	-	$240,059
Fixed income long	-	-	-	-
Underlying Funds	327,359	$10,846,124	$785,334	11,958,817
Derivatives	5,186	3,422	-	8,608
Total	$572,604	$10,849,546	$785,334	$12,207,484
Liabilities				
Equities sold short	($410,184)	-	-	($410,184)
Fixed income short	-	-	-	-
Derivatives	-	($57,178)	-	(57,178)
Total	($410,184)	($57,178)	-	($467,362)

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Assets				
Equity long	-	$3,471	-	$3,471
Underlying Funds	$361,127	14,415,177	$789,324	15,565,628
Derivatives	3,339	48,186	-	51,525
Total	$364,466	$14,466,834	$789,324	$15,620,624
Liabilities				
Equities sold short	($3,478)	-	-	($3,478)
Total	($3,478)	-	-	($3,478)

As at January 1, 2013	Level 1	Level 2	Level 3	Total
Assets				
Equity long	$23,331	-	-	$23,331
Underlying Funds	-	$25,701,072	$1,085,938	26,787,010
Total	$23,331	$25,701,072	$1,085,938	$26,810,341
Liabilities				
Derivatives	-	($23,741)	-	($23,741)
Total	-	($23,741)	-	($23,741)

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

The following table presents the movement in Level 3 instruments for the year ended December 31, 2014 and December 31, 2013 by class of financial instrument:

	Financial assets designated at fair value through profit and loss	
	December 31, 2014	December 31, 2013
Opening balance	$789,324	$1,085,938
Net purchases and sales	(18,181)	(380,000)
Net transfers in (out)	-	-
Realized gain (loss)	(1,527,620)	65,911
Unrealized appreciation	1,541,811	17,475
Closing balance	$785,334	$789,324

There were no transfers between levels 1 and 2 during the years ended December 31, 2014 and 2013.

The Distressed Securities Fund (Distressed) is subject to a claim in the amount of $3.6 million from creditors arising from proceeds received from the sale of an investment held by Distressed, in a subsequently bankrupt organization. While management currently believes that resolution of this claim will not have a material adverse impact on Distressed, these matters are subject to inherent uncertainties. The amount of the loss, if any, cannot be determined at this time.

a) Equities

The Fund's equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. Certain of the Fund's equities do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

b) Fixed income

The Fund's fixed income positions are classified as Level 1 when the security is actively traded and a reliable price is observable.

c) Derivative assets and liabilities

Derivative assets and liabilities consist of options and foreign currency contracts. Options are exchange traded and are classified as Level 1 as each option is actively traded and a reliable price is observable. Foreign currency contracts are valued based primarily on the contract notional amount and the difference between the contract rate and the forward market rate for the same currency, adjusted for counterparty risk. Foreign currency contracts are classified as Level 2.

d) Underlying Funds

Investments in Underlying Funds are classified as Level 1 when the security is actively traded and a reliable price is observable. When the Underlying Fund investment is not traded on public exchanges, observable prices are not available. In such cases, fair value is determined using the fund prices as reported by the respective Underlying Fund's administrator, which have been determined using observable market data, and the fair value is classified as Level 2. If the determination of fair value requires significant unobservable data, the measurement is classified as Level 3.

The Level 3 Underlying Funds that amounts to $785,334 (December 31, 2013 - $789,324; January 1, 2013 - $1,085,938) consists of investments in the following funds:

December 31, 2014

Security Name	Currency	Quantity	Fair Value	Average Cost
			$	$
Arrow Russian Fund Class X	USD	11,346	5,999	87,893
Arrow V Relative Value Fund Class X	USD	7,266	7,169	72,612
Distressed Securities Fund Class X	CAD	25,939	772,166	591,283

December 31, 2013

Security Name	Currency	Quantity	Fair Value	Average Cost
			$	$
Arrow Russian Fund Class X	USD	9,215	5,862	86,765
Arrow V Relative Value Fund Class X	USD	167,237	25,487	1,671,273
Distressed Securities Fund Class X	CAD	25,939	757,975	591,283

January 1, 2013

Security Name	Currency	Quantity	Fair Value	Average Cost
			$	$
Arrow Russian Fund Class X	USD	9,215	5,739	86,765
Arrow V Relative Value Fund Class X	USD	167,237	37,712	1,671,273
Distressed Securities Fund Class X	CAD	39,717	1,042,487	905,372

The Level 3 Underlying Funds that amount to $785,334 consists of funds that have a liquidity constraint. The Fund values these instruments based on the value as reported by the respective Underlying Fund's administrator and applies a discount for lack of liquidity, if applicable. The change in valuation disclosed in the below table shows the direction an increase or decrease in the respective input variables would have on the valuation result.

Description	Value	Valuation Technique	Unobservable inputs	Weighted average input	Reasonable possible shift (+/-)	Change in valuation (+/-)
Illiquid funds	$785,334	Discounted market value	Discount for lack of liquidity	27.0%	5.0%	$45,000

Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2014 and 2013.

December 31, 2014

	Net realized gains /(losses)	Net unrealized gains /(losses)	Interest Income	Dividend income	Dividend expense	Total
Financial assets at FVTPL:						
Designated as FVTPL	$435,734	$1,402,332	$13,476	$44,709	-	$1,896,251
HFT	(221,757)	(99,829)	-	-	-	(321,586)
	213,977	1,302,503	13,476	44,709	-	1,574,665
Financial liabilities at FVTPL:						
HFT	(100,057)	(694)	-	-	($15,776)	(116,527)
Total:	$113,920	$1,301,809	$13,476	$44,709	($15,776)	$1,458,138

December 31, 2013

	Net realized gains /(losses)	Net unrealized gains /(losses)	Interest Income	Dividend income	Dividend expense	Total
Financial assets at FVTPL:						
Designated as FVTPL	$1,795,252	$925,653	$8,216	$22,142	-	$2,751,263
HFT	(740,514)	68,679	-	-	-	(671,835)
	1,054,738	994,332	8,216	22,142	-	2,079,428
Financial liabilities at FVTPL:						
HFT	(94,094)	(203)	-	-	($17,292)	(111,589)
Total:	$960,644	$994,129	$8,216	$22,142	($17,292)	$1,967,839

6. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the Fund enters into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the Statement of Financial Position, but still allow for the related amounts to set off in certain circumstances, such as bankruptcy or termination of the contracts. The following table shows financial instruments that may be eligible for offset, if such conditions were to arise, as at December 31, 2014, December 31, 2013, and January 1, 2013. The "Net" column displays what the net impact would be on the Fund's Statement of Financial Position if all amounts were set off.

December 31, 2014

Financial assets				Related amounts not set-off in the statement of financial position		
	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Counterparty 1	$570,840	(772)	$570,068	($56,406)	-	$513,662
Financial						
Counterparty 1	($57,178)	772	($56,406)	$56,406	-	-

December 31, 2013

Financial assets				Related amounts not set-off in the statement of financial position		
	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Counterparty 1	$386,686	-	$386,686	-	-	$386,686
Counterparty 2	$31,800	($4,114)	$27,686	-	-	$27,686
Financial						
Counterparty 1	-	-	-	-	-	-
Counterparty 2	($4,114)	$4,114	-	-	-	-

January 1, 2013

Financial assets				Related amounts not set-off in the statement of financial position		
	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Counterparty 1	$23,014	-	$23,014	($14,739)	-	$8,275
Counterparty 2	-	-	-	-	-	-
Financial						
Counterparty 1	($14,739)	-	($14,739)	$14,739	-	-
Counterparty 2	($9,002)	-	($9,002)	-	$9,002	-

7. INVESTMENT IN UNDERLYING FUNDS

Information related to investments in Underlying Funds are as follows:

December 31, 2014

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
Jet Capital Concentrated Offshore Fund Ltd – CL A Series One 2005	1,742,675	10.9	0.2
Hirsch Performance Fund	1,195,233	7.5	3.3
Northern Rivers Global Energy LP	417,276	2.6	41.1
Vantage Protected Performance Fund – Class ‘A’ Units	1,783,497	11.2	2.6
Distressed Securities Fund Class ‘X’ Units	772,166	4.8	4.9
Curvature Market Neutral Fund Class ‘X’ Units	1,961,477	12.3	1.1
Raven Rock Income Fund Class ‘X’ Units	1,186,081	7.4	1.8
Arrow V Relative Value Fund Class 'X' Units	7,169	0.0	62.4
Arrow Russian Fund Class 'X' Units	5,999	0.0	99.5
Exemplar Diversified Portfolio Fund Class ‘F’ Units	698,322	4.4	1.6
SG US Market Neutral Fund Class 'X' Units	1,861,563	11.7	6.2
East Coast Investment Grade Income Fund	223,966	1.4	0.3
Market Vectors Junior Gold Miners ETF	59,825	0.4	0.0
Raven Rock Strategic Income Fund	43,568	0.3	0.1

December 31, 2013

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
Act II Long/Short Fund Class 'X' Units	2,164,080	10.5	23.4
Agilith North American Diversified Fund LP, Class I Series 1	1,332,979	6.5	4.7
Arrow Russian Fund Class 'X' Units	5,862	0.0	67.6
Arrow V Relative Value Fund Class 'X' Units	25,487	0.1	64.1
Curvature Market Neutral Fund Class 'X' Units	2,080,913	10.1	1.6
Distressed Securities Fund Class 'X' Units	757,975	3.7	4.9
EIFF - Strategic India Fund - Institutional Series	587,765	2.8	53.5

Friedberg Global Macro Hedge Fund	851,671	4.1	0.5
Jet Capital Concentrated Offshore Fund, Ltd - CL A Series One 2005	1,287,647	6.2	0.3
Jet Capital Concentrated Offshore Fund, Ltd - CL A Series 2 (Feb 2013)	303,504	1.5	0.1
Jet Capital Concentrated Offshore Fund, Ltd - CL A Series 5 (March 2013)	515,996	2.5	0.1
Raven Rock Income Fund Class 'X' Units	1,015,653	4.9	1.5
SG US Market Neutral Fund Class 'X' Units	2,103,336	10.2	6.4
Vantage Protected Performance Fund – Class 'A' Units	1,539,787	7.5	3.0
Vantage Protected Performance Fund – Class 'A' Units- February 2013	314,689	1.5	0.6
Vantage Protected Performance Fund – Class 'A' Units- January 2013	315,569	1.5	0.7
East Coast Investment Grade Income Fund	295,514	1.4	0.3
Marret High Yield Strategies Fund	65,613	0.3	0.0

January 1, 2013

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
Act II Long/Short Fund Class 'X' Units	2,313,010	7.4	24.8
Arrow MMCAP Risk Arbitrage Fund Class 'X' Units	2,186,522	7.0	25.6
Arrow Risk Arbitrage Fund Class 'X' Units	697,746	2.2	31.5
Arrow Russian Fund Class 'X' Units	5,739	0.0	67.6
Arrow V Relative Value Fund Class 'X' Units	37,712	0.1	52.1
COR US Equity Income Fund Class 'X' Units	443,645	1.4	4.4
Curvature Market Neutral Fund Class 'X' Units	2,514,466	8.0	4.7
Distressed Securities Fund Class 'X' Units	1,042,487	3.3	6.9
Friedberg Global Macro Hedge Fund	959,157	3.1	0.3
Garrison Hill Fund Class 'X' Units	1,556,877	5.0	44.9
Jet Capital Concentrated Offshore Fund, Ltd - CL A Series One 2005	1,582,413	5.1	0.6
Jet Capital Concentrated Offshore Fund, Ltd - CL A Series (Dec 2012)	298,710	1.0	0.1
Jet Capital Concentrated Offshore Fund, Ltd - CL C Series 16 (Dec 2012)	410,228	1.3	0.2
North Pole Multi-Strategy Series NL	174,711	0.6	0.1
OCP Debt Opportunity International, Ltd Class A, Series 1	872,140	2.8	0.5
OCP Debt Opportunity International, Ltd Class A, Series 9 September 2012	227,565	0.7	0.1
Pensato Europa Fund Limited US$ Voting	1,094,634	3.5	0.6
Raven Rock Income Fund Class 'X' Units	2,555,929	8.2	4.1
Rose Grove Offshore Fund I, Ltd Class A Series 0109	1,969,006	6.3	0.4
Seven Seas Capital Appreciation Fund Founders Series - Dec 2012	1,748,360	5.6	3.9
SG US Market Neutral Fund Class 'X' Units	2,011,480	6.4	10.1
Vantage Protected Performance Fund – Class 'A' Units- December 2012	2,060,023	6.6	4.4

8. REDEEMABLE UNITS

Units issued and outstanding represent the capital of the Fund. The Fund is an open-ended trust and its units are sold and redeemed at the current net asset value per unit at the option of the unitholders. If applicable, the unitholders are entitled to distributions when declared. Distributions are reinvested in additional units of the Fund or paid in cash. The characterization of the distributions is based on Management's estimate of the actual income for the year.

Different classes of redeemable units are offered for sale by the Fund:

Class A and Class U	Designed primarily for investors who are advised by a Registered Dealer. Class U units are issued in U.S. Dollars.
Class F and Class G	Designed primarily for purchase by investors who participate in fee-based programs through their Registered Dealer. Class G units are issued in U.S. Dollars.

Class I and Class J	Designed primarily for eligible institutional investors. Class J units are issued in U.S. Dollars.

During the years ended December 31, 2014 and 2013 the number of units issued, redeemed and outstanding was as follows:

For the year ended December 31, 2014

Units	Redeemable units outstanding at January 1, 2014	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding December 31, 2014
Class A	954,101	39,910	(385,209)	608,802
Class F	660,298	35,198	(83,828)	611,668
Class G	1,188	60	-	1,248
Class I	992	-	(597)	395
Class J	10,309	-	(671)	9,638
Class U	95,185	4,162	(30,175)	69,172

For the year ended December 31, 2013

Units	Redeemable units outstanding at January 1, 2013	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding December 31, 2013
Class A	1,833,886	92,842	(972,627)	954,101
Class F	766,686	68,620	(175,008)	660,298
Class G	6,123	58	(4,993)	1,188
Class I	1,002	-	(10)	992
Class J	6,827	3,482	-	10,309
Class U	139,425	5,528	(49,768)	95,185

9. RELATED PARTY TRANSACTIONS

The Manager is responsible for making decisions relating to the investment of the Fund's assets and providing key management personnel.

a) Management and Performance Fees

Management fees are paid by the Fund to the Manager as compensation for investment management and advisory services as follows:

	Class A Units Class U Units	Class F Units Class G Units	Class I Units Class J Units
Management fee per annum	2.00%	1.00%	1.00%

Management fees are calculated and paid as of the last Valuation Date of each month.

The Manager is also entitled to receive from the Fund an annual Performance Fee equal to 5% of the increase during the year in the Net Asset Value of the Fund.

In addition, the Fund also accrues performance fees during the year on the increase in the value of certain investments by the Fund in securities of the Underlying Funds, in the event that no performance fee is being charged in the respective Underlying Fund. These fees are paid by the Manager to the investment advisors of the Underlying Funds.

Performance Fees will be reduced to ensure that any investments made by the Fund in Underlying Funds managed by the Manager will not result in a duplication of Performance Fees paid to the Manager.

The Fund is responsible for all operating expenses incurred by or on behalf of the Fund.

As at December 31, 2014, amounts owing to the Manager relating to management fees, administration fees and performance fees included in other liabilities were $91,601 [December 31, 2013 - $160,324; January 1, 2013 - $37,160].

As at December 31, 2014, the loan payable to the Manager was $nil [December 31, 2013 - $366,000; January 1, 2013 - $nil]. The loan was non-interest bearing with no fixed terms of repayment.

b) Related Party Unit Holdings

Unitholders who represent management of the Fund held the following units:

Class	December 31, 2014	December 31, 2013
Class A	42,236	41,365
Class F	165,315	162,252
Class G	1,212	1,188
Class I	992	597
Class J	9,638	10,309

c) Brokerage Commissions

Total commissions paid to dealers for the year ended December 31, 2014 in connection with portfolio transactions were $60,405 [December 31, 2013 - $35,175]. For the year ended December 31, 2014, $1,033 was used for market data services by the Manager [December 31, 2013 - $8,558].

10. TAXATION

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) ("Tax Act"). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any year are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses would not be reflected in the statement of financial position as a deferred income tax asset. As at December 31, 2014, the Fund had $489,342 in unused non-capital losses which expire no earlier than 2033.

11. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2014 and 2013 is calculated as follows:

December 31, 2014

	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
	$		$
Class A	301,093	742,784	0.41
Class F	275,643	609,419	0.45
Class G	1,352	1,215	1.11
Class I	6,039	940	6.42
Class J	198,635	9,661	20.56
Class U	81,149	78,052	1.04

December 31, 2013

	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
	$		$
Class A	493,520	1,366,716	0.36
Class F	395,696	701,703	0.56
Class G	2,606	1,918	1.36
Class I	6,797	993	6.85
Class J	160,391	10,014	16.02
Class U	87,054	103,169	0.84

12. TRANSITION TO IFRS

The effect of the Fund's transition to IFRS is summarized in this note as follows:

Transition Elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, *Investment Companies*.

Revaluation of Investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, *Financial Instruments - Recognition and Measurement,* which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, *Fair Value Measurement* (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. The impact of this adjustment was an increase (decrease) in net assets attributable to holders of redeemable units as shown below.

Reconciliation of Equity and Comprehensive Income as Previously Reported Under Canadian GAAP to IFRS

Equity	December 31, 2013	January 1, 2013
Equity as reported under Canadian GAAP	$20,638,748	$31,250,676
Revaluation of investments at FVTPL	1,692	(317)
Net assets attributable to holders of redeemable units	$20,640,440	$31,250,359

Comprehensive income	For the year ended December 31, 2013
Comprehensive income as reported under Canadian GAAP	$1,144,055
Revaluation of investments at FVTPL	2,099
Increase (decrease) in net assets attributable to holders of redeemable units	$1,146,064

Reclassification Adjustments

In addition to the measurement adjustments noted above, the Fund reclassified certain amounts upon transition in order to conform its financial statement presentation under IFRS. Under Canadian GAAP, the Fund presented withholding taxes by netting them against dividend income, whereas they have been reclassified and presented separately as tax expense under IFRS.

Classification of redeemable units issued by the Fund

The Funds' redeemable units contain multiple contractual obligations and multiple series of units have been issued which do not have identical features. Consequently, the units do not meet the conditions in IAS 32 to be classified as equity. As a result, the Funds' obligations for net assets attributable to holders of redeemable shares are presented at the redemption amounts.

13. REGULATORY EXEMPTION

The Fund is relying on Section 2.11 of National Instrument 81-106 which provides an exemption from filing its interim and annual financial statements with the Ontario Securities Commission.

The Fund is exempt from the inclusion in the Schedule of Investment Portfolio of the name of the issuers of the securities sold short except for the short positions that exceed 5% of the Fund's net assets.

14. FUTURE ACCOUNTING CHANGES - IFRS 9, FINANCIAL INSTRUMENTS

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

April 30, 2015

The accompanying financial statements have been prepared by Arrow Capital Management Inc., the Manager of Arrow Diversified Fund (the Fund), and approved by the Board of Directors of the Manager. The Fund's manager is responsible for the information and representations contained in these financial statements.

Arrow Capital Management Inc. maintains appropriate processes to ensure that reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards 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.

PricewaterhouseCoopers LLP is the external auditor of the Fund, appointed by the unitholders. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out on the following page.

"James L. McGovern"	"Robert W. Maxwell"
JAMES L. MCGOVERN	ROBERT W. MAXWELL
Managing Director & CEO	Managing Director & CFO
ARROW CAPITAL MANAGEMENT INC.	ARROW CAPITAL MANAGEMENT INC.

Independent Auditor's Report

To the Unitholders
Arrow Diversified Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2014 and December 31, 2013, 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 these financial statements in accordance with International Financial Reporting Standards, 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 these 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 the 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, 2014, December 31, 2013 and January 1, 2013 and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 30, 2015

A N N U A L R E P O R T

Arrow Capital Management Inc.

AUDITED FINANCIAL STATEMENTS DECEMBER 2014

SG U.S. MARKET NEUTRAL FUND

SG US Market Neutral Fund

Statements of Financial Position

	Note	As at December 31, 2014	As at December 31, 2013	As at January 1, 2013
Assets				
Current assets				
Financial assets designated at fair value through profit and loss		$ 28,653,356	$ 18,701,918	$ 19,036,964
Financial assets held for trading				
Options at fair value		171,717	53,240	-
Unrealized gain on forward currency contracts		-	103,611	-
Cash		18,711,063	31,761,457	510,596
Margin deposit		797,181	729,021	387,614
Rebate receivable from underlying fund		-	-	193,131
Accrued interest and dividends receivable		6,504	7,635	-
Receivable for securities sold		1,942,132	1,156,643	-
Receivable for units issued		40,240	-	562,621
		50,322,193	52,513,525	20,690,926
Liabilities				
Current liabilities				
Financial liabilities held for trading				
Investments sold short		18,417,239	16,805,286	-
Options at fair value		-	13,104	-
Unrealized loss on forward currency contracts		375,506	-	10,001
Payable for securities purchased		1,283,998	820,834	-
Accrued interest and dividends payable		15,831	4,915	-
Payable for units redeemed		-	1,696,475	601,378
Other liabilities	9	88,679	89,629	82,995
		20,181,253	19,430,243	694,374
Net assets attributable to holders of redeemable units		$ 30,140,940	$ 33,083,282	$ 19,996,552
Net assets attributable to holders of redeemable units				
Class A		$ 15,559,157	$ 15,858,729	$ 4,507,010
Class F		$ 9,442,729	$ 11,858,670	$ 10,179,636
Class I		$ -	$ 68,419	$ 62,286
Class X		$ 1,864,532	$ 2,128,501	$ 2,873,537
Class U		$ 1,133,032	$ 922,432	$ 1,222,296
Class G		$ 2,141,490	$ 2,246,531	$ 1,151,787
Number of units outstanding	7			
Class A		1,251,933	1,316,965	387,874
Class F		659,449	863,326	773,892
Class I		-	5,518	5,518
Class X		118,909	154,198	234,879
Class U		89,067	80,551	117,415
Class G		166,061	195,254	110,963
Net assets per unit				
Class A		$ 12.43	$ 12.04	$ 11.62
Class F		$ 14.32	$ 13.74	$ 13.15
Class I US Dollars		$ -	$ 11.66	$ 11.34
Class X US Dollars		$ 13.52	$ 12.98	$ 12.29
Class U US Dollars		$ 10.97	$ 10.77	$ 10.46
Class G US Dollars		$ 11.12	$ 10.82	$ 10.42
USD/CAD Foreign Exchange Rate		0.8620	0.9402	1.0043

Approved on behalf of the Board of Directors of Arrow Capital Management Inc., the Manager of the Fund:

"James L. McGovern"

James L. McGovern, Director

"Robert W. Maxwell"

Robert W. Maxwell, Director

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

SG US Market Neutral Fund

Statements of Comprehensive Income
For the years ended December 31

	Note	2014 $	2013 $
Income			
Net gains (losses) on Investments and derivatives			
Dividend income	5	164,235	175,047
Dividend expense on short sales	5	(222,883)	(101,655)
Net realized gain (loss) on investments and derivatives	5	1,691,211	2,560,078
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	5	(307,572)	(312,434)
Net gains (losses) on investments and derivatives		1,324,991	2,321,036
Other Income Items:			
Interest on cash		1,999	1,910
Rebate from underlying fund		-	174,527
Foreign exchange gain (loss)		1,828,929	727,834
Net change in unrealized foreign exchange gain (loss)		171,432	(46,356)
Total income (net)		3,327,351	3,178,951
Expenses			
Securityholder reporting fees		114,686	94,354
Management fees	9	666,048	553,370
Performance fees	9	256,540	253,911
Interest expense		510	202
Audit fees		18,937	27,300
Legal fees		340	431
Filing fees		2,597	2,341
Security borrowing expenses		151,425	109,233
Commissions and other portfolio transaction costs	9	446,361	362,339
Withholding tax expense		20,483	16,889
Harmonized sales tax		115,692	105,390
Total expenses		1,793,619	1,525,760
Increase (decrease) in net assets attributable to holders of redeemable units		1,533,732	1,653,191
Increase (decrease) in Net Assets attributable to holders of redeemable units per Class	11		
Class A		483,314	466,633
Class F		404,941	572,141
Class I		6,023	6,133
Class X		259,240	312,472
Class U		109,415	112,351
Class G		270,799	183,461
Increase (decrease) in Net Assets attributable to holders of redeemable units per Unit	11		
Class A		0.37	0.51
Class F		0.50	0.65
Class I		1.09	1.11
Class X		2.04	1.47
Class U		1.23	1.08
Class G		0.85	1.10

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

SG US Market Neutral Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
For the years ended December 31

		2014 $	2013 $
Net assets attributable to holders of redeemable units at beginning of year			
	Class A	15,858,729	4,507,010
	Class F	11,858,670	10,179,636
	Class I	68,419	62,286
	Class X	2,128,501	2,873,537
	Class U	922,432	1,222,296
	Class G	2,246,531	1,151,787
		33,083,282	19,996,552
Increase (decrease) in net assets attributable to holders of redeemable units			
	Class A	483,314	466,633
	Class F	404,941	572,141
	Class I	6,023	6,133
	Class X	259,240	312,472
	Class U	109,415	112,351
	Class G	270,799	183,461
		1,533,732	1,653,191
Distributions to holders of redeemable units			
From net investment income	Class A	-	-
	Class F	-	-
	Class I	-	-
	Class X	-	-
	Class U	-	-
	Class G	-	-
		-	-
From net realized gains on investments and derivatives	Class A	-	-
	Class F	-	-
	Class I	-	-
	Class X	-	-
	Class U	-	-
	Class G	-	-
		-	-
Return of capital	Class A	-	-
	Class F	-	-
	Class I	-	-
	Class X	-	-
	Class U	-	-
	Class G	-	-
		-	-
Total distributions to holders of redeemable units		-	-
Redeemable unit transactions			
Proceeds from redeemable units issued	Class A	1,251,286	13,460,672
	Class F	1,415,372	5,859,446
	Class I	-	-
	Class X	-	405,170
	Class U	275,717	204,672
	Class G	3,098,452	938,205
		6,040,827	20,868,165
Reinvestments of distributions to holders of redeemable units	Class A	-	-
	Class F	-	-
	Class I	-	-
	Class X	-	-
	Class U	-	-
	Class G	-	-
		-	-
Redemption of redeemable units	Class A	(2,034,172)	(2,575,586)
	Class F	(4,236,254)	(4,752,553)
	Class I	(74,442)	-
	Class X	(523,209)	(1,462,678)
	Class U	(174,532)	(616,887)
	Class G	(3,474,292)	(26,922)
		(10,516,901)	(9,434,626)
Net increase (decrease) from redeemable unit transactions		(4,476,074)	11,433,539
Net increase (decrease) in net assets attributable to holders of redeemable units		(2,942,342)	13,086,730
Net assets attributable to holders of redeemable units at end of year	Class A	15,559,157	15,858,729
	Class F	9,442,729	11,858,670
	Class I	-	68,419
	Class X	1,864,532	2,128,501
	Class U	1,133,032	922,432
	Class G	2,141,490	2,246,531
Net assets attributable to holders of redeemable units at end of year		30,140,940	33,083,282

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

SG US Market Neutral Fund

Statements of Cash Flow
For the years ended December 31

	Note	2014 $	2013 $
Cash flows from (used in) operating activities			
Increase (decrease) in net assets attributable to holders of redeemable units		1,533,732	1,653,191
Adjustment for:			
Net change in unrealized foreign exchange loss (gain)		(171,432)	46,356
Net realized (gain) loss on investments and derivatives		(1,691,211)	(2,560,078)
Net change in unrealized depreciation in value of investments and derivatives		307,572	312,434
Purchase of investments		(424,359,167)	(235,170,614)
Proceeds on sale of investments		417,428,532	254,069,033
Decrease (increase) in rebate receivable from underlying fund		-	193,131
Decrease (increase) in accrued interest and dividends receivable		1,131	(7,635)
Increase (decrease) in accrued interest and dividends payable		10,916	4,915
Increase (decrease) in other liabilities		(950)	6,634
Decrease (increase) in margin deposit		(68,160)	(341,407)
Net cash from (used in) operating activities		(7,009,037)	18,205,960
Cash flows from (used in) financing activities			
Proceeds from redeemable units issued		6,000,587	21,430,786
Redemption of redeemable units		(12,213,376)	(8,339,529)
Distributions paid to holders of redeemable units, net of reinvested distributions		-	-
Net cash from (used in) financing activities		(6,212,789)	13,091,257
Net Increase (decrease) in cash		(13,221,826)	31,297,217
Cash at beginning of the year		31,761,457	510,596
Net change in unrealized foreign exchange gain (loss)		171,432	(46,356)
Cash at end of the year		18,711,063	31,761,457
Interest received*		1,999	1,910
Dividends received, net of withholding tax*		144,884	130,440
Interest paid*		(510)	(202)
Dividends paid*		(211,967)	(99,283)
*Included as part of cash flows from operating activities			

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

SG US Market Neutral Fund

Schedule of Investment Portfolio - As at December 31, 2014

EQUITY LONG POSITIONS[1] 95.1%

SECURITY NAME		QUANTITY	FAIR VALUE	AVERAGE COST
BASIC MATERIALS	2.0%			
Canam Group Inc., Cla A. Schulman Inc.	USD	13,051	$ 613,643	$ 554,513
			613,643	554,513
COMMUNICATIONS	20.3%			
Adtran Inc.	USD	81,346	2,057,254	1,871,348
Cogent Communications Holdings Inc.	USD	32,929	1,351,930	1,291,521
comScore Inc.	USD	14,123	760,713	699,372
Extreme Networks Inc.	USD	24,300	99,512	141,428
RingCentral Inc.	USD	46,184	799,384	601,291
ViaSat Inc.	USD	14,417	1,054,187	974,794
			6,122,980	5,579,754
CONSUMER, CYCLICAL	16.6%			
Bob Evans Farms Inc.	USD	6,911	410,333	385,968
Build-A-Bear-Workshop Inc.	USD	23,376	545,082	501,189
Casey's General Stores Inc.	USD	3,714	389,154	355,048
Columbia Sportswear Co.	USD	14,504	749,434	701,329
Lumber Liquidators Holdings Inc.	USD	9,044	695,721	639,529
Penske Automotive Group Inc.	USD	10,870	618,787	530,411
Scotts Miracle-Gro Co. (The), Class 'A'	USD	10,745	776,836	745,801
Skechers U.S.A. Inc., Class 'A'	USD	12,993	832,793	864,219
			5,018,140	4,723,494
CONSUMER, NON-CYCLICAL	9.5%			
ARC Document Solutions Inc.	USD	10,133	120,139	110,121
Barrett Business Services Inc.	USD	11,312	359,571	282,878
Great Lakes Dredge & Dock Co.	USD	52,796	524,288	488,593
KAR Auction Services Inc.	USD	15,457	621,332	612,454
Monro Muffler Brake Inc.	USD	8,769	587,994	531,048
Quanta Services Inc.	USD	19,856	653,962	637,939
Weight Watchers International Inc.	USD	65	1,873	2,109
			2,869,159	2,665,142
FUNDS	22.1%			
Daily Income Fund - Money Market Portfoli	USD	5,748,094	6,668,361	6,533,665
			6,668,361	6,533,665
INDUSTRIALS	17.3%			
Atlas Air Worldwide Holdings Inc.	USD	18,653	1,066,819	900,039
Coherent Inc.	USD	9,070	638,902	591,451
GATX Corp.	USD	6,912	461,391	460,092
Jabil Circuit Inc.	USD	31,910	808,120	756,056
Knowles Corp.	USD	26,769	731,338	637,031
OSI Systems Inc.	USD	9,765	801,709	748,337
PowerSecure International Inc.	USD	52,176	705,167	649,445
			5,213,446	4,742,451
TECHNOLOGY	7.1%			
Actua Corp.	USD	35,964	770,602	705,127
Monolithic Power Systems Inc.	USD	17,955	1,036,063	954,125
PMC-Sierra Inc.	USD	32,086	340,962	285,349
			2,147,627	1,944,601
Total Equity Long Positions			$ 28,653,356	$ 26,743,620

EQUITY SHORT POSITIONS[1] -61.1%

SECTOR		FAIR VALUE	AVERAGE COST
BASIC MATERIALS	-3.5%	$ (1,051,261)	$ (1,014,116)
COMMUNICATIONS	-1.1%	(328,591)	(319,066)
CONSUMER, CYCLICAL	-6.7%	(2,015,293)	(1,944,966)
CONSUMER, NON-CYCLICAL	-11.3%	(3,408,479)	(3,370,669)
FINANCIAL	-0.5%	(152,236)	(165,627)
INDUSTRIALS	-16.6%	(4,995,802)	(4,809,275)
TECHNOLOGY	-21.5%	(6,465,577)	(5,986,343)
Total Equity Short Positions		$ (18,417,239)	$ (17,610,062)

Schedule 1 - Derivative assets and liabilities

LONG OPTION POSITIONS[1] 0.6%

SECURITY NAME	CONTRACTS	EXPIRY DATE	STRIKE PRICE	FAIR VALUE	AVERAGE COST
Rent-A-Center Inc. Call	112	17-Jan-15	35.0	$ 22,738	$ 5,915
Inphi Corporation Call	423	16-Jan-15	19.0	33,860	25,177
Monolithic Po Put	72	17-Jan-15	45.0	1,671	2,213
ARRIS Group Inc. Put	218	17-Jan-15	25.0	1,897	10,480
Exact Sciences Corp. Put	85	17-Jan-15	24.0	2,958	13,122
Adtran Inc. Put	182	20-Feb-15	19.0	7,918	13,853
Adtran Inc. Put	633	17-Jan-15	19.0	11,015	56,431
Extreme Networks Inc. Put	243	20-Mar-15	5.0	44,400	48,307
Ishares Russell 2000 Etf Put	255	17-Jan-15	118.5	45,260	48,910
Total Long Option Positions				$ 171,717	$ 224,408

FORWARD CURRENCY CONTRACTS -1.2%

CURRENCY PURCHASED	NOTIONAL VALUE	CURRENCY SOLD	NOTIONAL VALUE	CONTRACT RATE	MATURITY DATE	FAIR VALUE	COUNTER PARTY	CREDIT RATING
US Dollar	1,630,000	Canadian Dollar	(1,862,079)	0.875365	7-Jan-15	$ 28,967	Velocity Foreign Exchange Services Ltd.	Not Rated
US Dollar	1,840,000	Canadian Dollar	(2,101,979)	0.875365	7-Jan-15	32,698	Velocity Foreign Exchange Services Ltd.	Not Rated
US Dollar	930,000	Canadian Dollar	(1,062,413)	0.875365	7-Jan-15	16,527	Velocity Foreign Exchange Services Ltd.	Not Rated
Canadian Dollar	29,164,961	US Dollar	(25,530,000)	1.142380	7-Jan-15	(453,691)	Velocity Foreign Exchange Services Ltd.	Not Rated
Canadian Dollar	28,589	US Dollar	(25,000)	1.143550	7-Jan-15	(415)	Velocity Foreign Exchange Services Ltd.	Not Rated
Canadian Dollar	28,589	US Dollar	(25,000)	1.143550	7-Jan-15	(415)	Velocity Foreign Exchange Services Ltd.	Not Rated
US Dollar	50,000	Canadian Dollar	(57,185)	0.874355	7-Jan-15	823	Velocity Foreign Exchange Services Ltd.	Not Rated
Total Forward Currency Contracts						$ (375,506)		

(1) Securities are U.S. denominated

INVESTMENT PORTFOLIO SUMMARY		FAIR VALUE	AVERAGE COST
Equity Long Positions	95.1%	$ 28,653,356	$ 26,743,620
Equity Short Positions	-61.1%	(18,417,239)	(17,610,062)
Option Long Positions	0.6%	171,717	224,408
Option Short Positions	0.0%	-	-
Forward Currency Contracts	-1.2%	(375,506)	-
Total Investments	33.3%	10,032,328	9,357,966
Total Other Net Assets	66.7%	20,108,612	
Total Net Assets	100.0%	$ 30,140,940	

1. GENERAL INFORMATION

SG US Market Neutral Fund (the "Fund") is an open-ended investment trust established under the laws of Ontario and is governed by the Declaration of Trust dated January 1, 2003 as amended from time to time.

The investment objective of the Fund is to achieve superior capital appreciation with below average risk, by actively managing long and short positions, generally in U.S. equities.

The Manager of the Fund is Arrow Capital Management Inc. (the "Manager"). SG Capital Management LLC is the investment advisor (the "Investment Advisor").

On April 5, 2013, the Fund's investment strategy was changed from being a sole investment in the Cedar Street Offshore Fund, Ltd (the "Underlying Fund") to a managed portfolio of direct investments, managed by the Investment Advisor (see Note 8).

The address of the Fund's registered office is 36 Toronto Street, Suite 750, Toronto, Ontario.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation and Adoption of IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the Chartered Professional Accountant (CPA) Canada Handbook ("Canadian GAAP"). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

Note 12 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

These financial statements were authorized for issue by the Manager on March 31, 2015.

b) Financial Instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit and loss ("FVTPL"). Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's long investment positions are designated at "FVTPL". The Fund's short investment positions and derivatives are classified as held for trading ("HFT") and are measured at FVTPL. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. Due to their short term nature, the carrying values of other assets and liabilities and net assets attributable to holders of redeemable units approximate their fair values. The Fund's accounting policies for measuring the fair value of its investments and derivatives are the same to those used in measuring its net asset value ("NAV") for transactions with unitholders. There were no differences between the net asset value attributable to holders of redeemable units used for reporting purposes under IFRS and that used for transactions with unitholders at December 31, 2014 or 2013 and January 1, 2013.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined on an average cost basis. Realized gains and losses on securities sold short and unrealized appreciation or depreciation on securities sold short are calculated with reference to the average proceeds of the related securities.

Interest for distribution purposes shown on the statements of comprehensive income represents the interest received by the Fund accounted for on an accrual basis.

Dividend income and expense is recognized in the statement of comprehensive income on the ex-dividend date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

c) Financial Instruments - Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for securities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Gains and losses arising from changes in the fair value of financial assets or liabilities are presented in the statement of comprehensive income. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same and other commonly used methods by market participants which make the maximum use of observable inputs.

d) Investment in Underlying Fund

The Fund's investment in the Underlying Fund is subject to the terms and conditions of the Underlying Fund's offering documentation. The investment in the Underlying Fund is valued based on the latest available redemption price as determined by the Underlying Fund's administrator. The Fund reviews the details of the reported information and considers the liquidity of the Underlying Fund and its underlying investments, the value date of the net asset value provided, any restrictions on redemptions and the basis of accounting to determine whether any adjustment to the net asset value is necessary in determining fair value. Gains and losses arising from changes in fair value of the Underlying Fund are presented in the statement of comprehensive income.

e) Impairment of Financial Assets

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of future cash flows discounted using the assets original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

f) Foreign Currency Translation

The Fund's functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as 'Foreign exchange gain (loss)' and those relating to other financial assets and liabilities are presented within 'Net realized gain (loss) on investments and derivatives' and 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income.

g) Cash

Cash is comprised of deposits with financial institutions.

h) Margin Deposit

Cash collateral provided by the Fund to brokers for securities sold short and counterparties to derivative transactions is identified in the statement of financial position as 'Margin deposit'.

i) Collateral

For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral and such party has identified the securities which are pledged as collateral, the Fund classifies that asset in the statement of financial position as 'pledged collateral'.

j) Forward Currency Contracts

The Fund may enter into forward currency contracts for purposes of minimizing currency exposure or to establish an exposure to a particular currency. The value of forward currency contracts entered into by the Fund is recorded as the difference between the contract rate and the current forward rates at the measurement date, applied to the contract's notional amount and adjusted for counterparty risk. The change in the fair value of forward currency contracts is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. Upon closing of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the statement of comprehensive income.

k) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. When the Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. Options held by the Fund are exchange-traded. Subsequent to initial recognition, changes in fair value, the difference between the premium paid or received, and fair value, are presented in 'Change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a gain or loss and is presented in 'Net realized gain (loss) on investments and derivatives' in the statement of comprehensive income.

l) Commissions and Other Portfolio Transaction Costs

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers. Such costs are expensed when incurred.

m) Income and Expense Allocation

The net assets of each class are computed by calculating the value of that class' proportionate share of the Fund's assets less that class' proportionate share of the Fund's common liabilities less class specific liabilities, if any. Expenses directly attributable to a class are charged to that class. Other income, expenses and gains/losses are allocated based on a reasonable allocation methodology which will include allocations based upon the assets of the Fund or the number of unitholders in the Fund or other methodology the Manager determines is fair.

The Manager may reimburse the Fund's expenses at the Manager's discretion.

The majority of the investments of the Fund are denominated in U.S. dollars. Class A units and Class F units are issued in Canadian dollars. Where the Fund has utilized forward exchange contracts and cash to hedge the currency for these classes, resulting gains or losses have been allocated to these specific classes.

n) Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to the class by the weighted average number of units outstanding in that class during the year. Refer to Note 11 for the calculation.

o) Classification of Redeemable Units

The Funds' redeemable units contain multiple contractual obligations and multiple series of units have been issued which do not have identical features. Consequently, the units do not meet the conditions in IAS 32 to be classified as equity. As a result, the Funds' obligations for net assets attributable to holders of redeemable shares are presented at the redemption amounts.

p) Investments in Structured Entities

The Fund invests in underlying funds that are managed by their respective Investment Advisors and whose investment objectives may range from achieving short-term to long-term income and capital growth. Underlying funds may use leverage in a manner consistent with their respective objectives and as permitted by their respective governing regulatory authorities. Underlying funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportionate stake in the respective fund's net assets. The Fund's interest in underlying funds as at December 31, 2014 and 2013, and January 1, 2013, held the form of redeemable units, which are included at their fair value in the Statements of Financial Position which represents the Fund's maximum exposure in these underlying funds. The Fund does not provide, and has not committed to provide, any additional significant financial or other support to the underlying funds. The change in fair value of each of the underlying funds during the periods is included in 'Change in unrealized appreciation (depreciation) of value of investments and derivatives' in the Statements of Comprehensive Income in 'Net gains (losses) on investments and derivatives'.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Use of Estimates

Fair Value measurement of derivatives and securities not quoted in an active market

The Fund holds financial instruments that are not quoted in active markets, including derivatives. Fair value of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Refer to Note 5 for further information about the fair value measurement of the Fund's financial instruments.

Use of Judgments

Classification and Measurement of Investments and Application of the Fair Value Option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, *Financial Instruments - Recognition and Measurement* (IAS 39). The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

Determination if Underlying Funds Meet the Structured Entity Definition

The Fund has concluded that its investments in the Underlying Funds are investments in unconsolidated structured entities. This represents a significant judgment by the Fund that is based generally on the fact that the decision making about the Underlying Funds investing activities is not governed by voting rights held by the Fund and other investors.

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Fund's activities expose it to a variety of risks associated with financial instruments: credit risk, liquidity risk and market risk (including price risk, currency risk, and interest rate risk).

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments present a risk of loss of capital. The maximum loss of capital on long equity and options is limited to the fair value of those positions. The maximum loss on equities and options sold short can be unlimited and the maximum loss on forward currency contracts is the notional contract value of those positions.

The management of these risks is carried out by the Manager and Investment Advisor in accordance with the Declaration of Trust.

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn can also increase the potential returns the Fund can achieve. The Investment Advisor manages these exposures on a daily basis and expects to maintain leverage at a level ranging between no leverage and two times actual equity.

Credit Risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund has provided the broker with a general lien over assets held in return for services including borrowed securities and derivatives trading. The terms and conditions associated with collateral have no significant unusual requirements from the usual practice of recourse when a default occurs. Therefore, the Fund is also exposed to credit risk of the broker.

As at December 31, 2014, December 31, 2013 and January 1, 2013, the Fund did not have any credit risk arising from direct exposure to debt instruments.

The Fund is exposed to counterparty credit risk on cash, margin deposits, receivable for securities sold, and other receivable balances. The Fund's brokerage agreements require cash collateral in return for services including borrowed securities and derivatives trading. The Fund's prime broker is Wells Fargo Securities which has a credit rating of A2 (December 31, 2013 and January 1, 2013 – A2) as rated by Moody's bond rating service. The Fund is also exposed to counterparty credit risk on forward currency contracts. The counterparty to the Fund's forward currency contracts is Velocity Foreign Exchange Services Ltd. which is not rated by Moody's bond rating services.

The Fund's custodial services are provided by CIBC Mellon Trust Company which has a credit rating as rated by Moody's bond rating services of A1 (December 31, 2013: A1, January 1, 2013: Aa3).

The Fund is also exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (December 31, 2013: Aaa, January 1, 2013: Aaa).

There are also risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund. Therefore, the Fund should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The credit risk related to the associated receivables is considered limited, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing the Fund's rights to its assets in the case of an insolvency of any such party.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to monthly cash redemptions of redeemable units which are redeemable on demand at the holder's option and payable three business days post trade date. The Fund reserves the right to settle redemptions up to thirty days after the redemption trade date. The Fund aims to retain sufficient cash to maintain adequate liquidity including coverage of obligations related to short sales and all current liabilities (liabilities are typically due within three months).

Market Risk

The Fund's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

(a) Currency Risk

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than the Canadian dollar, primarily US dollars (USD). Consequently, the Fund is exposed to currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund enters into foreign exchange currency contracts to reduce its foreign currency exposure. The Fund's currency contracts are utilized to provide, on a best efforts basis, a hedge of the currency exposure of the investments of the Fund solely for unitholders who have invested in Canadian dollars (Class A and Class F).

The table below indicates the Fund's exposure to USD as at December 31, 2014, December 31, 2013 and January 1, 2013, in Canadian dollar terms, and the notional amounts of foreign currency contracts. The table below illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Non-monetary are comprised of long and short equities. Monetary include cash, long and short derivatives, other current receivables and payables.

December 31, 2014		Exposure			Impact on net assets attributable to holders of redeemable units	
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
United States Dollar - Long	$26,609,913	$28,825,073	$55,434,986	$2,660,991	$2,882,507	$5,543,498
United States Dollar - Short	(30,975,175)	(18,417,239)	(49,392,414)	(3,097,518)	(1,841,724)	(4,939,242)
Total	($4,365,262)	$10,407,834	6,042,572	($436,527)	$1,040,783	604,256
Redeemable units issued in USD			(5,139,054)			(513,905)
Net exposure to foreign currencies			**$903,518**			**$90,351**
% of net assets attributable to holders of redeemable units	**(14.5%)**	**34.5%**	**20.0%**	**(1.5%)**	**3.5%**	**2.0%**
% of net assets attributable to units issued in USD			(17.1%)			(1.7%)
% of net assets exposed to foreign currencies			**3.0%**			**0.3%**

December 31, 2013		Exposure			Impact on net assets attributable to holders of redeemable units	
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
United States Dollar - Long	$32,853,304	$18,706,955	$51,560,259	$3,285,330	$1,870,696	$5,156,026
United States Dollar - Short	(28,001,219)	(16,819,379)	(44,820,598)	(2,800,122)	(1,681,938)	(4,482,060)
Total	$4,852,085	$1,887,576	6,739,661	$485,208	$188,758	673,966
Redeemable units issued in USD			(5,365,883)			(536,588)
Net exposure to foreign currencies			**$1,373,778**			**$137,378**
% of net assets attributable to holders of redeemable units	**14.7%**	**5.7%**	**20.4%**	**1.5%**	**0.6%**	**2.0%**
% of net assets attributable to units issued in USD			(16.2%)			(1.6%)
% of net assets exposed to foreign currencies			**4.2%**			**0.4%**

January 1, 2013		Exposure			Impact on net assets attributable to holders of redeemable units	
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
United States Dollar - Long	$392,271	$19,036,964	$19,429,235	$39,227	$1,903,696	$1,942,923
United States Dollar - Short	(13,410,404)	-	(13,410,404)	(1,341,040)	-	(1,341,040)
Total	($13,018,133)	$19,036,964	6,018,831	($1,301,813)	$1,903,696	601,883
Redeemable units issued in USD			(5,309,906)			(530,991)
Net exposure to foreign currencies			**$708,925**			**$70,892**
% of net assets attributable to holders of redeemable units	**(65.1%)**	**95.2%**	**30.1%**	**(6.5%)**	**9.5%**	**3.0%**
% of net assets attributable to units issued in USD			(26.6%)			(2.7%)
% of net assets exposed to foreign currencies			**3.5%**			**0.3%**

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2014 and December 31, 2013 the Fund had no direct exposure to debt instruments. As at January 1, 2013, the Fund had invested in the Underlying Fund and may have been exposed to indirect credit risk if the Underlying Fund had invested in debt instruments and derivatives.

(c) Price Risk

The Fund is exposed to price risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Fund's investments are subject to the risk of changes in the prices of equity securities and options.

The Fund's policy is to manage price risk through diversification and selection of investments within specified limits established by the investment policies and restrictions within the Fund's offering memorandum. Specifically the Fund has established a limit on position size of 7% without a specific hedge to reduce stock specific and systemic market risk and a 20% limit to sector exposure on a net equivalent share basis.

In 2014, the Fund changed its relevant benchmark from the Russell 2000 Index (CAD) to the Russell 2000 Index (USD) to better reflect the underlying nature of the portfolio and related hedging strategy. As at December 31, 2014, if the Fund's relevant benchmark index had increased or decreased by 10%, with all other variables constant, the net assets attributable to holders of redeemable units of the Fund would have increased or decreased by approximately $30,141 [December 31, 2013 -$34,730; January 1, 2013 $2,000] representing 0.1% of net assets attributable to holders of redeemable units [December 31, 2013 - 0.01%; January 1, 2013 - 0.01%].

The Fund engages in short selling activities, wherein it borrows securities and sells them to third parties. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold, not yet purchased, at prices which may be significantly higher than the fair value reflected on the financial statements.

Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

The following is a summary of the Fund's concentration risk as at December 31, 2014, December 31, 2013 and January 1, 2013 as a percentage of net assets.

	December 31, 2014		December 31, 2013		January 1, 2013
Market Segment	Equities Long	Equities Short	Equities Long	Equities Short	Equities Long
	%	%	%	%	%
Basic Materials	2.0	(3.5)	-	-	-
Communications	20.3	(1.1)	2.0	(5.5)	-
Consumer Cyclical	16.7	(6.7)	1.8	(16.7)	-
Consumer Non-Cyclical	9.5	(11.3)	11.2	(4.5)	-
Financials	-	(0.5)	1.1	-	-
Funds	22.1	-	-	-	96.4
Industrial	17.3	(16.6)	15.2	(10.8)	-
Technology	7.1	(21.5)	22.4	(10.9)	-

Capital Risk Management

Units issued and outstanding are considered to be the capital of the Fund. The Fund does not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit of the Fund for all or any of the units of such unitholder by giving written notice to the Manager. The written notice is irrevocable and must be received no later than 4:00 p.m., EST, on the date that is at least ten business days prior to the last valuation date of a calendar month upon which the units are to be redeemed (a "Redemption Date"). The units are redeemable for cash equal to a pro rata share of the Fund's nets asset value.

5. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2014, December 31, 2013 and January 1, 2013:

As at December 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
Equity long	$28,653,356	-	-	$28,653,356
Derivatives	171,717	-	-	171,717
Total	$28,825,073	-	-	$28,825,073
Liabilities				
Equities sold short	($18,417,239)	-	-	($18,417,239)
Derivatives	-	($375,506)	-	(375,506)
Total	($18,417,239)	($375,506)	-	($18,792,745)

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Assets				
Equity long	$18,701,918	-	-	$18,701,918
Derivatives	53,240	$103,611	-	156,851
Total	$18,755,158	$103,611	-	$18,858,769
Liabilities				
Equities sold short	($16,805,286)	-	-	($16,805,286)
Derivatives	(13,104)	-	-	(13,104)
Total	($16,818,390)	-	-	($16,818,390)

As at January 1, 2013	Level 1	Level 2	Level 3	Total
Assets				
Underlying Fund	-	$19,036,964	-	$19,036,964
Total	-	$19,036,964	-	$19,036,964
Liabilities				
Derivatives	-	($10,001)	-	($10,001)
Total	-	($10,001)	-	($10,001)

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. This includes private and illiquid securities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

As at December 31, 2014, December 31, 2013 and January 1, 2013, the Fund did not hold any level 3 financial instruments.

There were no transfers between level 1, 2 or 3 during the years ending December 31, 2014 and December 31, 2013.

a) Equities

The Fund's equity positions are all classified as Level 1 as each security is actively traded and a reliable price is observable.

b) Derivative assets and liabilities

Derivative assets and liabilities consist of options and foreign currency contracts. Options are exchange traded and are classified as Level 1 as each option is actively traded and a reliable price is observable.

Foreign currency contracts are valued based primarily on the contract notional amount and the difference between the contract rate and the forward market rate for the same currency, adjusted for counterparty risk. Foreign currency contracts are classified as Level 2.

c) Underlying Fund

The Fund’s investment in the Underlying Fund is classified as Level 2. The value of the investment is based upon the net asset value as provided by the administrator or manager of the Underlying Fund. When final net asset values are not available, the administrator or manager may provide estimates of the net asset value. The valuation represents management’s best estimates based on a range of methodologies and assumptions; since they involve uncertainties, the fair values may not be realized in an actual sale or immediate settlement of the instruments.

Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2014 and 2013.

December 31, 2014

	Net realized gains /(losses)	Net unrealized gains /(losses)	Dividend Income	Dividend Expense	Total
Financial assets at FVTPL:					
Designated as FVTPL	$4,972,766	$219,904	$164,235	-	$5,356,905
HFT	182,982	(429,855)	-	-	(246,873)
	5,155,748	(209,951)	164,235	-	5,110,032
Financial liabilities at FVTPL:					
HFT	(3,464,537)	(97,621)	-	$(222,883)	(3,785,041)
Total:	$1,691,211	$(307,572)	$164,235	$(222,883)	$1,324,991

December 31, 2013

	Net realized gains /(losses)	Net unrealized gains /(losses)	Dividend Income	Dividend Expense	Total
Financial assets at FVTPL:					
Designated as FVTPL	$6,831,488	$384,474	$175,047	-	$7,391,009
HFT	125,427	(101,953)	-	-	23,474
	6,956,915	282,521	175,047	-	7,414,483
Financial liabilities at FVTPL:					
HFT	(4,396,837)	(594,955)	-	$(101,655)	(5,093,447)
Total:	$2,560,078	$(312,434)	$175,047	$(101,655)	$2,321,036

6. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the Fund enters into various master netting arrangements or other similar agreements that meet the criteria for offsetting in the Statement of Financial Position. The following tables show financial instruments that are eligible for offset as at December 31, 2014, December 31, 2013, and January 1, 2013.

December 31, 2014

Financial assets				Related amounts not set-off in the statement of financial position		
	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Counterparty 1	$79,015	($79,015)	-	-	-	-
Financial						
Counterparty 1	($454,521)	$79,015	($375,506)	-	$375,506	-

December 31, 2013

Financial assets

	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the statement of financial position	Related amounts not set-off in the statement of financial position: Financial instruments	Related amounts not set-off in the statement of financial position: Cash collateral	Net amount
Counterparty 1	$103,611	-	$103,611	-	-	$103,611

Financial

	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Counterparty 1	-	-	-	-	-	-

January 1, 2013

Financial assets

	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the statement of financial position	Related amounts not set-off in the statement of financial position: Financial instruments	Related amounts not set-off in the statement of financial position: Cash collateral	Net amount
Counterparty 1	-	-	-	-	-	-

Financial

	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Counterparty 1	($10,001)	-	($10,001)	-	$10,001	-

7. REDEEMABLE UNITS

Units issued and outstanding represent the capital of the Fund. The Fund is an open-ended trust and its units are sold and redeemed at the current net asset value per unit at the option of the unitholders. If applicable, the unitholders are entitled to distributions when declared. Distributions are reinvested in additional units of the Fund or paid in cash. The characterization of the distributions is based on Management's estimate of the actual income for the year.

Different classes of redeemable units are offered for sale by the Fund:

Class A and Class U	Designed primarily for investors who are advised by a Registered Dealer. Class U units are issued in U.S. Dollars
Class F and Class G	Designed primarily for purchase by investors who participate in fee-based programs through their Registered Dealer. Class G units are issued in U.S. Dollars
Class I	Designed primarily for eligible institutional investors and are issued in U.S. Dollars
Class X	Designed primarily for purchase by other funds managed by the Manager. Taxable income of Class X units is allocated annually to unitholders and immediately reinvested in the Fund without any increase in the number of units outstanding

During the years ended December 31, 2014 and 2013 the number of units issued, redeemed and outstanding was as follows:

For the year ended December 31, 2014

Units	Redeemable units outstanding at January 1, 2014	Redeemable units issued	Redeemable units issued on reinvestments	Redeemable units redeemed	Redeemable units issued and outstanding December 31, 2014
Class A	1,316,965	102,264	-	(167,296)	1,251,933
Class F	863,326	100,827	-	(304,704)	659,449
Class I	5,518	-	-	(5,518)	-
Class X	154,198	-	-	(35,289)	118,909
Class U	80,551	22,689	-	(14,173)	89,067
Class G	195,254	251,731	-	(280,924)	166,061

For the year ended December 31, 2013

Units	Redeemable units outstanding at January 1, 2013	Redeemable units issued	Redeemable units issued on reinvestments	Redeemable units redeemed	Redeemable units issued and outstanding December 31, 2013
Class A	387,874	1,145,201	-	(216,110)	1,316,965
Class F	773,892	438,826	-	(349,392)	863,326
Class I	5,518	-	-	-	5,518
Class X	234,879	31,749	-	(112,430)	154,198
Class U	117,415	18,782	-	(55,646)	80,551
Class G	110,963	86,765	-	(2,474)	195,254

8. INVESTMENT IN UNDERLYING FUND

Prior to April 5, 2013, the Fund invested in the Underlying Fund, Class C shares of Cedar Street Offshore Fund, Ltd., an exempted company incorporated under the provisions of the Companies Law of the Cayman Islands in April 2002. As at January 1, 2013, this direct investment represented 96.4% of financial assets at fair value through profit or loss. On April 5, 2013, the Fund's investment strategy was changed from being a sole investment in the Underlying Fund to a managed portfolio of direct investments, managed by the Investment Advisor.

The disposition of the Underlying Fund was settled on a partial cash and non-cash basis as follows:

Cash	$22,416,174
Long Securities, at Fair Value	12,874,469
Short Securities, at Fair Value	(13,895,884)
Total settlement received on disposition	$21,394,759

9. RELATED PARTY TRANSACTIONS

The Manager is responsible for making decisions relating to the investment of the Fund's assets and providing key management personnel.

a) Management and Performance Fees

Management fees are paid by the Fund to the Manager as compensation for investment management and advisory services as follows:

	Class A Units Class U units	Class F Units Class G Units	Class I Units	Class X Units
Management fee per annum	2.50%	1.50%	1.50%	1.00%

Management fees are calculated and paid as of the last Valuation Date of each month.

A management fee rebate was calculated by the Underlying Fund Manager, who determined the management fee rebate payable to the Fund at their discretion. The rebate was recorded as income for the Fund when the amount was ascertained and collection reasonably assured.

The Manager is entitled to receive from the Fund an annual Performance Fee equal to 20% of the increase in the Net Asset Value of each class (after adjusting for capital transactions and before accruing performance fees for the year) of the Fund, subject to a high water mark.

The Performance Fee will be accrued on every Valuation Date and payable on the last Valuation Date of each calendar year, except where Units are redeemed in which case the Performance Fee will be payable on a pro rata basis in respect of the redeemed Units on the redemption date. No performance fee is charged to Class X.

Prior to January 1, 2014, Performance Fees were calculated based on the investment of each individual investor and expensed by the Fund at the end of each calendar year. Redemption proceeds payable during the year to a unitholder were reduced by the Performance Fees.

The Fund is responsible for all operating expenses incurred by or on behalf of the Fund.

As at December 31, 2014, included in other liabilities are amounts owing to the Manager relating to management fees of $49,896 (excluding HST) [December 31, 2013 - $61,741; January 1, 2013 - $41,420] and performance fees of $14,549 [December 31, 2013 – nil; January 1, 2013 - $25,999]. Also included in other liabilities are amounts owing to the Manager for administration expenses paid on behalf of the Fund by the Manager in the amount of $10,247 [December 31, 2013 - $13,853; January 1, 2013 - nil].

b) Related Party Unit Holdings

Unitholders who represent management of the Fund held the following units:

Class	December 31, 2014	December 31, 2013	January 1, 2013
Class A	11,839	17,561	12,950
Class F	69,333	59,961	39,782
Class G	41,186	40,992	-
Class I	5,518	5,518	5,518

c) Brokerage Commissions

Total commissions paid to dealers for the year ended December 31, 2014 in connection with portfolio transactions were $446,361 [December 31, 2013 - $362,339].

10. TAXATION

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) ("Tax Act"). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any taxation year are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses would not be reflected in the statement of financial position as a deferred income tax asset. As at December 31, 2014, the Fund had $243,920 of unused allowable capital losses which have no expiry and $1,454,254 in unused non-capital losses which expire no earlier than 2027.

11. Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2014 and 2013 is calculated as follows:

December 31, 2014	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
Class A	$483,314	1,289,053	$0.37
Class F	$404,941	812,577	$0.50
Class I	$6,023	5,518	$1.09
Class X	$259,240	127,360	$2.04
Class U	$109,415	89,008	$1.23
Class G	$270,799	320,225	$0.85

December 31, 2013	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
Class A	$466,633	918,042	$0.51
Class F	$572,141	882,655	$0.65
Class I	$6,133	5,518	$1.11
Class X	$312,472	212,721	$1.47
Class U	$112,351	104,252	$1.08
Class G	$183,461	166,747	$1.10

12. TRANSITION TO IFRS

The effect of the Fund's transition to IFRS is summarized in this note as follows:

Transition Elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, *Investment Companies*.

Revaluation of Investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, *Financial Instruments - Recognition and Measurement,* which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, *Fair Value Measurement* (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Fund's investments by nil at January 1, 2013 and $49,191 as at December 31 2013. The impact of this adjustment was to increase the Fund's increase (decrease) in net assets attributable to holders of redeemable units by $49,191 for the year ended December 31, 2013. The impact of this adjustment was an increase (decrease) in net assets attributable to holders of redeemable units as shown below.

Reconciliation of Equity and Comprehensive Income as Previously Reported Under Canadian GAAP to IFRS

Equity	December 31, 2013	January 1, 2013
Equity as reported under Canadian GAAP	$33,034,091	$19,996,552
Revaluation of investments at FVTPL	49,191	-
Net assets attributable to holders of redeemable units	$33,083,282	$19,996,552

Comprehensive income	For the year ended December 31, 2013
Comprehensive income as reported under Canadian GAAP	$1,604,000
Revaluation of investments at FVTPL	49,191
Increase (decrease) in net assets attributable to holders of redeemable units	$1,653,191

Reclassification Adjustments

In addition to the measurement adjustments noted above, the Fund reclassified certain amounts upon transition in order to conform its financial statement presentation under IFRS. Under Canadian GAAP, the Fund presented withholding taxes by netting them against dividend income, whereas they have been reclassified and presented separately as tax expense under IFRS.

Classification of redeemable units issued by the Fund

The Funds' redeemable units contain multiple contractual obligations and multiple series of units have been issued which do not have identical features. Consequently, the units do not meet the conditions in IAS 32 to be classified as equity. As a result, the Funds' obligations for net assets attributable to holders of redeemable shares are presented at the redemption amounts.

13. REGULATORY EXEMPTION

The Fund is relying on Section 2.11 of National Instrument 81-106 which provides an exemption from filing its interim and annual financial statements with the Ontario Securities Commission.

The Fund is exempt from the inclusion in the Schedule of Investment Portfolio of the name of the issuers of the securities sold short except for the short positions that exceed 5% of the Fund's net assets.

14. FUTURE ACCOUNTING CHANGES - IFRS 9, FINANCIAL INSTRUMENTS

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

15. INVESTMENT IN STRUCTURED ENTITIES

Information related to investments in structured entities is as follows:

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
December 31, 2014			
Daily Income Fund – Money Market Portfolio	6,668,361	22.1	0.1
December 31, 2012			
Cedar Street Offshore Fund Ltd	19,036,964	96.4	18.7

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2015

The accompanying financial statements have been prepared by Arrow Capital Management Inc., the Manager of SG US Market Neutral Fund (the "Fund"), and approved by the Board of Directors of the Manager. The Fund's manager is responsible for the information and representations contained in these financial statements.

Arrow Capital Management Inc. maintains appropriate processes to ensure that reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards 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.

PricewaterhouseCoopers LLP is the external auditor of the Fund, appointed by the unitholders. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out on the following page.

"James L. McGovern"

JAMES L. MCGOVERN
Managing Director & CEO
ARROW CAPITAL MANAGEMENT INC.

"Robert W. Maxwell"

ROBERT W. MAXWELL
Managing Director & CFO
ARROW CAPITAL MANAGEMENT INC.

Independent Auditor's Report

To the Unitholders
SG US Market Neutral Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2014 and December 31, 2013, 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 these financial statements in accordance with International Financial Reporting Standards, 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 these 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 the 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, 2014, December 31, 2013 and January 1, 2013 and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 31, 2015

A N N U A L R E P O R T

AUDITED FINANCIAL STATEMENTS DECEMBER 2014

RAVEN ROCK INCOME FUND

RAVEN ROCK INCOME FUND

Statements of Financial Position

	Note	As at December 31, 2014	As at December 31, 2013	As at January 1, 2013
Assets				
Current assets				
Financial assets designated at fair value through profit and loss		$ 2,964,598	$ 1,002,419	$ 22,564
Financial assets held for trading				
Forward agreements	2	62,777,067	65,607,368	61,308,552
Cash		926,362	1,440,780	2,622,240
Margin deposit		67,365	18,100	-
Accrued interest and dividends receivable		288	1,988	33
Receivable for securities sold		-	449,995	-
Receivable for units issued		428,847	339,153	2,195,423
		67,164,527	68,859,803	66,148,812
Liabilities				
Current liabilities				
Payable for forward agreement		-	-	3,500,000
Payable for securities purchased		-	550,000	-
Payable for units redeemed		3,572,649	1,306,938	702,402
Other liabilities	9	93,170	99,206	84,360
		3,665,819	1,956,144	4,286,762
Net assets attributable to holders of redeemable units		$ 63,498,708	$ 66,903,659	$ 61,862,050
Net assets attributable to holders of redeemable units				
Class A		$ 35,264,172	$ 37,317,614	$ 30,513,748
Class F		$ 22,862,439	$ 24,708,935	$ 25,247,095
Class I		$ -	$ 171,305	$ 161,230
Class X		$ 1,186,082	$ 1,036,610	$ 3,519,316
Class U		$ 2,255,770	$ 2,089,069	$ 1,526,862
Class G		$ 1,930,245	$ 1,580,126	$ 893,799
Number of units outstanding	8			
Class A		4,125,032	3,772,707	2,999,506
Class F		2,527,884	2,396,279	2,413,301
Class I		-	15,478	15,478
Class X		88,132	78,792	301,080
Class U		236,709	203,924	153,107
Class G		194,623	150,237	88,398
Net assets attributable to holders of redeemable units per unit				
Class A		$ 8.55	$ 9.89	$ 10.17
Class F		$ 9.04	$ 10.31	$ 10.46
Class I		$ -	$ 11.07	$ 10.42
Class X US Dollars		$ 11.62	$ 12.38	$ 11.74
Class U US Dollars		$ 8.23	$ 9.64	$ 10.02
Class G US Dollars		$ 8.56	$ 9.90	$ 10.15
USD/CAD Foreign Exchange Rate		0.8634	0.9412	1.0043

Approved on behalf of the Board of Directors of Arrow Capital Management Inc., the Manager of the Fund:

"James L. McGovern"

James L. McGovern, Director

"Robert W. Maxwell"

Robert W. Maxwell, Director

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

RAVEN ROCK INCOME FUND

Statements of Comprehensive Income
For the years ended December 31

	Note	2014 $	2013 $
Income			
Net gains (losses) on investments and derivatives			
Interest for distribution purposes	6	68	200
Fund investment distribution	6	-	35,745
Net realized gain (loss) on investments and derivatives	6	65,779	678,643
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	6	(3,290,785)	4,087,516
Net gains on (losses) investments and derivatives		(3,224,938)	4,802,104
Other Income Items:			
Interest on cash		3,777	5,237
Foreign exchange gain (loss)		(11,740)	(2,833)
Total income (net)		(3,232,901)	4,804,508
Expenses			
Securityholder reporting fees		128,113	151,410
Management fees	9	430,329	371,485
Audit fees		13,401	17,325
Legal fees		674	1,150
Harmonized sales tax		49,272	47,904
Total expenses		621,789	589,274
Increase (decrease) in net assets attributable to holders of redeemable units		(3,854,690)	4,215,234
Increase (decrease) in Net Assets attributable to holders of redeemable units per Class	11		
Class A		(2,499,966)	1,759,314
Class F		(1,372,831)	1,766,797
Class I		(2,531)	10,075
Class X		16,796	339,760
Class U		13,178	192,549
Class G		(9,336)	146,739
Increase (decrease) in Net Assets attributable to holders of redeemable units per Unit	11		
Class A		(0.60)	0.50
Class F		(0.55)	0.64
Class I		(0.17)	0.65
Class X		0.22	1.41
Class U		0.06	1.03
Class G		(0.03)	1.22

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

RAVEN ROCK INCOME FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
For the years ended December 31

		2014	2013
		$	$
Net assets attributable to holders of redeemable units at beginning of year			
	Class A	37,317,614	30,513,748
	Class F	24,708,935	25,247,095
	Class I	171,305	161,230
	Class X	1,036,610	3,519,316
	Class U	2,089,069	1,526,862
	Class G	1,580,126	893,799
		66,903,659	61,862,050
Increase (decrease) in net assets attributable to holders of redeemable units			
	Class A	(2,499,966)	1,759,314
	Class F	(1,372,831)	1,766,797
	Class I	(2,531)	10,075
	Class X	16,796	339,760
	Class U	13,178	192,549
	Class G	(9,336)	146,739
		(3,854,690)	4,215,234
Distributions to holders of redeemable units			
From net investment income	Class A	-	-
	Class F	-	-
	Class I	-	-
	Class X	-	-
	Class U	-	-
	Class G	-	-
		-	-
From net realized gains on investments and derivatives	Class A	-	-
	Class F	-	-
	Class I	-	-
	Class X	-	-
	Class U	-	-
	Class G	-	-
		-	-
Return of capital	Class A	(3,229,799)	(2,704,493)
	Class F	(1,919,934)	(2,154,612)
	Class I	-	-
	Class X	-	-
	Class U	(182,149)	(148,959)
	Class G	(253,231)	(95,165)
		(5,585,113)	(5,103,229)
Total distributions to holders of redeemable units		(5,585,113)	(5,103,229)
Redeemable unit transactions			
Proceeds from redeemable units issued	Class A	10,913,207	14,518,298
	Class F	7,533,484	15,080,762
	Class I	20,106	-
	Class X	353,811	299,655
	Class U	431,498	666,948
	Class G	3,333,524	736,461
		22,585,630	31,302,124
Reinvestments of distributions to holders of redeemable units	Class A	-	-
	Class F	-	-
	Class I	-	-
	Class X	-	-
	Class U	-	-
	Class G	-	-
		-	-
Redemption of redeemable units	Class A	(7,236,884)	(6,769,253)
	Class F	(6,087,215)	(15,231,107)
	Class I	(188,880)	-
	Class X	(221,135)	(3,122,121)
	Class U	(95,826)	(148,331)
	Class G	(2,720,838)	(101,708)
		(16,550,778)	(25,372,520)
Net increase (decrease) from redeemable unit transactions		6,034,852	5,929,604
Net increase (decrease) in net assets attributable to holders of redeemable units		(3,404,951)	5,041,609
Net assets attributable to holders of redeemable units at end of year	Class A	35,264,172	37,317,614
	Class F	22,862,439	24,708,935
	Class I	-	171,305
	Class X	1,186,082	1,036,610
	Class U	2,255,770	2,089,069
	Class G	1,930,245	1,580,126
Net assets attributable to holders of redeemable units at end of year		63,498,708	66,903,659

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

RAVEN ROCK INCOME FUND

Statements of Cash Flow
For the years ended December 31

	2014 $	2013 $
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	(3,854,690)	4,215,234
Adjustment for:		
Net realized loss (gain) on investments and derivatives	(65,779)	(678,643)
Net change in unrealized depreciation (appreciation) in value of investments and derivatives	3,290,785	(4,087,516)
Non-cash item, fund investment distribution	-	(35,745)
Purchase of investments	(9,346,546)	(10,475,412)
Prepayment of forward agreement	-	(8,500,000)
Proceeds on sale of investment	7,093,635	9,800,106
Decrease (increase) in margin deposit	(49,265)	(18,100)
Net proceeds on sale of securities from partial settlement of forward agreement [1]	(203,978)	5,298,544
Decrease (increase) in accrued interest and dividends receivable	1,700	(1,955)
Increase (decrease) in other liabilities	(6,036)	14,846
Net cash from (used in) operating activities	(3,140,174)	(4,468,641)
Cash flows from (used in) financing activities		
Proceeds from redeemable units issued	22,495,936	33,158,394
Redemption of redeemable units	(14,285,067)	(24,767,984)
Distributions paid to holders of redeemable units, net of reinvested distributions	(5,585,113)	(5,103,229)
Net cash from (used in) financing activities	2,625,756	3,287,181
Net Increase (decrease) in cash	(514,418)	(1,181,460)
Cash at beginning of the year	1,440,780	2,622,240
Cash at end of the year	926,362	1,440,780

[1] *Net of counterparty fees*

Interest received*	3,878	5,437
Dividends received, net of withholding tax*	5,121	43,864
*Included as part of cash flows from operating activities		

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

RAVEN ROCK INCOME FUND

Schedule of Investment Portfolio - As at December 31, 2014

PREPAID FORWARD AGREEMENT 98.9%

PREPAID FORWARD AGREEMENT	PERCENTAGE OF FUND		FAIR VALUE *		AVERAGE COST
Prepaid Forward Agreement Class A	91.4%	$	58,006,832	$	55,450,705
Prepaid Forward Agreement Class U	7.5%		4,770,235		4,020,424
		$	62,777,067	$	59,471,129

FUND POSITIONS 4.7%

SECURITY NAME		QUANTITY		FAIR VALUE		AVERAGE COST
Raven Rock Income II Fund Class A-S	3.5%	192,874	$	2,203,728	$	2,400,129
Raven Rock Income II Fund Class U-S	1.1%	58,265		707,188		747,988
Raven Rock Strategic Income Fund	0.1%	6,900		53,682		57,957
Total Fund Positions			$	2,964,598	$	3,206,074

* See attached schedule for summary of the Raven Rock Income II Fund portfolio to which the Forward Agreement gave exposure (Note 2)

INVESTMENT PORTFOLIO SUMMARY			FAIR VALUE		AVERAGE COST
Forward Agreements	98.9%	$	62,777,067	$	59,471,129
Fund Positions	4.7%		2,964,598		3,206,074
Total Investments	103.5%		65,741,665		62,677,203
TOTAL OTHER NET ASSETS	-3.5%		(2,242,957)		
TOTAL NET ASSETS	100.0%	$	63,498,708		

Raven Rock Income Fund

Schedule of Investment Portfolio from Raven Rock Income II Fund - As at December 31, 2014

The following positions are held in Raven Rock Income II Fund

EQUITY LONG POSITIONS 54.6%

SECURITY NAME		QUANTITY	FAIR VALUE	AVERAGE COST
CONSUMER, NON-CYCLICAL	0.3%			
Amsurg Corp	USD	4,530	$ 592,898	$ 506,047
INDUSTRIALS	0.1%			
Chart Industries Inc	USD	6,120	242,427	253,865

SECURITY NAME		QUANTITY	FAIR VALUE	AVERAGE COST
FUNDS	54.3%			
Distressed Securities Fund	CAD	1,203,971	14,846,532	14,480,284
Raven Rock Credit Offshore Fund, Class A (3)	USD	81,727	104,844,538	108,942,017
			119,691,070	123,422,301
Total Equity Long Positions			$ 120,526,395	$ 124,182,213

EQUITY SHORT POSITIONS -13.0%

SECTOR		FAIR VALUE	PROCEEDS
COMMUNICATIONS	-0.1%	$ (259,075)	$ (325,793)
CONSUMER, CYCLICAL	-0.9%	(1,887,381)	(1,672,120)
CONSUMER, NON-CYCLICAL	-3.1%	(6,870,972)	(6,445,754)
INDUSTRIALS	-0.4%	(809,437)	(1,129,315)

SECTOR		FAIR VALUE	PROCEEDS
ENERGY	-0.5%	(995,453)	(1,263,156)
FINANCIAL	-1.0%	(2,152,709)	(1,474,674)
FUNDS	-7.0%	(15,598,944)	(14,478,348)
UTILITIES	-0.1%	(207,581)	(245,775)
Total Equity Short Positions		$ (28,781,552)	$ (27,034,935)

WARRANT LONG POSITIONS 0.0%

SECURITY NAME		QUANTITY	FAIR VALUE	AVERAGE COST	STRIKE PRICE	MATURITY DATE
Pacific Coal Resources Ltd	CAD	44,285	$ 222	$ 221	14.700	Mar/14/2016
Total Warrants Long Positions			$ 222	$ 221		

FIXED INCOME LONG POSITIONS 78.1%

SECURITY NAME		COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE	AVERAGE COST
Accuray Inc	USD	3.50%	Feb/01/2018	820,000	$ 1,450,455	$ 865,866
ADT Corp/The	USD	6.25%	Oct/15/2021	440,000	524,920	502,448
Aegerion Pharmaceuticals Inc	USD	2.00%	Aug/15/2019	660,000	621,457	723,753
Affinia Group Inc	USD	3.50%	Apr/12/2016	219,500	254,872	239,186
Ahern Rentals Inc	USD	9.50%	Jun/15/2018	1,100,000	1,325,040	1,149,479
Aleris International Inc	USD	7.63%	Feb/15/2018	250,000	292,821	275,082
Aleris International Inc	USD	7.88%	Nov/01/2020	2,020,000	2,339,669	2,253,448
Alliance Data Systems Corp	USD	6.38%	Apr/01/2020	1,265,000	1,503,650	1,418,011
Alliance Data Systems Corp	USD	5.38%	Aug/01/2022	3,800,000	4,357,344	4,127,624
Allied Specialty Vehicles Inc	USD	8.50%	Nov/01/2019	1,000,000	1,219,060	1,103,401
Amsted Industries Inc	USD	5.38%	Sep/15/2024	460,000	520,808	498,710
Antero Resources Corp	USD	5.13%	Dec/01/2022	1,500,000	1,646,166	1,638,506
Antero Resources Finance Corp	USD	5.38%	Nov/01/2021	1,500,000	1,687,428	1,693,852
Ardagh Packaging Finance PLC / Ardagh Holdings USA Inc	USD	6.00%	Jun/30/2021	1,910,000	2,118,240	2,051,576
Ascent Capital Group Inc	USD	4.00%	Jul/15/2020	2,338,000	2,239,185	2,441,225
AuRico Gold Inc	USD	7.75%	Apr/01/2020	380,000	407,126	419,738
BakerCorp International Inc	USD	8.25%	Jun/01/2019	990,000	1,043,469	1,056,314
Baytex Energy Corp	USD	6.75%	Feb/17/2021	1,520,000	1,831,262	1,691,151
Bill Barrett Corp	USD	5.00%	Mar/15/2028	4,000,000	4,635,903	4,377,830
BI-LO LLC / BI-LO Finance Corp	USD	8.63%	Sep/15/2018	370,000	323,558	382,590
BI-LO LLC / BI-LO Finance Corp	USD	9.25%	Feb/15/2019	2,980,000	3,192,722	3,311,864
Block Communications Inc	USD	7.25%	Feb/01/2020	3,410,000	4,048,380	3,894,549
Blucora Inc	USD	4.25%	Apr/01/2019	760,000	833,089	825,134
California Resources Corp	USD	6.00%	Nov/15/2024	2,280,000	2,244,692	2,577,935
Capsugel SA	USD	7.00%	May/15/2019	670,000	785,244	739,695
Carlson Travel Holdings Inc	USD	7.50%	Aug/15/2019	220,000	257,364	240,586
Carriage Services Inc	USD	2.75%	Mar/15/2021	580,000	730,148	648,366
Carrizo Oil & Gas Inc	USD	7.50%	Sep/15/2020	230,000	257,074	259,985
CBC Ammo LLC / CBC FinCo Inc	USD	7.25%	Nov/15/2021	2,110,000	2,312,551	2,294,389
Century Communities Inc	USD	6.88%	May/15/2022	960,000	1,117,482	1,074,113
Chassix Holdings Inc	USD	10.00%	Dec/15/2018	1,000,000	144,782	1,061,679
Chassix Inc	USD	9.25%	Aug/01/2018	3,270,000	2,594,426	3,619,703
Cobalt International Energy Inc	USD	2.63%	Dec/01/2019	1,445,000	1,012,573	1,269,934
Cobalt International Energy Inc	USD	3.13%	May/15/2024	1,470,000	1,148,220	1,535,062
Community Choice Financial Inc	USD	10.75%	May/01/2019	775,000	587,958	725,237
Comstock Resources Inc	USD	9.50%	Jun/15/2020	2,810,000	2,229,461	3,342,495
DFC Finance Corp	USD	10.50%	Jun/15/2020	900,000	888,669	992,920
Diamondback Energy Inc	USD	7.63%	Oct/01/2021	340,000	386,422	360,713
Drill Rigs Holdings Inc	USD	6.50%	Oct/01/2017	940,000	909,112	1,014,889
DriveTime Automotive Group Inc / DT Acceptance Corp	USD	8.00%	Jun/01/2021	1,980,000	2,072,605	2,158,890
Encore Capital Group Inc	USD	3.00%	Nov/27/2017	1,480,000	2,528,464	1,780,596
Energy XXI Gulf Coast Inc	USD	7.50%	Dec/15/2021	1,810,000	1,142,558	1,964,686
Energy XXI Ltd	USD	3.00%	Dec/15/2018	2,900,000	1,016,077	2,796,675
EnerNOC Inc	USD	2.25%	Aug/15/2019	590,000	577,125	641,821
Era Group Inc	USD	7.75%	Dec/15/2022	1,030,000	1,234,755	1,098,541
Euronet Worldwide Inc	USD	1.50%	Oct/01/2044	650,000	768,395	745,755
Exelixis Inc	USD	4.25%	Aug/15/2019	3,670,000	2,393,744	4,762,628
Ezcorp Inc	USD	2.13%	Jun/15/2019	420,000	456,670	433,892
First Cash Financial Services Inc	USD	6.75%	Apr/01/2021	380,000	459,942	434,098
First Quality Finance Co Inc	USD	4.63%	May/15/2021	3,030,000	3,228,743	3,084,170
Florida East Coast Holdings Corp	USD	6.75%	May/01/2019	2,480,000	2,850,921	2,825,177
Gates Global LLC / Gates Global Co	USD	6.00%	Jul/15/2022	1,930,000	2,152,045	2,078,100
GenCorp Inc	USD	7.13%	Mar/15/2021	610,000	743,485	668,386
General Cable Corp	USD	4.50%	Nov/15/2029	910,000	764,821	1,089,439
Global Partners LP / GLP Finance Corp	USD	6.25%	Jul/15/2022	490,000	553,355	533,073
Greenbrier Cos Inc/The	USD	2.38%	May/15/2026	465,000	739,548	477,065
Gulfport Energy Corp	USD	7.75%	Nov/01/2020	2,370,000	2,697,019	2,771,721
Hiland Partners LP / Hiland Partners Finance Corp	USD	5.50%	May/15/2022	100,000	102,216	109,378
Hiland Partners LP / Hiland Partners Finance Corp	USD	7.25%	Oct/01/2020	1,955,000	2,162,485	2,254,302
Hilcorp Energy I LP / Hilcorp Finance Co	USD	7.63%	Apr/15/2021	1,130,000	1,321,913	1,328,115

Hilcorp Energy I LP / Hilcorp Finance Co	USD	5.00%	Dec/01/2024	900,000	918,639	973,024
IAMGOLD Corp	USD	6.75%	Oct/01/2020	1,130,000	992,351	1,109,331
Iconix Brand Group Inc	USD	1.50%	Mar/15/2018	740,000	1,024,499	865,854
Isis Pharmaceuticals Inc	USD	1.00%	Nov/15/2021	320,000	421,971	361,713
Jaguar Holding Co I	USD	9.38%	Oct/15/2017	450,000	533,983	498,268
JCH Parent Inc	USD	10.50%	Mar/15/2019	920,000	991,000	987,302
Jefferies Finance LLC / JFIN Co-Issuer Corp	USD	7.50%	Apr/15/2021	880,000	951,736	985,332
Jefferies Finance LLC / JFIN Co-Issuer Corp	USD	6.88%	Apr/15/2022	1,310,000	1,395,925	1,451,900
Jupiter Resources Inc	USD	8.50%	Oct/01/2022	900,000	789,638	949,630
Jurassic Holdings III Inc	USD	6.88%	Feb/15/2021	900,000	974,669	1,012,717
KeHE Distributors LLC / KeHE Finance Corp	USD	7.63%	Aug/15/2021	720,000	888,148	750,746
Kodiak Oil & Gas Corp	USD	8.13%	Dec/01/2019	1,360,000	1,610,665	1,574,851
Kodiak Oil & Gas Corp	USD	5.50%	Jan/15/2021	2,220,000	2,590,604	2,419,242
Ligand Pharmaceuticals Inc	USD	0.75%	Aug/15/2019	880,000	1,009,283	960,330
Lightstream Resources Ltd	USD	8.63%	Feb/01/2020	3,540,000	2,890,649	3,828,212
M/I Homes Inc	USD	3.25%	Sep/15/2017	1,245,000	1,721,416	1,609,917
Memorial Resource Development Corp	USD	5.88%	Jul/01/2022	250,000	262,778	276,172
Men's Wearhouse Inc	USD	7.00%	Jul/01/2022	1,360,000	1,626,417	1,522,451
Michaels FinCo Holdings LLC / Michaels FinCo Inc	USD	7.50%	Aug/01/2018	118,000	139,749	121,405
Michaels Stores Inc	USD	3.75%	Jan/16/2020	1,231,250	1,401,498	1,327,568
Micron Technology Inc	USD	5.50%	Feb/01/2025	220,000	258,001	239,974
Molina Healthcare Inc	USD	1.13%	Jan/15/2020	880,000	1,421,870	1,046,408
Monitronics International Inc	USD	9.13%	Apr/01/2020	2,495,000	2,743,555	2,809,241
New Gold Inc	USD	6.25%	Nov/15/2022	2,175,000	2,481,410	2,413,241
Northern Oil and Gas Inc	USD	8.00%	Jun/01/2020	1,605,000	1,417,483	1,756,838
Oasis Petroleum Inc	USD	6.88%	Mar/15/2022	1,330,000	1,409,535	1,520,323
Parkland Fuel Corp	CAD	5.50%	May/28/2021	1,000,000	993,750	1,012,150
Plastipak Holdings Inc	USD	6.50%	Oct/01/2021	1,380,000	1,606,380	1,533,330
Priszm Income Fund	CAD	0.00%	Jun/30/2012	1,875,000	173,531	173,531
Quad/Graphics Inc	USD	7.00%	May/01/2022	1,940,000	2,134,658	2,108,041
Quebecor Media Inc	CAD	6.63%	Jan/15/2023	3,595,000	3,726,817	3,745,599
Rent-A-Center Inc/TX	USD	4.75%	May/01/2021	1,250,000	1,252,360	1,234,248
Resolute Energy Corp	USD	8.50%	May/01/2020	430,000	253,382	461,009
Rosetta Resources Inc	USD	5.63%	May/01/2021	1,780,000	1,896,960	1,964,294
Rosetta Resources Inc	USD	5.88%	Jun/01/2022	1,080,000	1,138,330	1,219,744
Salix Pharmaceuticals Ltd	USD	1.50%	Mar/15/2019	420,000	889,323	713,856
Salix Pharmaceuticals Ltd	USD	6.00%	Jan/15/2021	420,000	497,411	473,123
SEACOR Holdings Inc	USD	2.50%	Dec/15/2027	930,000	1,144,498	1,049,874
Seadrill Ltd	USD	6.63%	Sep/15/2020	1,340,000	1,295,968	1,428,264
SM Energy Co	USD	6.13%	Nov/15/2022	310,000	338,412	352,117
SolarCity Corp	USD	1.63%	Nov/01/2019	2,450,000	2,591,205	2,689,912
Southern Graphics Inc	USD	8.38%	Oct/15/2020	1,212,000	1,414,330	1,368,644
Springs Industries Inc	USD	6.25%	Jun/01/2021	1,770,000	2,050,106	1,866,792
Sprint Communications Inc	USD	9.25%	Apr/15/2022	2,510,000	3,314,222	3,270,048
Stackpole International Intermediate / Stackpole	USD	7.75%	Oct/15/2021	2,480,000	2,886,827	2,733,439
Stone Energy Corp	USD	7.50%	Nov/15/2022	850,000	851,605	917,484
SunCoke Energy Partners LP / SunCoke Energy Partners Finance	USD	7.38%	Feb/01/2020	300,000	362,678	326,974
TAL Education Group	USD	2.50%	May/15/2019	890,000	1,259,970	994,840
Tembec Industries Inc	USD	9.00%	Dec/15/2019	900,000	1,028,093	997,871
Theravance Inc	USD	2.13%	Jan/15/2023	720,000	649,432	1,033,693
Thompson Creek Metals Co Inc	USD	12.50%	May/01/2019	1,645,000	1,900,561	1,820,612
Thompson Creek Metals Co Inc	USD	7.38%	Jun/01/2018	420,000	401,334	377,860
TransDigm Inc	USD	5.50%	Oct/15/2020	2,110,000	2,401,143	2,327,044
Triangle USA Petroleum Corp	USD	6.75%	Jul/15/2022	450,000	346,607	491,031
Trinseo Materials Operating SCA/ Trinseo Materials Finance	USD	8.75%	Feb/01/2019	900,000	1,061,972	926,752
Tullow Oil PLC	USD	6.00%	Nov/01/2020	620,000	603,218	651,886
Tullow Oil PLC	USD	6.25%	Apr/15/2022	850,000	836,837	926,749
Unit Corp	USD	6.63%	May/15/2021	2,270,000	2,366,309	2,545,138
Vector Group Ltd	USD	7.75%	Feb/15/2021	3,490,000	4,269,679	3,950,793
Videotron Ltd	CAD	5.63%	Jun/15/2025	570,000	569,050	565,013
Videotron Ltd	CAD	9.13%	Apr/15/2018	52,000	62,412	58,791
Watco Cos LLC / Watco Finance Corp	USD	6.38%	Apr/01/2023	1,230,000	1,417,527	1,338,961
West Corp	USD	5.38%	Jul/15/2022	470,000	522,603	489,493
Wise Metals Group LLC / Wise Alloys Finance Corp	USD	8.75%	Dec/15/2018	1,200,000	1,461,135	1,395,373
Wise Metals Intermediate Holdings LLC/ Wise Holdings Finance	USD	9.75%	Jun/15/2019	390,000	481,645	425,829
WPX Energy Inc	USD	5.25%	Sep/15/2024	910,000	985,497	990,569
Total Fixed Income Long Positions					$ 172,294,937	$ 179,058,307

FIXED INCOME SHORT POSITIONS -2.9%

SECURITY NAME		COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE	PROCEEDS
Chart Industries Inc	USD	2.00%	Aug/01/2018	(940,000)	$ (1,047,253)	$ (1,064,346)
Connacher Oil and Gas Ltd	USD	8.50%	Aug/01/2019	(690,000)	(303,694)	(588,608)
Sears Holdings Corp	USD	6.63%	Oct/15/2018	(880,000)	(942,817)	(862,537)
SolarCity Corp	USD	2.75%	Nov/01/2018	(1,560,000)	(1,957,078)	(2,082,849)
Sprint Communications Inc	USD	6.00%	Nov/15/2022	(620,000)	(663,360)	(668,161)
United States Treasury Note	USD	2.25%	Mar/31/2021	(1,300,000)	(1,537,371)	(1,429,134)
Total Fixed Income Short Positions					$ (6,451,573)	$ (6,695,635)

Schedule 1 - Derivative assets and liabilities

LONG OPTION POSITIONS 0.3%

SECURITY NAME	CONTRACTS	EXPIRY DATE	STRIKE PRICE	FAIR VALUE	AVERAGE COST
EXELIXIS INC@5 PUT OPT JAN 15	1,265	17-Jan-15	5.0	$ 534,699	$ 279,913
Total Long Option Positions				$ 534,699	$ 279,913

SHORT OPTION POSITIONS 0.0%

SECURITY NAME	CONTRACTS	EXPIRY DATE	STRIKE PRICE	FAIR VALUE	AVERAGE COST
EXELIXIS INC@5 CALL OPT JAN 15	(4,857)	17-Jan-15	5.0	$ -	$ (561,590)
EXELIXIS INC@7 CALL OPT JAN 15	(911)	17-Jan-15	7.0	-	(67,843)
Total Short Option Positions				$ -	$ (629,433)

FORWARD CURRENCY CONTRACTS -1.8%

CURRENCY P	NOTIONAL VALUE	CURRENCY SOLD	NOTIONAL VALUE	CONTRACT RATE	MATURITY DATE	FAIR VALUE	COUNTER PARTY	CREDIT RATING
Canadian Do	85,285,875	US Dollar	(75,000,000)	1.137145	7-Jan	$ (1,595,744)	BMO	Aa3
Canadian Do	68,198,400	US Dollar	(60,000,000)	1.13664	7-Jan	(1,306,884)	Scotia	Aa2
Canadian Do	60,245,100	US Dollar	(53,000,000)	1.1367	7-Jan	(1,151,235)	TD Securities	Aa1

Total Forward Currency Contracts		$	(4,053,863)

INVESTMENT PORTFOLIO SUMMARY		FAIR VALUE	AVERAGE COST
Equity Long Positions	54.7%	$ 120,526,395	$ 124,182,213
Equity Short Positions	-13.0%	(28,781,552)	(27,034,935)
Warrant Long Positions	0.0%	222	221
Fixed Income Long Positions	78.1%	172,294,937	179,058,307
Fixed Income Short Positions	-2.9%	(6,451,573)	(6,695,635)
Long Option Positions	0.3%	534,699	279,913
Short Option Positions	0.0%	-	(629,433)
Forward Currency Contracts	-1.8%	(4,053,863)	-
Total Investments	115.2%	254,069,265	269,160,651
Total Other Net Assets	-15.2%	(33,500,529)	
Total Net Assets	100.0%	$ 220,568,736	

1. GENERAL INFORMATION

Raven Rock Income Fund (the "Fund") is an open-ended investment trust established under the laws of Ontario and is governed by a trust indenture dated July 1, 2010 as amended from time to time.

The investment objective of the Fund is to achieve attractive risk-adjusted returns through investment in a diversified portfolio of assets. The Fund will seek to achieve its investment objective by obtaining exposure to the Raven Rock Income II Fund either through the use of forward purchase and sale agreements or by way of direct investment. Raven Rock Income II Fund invests in a broad range of public and private corporate debt securities.

The Manager of the Fund is Arrow Capital Management Inc. (the “Manager”).

The address of the Fund’s registered office is 36 Toronto Street, Suite 750, Toronto, Ontario.

2. FORWARD AGREEMENTS AND INVESTMENT IN RAVEN ROCK INCOME II FUND

The Fund will seek to achieve its investment objective by obtaining exposure to the Raven Rock Income II Fund (the "Underlying Fund") either through the use of forward purchase and sale agreements or by way of direct investment though the purchase of Class A-S units and Class U-S units of the Underlying Fund (the "Direct Investment"). The Underlying Fund invests in a broad range of public and private corporate debt securities. As at December 31, 2014 the Fund had a Direct Investment of $2,910,916 [December 31, 2013 - $549,998; January 1, 2013 - nil].

The Manager of the Underlying Fund is Arrow Capital Management Inc. (the “Manager”). Raven Rock Capital Management, LLC. is the Investment Advisor (the "Investment Advisor") of the Underlying Fund.

On October 6, 2011, the Fund entered into a forward purchase and sale agreement (the “Forward Agreement Class A”) with a Canadian chartered bank (“Counterparty”). The obligations of the Counterparty to the Fund under the Forward Agreement Class A are determined by reference to the Class A-S (formerly Class A) performance of the Underlying Fund, with the profit and loss allocated to Class A, F and I of the Fund.

On October 6, 2011, the Fund entered into a forward purchase and sale agreement (the “Forward Agreement Class U”) with a Canadian chartered bank (“Counterparty”). The obligations of the Counterparty to the Fund under the Forward Agreement Class U are determined by reference to the Class U-S (formerly Class U) performance of the Underlying Fund, with the profit and loss allocated to Class X, U and G of the Fund.

Under the terms of the Forward Agreement Class A and Forward Agreement Class U (collectively the “Forward Agreements”), the Counterparty has agreed to deliver to the Fund, on or about October 3, 2016 or earlier, in whole or in part at the request of the Fund, a Canadian securities portfolio having a value equal to the redemption proceeds of the number of Class A-S and Class U-S units of the Underlying Fund specified in the Forward Agreements.

In order to permit the Fund to pay (i) monthly distributions, (ii) redemptions and repurchases of units, and (iii) operating expenses and other liabilities of the Fund, the terms of the Forward Agreement provide that the Forward Agreement may be settled in whole or in part prior to October 3, 2016, by the Fund at its discretion.

Under the Forward Agreements, the Fund pays to the Counterparty a fee of 0.3% of the Net Asset Value of Class A-S and Class U-S of the Underlying Fund calculated and payable quarterly in arrears.

As at December 31, 2014 the Fund's exposure to the Underlying Fund, by way of the Forward Agreements and Direct Investment, represented 29.8% [December 31, 2013 - 81.6%; January 1, 2013 - 100.0%] of the Underlying Fund's net assets attributable to holders of redeemable shares [the "Underlying Fund Exposure"].

The 2013 Federal Budget eliminated the tax benefits associated with character conversion transactions such as those employed by the Fund that are used to convert the return on a portfolio of investments from fully taxable ordinary income into capital gains. A Grandfathering provision will remain in effect until the termination date of the Forward Agreement which is October 3, 2016. As a result, forward purchase and sale agreements will no longer be used to achieve the Fund's investment objectives. Alternatively, future subscriptions into the Fund will either be invested directly into Raven Rock Income II Fund or other investments that meet the Fund's investment objective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation and Adoption of IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the Chartered Professional Accountant (CPA) Canada Handbook ("Canadian GAAP"). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

Note 12 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

These financial statements were authorized for issue by the Manager on April 30, 2015.

b) Financial Instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit and loss ("FVTPL"). Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's long investment positions are designated at "FVTPL". The Fund's Forward Agreements are classified as held for trading. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. Due to their short term nature, the carrying values of other assets and liabilities and net assets attributable to holders of redeemable units approximate their fair values. The Fund's accounting policies for measuring the fair value of its investments and derivatives are the same to those used in measuring its net asset value ("NAV") for transactions with unitholders. There were no differences between the net asset value attributable to holders of redeemable units used for reporting purposes under IFRS and that used for transactions with unitholders at December 31, 2014 or 2013 and January 1, 2013.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined on an average cost basis. Realized gains and losses on securities sold short and unrealized appreciation or depreciation on securities sold short are calculated with reference to the average proceeds of the related securities. Average cost does not include amortization of premiums or discounts on fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the fund accounted for on an accrual basis.

Dividend income and expense is recognized in the statement of comprehensive income on the ex-dividend date. Fund investment distribution is recognized when it is declared.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

c) Financial Instruments - Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for securities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The fair value of bonds is determined using mid-market pricing derived from bid and ask prices provided by independent security pricing services or recognized investment dealers. Gains and losses arising from changes in the fair value of financial assets or liabilities are presented in the statement of comprehensive income. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same and other commonly used methods by market participants which make the maximum use of observable inputs.

The fair value of the Forward Agreements (Note 2) is the value that would be realized if, as of any date, the Forward Agreements were settled in accordance with its terms, in which case the fair value shall be determined with reference to the current fair value of the underlying investments of the Underlying Fund 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, prepaid expenses and distributions receivable, less the liabilities of the Underlying Fund and other liabilities attributed to the Forward Agreements on such date.

The unrealized appreciation on the Forward Agreements and the realized gains on partial settlements on the Forward Agreements are included in the statement of comprehensive income.

d) Direct Investment

The Fund's Direct Investment is subject to the terms and conditions of the Underlying Fund's offering documents. The Direct Investment is valued based on the latest available redemption price as determined by the Underlying Fund's administrator. The Fund reviews the details of the reported information and considers the liquidity of the Underlying Fund and its underlying investments, the value date of the net asset value provided, any restrictions on redemptions and the basis of accounting to determine whether any adjustment to the net asset value is necessary in determining fair value. Gains and losses arising from changes in fair value of the Direct Investment are presented in the statement of comprehensive income.

e) Impairment of Financial Assets

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of future cash flows discounted using the assets original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

f) Foreign Currency Translation

The Fund's functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as 'Foreign exchange gain (loss)' and those relating to other financial assets and liabilities are presented within 'Net realized gain (loss) on investments and derivatives' and 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income.

g) Cash

Cash is comprised of deposits with financial institutions.

h) Forward Currency Contracts

The Fund may enter into forward currency contracts for purposes of minimizing currency exposure or to establish an exposure to a particular currency. The value of forward currency contracts entered into by the Fund is recorded as the difference between the contract rate and the current forward rates at the measurement date, applied to the contract's notional amount and adjusted for counterparty risk. The change in the fair value of forward currency contracts is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. Upon closing of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the statement of comprehensive income.

i) Commissions and Other Portfolio Transaction Costs

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers. Such costs are expensed when incurred.

j) Income and Expense Allocation

The net assets of each class are computed by calculating the value of that class' proportionate share of the Fund's assets less that class' proportionate share of the Fund's common liabilities less class specific liabilities, if any. Expenses directly attributable to a class are charged to that class. Other income, expenses and gains/losses are allocated based on a reasonable allocation methodology which will include allocations based upon the assets of the Fund or the number of unitholders in the Fund or other methodology the Manager determines is fair.

The Fund is denominated in Canadian dollars. Class U units, Class G units and Class X units are issued in US dollars. The Underlying Fund has utilized forward currency contracts to hedge the currency for Class U-S for which the resulting gains or losses will be allocated to the Forward Agreement Class U.

k) Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to the class divided by the weighted average number of units outstanding in that class during the year. Refer to Note11 for the calculation.

l) Classification of Redeemable Units

The Funds' redeemable units contain multiple contractual obligations and multiple series of units have been issued which do not have identical features. Consequently, the units do not meet the conditions in IAS 32 to be classified as equity. As a result, the Funds' obligations for net assets attributable to holders of redeemable shares are presented at the redemption amounts.

m) Investments in Structured Entities

The Fund invests in underlying funds that are managed by their respective Investment Advisors and whose investment objectives may range from achieving short-term to long-term income and capital growth. Underlying funds may use leverage in a manner consistent with their respective objectives and as permitted by their respective governing regulatory authorities. Underlying funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportionate stake in the respective fund's net assets. The Fund's interest in underlying funds as at December 31, 2014 and 2013, and January 1, 2013, held the form of redeemable units, which are included at their fair value in the Statements of Financial Position which represents the Fund's maximum exposure in these underlying funds. The Fund does not provide, and has not committed to provide, any additional significant financial or other support to the underlying funds. The change in fair value of each of the underlying funds during the periods is included in 'Change in unrealized appreciation (depreciation) of value of investments and derivatives' in the Statements of Comprehensive Income in 'Net gains (losses) on investments and derivatives'.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Use of Estimates

Fair Value measurement of derivatives and securities not quoted in an active market

The Fund holds financial instruments that are not quoted in active markets, including derivatives. Fair value of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The fair value of the Forward Agreements and the Direct Investment is determined primarily by reference to the latest available redemption price of the Underlying Fund's units as reported by the administrator of the Underlying Fund. The Fund may make adjustments to the value based on considerations such as the liquidity of the Underlying Fund or its underlying investments, the value date of the net asset value provided, any restrictions on redemptions and the basis of accounting. Redemption can only be made on the redemption dates and subject to the required notice periods specified in the offering documents. As a result, the carrying value of the Direct Investment may not be indicative of the value ultimately realized on redemption.

Refer to Note 6 for further information about the fair value measurement of the Fund's financial instruments.

Use of Judgments

Classification and Measurement of Investments and Application of the Fair Value Option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, *Financial Instruments - Recognition and Measurement* (IAS 39). The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

Determination if Underlying Funds Meet the Structured Entity Definition

The Fund has concluded that its investments in the Underlying Funds are investments in unconsolidated structured entities. This represents a significant judgment by the Fund that is based generally on the fact that the decision making about the Underlying Funds investing activities is not governed by voting rights held by the Fund and other investors.

5. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Fund's activities expose it to a variety of risks associated with financial instruments: credit risk, liquidity risk and market risk (including price risk, currency risk, and interest rate risk).

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments present a risk of loss of capital. The maximum loss of capital on long equity, Forward Agreements and fund investments is limited to the fair value of those positions. The maximum loss on equities and debt sold short can be unlimited and the maximum loss on foreign currency contracts is the notional contract value of those positions.

The management of these risks is carried out by the Manager and Investment Advisor in accordance with the Declaration of Trust.

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn can also increase the potential returns the Fund can achieve. The Fund does not directly employ leverage however the Underlying Fund may from time to time employ leverage through the use of margin and derivatives where it is expected that gross leverage, at any point in time, will range from unlevered to a maximum of four to one.

Credit Risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is exposed to counterparty credit risk on the Forward Agreements. The counterparty of the Fund’s Forward Agreement contracts is Scotia Capital (the "Counterparty"), which has a credit rating of Aa2 (December 31, 2013 and January 1, 2013 – Aa1), as rated by Moody’s bond rating services. The Counterparty may have relationships with any or all of the issuers whose securities are included in the Underlying Fund which could conflict with the interests of the Fund. In addition, the possibility exists that the Counterparty will default on its payment obligations under the Forward Agreements or that the proceeds from the sale of the Canadian Securities Portfolio acquired pursuant to the Forward Agreements will be used to satisfy other liabilities of the Fund, which liabilities could include obligations to third-party creditors in the event the Fund has insufficient assets, excluding the proceeds from the sale of the Canadian Securities Portfolio acquired pursuant to the Forward Agreements, to pay its liabilities. Unitholders will have no recourse or rights against the assets of the Underlying Fund or the Counterparty and the Counterparty is not responsible for the returns of the Raven Rock Income II Fund.

The Fund is also exposed to counterparty credit risk on cash and other receivable balances.

The Fund has indirect credit risk as a result of the Underlying Fund's investments in debt instruments and derivatives to the extent of the Fund's Underlying Fund Exposure of 29.8% [December 31, 2013 - 81.6%; January 1, 2013 - 100.0%].

The analysis below summarizes the credit quality of the Underlying Fund's debt portfolio at December 31, 2014, December 31, 2013 and January 1, 2013.

	Percentage of total debt securities		
Credit Rating*	**As at December 31, 2014**	**As at December 31, 2013**	**As at January 1, 2013**
BBB	-	0.6%	3.6%
Below BBB	83.3%	53.5%	52.4%
Not Rated	16.7%	45.9%	44.0%
Total	100%	100.0%	100.0%

* Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Service

The Underlying Fund is also exposed to counterparty credit risk on cash, margin on deposit, forward currency contracts, receivable for securities sold, and other receivable balances. The Underlying Fund's brokerage agreements require cash collateral in return for services including borrowed securities and derivatives trading. The Fund's prime broker and the counterparty to the Underlying Fund's forward currency contracts is BMO Nesbitt Burns Inc. BMO Nesbitt Burns Inc. has a credit rating of Aa3 (December 31, 2013 – Aa3)(January 1, 2013 – A3) as rated by Moody's bond rating services.

The Fund and Underlying Fund are also exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (December 31, 2013: Aaa, January 1, 2013: Aaa).

There are also risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund and Underlying Fund respectively. Therefore, the Fund and Underlying Fund should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Fund and Underlying Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The credit risk related to the associated receivables is considered limited, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing the Fund's rights to its assets in the case of an insolvency of any such party.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to monthly cash redemptions which are redeemable on demand at the holder's option and payable three business days after the redemption date and as such, retains sufficient cash to fund anticipated redemptions. The Fund reserves the right to settle redemptions up to thirty days after the redemption trade date.

The Fund aims to retain sufficient cash to maintain adequate liquidity including coverage of obligations related to all current liabilities (liabilities are typically due within three months).

Unitholders of the Underlying Fund have the right, upon at least twenty calendar days' prior written notice to redeem any or all of their units effective the last business day of each month.

Market Risk

The Fund's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

(a) Currency Risk

As at December 31, 2014, December 31, 2013 and January 1, 2013, the Fund was only exposed to the Canadian Dollar and investments denominated in the Canadian Dollar.

The Underlying Fund invests in financial instruments and enters into transactions that are denominated in currencies other than the Canadian dollar, primarily US dollars (USD). Consequently, the Fund is indirectly exposed to currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates, to the extent of the Fund's Underlying Fund Exposure of 29.8% [December 31, 2013 - 81.6%; January 1, 2013 - 100.0%].

The table below indicates the Underlying Fund's exposure to USD as at December 31, 2014, December 31, 2013 and January 1, 2013, in Canadian dollar terms, and the notional amounts of foreign currency contracts. The table below also illustrates the potential impact on the net assets attributable to holders of redeemable units of the Underlying Fund if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Non-monetary are comprised of equities. Monetary include cash, derivatives, fixed income securities, and other current receivables and payables.

December 31, 2014	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
United States Dollar - Long	$169,471,660	$106,214,655	$275,686,315	$16,947,166	$10,621,466	$27,568,632
United States Dollar - Short	(244,919,305)	(28,781,552)	(273,700,857)	(24,491,931)	(2,878,155)	(27,370,086)
European Currency - Long	309,146	-	309,146	30,915	-	30,915
Total	($75,138,499)	$77,433,103	2,294,604	($7,513,850)	$7,743,311	229,461
Redeemable units issued in USD			(13,099,025)			($1,309,903)
Net exposure to foreign currencies			**($10,804,421)**			**($1,080,442)**
% of net assets attributable to holders of redeemable units	(34.1%)	35.1%	1.0%	(3.4%)	3.5%	0.1%
% of net assets attributable to units issued in USD			(5.9%)			(0.6%)
% of net assets exposed to foreign currencies			**(4.9%)**			**(0.5%)**

December 31, 2013		Exposure		Impact on net assets attributable to holders of redeemable units		
Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	$1,346,390	$158,854,452	$160,200,842	$134,639	$15,885,445	$16,020,084
United States Dollar - Short	(92,153,988)	(59,451,254)	(151,605,242)	(9,215,399)	(5,945,125)	(15,160,524)
Total	($90,807,598)	$99,403,198	8,595,600	($9,080,760)	$9,940,320	859,560
Redeemable units issued in USD			(4,721,247)			(472,125)
Net exposure to foreign currencies			**$3,874,353**			**$387,435**
% of net assets attributable to holders of redeemable units	(112.1)%	122.7%	10.6%	(11.2%)	12.3%	1.1%
% of net assets attributable to units issued in USD			(5.8%)			(0.6%)
% of net assets exposed to foreign currencies			**4.8%**			**(0.5%)**

January 1, 2013		Exposure		Impact on net assets attributable to holders of redeemable units		
Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	$1,446,502	$92,049,274	$93,495,776	$144,650	$9,204,927	$9,349,577
United States Dollar - Short	(47,454,278)	(39,284,212)	(86,738,490)	(4,745,428)	(3,928,421)	(8,673,849)
Total	($46,007,776)	$52,765,062	6,757,286	($4,600,778)	$5,276,506	675,728
Redeemable units issued in USD			(5,923,506)			(592,351)
Net exposure to foreign currencies			**$833,780**			**($83,377)**
% of net assets attributable to holders of redeemable units	(75.0)%	86.1%	11.1%	(7.5)%	8.6%	1.1%
% of net assets attributable to units issued in USD			(9.7%)			(1.0%)
% of net assets exposed to foreign currencies			**1.4%**			**0.1%**

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2014, December 31, 2013 and January 1, 2013, the Fund had no significant direct exposure to debt instruments except for a $20,000 investment in government bonds which produces no material interest rate risk.

The Fund has indirect interest rate risk as a result of the Underlying Fund's investments in interest bearing financial instruments to the extent of the Fund's Underlying Fund Exposure of 29.8% [December 31, 2013 - 81.6%; January 1, 2013 - 100.0%]. The Underlying Fund manages this risk by maintaining a portfolio with a relatively short duration to reduce the exposure to significant changes in interest rates.

The table below summarizes the Underlying Fund's exposure to interest rate risk as at December 31, 2014, December 31, 2013 and January 1, 2013. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable units of the Underlying Fund if the prevailing levels of market interest rates changed by 1%, assuming a parallel shift in the yield curve with all other variables held constant.

Long Positions	Total Exposure		
Term to Maturity	December 31, 2014	December 31, 2013	January 1, 2013
Less than 1 year	-	-	$2,761,747
1-3 years	$6,121,378	$4,872,931	8,568,283
3-5 years	38,891,401	43,699,369	27,981,182
Greater than 5 years	127,282,158	92,649,676	45,591,300
Total	$172,294,937	$141,221,976	$84,902,512
Sensitivity:			
Total $ sensitivity	+/- $7,598,042	+/- $5,611,335	+/- $4,746,002
Total % sensitivity	3.4%	6.9%	7.7%

Short Positions	Total Exposure		
Term to Maturity	December 31, 2014	December 31, 2013	January 1, 2013
1-3 years	-	-	($492,871)
3-5 years	($4,250,843)	($7,847,439)	(3,279,059)
Greater than 5 years	(2,200,730)	(4,436,337)	(2,942,887)
Total	($6,451,573)	($12,283,776)	($6,714,817)
Sensitivity:			
Total $ sensitivity	+/- $273,978	+/- $655,643	+/-$383,871
Total % sensitivity	0.1%	0.8%	0.6%

(c) Price Risk

The Fund is exposed to price risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Fund invests primarily in the Underlying Fund and Forward Agreements whose value is based on the performance of the Underlying Fund and may be exposed to indirect other price risk.

The Underlying Fund's policy is to manage price risk through pursuit of a diversified investment program that focuses on investment-grade fixed income securities while utilizing other assets such as options and credit default swaps, to extract relative value and to manage credit exposure.

In 2014, the Fund changed its relevant benchmark from the Barclays Aggregate Bond Index (CAD) to the Barclays Aggregate Bond Index (USD) to better reflect the underlying nature of the portfolio and related hedging strategy. As at December 31, 2014, if the Fund's relevant benchmark index had increased or decreased by 10%, with all other variables constant, the net assets attributable to holders of redeemable units of the Fund would have increased or decreased by approximately $1,714,465 [December 31, 2013 - $2,007,110; January 1, 2013 - $1,855,862] representing 2.7% of net assets attributable to holders of redeemable units [December 31, 2013 - 3%; January 1, 2013 - 3%].

The Fund is also exposed to indirect price risk to the extent of the Fund's Underlying Fund Exposure of 29.8% [December 31, 2013 - 81.6%; January 1, 2013 - 100.0%].

The Underlying Fund engages in short selling activities, wherein it borrows securities and sells them to third parties. Until the Underlying Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold, not yet purchased, at prices which may be significantly higher than the fair value reflected on the financial statements.

Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

As at December 31, 2014, the Fund held 103.5% [December 31, 2013 - 98.9%; January 1, 2013 - 99.1%] of its net assets attributable to holders of redeemable shares in the Forward Agreements and Direct Investment. The Fund is therefore exposed to the concentration risk of the Underlying Fund to the extent of the Fund's Underlying Fund Exposure of 29.8% [December 31, 2013 - 81.6%; January 1, 2013 - 100.0%].

The following is a summary of the Underlying Fund's concentration risk as a percentage of the Underlying Fund's net assets attributable to holders of redeemable shares:

	December 31, 2014				December 31, 2013				January 1, 2013			
Market Segment	Equities Long	Equities Short	Fixed Income Long	Fixed Income Short	Equities Long	Equities Short	Fixed Income Long	Fixed Income Short	Equities Long	Equities Short	Fixed Income Long	Fixed Income Short
	%	%	%	%	%	%	%	%	%	%	%	%
Basic Materials	-	-	4.5	-	0.1	(0.2)	11.7	-	0.2	(1.5)	9.4	-
Communications	-	(0.1)	8.6	(0.3)	-	(8.2)	17.1	(0.6)	-	(11.2)	19.5	(0.4)
Consumer, Cyclical	0.3	(0.9)	8.9	(0.4)	-	(5.1)	16.1	-	-	(7.6)	16.2	(0.4)
Consumer, Non-Cyclical	-	(3.1)	16.7	-	-	(17.4)	45.7	-	-	(13.8)	33.0	-
Diversified	-	-	0.1	-	2.2	(10.8)	55.1	-	3.1	(5.0)	34.3	(0.3)
Energy	-	(0.5)	24.6	(1.0)	-	(2.9)	5.3	-	-	(3.2)	7.9	-
Financial	-	(1.0)	2.9	-	21.8	(5.6)	-	-	8.8	(4.9)	-	-
Funds	54.3	(7.0)	-	-	-	-	-	(14.6)	-	-	-	(9.1)
Government	-	-	-	(0.7)	2.5	(6.9)	18.5	-	1.6	(4.7)	13.3	(0.8)
Industrial	0.1	(0.4)	10.8	(0.5)	-	-	1.2	-	-	-	-	-
Utilities	-	-	0.3	-	-	(1.6)	3.8	-	-	(1.4)	5.2	-
Technology	-	(0.1)	0.7	-	-	-	-	-	-	-	-	-

Capital Risk Management

Units issued and outstanding are considered to be the capital of the Fund. The Fund does not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit of the Fund for all or any of the units of such unitholder by giving written notice to the Manager. The written notice is irrevocable and must be received no later than 4:00 p.m., EST, on the date that is at least twenty business days prior to the date upon which the units are to be redeemed (a "Redemption Date"). The units are redeemable for cash equal to a pro rata share of the Fund's nets asset value.

6. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2014, December 31, 2013 and January 1, 2013:

As at December 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
Forward Agreements	-	$62,777,067	-	$62,777,067
Funds	$53,682	2,910,916	-	2,964,598
Fixed Income Long	-		-	-
Total	$53,682	$65,687,983	-	$65,741,665

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Assets				
Forward Agreements	-	$65,607,368	-	$65,607,368
Funds	$432,418	549,998	-	982,416
Fixed Income Long	-	20,003	-	20,003
Total	$432,418	$66,177,369	-	$66,609,787

As at December 1, 2013	Level 1	Level 2	Level 3	Total
Assets				
Forward Agreements	-	$61,308,552	-	$61,308,552
Equity Long	$2,613	-	-	2,613
Fixed Income Long	-	19,951	-	19,951
Total	$2,613	$61,328,503	-	$61,331,116

As at December 31, 2014, December 31, 2013 and January 1, 2013 the Fund did not hold any level 3 financial instruments. There were no transfers between levels during the years ending December 31, 2014 and 2013.

a) Forward Agreements

Fair value of the Forward Agreements is determined primarily by reference to the latest available redemption price of the Underlying Fund's units as reported by the Underlying Fund's administrator. The inputs that are significant to valuation are generally observable and therefore the Fund's investment in Forward Agreements has been classified as Level 2.

b) Bonds

The Fund's bond portfolio consists of an investment in government bonds. Bond pricing is obtained from bid and ask prices provided by independent security pricing services or recognized investment dealers. Bond prices may be derived by using models which include inputs such as interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Fund's bonds have been classified as Level 2.

c) Funds

Investments in funds are classified as Level 1 when the security is actively traded and a reliable price is observable. When the Fund's fund investments are not traded on public exchanges, observable prices are not available. In such cases, fair value is determined using the fund prices as reported by the respective fund's administrator, which have been determined using observable market data, and the fair value of the fund investment is classified as Level 2. If the determination of fair value requires significant unobservable data, the measurement is classified as Level 3. The Direct Investment has been classified as Level 2.

The following table illustrates the classification of the Underlying Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2014, December 31, 2013 and January 1, 2013:

As at December 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
Equity long	$242,427	$592,898	-	$835,325
Fixed income long	-	172,294,937	-	172,294,937
Funds	-	104,844,538	$14,846,532	119,691,070
Derivatives	534,699	222	-	534,921
Total	$777,126	$277,732,595	$14,846,532	$293,356,253
Liabilities				
Equities sold short	($28,781,552)	-	-	($28,781,552)
Fixed income short	-	($6,451,573)	-	(6,451,573)
Derivatives	-	(4,053,863)	-	(4,053,863)
Total	($28,781,552)	($10,505,436)	-	($39,286,988)

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Assets				
Equity long	$81,281	$3,777,078	-	$3,858,359
Fixed income long	-	141,221,977	-	141,221,977
Funds	-	17,524,001	-	17,524,001
Derivatives	62,953	528,639	-	591,592
Total	$144,234	$163,051,695	-	$163,195,929
Liabilities				
Equities sold short	($47,163,484)	-	-	($47,163,484)
Fixed income short	-	($12,283,776)	-	(12,283,776)
Derivatives	(399,712)	-	-	(399,712)
Total	($47,563,196)	($12,283,776)	-	($59,846,972)

As at January 1, 2013	Level 1	Level 2	Level 3	Total
Assets				
Equity long	$1,084,025	$1,893,508	-	$2,977,533
Fixed income long	-	84,902,512	-	84,902,512
Funds	-	5,373,195	-	5,373,195
Derivatives	56,579	-	-	56,579
Total	$1,140,604	$92,169,215	-	$93,309,819
Liabilities				
Equities sold short	($32,551,401)	-	-	($32,551,401)
Fixed income short	-	($6,714,817)	-	(6,714,817)
Derivatives	(14,251)	(158,480)	-	(172,731)
Total	($32,565,652)	($6,873,297)	-	($39,438,949)

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. This includes private and illiquid securities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, the Manager has used its best judgment to derive the fair value.

There were no transfers between Level 1, 2 or 3 during the years ending December 31, 2014 and 2013.

a) Equities

The Underlying Fund's equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. Prices for the Underlying Fund's convertible preferred share positions are provided by independent security pricing services or recognized investment dealers. The inputs that are significant to valuation are generally observable and therefore the Underlying Fund's convertible preferred share positions are classified as Level 2.

b) Bonds

The Underlying Fund's bond portfolio is comprised primarily of U.S. convertible and high yield bonds and also includes government bonds. Bond pricing is obtained from bid and ask prices provided by independent security pricing services or recognized investment dealers. Bond prices may be derived by using models which include inputs such as interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Underlying Fund's bonds have been classified as Level 2.

c) Funds

Investments in funds are classified as Level 1 when the security is actively traded and a reliable price is observable. When the Underlying Fund's fund investments are not traded on public exchanges, observable prices are not available. In such cases, fair value is determined using the fund prices as reported by the respective fund's administrator, which have been determined using observable market data, and the fair value of the fund investment is classified as Level 2. If the determination of fair value requires significant unobservable data, the measurement is classified as Level 3. The Underlying Fund's investment in funds have been classified as Level 2.

The Underlying Fund’s Level 3 investment in funds that amounts to $14,846,532 consists of an investment in Class A shares of the Distressed Securities Fund (“DSF”). Of this amount $2,702,568 and ($178,440) are the proportionate amounts in DSF that if held directly by the Fund would be classified as Level 1 and Level 2, respectively. The remaining $12,322,404 consists of private equity and debt positions classified as Level 3 and an underlying fund comprised of real estate property, cash and Level 1 securities.

DSF proportionate Level 3 equity positions that amount to $7,618,368 utilize comparable trading multiples in arriving at the valuation for these positions. In applying this approach the Manager selected a group of comparable publicly traded company peers that have similar risk, growth and cash-generating potential profiles. The methodology used incorporated the current year’s reported EBITDA along with the following one to two subsequent year’s EBITDA forecast to generate a forward looking estimate. The Manager also adjusts the indicated fair value to give effect to the lack of liquidity as compared to the publicly traded peer group.

DSF proportionate Level 3 positions that amount to $4,704,036 including debt and real estate property held through an underlying fund are valued using the net present value of estimated future cash flows. The Manager also considers other liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

The change in valuation disclosed in the below table shows the direction an increase or decrease in the respective input variables would have on the valuation result.

Description	Value	Valuation Technique	Unobservable inputs	Weighted average input	Reasonable possible shift (+/-)	Change in valuation (+/-)
Equities – Private companies	$7,618,368	Comparable trading multiples	EBITDA multiple	10.0x	1x	$762,000
			Discount for lack of liquidity	20.0%	5%	$476,000
Debt securities – private companies and underlying fund	$4,704,036	Discounted cash flows	Cost of Capital	5.3%	1%	$94,000
			Discount for lack of liquidity	9.0%	5%	$259,000

DSF is subject to a claim in the amount of $3.6 million from creditors arising from proceeds received from the sale of an investment held by DSF, in a subsequently bankrupt organization. While management currently believes that resolution of this claim will not have a material adverse impact on DSF, these matters are subject to inherent uncertainties. The amount of the loss, if any, cannot be determined at this time.

d) Derivative assets and liabilities

Derivative assets and liabilities consist of options and foreign currency contracts. Options are exchange traded and are classified as Level 1 as each option is actively traded and a reliable price is observable. Foreign currency contracts are valued based primarily on the contract notional amount and the difference between the contract rate and the forward market rate for the same currency, adjusted for counterparty risk. Foreign currency contracts are classified as Level 2.

Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2014 and 2013.

December 31, 2014

	Net realized gains /(losses)	Net unrealized gains /losses)	Interest income	Fund Investment Distribution	Total
Financial assets at FVTPL:					
Designated as FVTPL	$65,779	($256,506)	$68	-	($190,659)
HFT	-	(3,034,279)	-	-	(3,034,279)
Financial liabilities at FVTPL:					
Designated as FVTPL	-	-	-	-	-
HFT	-	-	-	-	-
Total:	$65,779	($3,290,785)	$68	-	($3,224,938)

December 31, 2013

	Net realized gains /(losses)	Net unrealized gains /(losses)	Interest income	Fund Investment Distribution	Total
Financial assets at FVTPL:					
Designated as FVTPL	$156,197	$12,443	$200	$35,745	$204,585
HFT	522,446	4,075,073	-	-	4,597,519
Financial liabilities at FVTPL:					
Designated as FVTPL	-	-	-	-	-
HFT	-	-	-	-	-
Total:	$678,643	$4,087,516	$200	$35,745	$4,802,104

7. INVESTMENT IN UNDERLYING FUNDS

Information related to investments in Underlying Funds are as follows:

December 31, 2014

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
Raven Rock Strategic Income Fund	53,682	0.1	0.1
Raven Rock Income II Fund A-S	2,203,728	3.5	1.4

December 31, 2013

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
Raven Rock Strategic Income Fund	432,418	0.7	0.8
Raven Rock Income II Fund A-S	549,998	0.8	0.9

8. REDEEMABLE UNITS

Units issued and outstanding represent the capital of the Fund. The Fund is an open-ended trust and its units are sold and redeemed at the current net asset value per unit at the option of the unitholders. If applicable, the unitholders are entitled to distributions when declared. Distributions are reinvested in additional units of the Fund or paid in cash. The characterization of the distributions is based on Management's estimate of the actual income for the year.

Units offered for sale by the Fund are as follows:

Class A and Class U	Designed primarily for investors who are advised by a Registered Dealer. Class U units are issued in U.S. Dollars.
Class F and Class G	Designed primarily for purchase by investors who participate in fee-based programs through their Registered Dealer. Class G units are issued in U.S. Dollars.
Class I	Designed primarily for eligible institutional investors.
Class X	Designed primarily for purchase by other funds managed by the Manager. The taxable income of the Class X units of the Fund is allocated annually to unitholders and is immediately reinvested in the Fund, without any increase in the number of units outstanding. Class X units are issued in U.S. Dollars.

During the years ended December 31, 2014 and 2013 the number of units issued, redeemed and outstanding was as follows:

For the year ended December 31, 2014

Units	Redeemable units outstanding at December 31, 2013	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding December 31, 2014
Class A	3,772,707	1,104,169	(751,844)	4,125,032
Class F	2,396,279	750,182	(618,577)	2,527,884
Class I	15,478	1,717	(17,195)	-
Class X	78,792	24,975	(15,635)	88,132
Class U	203,924	41,654	(8,869)	236,709
Class G	150,237	300,687	(256,301)	194,623

For the year ended December 31, 2013

Units	Redeemable units outstanding at December 31, 2012	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding December 31, 2013
Class A	2,999,506	1,445,381	(672,180)	3,772,707
Class F	2,413,301	1,451,504	(1,468,526)	2,396,279
Class I	15,478	-	-	15,478
Class X	301,080	25,283	(247,571)	78,792
Class U	153,107	65,620	(14,803)	203,924
Class G	88,398	71,711	(9,872)	150,237

9. RELATED PARTY TRANSACTIONS

The Manager is responsible for making decisions relating to the investment of the Fund's assets and providing key management personnel.

a) Management and Performance Fees

	Class A Units	Class F Units	Class I Units	Class X Units	Class U Units	Class G Units
Management fees per annum	1.00%	0.00%	0.00%	0.00%	1.00%	0.00%

Management fees are calculated and paid as of the last Valuation Date of each month.

In addition, Class A-S and U-S of the Underlying Fund will pay the Manager a management fee at an annual rate of 1.50% of the Net Asset Value of each class. Management fees are calculated and paid as of the last Valuation Date of each month.

No Performance Fee will be charged by the Fund. The Manager is entitled to receive from the Underlying Fund an annual Performance Fee equal to 20% of the increase in the Net Asset Value of each class of units of the Underlying Fund (after adjusting for capital transactions and before accruing performance fees for the period), subject to a high water mark.

The Fund is responsible for all operating expenses incurred by or on behalf of the Fund.

As at December 31, 2014, amounts owing to the Manager relating to management fees and administration fees included in other liabilities were $44,041 [December 31, 2013 - 48,087; January 1, 2013 - $44,902].

b) Related Party Unit Holdings

Unitholders who represent management of the Fund held the following units:

Class	December 31, 2014	December 31, 2013
Class A	8,487	8,374
Class F	16,997	3,301
Class I	-	15,478
Class U	128	118
Class G	128	118

c) Brokerage Commissions

Total commissions paid to dealers for the year ended December 31, 2014 in connection with portfolio transactions were $0 [December 31, 2013 - $422].

10. TAXATION

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) ("Tax Act"). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any taxation year are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses would not be reflected in the statement of financial position as a deferred income tax asset. As at December 31, 2014, the Fund had $790,940 of unused non-capital losses which expire no earlier than 2027.

11. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2014 and 2013 is calculated as follows:

December 31, 2014

	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
	$		$
Class A	(2,499,966)	4,166,610	(0.60)
Class F	(1,372,831)	2,496,056	(0.55)
Class I	(2,531)	14,888	(0.17)
Class X	16,796	76,345	0.22
Class U	13,178	219,633	0.06
Class G	(9,336)	311,200	(0.03)

December 31, 2013

	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
	$		$
Class A	1,759,314	3,518,630	0.50
Class F	1,766,797	2,760,619	0.64
Class I	10,075	15,498	0.65
Class X	339,760	240,965	1.41
Class U	192,549	186,942	1.03
Class G	146,739	120,278	1.22

12. TRANSITION TO IFRS

The effect of the Fund's transition to IFRS is summarized in this note as follows:

Transition Elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, *Investment Companies.*

Revaluation of Investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, *Financial Instruments - Recognition and Measurement,* which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, *Fair Value Measurement* (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. There was no change in the value of the Fund's investments as at December 31, 2013 and January 1, 2013. Consequently, there were no differences between equity and comprehensive income reported previously under Canadian GAAP and IFRS.

Classification of redeemable units issued by the Fund

The Funds' redeemable units contain multiple contractual obligations and multiple series of units have been issued which do not have identical features. Consequently, the units do not meet the conditions in IAS 32 to be classified as equity. As a result, the Funds' obligations for net assets attributable to holders of redeemable shares are presented at the redemption amounts.

13. REGULATORY EXEMPTION

The Fund is relying on Section 2.11 of National Instrument 81-106 which provides an exemption from filing its interim and annual financial statements with the Ontario Securities Commission.

14. FUTURE ACCOUNTING CHANGES -IFRS 9, FINANCIAL INSTRUMENTS

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

April 30, 2015

The accompanying financial statements have been prepared by Arrow Capital Management Inc., the Manager of Raven Rock Income Fund (the "Fund"), and approved by the Board of Directors of the Manager. The Fund's manager is responsible for the information and representations contained in these financial statements.

Arrow Capital Management Inc. maintains appropriate processes to ensure that reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards 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 3 to the financial statements.

PricewaterhouseCoopers LLP is the external auditor of the Fund, appointed by the unitholders. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out on the following page.

"James L. McGovern"

JAMES L. MCGOVERN
Managing Director & CEO
ARROW CAPITAL MANAGEMENT INC.

"Robert W. Maxwell"

ROBERT W. MAXWELL
Managing Director & CFO
ARROW CAPITAL MANAGEMENT INC.

Independent Auditor's Report

To the Unitholders
Raven Rock Income Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2014 and December 31, 2013, 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 these financial statements in accordance with International Financial Reporting Standards, 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 these 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 the 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, 2014, December 31, 2013 and January 1, 2013 and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 30, 2015

A N N U A L R E P O R T

AUDITED FINANCIAL STATEMENTS DECEMBER 2014

RAVEN ROCK INCOME II FUND

RAVEN ROCK INCOME II FUND

Statements of Financial Position

	Note	As at December 31, 2014	As at December 31, 2013	As at January 1, 2013
Assets				
Current assets				
Financial assets designated at fair value through profit and loss		$ 292,821,332	$ 162,604,337	$ 93,253,240
Financial assets held for trading				
Options at fair value		534,699	62,953	56,579
Warrants at fair value		222	-	-
Unrealized gain on forward currency contracts		-	528,639	-
Cash		424,233	140,633	719,096
Margin deposit		11,083,088	-	13,167,772
Accrued interest and dividends receivable		2,793,110	1,502,798	1,021,283
Receivable for securities sold		4,163	62,667	462,742
Receivable for units issued		194,731	575,000	3,500,000
		307,855,578	165,477,027	112,180,712
Liabilities				
Current liabilities				
Financial liabilities held for trading				
Investments sold short		35,233,125	59,447,260	39,266,218
Options at fair value		-	399,712	14,251
Unrealized loss on forward currency contracts		4,053,863	-	158,480
Margin loan		44,181,176	22,752,510	9,889,082
Payable for securities purchased		-	1,057,818	508,623
Payable for units redeemed		3,089,073	501,391	-
Accrued interest and dividends payable		199,927	172,234	252,541
Other liabilities	9	529,678	116,991	782,981
		87,286,842	84,447,916	50,872,176
Net assets attributable to holders of redeemable units		$ 220,568,736	$ 81,029,111	$ 61,308,536
Net assets attributable to holders of redeemable units				
Class A		$ 5,483,791	$ 4,941,734	$ -
Class F		$ 12,723,761	$ 9,861,245	$ -
Class U		$ 99,024	$ 68,766	$ -
Class G		$ 1,375,559	$ -	$ -
Class A-S		$ 60,210,561	$ 61,504,885	$ 55,385,030
Class U-S		$ 5,477,423	$ 4,652,481	$ 5,923,506
Class AI		$ 94,624,287	$ -	$ -
Class FI		$ 34,427,311	$ -	$ -
Class UI		$ 5,605,306	$ -	$ -
Class GI		$ 541,713	$ -	$ -
Number of units outstanding	8			
Class A		482,584	383,567	-
Class F		1,101,427	760,220	-
Class U		7,471	4,923	-
Class G		105,408	-	-
Class A-S		5,269,718	5,122,653	4,932,760
Class U-S		451,280	393,015	566,665
Class AI		17,456,581	-	-
Class FI		5,565,191	-	-
Class UI		691,419	-	-
Class GI		56,870	-	-
Net assets attributable to holders of redeemable units per unit				
Class A		$ 11.36	$ 12.88	$ -
Class F		$ 11.55	$ 12.97	$ -
Class U US Dollars		$ 11.44	$ 13.15	$ -
Class G US Dollars		$ 11.27	$ -	$ -
Class A-S		$ 11.43	$ 12.01	$ 11.23
Class U-S US Dollars		$ 10.48	$ 11.14	$ 10.50
Class AI		$ 5.42	$ -	$ -
Class FI		$ 6.19	$ -	$ -
Class UI US Dollars		$ 7.00	$ -	$ -
Class GI US Dollars		$ 8.22	$ -	$ -
USD/CAD Foreign Exchange Rate		0.8634	0.9412	1.0043

Approved on behalf of the Board of Directors of Arrow Capital Management Inc.,
the Manager of the Fund:

"James L. McGovern"

James L. McGovern, Director

"Robert W. Maxwell"

Robert W. Maxwell, Director

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

RAVEN ROCK INCOME II FUND

Statements of Comprehensive Income
For the years ended December 31

	Note	2014 $	2013 $
Income			
Net gains (losses) on investments and derivatives			
Interest for distribution purposes	5	8,714,056	6,370,939
Interest expense on short sales	5	(337,944)	(203,971)
Dividend income	5	161,978	161,287
Dividend expense on short sales	5	(278,660)	(312,108)
Net realized gain (loss) on investments and derivatives	5	(4,576,465)	336,523
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	5	(19,344,287)	3,474,473
Net gains (losses) on investments and derivatives		(15,661,322)	9,827,143
Other Income Items:			
Foreign exchange gain (loss)		(2,021,767)	(823,533)
Interest on cash		17,200	19,016
Net change in unrealized foreign exchange gain (loss)		(11,070)	(22,475)
Total income (net)		(17,676,959)	9,000,151
Expenses			
Securityholder reporting fees		272,704	132,172
Management fees	9	2,604,975	1,200,255
Performance fees	9	(1,238,858)	1,313,942
Interest expense on margin loan		194,203	50,258
Audit fees		27,793	27,300
Legal fees		2,414	1,260
Filing fees		3,336	-
Withholding tax expense		5,370	4,253
Security borrowing expense		464,982	389,362
Commissions and other portfolio transaction costs	9	32,358	73,994
Harmonized sales tax		200,722	343,713
Total expenses		2,569,999	3,536,509
Increase (decrease) in net assets attributable to holders of redeemable units		(20,246,958)	5,463,642
Increase (decrease) in net assets attributable to holders of redeemable units per Class	11		
Class A		(393,737)	142,561
Class F		(893,081)	326,480
Class U		(1,878)	3,829
Class G		(70,985)	-
Class A-S		(3,094,324)	4,258,183
Class U-S		74,942	732,589
Class AI		(11,542,031)	-
Class FI		(3,972,868)	-
Class UI		(321,721)	-
Class GI		(31,275)	-
Increase (decrease) in net assets attributable to holders of redeemable units per Unit	11		
Class A		(0.89)	0.52
Class F		(0.93)	0.51
Class U		(0.32)	0.78
Class G		(1.40)	-
Class A-S		(0.59)	0.78
Class U-S		0.15	1.35
Class AI		(0.64)	-
Class FI		(0.68)	-
Class UI		(0.45)	-
Class GI		(0.52)	-

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

RAVEN ROCK INCOME II FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
For the years ended December 31

		2014 $	2013 $
Net assets attributable to holders of redeemable units at beginning of year			
	Class A	4,941,734	-
	Class F	9,861,245	-
	Class U	68,766	-
	Class G	-	-
	Class A-S	61,504,885	55,385,030
	Class U-S	4,652,481	5,923,506
	Class AI	-	-
	Class FI	-	-
	Class UI	-	-
	Class GI	-	-
		81,029,111	61,308,536
Increase (decrease) in net assets attributable to holders of redeemable units			
	Class A	(393,737)	142,561
	Class F	(893,081)	326,480
	Class U	(1,878)	3,829
	Class G	(70,985)	-
	Class A-S	(3,094,324)	4,258,183
	Class U-S	74,942	732,589
	Class AI	(11,542,031)	-
	Class FI	(3,972,868)	-
	Class UI	(321,721)	-
	Class GI	(31,275)	-
		(20,246,958)	5,463,642
Distributions to holders of redeemable units			
From net investment income	Class A	(33,974)	(149,577)
	Class F	(148,121)	(220,501)
	Class U	(521)	(1,006)
	Class G	(7,588)	-
	Class A-S	(816,233)	(1,645,520)
	Class U-S	(44,678)	(182,915)
	Class AI	(606,333)	-
	Class FI	(437,172)	-
	Class UI	(36,211)	-
	Class GI	(6,559)	-
		(2,137,390)	(2,199,519)
From net realized gains on investments and derivatives	Class A	(84,935)	-
	Class F	(185,152)	(117,940)
	Class U	(1,303)	-
	Class G	(9,485)	-
	Class A-S	(953,376)	(1,198,780)
	Class U-S	(86,596)	(137,759)
	Class AI	(1,414,777)	-
	Class FI	(510,034)	-
	Class UI	(84,493)	-
	Class GI	(7,652)	-
		(3,337,803)	(1,454,479)
Return of capital	Class A	(220,832)	-
	Class F	(407,334)	-
	Class U	(3,389)	-
	Class G	(20,869)	-
	Class A-S	-	-
	Class U-S	-	-
	Class AI	(2,021,109)	-
	Class FI	(510,035)	-
	Class UI	(120,704)	-
	Class GI	(7,651)	-
		(3,311,923)	-
Total distributions to holders of redeemable units		(8,787,116)	(3,653,998)
Redeemable unit transactions			
Proceeds from redeemable units issued	Class A	1,855,734	5,279,565
	Class F	6,118,233	10,970,530
	Class U	80,435	65,943
	Class G	1,450,390	-
	Class A-S	5,650,000	14,958,000
	Class U-S	3,150,000	650,000
	Class AI	113,549,503	-
	Class FI	43,253,205	-
	Class UI	6,592,279	-
	Class GI	613,143	-
		182,312,922	31,924,038
Reinvestments of distributions to holders of redeemable units	Class A	262,703	116,935
	Class F	499,778	154,854
	Class U	1,064	-
	Class G	34,096	-
	Class A-S	1,769,609	2,844,300
	Class U-S	131,274	320,674
	Class AI	2,623,035	-
	Class FI	654,538	-
	Class UI	118,441	-
	Class GI	21,862	-
		6,116,400	3,436,763
Redemption of redeemable units	Class A	(842,902)	(447,750)
	Class F	(2,121,807)	(1,252,178)
	Class U	(44,150)	-
	Class G	-	-
	Class A-S	(3,850,000)	(13,096,328)
	Class U-S	(2,400,000)	(2,653,614)
	Class AI	(5,964,001)	-
	Class FI	(4,050,323)	-
	Class UI	(542,285)	-
	Class GI	(40,155)	-
		(19,855,623)	(17,449,870)
Net increase (decrease) from redeemable unit transactions		168,573,699	17,910,931
Net increase (decrease) in net assets attributable to holders of redeemable units		139,539,625	19,720,575
	Class A	5,483,791	4,941,734
	Class F	12,723,761	9,861,245
	Class U	99,024	68,766
	Class G	1,375,559	-
	Class A-S	60,210,561	61,504,885
	Class U-S	5,477,423	4,652,481
	Class AI	94,624,287	-
	Class FI	34,427,311	-
	Class UI	5,605,306	-
	Class GI	541,713	-
Net assets attributable to holders of redeemable units at end of year		220,568,736	81,029,111

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

RAVEN ROCK INCOME II FUND

Statements of Cash Flow
For the years ended December 31

	Note	2014 $	2013 $
Cash flows from (used in) operating activities			
Increase (decrease) in net assets attributable to holders of redeemable units		(20,246,958)	5,463,642
Adjustment for:			
Net change in unrealized foreign exchange loss (gain)		11,070	22,475
Net realized loss (gain) on investments and derivatives		4,576,465	(336,523)
Net change in unrealized depreciation (appreciation) in value of investments and derivatives		19,344,287	(3,474,473)
Purchase of investments		(282,474,987)	(262,522,034)
Proceeds on sale of investments		271,344,296	217,804,213
(Increase) decrease in margin deposit		(11,083,088)	13,167,772
Decrease (increase) in accrued interest and dividends receivable		(1,290,312)	(481,515)
Increase (decrease) in accrued interest and dividends payable		27,693	(80,307)
Increase (decrease) in other liabilities		412,687	(665,990)
Net cash from (used in) operating activities		(19,378,847)	(31,102,740)
Cash flows from (used in) financing activities			
Proceeds from redeemable units issued		18,183,508	34,849,038
Redemption of redeemable units		(17,267,941)	(16,948,479)
Distributions paid to holders of redeemable units, net of reinvested distributions		(2,670,716)	(217,235)
Increase (decrease) in margin loan		21,428,666	12,863,428
Net cash from (used in) financing activities		19,673,517	30,546,752
Net increase (decrease) in cash		294,670	(555,988)
Cash at beginning of the year		140,633	719,096
Net change in unrealized foreign exchange gain (loss)		(11,070)	(22,475)
Cash at end of the year		424,233	140,633
Interest received*		7,510,917	5,719,098
Dividends received, net of withholding tax*		494,967	-
Interest paid*		(408,081)	(146,478)
Dividends paid*		(589,162)	(121,711)
*Included as part of cash flows from operating activities			

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

Raven Rock Income II Fund

Schedule of Investment Portfolio - As at December 31, 2014

EQUITY LONG POSITIONS 54.6%

SECURITY NAME		QUANTITY	FAIR VALUE	AVERAGE COST
CONSUMER, NON-CYCLICAL	0.3%			
Amsurg Corp	USD	4,530	$ 592,898	$ 506,047
INDUSTRIALS	0.1%			
Chart Industries Inc	USD	6,120	242,427	253,865

SECURITY NAME		QUANTITY	FAIR VALUE	AVERAGE COST
FUNDS	54.3%			
Distressed Securities Fund	CAD	1,203,971	14,846,532	14,480,284
Raven Rock Credit Offshore Fund, Class A (3)	USD	81,727	104,844,538	108,942,017
			119,691,070	123,422,301

			FAIR VALUE	AVERAGE COST
Total Equity Long Positions			$ 120,526,395	$ 124,182,213

EQUITY SHORT POSITIONS -13.0%

SECTOR		FAIR VALUE	PROCEEDS
COMMUNICATIONS	-0.1%	$ (259,075)	$ (325,793)
CONSUMER, CYCLICAL	-0.9%	(1,887,381)	(1,672,120)
CONSUMER, NON-CYCLICAL	-3.1%	(6,870,972)	(6,445,754)
INDUSTRIALS	-0.4%	(809,437)	(1,129,315)
ENERGY	-0.5%	(995,453)	(1,263,156)
FINANCIAL	-1.0%	(2,152,709)	(1,474,674)
FUNDS	-7.0%	(15,598,944)	(14,478,348)
UTILITIES	-0.1%	(207,581)	(245,775)
Total Equity Short Positions		$ (28,781,552)	$ (27,034,935)

WARRANT LONG POSITIONS 0.0%

SECURITY NAME		QUANTITY	FAIR VALUE	AVERAGE COST	STRIKE PRICE	MATURITY DATE
Pacific Coal Resources Ltd	CAD	44,285	$ 222	$ 221	14.700	Mar/14/2016
Total Warrants Long Positions			$ 222	$ 221		

FIXED INCOME LONG POSITIONS 78.1%

SECURITY NAME		COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE	AVERAGE COST
Accuray Inc	USD	3.50%	Feb/01/2018	820,000	$ 1,450,455	$ 865,866
ADT Corp/The	USD	6.25%	Oct/15/2021	440,000	524,920	502,448
Aegerion Pharmaceuticals Inc	USD	2.00%	Aug/15/2019	660,000	621,457	723,753
Affinia Group Inc	USD	3.50%	Apr/12/2016	219,500	254,872	239,186
Ahern Rentals Inc	USD	9.50%	Jun/15/2018	1,100,000	1,325,040	1,149,479
Aleris International Inc	USD	7.63%	Feb/15/2018	250,000	292,821	275,082
Aleris International Inc	USD	7.88%	Nov/01/2020	2,020,000	2,339,669	2,253,448
Alliance Data Systems Corp	USD	6.38%	Apr/01/2020	1,265,000	1,503,650	1,418,011
Alliance Data Systems Corp	USD	5.38%	Aug/01/2022	3,800,000	4,357,344	4,127,624
Allied Specialty Vehicles Inc	USD	8.50%	Nov/01/2019	1,000,000	1,219,060	1,103,401
Amsted Industries Inc	USD	5.38%	Sep/15/2024	460,000	520,808	498,710
Antero Resources Corp	USD	5.13%	Dec/01/2022	1,500,000	1,646,166	1,638,506
Antero Resources Finance Corp	USD	5.38%	Nov/01/2021	1,500,000	1,687,428	1,693,852
Ardagh Packaging Finance PLC / Ardagh Holdings USA Inc	USD	6.00%	Jun/30/2021	1,910,000	2,118,240	2,051,576
Ascent Capital Group Inc	USD	4.00%	Jul/15/2020	2,338,000	2,239,185	2,441,225
AuRico Gold Inc	USD	7.75%	Apr/01/2020	380,000	407,126	419,738
BakerCorp International Inc	USD	8.25%	Jun/01/2019	990,000	1,043,469	1,056,314
Baytex Energy Corp	USD	6.75%	Feb/17/2021	1,520,000	1,831,262	1,691,151
Bill Barrett Corp	USD	5.00%	Mar/15/2028	4,000,000	4,635,903	4,377,830
BI-LO LLC / BI-LO Finance Corp	USD	8.63%	Sep/15/2018	370,000	323,558	382,590
BI-LO LLC / BI-LO Finance Corp	USD	9.25%	Feb/15/2019	2,980,000	3,192,722	3,311,864
Block Communications Inc	USD	7.25%	Feb/01/2020	3,410,000	4,048,380	3,894,549
Blucora Inc	USD	4.25%	Apr/01/2019	760,000	833,089	825,134
California Resources Corp	USD	6.00%	Nov/15/2024	2,280,000	2,244,692	2,577,935
Capsugel SA	USD	7.00%	May/15/2019	670,000	785,244	739,695
Carlson Travel Holdings Inc	USD	7.50%	Aug/15/2019	220,000	257,364	240,586
Carriage Services Inc	USD	2.75%	Mar/15/2021	580,000	730,148	648,366
Carrizo Oil & Gas Inc	USD	7.50%	Sep/15/2020	230,000	257,074	259,985
CBC Ammo LLC / CBC FinCo Inc	USD	7.25%	Nov/15/2021	2,110,000	2,312,551	2,294,389
Century Communities Inc	USD	6.88%	May/15/2022	960,000	1,117,482	1,074,113
Chassix Holdings Inc	USD	10.00%	Dec/15/2018	1,000,000	144,782	1,061,679
Chassix Inc	USD	9.25%	Aug/01/2018	3,270,000	2,594,426	3,619,703
Cobalt International Energy Inc	USD	2.63%	Dec/01/2019	1,445,000	1,012,573	1,269,934
Cobalt International Energy Inc	USD	3.13%	May/15/2024	1,470,000	1,148,220	1,535,062
Community Choice Financial Inc	USD	10.75%	May/01/2019	775,000	587,958	725,237
Comstock Resources Inc	USD	9.50%	Jun/15/2020	2,810,000	2,229,461	3,342,495
DFC Finance Corp	USD	10.50%	Jun/15/2020	900,000	888,669	992,920
Diamondback Energy Inc	USD	7.63%	Oct/01/2021	340,000	386,422	360,713
Drill Rigs Holdings Inc	USD	6.50%	Oct/01/2017	940,000	909,112	1,014,889
DriveTime Automotive Group Inc / DT Acceptance Corp	USD	8.00%	Jun/01/2021	1,980,000	2,072,605	2,158,890
Encore Capital Group Inc	USD	3.00%	Nov/27/2017	1,480,000	2,528,464	1,780,596
Energy XXI Gulf Coast Inc	USD	7.50%	Dec/15/2021	1,810,000	1,142,558	1,964,686
Energy XXI Ltd	USD	3.00%	Dec/15/2018	2,900,000	1,016,077	2,796,675
EnerNOC Inc	USD	2.25%	Aug/15/2019	590,000	577,125	641,821
Era Group Inc	USD	7.75%	Dec/15/2022	1,030,000	1,234,755	1,098,541
Euronet Worldwide Inc	USD	1.50%	Oct/01/2044	650,000	768,395	745,755
Exelixis Inc	USD	4.25%	Aug/15/2019	3,670,000	2,393,744	4,762,628
Ezcorp Inc	USD	2.13%	Jun/15/2019	420,000	456,670	433,892
First Cash Financial Services Inc	USD	6.75%	Apr/01/2021	380,000	459,942	434,098
First Quality Finance Co Inc	USD	4.63%	May/15/2021	3,030,000	3,228,743	3,084,170
Florida East Coast Holdings Corp	USD	6.75%	May/01/2019	2,480,000	2,850,921	2,825,177
Gates Global LLC / Gates Global Co	USD	6.00%	Jul/15/2022	1,930,000	2,152,045	2,078,100
GenCorp Inc	USD	7.13%	Mar/15/2021	610,000	743,485	668,386
General Cable Corp	USD	4.50%	Nov/15/2029	910,000	764,821	1,089,439
Global Partners LP / GLP Finance Corp	USD	6.25%	Jul/15/2022	490,000	553,355	533,073
Greenbrier Cos Inc/The	USD	2.38%	May/15/2026	465,000	739,548	477,065
Gulfport Energy Corp	USD	7.75%	Nov/01/2020	2,370,000	2,697,019	2,771,721
Hiland Partners LP / Hiland Partners Finance Corp	USD	5.50%	May/15/2022	100,000	102,216	109,378
Hiland Partners LP / Hiland Partners Finance Corp	USD	7.25%	Oct/01/2020	1,955,000	2,162,485	2,254,302
Hilcorp Energy I LP / Hilcorp Finance Co	USD	7.63%	Apr/15/2021	1,130,000	1,321,913	1,328,115
Hilcorp Energy I LP / Hilcorp Finance Co	USD	5.00%	Dec/01/2024	900,000	918,639	973,024
IAMGOLD Corp	USD	6.75%	Oct/01/2020	1,130,000	992,351	1,109,331
Iconix Brand Group Inc	USD	1.50%	Mar/15/2018	740,000	1,024,499	865,854
Isis Pharmaceuticals Inc	USD	1.00%	Nov/15/2021	320,000	421,971	361,713
Jaguar Holding Co I	USD	9.38%	Oct/15/2017	450,000	533,983	498,268
JCH Parent Inc	USD	10.50%	Mar/15/2019	920,000	991,000	987,302
Jefferies Finance LLC / JFIN Co-Issuer Corp	USD	7.50%	Apr/15/2021	880,000	951,736	985,332
Jefferies Finance LLC / JFIN Co-Issuer Corp	USD	6.88%	Apr/15/2022	1,310,000	1,395,925	1,451,900
Jupiter Resources Inc	USD	8.50%	Oct/01/2022	900,000	789,638	949,630
Jurassic Holdings III Inc	USD	6.88%	Feb/15/2021	900,000	974,669	1,012,717
KeHE Distributors LLC / KeHE Finance Corp	USD	7.63%	Aug/15/2021	720,000	888,148	750,746
Kodiak Oil & Gas Corp	USD	8.13%	Dec/01/2019	1,360,000	1,610,665	1,574,851
Kodiak Oil & Gas Corp	USD	5.50%	Jan/15/2021	2,220,000	2,590,604	2,419,242
Ligand Pharmaceuticals Inc	USD	0.75%	Aug/15/2019	880,000	1,009,283	960,330
Lightstream Resources Ltd	USD	8.63%	Feb/01/2020	3,540,000	2,890,649	3,828,212
M/I Homes Inc	USD	3.25%	Sep/15/2017	1,245,000	1,721,416	1,609,917
Memorial Resource Development Corp	USD	5.88%	Jul/01/2022	250,000	262,778	276,172
Men's Wearhouse Inc	USD	7.00%	Jul/01/2022	1,360,000	1,626,417	1,522,451
Michaels FinCo Holdings LLC / Michaels FinCo Inc	USD	7.50%	Aug/01/2018	118,000	139,749	121,405

Michaels Stores Inc	USD	3.75%	Jan/16/2020	1,231,250	1,401,498	1,327,568
Micron Technology Inc	USD	5.50%	Feb/01/2025	220,000	258,001	239,974
Molina Healthcare Inc	USD	1.13%	Jan/15/2020	880,000	1,421,870	1,046,408
Monitronics International Inc	USD	9.13%	Apr/01/2020	2,495,000	2,743,555	2,809,241
New Gold Inc	USD	6.25%	Nov/15/2022	2,175,000	2,481,410	2,413,241
Northern Oil and Gas Inc	USD	8.00%	Jun/01/2020	1,605,000	1,417,483	1,756,838
Oasis Petroleum Inc	USD	6.88%	Mar/15/2022	1,330,000	1,409,535	1,520,323
Parkland Fuel Corp	CAD	5.50%	May/28/2021	1,000,000	993,750	1,012,150
Plastipak Holdings Inc	USD	6.50%	Oct/01/2021	1,380,000	1,606,380	1,533,330
Priszm Income Fund	CAD	0.00%	Jun/30/2012	1,875,000	173,531	173,531
Quad/Graphics Inc	USD	7.00%	May/01/2022	1,940,000	2,134,658	2,108,041
Quebecor Media Inc	CAD	6.63%	Jan/15/2023	3,595,000	3,726,817	3,745,599
Rent-A-Center Inc/TX	USD	4.75%	May/01/2021	1,250,000	1,252,360	1,234,248
Resolute Energy Corp	USD	8.50%	May/01/2020	430,000	253,382	461,009
Rosetta Resources Inc	USD	5.63%	May/01/2021	1,780,000	1,896,960	1,964,294
Rosetta Resources Inc	USD	5.88%	Jun/01/2022	1,080,000	1,138,330	1,219,744
Salix Pharmaceuticals Ltd	USD	1.50%	Mar/15/2019	420,000	889,323	713,856
Salix Pharmaceuticals Ltd	USD	6.00%	Jan/15/2021	420,000	497,411	473,123
SEACOR Holdings Inc	USD	2.50%	Dec/15/2027	930,000	1,144,498	1,049,874
Seadrill Ltd	USD	6.63%	Sep/15/2020	1,340,000	1,295,968	1,428,264
SM Energy Co	USD	6.13%	Nov/15/2022	310,000	338,412	352,117
SolarCity Corp	USD	1.63%	Nov/01/2019	2,450,000	2,591,205	2,689,912
Southern Graphics Inc	USD	8.38%	Oct/15/2020	1,212,000	1,414,330	1,368,644
Springs Industries Inc	USD	6.25%	Jun/01/2021	1,770,000	2,050,106	1,866,792
Sprint Communications Inc	USD	9.25%	Apr/15/2022	2,510,000	3,314,222	3,270,048
Stackpole International Intermediate / Stackpole	USD	7.75%	Oct/15/2021	2,480,000	2,886,827	2,733,439
Stone Energy Corp	USD	7.50%	Nov/15/2022	850,000	851,605	917,484
SunCoke Energy Partners LP / SunCoke Energy Partners Finance	USD	7.38%	Feb/01/2020	300,000	362,678	326,974
TAL Education Group	USD	2.50%	May/15/2019	890,000	1,259,970	994,840
Tembec Industries Inc	USD	9.00%	Dec/15/2019	900,000	1,028,093	997,871
Theravance Inc	USD	2.13%	Jan/15/2023	720,000	649,432	1,033,693
Thompson Creek Metals Co Inc	USD	12.50%	May/01/2019	1,645,000	1,900,561	1,820,612
Thompson Creek Metals Co Inc	USD	7.38%	Jun/01/2018	420,000	401,334	377,860
TransDigm Inc	USD	5.50%	Oct/15/2020	2,110,000	2,401,143	2,327,044
Triangle USA Petroleum Corp	USD	6.75%	Jul/15/2022	450,000	346,607	491,031
Trinseo Materials Operating SCA/ Trinseo Materials Finance	USD	8.75%	Feb/01/2019	900,000	1,061,972	926,752
Tullow Oil PLC	USD	6.00%	Nov/01/2020	620,000	603,218	651,886
Tullow Oil PLC	USD	6.25%	Apr/15/2022	850,000	836,837	926,749
Unit Corp	USD	6.63%	May/15/2021	2,270,000	2,366,309	2,545,138
Vector Group Ltd	USD	7.75%	Feb/15/2021	3,490,000	4,269,679	3,950,793
Videotron Ltd	CAD	5.63%	Jun/15/2025	570,000	569,050	565,013
Videotron Ltd	CAD	9.13%	Apr/15/2018	52,000	62,412	58,791
Watco Cos LLC / Watco Finance Corp	USD	6.38%	Apr/01/2023	1,230,000	1,417,527	1,338,961
West Corp	USD	5.38%	Jul/15/2022	470,000	522,603	489,493
Wise Metals Group LLC / Wise Alloys Finance Corp	USD	8.75%	Dec/15/2018	1,200,000	1,461,135	1,395,373
Wise Metals Intermediate Holdings LLC/ Wise Holdings Finance	USD	9.75%	Jun/15/2019	390,000	481,645	425,829
WPX Energy Inc	USD	5.25%	Sep/15/2024	910,000	985,497	990,569
Total Fixed Income Long Positions					$ 172,294,937	$ 179,058,307

FIXED INCOME SHORT POSITIONS -2.9%

SECURITY NAME		COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE	PROCEEDS
Chart Industries Inc	USD	2.00%	Aug/01/2018	(940,000)	$ (1,047,253)	$ (1,064,346)
Connacher Oil and Gas Ltd	USD	8.50%	Aug/01/2019	(690,000)	(303,694)	(588,608)
Sears Holdings Corp	USD	6.63%	Oct/15/2018	(880,000)	(942,817)	(862,537)
SolarCity Corp	USD	2.75%	Nov/01/2018	(1,560,000)	(1,957,078)	(2,082,849)
Sprint Communications Inc	USD	6.00%	Nov/15/2022	(620,000)	(663,360)	(668,161)
United States Treasury Note	USD	2.25%	Mar/31/2021	(1,300,000)	(1,537,371)	(1,429,134)
Total Fixed Income Short Positions					$ (6,451,573)	$ (6,695,635)

Schedule 1 - Derivative assets and liabilities

LONG OPTION POSITIONS 0.3%

SECURITY NAME	CONTRACTS	EXPIRY DATE	STRIKE PRICE	FAIR VALUE	AVERAGE COST
EXELIXIS INC@5 PUT OPT JAN 15	1,265	17-Jan-15	5.0	$ 534,699	$ 279,913
Total Long Option Positions				$ 534,699	$ 279,913

SHORT OPTION POSITIONS 0.0%

SECURITY NAME	CONTRACTS	EXPIRY DATE	STRIKE PRICE	FAIR VALUE	AVERAGE COST
EXELIXIS INC@5 CALL OPT JAN 15	(4,857)	17-Jan-15	5.0	$ -	$ (561,590)
EXELIXIS INC@7 CALL OPT JAN 15	(911)	17-Jan-15	7.0	-	(67,843)
Total Short Option Positions				$ -	$ (629,433)

FORWARD CURRENCY CONTRACTS -1.8%

CURRENCY PURCHASED	NOTIONAL VALUE	CURRENCY SOLD	NOTIONAL VALUE	CONTRACT RATE	MATURITY DATE	FAIR VALUE	COUNTER PARTY	CREDIT RATING
Canadian Dollar	85,285,875	US Dollar	(75,000,000)	1.137145	7-Jan	$ (1,595,744)	BMO	Aa3
Canadian Dollar	68,198,400	US Dollar	(60,000,000)	1.13664	7-Jan	(1,306,884)	Scotia	Aa2
Canadian Dollar	60,245,100	US Dollar	(53,000,000)	1.1367	7-Jan	(1,151,235)	TD Securities	Aa1
Total Forward Currency Contracts						$ (4,053,863)		

INVESTMENT PORTFOLIO SUMMARY		FAIR VALUE	AVERAGE COST
Equity Long Positions	54.7%	$ 120,526,395	$ 124,182,213
Equity Short Positions	-13.0%	(28,781,552)	(27,034,935)
Warrant Long Positions	0.0%	222	221
Fixed Income Long Positions	78.1%	172,294,937	179,058,307
Fixed Income Short Positions	-2.9%	(6,451,573)	(6,695,635)
Long Option Positions	0.3%	534,699	279,913
Short Option Positions	0.0%	-	(629,433)
Forward Currency Contracts	-1.8%	(4,053,863)	-
Total Investments	115.2%	254,069,265	269,160,651
Total Other Net Assets	-15.2%	(33,500,529)	
Total Net Assets	100.0%	$ 220,568,736	

1. GENERAL INFORMATION

Raven Rock Income II Fund (the Fund) is an open-ended investment trust established under the laws of Ontario and is governed by a trust indenture dated September 1, 2011. The Fund commenced operations on October 1, 2011.

The investment objective of the Fund is to achieve attractive risk-adjusted returns while preserving the Fund's capital by investing in a diversified investment portfolio that will trade securities in the U.S. corporate credit market. The Fund's investments will be subdivided into two portfolio strategies: Directional Credit and Relative Value. The Directional Credit strategy will focus on a long and short basis primarily in the credit markets of North America. The Relative Value strategy will focus on acquiring securities positions on the basis of relative value, buying and selling securities issued by a single company or companies within the same industry.

The Manager of the Fund is Arrow Capital Management Inc. (the "Manager"). The Investment Advisor of the Fund is Raven Rock Capital Management, LLC. (the "Investment Advisor").

On April 3, 2013, the Fund changed its name to Raven Rock Income II Fund. Classes A and U were renamed to Class A-S and Class U-S, respectively. In addition, the following new classes were offered: Class A and Class F units at an initial offering price of $13.00 and Class U and Class G units at an initial offering price of US$13.00.

At the close of business on August 15, 2014 (the "Merger Date"), the Fund (the "Continuing Fund") was merged with Arrow High Yield Fund (the "Merged Fund") by way of a merger (the "Merger"), as approved at special meetings of unitholders of the Continuing Fund and Merged Fund on July 30, 2014. The Merger was designed to benefit unitholders of the Fund and the Merged Fund by enhancing liquidity, allowing for increased portfolio diversification opportunities, and lowering the administrative and regulatory costs of operating.

The purchase method of accounting has been used to account for the Merger and the Continuing Fund was identified as the acquiring fund for accounting purposes. The financial statements of the Continuing Fund include the results and operations of the merging fund from the date of the Merger. Under this method, the Merger was effected by transferring the net assets of the Merged Fund in exchange for units of the Continuing Fund. The value of these units to the fund issued in connections with the Merger was $163,290,405 and equal to the fair value of the net assets transferred from the Merged Fund consisting of $1,339,638 net cash and other consideration of $161,950,767.

The address of the Fund's registered office is 36 Toronto Street, Suite 750, Toronto, Ontario.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation and Adoption of IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS")as issued by the International Accounting Standards Board (IASB). The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the Chartered Professional Accountant (CPA) Canada Handbook ("Canadian GAAP"). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

Note 12 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

These financial statements were authorized for issue by the Manager on April 30, 2015.

b) Financial Instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit and loss ("FVTPL"). Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's long investment positions are designated at "FVTPL". The Fund's short investment positions and foreign currency contracts are classified as held for trading ("HFT") and are measured at FVTPL. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. Due to their short term nature, the carrying values of other assets and liabilities and net assets attributable to holders of redeemable units approximate their fair values. The Fund's accounting policies for measuring the fair value of its investments and derivatives are the same to those used in measuring its net asset value ("NAV") for transactions with unitholders. There were no differences between the net asset value attributable to holders of redeemable units used for reporting purposes under IFRS and that used for transactions with unitholders at December 31, 2014 or 2013 and January 1, 2013.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined on an average cost basis. Realized gains and losses on securities sold short and unrealized appreciation or depreciation on securities sold short are calculated with reference to the average proceeds of the related securities. Average cost does not include amortization of premiums or discounts on fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the fund accounted for on an accrual basis.

Dividend income and expense is recognized in the statement of comprehensive income on the ex-dividend date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

c) Financial Instruments - Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for securities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The fair value of bonds is determined using mid-market pricing derived from bid and ask prices provided by independent security pricing services or recognized investment dealers. Gains and losses arising from changes in the fair value of financial assets or liabilities are presented in the statement of comprehensive income. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same and other commonly used methods by market participants which make the maximum use of observable inputs.

d) Investment in Underlying Fund

The Fund's investment in the Class A shares of Raven Rock Credit Offshore Fund (the "Underlying Fund") is subject to the terms and conditions of the Underlying Fund's LP agreement and offering documents. The investment in the Underlying Fund is valued based on the latest available redemption price as determined by the Underlying Fund's administrator. The Fund reviews the details of the reported information and considers the liquidity of the Underlying Fund and its underlying investments, the value date of the net asset value provided, any restrictions on redemptions and the basis of accounting to determine whether any adjustment to the net asset value is necessary in determining fair value. Gains and losses arising from changes in fair value of the Underlying Fund are presented in the statement of comprehensive income.

e) Impairment of Financial Assets

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of future cash flows discounted using the assets original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

f) Foreign Currency Translation

The Fund's functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as 'Foreign exchange gain (loss)' and those relating to other financial assets and liabilities are presented within 'Net realized gain (loss) on investments and derivatives' and 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income.

g) Cash

Cash is comprised of deposits with financial institutions.

h) Margin on Deposit

Cash collateral provided by the Fund to brokers for securities sold short and counterparties for derivative transactions is identified in the statement of financial position as 'Margin deposit'.

i) Collateral

For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral and such party has identified the securities which are pledged as collateral, the Fund classifies that asset in the statement of financial position as 'pledged collateral'.

j) Margin loan

Margin loan represents cash amounts borrowed under a margin agreement with the Fund's prime broker and is payable on demand. The Fund has granted a first priority security interest over investments and other assets held at the prime broker in support of its obligations under its margin lending agreement.

k) Forward Currency Contracts

The Fund may enter into forward currency contracts for purposes of minimizing currency exposure or to establish an exposure to a particular currency. The value of forward currency contracts entered into by the Fund is recorded as the difference between the contract rate and the current forward rates at the measurement date, applied to the contract's notional amount and adjusted for counterparty risk. The change in the fair value of forward currency contracts is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. Upon closing of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the statement of comprehensive income.

l) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. When the Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. Options held by the Fund are exchange-traded. Subsequent to initial recognition, changes in fair value, the difference between the premium paid or received, and fair value, are presented in 'Change in unrealized appreciation (depreciation) in investments and derivatives' in the statement of comprehensive income. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a gain or loss and is presented in the statement of comprehensive income within 'Net realized gain (loss) on investments and derivatives'.

m) Commissions and Other Portfolio Transaction Costs

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers. Such costs are expensed when incurred.

n) Income and Expense Allocation

The net assets of each class are computed by calculating the value of that class' proportionate share of the Fund's assets less that class' proportionate share of the Fund's common liabilities less class specific liabilities, if any. Expenses directly attributable to a class are charged to that class. Other income, expenses and gains/losses are allocated based on a reasonable allocation methodology which will include allocations based on the assets of the Fund or the number of shareholders the Fund or other methodology we determine is fair.

The Fund is denominated in Canadian dollars. Class G units and Class U units are issued in US dollars. The Fund has utilized forward exchange contracts and cash to hedge the currency for Class G units and Class U units. Resulting gains or losses have been included in the increase (decrease) in net assets attributable to holders of redeemable units of those specific classes.

o) Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to the class divided by the weighted average number of units outstanding in that class during the year. Refer to Note 11 for the calculation.

p) Classification of Redeemable Units

The Funds' redeemable units contain multiple contractual obligations and multiple series of units have been issued which do not have identical features. Consequently, the units do not meet the conditions in IAS 32 to be classified as equity. As a result, the Funds' obligations for net assets attributable to holders of redeemable shares are presented at the redemption amounts.

q) Investments in Structured Entities

The Fund invests in underlying funds that are managed by their respective Investment Advisors and whose investment objectives may range from achieving short-term to long-term income and capital growth. Underlying funds may use leverage in a manner consistent with their respective objectives and as permitted by their respective governing regulatory authorities. Underlying funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportionate stake in the respective fund's net assets. The Fund's interest in underlying funds as at December 31, 2014 and 2013, and January 1, 2013, held the form of redeemable units, which are included at their fair value in the Statements of Financial Position which represents the Fund's maximum exposure in these underlying funds. The Fund does not provide, and has not committed to provide, any additional significant financial or other support to the underlying funds. The change in fair value of each of the underlying funds during the periods is included in 'Change in unrealized appreciation (depreciation) of value of investments and derivatives' in the Statements of Comprehensive Income in 'Net gains (losses) on investments and derivatives'.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Use of Estimates

Fair Value measurement of derivatives and securities not quoted in an active market

The Fund holds financial instruments that are not quoted in active markets, including derivatives. Fair value of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

As at December 31, 2014, the investment in the Underlying Fund represented 47.5% of financial assets at fair value through profit or loss [December 31, 2013 - 21.8%, January 1, 2013 - 8.8%]. The fair value of the Underlying Fund is determined primarily by reference to the latest available net asset value per unit of the Underlying Fund's units as reported by the administrator of the Underlying Fund. The Fund may make adjustments to the value based on considerations such as; liquidity of the Underlying Fund or its underlying investments, the value date of the net asset value provided, any restrictions on redemptions and the basis of accounting. Redemption can only be made on the redemption dates and subject to the required notice periods specified in the offering documents. As a result, the carrying value of the Underlying Fund may not be indicative of the value ultimately realized on redemption. Class A shareholders of the Underlying Fund have the right, upon at least thirty calendar days' prior written notice to redeem any or all of their Class A shares effective the last business day of each month.

Refer to Note 5 for further information about the fair value measurement of the Fund's financial instruments.

Use of Judgments

Classification and Measurement of Investments and Application of the Fair Value Option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, *Financial Instruments - Recognition and Measurement* (IAS 39). The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

Assessment as Investment Entity

Entities that meet the definition of an investment entity within IFRS 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The Fund meets the definition of investment entity as it obtains funds from one or more investors for the purpose of providing those investors with professional investment management services and commit to their investors that their business purpose is to invest funds solely for returns from capital appreciation, investment income or both. The Fund measures and evaluates the performance of substantially all of its investments on a fair value basis.

Determination if Underlying Funds Meet the Structured Entity Definition

The Fund has concluded that its investments in the Underlying Funds are investments in unconsolidated structured entities. This represents a significant judgment by the Fund that is based generally on the fact that the decision making about the Underlying Funds investing activities is not governed by voting rights held by the Fund and other investors.

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Fund's activities expose it to a variety of risks associated with financial instruments: credit risk, liquidity risk and market risk (including price risk, currency risk, and interest rate risk).

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments present a risk of loss of capital. The maximum loss of capital on long equity, options and debt securities is limited to the fair value of those positions. The maximum loss on equities, options and debt sold short can be unlimited and the maximum loss on forward currency contracts is the notional contract value of those positions.

The management of these risks is carried out by the Manager and Investment Advisor in accordance with the Declaration of Trust.

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn can also increase the potential returns the Fund can achieve. The Fund may from time to time employ leverage through the use of margin and derivatives. It is expected that gross leverage, at any point in time, will range from unlevered to a maximum of four to one.

Credit Risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The majority of the credit risk to which the Fund is exposed arises from its investments in debt securities.

The Fund's policy to manage this risk is to not invest more than 10% of the long market value of the portfolio in securities of any single issuer as determined at the time of purchase, other than securities issued by the Government of the United States of America, the Government of Canada, or a province, state or territory thereof and, to not invest more than 20% of the Fund's net assets in illiquid securities.

The analysis below summarizes the credit quality of the Fund's debt portfolio at December 31, 2014, December 31, 2013 and January 1, 2013.

	Percentage of total debt securities		
Credit Rating*	**As at December 31, 2014**	**As at December 31, 2013**	**As at January 1, 2013**
BBB	-	0.6%	3.6%
Below BBB	83.3%	53.5%	52.4%
Not Rated	16.7%	45.9%	44.0%
Total	100%	100.0%	100.0%

* Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Service

The Fund has provided the broker with a general lien over assets held in return for services including borrowed securities and derivatives trading. The terms and conditions associated with collateral have no significant unusual requirements from the usual practice of recourse when a default occurs. Therefore, the Fund is exposed to credit risk of the broker.

The Fund is also exposed to counterparty credit risk on cash, margin on deposit, forward currency contracts, receivable for securities sold, and other receivable balances. The Fund's brokerage agreements require cash collateral in return for services including borrowed securities and derivatives trading. The Fund's prime broker and the counterparty to the Fund's forward currency contracts is BMO Nesbitt Burns Inc. BMO Nesbitt Burns Inc. has a credit rating of Aa3 (December 31, 2013 – Aa3)(January 1, 2013 – A3) as rated by Moody's bond rating services.

The Fund is also exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (December 31, 2013: Aaa, January 1, 2013: Aaa).

The Fund has invested in the Underlying Fund and has indirect exposure to credit risk as a result of the Underlying Fund's investment in debt instruments and derivatives.

There are also risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund. Therefore, the Fund should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The credit risk related to the associated receivables is considered limited, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing the Fund's rights to its assets in the case of an insolvency of any such party.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to monthly cash redemptions of redeemable units which are redeemable on demand at the holder's option and payable three business days post trade date. The Fund reserves the right to settle redemptions up to thirty days after the redemption trade date. The Fund aims to retain sufficient cash to maintain adequate liquidity including coverage of obligations related to short sales and all current liabilities. The Fund's liabilities are typically due within three months, except performance fees which are accrued daily and payable annually.

Market Risk

The Fund's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

(a) Currency Risk

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than the Canadian dollar, primarily US dollars (USD). Consequently, the Fund is exposed to currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The table below indicates the Fund's exposure to USD as at December 31, 2014, December 31, 2013 and January 1, 2013, in Canadian dollar terms, and the notional amounts of foreign currency contracts. The table below also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Non-monetary are comprised of long and short equities and non-financial options. Monetary include cash, margin loan, long and short derivatives and fixed income securities, and other current receivables and payables.

December 31, 2014	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	$169,471,660	$106,214,655	$275,686,315	$16,947,166	$10,621,466	$27,568,632
United States Dollar - Short	(244,919,305)	(28,781,552)	(273,700,857)	(24,491,931)	(2,878,155)	(27,370,086)
European Currency - Long	309,146	-	309,146	30,915	-	30,915
Total	($75,138,499)	$77,433,103	2,294,604	($7,513,850)	$7,743,311	229,461
Redeemable units issued in USD			(13,099,025)			($1,309,903)
Net exposure to foreign currencies			**($10,804,421)**			**($1,080,442)**
% of net assets attributable to holders of redeemable units	(34.1%)	35.1%	1.0%	(3.4%)	3.5%	0.1%
% of net assets attributable to units issued in USD			(5.9%)			(0.6%)
% of net assets exposed to foreign currencies			**(4.9%)**			**(0.5%)**

December 31, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
United States Dollar - Long	$1,346,390	$158,854,452	$160,200,842	$134,639	$15,885,445	$16,020,084
United States Dollar - Short	(92,153,988)	(59,451,254)	(151,605,242)	(9,215,399)	(5,945,125)	(15,160,524)
Total	($90,807,598)	$99,403,198	8,595,600	($9,080,760)	$9,940,320	859,560
Redeemable units issued in USD			(4,721,247)			(472,125)
Net exposure to foreign currencies			**$3,874,353**			**$387,435**
% of net assets attributable to holders of redeemable units	(112.1)%	122.7%	10.6%	(11.2%)	12.3%	1.1%
% of net assets attributable to units issued in USD			(5.8)			(0.6)
% of net assets exposed to foreign currencies			**4.8%**			**(0.5%)**

January 1, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
United States Dollar - Long	$1,446,502	$92,049,274	$93,495,776	$144,650	$9,204,927	$9,349,577
United States Dollar - Short	(47,454,278)	(39,284,212)	(86,738,490)	(4,745,428)	(3,928,421)	(8,673,849)
Total	($46,007,776)	$52,765,062	6,757,286	($4,600,778)	$5,276,506	675,728
Redeemable units issued in USD			(5,923,506)			(592,351)
Net exposure to foreign currencies			**$833,780**			**($83,377)**
% of net assets attributable to holders of redeemable units	(75.0)%	86.1%	11.1%	(7.5)%	8.6%	1.1%
% of net assets attributable to units issued in USD			(9.7)%			(1.0%)
% of net assets exposed to foreign currencies			**1.4%**			**0.1%**

The Fund has invested in the Underlying Fund and has indirect exposure to currency risk as a result of the Underlying Fund's investment in financial instruments which are denominated in other currencies.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund holds securities with fixed interest rates that expose the Fund to fair value interest rate risk. The Investment Advisor manages this risk by maintaining a portfolio with a relatively short duration to reduce the exposure to significant changes in interest rates.

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2014, December 31, 2013 and January 1, 2013. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable units if the prevailing levels of market interest rates changed by 1%, assuming a parallel shift in the yield curve with all other variables held constant.

Long Positions	Total Exposure		
Term to Maturity	December 31, 2014	December 31, 2013	January 1, 2013
Less than 1 year	-	-	$2,761,747
1-3 years	$6,121,378	$4,872,931	8,568,283
3-5 years	38,891,401	43,699,369	27,981,182
Greater than 5 years	127,282,158	92,649,676	45,591,300
Total	$172,294,937	$141,221,976	$84,902,512
Sensitivity:			
Total $ sensitivity	+/- $7,598,042	+/- $5,611,335	+/- $4,746,002
Total % sensitivity	3.4%	6.9%	7.7%

Short Positions	Total Exposure		
Term to Maturity	December 31, 2014	December 31, 2013	January 1, 2013
1-3 years	-	-	($492,871)
3-5 years	($4,250,843)	($7,847,439)	(3,279,059)
Greater than 5 years	(2,200,730)	(4,436,337)	(2,942,887)
Total	($6,451,573)	($12,283,776)	($6,714,817)
Sensitivity:			
Total $ sensitivity	+/- $273,978	+/- $655,643	+/-$383,871
Total % sensitivity	0.1%	0.8%	0.6%

The Fund has invested in the Underlying Fund and may be exposed to indirect interest rate risk in the event the Underlying Fund invested in interest bearing financial instruments.

(c) Price Risk

The Fund is exposed to price risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Fund's investments are subject to the risk of changes in the prices of bonds, funds and derivatives.

The Fund's policy is to manage price risk through pursuit of a diversified investment program that focuses on investment-grade fixed income securities while utilizing other assets such as options and credit default swaps, to extract relative value and to manage credit exposure.

In 2014, the Fund changed its relevant benchmark from the Barclays Aggregate Bond Index (CAD) to the Barclays Aggregate Bond Index (USD) to better reflect the underlying nature of the portfolio and related hedging strategy. As at December 31, 2014, if the Fund's relevant benchmark index had increased or decreased by 10%, with all other variables constant, the net assets attributable to holders of redeemable units of the Fund would have increased or decreased by approximately $12,131,280 [December 31, 2013 - $2,414,496; January 1, 2013 - $2,437,827] representing 5.5% of net assets attributable to holders of redeemable units [December 31, 2013 - 3.0%; January 1, 2013 - 4.0%].

The Fund engages in short selling activities, wherein it borrows securities and sells them to third parties. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold, not yet purchased, at prices which may be significantly higher than the fair value reflected on the financial statements.

Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

The following is a summary of the Fund's concentration risk as a percentage of net assets:

	December 31, 2014				December 31, 2013				January 1, 2013			
Market Segment	Equities Long %	Equities Short %	Fixed Income Long %	Fixed Income Short %	Equities Long %	Equities Short %	Fixed Income Long %	Fixed Income Short %	Equities Long %	Equities Short %	Fixed Income Long %	Fixed Income Short %
Basic Materials	-	-	4.5	-	0.1	(0.2)	11.7	-	0.2	(1.5)	9.4	-
Communications	-	(0.1)	8.6	(0.3)	-	(8.2)	17.1	(0.6)	-	(11.2)	19.5	(0.4)
Consumer, Cyclical	-	(0.9)	8.9	(0.4)	-	(5.1)	16.1	-	-	(7.6)	16.2	(0.4)
Consumer, Non-Cyclical	0.3	(3.1)	16.7	-	-	(17.4)	45.7	-	-	(13.8)	33.0	-
Diversified	-	-	0.1	-	2.2	(10.8)	55.1	-	3.1	(5.0)	34.3	(0.3)
Energy	-	(0.5)	24.6	(1.0)	-	(2.9)	5.3	-	-	(3.2)	7.9	-
Financial	-	(1.0)	2.9	-	21.8	(5.6)	-	-	8.8	(4.9)	-	-
Funds	54.3	(7.0)	-	-	-	-	-	(14.6)	-	-	-	(9.1)
Government	-	-	-	(0.7)	2.5	(6.9)	18.5	-	1.6	(4.7)	13.3	(0.8)
Industrial	0.1	(0.4)	10.8	(0.5)	-	-	1.2	-	-	-	-	-
Utilities	-	(0.1)	0.3	-	-	(1.6)	3.8	-	-	(1.4)	5.2	-
Technology	-	-	0.7	-	-	-	-	-	-	-	-	-

Capital Risk Management

Units issued and outstanding are considered to be the capital of the Fund. The Fund does not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit of the Fund for all or any of the units of such unitholder by giving written notice to the Manager. The written notice is irrevocable and must be received no later than 4:00 p.m., EST, on the date that is at least twenty business days prior to the date upon which the units are to be redeemed (a "Redemption Date"). The units are redeemable for cash equal to a pro rata share of the Fund's nets asset value.

5. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2014, December 31, 2013 and January 1, 2013:

As at December 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
Equity long	$242,427	$592,898	-	$835,325
Fixed income long	-	172,294,937	-	172,294,937
Funds	-	104,844,538	$14,846,532	119,691,070
Derivatives	534,699	222	-	534,921
Total	$777,126	$277,732,595	$14,846,532	$293,356,253
Liabilities				
Equities sold short	($28,781,552)	-	-	($28,781,552)
Fixed income short	-	($6,451,573)	-	(6,451,573)
Derivatives	-	(4,053,863)	-	(4,053,863)
Total	($28,781,552)	($10,505,436)	-	($39,286,988)

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Assets				
Equity long	$81,281	$3,777,078	-	$3,858,359
Fixed income long	-	141,221,977	-	141,221,977
Funds	-	17,524,001	-	17,524,001
Derivatives	62,953	528,639	-	591,592
Total	$144,234	$163,051,695	-	$163,195,929
Liabilities				
Equities sold short	($47,163,484)	-	-	($47,163,484)
Fixed income short	-	($12,283,776)	-	(12,283,776)
Derivatives	(399,712)		-	(399,712)
Total	($47,563,196)	($12,283,776)	-	($59,846,972)

As at January 1, 2013	Level 1	Level 2	Level 3	Total
Assets				
Equity long	$1,084,025	$1,893,508	-	$2,977,533
Fixed income long		84,902,512	-	84,902,512
Funds		5,373,195		5,373,195
Derivatives	56,579	-	-	56,579
Total	$1,140,604	$92,169,215	-	$93,309,819
Liabilities				
Equities sold short	($32,551,401)	-	-	($32,551,401)
Fixed income short	-	($6,714,817)	-	(6,714,817)
Derivatives	(14,251)	(158,480)	-	(172,731)
Total	($32,565,652)	($6,873,297)	-	($39,438,949)

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. This includes private and illiquid securities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, the Manager has used its best judgment to derive the fair value.

There were no transfers between Level 1, 2 or 3 during the years ending December 31, 2014 and 2013.

a) Equities

The Fund's equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. Prices for the Fund's convertible preferred share positions are provided by independent security pricing services or recognized investment dealers. The inputs that are significant to valuation are generally observable and therefore the Fund's convertible preferred share positions are classified as Level 2.

b) Bonds

The Fund's bond portfolio is comprised primarily of U.S. convertible and high yield bonds and also includes government bonds. Bond pricing is obtained from bid and ask prices provided by independent security pricing services or recognized investment dealers. Bond prices may be derived by using models which include inputs such as interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Fund's bonds have been classified as Level 2.

c) Funds

Investments in funds are classified as Level 1 when the security is actively traded and a reliable price is observable. When the Fund's fund investments are not traded on public exchanges, observable prices are not available. In such cases, fair value is determined using the fund prices as reported by the respective fund's administrator, which have been determined using observable market data, and the fair value of the fund investment is classified as Level 2. If the determination of fair value requires significant unobservable data, the measurement is classified as Level 3. The Fund's investment in Class A shares of Raven Rock Credit Offshore Fund is classified as Level 2.

The Level 3 investment in funds that amounts to $14,846,532 consists of an investment in Class A shares of the Distressed Securities Fund (“DSF”). Of this amount $2,702,568 and ($178,440) are the proportionate amounts in DSF that if held directly by the Fund would be classified as Level 1 and Level 2, respectively. The remaining $12,322,404 consists of private equity and debt positions classified as Level 3 and an underlying fund comprised of real estate property, cash and Level 1 securities.

DSF proportionate Level 3 equity positions that amount to $7,618,368 utilize comparable trading multiples in arriving at the valuation for these positions. In applying this approach the Manager selected a group of comparable publicly traded company peers that have similar risk, growth and cash-generating potential profiles. The methodology used incorporated the current year’s reported EBITDA along with the following one to two subsequent year’s EBITDA forecast to generate a forward looking estimate. The Manager also adjusts the indicated fair value to give effect to the lack of liquidity as compared to the publicly traded peer group.

DSF proportionate Level 3 positions that amount to $4,704,036 including debt and real estate property held through an underlying fund are valued using the net present value of estimated future cash flows. The Manager also considers other liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

The change in valuation disclosed in the below table shows the direction an increase or decrease in the respective input variables would have on the valuation result.

Description	Value	Valuation Technique	Unobservable inputs	Weighted average input	Reasonable possible shift (+/-)	Change in valuation (+/-)
Equities – Private companies	$7,618,368	Comparable trading multiples	EBITDA multiple	10.0x	1x	$762,000
			Discount for lack of liquidity	20.0%	5%	$476,000
Debt securities – private companies and underlying fund	$4,704,036	Discounted cash flows	Cost of Capital	5.3%	1%	$94,000
			Discount for lack of liquidity	9.0%	5%	$259,000

DSF is subject to a claim in the amount of $3.6 million from creditors arising from proceeds received from the sale of an investment held by DSF, in a subsequently bankrupt organization. While management currently believes that resolution of this claim will not have a material adverse impact on DSF, these matters are subject to inherent uncertainties. The amount of the loss, if any, cannot be determined at this time.

d) Derivative assets and liabilities

Derivative assets and liabilities consist of options and foreign currency contracts. Options are exchange traded and are classified as Level 1 as each option is actively traded and a reliable price is observable. Foreign currency contracts are valued based primarily on the contract notional amount and the difference between the contract rate and the forward market rate for the same currency, adjusted for counterparty risk. Foreign currency contracts are classified as Level 2.

Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2014 and 2013.

December 31, 2014

	Net realized gains /(losses)	Net unrealized gains /(losses)	Interest Income	Interest Expense	Dividend income	Dividend expense	Total
Financial assets at FVTPL:							
Designated as FVTPL	$13,186,773	($21,999,690)	$8,714,056	-	$161,978	-	$63,117
HFT	104,876	(4,318,066)	-	-	-	-	(4,213,190)
	13,291,649	(26,317,756)	8,714,056	-	161,978	-	(4,150,073)
Financial liabilities at FVTPL:							
HFT	(17,868,114)	6,973,469	-	($337,944)	-	($278,660)	(11,511,249)
Total:	($4,576,465)	($19,344,287)	$8,714,056	($337,944)	$161,978	($278,660)	($15,661,322)

December 31, 2013

	Net realized gains /(losses)	Net unrealized gains /(losses)	Interest Income	Interest Expense	Dividend income	Dividend expense	Total
Financial assets at FVTPL:							
Designated as FVTPL	$14,947,707	$8,219,915	$6,370,939	-	$161,287	-	$29,699,848
HFT	-	679,185	-	-	-	-	679,185
	14,947,707	8,899,100	6,370,939	-	161,287	-	30,379,033
Financial liabilities at FVTPL:							
HFT	(14,611,184)	(5,424,627)	-	($203,971)	-	($312,108)	(20,551,890)
Total:	$336,523	$3,474,473	$6,370,939	($203,971)	$161,287	($312,108)	$9,827,143

6. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the Fund enters into various master netting arrangements or other similar agreements that meet the criteria for offsetting in the Statement of Financial Position. The following tables show financial instruments that are eligible for offset as at December 31, 2014.

December 31, 2014

Financial assets				Related amounts not set-off in the statement of financial position		
	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Counterparty 1	$27,018,348	-	$27,018,348	($1,306,884)	-	$25,711,464
Counterparty 2	$125,467,333	-	$125,467,333	($1,151,235)	-	$124,316,098

Financial						
Counterparty 1	($1,306,884)	-	($1,306,884)	$1,306,884	-	-
Counterparty 2	($1,151,235)	-	($1,151,235)	$1,151,235	-	-

7. INVESTMENT IN UNDERLYING FUNDS

Information related to investments in Underlying Funds is as follows:

December 31, 2014

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
Distressed Securities Fund	14,846,532	6.7	95.0
Raven Rock Credit Offshore Fund, Class A	104,844,538	47.5	97.1

December 31, 2013

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
Raven Rock Credit Offshore Fund, Class A	17,524,001	21.8	16.5

January 1, 2013

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
Raven Rock Credit Offshore Fund, Class A	5,373,195	8.8	5.8

8. REDEEMABLE UNITS

Units issued and outstanding represent the capital of the Fund. The Fund is an open-ended trust and its units are sold and redeemed at the current net asset value per unit at the option of the unitholders. If applicable, the unitholders are entitled to distributions when declared. Distributions are reinvested in additional units of the Fund or paid in cash. The characterization of the distributions is based on Management's estimate of the actual income for the year.

Different classes of redeemable units are offered for sale by the Fund:

Class A, Class U, Class AI, and Class UI	Designed primarily for investors who are advised by a Registered Dealer. Class U and Class UI units are issued in U.S. Dollars
Class F , Class G, Class FI, and Class GI	Designed primarily for purchase by investors who participate in fee-based programs through their Registered Dealer. Class G and Class GI units are issued in U.S. Dollars
Class A-S, and U-S	Designed primarily for eligible institutional investors. Class U-S units are issued in U.S. Dollars

During the years ended December 31, 2014 and 2013 the number of units issued, redeemed and outstanding was as follows:

For the year ended December 31, 2014

Units	Redeemable units outstanding at January 1, 2014	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding December 31, 2014
Class A	383,567	166,557	(67,540)	482,584
Class F	760,220	504,830	(163,623)	1,101,427
Class U	4,923	5,530	(2,982)	7,471
Class G	-	105,408	-	105,408
Class A-S	5,122,653	455,401	(308,336)	5,269,718
Class U-S	393,015	244,660	(186,395)	451,280
Class AI	-	18,504,809	(1,048,228)	17,456,581
Class FI	-	6,165,305	(600,114)	5,565,191
Class UI	-	754,067	(62,648)	691,419
Class GI	-	61,088	(4,218)	56,870

For the year ended December 31, 2013

Units	Redeemable units outstanding at January 1, 2013	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding December 31, 2013
Class A	-	418,524	(34,957)	383,567
Class F	-	856,811	(96,591)	760,220
Class U	-	4,923	-	4,923
Class A-S	4,932,760	1,302,348	(1,112,455)	5,122,653
Class U-S	566,665	60,461	(234,111)	393,015

9. RELATED PARTY TRANSACTIONS

The Manager is responsible for making decisions relating to the investment of the Fund's assets and providing key management personnel.

a) Management and Performance Fees

Management fees are paid by the Fund to the Manager as compensation for investment management and advisory services as follows:

	Class A Units Class U Units	Class F Units Class G Units Class FI Units Class GI Units	Class A-S Units	Class U-S Units	Class AI Units Class UI Units
Management fee per annum	2.50%	1.50%	1.50%	1.50%	2.25%

Management fees are calculated and are payable as of the last Valuation Date of each month.

The Manager is entitled to receive from the Fund an annual Performance Fee equal to 20% of the increase in the Net Asset Value of each class (after adjusting for capital transactions and before accruing performance fees for the period) of the Fund, subject to a high water mark.

The Performance Fee is accrued on every Valuation Date and payable on the last Valuation Date of each calendar year, except where Units are redeemed in which case the Performance Fee will be payable on a pro rata basis in respect of the redeemed Units on the redemption date. As at the Merger Date, the Merged Fund's accrued performance fees of $1,356,581 formed part of the net assets of the Continuing Fund under the purchase method of accounting. A combination of the Continuing Fund's performance and unitholder redemptions from the Merger Date to December 31, 2014 resulted in a net recovery of the Merged Fund's performance fees of ($1,291,206). The Fund earned performance fees of $52,348 for a net performance fee of ($1,238,858).

The Fund is responsible for all operating expenses incurred by or on behalf of the Fund.

As at December 31, 2014, amounts owing to the Manager relating to management fees, performance fees, and administration fees included in other liabilities were $451,881 [December 31, 2013 - $79,765; January 1, 2013 - $756,640].

b) Related Party Unit Holdings

Unitholders who represent management of the Fund held the following units:

Class	December 31, 2014	December 31, 2013
Class A	326	9,606
Class F	85,367	77,662

c) Brokerage Commissions

Total commissions paid to dealers for the year ended December 31, 2014 in connection with portfolio transactions were $32,358 [December 31, 2013 - $ 73,994].

10. TAXATION

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) ("Tax Act"). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any taxation year are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses would not be reflected in the statement of financial position as a deferred income tax asset. As at December 31, 2014 the Fund had $5,038,251 of unused allowable capital losses which have no expiry and no unused non-capital losses.

11. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2014 and 2013 is calculated as follows:

December 31, 2014	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
	$		$
Class A Units	(393,737)	440,222	(0.89)
Class F Units	(893,081)	959,071	(0.93)
Class U Units	(1,878)	5,947	(0.32)
Class G Units	(70,985)	50,776	(1.40)
Class A-S Units	(3,094,324)	5,283,197	(0.59)
Class U-S Units	74,942	510,718	0.15
Class AI Units	(11,542,031)	17,975,391	(0.64)
Class FI Units	(3,972,868)	5,812,943	(0.68)
Class UI Units	(321,721)	710,084	(0.45)
Class GI Units	(31,275)	59,828	(0.52)

December 31, 2013	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
	$		$
Class A Units	142,561	274,760	0.52
Class F Units	326,480	635,798	0.51
Class U Units	3,829	4,923	0.78
Class A-S Units	4,258,183	5,431,703	0.78
Class U-S Units	732,589	542,077	1.35

12. TRANSITION TO IFRS

The effect of the Fund's transition to IFRS is summarized in this note as follows:

Transition Elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, *Investment Companies*.

Revaluation of Investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, *Financial Instruments - Recognition and Measurement,* which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, *Fair Value Measurement* (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. The impact of this adjustment was an increase (decrease) in net assets attributable to holders of redeemable units as shown below.

Reconciliation of Equity and Comprehensive Income as Previously Reported Under Canadian GAAP to IFRS

Equity	December 31, 2013	January 1, 2013
Equity as reported under Canadian GAAP	$80,483,195	$60,945,684
Revaluation of investments at FVTPL	545,916	362,852
Net assets attributable to holders of redeemable units	$81,029,111	$61,308,536

Comprehensive income	For the year ended December 31,
Comprehensive income as reported under Canadian GAAP	$5,280,578
Revaluation of investments at FVTPL	183,064
Increase (decrease) in net assets attributable to holders of redeemable units	$5,463,642

Reclassification Adjustments

In addition to the measurement adjustments noted above, the Fund reclassified certain amounts upon transition in order to conform its financial statement presentation under IFRS. Under Canadian GAAP, the Fund presented withholding taxes by netting them against dividend income, whereas they have been reclassified and presented separately as tax expense under IFRS.

Classification of redeemable units issued by the Fund

The Funds' redeemable units contain multiple contractual obligations and multiple series of units have been issued which do not have identical features. Consequently, the units do not meet the conditions in IAS 32 to be classified as equity. As a result, the Funds' obligations for net assets attributable to holders of redeemable shares are presented at the redemption amounts.

13. REGULATORY EXEMPTION

The Fund is relying on Section 2.11 of National Instrument 81-106 which provides relief from filing the interim and annual financial statements of the Fund with the Ontario Securities Commission.

The Fund is exempt from the inclusion in the Schedule of Investment Portfolio of the name of the issuers of the securities sold short except for the short positions that exceed 5% of the Fund's net assets.

14. FUTURE ACCOUNTING CHANGES - IFRS 9, FINANCIAL INSTRUMENTS

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

April 30, 2015

The accompanying financial statements have been prepared by Arrow Capital Management Inc., the Manager of Raven Rock Income II Fund (the "Fund"), and approved by the Board of Directors of the Manager. The Fund's manager is responsible for the information and representations contained in these financial statements.

Arrow Capital Management Inc. maintains appropriate processes to ensure that reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards 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.

PricewaterhouseCoopers LLP is the external auditor of the Fund, appointed by the unitholders. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out on the following page.

"James L. McGovern"

JAMES L. MCGOVERN
Managing Director & CEO
ARROW CAPITAL MANAGEMENT INC.

"Robert W. Maxwell"

ROBERT W. MAXWELL
Managing Director & CFO
ARROW CAPITAL MANAGEMENT INC.

Independent Auditor's Report

To the Unitholders
Raven Rock Income II Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2014 and December 31, 2013, 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 these financial statements in accordance with International Financial Reporting Standards, 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 these 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 the 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, 2014, December 31, 2013 and January 1, 2013 and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 30, 2015

A N N U A L R E P O R T

Arrow Capital Management Inc.

AUDITED FINANCIAL STATEMENTS DECEMBER 2014

HIRSCH PERFORMANCE FUND

Hirsch Performance Fund

Statements of Financial Position

	Note	As at December 31, 2014	As at December 31, 2013	As at January 1, 2013
Assets				
Current assets				
Financial assets designated at fair value through profit and loss		$ 34,325,068	$ 33,102,739	$ 29,933,412
Cash		140,931	919,135	166,483
Margin deposit		2,375,435	800,826	2,448,381
Accrued dividends receivable		39,919	45,680	97,574
Receivable for securities sold		2,242	62,761	-
Receivable for units issued		25,000	10	-
		36,908,595	34,931,151	32,645,850
Liabilities				
Current liabilities				
Financial liabilities held for trading				
Investments sold short		388,572	370,214	417,353
Payable for securities purchased		-	168,431	110,000
Accrued dividends payable		1,991	1,529	2,178
Payable for units redeemed		-	-	1,494
Other liabilities	8	112,799	831,117	46,012
		503,362	1,371,291	577,037
Net assets attributable to holders of redeemable units		$ 36,405,233	$ 33,559,860	$ 32,068,813
Net assets attributable to holders of redeemable units				
Series A		$ 36,405,223	$ 33,559,850	$ 32,068,813
Series F		$ 10	$ 10	$ -
Number of units outstanding	7			
Series A		1,011,006	1,063,691	1,278,639
Series F		1	1	-
Net assets per unit				
Series A		$ 36.01	$ 31.55	$ 25.08
Series F		$ 10.00	$ 10.00	$ -

Approved on behalf of the Board of Directors of Arrow Capital Management Inc., the Manager of the Fund:

"James L. McGovern"

James L. McGovern, Director

"Robert W. Maxwell"

Robert W. Maxwell, Director

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

Hirsch Performance Fund

Statements of Comprehensive Income
For the years ended December 31,

	Note	2014 $	2013 $
Income			
Net gains (losses) on investments and derivatives			
Interest for distribution purposes	5	15,574	49,968
Dividend income	5	488,740	615,541
Dividend expense on short sales	5	(10,473)	(16,084)
Net realized gain (loss) on investments and derivatives	5	4,216,988	1,173,813
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	5	1,084,120	7,247,239
Net gains (losses) on investments and derivatives		5,794,949	9,070,477
Other Income Items:			
Interest on cash		3,262	19,505
Foreign exchange gain (loss)		77,875	(16,362)
Net change in unrealized foreign exchange gain (loss)		8	35,101
Total income (net)		5,876,094	9,108,721
Expenses			
Securityholder reporting fees		181,405	188,067
Management fees	8	350,820	319,273
Performance fees	8	547,459	1,009,705
Interest expense		2,708	-
Audit fees		25,211	22,533
Legal fees		2,567	-
Custodial fees		-	1,790
Security borrowing expenses		6,062	2,896
Commissions and other portfolio transaction costs	8	23,053	39,842
Withholding tax expense		4,212	5,444
Harmonized sales tax		125,579	179,299
Total expenses before manager absorption		1,269,076	1,768,849
Less: Expenses absorbed by manager	8	(16,250)	(31,146)
Total expenses after manager absorption		1,252,826	1,737,703
Increase (decrease) in net assets attributable to holders of redeemable units		4,623,268	7,371,018
Increase (decrease) in net assets attributable to holders of redeemable units	10		
Series A		4,623,268	7,371,018
Series F		-	-
Increase (decrease) in net assets attributable to holders of redeemable units per unit	10		
Series A		4.51	6.44
Series F		-	-

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

Hirsch Performance Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
For the years ended December 31,

		2014 $	2013 $
Net assets attributable to holders of redeemable units at beginning of year	Series A	33,559,850	32,068,813
	Series F	10	-
		33,559,860	32,068,813
Increase (decrease) in net assets attributable to holders of redeemable units	Series A	4,623,268	7,371,018
	Series F	-	-
		4,623,268	7,371,018
Redeemable unit transactions			
Proceeds from redeemable units issued	Series A	2,271,151	62,667
	Series F	-	10
Redemption of redeemable units	Series A	(4,049,046)	(5,942,648)
	Series F	-	-
Net increase (decrease) from redeemable unit transactions		(1,777,895)	(5,879,971)
Net increase (decrease) in net assets attributable to holders of redeemable units		2,845,373	1,491,047
	Series A	36,405,223	33,559,850
	Series F	10	10
Net assets attributable to holders of redeemable units at end of year		36,405,233	33,559,860

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

Hirsch Performance Fund

Statements of Cash Flow
For the years ended December 31,

	2014 $	2013 $
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	4,623,268	7,371,018
Adjustment for:		
Net change in unrealized foreign exchange (gain) loss on cash	(8)	(35,101)
Net realized (gain) loss on investments and derivatives	(4,216,988)	(1,173,813)
Net change in unrealized (appreciation) depreciation in value of investments and derivatives	(1,084,120)	(7,247,239)
Purchase of investments	(22,128,197)	(17,629,329)
Proceeds on sale of investments	26,117,422	22,829,585
Decrease (increase) in accrued interest and dividends receivable	5,761	51,894
Increase (decrease) in accrued dividends payable	462	(649)
Increase (decrease) in other liabilities	(718,318)	785,105
Decrease (increase) in margin deposit	(1,574,609)	1,647,555
Net cash from (used in) operating activities	1,024,673	6,599,026
Cash flows from (used in) financing activities		
Proceeds from redeemable units issued	2,246,161	62,667
Redemption of redeemable units	(4,049,046)	(5,944,142)
Net cash from (used in) financing activities	(1,802,885)	(5,881,475)
Net Increase (decrease) in cash	(778,212)	717,551
Cash at beginning of the year	919,135	166,483
Net change in unrealized foreign exchange gain (loss) on cash	8	35,101
Cash at end of the year	140,931	919,135
Interest received*	18,836	86,591
Dividends received, net of withholding tax*	490,289	644,873
Interest paid*	(2,708)	-
Dividends paid*	(10,011)	(16,733)
*Included as part of cash flows from operating activities		

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

Hirsch Performance Fund

Schedule of Investment Portfolio - As at December 31, 2014

EQUITY LONG POSITIONS 94.3%

SECURITY NAME		QUANTITY	FAIR VALUE	AVERAGE COST
CONSUMER DISCRETIONARY	24.9%			
Amaya Inc.	CAD	41,200	$ 1,176,260	$ 359,572
AutoCanada Inc.	CAD	17,900	796,550	559,521
Canadian Tire Corp. Ltd., Class 'A'	CAD	5,400	662,796	522,970
Cineplex Inc.	CAD	5,000	224,150	162,918
DHX Media Ltd.	CAD	233,100	2,263,401	455,952
Dollarama Inc.	CAD	29,000	1,722,600	321,216
Gildan Activewear Inc.	CAD	7,100	466,470	161,836
Home Depot Inc.	USD	700	85,243	76,624
Jarden Corp.	USD	400	22,218	21,394
Linamar Corp.	CAD	11,400	808,830	434,443
Lions Gate Entertainment Corp.	USD	2,400	89,151	93,027
Madison Square Garden Co., Class 'A'	USD	800	69,847	65,039
Magna International Inc., Class 'A'	CAD	2,500	314,725	286,713
Nike Inc., Class 'B'	USD	1,100	122,698	108,141
Polaris Industries Inc.	USD	1,100	192,999	191,750
Walt Disney Co.	USD	500	54,635	50,130
			9,072,573	3,871,246
CONSUMER STAPLES	10.3%			
AGT Food and Ingredients Inc.	CAD	11,400	313,956	303,079
Alimentation Couche-Tard Inc., Class 'B'	CAD	38,200	1,859,958	716,501
Altria Group Inc.	USD	800	45,726	46,355
Clorox Co.	USD	1,600	193,430	156,293
Energizer Holdings Inc.	USD	1,000	149,142	146,791
Hain Celestial Group Inc.	USD	990	66,946	59,973
High Liner Foods Inc.	CAD	13,000	294,580	291,409
Ingredion Inc.	USD	400	39,369	36,761
Input Capital Corp.	CAD	89,100	196,020	202,792
Loblaw Cos. Ltd.	CAD	2,300	142,991	127,212
Mondelez International Inc., Class 'A'	USD	5,000	210,703	154,370
Pinnacle Foods Inc.	USD	3,600	147,425	110,404
Wal-Mart Stores Inc.	USD	200	19,926	19,060
WhiteWave Foods Co., Class 'A'	USD	1,400	56,830	55,401
			3,737,002	2,426,401
ENERGY	6.5%			
Canadian Energy Services & Technology Corp.	CAD	16,600	105,410	168,817
Enerflex Ltd.	CAD	9,600	157,344	185,872
Gibson Energy Inc.	CAD	16,600	451,354	310,391
Keyera Corp.	CAD	13,100	1,062,017	572,339
Peyto Exploration & Development Corp.	CAD	1,000	33,470	36,840
PrairieSky Royalty Ltd.	CAD	3,700	113,220	122,875
Secure Energy Services Inc.	CAD	11,300	191,761	230,662
Whitecap Resources Inc.	CAD	21,100	241,384	255,246
			2,355,960	1,883,042
FINANCIAL SERVICES	10.2%			
Bank of Montreal	CAD	10,400	854,672	859,532
Callidus Capital Corp.	CAD	13,000	227,500	240,079
CI Financial Corp.	CAD	28,800	929,952	528,251
Element Financial Corp.	CAD	22,600	319,564	199,432
Fortress Investment Group LLC	USD	900	8,374	7,801
Intertain Group Ltd.	CAD	40,600	536,326	182,605
Manulife Financial Corp.	CAD	6,300	139,734	138,263
PowerShares QQQ Trust, Series '1'	USD	300	35,934	32,825
Royal Bank of Canada	CAD	4,800	385,152	341,023
Tricon Capital Group Inc.	CAD	32,700	285,144	238,470
			3,722,352	2,768,281
HEALTH CARE	4.9%			
Allergan Inc.	USD	1,600	394,601	295,347
Anthem Inc.	USD	1,500	218,685	161,831
Concordia Healthcare Corp.	CAD	11,200	523,600	531,101
Gilead Sciences Inc.	USD	3,000	328,053	357,664
Knight Therapeutics Inc.	CAD	17,700	122,484	120,315
Nuvo Research Inc.	CAD	1,400	9,800	10,242
Valeant Pharmaceuticals International Inc.	CAD	600	99,798	96,083
Zoetis Inc.	USD	1,700	84,862	83,858
			1,781,883	1,656,441
INDUSTRIALS	21.1%			
Badger Daylighting Ltd.	CAD	33,600	888,720	336,516
Boyd Group Income Fund	CAD	65,300	3,108,280	715,309
Canadian National Railway Co.	CAD	9,900	792,198	390,173
Canadian Pacific Railway Ltd.	CAD	200	44,750	44,402
Dirtt Environmental Solutions Ltd.	CAD	44,300	159,480	127,139
Franklin Electric Co. Inc.	USD	3,900	169,800	173,160
Honeywell International Inc.	USD	2,100	243,426	214,762
Newalta Corp.	CAD	16,900	298,116	340,366
Nielsen NV	USD	3,200	166,052	154,940
Raytheon Co.	USD	1,000	125,488	117,243
Stantec Inc.	CAD	9,100	290,563	294,958
Textron Inc.	USD	2,500	122,129	103,954
TransForce Inc.	CAD	15,400	455,686	423,707
Tyco International PLC	USD	1,500	76,323	42,193
United Parcel Service Inc., Class 'B'	USD	500	64,484	59,943
WestJet Airlines Ltd.	CAD	3,400	113,424	91,372
WSP Global Inc.	CAD	16,000	557,761	571,741
			7,676,680	4,201,878
INFORMATION TECHNOLOGY	11.0%			
Apple Inc.	USD	600	76,831	66,317
Avigilon Corp.	CAD	31,300	600,334	804,388
Blackhawk Network Holdings Inc.	USD	1,900	85,523	76,309
CGI Group Inc., Class 'A'	CAD	1,700	75,293	69,466
Computer Sciences Corp.	USD	1,600	117,031	104,813
Descartes Systems Group Inc.	CAD	26,200	451,950	341,034
EMC Corp.	USD	1,000	34,501	30,596
Enghouse Systems Ltd.	CAD	3,600	149,364	113,179
Google Inc., Class 'A'	USD	600	369,371	361,458
Hewlett-Packard Co.	USD	200	9,311	7,893
Kinaxis Inc.	CAD	7,400	136,900	134,872
MacDonald, Dettwiler and Associates Ltd.	CAD	8,900	845,055	494,307
Open Text Corp.	CAD	6,200	419,182	165,554
Pure Technologies Ltd.	CAD	30,900	228,351	238,622
Sandvine Corp.	CAD	46,800	153,036	145,035
Yahoo! Inc.	USD	4,500	263,685	205,909
			4,015,718	3,359,752
MATERIALS	5.4%			
Alacer Gold Corp.	CAD	14,000	32,620	28,480
Canam Group Inc., Class 'A'	CAD	12,800	145,024	148,958
CCL Industries Inc., Class 'B'	CAD	6,600	830,742	493,765
Interfor Corp.	CAD	900	19,755	18,648
Nevsun Resource Ltd.	CAD	7,500	33,600	32,237
Stella-Jones Inc.	CAD	27,100	887,254	331,343
Uranium Participation Corp.	CAD	2,700	13,905	15,140
			1,962,900	1,068,571
Total Equity Long Positions			$ 34,325,068	$ 21,235,612

EQUITY SHORT POSITIONS -1.0%

SECURITY NAME		QUANTITY	FAIR VALUE	PROCEEDS
CONSUMER DISCRETIONARY	0.0%			
Ballard Power Systems Inc.	CAD	(600)	$ (1,422)	$ (1,821)
			(1,422)	(1,821)
ENERGY	-0.1%			
Canadian Oil Sands Ltd.	CAD	(2,400)	(25,008)	(20,324)
Enerplus Corp.	CAD	(400)	(4,476)	(4,359)
iShares S&P/TSX Capped Energy Index Fund	CAD	(1,000)	(14,030)	(16,346)
			(43,514)	(41,029)
FINANCIAL SERVICES	-0.3%			
Market Vectors Russia ETF	USD	(2,400)	(40,706)	(38,951)
iShares S&P/TSX 60 Index ETF	CAD	(2,300)	(49,381)	(47,488)
Toronto-Dominion Bank	CAD	(500)	(27,754)	(27,847)
			(117,841)	(114,286)
INDUSTRIALS	-0.6%			
Deere & Co.	USD	(2,200)	(225,795)	(217,634)
			(225,795)	(217,634)
Total Equity Short Positions			$ (388,572)	$ (374,770)

WARRANTS LONG POSITIONS 0.0%

SECURITY NAME			QUANTITY	FAIR VALUE	AVERAGE COST	STRIKE PRICE	MATURITY DATE
ENERGY	0.0%						
Petro-Victory Energy Corp.		CAD	62,500	$ -	$ -	0.50	Jul/22/2016
Total Warrant Long Positions				$ -	$ -		

INVESTMENT PORTFOLIO SUMMARY		FAIR VALUE	AVERAGE COST
Equity Long Positions	94.3%	$ 34,325,068	$ 21,235,612
Equity Short Positions	-1.1%	(388,572)	(374,770)
Warrants Long Positions	0.0%	-	-
Total Investments	93.2%	33,936,496	20,860,842
Total Other Net Assets	6.8%	2,468,737	
Total Net Assets	100.0%	$ 36,405,233	

1. THE FUND

Hirsch Performance Fund (the "Fund") is an unincorporated open-ended mutual fund trust created under the laws of the Province of Ontario pursuant to a declaration of trust dated September 11, 1997, as amended from time to time (the "Declaration of Trust").

Arrow Capital Management Inc. ("Arrow") is the manager ("Manager") of the Fund. The address of the Fund's registered office is 36 Toronto Street, Suite 750, Toronto, Ontario, M5C 2C5.

Prior to December 2, 2013, the manager of the Fund was BluMont Capital Corporation ("BluMont").

On December 2, 2013, Arrow acquired all the outstanding shares of BluMont, resulting in a change of control of BluMont. On April 1, 2014, Arrow and BluMont amalgamated, continuing under the name "Arrow Capital Management Inc.". At a special meeting of unitholders on November 27, 2013, the unitholders of the Fund approved a change of manager from BluMont to Arrow.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation and Adoption of IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the Chartered Professional Accountant (CPA) Canada Handbook ("Canadian GAAP"). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

Note 11 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

These financial statements were authorized for issue by the Manager on March 31, 2015.

b) Financial Instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit and loss ("FVTPL"). Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's long equity positions are designated at FVTPL. The Fund's short investment positions, warrants and options, if applicable, are classified as held for trading ("HFT") and are measured at FVTPL. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. Due to their short term nature, the carrying values of other assets and liabilities and net assets attributable to holders of redeemable units approximate their fair values. The Fund's accounting policies for measuring the fair value of its investments and derivatives are the same as those used in measuring its net asset value ("NAV") for transactions with unitholders. There were no differences between the net assets attributable to holders of redeemable units used for reporting purposes under IFRS and that used for transactions with unitholders at December 31, 2014 or 2013 and January 1, 2013.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined on an average cost basis. Realized gains and losses on securities sold short and unrealized appreciation or depreciation on securities sold short are calculated with reference to the average proceeds of the related securities. Average cost does not include amortization of premiums or discounts on fixed income securities.

Interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis.

The Fund does not amortize premiums or discounts received on the purchase of fixed income securities.

Dividend income and expense is recognized in the statement of comprehensive income on the ex-dividend date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

c) Financial Instruments - Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for securities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The fair value of bonds is determined using mid-market pricing derived from bid and ask prices provided by independent security pricing services or recognized investment dealers. Gains and losses arising from changes in the fair value of financial assets or liabilities are presented in the statement of comprehensive income. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund may use a variety of methods and make assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm’s length transactions, reference to other instruments that are substantially the same and other commonly used methods by market participants which make the maximum use of observable inputs.

d) Impairment of Financial Assets

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of future cash flows discounted using the asset’s original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

e) Foreign Currency Translation

The Fund’s functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as ‘Foreign exchange gain (loss)’ and those relating to investments and derivatives are presented within ‘Net realized gain (loss) on investments and derivatives’ and ‘Net change in unrealized appreciation (depreciation) in value of investments and derivatives’ in the statement of comprehensive income.

f) Cash

Cash is comprised of deposits with financial institutions.

g) Margin Deposit

Cash collateral provided by the Fund to brokers for securities sold short and counterparties to derivative transactions is identified in the statement of financial position as 'Margin deposit'.

h) Collateral

For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral and such party has identified the securities which are pledged as collateral, the Fund classifies that asset in the statement of financial position as 'pledged collateral'.

i) Forward Currency Contracts

The Fund may enter into forward currency contracts for purposes of minimizing currency exposure or to establish an exposure to a particular currency. The value of forward currency contracts entered into by the Fund is recorded as the difference between the contract rate and the current forward rates at the measurement date, applied to the contract's notional amount and adjusted for counterparty risk. The change in the fair value of forward currency contracts is included in the statement of comprehensive income. Upon closing of a contract, the gain or loss is included in the statement of comprehensive income.

j) Commissions and Other Portfolio Transaction Costs

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers. Such costs are expensed when incurred.

k) Income and Expense Allocation

The net assets of each series of the Fund are computed by calculating the value of that series' proportionate share of the Fund's assets less that series' proportionate share of common liabilities less series specific liabilities, if any. Expenses directly attributable to a series are charged to that series. Other income, expenses and gains/losses are allocated based on a reasonable allocation methodology which will include allocations based on the assets of the Fund or the number of unitholders in the Fund or other methodology the Manager determines is fair.

l) Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to the series divided by the weighted average number of units outstanding in that series during the year. Refer to Note 10 for the calculation.

m) Classification of Redeemable Units

Prior to December 31, 2013, only Series A units had been issued by the Fund and such Series A units met all criteria required by IAS 32 to be classified as equity, despite that they include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset. On December 31, 2013, the Fund issued Series F units in addition to the Series A units. As both Series A units and Series F units are equally subordinate and do not have identical features due to different management fees (Note 8), all units have been subsequently classified as financial liabilities.

n) Investments in Structured Entities

The Fund invests in underlying funds that are managed by their respective Investment Advisors and whose investment objectives may range from achieving short-term to long-term income and capital growth. Underlying funds may use leverage in a manner consistent with their respective objectives and as permitted by their respective governing regulatory authorities. Underlying funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportionate stake in the respective fund's net assets. The Fund's interest in underlying funds as at December 31, 2014 and 2013, and January 1, 2013, held the form of redeemable units, which are included at their fair value in the Statements of Financial Position which represents the Fund's maximum exposure in these underlying funds. The Fund does not provide, and has not committed to provide, any additional significant financial or other support to the underlying funds. The change in fair value of each of the underlying funds during the periods is included in 'Change in unrealized appreciation (depreciation) of value of investments and derivatives' in the Statements of Comprehensive Income in 'Net gains (losses) on investments and derivatives'.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Manager has made in preparing the financial statements:

Use of Estimates

Fair Value measurement of derivatives and securities not quoted in an active market

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. Fair value of such instruments is determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 4 for further information about the fair value measurement of the Fund's financial instruments.

Use of Judgments

Classification and Measurement of Investments and Application of the Fair Value Option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, *Financial Instruments - Recognition and Measurement* (IAS 39). The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

Determination if Underlying Funds Meet the Structured Entity Definition

The Fund has concluded that its investments in the Underlying Funds are investments in unconsolidated structured entities. This represents a significant judgment by the Fund that is based generally on the fact that the decision making about the Underlying Funds investing activities is not governed by voting rights held by the Fund and other investors.

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

In the normal course of business, the Fund is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk).

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments present a risk of loss of capital. The maximum loss of capital on long equity, warrants and debt securities is limited to the fair value of those positions. The maximum loss on equities and debt sold short can be unlimited.

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn can also increase the potential returns the Fund can achieve. The Manager manages these exposures on a daily basis in accordance with investment restrictions that have been established by the Fund to manage the overall potential exposure. Specifically the Fund's borrowing may not exceed 150% of its net asset value.

Credit Risk

The Fund may be exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Where the Fund invests in debt instruments and derivatives, this represents the main concentration of credit risk. As at December 31, 2014 and December 31, 2013, the Fund had no investments in debt instruments and therefore was not subject to related credit risk (January 1, 2013 - 2.7%).

The Fund has provided the broker with a general lien over assets held in return for services including borrowed securities and derivatives trading. The terms and conditions associated with collateral have no significant unusual requirements from the usual practice of recourse when a default occurs. Therefore, the Fund is also exposed to credit risk of the broker.

The Fund is also exposed to counterparty credit risk on cash, margin deposits, receivable for securities sold, and other receivable balances. The Fund’s brokerage agreements require cash collateral in return for services including borrowed securities and derivatives trading. The Fund's brokerage services are provided by Scotia Capital Inc. which has a credit rating of Aa2 (BMO Nesbitt Burns December 31, 2013: Aa3, January 1, 2013 – A3) as rated by Moody's bond rating services.

The Fund is also exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody’s bond rating services of Aa1 (December 31, 2013: Aaa, January 1, 2013: Aaa).

There are also risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund. Therefore, the Fund should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The credit risk related to the associated receivables is considered limited, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing the Fund's rights to its assets in the case of an insolvency of any such party.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to weekly cash redemptions on demand at the holder’s option and as such, retains sufficient cash to fund anticipated redemptions. The Fund aims to retain sufficient cash to maintain adequate liquidity including coverage of obligations related to short sales and all current liabilities. In addition, the Fund generally invests in securities that are highly liquid and where there is an observable market price that is quoted by multiple dealers.

All of the Fund’s liabilities are typically due in less than 3 months. Redeemable units are redeemable on demand at the holder’s option. However, holders of these instruments typically retain them for a longer period.

Market Risk

The Fund’s investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

(a) Currency Risk

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than the Canadian dollar. Consequently, the Fund is exposed to currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund may enter into foreign exchange currency contracts to reduce its foreign currency exposure.

The tables below indicate the Fund's exposure to USD as at December 31, 2014, December 31, 2013 and January 1, 2013, in Canadian dollar terms. The tables also illustrate the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Non-monetary is comprised of long and short equities. Monetary includes cash and other current receivables and payables.

December 31, 2014	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	$32,842	$4,560,753	$4,593,595	$3,284	$456,075	$459,359
United States Dollar - Short	-	(266,500)	(266,500)	-	(26,650)	(26,650)
Total	$32,842	$4,294,253	$4,327,095	$3,284	$429,425	$432,709
% of net assets attributable to holders of redeemable units	0.1%	11.8%	11.9%	0.0%	1.2%	1.2%

December 31, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	$599,899	$4,121,726	$4,721,625	$59,990	$412,173	$472,163
United States Dollar - Short	-	(107,658)	(107,658)	-	(10,766)	(10,766)
Total	$599,899	$4,014,068	$4,613,967	$59,990	$401,407	$461,397
% of net assets attributable to holders of redeemable units	1.8%	12.0%	13.8%	0.2%	1.2%	1.4%

January 1, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	$623,117	$2,115,229	$2,738,346	$62,312	$211,523	$273,835
United States Dollar - Short	-	(22,028)	(22,028)	-	(2,203)	(2,203)
	$623,117	$2,093,201	$2,716,318	$62,312	$209,320	$271,632
% of net assets attributable to holders of redeemable units	1.9%	6.5%	8.4%	0.2%	0.6%	0.8%

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund may hold securities with fixed interest rates that expose the Fund to fair value interest rate risk.

As at December 31, 2014 and December 31, 2013, the Fund did not hold any interest-bearing securities, and therefore was not subject to significant interest rate risk (January 1, 2013 - $856,275).

(c) Price Risk

The Fund is exposed to price risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Fund's investments are subject to the risk of changes in the prices of equity securities, bonds and derivatives.

The Fund's policy is to manage price risk through diversification and selection of investments within specified limits established by the investment restrictions within the prospectus.

The impact on net assets of the Fund due to a 5% change in market prices of equity securities with all other variables held constant, is presented in the following table.

	Impact on net assets attributable to holders of redeemable units		
	December 31, 2014	December 31, 2013	January 1, 2013
5% Increase	$1,696,825	$1,636,626	$1,475,803
5% Decrease	$(1,696,825)	$(1,636,626)	$(1,475,803)

The Fund has the ability to take short positions, in total not exceeding 150% of the net asset value of the Fund. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold short at prices which may be significantly higher than the fair value reflected on the financial statements.

Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

The following is a summary of the Fund's concentration risk:

	% of net assets attributable to holders of redeemable units		
Market Segment	December 31, 2014 %	December 31, 2013 %	January 1, 2013 %
Long Positions			
Consumer Discretionary	24.9	25.8	13.8
Consumer Staples	10.3	7.3	7.5
Energy	6.5	9.5	15.2
Financial Services	10.2	12.2	14.1
Health Care	4.9	7.5	5.5
Industrials	21.1	13.9	10.8
Information Technology	11.0	11.9	5.3
Materials	5.4	7.6	9.2
Telecommunication Services	-	1.7	9.0
Utilities	-	1.2	0.2
Fixed Income	-	-	2.7
Short Positions			
Consumer Discretionary	-	(0.2)	(0.1)
Energy	(0.1)	-	(0.4)
Financials	(0.3)	-	(0.1)
Industrials	(0.6)	-	(0.4)
Index Equivalents	-	(0.4)	-
Materials	-	(0.5)	(0.3)

Capital Risk Management

Units issued and outstanding are considered to be the capital of the Fund. The Fund does not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit of the Fund for all or any of the units of such unitholder by giving written notice to the Manager. The written notice is irrevocable and must be received no later than 4:00 p.m., EST, on the valuation day upon which the units are to be redeemed (a "Redemption Date"). The redeeming unitholder will receive payment in respect of any units surrendered for redemption on or before the 3rd business day immediately following a Redemption Date, subject to the Manager's right to suspend redemptions in certain circumstances.

5. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date,

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2014, December 31, 2013 and January 1, 2013:

As at December 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets				
Equities	$34,325,068	-	-	$34,325,068
Financial liabilities				
Equities sold short	$(388,572)	-	-	$(388,572)

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Equities	$33,102,739	-	-	$33,102,739
Financial liabilities				
Equities sold short	$(370,214)	-	-	$(370,214)

As at January 1, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Equities	$29,076,587	$856,825	-	$29,933,412
Financial liabilities				
Equities sold short	$(417,353)	-	-	$(417,353)

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

The Manager is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements if any. The Manager obtains pricing from a third party pricing vendor which is monitored and reviewed daily by the finance department. In addition, at each financial reporting date, the Manager reviews and approves all level 3 fair value measurements.

There were no transfers between levels 1, 2 and 3 during the years ending December 31, 2014 and December 31, 2013.

The Fund's long and short equity positions are classified as level 1 as the securities are actively traded and a quoted price is available.

Bond pricing is obtained from bid and ask prices provided by independent security pricing services or recognized investment dealers. Bond prices may be derived by using models which include inputs such as interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Fund's bonds have been classified as Level 2.

Financial Instruments By Category

The following table presents the net gains (losses) on investments and derivatives at FVTPL by category for the years ended December 31, 2014 and 2013.

December 31, 2014

	Net realized gains /(losses)	Net unrealized gains /losses)	Interest income	Interest expense	Dividend income	Dividend expense	Total
Financial assets at FVTPL:							
Designated as FVTPL	$4,347,800	$1,077,696	$15,574	-	$488,740	-	$5,929,810
Financial liabilities at FVTPL:							
HFT	(130,812)	6,424	-	-	-	(10,473)	(134,861)
Total:	$4,216,988	$1,084,120	$15,574	-	$488,740	(10,473)	$5,794,949

December 31, 2013

	Net realized gains /(losses)	Net unrealized gains /(losses)	Interest income	Interest expense	Dividend income	Dividend expense	Total
Financial assets at FVTPL:							
Designated as FVTPL	$1,337,620	$7,223,420	$49,968	-	$615,541	-	$9,226,549
Financial liabilities at FVTPL:							
HFT	(163,807)	23,819	-	-	-	(16,084)	(156,072)
Total:	$1,173,813	$7,247,239	$49,968	-	$615,541	(16,084)	$9,070,477

6. INVESTMENT IN UNDERLYING FUNDS

Information related to investments in Underlying Funds is as follows:

December 31, 2014

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
Boyd Group Income Fund	3,108,280	8.5	0.5

December 31, 2013

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
Boyd Group Income Fund	2,345,372	7.0	0.4
Brookfield Infrastructure Partners LP	408,707	1.2	0.0

January 1, 2013

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
Boyd Group Income Fund	1,250,480	3.9	0.5
Dundee Industrial Real Estate Investment Trust	223,000	0.7	0.0
Primaris Retail Real Estate Investment Trust	59,092	0.2	0.0

7. REDEEMABLE UNITS

Units issued and outstanding represent the capital of the Fund. The Fund is an open-ended trust and its units are sold and redeemed at the current net asset value per unit at the option of the unitholders. If applicable, the unitholders are entitled to distributions when declared. Distributions are reinvested in additional units of the Fund or paid in cash. The characterization of the distributions is based on Management's estimate of the actual income for the year.

Different classes of redeemable units are offered for sale by the Fund:

Series A	Designed primarily for purchase by investors who participate in fee-based programs through their Registered Dealer.
Series F	Designed primarily for investors who are advised by a Registered Dealer.

During the years ended December 31, 2014 and 2013 the number of units issued, redeemed and outstanding was as follows:

For the year ended December 31, 2014

	Redeemable units outstanding at beginning of the year	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding at end of the year
Series A	1,063,691	67,135	(119,820)	1,011,006
Series F	1	-	-	1

For the year ended December 31, 2013

	Redeemable units outstanding at beginning of the year	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding at end of the year
Series A	1,278,639	2,278	(217,226)	1,063,691
Series F	-	1	-	1

8. RELATED PARTY TRANSACTIONS

The Manager is responsible for making decisions relating to the investment of the Fund's assets and providing key management personnel.

The Arrow Diversified Fund invests in units of the Fund. As of December 31, 2014, the Arrow Diversified Fund invested in 33,193 units of the Fund with a market value of $1,195,280. This represents 3.3% of the net assets of the Fund (December 31, 2013 and January 1, 2013: nil).

Management and Performance Fees

Management fees are calculated and accrued daily and paid monthly and are subject to HST (and any other applicable taxes). The management fee rate applicable is 1% per annum for Series A units and 1.5% per annum for Series F units.

The Fund pays to the Manager a performance fee (the "Performance Fee") based on an amount equal to 20% of the Fund's net gain for each period (including net unrealized capital gains, if any), subject to reduction for prior period losses that have not previously been offset against net gains. The Performance Fee is accrued weekly and paid on a semi-annual basis.

Notwithstanding the foregoing, no Performance Fee will be payable with respect to any period unless the net asset value at the end of such period exceeds the net asset value at the end of the preceding period by a minimum of 5% per annum.

The Fund is responsible for all operating expenses incurred by or on behalf of the Fund.

Accrued management fees and performance fees (excluding HST) included in other liabilities on the statement of financial positions are as follows:

December 31, 2014		December 31, 2013		January 1, 2013	
Management Fees	Performance Fees	Management Fees	Performance Fees	Management Fees	Performance Fees
32,578	56,492	32,360	780,960	29,688	-

Brokerage Commissions

Total commissions paid to dealers for the years ended December 31, 2014 and 2013 in connection with portfolio transactions were as follows:

December 31, 2014	December 31, 2013
$23,053	$39,842

For the year ended December 31, 2014, $12,230 was used for market data services by the Fund (December 31, 2013 - $nil).

9. TAXATION

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) ("Tax Act"). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any taxation year are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses would not be reflected in the statement of financial position as a deferred income tax asset.

Non-Capital Loss*	Capital Loss**
7,175,440	-

* Non-capital losses can be offset against income in future years for up to 20 years.

** Net Capital losses can be carried forward indefinitely for offset against gains in future periods.

10. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2014 and 2013 is calculated as follows:

December 31, 2014

	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
Series A	4,623,268	1,024,833	4.51
Series F	-		-

December 31, 2013

	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
Series A	7,371,018	1,144,676	6.44

11. TRANSITION TO IFRS

The effect of the Fund's transition to IFRS is summarized in this note as follows:

Transition Elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition (see Note 2) were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, *Investment Companies.*

Revaluation of Investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments - Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread.

As a result, upon adoption of IFRS an adjustment was recognized in the change in carrying amount of the Fund's investments. The impact of this adjustment was an increase (decrease) in net assets attributable to holders of redeemable units as shown below.

Reconciliation of Equity and Comprehensive Income as Previously Reported Under Canadian GAAP to IFRS

Equity	December 31, 2013	January 1, 2013
Equity as reported under Canadian GAAP	$33,495,988	$31,954,819
Revaluation of investments at FVTPL	63,872	113,994
Net assets attributable to holders of redeemable units	$33,559,860	$32,068,813

Comprehensive income	For the year ended December 31, 2013
Comprehensive income as reported under Canadian GAAP	$7,421,140
Revaluation of investments at FVTPL	(50,122)
Increase in net assets attributable to holders of redeemable units	$7,371,018

Classification of redeemable units issued by the Fund

Prior to December 31, 2013, only Series A units had been issued by the Fund and such Series A units met all criteria required by IAS 32 to be classified as equity, despite that they include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset. On December 31, 2013, the Fund issued Series F units in addition to the Series A units. As both Series A units and Series F units are equally subordinate and do not have identical features due to different management fees (Note 8), all units have been subsequently classified as financial liabilities.

Statement of cash flows

Under Canadian GAAP, the Fund was exempt from providing a Statement of Cash Flows. IAS 1 requires that a Statement of Cash Flows be presented as part of a complete set of financial statements. As such, the Fund has presented a Statement of Cash Flows in the financial statements for the years ended December 31, 2014 and 2013.

12. FUTURE ACCOUNTING CHANGES

IFRS 9, Financial Instruments

The final version of IFRS 9, Financial Instruments, was issued by the International Accounting Standards Board ("IASB") in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

13. FILING EXEMPTION

The Fund is relying on Section 2.11 of National Instrument 81-106 which provides relief from filing the interim and annual financial statements of the Fund with the Ontario Securities Commission.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2015

TO THE UNITHOLDERS AND TRUSTEE OF HIRSCH PERFORMANCE FUND (THE "FUND")

The accompanying financial statements have been prepared by Arrow Capital Management Inc. ("Arrow" or the "Manager" of the Fund), and approved by the Board of Directors of the Manager. The Manager is responsible for the information and representations contained in these financial statements.

The Manager maintains appropriate processes to ensure that reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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.

Prior to December 2, 2013, the manager of the Fund was BluMont Capital Corporation ("BluMont"). On December 2, 2013, Arrow acquired all the outstanding shares of BluMont, resulting in a change of control of BluMont. On April 1, 2014, Arrow and BluMont amalgamated, continuing under the name "Arrow Capital Management Inc.". At a special meeting of unitholders on November 27, 2013, the unitholders of the Fund approved a change of manager from BluMont to Arrow.

PricewaterhouseCoopers LLP is the external auditor of the Fund, appointed by the unitholders. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out on the following page.

"James L. McGovern"

JAMES L. MCGOVERN
Managing Director & CEO

"Robert W. Maxwell"

ROBERT W. MAXWELL
Managing Director & CFO

Independent Auditor's Report

To the Unitholders
Hirsch Performance Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at as at December 31, 2014, December 31, 2013 and January 1, 2013 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2014 and December 31, 2013, 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 these financial statements in accordance with International Financial Reporting Standards, 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 these 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 the 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 as at December 31, 2014, December 31, 2013 and January 1, 2013 and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 31, 2015

FUND INFORMATION

MANAGER AND PRINCIPAL DISTRIBUTOR

Arrow Capital Management Inc.
36 Toronto Street
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REGISTRAR

RBC Investor Services

155 Wellington Street West, 5th Floor

Toronto, ON M5V 3L3

AUDITOR

PricewaterhouseCoopers LLP
PwC Tower
18 York Street, Suite 2600
Toronto, ON M5J 0B2

A N N U A L R E P O R T

Arrow Capital Management Inc.

AUDITED FINANCIAL STATEMENTS DECEMBER 2014

EAST COAST INVESTMENT GRADE FUND

EAST COAST INVESTMENT GRADE FUND

Statements of Financial Position

	Note	As at December 31, 2014	As at December 31, 2013	As at January 1, 2013
Assets				
Current assets				
Financial assets designated at fair value through profit and loss		$ 1,772,098	$ 369,651	$ 19,951
Financial assets held for trading				
Forward agreements		95,207,672	116,589,683	107,235,100
Cash		632,404	2,737,682	1,687,086
Margin Deposit		83,685	21,206	-
Accrued interest and dividends receivable		705	1,673	33
Receivable for securities sold		3,350,000	1,249,989	-
Receivable for units issued		175,000	216,000	149,500
		101,221,564	121,185,884	109,091,670
Liabilities				
Current liabilities				
Payable for forward agreement		-	-	700,000
Payable for units redeemed		3,753,492	4,224,286	588,677
Other liabilities	9	118,042	137,810	133,835
		3,871,534	4,362,096	1,422,512
Net assets attributable to holders of redeemable units		$ 97,350,030	$ 116,823,788	$ 107,669,158
Net assets attributable to holders of redeemable units				
Class A		$ 41,073,530	$ 47,834,336	$ 48,756,061
Class F		$ 23,699,854	$ 34,331,885	$ 23,865,898
Class I		$ -	$ 5,339	$ 5,144
Class X		$ -	$ -	$ -
Class O		$ 29,318,437	$ 28,692,443	$ 28,390,189
Class U		$ 1,601,337	$ 4,021,370	$ 4,515,269
Class G		$ 1,656,872	$ 1,938,415	$ 2,136,597
Number of units outstanding	8			
Class A		4,702,567	5,185,948	5,200,248
Class F		2,612,305	3,618,432	2,497,849
Class I		-	495	495
Class X		-	-	-
Class O		2,965,732	2,812,079	2,799,249
Class U		161,698	414,617	484,708
Class G		162,199	195,576	226,444
Net assets attributable to holders of redeemable units per unit				
Class A		$ 8.73	$ 9.22	$ 9.38
Class F		$ 9.07	$ 9.49	$ 9.55
Class I		$ -	$ 10.79	$ 10.39
Class X		$ -	$ -	$ -
Class O		$ 9.89	$ 10.20	$ 10.14
Class U US Dollars		$ 8.55	$ 9.13	$ 9.36
Class G US Dollars		$ 8.82	$ 9.33	$ 9.48
USD/CAD Foreign Exchange Rate		0.8634	0.9412	1.0043

Approved on behalf of the Board of Directors of Arrow Capital Management Inc., the Manager of the Fund:

"James L. McGovern"

James L. McGovern, Director

"Robert W. Maxwell"

Robert W. Maxwell, Director

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

EAST COAST INVESTMENT GRADE FUND

Statements of Comprehensive Income
For the years ended December 31

	Note	2014 $	2013 $
Income			
Net gains (losses) on iInvestments and derivatives			
Interest for distribution purposes	6	67	200
Fund investment distribution	6	-	116,487
Net realized gain (loss) on investments and derivatives	6	2,043,933	247,377
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	6	(996,296)	4,863,235
Net gains (losses) on investments and derivatives		1,047,704	5,227,299
Other Income Items:			
Interest on cash		2,135	6,460
Foreign exchange gain (loss)		6,906	2,670
Total income (net)		1,056,745	5,236,429
Expenses			
Securityholder reporting fees		123,051	159,461
Management fees	9	383,408	408,357
Audit fees		13,401	17,325
Legal fees		1,053	2,105
Harmonized sales tax		50,325	53,161
Total expenses		571,238	640,409
Increase (decrease) in net assets attributable to holders of redeemable units		485,507	4,596,020
Increase (decrease) in Net Assets attributable to holders of redeemable units per Class	11		
Class A		(339,407)	1,441,232
Class F		121,047	1,208,261
Class I		44	195
Class X		-	-
Class O		288,399	1,350,105
Class U		258,498	397,651
Class G		156,926	198,576
Increase (decrease) in Net Assets attributable to holders of redeemable units per Unit	11		
Class A		(0.06)	0.27
Class F		0.04	0.34
Class I		0.09	0.39
Class X		-	-
Class O		0.10	0.48
Class U		0.77	0.86
Class G		0.84	0.88

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

EAST COAST INVESTMENT GRADE FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
For the years ended December 31

		2014 $	2013 $
Net assets attributable to holders of redeemable units at beginning of the year			
	Class A	47,834,336	48,756,061
	Class F	34,331,885	23,865,898
	Class I	5,339	5,144
	Class X	-	-
	Class O	28,692,443	28,390,189
	Class U	4,021,370	4,515,269
	Class G	1,938,415	2,136,597
		116,823,788	107,669,158
Increase (decrease) in net assets attributable to holders of redeemable units			
	Class A	(339,407)	1,441,232
	Class F	121,047	1,208,261
	Class I	44	195
	Class X	-	-
	Class O	288,399	1,350,105
	Class U	258,498	397,651
	Class G	156,926	198,576
		485,507	4,596,020
Distributions to holders of redeemable units			
From net investment income	Class A	-	-
	Class F	-	-
	Class I	-	-
	Class X	-	-
	Class O	-	-
	Class U	-	-
	Class G	-	-
		-	-
From net realized gains on investments and derivatives	Class A	-	-
	Class F	-	-
	Class I	-	-
	Class X	-	-
	Class O	-	-
	Class U	-	-
	Class G	-	-
		-	-
Return of capital	Class A	(2,187,949)	(2,232,781)
	Class F	(1,366,863)	(1,477,207)
	Class I	-	-
	Class X	-	-
	Class O	(1,205,539)	(1,178,136)
	Class U	(156,101)	(198,119)
	Class G	(86,546)	(97,518)
		(5,002,998)	(5,183,761)
Total distributions to holders of redeemable units		(5,002,998)	(5,183,761)
Redeemable unit transactions			
Proceeds from redeemable units issued	Class A	5,162,907	13,566,849
	Class F	3,469,840	24,139,675
	Class I	-	-
	Class X	-	-
	Class O	3,543,134	130,285
	Class U	274,837	1,021,440
	Class G	384,211	654,143
		12,834,929	39,512,392
Reinvestments of distributions to holders of redeemable units	Class A	-	-
	Class F	-	-
	Class I	-	-
	Class X	-	-
	Class O		
	Class U	-	-
	Class G	-	-
		-	-
Redemption of redeemable units	Class A	(9,396,357)	(13,697,025)
	Class F	(12,856,055)	(13,404,742)
	Class I	(5,383)	-
	Class X	-	-
	Class O	(2,000,000)	-
	Class U	(2,797,267)	(1,714,871)
	Class G	(736,134)	(953,383)
		(27,791,196)	(29,770,021)
Net increase (decrease) from redeemable unit transactions		(14,956,267)	9,742,371
	Class A	41,073,530	47,834,336
	Class F	23,699,854	34,331,885
	Class I	-	5,339
	Class X	-	-
	Class O	29,318,437	28,692,443
	Class U	1,601,337	4,021,370
	Class G	1,656,872	1,938,415
Net assets attributable to holders of redeemable units at end of year		**97,350,030**	**116,823,788**

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

EAST COAST INVESTMENT GRADE FUND

Statements of Cash Flow
For the years ended December 31

	2014 $	2013 $
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	485,507	4,596,020
Adjustment for:		
Net realized loss (gain) on investments and derivatives	(2,043,933)	(247,377)
Net change in unrealized depreciation (appreciation) in value of investments and derivatives	996,296	(4,863,235)
Fund investment distribution	-	(116,487)
Purchase of investments	(4,335,145)	(15,562,436)
Prepayment of forward agreements	-	(9,000,000)
Proceeds on sale of investments	5,896,742	14,034,369
Proceeds on sale of investment from partial settlement of forward agreements	17,365,593	4,100,894
Decrease (increase) in margin deposit	(62,479)	(21,206)
Decrease (increase) in accrued interest and dividends receivable	968	(1,640)
Increase (decrease) in other liabilities	(19,768)	3,975
Net cash from (used in) operating activities	18,283,781	(7,077,123)
Cash flows from (used in) financing activities		
Proceeds from redeemable units issued	12,875,929	39,445,892
Redemption of redeemable units	(28,261,990)	(26,134,412)
Distributions paid to holders of redeemable units, net of reinvested distributions	(5,002,998)	(5,183,761)
Net cash from (used in) financing activities	(20,389,059)	8,127,719
Net Increase (decrease) in cash	(2,105,278)	1,050,596
Cash at beginning of the year	2,737,682	1,687,086
Cash at end of the year	632,404	2,737,682
Interest received*	1,035	(1,440)
*Included as part of cash flows from operating activities		

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

EAST COAST INVESTMENT GRADE FUND

Schedule of Investment Portfolio - As at December 31, 2014

FORWARD AGREEMENT	97.8%				

Prepaid Forward Agreement	Percentage of Fund		Fair Value *		Average Cost
Prepaid Forward Agreement Class A-S	66.1%	$	64,342,498	$	60,167,676
Prepaid Forward Agreement Class O	28.4%		27,686,402		25,399,727
Prepaid Forward Agreement Class U-S	3.3%		3,178,772		2,618,407
Total Prepaid Forward Agreements		$	95,207,672	$	88,185,810

FUND POSITIONS	1.8%					

SECURITY NAME		QUANTITY		Fair Value		Average Cost
East Coast Investment Grade II Fund Class O	1.7%	147,870	$	1,631,803	$	1,649,901
East Coast Investment Grade Income Fund	0.1%	14,100		140,295		140,161
Total Fund Positions			$	1,772,098	$	1,790,062

INVESTMENT PORTFOLIO SUMMARY			FAIR VALUE		AVERAGE COST
Forward Agreements	97.8%	$	95,207,672	$	88,185,810
Fund Positions	1.8%		1,772,098		1,790,062
Total Investments	99.6%		96,979,770		89,975,872
Total Other Net Assets	0.4%		370,260		
Total Net Assets	100.0%	$	97,350,030		

*See attached schedule for summary of the East Coast Investment Grade II Fund portfolio to which the Forward Agreement gives exposure (Note 2)

EAST COAST INVESTMENT GRADE FUND

Schedule of Investment Portfolio from East Coast Investment Grade II Fund - As at December 31, 2014
(formerly Arrow East Coast Fund)
The following positions are held in East Coast Investment Grade II Fund

FIXED INCOME LONG POSITIONS	235.2%

SECURITY NAME		COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE	AVERAGE COST
Algonquin Power Co	CAD	4.65%	Feb/15/2022	1,370,000	$ 1,455,190	$ 1,368,137
Algonquin Power Co	CAD	5.50%	Jul/25/2018	837,000	914,356	914,381
AltaGas Ltd	CAD	4.60%	Jan/15/2018	4,196,000	4,487,427	4,491,105
Aon Finance NS 1 ULC	CAD	4.76%	Mar/08/2018	9,595,000	10,212,831	10,300,251
APT Pipelines Ltd	CAD	4.25%	Jul/24/2019	4,305,000	4,522,540	4,434,727
Artis Real Estate Investment Trust	CAD	3.75%	Mar/27/2019	1,384,000	1,411,078	1,401,189
Bed Bath & Beyond Inc (2)	USD	5.17%	Aug/01/2044	1,367,000	1,660,431	1,475,223
Bell Canada	CAD	4.40%	Mar/16/2018	8,742,000	9,355,834	9,389,599
Bell Canada (2)	CAD	4.70%	Sep/11/2023	2,380,400	2,625,680	2,400,391
Bell Canada	CAD	4.88%	Apr/26/2018	1,280,000	1,390,520	1,387,379
Bell Canada	CAD	5.00%	Feb/15/2017	3,405,000	3,624,407	3,690,502
BP Capital Markets PLC	CAD	3.50%	Nov/09/2020	1,190,000	1,237,039	1,224,582
BP Capital Markets PLC	CAD	2.74%	Feb/24/2017	456,000	462,836	465,818
Brookfield Renewable Energy Partners ULC	CAD	6.13%	Nov/30/2016	2,099,000	2,256,366	2,268,998
Canadian Government Bond	CAD	3.75%	Jun/01/2019	3,458,000	3,828,767	3,822,473
Cascades Inc (2)	CAD	5.50%	Jul/15/2021	1,145,000	1,114,562	1,145,000
Choice Properties Real Estate Investment Trust	CAD	3.55%	Jul/05/2018	5,193,000	5,405,803	5,369,305
Citigroup Inc	USD	3.39%	Nov/18/2021	4,044,000	4,115,020	4,042,989
Cominar Real Estate Investment Trust	CAD	4.27%	Jun/15/2017	4,081,000	4,246,844	4,248,950
Cominar Real Estate Investment Trust	CAD	2.35%	Sep/22/2016	1,531,000	1,530,751	1,531,000
Enbridge Income Fund	CAD	2.92%	Dec/14/2017	6,295,000	6,418,253	6,411,923
Enmax Corp (2)	CAD	3.81%	Dec/05/2024	975,000	988,792	975,000
Export-Import Bank of Korea	CAD	2.71%	Dec/05/2019	930,000	941,146	930,000
First National Financial Corp	CAD	5.07%	May/07/2015	7,485,000	7,552,306	7,774,843
Ford Credit Canada Ltd	CAD	2.63%	Nov/21/2016	4,243,000	4,292,840	4,292,339
Ford Credit Canada Ltd	CAD	4.88%	Feb/08/2017	7,683,000	8,121,717	8,177,088
Goldman Sachs Group Inc/The	USD	1.84%	Nov/29/2023	3,543,000	4,224,745	4,000,721
Goldman Sachs Group Inc/The	USD	5.00%	May/03/2018	9,606,000	10,416,013	10,422,369
H&R Real Estate Investment Trust	CAD	5.90%	Feb/03/2017	2,116,000	2,275,034	2,284,081
Heathrow Funding Ltd	CAD	4.00%	Jul/03/2019	2,291,000	2,457,458	2,436,799
Home Trust Co	CAD	2.35%	May/24/2017	2,080,000	2,081,975	2,074,592
Inter Pipeline Ltd (2)	CAD	4.64%	May/30/2044	2,291,000	2,365,465	2,291,000
JPMorgan Chase & Co	USD	2.92%	Sep/19/2017	6,873,000	7,039,801	7,050,988
Kellogg Canada Inc	CAD	2.05%	May/23/2017	2,281,000	2,288,796	2,280,544
Kimco North Trust III	USD	5.99%	Apr/13/2018	1,830,000	2,038,227	2,037,101
Leisureworld Senior Care LP	CAD	3.47%	Feb/03/2021	6,899,000	7,178,856	6,899,000
Lloyds Bank PLC	CAD	5.28%	Apr/19/2016	4,542,000	4,742,538	4,845,042
Loblaw Cos Ltd (2)	CAD	4.86%	Sep/12/2023	1,552,000	1,727,558	1,727,888
Loblaw Cos Ltd	CAD	6.05%	Jun/09/2034	345,000	408,690	351,248
Loblaw Cos Ltd	CAD	6.15%	Jan/29/2035	419,000	501,390	483,333
Loblaw Cos Ltd	CAD	3.75%	Mar/12/2019	4,582,000	4,839,926	4,812,016
Manitoba Telecom Services Inc	CAD	4.59%	Oct/01/2018	3,757,000	4,045,017	4,024,245
Manufacturers Life Insurance Co/The (2)	CAD	4.21%	Nov/18/2021	4,129,000	4,304,109	4,363,469
Morgan Stanley	USD	3.13%	Aug/05/2021	1,990,000	2,002,277	1,983,202
Pembina Pipeline Corp (2)	CAD	4.81%	Mar/25/2044	2,270,000	2,318,570	2,267,889
Penske Truck Leasing Canada Inc	CAD	3.65%	Feb/01/2018	7,455,000	7,719,181	7,687,249
RioCan Real Estate Investment Trust	CAD	2.87%	Mar/05/2018	3,750,000	3,815,358	3,792,202
Rogers Communications Inc	CAD	5.38%	Nov/04/2019	2,634,000	2,971,526	2,972,341
Shaw Communications Inc	CAD	5.70%	Mar/02/2017	684,000	737,872	753,282
Shaw Communications Inc	CAD	6.75%	Nov/09/2039	2,424,000	3,009,071	2,901,227
Shaw Communications Inc (2)	CAD	4.35%	Jan/31/2024	13,476,000	14,328,118	13,659,148
Southern Pacific Resource Corp (2)	CAD	8.75%	Jan/25/2018	1,600,000	128,000	1,405,805
Suncor Energy Inc	CAD	5.80%	May/22/2018	2,270,000	2,543,049	2,576,672
TELUS Corp (2)	CAD	4.85%	Apr/05/2044	4,630,000	4,887,942	4,624,166
TELUS Corp (2)	CAD	3.35%	Apr/01/2024	3,512,000	3,517,579	3,393,259
TELUS Corp (2)	CAD	3.75%	Jan/17/2025	3,617,000	3,709,148	3,608,862
TELUS Corp (2)	CAD	4.40%	Apr/01/2043	8,100,000	7,957,145	7,460,665
TELUS Corp (2)	CAD	4.75%	Jan/17/2045	1,356,000	1,410,339	1,346,386
Thomson Reuters Corp	CAD	4.35%	Sep/30/2020	5,643,000	6,108,913	6,085,894
Thomson Reuters Corp	CAD	3.37%	May/23/2019	1,069,000	1,108,243	1,099,605
Thomson Reuters Corp (2)	CAD	3.31%	Nov/12/2021	934,000	948,444	934,000
Tim Hortons Inc	CAD	4.20%	Jun/01/2017	1,103,000	1,117,283	1,132,891
TransCanada PipeLines Ltd	CAD	9.45%	Mar/20/2018	6,296,000	7,653,361	7,723,429
United States Treasury Note/Bond	USD	2.13%	Jun/30/2021	3,000	3,517	3,219
Ventas Canada Finance Ltd	CAD	3.00%	Sep/30/2019	6,810,000	6,903,231	6,790,455
Ventas Canada Finance Ltd (2)	CAD	4.13%	Sep/30/2024	7,049,000	7,282,420	7,020,945
Videotron Ltd (2)	CAD	5.63%	Jun/15/2025	12,936,200	12,914,640	12,684,773
Videotron Ltd (2)	CAD	6.88%	Jul/15/2021	1,011,000	1,085,759	1,090,616
Westcoast Energy Inc (2)	CAD	3.43%	Sep/12/2024	2,152,000	2,183,946	2,151,096
WestJet Airlines Ltd	CAD	3.29%	Jul/23/2019	3,434,000	3,454,969	3,434,000
WTH Car Rental ULC	CAD	2.62%	Dec/20/2016	1,603,000	1,604,250	1,632,046
WTH Car Rental ULC	CAD	2.54%	Aug/20/2019	1,603,000	1,620,215	1,603,000
Total Fixed Income Long Positions					$ 272,153,300	$ 270,135,952

FIXED INCOME SHORT POSITIONS	-138.6%						
SECURITY NAME		**COUPON RATE**	**MATURITY DATE**	**PAR VALUE**	**FAIR VALUE**	**PROCEEDS**
Canadian Government Bond	CAD	1.75%	Sep/01/2019	(9,885,000)	$ (10,069,108)	$ (9,980,526)
Canadian Government Bond	CAD	3.25%	Jun/01/2021	(100)	(111)	(109)
Canadian Government Bond	CAD	1.50%	Sep/01/2017	(15,067,000)	(15,236,918)	(15,159,834)
Canadian Government Bond	CAD	1.25%	Mar/01/2018	(14,756,000)	(14,809,030)	(14,743,644)
Canadian Government Bond	CAD	4.00%	Jun/01/2017	(865,000)	(926,802)	(928,555)
Canadian Government Bond	CAD	3.50%	Dec/01/2045	(3,198,000)	(4,014,889)	(3,622,509)
Canadian Government Bond	CAD	4.25%	Jun/01/2018	(17,598,000)	(19,424,714)	(19,395,008)
Canadian Government Bond	CAD	4.00%	Jun/01/2041	(12,822,000)	(17,013,859)	(15,006,393)
Canadian Government Bond	CAD	2.50%	Jun/01/2024	(38,343,000)	(40,704,107)	(39,055,685)
Canadian Government Bond	CAD	1.50%	Feb/01/2017	(13,135,000)	(13,266,979)	(13,258,768)
Canadian Government Bond	CAD	1.50%	Jun/01/2023	(1,634,000)	(1,609,516)	(1,592,986)
Canadian Government Bond	CAD	1.25%	Sep/01/2018	(2,371,000)	(2,377,156)	(2,362,007)
Canadian Government Bond	CAD	3.50%	Jun/01/2020	(4,396,000)	(4,880,117)	(4,869,490)
Canadian Government Bond	CAD	1.75%	Mar/01/2019	(9,050,000)	(9,236,093)	(9,135,591)
RBC Capital Trust (2)	CAD	6.82%	Jun/30/2018	(2,283,000)	(2,630,225)	(2,671,563)
TD Capital Trust III (2)	CAD	7.24%	Dec/31/2018	(2,283,000)	(2,695,746)	(2,736,236)
United States Treasury Note	USD	1.63%	Aug/31/2019	(1,000)	(1,160)	(1,098)
United States Treasury Note	USD	2.50%	May/15/2024	(16,000)	(19,092)	(17,654)
United States Treasury Note	USD	3.63%	Feb/15/2044	(1,063,000)	(1,449,092)	(1,231,573)
Total Fixed Income Short Positions					$ (160,364,714)	$ (155,769,229)

(1) These positions are convertible
(2) These positions are callable

EQUITY LONG POSITIONS	9.9%			
SECURITY NAME		**QUANTITY**	**FAIR VALUE**	**AVERAGE COST**
East Coast Credit Opportunities Fund LP	CAD	105,184	$ 11,507,103	$ 10,509,188
Total Equity Long Positions			$ 11,507,103	$ 10,509,188

Schedule 1 - Derivative assets and liabilities

LONG OPTION POSITIONS	0.1%				
SECURITY NAME	**CONTRACTS**	**EXPIRY DATE**	**STRIKE PRICE**	**FAIR VALUE**	**AVERAGE COST**
S&P 500 EMINI @2100 CALL OPT ON FUT 20 FEB 15	44	20-Feb-15	2,100	$ 53,511	$ 75,700
S&P 500 EMINI @2115 CALL OPT ON FUT 20 FEB 15	50	20-Feb-15	2,115	44,159	60,924
Total Long Option Contracts				$ 97,670	$ 136,624

SHORT OPTION POSITIONS	-0.1%				
SECURITY NAME	**CONTRACTS**	**EXPIRY DATE**	**STRIKE PRICE**	**FAIR VALUE**	**PROCEEDS**
S&P 500 EMINI @1995 PUT OPT ON FUT 20 FEB 15	(25)	20-Feb-15	1,995	$ (43,796)	$ (29,737)
S&P 500 EMINI @2000 PUT OPT ON FUT 20 FEB 15	(16)	20-Feb-15	2,000	(28,957)	(23,046)
Total Short Option Contracts				$ (72,753)	$ (52,783)

FUTURES CONTRACTS	-0.1%				
SECURITY NAME	**CONTRACTS**	**EXPIRY DATE**	**NOTIONAL VALUE**	**CONTRACT SIZE**	**UNREALIZED GAIN/(LOSS)**
CANADIAN 90DAY B. A. FUTURES SEP 15	(230)	14-Sep-15	(56,683,500)	2,500	$ (28,750)
IMM CANADIAN DOLLAR FUTURES MAR 15	(30)	17-Mar-15	(2,580,000)	100,000	10,077
S&P 500 INDEX EMINI FUT MAR 15	(44)	20-Mar-15	(4,514,950)	50	(637)
EUREX BUND (LONG-TERM) FUTURES MAR 15	42	6-Mar-15	6,519,240	1,000	38,262
EURO OAT FRENCH GOVT BOND FUT MAR 15	(49)	6-Mar-15	(7,100,100)	1,000	(159,519)
Total Futures Contracts					$ (140,567)

SWAP POSITIONS	-0.7%	
SECURITY NAME	**NOTIONAL VALUE**	**FAIR VALUE**
EC-IRS CAD 1.7575% Receive Floating/Pays Fix 6-Jun-2018	8,476,000	$ (44,185)
EC-IRS CAD 1.95% Receive Floating/Pays Fix 6-Jun-2019	17,421,000	(181,206)
IRS CAD 1.7775% Receive Floating/Pays Fix 08-Mar-2018	9,488,000	(72,126)
IRS CAD 2.025% Receive Floating/Pays Fix 02-Aug-2018	3,672,000	(61,900)
IRS CAD 2.325% Receive Floating/Pays Fix 25-Nov-2020	8,912,000	(237,322)
IRS CAD 2.125% Receive Floating/Pays Fix 02-Aug-2018	591,000	(12,259)
New York Times SP 1% 5Y 20-Mar-2020 JPM	3,888,000	(145,632)
Total Swap Positions		$ (754,630)

FOREIGN CURRENCY CONTRACTS			0.1%					
CURRENCY PURCHASED	**NOTIONAL VALUE**	**CURRENCY SOLD**	**NOTIONAL VALUE**	**CONTRACT RATE**	**MATURITY DATE**	**FAIR VALUE**	**COUNTER PARTY**	**CREDIT RATING**
US Dollar	5,150,000	Canadian Dollar	(5,891,497)	1.14398	1/7/2015	$ 74,388	TD Securities	Aa1
Total Forward Currency Contracts						$ 74,388		

INVESTMENT PORTFOLIO SUMMARY		FAIR VALUE	AVERAGE COST
Equity Long Positions	9.9%	$ 11,507,103	$ 10,509,188
Fixed Income Long Positions	235.2%	272,153,300	270,135,952
Fixed Income Short Positions	-138.6%	(160,364,714)	(155,769,229)
Option Long Positions	0.1%	97,670	136,624
Option Short Positions	-0.1%	(72,753)	(52,783)
Futrues Contracts	-0.1%	(140,567)	-
Swaps Positions	-0.7%	(754,630)	-
Foreign Currency Contracts	0.1%	74,388	-
Total Investments	105.9%	122,499,797	124,959,752
Total Other Net Assets	-5.9%	(6,797,237)	
Total Net Assets	100.0%	$ 115,702,560	

1. GENERAL INFORMATION

East Coast Investment Grade Fund (the "Fund") is an open-ended investment trust established under the laws of Ontario and is governed by the Declaration of Trust dated December 1, 2010, as amended from time to time.

The investment objective of the Fund is to maximize risk-adjusted returns while preserving the Fund's capital. The Fund will seek to achieve its investment objective by obtaining exposure to the East Coast Investment Grade II Fund (formerly the Arrow East Coast Fund) either through the use of forward purchase and sale agreements or by way of direct investment. East Coast Investment Grade II Fund invests in a broad range of public and private corporate debt securities.

The Manager of the Fund is Arrow Capital Management Inc. (the “Manager”).

The address of the Fund’s registered office is 36 Toronto Street, Suite 750, Toronto, Ontario.

2. FORWARD AGREEMENTS AND INVESTMENT IN EAST COAST INVESTMENT GRADE II FUND

The Fund will seek to achieve its investment objective by obtaining exposure to the East Coast Investment Grade II Fund (formerly Arrow East Coast Fund) (the "Underlying Fund") either through the use of forward purchase and sale agreements or by way of direct investment though the purchase of Class A-S, U-S and O units of the Underlying Fund (the "Direct Investment"). The Underlying Fund invests in a broad range of public and private corporate debt securities. As at December 31, 2014 the Fund had a Direct Investment of $1,631,803 [December 31, 2013 – $804,455; January 1, 2013 - nil].

The Manager of the Underlying Fund is Arrow Capital Management Inc. (the “Manager”). East Coast Fund Management Inc. is the Investment Advisor (the "Investment Advisor") to the Underlying Fund.

On January 5, 2011, the Fund entered into a forward purchase and sale agreement (the “Forward Agreement Class A”) with a Canadian chartered bank (“Counterparty”). The obligations of the Counterparty to the Fund under the Forward Agreement Class A are determined by reference to the Class A-S (formerly Class A) performance of the Underlying Fund, with the profit and loss allocated to Class A, Class F, Class I and Class X of the Fund.

On July 5, 2011, the Fund entered into a forward purchase and sale agreement (the “Forward Agreement Class U”) with a Canadian chartered bank (“Counterparty”). The obligations of the Counterparty to the Fund under the Forward Agreement Class U are determined by reference to the Class U-S (formerly Class U) performance of the Underlying Fund, with the profit and loss allocated to Class U and Class G of the Fund.

On July 26, 2012, the Fund entered into a forward purchase and sale agreement (the “Forward Agreement Class O”) with a Canadian chartered bank (“Counterparty”). The obligations of the Counterparty to the Fund under the Forward Agreement Class O are determined by reference to the Class O performance of the Underlying Fund, with the profit and loss allocated to Class O of the Fund.

Under the terms of the Forward Agreement Class A-S, Forward Agreement Class U-S and Forward Agreement Class O (collectively the “Forward Agreements”), the Counterparty has agreed to deliver to the Fund, on or about December 31, 2015 or earlier, in whole or in part at the request of the Fund, a Canadian securities portfolio having a value equal to the redemption proceeds of the number of Class A-S, Class U-S and Class O units of the Underlying Fund specified in the Forward Agreements.

In order to permit the Fund to pay (i) monthly distributions, (ii) redemptions and repurchases of units, and (iii) operating expenses and other liabilities of the Fund, the terms of the Forward Agreements provide that the Forward Agreements may be settled in whole or in part prior to December 31, 2015, by the Fund at its discretion.

Under the Forward Agreements, the Fund pays to the Counterparty a fee of 0.3% of the Class A-S, Class U-S and Class O Net Asset Value of the Underlying Fund calculated and payable quarterly in arrears.

As at December 31, 2014 the Fund's exposure to the Underlying Fund, by way of the Forward Agreements and Direct Investment, represented 83.7% [December 31, 2013 - 85.2%; January 1, 2013 - 100.0%] of the Underlying Fund's net assets attributable to holders of redeemable shares [the "Underlying Fund Exposure"].

The 2013 Federal Budget eliminated the tax benefits associated with character conversion transactions such as those employed by the Fund that are used to convert the return on a portfolio of investments from fully taxable ordinary income into capital gains. A Grandfathering provision will remain in effect until the termination date of the Forward Agreement which is December 31, 2015. As a result, forward purchase and sale agreements will no longer be used to achieve the Fund's investment objectives. Alternatively, future subscriptions into the Fund will either be invested directly into East Coast Investment Grade II Fund or other investments that meet the Fund's investment objective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation and Adoption of IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the Chartered Professional Accountant (CPA) Canada Handbook ("Canadian GAAP"). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

Note 12 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

These financial statements were authorized for issue by the Manager on March 31, 2015.

b) Financial Instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit and loss ("FVTPL"). Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's long investment positions are designated at "FVTPL". The Fund's Forward Agreements are classified as held for trading. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. Due to their short term nature, the carrying values of other assets and liabilities and net assets attributable to holders of redeemable units approximate their fair values. The Fund's accounting policies for measuring the fair value of its investments and derivatives are the same to those used in measuring its net asset value ("NAV") for transactions with unitholders. There were no differences between the net asset value attributable to holders of redeemable units used for reporting purposes under IFRS and that used for transactions with unitholders at December 31, 2014 or 2013 and January 1, 2013.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined on an average cost basis. Realized gains and losses on securities sold short and unrealized appreciation or depreciation on securities sold short are calculated with reference to the average proceeds of the related securities. Average cost does not include amortization of premiums or discounts on fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Interest for distribution purposes shown on the statement of comprehensive income represents the coupon interest received by the fund accounted for on an accrual basis.

Dividend income and expense is recognized in the statement of comprehensive income on the ex-dividend date. Fund investment distribution is recognized when it is declared.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

c) Financial Instruments - Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for securities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The fair value of bonds is determined using mid-market pricing derived from bid and ask prices provided by independent security pricing services or recognized investment dealers. Gains and losses arising from changes in the fair value of financial assets or liabilities are presented in the statement of comprehensive income. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same and other commonly used methods by market participants which make the maximum use of observable inputs.

The fair value of the Forward Agreements (Note 2) is the value that would be realized if, as of any date, the Forward Agreements were settled in accordance with its terms, in which case the fair value shall be determined with reference to the current fair value of the underlying investments of the Underlying Fund 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, prepaid expenses and distributions receivable, less the liabilities of the Underlying Fund and other liabilities attributed to the Forward Agreements on such date.

The unrealized appreciation on the Forward Agreements and the realized gains on partial settlements on the Forward Agreements are included in the statement of comprehensive income.

d) Direct Investment

The Fund's Direct Investment is subject to the terms and conditions of the Underlying Fund's offering documents. The Direct Investment is valued based on the latest available redemption price as determined by the Underlying Fund's administrator. The Fund reviews the details of the reported information and considers the liquidity of the Underlying Fund and its underlying investments, the value date of the net asset value provided, any restrictions on redemptions and the basis of accounting to determine whether any adjustment to the net asset value is necessary in determining fair value. Gains and losses arising from changes in fair value of the Direct Investment are presented in the statement of comprehensive income.

e) Impairment of Financial Assets

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of future cash flows discounted using the assets original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

f) Foreign Currency Translation

The Fund's functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as 'Foreign exchange gain (loss)' and those relating to other financial assets and liabilities are presented within 'Net realized gain (loss) on investments and derivatives' and 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income.

g) Cash

Cash is comprised of deposits with financial institutions.

h) Commissions and Other Portfolio Transaction Costs

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers. Such costs are expensed when incurred.

i) Income and Expense Allocation

The net assets of each class are computed by calculating the value of that class' proportionate share of the Fund's assets less that class' proportionate share of the Fund's common liabilities less class specific liabilities, if any. Expenses directly attributable to a class are charged to that class. Other income, expenses and gains/losses are allocated based on a reasonable allocation methodology which will include allocations based upon the assets of the Fund or the number of unitholders in the Fund or other methodology the Manager determines is fair.

The Fund is denominated in Canadian dollars. Class U and Class G units are issued in US dollars.

j) Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to the class by the weighted average number of units outstanding in that class during the year. Refer to Note 11 for the calculation.

k) Classification of Redeemable Units

The Funds' redeemable units contain multiple contractual obligations and multiple series of units have been issued which do not have identical features. Consequently, the units do not meet the conditions in IAS 32 to be classified as equity. As a result, the Funds' obligations for net assets attributable to holders of redeemable shares are presented at the redemption amounts.

l) Investments in Structured Entities

The Fund invests in underlying funds that are managed by their respective Investment Advisors and whose investment objectives may range from achieving short-term to long-term income and capital growth. Underlying funds may use leverage in a manner consistent with their respective objectives and as permitted by their respective governing regulatory authorities. Underlying funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportionate stake in the respective fund's net assets. The Fund's interest in underlying funds as at December 31, 2014 and 2013, and January 1, 2013, held the form of redeemable units, which are included at their fair value in the Statements of Financial Position which represents the Fund's maximum exposure in these underlying funds. The Fund does not provide, and has not committed to provide, any additional significant financial or other support to the underlying funds. The change in fair value of each of the underlying funds during the periods is included in 'Change in unrealized appreciation (depreciation) of value of investments and derivatives' in the Statements of Comprehensive Income in 'Net gains (losses) on investments and derivatives'.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Use of Estimates

Fair Value measurement of derivatives and securities not quoted in an active market

The Fund holds financial instruments that are not quoted in active markets, including derivatives. Fair value of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The fair value of the Forward Agreements and the Direct Investment is determined primarily by reference to the latest available redemption price of the Underlying Fund's units as reported by the administrator of the Underlying Fund. The Fund may make adjustments to the value based on considerations such as the liquidity of the Underlying Fund or its underlying investments, the value date of the net asset value provided, any restrictions on redemptions and the basis of accounting. Redemption can only be made on the redemption dates and subject to the required notice periods specified in the offering documents. As a result, the carrying value of the Direct Investment may not be indicative of the value ultimately realized on redemption.

Refer to Note 6 for further information about the fair value measurement of the Fund's financial instruments.

Use of Judgments

Classification and Measurement of Investments and Application of the Fair Value Option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, *Financial Instruments - Recognition and Measurement* (IAS 39). The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

Determination if Underlying Funds Meet the Structured Entity Definition

The Fund has concluded that its investments in the Underlying Funds are investments in unconsolidated structured entities. This represents a significant judgment by the Fund that is based generally on the fact that the decision making about the Underlying Funds investing activities is not governed by voting rights held by the Fund and other investors.

5. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Fund's activities expose it to a variety of risks associated with financial instruments: credit risk, liquidity risk and market risk (including price risk, currency risk, and interest rate risk).

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments present a risk of loss of capital. The maximum loss of capital on long equity, Forward Agreements and fund investments is limited to the fair value of those positions. The maximum loss on equities and debt sold short can be unlimited.

The management of these risks is carried out by the Manager and Investment Advisor in accordance with the Declaration of Trust.

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn can also increase the potential returns the Fund can achieve. The Fund does not directly employ leverage however Underlying Fund employs leverage as a component of its investment strategy subject to market conditions.

Credit Risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is exposed to counterparty credit risk on the Forward Agreements. The counterparty of the Fund's Forward Agreement contracts is Scotia Capital (the "Counterparty"), which has a credit rating of Aa2 (December 31, 2013 and January 1, 2013 – Aa1), as rated by Moody's bond rating services. The Counterparty may have relationships with any or all of the issuers whose securities are included in the Underlying Fund which could conflict with the interests of the Fund. In addition, the possibility exists that the Counterparty will default on its payment obligations under the Forward Agreements or that the proceeds from the sale of the Canadian Securities Portfolio acquired pursuant to the Forward Agreements will be used to satisfy other liabilities of the Fund, which liabilities could include obligations to third-party creditors in the event the Fund has insufficient assets, excluding the proceeds from the sale of the Canadian Securities Portfolio acquired pursuant to the Forward Agreements, to pay its liabilities. Unitholders will have no recourse or rights against the assets of the Underlying Fund or the Counterparty and the Counterparty is not responsible for the returns of the East Coast Investment Grade II Fund.

The Fund is also exposed to counterparty credit risk on cash and other receivable balances.

The Fund and Underlying Fund are also exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (December 31, 2013: Aaa, January 1, 2013: Aaa).

The Fund has indirect credit risk as a result of the Underlying Fund's investments in debt instruments and derivatives to the extent of the Fund's Underlying Fund Exposure of 83.7% [December 31, 2013 - 85.2%; January 1, 2013 - 100.0%].

The analysis below summarizes the credit quality of the Underlying Fund's debt portfolio at December 31, 2014, December 31, 2013 and January 1, 2013.

	Percentage of total debt securities		
Credit Rating*	**As at December 31, 2014**	**As at December 31, 2013**	**As at January 1, 2013**
	%	%	%
AAA	2.6	2.2	0.9
AA	0.3	0.0	0.0
A	12.9	18.1	9.7
BBB	74.8	70.5	82.3
Below BBB(O)	7.6	9.0	5.8
Unrated (U)	1.8	0.2	1.3
Total	100.0	100.0	100.0

* Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Service.

The Underlying Fund is exposed to counterparty credit risk on cash, cash collateral, margin deposit, receivable for securities sold, swaps, futures contracts, and other receivable balances. The Underlying Fund's brokerage agreements require cash collateral in return for services including borrowed securities and derivatives trading. The counterparties to the Underlying Fund's swaps are Bank of America, JP Morgan Chase & Co. and Credit Suisse which have credit rating as rated by Moody's bond rating services of Baa2, A3 and A2 respectively (December 31, 2013 – Merrill Lynch International Baa2)(January 1, 2013 – JP Morgan Chase & Co. Aa3). The counterparty to the Underlying Fund's futures contracts is JP Morgan Chase & Co. which has a credit rating of A3 (December 31, 2013 and January 1, 2013 – Aa3) as rated by Moody's bond ratings services. The Underlying Fund's broker and custodian services are provided by TD Securities which has a credit rating as rated by Moody's bond rating services of Aa1 (December 31, 2013 and January 1, 2013 – Aaa).

There are also risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund and Underlying Fund respectively. Therefore, the Fund and Underlying Fund should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Fund and Underlying Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The credit risk related to the associated receivables is considered limited, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing the Fund's rights to its assets in the case of an insolvency of any such party.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to monthly cash redemptions which are redeemable on demand at the holder's option and payable three business days after the redemption date and as such, retains sufficient cash to fund anticipated redemptions. The Fund reserves the right to settle redemptions up to thirty days after the redemption trade date.

The Fund aims to retain sufficient cash to maintain adequate liquidity including coverage of obligations related to all current liabilities (liabilities are typically due within three months).

Unitholders of the Underlying Fund have the right, upon at least ten calendar days' prior written notice to redeem any or all of their units effective the last business day of each month.

Market Risk

The Fund's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

(a) Currency Risk

As at December 31, 2014, December 31, 2013 and January 1, 2013, the Fund was only exposed to the Canadian Dollar and investments denominated in the Canadian Dollar.

The Underlying Fund invests in financial instruments and enters into transactions that are denominated in currencies other than the Canadian dollar, primarily US dollars (USD). Consequently, the Fund is indirectly exposed to currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates, to the extent of the Fund's Underlying Fund Exposure of 83.7% [December 31, 2013 - 85.2%; January 1, 2013 - 100.0%].

The table below indicates the Underlying Fund's exposure to USD as at December 31, 2014, December 31, 2013 and January 1, 2013, in Canadian dollar terms, and the notional amounts of foreign currency contracts. The table below illustrates the potential impact on the net assets attributable to holders of redeemable units of the Underlying Fund if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Non-monetary are comprised of equities. Monetary include cash, derivatives, fixed income securities, and other current receivables and payables.

December 31, 2014	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
United States Dollar - Long	$13,689,049	$97,669	$13,786,718	$1,368,905	$9,767	$1,378,672
United States Dollar - Short	(11,914,650)	(72,753)	(11,987,403)	(1,191,465)	(7,275)	(1,198,740)
Total	$1,774,399	$24,916	1,799,315	$177,440	$2,492	179,932
Redeemable units issued in USD			(4,363,727)			(436,373)
Net exposure to foreign currencies			**($2,564,412)**			**($256,441)**
% of net assets attributable to holders of redeemable units	1.5%	0.0%	1.6%	0.2%	0.0%	0.2%
% of net assets attributable to units issued in USD			(3.8%)			(0.4%)
% of net assets exposed to foreign currencies			**(2.2%)**			**(0.2%)**

December 31, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
United States Dollar - Long	$7,906,962	-	$7,906,962	$790,696	-	$790,696
United States Dollar - Short	(2,976,345)	-	(2,976,345)	(297,635)	-	(297,635)
Total	$4,930,617	-	4,930,617	$493,061	-	493,061
Redeemable units issued in USD			(6,466,922)			(646,692)
Net exposure to foreign currencies			**($1,536,305)**			**($153,631)**
% of net assets attributable to holders of redeemable units	3.6%	0.0%	3.6%	0.4%	0.0%	0.4%
% of net assets attributable to units issued in USD			(4.7%)			(0.5%)
% of net assets exposed to foreign currencies			**(1.1%)**			**(0.1%)**

January 1, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
United States Dollar - Long	$7,735,294	-	$7,735,294	$773,529	-	$773,529
United States Dollar - Short	(3,008,944)	-	(3,008,944)	(300,894)	-	(300,894)
Total	$4,726,350	-	4,726,350	$472,635	-	472,635
Redeemable units issued in USD			(6,618,488)			(661,849)
Net exposure to foreign currencies			**($1,892,138)**			**($189,214)**
% of net assets attributable to holders of redeemable units	4.4%	0.0%	4.4%	0.4%	0.0%	0.4%
% of net assets attributable to units issued in USD			(6.2%)			(0.6%)
% of net assets exposed to foreign currencies			**(1.8)%**			**(0.2%)**

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2014, the Fund had no direct exposure to debt instruments (December 31, 2013 - $20,000, January 1, 2013 - $20,000).

The Fund has indirect interest rate risk as a result of the Underlying Fund's investments in interest bearing financial instruments to the extent of the Fund's Underlying Fund Exposure of 83.7% [December 31, 2013 - 85.2%; January 1, 2013 - 100.0%]. The Underlying Fund manages this risk by short selling primarily government bonds to reduce the interest rate risk inherent in the Underlying Fund's corporate investment grade debt positions.

The table below summarizes the Underlying Fund's exposure to interest rate risk as at December 31, 2014, December 31, 2013 and January 1, 2013. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable units of the Underlying Fund if the prevailing levels of market interest rates changed by 1%, assuming a parallel shift in the yield curve with all other variables held constant.

Long Position	Total Exposure		
Term to Maturity	December 31, 2014	December 31, 2013	January 1, 2013
Less than 1 year	$7,552,306	$27,297,717	$8,160,029
1-3 years	52,841,563	49,657,150	75,832,203
3-5 years	104,184,076	37,909,404	45,721,722
Greater than 5 years	107,575,355	143,536,831	96,959,506
Total	$272,153,300	$258,401,102	$226,673,460
Sensitivity:			
Total $ sensitivity	+/-$13,924,124	+/- $11,030,864	+/- $10,074,533
Total % sensitivity	12.0%	8.1%	9.4%

Short Position	Total Exposure		
Term to Maturity	December 31, 2014	December 31, 2013	January 1, 2013
Less than 1 year	-	-	-
1-3 years	($29,430,699)	($3,204,763)	($317,985)
3-5 years	(58,547,486)	(24,824,245)	(56,217,854)
Greater than 5 years	(72,386,530)	(104,268,057)	(65,019,928)
Total	($160,364,715)	($132,297,065)	($121,555,767)
Sensitivity:			
Total $ sensitivity	+/-$11,027,619	+/- $7,375,425	+/- $7,052,996
Total % sensitivity	9.5%	5.4%	6.6%

(c) Price Risk

The Fund is exposed to price risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Fund invests primarily in the Underlying Fund and Forward Agreements whose value is based on the performance of the Underlying Fund and may be exposed to indirect other price risk. The Underlying Fund's policy is to manage price risk through pursuit of a diversified investment program that focuses on investment-grade fixed income securities while utilizing other assets such as options and credit default swaps, to extract relative value and to manage credit exposure.

As at December 31, 2014, if the Fund's relevant benchmark index, DEX Universe All Corporate Bond Index (PC-Bond), had increased or decreased by 10%, with all other variables constant, the net assets attributable to holders of redeemable units of the Fund would have increased or decreased by approximately $973,500 [December 31, 2013 - $1,168,238; January 1, 2013 - $1,076,692] representing 1% of net assets attributable to holders of redeemable units [December 31, 2013 - 1%; January 1, 2013 - 1%].

The Fund is also exposed to indirect price risk to the extent of the Fund's Underlying Fund Exposure of 83.7% [December 31, 2013 - 85.2%; January 1, 2013 - 100.0%].

The Underlying Fund engages in short selling activities, wherein it borrows securities and sells them to third parties. Until the Underlying Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold, not yet purchased, at prices which may be significantly higher than the fair value reflected on the financial statements.

Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

As at December 31, 2014, the Fund held 99.5% [December 31, 2013 - 99.8%; January 1, 2013 - 99.6%] of its net assets attributable to holders of redeemable shares in the Forward Agreements and Direct Investment. The Fund is therefore exposed to the concentration risk of the Underlying Fund to the extent of the Fund's Underlying Fund Exposure of 83.7% [December 31, 2013 - 85.2%; January 1, 2013 - 100.0%].

The following is a summary of the Underlying Fund's concentration risk as a percentage of net assets:

	December 31, 2014			December 31, 2013			January 1, 2013		
Market Segment	Equities Long	Fixed Income Long	Fixed Income Short	Equities Long	Fixed Income Long	Fixed Income Short	Equities Long	Fixed Income Long	Fixed Income Short
	%	%	%	%	%	%	%	%	%
Basic Materials	-	1.0	-	-	2.3	-	-	7.5	-
Communications	-	74.1	-	-	73.7	-	-	54.2	-
Consumer	-	16.1	-	-	3.0	-	-	-	-
Consumer, Non-Cyclical	-	21.3	-	-	14.7	-	-	5.0	-
Diversified	-	2.1	-	-	-	-	-	1.4	-
Energy	-	22.2	-	-	3.5	-	-	18.3	-
Financial	-	82.0	(4.6)	-	76.1	-	-	100.7	-
Funds	10.0	-	-	9.6	-	-	-	-	-
Government	-	4.1	(134.0)	-	4.2	(97.1)	-	0.2	(114.0)
Industrial	-	2.1	-	-	-	-	-	4.4	-
Utilities	-	10.2	-	-	12.1	-	-	20.8	-

Capital Risk Management

Units issued and outstanding are considered to be the capital of the Fund. The Fund does not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit of the Fund for all or any of the units of such unitholder by giving written notice to the Manager. The written notice is irrevocable and must be received no later than 4:00 p.m., EST, on the date that is at least ten business days prior to the date upon which the units are to be redeemed (a "Redemption Date"). A Redemption Date is the last valuation date of a calendar month. The units are redeemable for cash equal to a pro rata share of the Fund's nets asset value.

6. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2014, December 31, 2013 and January 1, 2013:

As at December 31, 2014	Level 1	Level 2	Level 3	Total
Assets				
Forward Agreements	-	$95,207,672	-	$95,207,672
Funds	$140,295	1,631,803	-	1,772,098
Total	$140,295	$96,839,475	-	$96,979,770

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Assets				
Forward Agreements	-	$116,589,683	-	$116,589,683
Funds	$349,648	-	-	349,648
Fixed Income Long	-	20,003	-	20,003
Total	$349,648	$116,609,686	-	$116,959,334

As at January 1, 2013	Level 1	Level 2	Level 3	Total
Assets				
Forward Agreements	-	$107,235,100	-	$107,235,100
Fixed Income Long	-	19,951	-	19,951
Total	-	$107,255,051	-	$107,255,051

As at December 31, 2014, December 31, 2013 and January 1, 2013 the Fund did not hold any level 3 financial instruments. There were no transfers between levels during the years ending December 31, 2014 or December 31, 2013.

a) Forward Agreements

Fair value of the Forward Agreements is determined primarily by reference to the latest available redemption price of the Underlying Fund's units as reported by the Underlying Fund's administrator. The inputs that are significant to valuation are generally observable and therefore the Fund's investment in Forward Agreements has been classified as Level 2.

b) Bonds

The Fund's bond portfolio consists of an investment in government bonds. Bond pricing is obtained from bid and ask prices provided by independent security pricing services or recognized investment dealers. Bond prices may be derived by using models which include inputs such as interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Fund's bonds have been classified as Level 2.

c) Funds

Investments in funds are classified as Level 1 when the security is actively traded and a reliable price is observable. When the Fund's fund investments are not traded on public exchanges, observable prices are not available. In such cases, fair value is determined using the fund prices as reported by the respective fund's administrator, which have been determined using observable market data, and the fair value of the fund investment is classified as Level 2. If the determination of fair value requires significant unobservable data, the measurement is classified as Level 3. The Direct Investment has been classified as Level 2.

The following table illustrates the classification of the Underlying Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2014, December 31, 2013 and January 1, 2013:

As at December 31, 2014	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Funds	-	11,507,103	-	11,507,103
Fixed income long	-	272,153,300	-	272,153,300
Derivatives	146,009	74,388	-	220,397
Total	146,009	283,734,791	-	283,880,800
Liabilities				
Fixed income short	-	(160,364,714)	-	(160,364,714)
Derivatives	(261,659)	(754,630)	-	(1,016,289)
Total	(261,659)	(161,119,344)	-	(161,381,003)

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Assets				
Funds	$115,128	$13,114,604	-	$13,229,732
Fixed income long	-	259,003,615	-	259,003,615
Derivatives	112,200	-	-	112,200
Total	$227,328	$272,118,219	-	$272,345,547
Liabilities				
Fixed income short	-	($132,264,217)	-	($132,264,217)
Derivatives	($54,453)	(542,127)	-	(596,580)
Total	($54,453)	($132,806,344)	-	($132,860,797)

As at January 1, 2013	Level 1	Level 2	Level 3	Total
Assets				
Fixed income long	-	$227,267,500	-	$227,267,500
Derivatives	$68,771	105,866	-	174,637
Total	$68,771	$227,373,366	-	$227,442,137
Liabilities				
Fixed income short	-	($121,532,712)	-	($121,532,712)
Derivatives	($97,430)	(100,060)	-	(197,490)
Total	($97,430)	($121,632,772)	-	($121,730,202)

As at December 31, 2014, December 31, 2013 and January 1, 2013 the Underlying Fund did not hold any level 3 financial instruments. There were no transfers between levels during the years ending December 31, 2014 or December 31, 2013.

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

a) Bonds

The Underlying Fund's bond portfolio is comprised primarily of investment-grade Canadian bonds and also includes government bonds. Bond pricing is obtained from bid and ask prices provided by independent security pricing services or recognized investment dealers. Bond prices may be derived by using models which include inputs such as interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Underlying Fund's bonds have been classified as Level 2.

b) Funds

Investments in funds are classified as Level 1 when the security is actively traded and a reliable price is observable. When the Underlying Fund's fund investments are not traded on public exchanges, observable prices are not available. In such cases, fair value is determined using the fund prices as reported by the respective fund's administrator, which have been determined using observable market data, and the fair value of the fund investment is classified as Level 2. If the determination of fair value requires significant unobservable data, the measurement is classified as Level 3.

c) Derivative assets and liabilities

Derivative assets and liabilities consist of futures contracts, options, interest rate swaps and credit default swaps. Futures contracts and options are exchange traded and are classified as Level 1 as they are actively traded and a reliable price is observable. Interest rate swaps are valued using indicative bid/ask prices from third party broker dealers while credit default swaps are valued based upon quotations from independent security pricing sources. The inputs that are significant to valuation are generally observable and therefore both interest rate swaps and credit default swaps have been classified by the Underlying Fund as Level 2.

Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2014 and 2013.

December 31, 2014

	Net realized gains /(losses)	Net unrealized gains /(losses)	Interest Income	Fund Investment Distribution	Total
Financial assets at FVTPL:					
Designated as FVTPL	$465,605	($20,202)	$67	-	$445,470
HFT	1,578,328	(976,094)	-	-	602,234
	2,043,933	(996.296)	67	-	1,047,704
Financial liabilities at FVTPL:					
HFT	-	-	-		-
Total:	$2,043,933	($996,296)	$67	-	$1,047,704

December 31, 2013

	Net realized gains /(losses)	Net unrealized gains /(losses)	Interest Income	Fund Investment Distribution	Total
Financial assets at FVTPL:					
Designated as FVTPL	($17,429)	$2,263	$200	$116,487	$101,521
HFT	264,806	4,860,972	-	-	5,125,778
	247,377	4,863,235	200	116,487	5,227,299
Financial liabilities at FVTPL:					
HFT	-	-	-	-	-
Total:	$247,377	$4,863,235	$200	$116,487	$5,227,299

7. INVESTMENT IN UNDERLYING FUNDS

Information related to investments in the Underlying Funds are as follows:

December 31, 2014

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
East Coast Investment Grade II Fund – Class O	1,631,803	1.7	1.4
East Coast Investment Grade Income Fund	140,295	0.1	0.1

December 31, 2013

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
East Coast Investment Grade Income Fund	349,648	0.3	0.3

8. REDEEMABLE UNITS

Units issued and outstanding represent the capital of the Fund. The Fund is an open-ended trust and its units are sold and redeemed at the current net asset value per unit at the option of the unitholders. If applicable, the unitholders are entitled to distributions when declared. Distributions are reinvested in additional units of the Fund or paid in cash. The characterization of the distributions is based on Management's estimate of the actual income for the year.

Units offered for sale by the Fund are as follows:

Class A and U	Designed primarily for investors who are advised by a Registered Dealer. Class U units are issued in U.S. Dollars
Class F and Class G	Designed primarily for purchase by investors who participate in fee-based programs through their Registered Dealer. Class G units are issued in U.S. Dollars
Class I and Class O	Designed primarily for eligible institutional investors
Class X	Designed primarily for purchase by other funds managed by the Manager. Taxable income of Class X units is allocated annually to unitholders and immediately reinvested in the Fund without any increase in the number of units outstanding

During the years ended December 31, 2014 and 2013 the number of units issued, redeemed and outstanding was as follows:

For the year ended December 31, 2014

Units	Redeemable units outstanding at December 31, 2013	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding December 31, 2014
Class A	5,185,948	560,117	(1,043,498)	4,702,567
Class F	3,618,432	368,256	(1,374,383)	2,612,305
Class I	495	-	(495)	-
Class X	-	-	-	-
Class O	2,812,079	346,842	(193,189)	2,965,732
Class U	416,617	27,456	(280,375)	161,698
Class G	195,576	38,483	(71,860)	162,199

For the year ended December 31, 2013

Units	Redeemable units outstanding at December 31, 2012	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding December 31, 2013
Class A	5,200,248	1,457,650	(1,471,950)	5,185,948
Class F	2,497,849	2,526,716	(1,406,133)	3,618,432
Class I	495	-	-	495
Class X	-	-	-	-
Class O	2,799,249	12,830	-	2,812,079
Class U	484,708	106,995	(177,086)	414,617
Class G	226,444	67,379	(98,247)	195,576

9. RELATED PARTY TRANSACTIONS

The Manager is responsible for making decisions relating to the investment of the Fund's assets and providing key management personnel.

a) Management and Performance Fees

	Class A Units	Class F Units	Class I Units	Class O Units	Class U Units	Class G Units
Management fee per annum	0.75%	0.00%	0.00%	0.00%	0.75%	0.00%

Class A and Class U of the Underlying Fund will pay the Manager an annual rate of 1.00% of the Net Asset Value of the Underlying Fund. Management fees are calculated and paid as of the last Valuation Date of each month.

No Performance Fee will be charged by the Fund. The Manager is entitled to receive from the Underlying Fund an annual Performance Fee equal to 15% of the increase in the Net Asset Value of each class of units of the Underlying Fund (after adjusting for capital transactions and before accruing performance fees), subject to a high water mark.

The Fund is responsible for all operating expenses incurred by or on behalf of the Fund.

As at December 31, 2014, amounts owing to the Manager relating to management fees and administration fees included in other liabilities were $40,205 [December 31, 2013 - $49,299; January 1, 2013 - $53,955].

b) Related Party Unit Holdings

Unitholders who represent management of the Fund held the following units:

Class	December 31, 2014	December 31, 2013
Class A	506	360
Class F	1,560	321
Class I	-	495

c) Brokerage Commissions

Total commissions paid to dealers for the year ended December 31, 2014 in connection with portfolio transactions were $Nil [December 31, 2013 - $Nil].

10. TAXATION

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) ("Tax Act"). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any taxation year are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses would not be reflected in the statement of financial position as a deferred income tax asset. As at December 31, 2014, the Fund had $1,184,336 of unused non-capital losses which expire no earlier than 2027.

11. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2014 and 2013 is calculated as follows:

December 31, 2014

	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
	$		$
Class A	(339,407)	5,656,783	(0.06)
Class F	121,047	3,026,175	0.04
Class I	44	489	0.09
Class X	-	-	-
Class O	288,399	2,883,990	0.10
Class U	258,498	335,712	0.77
Class G	156,926	186,817	0.84

December 31, 2013

	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
	$		$
Class A	1,441,232	5,340,647	0.27
Class F	1,208,261	3,550,558	0.34
Class I	195	495	0.39
Class X	-	-	-
Class O	1,350,105	2,805,694	0.48
Class U	397,651	462,224	0.86
Class G	198,576	225,086	0.88

12. TRANSITION TO IFRS

The effect of the Fund's transition to IFRS is summarized in this note as follows:

Transition Elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, *Investment Companies*.

Revaluation of Investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, *Financial Instruments - Recognition and Measurement,* which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, *Fair Value Measurement* (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. There was no change in the value of the Fund's investments as at December 31, 2013 and January 1, 2013. Consequently, there were no differences between equity and comprehensive income reported previously under Canadian GAAP and IFRS.

Classification of redeemable units issued by the Fund

The Funds' redeemable units contain multiple contractual obligations and multiple series of units have been issued which do not have identical features. Consequently, the units do not meet the conditions in IAS 32 to be classified as equity. As a result, the Funds' obligations for net assets attributable to holders of redeemable shares are presented at the redemption amounts.

13. REGULATORY EXEMPTION

The Fund is relying on Section 2.11 of National Instrument 81-106 which provides an exemption from filing its interim and annual financial statements with the Ontario Securities Commission.

14. FUTURE ACCOUNTING CHANGES - IFRS 9, FINANCIAL INSTRUMENTS

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2015

The accompanying financial statements have been prepared by Arrow Capital Management Inc., the Manager of East Coast Investment Grade Fund (the "Fund"), and approved by the Board of Directors of the Manager. The Fund's manager is responsible for the information and representations contained in these financial statements.

Arrow Capital Management Inc. maintains appropriate processes to ensure that reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards 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 3 to the financial statements.

PricewaterhouseCoopers LLP is the external auditor of the Fund, appointed by the unitholders. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out on the following page.

"James L. McGovern"

JAMES L. MCGOVERN
Managing Director & CEO
ARROW CAPITAL MANAGEMENT INC.

"Robert W. Maxwell"

ROBERT W. MAXWELL
Managing Director & CFO
ARROW CAPITAL MANAGEMENT INC.

Independent Auditor's Report

To the Unitholders
East Coast Investment Grade Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2014 and December 31, 2013, 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 these financial statements in accordance with International Financial Reporting Standards, 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 these 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 the 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, 2014, December 31, 2013 and January 1, 2013 and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 31, 2015

A N N U A L R E P O R T

ARROW CAPITAL MANAGEMENT INC.

AUDITED FINANCIAL STATEMENTS DECEMBER 2014

EAST COAST INVESTMENT GRADE II FUND

EAST COAST INVESTMENT GRADE II FUND
(formerly Arrow East Coast Fund)

Statements of Financial Position

	Note	As at December 31, 2014	As at December 31, 2013	As at January 1, 2013
Assets				
Current assets				
Financial assets designated at fair value through profit and loss		$ 283,660,403	$ 272,233,347	$ 227,267,500
Financial assets held for trading				
Options at fair value		97,670	112,200	68,771
Unrealized gain on forward currency contracts		74,388	-	15,708
Unrealized gain on futures contracts		48,339	-	-
Unrealized gain on swap contracts		-	-	13,220
Premium on swap contracts		-	-	76,938
Cash		428,878	668,762	1,505,332
Margin deposit on futures contracts		835,175	262,549	1,005,588
Cash collateral on swap contracts		1,242,174	304,932	657,161
Accrued interest and dividends receivable		2,984,878	2,490,402	1,737,532
Receivable for securities sold		11,156,061	1,368,568	-
Receivable for units issued		58,413	169,509	700,000
		300,586,379	277,610,269	233,047,750
Liabilities				
Current liabilities				
Financial liabilities held for trading				
Investments sold short		160,364,714	132,264,217	121,532,712
Unrealized loss on forward currency contracts		-	39,984	-
Unrealized loss on futures contracts		188,906	49,619	29,684
Unrealized loss on swap contracts		754,630	502,143	70,376
Options at fair value		72,753	4,834	97,430
Margin loan		9,622,679	4,524,286	2,811,454
Payable for securities purchased		8,335,619	1,256,910	-
Payable for units redeemed		4,642,017	1,564,270	-
Accrued interest and dividends payable		581,653	367,235	436,380
Other liabilities	9	320,848	183,690	834,728
		184,883,819	140,757,188	125,812,764
Net assets attributable to holders of redeemable units		$ 115,702,560	$ 136,853,081	$ 107,234,986
Net assets attributable to holders of redeemable units				
Class A		$ 8,932,075	$ 8,903,938	$ -
Class F		$ 8,746,055	$ 10,857,979	$ -
Class G		$ 984,474	$ 340,340	$ -
Class A-S		$ 64,342,498	$ 82,037,361	$ 72,255,188
Class O		$ 29,318,205	$ 28,586,881	$ 28,361,310
Class U-S		$ 3,178,772	$ 5,965,441	$ 6,618,488
Class U		$ 200,481	$ 161,141	$ -
Number of units outstanding	8			
Class A		1,012,910	958,799	-
Class F		979,136	1,163,343	-
Class G		96,803	34,555	-
Class A-S		5,819,814	7,449,616	6,844,447
Class O		2,656,740	2,625,234	2,742,596
Class U-S		250,692	510,456	625,936
Class U		19,563	16,137	-
Net assets attributable to holders of redeemable units per unit				
Class A		$ 8.82	$ 9.29	$ -
Class F		$ 8.93	$ 9.33	$ -
Class G USD		$ 8.78	$ 9.27	$ -
Class A-S		$ 11.06	$ 11.01	$ 10.56
Class O		$ 11.04	$ 10.89	$ 10.34
Class U-S USD		$ 10.95	$ 11.00	$ 10.62
Class U USD		$ 8.85	$ 9.40	$ -
USD/CAD Foreign Exchange Rate		0.8634	0.9412	1.0043

Approved on behalf of the Board of Directors of Arrow Capital Management Inc., the Manager of the Fund:

"James L. McGovern"

James L. McGovern, Director

"Robert W. Maxwell"

Robert W. Maxwell, Director

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

EAST COAST INVESTMENT GRADE II FUND
(formerly Arrow East Coast Fund)

Statements of Comprehensive Income
For the years ended December 31

	Note	2014 $	2013 $
Income			
Net gains (losses) on investments and derivatives			
Interest for distribution purposes	5	10,325,012	11,264,757
Interest income on derivatives	5	354,338	192,361
Interest expense on short sales	5	(2,928,965)	(2,752,476)
Net realized gain (loss) on investments and derivatives	5	(2,532,263)	2,563,841
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	5	(1,188,778)	(2,477,765)
Net gains (losses) on investments and derivatives		4,029,344	8,790,718
Other Income Items:			
Interest on cash		19,000	25,018
Foreign exchange gain (loss)		(119,665)	1,659
Net change in unrealized foreign exchange gain (loss)		(393,085)	(28,481)
Total income (net)		3,535,594	8,788,914
Expenses			
Securityholder reporting fees		140,986	104,618
Management fees	9	1,145,591	1,048,017
Performance fees	9	184,786	995,960
Interest expense on margin loan		56,434	14,227
Audit fees		24,472	27,300
Legal fees		217	2,167
Filling fees		3,832	-
Security borrowing expense		441,035	362,381
Commissions and other portfolio transaction costs	9	97	74
Harmonized sales tax		180,646	283,148
Total expenses		2,178,096	2,837,892
Increase (decrease) in net assets attributable to holders of redeemable units		**1,357,498**	**5,951,022**
Increase (decrease) in Net Assets attributable to holders of redeemable units per Clas:	11		
Class A		(66,573)	141,735
Class F		(9,132)	211,289
Class G		50,308	16,985
Class A-S		506,923	3,436,838
Class O		398,210	1,475,571
Class U-S		465,278	661,646
Class U		12,484	6,958
Increase (decrease) in Net Assets attributable to holders of redeemable units per Unit	11		
Class A		(0.06)	0.20
Class F		(0.01)	0.23
Class G		0.90	0.68
Class A-S		0.07	0.45
Class O		0.15	0.55
Class U-S		1.11	1.13
Class U		0.68	0.43

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

EAST COAST INVESTMENT GRADE II FUND
(formerly Arrow East Coast Fund)

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
For the years ended December 31

		2014	2013
		$	$
Net assets attributable to holders of redeemable units at beginning of the year			
	Class A	8,903,938	-
	Class F	10,857,979	-
	Class G	340,340	-
	Class A-S	82,037,361	72,255,188
	Class O	28,586,881	28,361,310
	Class U-S	5,965,441	6,618,488
	Class U	161,141	-
		136,853,081	107,234,986
Increase (decrease) in net assets attributable to holders of redeemable units			
	Class A	(66,573)	141,735
	Class F	(9,132)	211,289
	Class G	50,308	16,985
	Class A-S	506,923	3,436,838
	Class O	398,210	1,475,571
	Class U-S	465,278	661,646
	Class U	12,484	6,958
		1,357,498	5,951,022
Distributions to holders of redeemable units			
From net investment income	Class A	(130,629)	(153,989)
	Class F	(324,978)	(264,114)
	Class G	(13,762)	(7,261)
	Class A-S	(2,343,235)	(5,519,651)
	Class O	(1,120,626)	(2,180,181)
	Class U-S	(157,926)	(455,034)
	Class U	(2,538)	(1,324)
		(4,093,694)	(8,581,554)
From net realized gains on investments and derivatives	Class A	-	(50,157)
	Class F	-	-
	Class G	-	-
	Class A-S	-	-
	Class O	-	-
	Class U-S	-	-
	Class U	-	(441)
		-	(50,598)
Return of Capital	Class A	(304,802)	-
	Class F	(265,891)	-
	Class G	(11,259)	-
	Class A-S	-	-
	Class O	-	-
	Class U-S	-	-
	Class U	(5,921)	-
		(587,873)	-
Total distributions to holders of redeemable units		(4,681,567)	(8,632,152)
Redeemable unit transactions			
Proceeds from redeemable units issued	Class A	2,890,641	9,238,423
	Class F	6,407,560	11,061,780
	Class G	681,342	323,364
	Class A-S	850,000	22,485,000
	Class O	3,200,000	-
	Class U-S	300,000	1,030,000
	Class U	26,858	154,185
		14,356,401	44,292,752
Reinvestments of distributions to holders of redeemable units	Class A	365,222	171,371
	Class F	236,945	90,437
	Class G	25,036	7,252
	Class A-S	2,343,235	5,519,651
	Class O	1,120,626	2,180,181
	Class U-S	157,926	455,034
	Class U	8,457	1,763
		4,257,447	8,425,689
Redemption of redeemable units	Class A	(2,725,722)	(443,445)
	Class F	(8,156,428)	(241,413)
	Class G	(87,531)	-
	Class A-S	(19,051,786)	(16,139,665)
	Class O	(2,866,886)	(1,250,000)
	Class U-S	(3,551,947)	(2,344,693)
	Class U	-	-
		(36,440,300)	(20,419,216)
Net increase (decrease) from redeemable unit transactions		(17,826,452)	32,299,225
Net increase (decrease) in net assets attributable to holders of redeemable units		(21,150,521)	29,618,095
	Class A	8,932,075	8,903,938
	Class F	8,746,055	10,857,979
	Class G	984,474	340,340
	Class A-S	64,342,498	82,037,361
	Class O	29,318,205	28,586,881
	Class U-S	3,178,772	5,965,441
	Class U	200,481	161,141
Net assets attributable to holders of redeemable units at end of year		115,702,560	136,853,081

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

EAST COAST INVESTMENT GRADE II FUND
(formerly Arrow East Coast Fund)

Statements of Cash Flow
For the years ended December 31

	Note	2014 $	2013 $
Cash flows from (used in) operating activities			
Increase (decrease) in net assets attributable to holders of redeemable units		1,357,498	5,951,022
Adjustment for:			
Net change in unrealized foreign exchange loss (gain)		393,085	28,481
Net realized loss (gain) on investments and derivatives		2,532,263	(2,563,841)
Net change in unrealized depreciation (appreciation) in value of investments and derivatives		1,188,778	2,477,765
Purchase of investments		(1,110,769,542)	(885,892,212)
Proceeds on sale of investments		1,121,324,670	852,016,877
(Increase) decrease in margin deposit on futures contracts		(572,626)	743,039
(Increase) decrease in cash collateral on swap contracts		(937,242)	352,229
(Increase) decrease in premium on swap contracts		-	76,938
(Increase) decrease in accrued interest and dividends receivable		(494,476)	(752,870)
Increase (decrease) in accrued interest and dividends payable		214,418	(69,145)
Increase (decrease) in other liabilities		137,158	(651,038)
Net cash from (used in) operating activities		14,373,984	(28,282,755)
Cash flows from (used in) financing activities			
Proceeds from redeemable units issued		14,467,497	44,823,243
Redemption of redeemable units		(33,362,553)	(18,854,946)
Distributions paid to holders of redeemable units, net of reinvested distributions		(424,120)	(206,463)
Increase (decrease) in margin loan		5,098,393	1,712,832
Net cash from (used in) financing activities		(14,220,783)	27,474,666
Net Increase (decrease) in cash		153,201	(808,089)
Cash at beginning of the year		668,762	1,505,332
Net change in unrealized foreign exchange loss (gain)		(393,085)	(28,481)
Cash at end of the year		428,878	668,762
Interest received*		10,142,348	10,729,807
Dividends received, net of withholding tax*		540	(540)
Interest paid*		(2,770,981)	(2,835,848)
*Included as part of cash flows from operating activities			

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

EAST COAST INVESTMENT GRADE II FUND

(formerly Arrow East Coast Fund)

Schedule of Investment Portfolio - As at December 31, 2014

FIXED INCOME LONG POSITIONS	235.2%

SECURITY NAME		COUPON RATE	MATURITY DATE	PAR VALUE	FAIR VALUE	AVERAGE COST
Algonquin Power Co	CAD	4.65%	Feb/15/2022	1,370,000	$ 1,455,190	$ 1,368,137
Algonquin Power Co	CAD	5.50%	Jul/25/2018	837,000	914,356	914,381
AltaGas Ltd	CAD	4.60%	Jan/15/2018	4,196,000	4,487,427	4,491,105
Aon Finance NS 1 ULC	CAD	4.76%	Mar/08/2018	9,595,000	10,212,831	10,300,251
APT Pipelines Ltd	CAD	4.25%	Jul/24/2019	4,305,000	4,522,540	4,434,727
Artis Real Estate Investment Trust	CAD	3.75%	Mar/27/2019	1,384,000	1,411,078	1,401,189
Bed Bath & Beyond Inc (2)	USD	5.17%	Aug/01/2044	1,367,000	1,660,431	1,475,223
Bell Canada	CAD	4.40%	Mar/16/2018	8,742,000	9,355,834	9,389,599
Bell Canada (2)	CAD	4.70%	Sep/11/2023	2,380,400	2,625,680	2,400,391
Bell Canada	CAD	4.88%	Apr/26/2018	1,280,000	1,390,520	1,387,379
Bell Canada	CAD	5.00%	Feb/15/2017	3,405,000	3,624,407	3,690,502
BP Capital Markets PLC	CAD	3.50%	Nov/09/2020	1,190,000	1,237,039	1,224,582
BP Capital Markets PLC	CAD	2.74%	Feb/24/2017	456,000	462,836	465,818
Brookfield Renewable Energy Partners ULC	CAD	6.13%	Nov/30/2016	2,099,000	2,256,366	2,268,998
Canadian Government Bond	CAD	3.75%	Jun/01/2019	3,458,000	3,828,767	3,822,473
Cascades Inc (2)	CAD	5.50%	Jul/15/2021	1,145,000	1,114,562	1,145,000
Choice Properties Real Estate Investment Trust	CAD	3.55%	Jul/05/2018	5,193,000	5,405,803	5,369,305
Citigroup Inc	USD	3.39%	Nov/18/2021	4,044,000	4,115,020	4,042,989
Cominar Real Estate Investment Trust	CAD	4.27%	Jun/15/2017	4,081,000	4,246,844	4,248,950
Cominar Real Estate Investment Trust	CAD	2.35%	Sep/22/2016	1,531,000	1,530,751	1,531,000
Enbridge Income Fund	CAD	2.92%	Dec/14/2017	6,295,000	6,418,253	6,411,923
Enmax Corp (2)	CAD	3.81%	Dec/05/2024	975,000	988,792	975,000
Export-Import Bank of Korea	CAD	2.71%	Dec/05/2019	930,000	941,146	930,000
First National Financial Corp	CAD	5.07%	May/07/2015	7,485,000	7,552,306	7,774,843
Ford Credit Canada Ltd	CAD	2.63%	Nov/21/2016	4,243,000	4,292,840	4,292,339
Ford Credit Canada Ltd	CAD	4.88%	Feb/08/2017	7,683,000	8,121,717	8,177,088
Goldman Sachs Group Inc/The	USD	1.84%	Nov/29/2023	3,543,000	4,224,745	4,000,721
Goldman Sachs Group Inc/The	USD	5.00%	May/03/2018	9,606,000	10,416,013	10,422,369
H&R Real Estate Investment Trust	CAD	5.90%	Feb/03/2017	2,116,000	2,275,034	2,284,081
Heathrow Funding Ltd	CAD	4.00%	Jul/03/2019	2,291,000	2,457,458	2,436,799
Home Trust Co	CAD	2.35%	May/24/2017	2,080,000	2,081,975	2,074,592
Inter Pipeline Ltd (2)	CAD	4.64%	May/30/2044	2,291,000	2,365,465	2,291,000
JPMorgan Chase & Co	USD	2.92%	Sep/19/2017	6,873,000	7,039,801	7,050,988
Kellogg Canada Inc	CAD	2.05%	May/23/2017	2,281,000	2,288,796	2,280,544
Kimco North Trust III	USD	5.99%	Apr/13/2018	1,830,000	2,038,227	2,037,101
Leisureworld Senior Care LP	CAD	3.47%	Feb/03/2021	6,899,000	7,178,856	6,899,000
Lloyds Bank PLC	CAD	5.28%	Apr/19/2016	4,542,000	4,742,538	4,845,042
Loblaw Cos Ltd (2)	CAD	4.86%	Sep/12/2023	1,552,000	1,727,558	1,727,888
Loblaw Cos Ltd	CAD	6.05%	Jun/09/2034	345,000	408,690	351,248
Loblaw Cos Ltd	CAD	6.15%	Jan/29/2035	419,000	501,390	483,333
Loblaw Cos Ltd	CAD	3.75%	Mar/12/2019	4,582,000	4,839,926	4,812,016
Manitoba Telecom Services Inc	CAD	4.59%	Oct/01/2018	3,757,000	4,045,017	4,024,245
Manufacturers Life Insurance Co/The (2)	CAD	4.21%	Nov/18/2021	4,129,000	4,304,109	4,363,469
Morgan Stanley	USD	3.13%	Aug/05/2021	1,990,000	2,002,277	1,983,202
Pembina Pipeline Corp (2)	CAD	4.81%	Mar/25/2044	2,270,000	2,318,570	2,267,889
Penske Truck Leasing Canada Inc	CAD	3.65%	Feb/01/2018	7,455,000	7,719,181	7,687,249
RioCan Real Estate Investment Trust	CAD	2.87%	Mar/05/2018	3,750,000	3,815,358	3,792,202
Rogers Communications Inc	CAD	5.38%	Nov/04/2019	2,634,000	2,971,526	2,972,341
Shaw Communications Inc	CAD	5.70%	Mar/02/2017	684,000	737,872	753,282
Shaw Communications Inc	CAD	6.75%	Nov/09/2039	2,424,000	3,009,071	2,901,227
Shaw Communications Inc (2)	CAD	4.35%	Jan/31/2024	13,476,000	14,328,118	13,659,148
Southern Pacific Resource Corp (2)	CAD	8.75%	Jan/25/2018	1,600,000	128,000	1,405,805
Suncor Energy Inc	CAD	5.80%	May/22/2018	2,270,000	2,543,049	2,576,672
TELUS Corp (2)	CAD	4.85%	Apr/05/2044	4,630,000	4,887,942	4,624,166
TELUS Corp (2)	CAD	3.35%	Apr/01/2024	3,512,000	3,517,579	3,393,259
TELUS Corp (2)	CAD	3.75%	Jan/17/2025	3,617,000	3,709,148	3,608,862
TELUS Corp (2)	CAD	4.40%	Apr/01/2043	8,100,000	7,957,145	7,460,665
TELUS Corp (2)	CAD	4.75%	Jan/17/2045	1,356,000	1,410,339	1,346,386
Thomson Reuters Corp	CAD	4.35%	Sep/30/2020	5,643,000	6,108,913	6,085,894
Thomson Reuters Corp	CAD	3.37%	May/23/2019	1,069,000	1,108,243	1,099,605
Thomson Reuters Corp (2)	CAD	3.31%	Nov/12/2021	934,000	948,444	934,000
Tim Hortons Inc	CAD	4.20%	Jun/01/2017	1,103,000	1,117,283	1,132,891
TransCanada PipeLines Ltd	CAD	9.45%	Mar/20/2018	6,296,000	7,653,361	7,723,429
United States Treasury Note/Bond	USD	2.13%	Jun/30/2021	3,000	3,517	3,219
Ventas Canada Finance Ltd	CAD	3.00%	Sep/30/2019	6,810,000	6,903,231	6,790,455
Ventas Canada Finance Ltd (2)	CAD	4.13%	Sep/30/2024	7,049,000	7,282,420	7,020,945
Videotron Ltd (2)	CAD	5.63%	Jun/15/2025	12,936,200	12,914,640	12,684,773
Videotron Ltd (2)	CAD	6.88%	Jul/15/2021	1,011,000	1,085,759	1,090,616
Westcoast Energy Inc (2)	CAD	3.43%	Sep/12/2024	2,152,000	2,183,946	2,151,096
WestJet Airlines Ltd	CAD	3.29%	Jul/23/2019	3,434,000	3,454,969	3,434,000
WTH Car Rental ULC	CAD	2.62%	Dec/20/2016	1,603,000	1,604,250	1,632,046
WTH Car Rental ULC	CAD	2.54%	Aug/20/2019	1,603,000	1,620,215	1,603,000
Total Fixed Income Long Positions					$ 272,153,300	$ 270,135,952

FIXED INCOME SHORT POSITIONS	-138.6%					
SECURITY NAME		**COUPON RATE**	**MATURITY DATE**	**PAR VALUE**	**FAIR VALUE**	**PROCEEDS**
Canadian Government Bond	CAD	1.75%	Sep/01/2019	(9,885,000)	$ (10,069,108)	$ (9,980,526)
Canadian Government Bond	CAD	3.25%	Jun/01/2021	(100)	(111)	(109)
Canadian Government Bond	CAD	1.50%	Sep/01/2017	(15,067,000)	(15,236,918)	(15,159,834)
Canadian Government Bond	CAD	1.25%	Mar/01/2018	(14,756,000)	(14,809,030)	(14,743,644)
Canadian Government Bond	CAD	4.00%	Jun/01/2017	(865,000)	(926,802)	(928,555)
Canadian Government Bond	CAD	3.50%	Dec/01/2045	(3,198,000)	(4,014,889)	(3,622,509)
Canadian Government Bond	CAD	4.25%	Jun/01/2018	(17,598,000)	(19,424,714)	(19,395,008)
Canadian Government Bond	CAD	4.00%	Jun/01/2041	(12,822,000)	(17,013,859)	(15,006,393)
Canadian Government Bond	CAD	2.50%	Jun/01/2024	(38,343,000)	(40,704,107)	(39,055,685)
Canadian Government Bond	CAD	1.50%	Feb/01/2017	(13,135,000)	(13,266,979)	(13,258,768)
Canadian Government Bond	CAD	1.50%	Jun/01/2023	(1,634,000)	(1,609,516)	(1,592,986)
Canadian Government Bond	CAD	1.25%	Sep/01/2018	(2,371,000)	(2,377,156)	(2,362,007)
Canadian Government Bond	CAD	3.50%	Jun/01/2020	(4,396,000)	(4,880,117)	(4,869,490)
Canadian Government Bond	CAD	1.75%	Mar/01/2019	(9,050,000)	(9,236,093)	(9,135,591)
RBC Capital Trust (2)	CAD	6.82%	Jun/30/2018	(2,283,000)	(2,630,225)	(2,671,563)
TD Capital Trust III (2)	CAD	7.24%	Dec/31/2018	(2,283,000)	(2,695,746)	(2,736,236)
United States Treasury Note	USD	1.63%	Aug/31/2019	(1,000)	(1,160)	(1,098)
United States Treasury Note	USD	2.50%	May/15/2024	(16,000)	(19,092)	(17,654)
United States Treasury Note	USD	3.63%	Feb/15/2044	(1,063,000)	(1,449,092)	(1,231,573)
Total Fixed Income Short Positions					$ (160,364,714)	$ (155,769,229)

(1) These positions are convertible
(2) These positions are callable

EQUITY LONG POSITIONS	9.9%			
SECURITY NAME		**QUANTITY**	**FAIR VALUE**	**AVERAGE COST**
East Coast Credit Opportunities Fund LP	CAD	105,176	$ 11,507,103	$ 10,509,188
Total Equity Long Positions			$ 11,507,103	$ 10,509,188

Schedule 1 - Derivative assets and liabilities

LONG OPTION POSITIONS	0.1%				
SECURITY NAME	**CONTRACTS**	**EXPIRY DATE**	**STRIKE PRICE**	**FAIR VALUE**	**AVERAGE COST**
S&P 500 EMINI @2100 CALL OPT ON FUT 20 FEB 15	44	20-Feb-15	2,100	$ 53,511	$ 75,700
S&P 500 EMINI @2115 CALL OPT ON FUT 20 FEB 15	50	20-Feb-15	2,115	44,159	60,924
Total Long Option Contracts				$ 97,670	$ 136,624

SHORT OPTION POSITIONS	-0.1%				
SECURITY NAME	**CONTRACTS**	**EXPIRY DATE**	**STRIKE PRICE**	**FAIR VALUE**	**PROCEEDS**
S&P 500 EMINI @1995 PUT OPT ON FUT 20 FEB 15	(25)	20-Feb-15	1,995	$ (43,796)	$ (29,737)
S&P 500 EMINI @2000 PUT OPT ON FUT 20 FEB 15	(16)	20-Feb-15	2,000	(28,957)	(23,046)
Total Short Option Contracts				$ (72,753)	$ (52,783)

FUTURES CONTRACTS	-0.1%				
SECURITY NAME	**CONTRACTS**	**EXPIRY DATE**	**NOTIONAL VALUE**	**CONTRACT SIZE**	**UNREALIZED GAIN/(LOSS)**
CANADIAN 90DAY B. A. FUTURES SEP 15	(230)	14-Sep-15	(56,683,500)	2,500	$ (28,750)
IMM CANADIAN DOLLAR FUTURES MAR 15	(30)	17-Mar-15	(2,580,000)	100,000	10,077
S&P 500 INDEX EMINI FUT MAR 15	(44)	20-Mar-15	(4,514,950)	50	(637)
EUREX BUND (LONG-TERM) FUTURES MAR 15	42	6-Mar-15	6,519,240	1,000	38,262
EURO OAT FRENCH GOVT BOND FUT MAR 15	(49)	6-Mar-15	(7,100,100)	1,000	(159,519)
Total Futures Contracts					$ (140,567)

SWAP POSITIONS	-0.7%	
SECURITY NAME	**NOTIONAL VALUE**	**FAIR VALUE**
EC-IRS CAD 1.7575% Receive Floating/Pays Fix 6-Jun-2018	8,476,000	$ (44,185)
EC-IRS CAD 1.95% Receive Floating/Pays Fix 6-Jun-2019	17,421,000	(181,206)
IRS CAD 1.7775% Receive Floating/Pays Fix 08-Mar-2018	9,488,000	(72,126)
IRS CAD 2.025% Receive Floating/Pays Fix 02-Aug-2018	3,672,000	(61,900)
IRS CAD 2.325% Receive Floating/Pays Fix 25-Nov-2020	8,912,000	(237,322)
IRS CAD 2.125% Receive Floating/Pays Fix 02-Aug-2018	591,000	(12,259)
New York Times SP 1% 5Y 20-Mar-2020 JPM	3,888,000	(145,632)
Total Swap Positions		$ (754,630)

FOREIGN CURRENCY CONTRACTS	0.1%							
CURRENCY PURCHASED	**NOTIONAL VALUE**	**CURRENCY SOLD**	**NOTIONAL VALUE**	**CONTRACT RATE**	**MATURITY DATE**	**FAIR VALUE**	**COUNTER PARTY**	**CREDIT RATING**
US Dollar	5,150,000	Canadian Dollar	(5,891,497)	0.8741	1/7/2015	$ 74,388	TD Securities	Aa1
Total Forward Currency Contracts						$ 74,388		

INVESTMENT PORTFOLIO SUMMARY		FAIR VALUE	AVERAGE COST
Equity Long Positions	9.9%	$ 11,507,103	$ 10,509,188
Fixed Income Long Positions	235.2%	272,153,300	270,135,952
Fixed Income Short Positions	-138.6%	(160,364,714)	(155,769,229)
Option Long Positions	0.1%	97,670	136,624
Option Short Positions	-0.1%	(72,753)	(52,783)
Futrues Contracts	-0.1%	(140,567)	-
Swaps Positions	-0.7%	(754,630)	-
Foreign Currency Contracts	0.1%	74,388	-
Total Investments	105.9%	122,499,797	124,959,752
Total Other Net Assets	-5.9%	(6,797,237)	
Total Net Assets	100.0%	$ **115,702,560**	

1. GENERAL INFORMATION

East Coast Investment Grade II Fund (formerly Arrow East Coast Fund) [the "Fund"] is an open-ended investment trust established under the laws of Ontario and is governed by the Declaration of Trust dated November 12, 2010, as amended from time to time. The Fund commenced operations on January 1, 2011.

The investment objective of the Fund is to achieve attractive risk-adjusted returns while preserving the Fund's capital by investing in a diversified investment portfolio consisting primarily of investment-grade fixed income securities issued by Canadian or non-Canadian governments, corporations and international agencies. The Fund may also engage in equity, commodity, foreign exchange and derivative trading and may invest some of its assets in non-investment grade income securities.

The Manager of the Fund is Arrow Capital Management Inc. (the "Manager"). East Coast Fund Management Inc. is the Investment Advisor of the Fund (the "Investment Advisor").

On April 3, 2013, the Fund changed its name to East Coast Investment Grade II Fund. Classes A and U were renamed to Class A-S and Class U-S, respectively. In addition, the following new classes were offered: Class A and Class F at an initial offering price of $9.40 and Class G (USD) and Class U (USD) at an initial offering price of US$9.40.

The address of the Fund's registered office is 36 Toronto Street, Suite 750, Toronto, Ontario.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation and Adoption of IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB). The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the Chartered Professional Accountant (CPA) Canada Handbook ("Canadian GAAP"). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

Note 12 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

These financial statements were authorized for issue by the Manager on March 31, 2015.

b) Financial Instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit and loss ("FVTPL"). Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's long investment positions are designated at "FVTPL". The Fund's short investment positions and derivatives are classified as held for trading ("HFT") and are measured at FVTPL. The

Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate.

Due to their short term nature, the carrying values of other assets and liabilities and net assets attributable to holders of redeemable units approximate their fair values. The Fund's accounting policies for measuring the fair value of its investments and derivatives are the same to those used in measuring its net asset value ("NAV") for transactions with unitholders. There were no differences between the net asset value attributable to holders of redeemable units used for reporting purposes under IFRS and that used for transactions with unitholders at December 31, 2014 or 2013 and January 1, 2013.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined on an average cost basis. Realized gains and losses on securities sold short and unrealized appreciation or depreciation on securities sold short are calculated with reference to the average proceeds of the related securities. Average cost does not include amortization of premiums or discounts on fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the fund accounted for on an accrual basis.

Dividend income and expense is recognized in the statement of comprehensive income on the ex-dividend date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

c) Financial Instruments - Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for securities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The fair value of bonds is determined using mid-market pricing derived from bid and ask prices provided by independent security pricing services or recognized investment dealers. Gains and losses arising from changes in the fair value of financial assets or liabilities are presented in the statement of comprehensive income. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm’s length transactions, reference to other instruments that are substantially the same and other commonly used methods by market participants which make the maximum use of observable inputs.

d) Investment in Underlying Fund

The Fund's investment in the Class M units of East Coast Credit Opportunities Fund LP (the “Underlying Fund”) is subject to the terms and conditions of the Underlying Fund's LP agreement and offering documents. The investment in the Underlying Fund is valued based on the latest available redemption price as determined by the Underlying Fund's administrator. The Fund reviews the details of the reported information and considers the liquidity of the Underlying Fund and its underlying investments, the value date of the net asset value provided, any restrictions on redemptions and the basis of accounting to determine whether any adjustment to the net asset value is necessary in determining fair value. Gains and losses arising from changes in fair value of the Underlying Fund are presented in the statement of comprehensive income.

e) Impairment of Financial Assets

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of future cash flows discounted using the assets original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

f) Foreign Currency Translation

The Fund's functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as 'Foreign exchange gain (loss)' and those relating to other financial assets and liabilities are presented within 'Net realized gain (loss) on investments and derivatives' and 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income.

g) Cash

Cash is comprised of deposits with financial institutions.

h) Margin Deposit on Futures Contracts

Cash collateral provided by the Fund to brokers for counterparties to futures transactions is identified in the statement of financial position as 'Margin deposit on futures contracts'.

i) Cash Collateral on Swap Contracts

Cash collateral provided by the Fund to brokers for counterparties to swap transactions is identified in the statement of financial position as 'Cash collateral on swap contracts'.

j) Collateral

For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral and such party has identified the securities which are pledged as collateral, the Fund classifies that asset in the statement of financial position as 'pledged collateral'.

k) Margin loan

Margin loan represents cash amounts borrowed under a margin agreement with the Fund's prime broker. The Fund has granted a first priority security interest over investments and other assets held at the prime broker in support of its obligations under its margin lending agreement. Amounts owing are payable on demand.

l) Forward Currency Contracts

The Fund may enter into forward currency contracts for purposes of minimizing currency exposure or to establish an exposure to a particular currency. The value of forward currency contracts entered into by the Fund is recorded as the difference between the contract rate and the current forward rates at the measurement date, applied to the contract's notional amount and adjusted for counterparty risk. The change in the fair value of forward currency contracts is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. Upon closing of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the statement of comprehensive income.

m) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. When the Fund purchases an option, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. Options held by the Fund are exchange-traded. Subsequent to initial recognition, changes in fair value, the difference between the premium paid or received, and fair value, are presented in 'Change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a gain or loss and is presented in the statement of comprehensive income within 'Net realized gain (loss) on investments and derivatives'.

n) Futures Contracts

The Fund may purchase or sell futures contracts. Futures contracts are contractual obligations to buy or sell financial instruments or commodities on a future date at a specified price established in an organized market. Subsequent to initial recognition, changes in fair value are presented in 'Change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. When futures contracts are closed out, the gain or loss is presented in the statement of comprehensive income within 'Net realized gain (loss) on investments and derivatives'.

o) Credit Default Swap Contracts

A credit default swap contract is an agreement to transfer credit risk from one party, a buyer of protection, to another party, a seller of protection. The Fund as a seller of protection would be required to pay a notional or other agreed upon value to the buyer of protection in the event of a default by a third party. In return, the Fund would receive from the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs. If no default occurs, the Fund would keep the stream of payments and would have no payment obligations.

The Fund as a buyer of protection would receive a notional or other agreed upon value from the seller of protection in the event of a default by a third party. In return, the Fund would be required to pay to the counterparty a periodic stream of payments over the term of the contract provided that no event of default occurs.

Premiums received or paid for entering into a credit default swap are included in the statement of financial position as either an asset or liability. Credit default swap contracts are fair valued on each valuation day based upon quotations from independent security pricing sources. The change in the difference between the premium and the fair value is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. Upon closing or expiry of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the statement of comprehensive income.

p) Interest Rate Swap Contracts

An interest swap contract is a contractual agreement entered into between the Fund and a counterparty under which each party agrees to exchange periodic fixed or variable payments, based upon a stated notional amount, over the stated life of the agreement. The net differential paid or received is recognized over the life of the agreement as a realized gain or loss on investments. Interest rate swap contracts are fair valued on each valuation day using indicative bid/ask prices from third party broker dealers. The change in fair value is included in 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income. Upon closing or expiry of a contract, the gain or loss is included in 'Net realized gain (loss) on investments and derivatives' in the statement of comprehensive income.

q) Commissions and Other Portfolio Transaction Costs

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers. Such costs are expensed when incurred.

r) Income and Expense Allocation

The net assets of each class are computed by calculating the value of that class' proportionate share of the Fund's assets less that class' proportionate share of the Fund's common liabilities less class specific liabilities, if any. Expenses directly attributable to a class are charged to that class. Other income, expenses and gains/losses are allocated based on a reasonable allocation methodology which will include allocations based upon the assets of the Fund or the number of unitholders in the Fund or other methodology the Manager determines is fair.

Class U, Class U-S and Class G units are issued in US dollars. The Fund utilizes notional forward exchange contracts and cash to hedge the currency exposure for these classes. Any resulting gains or losses have been included in the increase (decrease) in net assets attributable to holders of redeemable units of those specific classes.

s) Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to the class divided by the weighted average number of units outstanding in that class during the year. Refer to Note 11 for the calculation.

t) Classification of Redeemable Units

The Funds' redeemable units contain multiple contractual obligations and multiple series of units have been issued which do not have identical features. Consequently, the units do not meet the conditions in IAS 32 to be classified as equity. As a result, the Funds' obligations for net assets attributable to holders of redeemable shares are presented at the redemption amounts.

u) Investments in Structured Entities

The Fund invests in underlying funds that are managed by their respective Investment Advisors and whose investment objectives may range from achieving short-term to long-term income and capital growth. Underlying funds may use leverage in a manner consistent with their respective objectives and as permitted by their respective governing regulatory authorities. Underlying funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportionate stake in the respective fund's net assets. The Fund's interest in underlying funds as at December 31, 2014 and 2013, and January 1, 2013, held the form of redeemable units, which are included at their fair value in the Statements of Financial Position which represents the Fund's maximum exposure in these underlying funds. The Fund does not provide, and has not committed to provide, any additional significant financial or other support to the underlying funds. The change in fair value of each of the underlying funds during the periods is included in 'Change in unrealized appreciation (depreciation) of value of investments and derivatives' in the Statements of Comprehensive Income in 'Net gains (losses) on investments and derivatives'.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Use of Estimates

Fair Value measurement of derivatives and securities not quoted in an active market

The Fund holds financial instruments that are not quoted in active markets, including derivatives. Fair value of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

As at December 31, 2014, the investment in the Underlying Fund represented 9.9% of financial assets at fair value through profit or loss [December 31, 2013 - 9.6%, January 1, 2013 - Nil]. The fair value of the Underlying Fund is determined primarily by reference to the latest available redemption price of the Underlying Fund's units as reported by the administrator of the Underlying Fund. The Fund may make adjustments to the value based on considerations such as; liquidity of the Underlying Fund or its underlying investments, the value date of the net asset value provided, any restrictions on redemptions and the basis of accounting. Redemption can only be made on the redemption dates and subject to the required notice periods specified in the offering documents. As a result, the carrying value of the Underlying Fund may not be indicative of the value ultimately realized on redemption. Class M unitholders of the Underlying Fund have the right, upon at least 90 calendar days' prior written notice to redeem any or all of their Class M units effective the last business day of each month.

Refer to Note 5 for further information about the fair value measurement of the Fund's financial instruments.

Use of Judgments

Classification and Measurement of Investments and Application of the Fair Value Option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, *Financial Instruments - Recognition and Measurement* (IAS 39). The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

Determination if Underlying Funds Meet the Structured Entity Definition

The Fund has concluded that its investments in the Underlying Funds are investments in unconsolidated structured entities. This represents a significant judgment by the Fund that is based generally on the fact that the decision making about the Underlying Funds investing activities is not governed by voting rights held by the Fund and other investors.

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Fund's activities expose it to a variety of risks associated with financial instruments: credit risk, liquidity risk and market risk (including price risk, currency risk, and interest rate risk).

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments present a risk of loss of capital. The maximum loss of capital on long equity, options, interest rate swaps, credit default swaps and debt securities is limited to the fair value of those positions. The maximum loss on equities, options and debt sold short can be unlimited and the maximum loss on futures contracts is the notional contract value of those positions.

The management of these risks is carried out by the Manager and Investment Advisor in accordance with the Declaration of Trust.

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn can also increase the potential returns the Fund can achieve. The Investment Advisor uses leverage against assets with satisfactory liquidity characteristics in order to increase return on capital subject to market conditions.

Credit Risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The majority of the credit risk to which the Fund is exposed arises from its investments in debt securities.

The Fund's policy to manage this risk is by investing primarily in investment-grade fixed income securities issued by Canadian or non-Canadian governments, corporations and international agencies. In addition, the Fund may use credit default swaps and other derivatives to manage credit exposure.

The analysis below summarizes the credit quality of the Fund's debt portfolio at December 31, 2014, December 31, 2013 and January 1, 2013.

	Percentage of total debt securities		
Credit Rating*	As at December 31, 2014	As at December 31, 2013	As at January 1, 2013
	%	%	%
AAA	2.6	2.2	0.9
AA	0.3	-	-
A	12.9	18.1	9.7
BBB	74.8	70.5	82.3
Below BBB(O)	7.6	9.0	5.8
Unrated (U)	1.8	0.2	1.3
Total	100.0	100.0	100.0

* Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Service.

The Fund has provided the broker with a general lien over assets held in return for services including borrowed securities and derivatives trading. The terms and conditions associated with collateral have no significant unusual requirements from the usual practice of recourse when a default occurs. Therefore, the Fund is also exposed to credit risk of the broker.

The Fund is exposed to counterparty credit risk on cash, cash collateral, margin deposit, receivable for securities sold, swaps, futures contracts and other receivable balances. The Fund's brokerage agreements require cash collateral in return for services including borrowed securities and derivatives trading. The counterparties to the Fund's swaps are Bank of America, JP Morgan Chase & Co. and Credit Suisse which have credit rating as rated by Moody's bond rating services of Baa2, A3 and A2 respectively (December 31, 2013 and January 1, 2013 – JP Morgan Chase & Co. Aa3). The counterparty to the Fund's futures contracts is JP Morgan Chase & Co. which has a credit rating of A3 (December 31, 2013 and January 1, 2013 – JP Morgan Chase & Co. Aa3) as rated by Moody's bond rating services. The Fund's broker and custodian services are provided by TD Securities which has a credit rating as rated by Moody's bond rating services of Aa1 (December 31, 2013 – Aa1)(January, 1, 2013 – Aaa).

The Fund is also exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (December 31, 2013: Aaa, January 1, 2013: Aaa).

There are also risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund. Therefore, the Fund should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The credit risk related to the associated receivables is considered limited, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing the Fund's rights to its assets in the case of an insolvency of any such party.

The Fund has invested in the Underlying Fund and has indirect exposure to credit risk as a result of the Underlying Fund's investment in debt instruments and derivatives.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to monthly cash redemptions which are payable within three business days after the redemption date and as such, retains sufficient cash to fund anticipated redemptions. In addition, the Fund has a bias towards liquid investment grade corporate bonds and generally invests in securities where there is an observable market price that is quoted by multiple dealers.

The Fund aims to retain sufficient cash to maintain adequate liquidity including coverage of obligations related to short sales and all current liabilities (liabilities are typically due within three months).

Market Risk

The Fund's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

(a) Currency Risk

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than the Canadian dollar, primarily US dollars (USD). Consequently, the Fund is exposed to currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The table below indicates the Fund's exposure to USD as at December 31, 2014, December 31, 2013 and January 1, 2013, in Canadian dollar terms, and the notional amounts of foreign currency contracts. The table below also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to USD, with all other variables held constant. Non-monetary are comprised of long and short equities. Monetary include cash, long and short derivatives and fixed income securities, and other current receivables and payables.

December 31, 2014	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	$13,397,039	-	$13,397,039	$1,339,704	-	$1,339,704
United States Dollar – Short	(11,165,873)	-	(11,165,873)	(1,116,587)	-	(1,116,587)
European Currency – Long	38,262	-	38,262	3,826	-	3,826
European Currency – Short	(159,519)	-	(159,519)	(15,952)	-	(15,952)
Total	$2,109,909	-	$2,109,909	$210,991	-	$210,991
Redeemable units issued in USD			(4,363,727)		-	(436,373)
Net exposure to foreign currencies			**($2,253,818)**			**($225,382)**
% of net assets attributable to holders of redeemable units	1.8%	0.0%	1.8%	0.2%	0.0%	0.2%
% of net assets attributable to units issued in USD			(3.8%)			(0.4%)
% of net assets exposed to foreign currencies			**(1.9%)**			**(0.2%)**

December 31, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
United States Dollar - Long	$7,906,962	-	$7,906,962	$790,696	-	$790,696
United States Dollar - Short	(2,976,345)	-	(2,976,345)	(297,635)	-	(297,635)
Total	$4,930,617	-	4,930,617	$493,061	-	493,061
Redeemable units issued in USD			(6,466,922)			(646,692)
Net exposure to foreign currencies			**($1,536,305)**			**($153,631)**
% of net assets attributable to holders of redeemable units	3.6%	0.0%	3.6%	0.4%	0.0%	0.4%
% of net assets attributable to units issued in USD			(4.7%)			(0.5%)
% of net assets exposed to foreign currencies			**(1.1%)**			**(0.1%)**

January 1, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
United States Dollar - Long	$7,735,294	-	$7,735,294	$773,529	-	$773,529
United States Dollar - Short	(3,008,944)	-	(3,008,944)	(300,894)	-	(300,894)
Total	$4,726,350	-	4,726,350	$472,635	-	472,635
Redeemable units issued in USD			(6,618,488)			(661,849)
Net exposure to foreign currencies			**($1,892,138)**			**($189,214)**
% of net assets attributable to holders of redeemable units	4.4%	0.0%	4.4%	0.4%	0.0%	0.4%
% of net assets attributable to units issued in USD			(6.2%)			(0.6%)
% of net assets exposed to foreign currencies			**(1.8%)**			**(0.2%)**

The Fund has invested in the Underlying Fund and has indirect exposure to currency risk as a result of the Underlying Fund's investment in financial instruments which are denominated in other currencies.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund holds securities with fixed interest rates that expose the Fund to fair value interest rate risk. The Investment Advisor manages this risk by short selling primarily government bonds to reduce the interest rate risk inherent in the Fund's corporate investment grade debt positions.

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2014, December 31, 2013 and January 1, 2013. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable units if the prevailing levels of market interest rates changed by 1.0%, assuming a parallel shift in the yield curve with all other variables held constant.

Long Position	Total Exposure		
Term to Maturity	December 31, 2014	December 31, 2013	January 1, 2013
Less than 1 year	$7,552,306	$27,297,717	$8,160,029
1-3 years	52,841,563	49,657,150	75,832,203
3-5 years	104,184,076	37,909,404	45,721,722
Greater than 5 years	107,575,355	143,536,831	96,959,506
Total	$272,153,300	$258,401,102	$226,673,460
Sensitivity:			
Total $ sensitivity	+/-$13,924,124	+/- $11,030,864	+/- $10,074,533
Total % sensitivity	12.0%	8.1%	9.4%

Short Position	Total Exposure		
Term to Maturity	December 31, 2014	December 31, 2013	January 1, 2013
Less than 1 year	-	-	-
1-3 years	($29,430,699)	($3,204,763)	($317,985)
3-5 years	(58,547,486)	(24,824,245)	(56,217,854)
Greater than 5 years	(72,386,530)	(104,268,057)	(65,019,928)
Total	($160,364,715)	($132,297,065)	($121,555,767)
Sensitivity:			
Total $ sensitivity	+/-$11,027,619	+/- $7,375,425	+/- $7,052,996
Total % sensitivity	9.5%	5.4%	6.6%

The Fund has invested in the Underlying Fund and may be exposed to indirect interest rate risk in the event the Underlying Fund invested in interest bearing financial instruments.

(c) Price Risk

The Fund is exposed to price risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Fund's investments are subject to the risk of changes in the prices of bonds, funds and derivatives.

The Fund's policy is to manage price risk through pursuit of a diversified investment program that focuses on investment-grade fixed income securities while utilizing other assets such as options and credit default swaps, to extract relative value and to manage credit exposure.

As at December 31, 2014, if the Fund's relevant benchmark index, FTSE TMX Canada All Corporate Bond Index (formerly DEX Universe All Corporate Bond Index (PC-Bond)), had increased or decreased by 10%, with all other variables constant, the net assets attributable to holders of redeemable units of the Fund would have increased or decreased by approximately $2,314,051 [December 31, 2013 -$1,362,174; January 1, 2013 - $2,132,358] representing 2% of net assets attributable to holders of redeemable units [December 31, 2013 - 1%; January 1, 2013 - 2%].

The Fund engages in short selling activities, wherein it borrows securities and sells them to third parties. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold, not yet purchased, at prices which may be significantly higher than the fair value reflected on the financial statements.

Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

The following is a summary of the Fund's concentration risk as a percentage of net assets:

	December 31, 2014			December 31, 2013			January 1, 2013		
Market Segment	Equities Long	Fixed Income Long	Fixed Income Short	Equities Long	Fixed Income Long	Fixed Income Short	Equities Long	Fixed Income Long	Fixed Income Short
	%	%	%	%	%	%	%	%	%
Basic Materials	-	1.0	-	-	2.3	-	-	7.5	-
Communications	-	74.1	-	-	73.7	-	-	54.2	-
Consumer	-	16.1	-	-	3.0	-	-	-	-
Consumer, Non-Cyclical	-	21.3	-	-	14.7	-	-	5.0	-
Diversified	-	2.1	-	-	-	-	-	1.4	-
Energy	-	22.2	-	-	3.5	-	-	18.3	-
Financial	-	82.0	(4.6)	-	76.1	-	-	100.7	-
Funds	10.0	-	-	9.6	-	-	-	-	-
Government	-	4.1	(134.0)	-	4.2	(97.1)	-	0.2	(114.0)
Industrial	-	2.1	-	-	-	-	-	4.4	-
Utilities	-	10.2	-	-	12.1	-	-	20.8	-

Capital Risk Management

Units issued and outstanding are considered to be the capital of the Fund. The Fund does not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit of the Fund for all or any of the units of such unitholder by giving written notice to the Manager. The written notice is irrevocable and must be received no later than 4:00 p.m., EST, on the date that is at least ten business days prior to the date upon which the units are to be redeemed (a "Redemption Date"). A Redemption Date is the last valuation date of a calendar month. The units are redeemable for cash equal to a pro rata share of the Fund's nets asset value.

5. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date,

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2014, December 31, 2013 and January 1, 2013:

As at December 31, 2014	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Funds	-	11,507,103	-	11,507,103
Fixed income long	-	272,153,300	-	272,153,300
Derivatives	146,009	74,388	-	220,397
Total	146,009	283,734,791	-	283,880,800
Liabilities				
Fixed income short	-	(160,364,714)	-	(160,364,714)
Derivatives	(261,659)	(754,630)	-	(1,016,289)
Total	(261,659)	(161,119,344)	-	(161,381,003)

As at December 31, 2013	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Funds	115,128	13,114,604	-	13,229,732
Fixed income long	-	259,003,615	-	259,003,615
Derivatives	112,200	-	-	112,200
Total	227,328	272,118,219	-	272,345,547
Liabilities				
Fixed income short	-	(132,264,217)	-	(132,264,217)
Derivatives	(54,453)	(542,127)	-	(596,580)
Total	(54,453)	(132,806,344)	-	(132,860,797)

As at January 1, 2013	Level 1	Level 2	Level 3	Total
	$	$	$	$
Assets				
Fixed income long	-	227,267,500	-	227,267,500
Derivatives	68,771	105,866	-	174,637
Total	68,771	227,373,366	-	227,442,137
Liabilities				
Fixed income short	-	(121,532,712)	-	(121,532,712)
Derivatives	(97,430)	(100,060)	-	(197,490)
Total	(97,430)	(121,632,772)	-	(121,730,202)

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

As at December 31, 2014, December 31, 2013 and January 1, 2013, the Fund did not hold any level 3 financial instruments. There were no transfers between levels during the years ending December 31, 2014 or December 31, 2013.

a) Bonds

The Fund's bond portfolio is comprised primarily of investment-grade Canadian bonds and also includes government bonds. Bond pricing is obtained from bid and ask prices provided by independent security pricing services or recognized investment dealers. Bond prices may be derived by using models which include inputs such as interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Fund's bonds have been classified as Level 2.

b) Funds

Investments in funds are classified as Level 1 when the security is actively traded and a reliable price is observable. When the Fund's fund investments are not traded on public exchanges, observable prices are not available. In such cases, fair value is determined using the fund prices as reported by the respective fund's administrator, which have been determined using observable market data, and the fair value of the fund investment is classified as Level 2. If the determination of fair value requires significant unobservable data, the measurement is classified as Level 3.

c) Derivative assets and liabilities

Derivative assets and liabilities consist of futures contracts, options, interest rate swaps and credit default swaps. Futures contracts and options are exchange traded and are classified as Level 1 as they are actively traded and a reliable price is observable. Interest rate swaps are valued using indicative bid/ask prices from third party broker dealers while credit default swaps are valued based upon quotations from independent security pricing sources. The inputs that are significant to valuation are generally observable and therefore both interest rate swaps and credit default swaps have been classified as Level 2.

Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2014 and 2013.

December 31, 2014

	Net realized gains /(losses)	Net unrealized gains /losses)	Interest income	Interest expense	Total
	$	$	$	$	$
Financial assets at FVTPL:					
Designated as FVTPL	1,470,425	6,730,428	10,325,012	-	18,525,865
HFT	380,458	(246,075)	354,338	-	488,721
	1,850,883	6,484,353	10,679,350	-	19,014,586
Financial liabilities at FVTPL:					
HFT	(4,383,146)	(7,673,131)	-	(2,928,965)	(14,985,242)
Total:	(2,532,263)	(1,188,778)	10,679,350	(2,928,965)	4,029,344

December 31, 2013

	Net realized gains /(losses)	Net unrealized gains /(losses)	Interest income	Interest expense	Total
	$	$	$	$	$
Financial assets at FVTPL:					
Designated as FVTPL	(619,595)	(4,662,763)	11,264,757	-	5,982,399
HFT	456,927	(424,204)	192,361	-	225,084
	(162,668)	(5,086,967)	11,457,118	-	6,207,483
Financial liabilities at FVTPL:					
HFT	2,726,509	2,609,202	-	(2,752,476)	2,583,235
Total:	2,563,841	(2,477,765)	11,457,118	(2,752,476)	8,790,718

6. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the Fund enters into various master netting arrangements or other similar agreements that meet the criteria for offsetting in the Statement of Financial Position. The following tables show financial instruments that are eligible for offset as at December 31, 2014, December 31, 2013, and January 1, 2013.

December 31, 2014

Financial assets						
				Related amounts not set-off in the statement of financial position		
	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Counterparty 1	$283,734,791	-	$283,734,791	-	-	$283,734,791

Financial						
Counterparty 1				-		-

December 31, 2013

Financial assets						
				Related amounts not set-off in the statement of financial position		
	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Counterparty 1	$272,233,347	-	$272,233,347	($39,984)	-	$272,193,363

Financial						
Counterparty 1	($39,984)	-	($39,984)	$39,984	-	-

January 1, 2013

Financial assets				Related amounts not set-off in the statement of financial position		
	Gross amounts	Financial instruments eligible for offset	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral	Net amount
Counterparty 1	$227,283,208	-	$227,283,208	-	-	$227,283,208

Financial						
Counterparty 1	-	-	-	-	-	-

7. INVESTMENT IN UNDERLYING FUNDS

Information related to investments in Underlying Funds are as follows:

December 31, 2014

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
East Coast Credit Opportunities Fund LP	11,507,103	10.0	42.0

December 31, 2013

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
East Coast Credit Opportunities Fund LP	13,114,604	9.6	47.9
East Coast Investment Grade Income Fund	114,804	0.1	0.1

8. REDEEMABLE UNITS

Units issued and outstanding represent the capital of the Fund. The Fund is an open-ended trust and its units are sold and redeemed at the current net asset value per unit at the option of the unitholders. If applicable, the unitholders are entitled to distributions when declared. Distributions are reinvested in additional units of the Fund or paid in cash. The characterization of the distributions is based on Management's estimate of the actual income for the year.

Units offered for sale by the Fund are as follows:

Class A and U units	Designed primarily for investors who are advised by a Registered Dealer. Class U units are issued in U.S. Dollars
Class F and G units	Designed primarily for purchase by investors who participate in fee-based programs through their Registered Dealer. Class G units are issued in U.S. Dollars
Class A-S, O and U-S units	Designed primarily for eligible institutional investors. Class U-S units are issued in U.S. Dollars

During the years ended December 31, 2014 and 2013 the number of units issued, redeemed and outstanding was as follows:

For the year ended December 31, 2014

Units	Redeemable units outstanding at January 1, 2014	Redeemable units issued	Redeemable units issued on reinvestments	Redeemable units redeemed	Redeemable units issued and outstanding December 31, 2014
Class A	958,799	313,749	39,781	(299,419)	1,012,910
Class F	1,163,343	686,720	25,632	(896,559)	979,136
Class G	34,555	68,465	2,475	(8,692)	96,803
Class A-S	7,449,616	75,895	-	(1,705,697)	5,819,814
Class O	2,625,234	288,131	-	(256,625)	2,656,740
Class U-S	510,456	24,308	-	(284,072)	250,692
Class U	16,137	2,599	827	-	19,563

For the year ended December 31, 2013

Units	Redeemable units outstanding at January 1, 2013	Redeemable units issued	Redeemable units issued on reinvestments	Redeemable units redeemed	Redeemable units issued and outstanding December 31, 2013
Class A	-	988,028	18,446	(47,675)	958,799
Class F	-	1,179,490	9,694	(25,841)	1,163,343
Class G	-	33,802	753	-	34,555
Class A-S	6,844,447	2,091,883	-	(1,486,714)	7,449,616
Class O	2,742,596	-	-	(117,362)	2,625,234
Class U-S	625,936	93,005	-	(208,485)	510,456
Class U	-	15,957	180	-	16,137

9. RELATED PARTY TRANSACTIONS

The Manager is responsible for making decisions relating to the investment of the Fund’s assets and providing key management personnel.

a) Management and Performance Fees

Management fees are paid by the Fund to the Manager as compensation for investment management and advisory services as follows:

	Class A Units Class U Units	Class G Units Class F Units	Class A-S Units Class U-S Units	Class O Units
Management fee per annum	1.75%	1.00%	1.00%	0.00%

Management fees are calculated and paid as of the last Valuation Date of each month.

The Manager is entitled to receive from the Fund an annual Performance Fee equal to 15% of the increase in the Net Asset Value of each class (after adjusting for capital transactions and before accruing performance fees for the year) of the Fund, subject to a high water mark.

The Performance Fee will be accrued on every Valuation Date and payable on the last Valuation Date of each calendar year, except where Units are redeemed in which case the Performance Fee will be payable on a pro rata basis in respect of the redeemed Units on the redemption date.

The Fund is responsible for all operating expenses incurred by or on behalf of the Fund.

As at December 31, 2014, amounts owing to the Manager relating to management fees, performance fees and administration fees included in other liabilities were $232,347 [December 31, 2013 - $144,724; January 1, 2013 – $810,889].

b) Related Party Unit Holdings

Unitholders who represent management of the fund held the following units:

Class	December 31, 2014	December 31, 2013
Class A	6,878	10,099
Class F	10,792	8,247

c) Brokerage Commissions

Total commissions paid to dealers for the year ended December 31, 2014 in connection with portfolio transactions were $97 [December 31, 2013 - $74].

10. TAXATION

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) ("Tax Act"). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any taxation year are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses would not be reflected in the statement of financial position as a deferred income tax asset. As at December 31, 2014, the Fund had $663,034 of unused allowable capital losses which have no expiry.

11. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2014 and 2013 is calculated as follows:

December 31, 2014

	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
	$		$
Class A	(66,573)	1,044,438	(0.06)
Class F	(9,132)	1,415,375	(0.01)
Class G	50,308	55,884	0.90
Class A-S	506,923	6,973,116	0.07
Class O	398,210	2,627,481	0.15
Class U-S	465,278	421,702	1.11
Class U	12,484	18,242	0.68

December 31, 2013

	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
	$		$
Class A	141,735	714,481	0.20
Class F	211,289	923,357	0.23
Class G	16,985	24,831	0.68
Class A-S	3,436,838	7,668,430	0.45
Class O	1,475,571	2,689,598	0.55
Class U-S	661,646	586,862	1.13
Class U	6,958	16,053	0.43

12. TRANSITION TO IFRS

The effect of the Fund's transition to IFRS is summarized in this note as follows:

Transition Elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, *Investment Companies*.

Revaluation of Investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, *Financial Instruments - Recognition and Measurement,* which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, *Fair Value Measurement* (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread.

Reconciliation of Equity and Comprehensive Income as Previously Reported Under Canadian GAAP to IFRS

Equity	December 31, 2013	January 1, 2013
Equity as reported under Canadian GAAP	$136,217,396	$106,617,891
Revaluation of investments at FVTPL	635,685	617,095
Net assets attributable to holders of redeemable units	$136,853,081	$107,234,986

Comprehensive income	For the year ended December 31, 2013
Comprehensive income as reported under Canadian GAAP	$5,932,432
Revaluation of investments at FVTPL	18,590
Increase (decrease) in net assets attributable to holders of redeemable units	$5,951,022

Classification of redeemable units issued by the Fund

The Funds' redeemable units contain multiple contractual obligations and multiple series of units have been issued which do not have identical features. Consequently, the units do not meet the conditions in IAS 32 to be classified as equity. As a result, the Funds' obligations for net assets attributable to holders of redeemable shares are presented at the redemption amounts.

13. REGULATORY EXEMPTION

The Fund is relying on Section 2.11 of National Instrument 81-106 which provides an exemption from filing its interim and annual financial statements with the Ontario Securities Commission.

The Fund is exempt from the inclusion in the Schedule of Investment Portfolio of the name of the issuers of the securities sold short except for the short positions that exceed 5% of the Fund's net assets.

14. FUTURE ACCOUNTING CHANGES - IFRS 9, FINANCIAL INSTRUMENTS

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2015

The accompanying financial statements have been prepared by Arrow Capital Management Inc., the Manager of East Coast Investment Grade II Fund (the "Fund") [formerly Arrow East Coast Fund], and approved by the Board of Directors of the Manager. The Fund's manager is responsible for the information and representations contained in these financial statements.

Arrow Capital Management Inc. maintains appropriate processes to ensure that reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards 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.

PricewaterhouseCoopers LLP is the external auditor of the Fund, appointed by the unitholders. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out on the following page.

"James L. McGovern"

JAMES L. MCGOVERN
Managing Director & CEO
ARROW CAPITAL MANAGEMENT INC.

"Robert W. Maxwell"

ROBERT W. MAXWELL
Managing Director & CFO
ARROW CAPITAL MANAGEMENT INC.

Independent Auditor's Report

To the Unitholders
East Coast Investment Grade II Fund, formerly Arrow East Coast Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2014 and December 31, 2013, 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 these financial statements in accordance with International Financial Reporting Standards, 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 these 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 the 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, 2014, December 31, 2013 and January 1, 2013 and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 31, 2015

A N N U A L R E P O R T

Arrow Capital Management Inc.

AUDITED FINANCIAL STATEMENTS DECEMBER 2014

CURVATURE MARKET NEUTRAL FUND

CURVATURE MARKET NEUTRAL FUND

Statements of Financial Position

	Note	As at December 31, 2014	As at December 31, 2013	As at January 1, 2013
Assets				
Current assets				
Financial assets designated at fair value through profit and loss		$ 119,950,277	$ 85,819,666	$ 34,561,274
Financial assets held for trading				
Warrants at fair value		1,579,574	980,263	415,897
Cash		835,520	1,223,707	3,997,964
Margin deposit		164,444,792	105,623,338	27,883,435
Accrued interest and dividends receivable		632,285	417,706	175,233
Prepaid expenses		-	-	27,693
Receivable for securities sold		13,225,382	3,642,854	2,694,908
Receivable for units issued		9,652,689	1,261,320	1,650,681
		310,320,519	198,968,854	71,407,085
Liabilities				
Current liabilities				
Financial liabilities held for trading				
Investments sold short		111,925,199	61,076,699	12,710,675
Options at fair value		-	-	51,637
Warrants at fair value		1,275	-	-
Margin loan		957,522	3,900,617	1,816,277
Payable for securities purchased		6,652,777	4,292,664	2,643,983
Payable for units redeemed		1,277,495	534,638	574,414
Accrued interest and dividends payable		369,305	195,062	28,395
Distribution payable		7,120,147	-	-
Other liabilities	8	469,936	300,832	-
		128,773,656	70,300,512	17,825,381
Net assets attributable to holders of redeemable units		$ 181,546,863	$ 128,668,342	$ 53,581,704
Net assets attributable to holders of redeemable units				
Class A		$ 75,835,178	$ 61,379,398	$ 28,619,569
Class F		$ 103,750,211	$ 65,115,247	$ 21,053,921
Class I		$ -	$ 68,859	$ 411,476
Class X		$ 1,961,474	$ 2,104,838	$ 3,496,738
Number of units outstanding	7			
Class A		5,925,329	4,912,375	2,470,411
Class F		8,033,100	5,132,547	1,805,875
Class I		-	5,263	34,232
Class X		132,865	156,435	292,314
Net assets attributable to holders of redeemable units per unit				
Class A		$ 12.80	$ 12.49	$ 11.58
Class F		$ 12.92	$ 12.69	$ 11.66
Class I		$ -	$ 13.08	$ 12.02
Class X		$ 14.76	$ 13.46	$ 11.96

Approved on behalf of the Board of Directors of Arrow Capital Management Inc., the Manager of the Fund:

"James L. McGovern"

James L. McGovern, Director

"Robert W. Maxwell"

Robert W. Maxwell, Director

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

CURVATURE MARKET NEUTRAL FUND

Statements of Comprehensive Income
For the years ended December 31

	Note	2014 $	2013 $
Income			
Net gains (losses) on investments and derivatives			
Interest for distribution purposes	5	1,321,165	749,012
Interest expense on short sales	5	(112)	-
Dividend income	5	1,166,202	605,617
Dividend expense on short sales	5	(4,116,661)	(1,249,944)
Net realized gain (loss) on investments and derivatives	5	24,119,146	11,366,537
Net change in unrealized appreciation (depreciation) in value of investments and derivatives	5	(3,215,141)	2,289,984
Net gains (losses) on investments and derivatives		19,274,599	13,761,206
Other Income Items:			
Foreign exchange gain (loss)		929,281	(54,462)
Interest on cash		1,070,651	547,132
Net change in unrealized foreign exchange gain (loss)		742,870	(142,164)
Total income (net)		22,017,401	14,111,712
Expenses			
Securityholder reporting fees		410,947	263,886
Management fees	8	3,285,847	1,801,828
Performance fees	8	2,579,007	1,588,138
Interest expense on margin loan		27,566	31,997
Legal fees		1,538	1,196
Audit fees		27,793	31,500
Filing fees		9,214	5,212
Security borrowing expense		1,796,775	740,151
Commissions and other portfolio transaction costs	8	2,971,718	1,421,544
Withholding tax expense		2,315	7,711
Harmonized sales tax		678,423	383,290
Total expenses		11,791,143	6,276,453
Increase (decrease) in net assets attributable to holders of redeemable units		**10,226,258**	**7,835,259**
Increase (decrease) in Net Assets attributable to holders of redeemable units per Class	10		
Class A		4,054,158	3,777,129
Class F		5,984,545	3,690,799
Class I		4,931	18,965
Class X		182,624	348,366
Increase (decrease) in Net Assets attributable to holders of redeemable units per Unit	10		
Class A		0.71	1.03
Class F		0.84	1.13
Class I		0.87	1.08
Class X		1.31	1.47

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

CURVATURE MARKET NEUTRAL FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
For the years ended December 31

		2014 $	2013 $
Net assets attributable to holders of redeemable units at beginning of year			
	Class A	61,379,398	28,619,569
	Class F	65,115,247	21,053,921
	Class I	68,859	411,476
	Class X	2,104,838	3,496,738
		128,668,342	53,581,704
Increase (decrease) in net assets attributable to holders of redeemable units			
	Class A	4,054,158	3,777,129
	Class F	5,984,545	3,690,799
	Class I	4,931	18,965
	Class X	182,624	348,366
		10,226,258	7,835,259
Distributions to holders of redeemable units			
From net investment income	Class A	-	-
	Class F	-	-
	Class I	-	-
	Class X	-	-
		-	-
From net realized gains on investments and derivatives	Class A	(2,417,430)	-
	Class F	(4,702,717)	-
	Class I	-	-
	Class X	(202,335)	-
		(7,322,482)	-
Return of capital	Class A	-	-
	Class F	-	-
	Class I	-	-
	Class X	-	-
		-	-
Total distributions to holders of redeemable units		(7,322,482)	-
Redeemable unit transactions			
Proceeds from redeemable units issued	Class A	19,285,318	34,300,793
	Class F	43,845,525	42,410,752
	Class I	20,106	-
	Class X	-	350,000
		63,150,949	77,061,545
Reinvestments of distributions to holders of redeemable units	Class A	2,315,266	-
	Class F	4,057,740	-
	Class I	-	-
	Class X	202,335	-
		6,575,341	-
Redemption of redeemable units	Class A	(8,781,532)	(5,318,093)
	Class F	(10,550,129)	(2,040,225)
	Class I	(93,896)	(361,582)
	Class X	(325,988)	(2,090,266)
		(19,751,545)	(9,810,166)
Net increase (decrease) from redeemable unit transactions		49,974,745	67,251,379
Net increase (decrease) in net assets attributable to holders of redeemable units		52,878,521	75,086,638
	Class A	75,835,178	61,379,398
	Class F	103,750,211	65,115,247
	Class I	-	68,859
	Class X	1,961,474	2,104,838
Net assets attributable to holders of redeemable units at end of year		181,546,863	128,668,342

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

CURVATURE MARKET NEUTRAL FUND

Statements of Cash Flow
For the years ended December 31

	Note	2014 $	2013 $
Cash flows from (used in) operating activities			
Increase (decrease) in net assets attributable to holders of redeemable units		10,226,258	7,835,259
Adjustment for:			
Net change in unrealized loss foregin exchange loss (gain)		(742,870)	142,164
Net realized loss (gain) on investments and derivatives		(24,119,146)	(11,366,537)
Net change in unrealized depreciation (appreciation) in value of investments and derivatives		3,215,141	(2,289,984)
Purchase of investments		(829,422,930)	(385,866,684)
Proceeds on sale of investments		859,224,373	396,715,569
(Increase) decrease in margin deposit		(58,821,454)	(77,739,903)
Decrease (increase) in accrued interest and dividends receivable		(214,579)	(242,473)
Increase (decrease) in accrued interest and dividends payable		174,243	166,667
Decrease (increase) in prepaid expenses		-	27,693
Increase (decrease) in other liabilities		169,104	300,832
Net cash from (used in) operating activities		(40,311,860)	(72,317,397)
Cash flows from (used in) financing activities			
Proceeds from redeemable units issued		61,132,586	77,450,906
Redemption of redeemable units		(19,008,688)	(9,849,942)
(Decrease) increase in margin loan		(2,943,095)	2,084,340
Net cash from (used in) financing activities		39,180,803	69,685,304
Net increase (decrease) in cash		(1,131,057)	(2,632,093)
Cash at beginning of the year		1,223,707	3,997,964
Net change in unrealized foreign exchange gain (loss)		742,870	(142,164)
Cash at end of the year		835,520	1,223,707
Interest received*		2,659,299	1,111,991
Dividends received, net of withholding tax*		1,027,059	577,371
Interest paid*		(27,678)	(31,997)
Dividends paid*		2,341,054	(1,176,427)
*Included as part of cash flows from operating activities			

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

Curvature Market Neutral Fund

Schedule of Investment Portfolio - As at December 31, 2014

EQUITY LONG POSITIONS	55.3%

SECURITY NAME		QUANTITY	FAIR VALUE	AVERAGE COST
BASIC MATERIALS	12.0%			
Agnico Eagle Mines Ltd	CAD	62	$ 1,793	$ 1,699
Alacer Gold Corp	CAD	3,100	7,223	7,239
Alexco Resource Corp	CAD	224,800	134,880	258,520
Argonaut Gold Inc	CAD	344,600	630,618	539,058
Asanko Gold Inc	CAD	61,800	111,240	109,695
Atacama Pacific Gold Corp	CAD	199,500	52,868	199,500
Eagle Graphite Corp	CAD	1,176,600	150,487	117,660
Canam Group Inc	CAD	273,700	3,101,021	2,901,080
Cascades Inc	CAD	342,100	2,401,542	2,087,403
China Gold International Resources Corp Ltc	CAD	59,800	123,188	117,112
Colossus Minerals Inc	USD	124	4	234
Dalradian Resources Inc	CAD	1,191,300	881,562	1,069,758
Duluth Metals Ltd	CAD	1,241,900	552,646	500,237
Dundee Precious Metals Inc	CAD	84,100	230,434	240,355
Eagle Graphite Corporation	CAD	3,300	6,600	6,600
Fortuna Silver Mines Inc	CAD	108,600	573,408	639,917
Paragon Resources PLC	GBP	1	-	-
Guyana Goldfields Inc	CAD	124,100	349,962	324,422
Kerr Mines Inc	CAD	24,466	1,835	48,086
Nevsun Resources Ltd	CAD	970,700	4,348,736	4,070,111
Paramount Gold and Silver Corp	USD	105,502	124,642	114,687
Premier Gold Mines Ltd	CAD	309,200	584,388	742,653
Rio Alto Mining Ltd	CAD	319,200	900,144	785,699
Royal Standard Minerals Inc	USD	54,600	95	11,071
Savary Gold Corp	CAD	463,000	11,575	99,618
Silvercorp Metals Inc	CAD	100,100	153,153	155,005
Tembec Inc	CAD	104,400	295,452	305,979
Teranga Gold Corp	CAD	231,600	105,378	98,430
Timmins Gold Corp	CAD	145,200	165,528	154,743
Torex Gold Resources Inc	CAD	265,700	326,811	320,738
Ur-Energy Inc	CAD	30,900	30,591	31,645
Virginia Mines Inc	CAD	274,452	4,133,247	3,805,032
West Fraser Timber Co Ltd	CAD	15,500	1,030,285	1,016,574
West Kirkland Mining Inc	CAD	5,210,100	338,657	781,515
			21,859,993	21,662,075
COMMUNICATIONS	4.9%			
Axia NetMedia Corp	CAD	982,600	3,134,494	2,032,901
BSM Technologies Inc	CAD	494,000	790,400	907,829
NeuLion Inc	CAD	607,300	795,563	611,566
Optimal Payments PLC	GBP	154,977	959,317	969,607
TheScore Inc	CAD	5,847,700	3,157,758	1,747,920
Vecima Networks Inc	CAD	14,100	135,360	113,602
			8,972,892	6,383,425
CONSUMER, CYCLICAL	1.5%			
Gaming Nation Acquisition Corp	USD	405,700	352,427	341,640
Great Canadian Gaming Corp	CAD	2,000	41,300	41,218
NYX Gaming Group Ltd	CAD	83,400	312,750	291,900
Reitmans Canada Ltd	CAD	73,800	568,998	463,807
Scientific Games Corp	USD	96,900	1,428,747	1,478,317
Spot Coffee Canada Ltd	CAD	942,967	18,859	119,499
			2,723,081	2,736,381
CONSUMER, NON-CYCLICAL	12.0%			
AGT Food & Ingredients Inc	CAD	61,600	1,696,464	1,248,307
Blyth Inc	USD	5,171	54,802	52,776
Clearwater Seafoods Inc	CAD	62,000	735,320	735,060
Corby Spirit and Wine Ltd	CAD	148,100	3,403,338	2,860,260
easyhome Ltd	CAD	173,000	3,470,380	3,527,119
Extendicare Inc	CAD	532,500	3,471,900	3,648,760
FirstService Corp/Canada	CAD	8,900	527,592	416,599
Knight Therapeutics Inc	CAD	126,600	876,072	854,550
Medical Facilities Corp	CAD	62,200	1,145,102	1,169,298
Merus Labs International Inc	CAD	2,431,900	4,620,610	4,017,408
North West Co Inc/The	CAD	31,000	812,200	754,999
Patient Home Monitoring Corp	CAD	20	17	7
People Corp	CAD	179,800	463,884	461,821
WG Ltd, Restricted Shares	USD	306,900	3,555	243,400
Titan Medical Inc	CAD	59,100	82,740	135,881
Tribute Pharmaceuticals Canada Inc	CAD	621,100	360,238	359,617
			21,724,214	20,485,862

SECURITY NAME		QUANTITY	FAIR VALUE	AVERAGE COST
ENERGY	10.2%			
Aveda Transportation & Energy Services Inc	CAD	179,400	403,650	900,335
BPZ Resources Inc	USD	46	15	161
Bri-Chem Corp	CAD	246,800	325,776	355,899
Canadian Energy Services & Technology Corp	CAD	5,200	33,020	42,730
Chinook Energy Inc	CAD	665,500	845,185	1,008,939
DeeThree Exploration Ltd	CAD	500	2,555	3,861
Delphi Energy Corp	CAD	1,922,200	2,883,300	3,805,969
Estrella International Energy Services Ltd	CAD	1,281	1,153	19,775
Faurecia	CAD	1,395,215	1,381,263	2,720,475
Gear Energy Ltd	CAD	216,200	540,500	887,721
Hemisphere Energy Corp	CAD	377,800	141,675	283,350
Kicking Horse Energy Inc	CAD	59,820	187,835	269,353
Leucrotta Exploration Inc	CAD	2,179,860	3,160,797	3,741,195
Mart Resources Inc	CAD	930,400	651,280	707,746
North American Energy Partners Inc	CAD	127,600	469,568	594,569
NuVista Energy Ltd	CAD	166,900	1,236,729	1,533,301
Solimar Energy Ltd	CAD	446,367	2,232	52,500
Parex Resources Inc	CAD	129,977	985,226	1,353,071
Penn West Petroleum Ltd	CAD	44,566	108,295	112,785
RMP Energy Inc	CAD	953,400	4,366,572	5,062,254
Spartan Energy Corp	CAD	587	1,638	1,547
Tamarack Valley Energy Ltd	CAD	17,000	55,420	107,065
Terrace Energy Corp	CAD	257,940	123,811	541,900
Total Energy Services Inc	CAD	46,400	602,272	606,375
Tourmaline Oil Corp	CAD	5	194	194
			18,509,961	24,713,070
FINANCIAL	9.3%			
American Hotel Income Properties REIT LP	CAD	301,200	3,021,036	3,033,189
BGC Partners Inc	USD	15,500	164,269	139,784
Ceres Global Ag Corp	CAD	61,600	354,200	474,009
Dream Industrial Real Estate Investment Trus	CAD	1	8	-
EGI Financial Holdings Inc	CAD	105,000	1,381,800	1,270,232
Equity Financial Holdings Inc	CAD	529,400	5,479,290	5,518,268
Fairfax Financial Holdings Ltd	CAD	8,700	5,296,386	4,415,608
Howard Hughes Corp/The	USD	640	96,678	101,093
Milestone Apartments Real Estate Investment	CAD	56,900	695,318	642,424
Prime City One Capital Corp	CAD	310,800	31	2,331
Westaim Corp/The	CAD	116,300	354,715	308,195
			16,843,731	15,905,133
INDUSTRIALS	3.4%			
Alarmforce Industries Inc	CAD	62,000	682,000	745,116
Avigilon Corp	CAD	185,300	3,554,054	3,175,663
DIRTT Environmental Solutions	CAD	78,300	281,880	279,535
Eguana Technologies Inc	CAD	273,200	90,156	81,960
Exco Technologies Ltd	CAD	78,100	920,799	696,697
Pure Technologies Ltd	CAD	80,500	594,895	560,100
Zagg Inc	USD	30	236	178
			6,124,020	5,539,249
TECHNOLOGY	2.0%			
Cortex Business Solutions Inc	CAD	3,705,100	333,459	365,205
Engagement Labs Inc	CAD	156,000	73,320	78,000
GuestLogix Inc	CAD	83,300	65,807	75,178
Guestlogix Inc	CAD	2,550,000	2,014,500	3,119,482
Posera-HDX Ltd	CAD	562,100	139,120	169,754
Redknee Solutions Inc	CAD	69,900	261,426	251,615
Sandvine Corp	CAD	247,200	808,344	732,860
			3,695,976	4,792,094

Total Equity Long Positions	$ 100,453,868	$ 102,217,289

EQUITY SHORT POSITIONS	-61.7%

SECTOR	QUANTITY	FAIR VALUE	PROCEEDS	SECTOR	QUANTITY	FAIR VALUE	PROCEEDS
BASIC MATERIALS	-8.3%	(15,019,671)	(15,525,091)	FINANCIAL	-11.3%	(20,552,208)	(21,795,426)
COMMUNICATIONS	-4.0%	(7,341,737)	(7,964,576)	FUNDS	0.0%	(17,888)	(16,747)
CONSUMER, CYCLICAL	-6.1%	(11,049,710)	(11,085,048)	INDUSTRIALS	-6.6%	(11,988,415)	(12,392,011)
CONSUMER, NON-CYCLICAL	-7.5%	(13,705,975)	(12,623,730)	UTILITIES	-1.7%	(3,156,370)	(3,316,904)
DIVERSIFIED	-0.2%	(359,630)	(435,042)	TECHNOLOGY	-5.0%	(9,164,749)	(8,966,754)
ENERGY	-10.8%	(19,568,664)	(21,325,252)				
Total Equity Short Positions						$ (111,925,017)	$ (115,446,581)

WARRANTS LONG POSITIONS 0.9%

SECURITY NAME			QUANTITY	FAIR VALUE	AVERAGE COST	STRIKE PRICE	MATURITY DATE
BASIC MATERIALS	0.2%						
Alamos Gold Inc		CAD	50,506	$ 19,697	$ 151,518	29.48	Aug/30/2018
Alexco Resource Corp		CAD	122,550	11,581	-	1.40	Aug/21/2016
Atacama Pacific Gold Corp		CAD	199,500	3,651	-	1.40	Nov/29/2016
Avala Resources Ltd		CAD	18,655	-	-	4.80	Mar/06/2016
Coeur Mining Inc		CAD	4,179	1,275	-	30.00	Apr/16/2017
Colossus Minerals Inc		CAD	110,350	552	-	0.90	Aug/13/2015
Colossus Minerals Inc		CAD	62	-	-	-	Apr/23/2019
Dalradian Resources Inc		CAD	130,800	1,962	-	0.90	Feb/19/2015
Dalradian Resources Inc		CAD	486,500	48,650	-	1.50	Jul/31/2017
EASTSIDECAPITAL SA		CAD	3	4	-	0.80	Jan/24/2016
Fire River Gold Corp.		CAD	391,131	-	2,828	0.10	Aug/31/2017
HudBay Minerals Inc		CAD	116,733	121,402	78,439	15.00	Jul/20/2018
Labrador Iron Mines Holdings Ltd		CAD	25,250	126	-	1.35	Feb/13/2016
MBAC Fertilizer Corp		CAD	1,124,900	22,498	-	1.00	Apr/17/2019
Nexgen Energy Ltd		CAD	142,900	12,147	-	0.65	Mar/26/2016
Rubicon Minerals Corp		CAD	372,550	13,039	-	2.00	Mar/12/2015
West Kirkland Mining Inc		CAD	5,210,100	104,202	-	0.30	Apr/17/2019
				360,786	232,785		
COMMUNICATIONS	0.0%						
Intertain Group Ltd		CAD	6,876	53,843	-	5.00	Dec/31/2015
				53,843	-		
CONSUMER, CYCLICAL	0.0%						
Spot Coffee Canada Ltd		CAD	96,000	1,392	3,009	0.25	Oct/11/2017
Spot Coffee Canada Ltd		CAD	350,000	4,445	3,894	0.25	Apr/20/2017
Spot Coffee Canada Ltd		CAD	52,450	163	1,246	0.25	Oct/11/2015
Spot Coffee Canada Ltd, Warrant		CAD	620,000	6,262	70,718	0.18	Jul/29/2016
Spot Coffee Canada Ltd, Warrant (17Jul17), PREF		CAD	180,000	2,466	5,697	0.25	Jul/17/2017
Spot Coffee Canada Ltd, Warrants (29Aug16)		CAD	208,334	-	-	0.20	Aug/29/2016
				14,728	84,564		
CONSUMER, NON-CYCLICAL	0.6%						
Patient Home Monitoring Corp		CAD	1,867,500	1,012,745	-	0.45	Aug/27/2019
Titan Medical Inc		CAD	106,500	25,560	-	2.00	Feb/19/2017
Titan Medical Inc		CAD	74,500	8,940	-	2.75	Apr/23/2017
				1,047,245	-		
ENERGY	0.0%						
CanAm Coal Corp		CAD	31,490	1,045	-	0.07	May/23/2018
Estrella Int'l Energy Services Ltd		USD	67,900	-	71	1.50	Mar/03/2015
Kombat Copper Inc, Warrants (01Mar15)		CAD	109,100	-	108	0.75	Mar/01/2015
Petro-Victory Energy Corp		CAD	195,450	332	-	0.50	Jul/22/2016
Silvano Fashion Group AS		CAD	17	799	10,353	0.20	Apr/19/2015
Valeura Energy Inc, Warrants		CAD	72,300	217	2,386	0.55	Feb/28/2016
				2,392	12,918		
INDUSTRIALS	0.0%						
Eguana Technologies Inc		CAD	136,600	4,098	-	0.39	Dec/22/2019
				4,098	-		
TECHNOLOGY	0.1%						
Engagement Labs Inc		CAD	78,000	12,535	-	0.70	Dec/31/2016
Spectra7 Microsystems Inc		CAD	262,333	83,947	-	0.45	Mar/28/2015
				96,482	-		
Total Warrant Long Positions				$ 1,579,574	$ 330,267		

WARRANTS SHORT POSITIONS 0.0%

SECURITY NAME		QUANTITY	FAIR VALUE	AVERAGE COST	STRIKE PRICE	MATURITY DATE
CONSUMER, CYCLICAL						
Amaya Inc	CAD	(50)	$ (1,275)	$ (389)	3.00	Apr/30/2015
Total Warrant Short Positions			$ (1,275)	$ (389)		

FIXED INCOME LONG POSITIONS	10.7%						
SECURITY NAME			**COUPON RATE**	**MATURITY DATE**	**PAR VALUE**	**FAIR VALUE**	**AVERAGE COST**
5N Plus Inc		CAD	5.75%	Jun/30/2019	3,120,700	$ 2,711,108	$ 3,120,700
Amaya Inc		CAD	7.50%	Jan/31/2016	210,000	210,000	210,000
Canam Coal Corp		CAD	12.00%	May/09/2018	47,000	47,000	47,000
Capstone Power Corp		CAD	6.75%	Dec/31/2017	49,900	51,148	50,539
Cineplex Inc		CAD	4.50%	Dec/31/2018	185,200	197,470	189,246
Epsilon Energy Ltd/Canada		CAD	7.75%	Mar/31/2017	382,600	397,904	404,746
Estrella International Energy Ltd, Private Placement		CAD	12.00%	Dec/31/2016	980,000	856,275	852,916
Great Western Minerals Group Ltd		USD	8.00%	Apr/06/2017	450,000	109,455	404,680
Intertain Group Ltd/The		CAD	8.50%	Jun/30/2019	2,335,000	2,218,250	2,335,000
Intertain Group Ltd/The		CAD	5.00%	Dec/31/2018	69,000	151,600	69,000
Kirkland Lake Gold Inc		CAD	6.00%	Jun/30/2017	221,600	154,566	176,815
Patient Home Monitoring Corp		CAD	7.50%	Dec/31/2019	2,075,000	2,043,875	2,075,000
Petroamerica Oil Corp		CAD	11.50%	Apr/19/2015	170,000	174,505	172,625
Spot Coffee Canada Ltd		CAD	9.00%	Oct/11/2017	70,000	42,273	68,295
Spot Coffee Canada Ltd		CAD	9.00%	Jul/16/2016	110,000	57,640	110,000
Spot Coffee Canada Ltd		CAD	9.00%	Jul/17/2017	140,000	84,546	136,234
Spot Coffee Canada Ltd		CAD	9.00%	Jul/31/2016	525,000	317,048	512,883
Spot Coffee Canada Ltd		CAD	9.00%	Apr/30/2017	175,000	105,683	175,000
Terrace Energy Corp		CAD	8.00%	Apr/02/2018	325,000	203,125	325,000
TransGlobe Energy Corp		CAD	6.00%	Mar/31/2017	4,535,200	3,922,948	4,322,878
Tricon Capital Group Inc		CAD	5.60%	Mar/31/2020	2,911,000	3,187,545	3,108,496
Tricon Capital Group Inc		CAD	6.38%	Aug/31/2017	1,511,000	2,252,445	1,808,608
Total Fixed Income Long Positions						$ 19,496,409	$ 20,675,661

FIXED INCOME SHORT POSITIONS -0.0%						
SECURITY NAME		**COUPON RATE**	**MATURITY DATE**	**PAR VALUE**	**FAIR VALUE**	**PROCEEDS**
Niko Resources Ltd	CAD	7.000%	Dec/31/2017	(1,600)	$ (182)	$ (525)
Total Fixed Income Short Positions					$ (182)	$ (525)

INVESTMENT PORTFOLIO SUMMARY		FAIR VALUE	AVERAGE COST
Equity Long Positions	55.3%	$ 100,453,868	$ 102,217,289
Equity Short Positions	-61.7%	(111,925,017)	(115,446,581)
Warrants Long Positions	0.9%	1,579,574	330,267
Warrants Short Positions	0.0%	(1,275)	(389)
Fixed Income Long Positions	10.7%	19,496,409	20,675,661
Fixed Income Short Positions	0.0%	(182)	(525)
Total Investments	5.3%	9,603,377	7,775,722
Total Other Net Assets	94.7%	171,943,486	
Total Net Assets	100.0%	$ 181,546,863	

1. GENERAL INFORMATION

Curvature Market Neutral Fund (the "Fund") is an open-end mutual fund trust established under the laws of Ontario and is governed by the Declaration of Trust dated April 20, 2010, as amended from time to time.

The investment objective of the Fund is to maximize absolute returns on investments. It aims to achieve this objective primarily through investment in a diversified portfolio of listed equity and debt securities of predominantly Canadian companies. The Fund will also invest in related derivatives and may invest a limited portion of its portfolio in unlisted securities.

The Manager of the Fund is Arrow Capital Management Inc. (the "Manager"). CHS Asset Management Inc. is the investment advisor to the Fund (the "Investment Advisor").

The address of the Fund's registered office is 36 Toronto Street, Suite 750, Toronto, Ontario.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation and Adoption of IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the Chartered Professional Accountant (CPA) Canada Handbook ("Canadian GAAP"). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

Note 11 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

These financial statements were authorized for issue by the Manager on March 31, 2015.

b) Financial Instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit and loss ("FVTPL"). Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's long investment positions are designated at FVTPL. The Fund's short investment positions and derivatives are classified as held for trading ("HFT") and are measured at FVTPL. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. Due to their short term nature, the carrying values of other assets and liabilities and net assets attributable to holders of redeemable units approximate their fair values. The Fund's accounting policies for measuring the fair value of its investments and derivatives are the same to those used in measuring its net asset value ("NAV") for transactions with unitholders. There were no differences between the net asset value attributable to holders of redeemable units used for reporting purposes under IFRS and that used for transactions with unitholders at December 31, 2014 or 2013 and January 1, 2013.

Realized gains and losses on sale of investments and unrealized appreciation or depreciation in investments are determined on an average cost basis. Realized gains and losses on securities sold short and unrealized appreciation or depreciation on securities sold short are calculated with reference to the average proceeds of the related securities. Average cost does not include amortization of premiums or discounts on fixed income securities.

Interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the fund accounted for on an accrual basis.

Dividend income and expense is recognized in the statement of comprehensive income on the ex-dividend date.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

c) Financial Instruments - Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for securities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The fair value of bonds is determined using mid-market pricing derived from bid and ask prices provided by independent security pricing services or recognized investment dealers. Gains and losses arising from changes in the fair value of financial assets or liabilities are presented in the statement of comprehensive income. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including over-the-counter derivatives, is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm’s length transactions, reference to other instruments that are substantially the same and other commonly used methods by market participants which make the maximum use of observable inputs.

d) Impairment of Financial Assets

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of future cash flows discounted using the assets original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent years if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

e) Foreign Currency Translation

The Fund’s functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as 'Foreign exchange gain (loss)' and those relating to other financial assets and liabilities are presented within 'Net realized gain (loss) on investments and derivatives' and 'Net change in unrealized appreciation (depreciation) in value of investments and derivatives' in the statement of comprehensive income.

f) Cash

Cash is comprised of deposits with financial institutions.

g) Margin Deposit

Cash collateral provided by the Fund to counterparties for securities sold short and counterparties to derivative transactions is identified in the statement of financial position as 'Margin deposit'.

h) Collateral

For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral and such party has identified the securities which are pledged as collateral, the Fund classifies that asset in the statement of financial position as 'pledged collateral'.

i) Margin loan

Margin loan represents cash amounts borrowed under a margin agreement with the Fund's prime broker. The Fund has granted a first priority security interest over investments and other assets held at the prime broker in support of its obligations under its margin lending agreement. Amounts borrowed are payable on demand.

j) Commissions and Other Portfolio Transaction Costs

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers. Such costs are expensed when incurred.

k) Income and Expense Allocation

The net assets of each class are computed by calculating the value of that class' proportionate share of the Fund's assets less that class' proportionate share of the Fund's common liabilities less class specific liabilities, if any. Expenses directly attributable to a class are charged to that class. Other income, expenses and gains/losses are allocated based on a reasonable allocation methodology which will include allocations based upon the assets of the Fund or the number of unitholders in the Fund or other methodology the Manager determines is fair.

l) Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to the class divided by the weighted average number of units outstanding in that class during the year. Refer to Note 10 for the calculation.

m) Classification of Redeemable Units

The Funds' redeemable units contain multiple contractual obligations and multiple series of units have been issued which do not have identical features. Consequently, the units do not meet the conditions in IAS 32 to be classified as equity. As a result, the Funds' obligations for net assets attributable to holders of redeemable shares are presented at the redemption amounts.

n) Investments in Structured Entities

The Fund invests in underlying funds that are managed by their respective Investment Advisors and whose investment objectives may range from achieving short-term to long-term income and capital growth. Underlying funds may use leverage in a manner consistent with their respective objectives and as permitted by their respective governing regulatory authorities. Underlying funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportionate stake in the respective fund's net assets. The Fund's interest in underlying funds as at December 31, 2014 and 2013, and January 1, 2013, held the form of redeemable units, which are included at their fair value in the Statements of Financial Position which represents the Fund's maximum exposure in these underlying funds. The Fund does not provide, and has not committed to provide, any additional significant financial or other support to the underlying funds. The change in fair value of each of the underlying funds during the periods is included in 'Change in unrealized appreciation (depreciation) of value of investments and derivatives' in the Statements of Comprehensive Income in 'Net gains (losses) on investments and derivatives'.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Use of Estimates

Fair Value measurement of derivatives and securities not quoted in an active market

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. Fair value of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 5 for further information about the fair value measurement of the Fund's financial instruments.

Use of Judgments

Classification and Measurement of Investments and Application of the Fair Value Option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, *Financial Instruments - Recognition and Measurement* (IAS 39). The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

Determination if Underlying Funds Meet the Structured Entity Definition

The Fund has concluded that its investments in the Underlying Funds are investments in unconsolidated structured entities. This represents a significant judgment by the Fund that is based generally on the fact that the decision making about the Underlying Funds investing activities is not governed by voting rights held by the Fund and other investors.

4. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

The Fund's activities expose it to a variety of risks associated with financial instruments: credit risk, liquidity risk and market risk (including interest rate risk, other price risk, and currency risk).

The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments present a risk of loss of capital. The maximum loss of capital on long equity, warrants and debt securities is limited to the fair value of those positions. The maximum loss on equities and debt sold short can be unlimited.

The management of these risks is carried out by the Investment Advisor in adherence with established risk management controls and policies. The Fund may also make use of options and other derivatives to enhance returns and manage risk.

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn can also increase the potential returns the Fund can achieve. The Investment Advisor manages these exposures on a daily basis in accordance with investment restrictions that have been established by the Fund to manage the overall potential exposure. Specifically leverage will generally be employed to a maximum of 100% of the NAV.

Credit Risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The majority of the credit risk to which the Fund is exposed arises from its investments in debt securities.

The Fund's policy to manage this risk is to limit the weighting in a particular security at the time of investment to no more than 5% of the net asset value of the Fund.

The analysis below summarizes the credit quality of the Fund's debt portfolio at December 31, 2014, December 31, 2013 and January 1, 2013.

	Percentage of total debt securities		
Credit Rating*	**As at December 31, 2014**	**As at December 31, 2013**	**As at January 1, 2013**
BBB	0.0%	-	-
Below BBB	0.0%	-	5.3%
Not Rated	100.0%	100.0%	94.7%
Total	100%	100.0%	100.0%

** Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Service.*

The Fund has provided the broker with a general lien over assets held in return for services including borrowed securities and derivatives trading. The terms and conditions associated with collateral have no significant unusual requirements from the usual practice of recourse when a default occurs. Therefore, the Fund is also exposed to credit risk of the broker.

The Fund is also exposed to counterparty credit risk on cash, margin deposits, receivable for securities sold and other receivable balances. The Fund's brokerage agreements require cash collateral in return for services including borrowed securities and derivatives trading. The Fund's prime broker and custodian services are provided by Scotia Capital Inc.

which has a credit rating of Aa2 (December 31, 2013 – Aa2)(January 1, 2013 – Aa1) as rated by Moody's bond rating services.

The Fund is also exposed to credit risk on cash deposits held at TD Canada Trust which has a credit rating as rated by Moody's bond rating services of Aa1 (December 31, 2013: Aaa, January 1, 2013: Aaa).

There are also risks involved in dealing with custodians or brokers who settle trades with regard to the segregation of assets. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets of the Fund. Therefore, the Fund should not be exposed to credit risk with respect to such parties. However, it may not always be possible to achieve this segregation, so the portfolio of the Fund may experience increased exposure to credit risk associated with the applicable custodians or brokers.

All transactions in listed securities are settled or paid for upon delivery using approved brokers. The credit risk related to the associated receivables is considered limited, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing the Fund's rights to its assets in the case of an insolvency of any such party.

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to monthly cash redemptions of redeemable units which are redeemable on demand at the holder's option and payable three business days post trade date. The Fund reserves the right to settle redemptions up to thirty days after the redemption trade date. The Fund aims to retain sufficient cash to maintain adequate liquidity including coverage of obligations related to short sales and all current liabilities. The Fund's liabilities are typically due within three months, except performance fees which are accrued daily and payable annually on December 31.

Market Risk

The Fund's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

(a) Currency Risk

The Fund invests in financial instruments and enters into transactions that are denominated in currencies other than the Canadian dollar, primarily US dollars (USD). Consequently, the Fund is exposed to currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The table below indicates the Fund's exposure to foreign currencies as at December 31, 2014, December 31, 2013 and January 1, 2013, in Canadian dollar terms, and the notional amounts of foreign currency contracts. The table below also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to the foreign currencies, with all other variables held constant. Non-monetary are comprised of long and short equities. Monetary include cash, margin deposit, long and short derivatives and fixed income securities, and other current receivables and payables.

December 31, 2014	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	$21,619,268	$2,225,470	$23,844,738	$2,161,926	$222,547	$2,384,474
Great Britain Pound – Long	-	959,317	959,317	-	95,932	95,932
United States Dollar - Short	(72,749)	(26,542,390)	(26,615,139)	(7,275)	(2,654,239)	(2,661,514)
Great Britain Pound – Short	(955,082)	-	(955,082)	(95,508)	-	(95,508)
European Currency - Short	(99)	-	(99)	(10)		(10)
Australian Dollar – Short	(2,341)	-	(2,341)	(234)	-	(234)
Total	$20,588,997	($23,357,603)	($2,768,606)	$2,058,899	($2,335,760)	($276,860)
% of net assets attributable to holders of redeemable units	11.3%	(12.9 %)	(1.5%)	1.1%	(1.3%)	(0.2%)

December 31, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	$7,166,910	$3,261,187	$10,428,097	$716,691	$326,119	$1,042,810
Great Britain Pound – Long	-	3,984,939	3,984,939	-	398,494	398,494
United States Dollar – Short	(153,687)	(11,456,089)	(11,609,776)	(15,369)	(1,145,609)	(1,160,978)
Great Britain Pound - Short	(3,900,617)	-	(3,900,617)	(390,062)	-	(390,062)
Total	$3,112,606	($4,209,963)	($1,097,357)	$311,260	($420,996)	($109,736)
% of net assets attributable to holders of redeemable units	2.4%	(3.3%)	(0.9%)	0.2%	(0.3%)	(0.1%)

January 1, 2013	Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
United States Dollar - Long	$599,890	$3,394,218	$3,994,108	$59,989	$339,422	$399,411
Great Britain Pound – Long	-	778,844	778,844	-	77,884	77,884
United States Dollar – Short	(1,145,835)	(2,854,173)	(4,000,008)	(114,584)	(285,417)	(400,001)
Great Britain Pound - Short	(800,197)	-	(800,197)	(80,020)	-	(80,020)
Total	($1,346,142)	$1,318,889	($27,253)	$(134,615)	$131,889	($2,726)
% of net assets attributable to holders of redeemable units	(2.5%)	2.4%	(0.1%)	(0.2%)	0.2%	(0.0%)

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund holds securities with fixed interest rates that expose the Fund to fair value interest rate risk. Currently, the Fund does not hedge its interest rate risk.

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2014, December 31, 2013 and January 1, 2013. The table also illustrates the potential impact, or sensitivity, on the net assets attributable to holders of redeemable units if the prevailing levels of market interest rates changed by 1.0%, assuming a parallel shift in the yield curve with all other variables held constant.

	Total Exposure		
Term to Maturity	**December 31, 2014**	**December 31, 2013**	**January 1, 2013**
Less than 1 year	$174,505	$46,934	-
1-3 years	8,510,784	4,961,850	$1,817,513
3 -5 years	5,579,700	8,230,441	3,764,114
Greater than 5 years	5,231,420	4,242,637	240,000
Total	$19,496,409	$17,481,862	$5,821,627
Sensitivity:			
Total $ sensitivity	$476,444	$478,614	$193,955
Total % sensitivity	0.3%	0.4%	0.4%

(c) Price Risk

The Fund is exposed to price risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Fund's investments are subject to the risk of changes in the prices of equity securities, bonds and derivatives.

The Fund's policy is to manage price risk through diversification and selection of investments within specified limits established by the investment policies and restrictions the Fund's offering memorandum. The Fund will limit the weighting in a particular security at the time of investment to no more than 5% of the net asset value of the Fund and it is expected that the Fund will maintain the proportion of long positions versus short positions to a net market exposure of +/- 10%. In addition, the Fund will limit purchases of non-marketable securities at the time of investment to less than 5% of the net asset value of the Fund.

As at December 31, 2014, if the Fund's relevant benchmark index, S&P/TSX (Toronto), had increased or decreased by 10%, with all other variables constant, the net assets attributable to holders of redeemable units of the Fund would have increased or decreased by approximately -$1,585,594 [December 31, 2013 -$1,279,298; January 1, 2013 $533,998] representing -1% of net assets attributable to holders of redeemable units [December 31, 2013 - 1%; January 1, 2013 - 1%].

The Fund engages in short selling activities, wherein it borrows securities and sells them to third parties. Until the Fund covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require purchasing securities sold, not yet purchased, at prices which may be significantly higher than the fair value reflected on the financial statements.

Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

The following is a summary of the Fund's concentration risk as a percentage of net assets:

	December 31, 2014		December 31, 2013		January 1, 2013	
Market Segment	Long Positions %	Short Positions %	Long Positions %	Short Positions %	Long Positions %	Short Positions %
Basic Materials	12.0	(8.3)	5.8	(5.1)	10.6	(5.8)
Communications	4.9	(4.0)	6.7	(1.3)	2.3	(0.3)
Consumer, Cyclical	1.5	(6.1)	7.3	(5.8)	6.3	(2.9)
Consumer, Non-Cyclical	12.0	(7.5)	6.5	(3.9)	4.0	(1.8)
Diversified	-	(0.2)	-	(1.0)	-	-
Energy	10.2	(10.8)	23.6	(3.8)	10.2	(4.4)
Financial	9.3	(11.3)	10.5	(16.1)	2.7	(4.9)
Funds	-	-	-	(0.6)	23.8	-
Healthcare	-		-		-	
Industrial	3.4	(6.6)	2.6	(6.0)	2.6	(2.8)
Technology	2.0	(5.0)	4.4	(2.5)	1.1	(0.9)
Utilities	-	(1.7)	-	(1.8)	0.5	-

Capital Risk Management

Units issued and outstanding are considered to be the capital of the Fund. The Fund does not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit of the Fund for all or any of the units of such unitholder by giving written notice to the Manager. The written notice is irrevocable and must be received no later than 4:00 p.m., EST, on the date that is at least twenty business days prior to the date upon which the units are to be redeemed (a "Redemption Date"). The units are redeemable for cash equal to a pro rata share of the Fund's nets asset value.

5. FINANCIAL INSTRUMENTS – FAIR VALUE MEASUREMENT

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3: Inputs that are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2014, December 31, 2013 and January 1, 2013:

As at December 31, 2014	Level 1	Level 2	Level 3	Total
Financial assets				
Equities	$99,784,835	$155,964	$513,069	$100,453,868
Fixed Income	-	17,985,944	1,510,465	19,496,409
Derivatives	287,403	1,292,167	4	1,579,574
Total	$100,072,238	$19,434,075	$2,023,538	$121,529,851
Financial liabilities				
Equities sold short	($111,925,017)	-	-	($111,925,017)
Fixed Income sold short	-	($182)	-	(182)
Derivatives	(1,275)	-	-	(1,275)
Total	($111,926,292)	($182)	-	($111,926,474)

As at December 31, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Equities	$65,481,839	$2,442,601	$413,364	$68,337,804
Fixed Income	-	14,897,437	2,584,425	17,481,862
Derivatives	-	149,931	830,332	980,263
Total	$64,481,839	$17,489,969	$3,828,121	$86,799,929
Financial liabilities				
Equities sold short	($61,075,835)	-	-	($61,075,835)
Fixed Income sold short	-	($864)	-	(864)
Total	($61,075,835)	($864)	-	($61,076,699)

As at January 1, 2013	Level 1	Level 2	Level 3	Total
Financial assets				
Equities	$15,600,588	-	$446,883	$16,047,471
Fixed Income	-	$3,875,880	1,945,747	5,821,627
Funds	-	12,692,176	-	12,692,176
Derivatives	-	28,473	387,424	415,897
Total	$15,600,588	$16,596,529	$2,780,054	$34,977,171
Financial liabilities				
Equities sold short	($12,692,129)	-	($18,546)	($12,710,675)
Derivatives	-	($51,637)	-	(51,637)
Total	($12,692,129)	($51,637)	($18,546)	($12,762,312)

All fair value measurements above are recurring. The carrying values of all of the Fund's financial instruments not carried at FVTPL approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it would be classified as Level 3.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. This includes private and illiquid securities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they trade infrequently. As observable prices are not available for these securities, the Manager has used its best judgment to derive the fair value.

The following table presents the movement in Level 3 instruments for the years ended December 31, 2014 and December 31, 2013 by class of financial instrument:

	Equities		Bonds		Warrants	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Opening balance	$413,364	$446,883	$2,584,425	$1,945,747	$830,332	$387,424
Net purchases and sales	459,300	129,887	(671,387)	983,407	(18,497)	195
Net transfers in (out)	(145,900)	(164,358)	-	(358,181)	(28,769)	(141,761)
Realized gain (loss)	-	12,063	-	-	(59,505)	(10,521)
Unrealized gain (loss)	(213,695)	(11,111)	(402,573)	13,452	(723,557)	594,995
Closing balance	$513,069	$413,364	$1,510,465	$2,584,425	$4	$830,332

a) Equities

The Fund's equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. Certain of the Fund's equities do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

The Level 3 equity that amounts to $513,069 (December 31, 2013 - $413,364; January 1, 2013 - $446,883) consists of the following private equity positions:

December 31, 2014

Security Name	Currency	Quantity	Fair Value	Average Cost
			$	$
Eagle Graphite Corp	CAD	3,300	6,600	6,600
Eagle Graphite Corp	CAD	1,176,600	150,487	117,660
Gaming Nation Acquisition Corp	CAD	405,700	352,427	341,640
WG Ltd	USD	306,900	3,555	243,400

December 31, 2013

Security Name	Currency	Quantity	Fair Value	Average Cost
			$	$
Eagle Graphite Corp	CAD	3,3 00	6,600	6,600
Goldstar Acquisitionco Inc.	CAD	69	69,000	69,000
Goldstar Acquisitionco Inc.	CAD	19,225	76,900	76,900
WG Ltd	USD	306,900	260,864	243,400

January 1, 2013

Security Name	Currency	Quantity	Fair Value	Average Cost
			$	$
Eagle Graphite Corp	CAD	3,300	6,600	6,600
Noventa Ltd	CAD	42,510	2,836	77,537
Spot Coffee Canada Ltd	CAD	104,900	15,633	18,528
Fire River Gold Corp	CAD	391,131	23,468	25,424
Armistice Resources Corp	CAD	387,200	28,491	45,833
Huldra Silver	CAD	23,800	31,461	31,682
Treasury Metal Inc.	CAD	47,400	44,410	36,185
Kesselrun Resources Ltd	CAD	137,900	49,520	70,720
Virgin Gaming	CAD	306,900	244,464	243,400

The Fund values these instruments based on cost as there is lack of market data throughout the year. The Fund also considers other liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary. The change in valuation disclosed in the below table shows the direction an increase or decrease in the respective input variables would have on the valuation result.

Description	Value	Valuation Technique	Unobservable inputs	Weighted average input	Reasonable possible shift (+/-)	Change in valuation (+/-)
Canadian Equities – Private companies	$513,069	Cost with adjustments	Probability of Bankruptcy	27.7%	10%	$70,930

b) Fixed Income

The Fund's fixed income portfolio consists mainly of Canadian corporate bonds. Bond pricing is obtained from bid and ask prices provided by independent security pricing services or recognized investment dealers. Bond prices may be derived by using models which include inputs such as interest rate curves, credit spreads and volatilities. When the inputs that are significant to valuation are generally observable, the bond is classified as Level 2. Bonds that have significant unobservable inputs are classified as Level 3.

The Level 3 bonds that amount to $1,510,465 (December 31, 2013 - $2,584,425; January 1, 2013 - $1,945,747) consist of the following private secured debentures:

December 31, 2014

Security Name	Currency	Coupon Rate	Maturity Date	Par Value	Fair Value	Average Cost
		%		$	$	$
Canam Coal Corp	CAD	12.00	May 9/2018	47,000	47,000	47,000
Estrella International Energy Ltd	CAD	12.00	Dec 31/2016	980,000	856,275	852,916
Spot Coffee Canada Ltd	CAD	9.00	Oct 11/2017	70,000	42,273	68,295
Spot Coffee Canada Ltd	CAD	9.00	Jul 16/2016	110,000	57,640	110,000
Spot Coffee Canada Ltd	CAD	9.00	Jul 17/2017	140,000	84,546	136,234
Spot Coffee Canada Ltd	CAD	9.00	Jul 31/2016	525,000	317,048	512,883
Spot Coffee Canada Ltd	CAD	9.00	Apr 30/2017	175,000	105,683	175,000

December 31, 2013

Security Name	Currency	Coupon Rate	Maturity Date	Par Value	Fair Value	Average Cost
		%		$	$	$
Canam Coal Corp	CAD	9.5	May 9/2014	47,000	46,934	43,739
Estrella International Energy Ltd	CAD	12.00	Dec 31/2015	980,000	851,228	852,916
Spot Coffee Canada Ltd	CAD	9.00	Oct 11/2017	70,000	62,533	68,295
Spot Coffee Canada Ltd	CAD	9.00	Jul 17/2016	110,000	116,218	110,000
Spot Coffee Canada Ltd	CAD	9.00	Jul 17/2017	140,000	125,785	136,234
Spot Coffee Canada Ltd	CAD	9.00	Jul 29/2016	525,000	485,418	512,883
Spot Coffee Canada Ltd	CAD	9.00	Apr 30/2017	175,000	158,071	175,000
Terrace Energy Corp	CAD	8.00	Apr 2/2018	325,000	385,255	325,000
Versapay Corp	CAD	11.00	Dec 21/2015	350,000	352,983	349,648

January 1, 2013

Security Name	Currency	Coupon Rate	Maturity Date	Par Value	Fair Value	Average Cost
		%		$	$	$
Canam Coal Corp	CAD	9.50	May 9/2014	47,000	45,563	43,739
Estrella International Energy Ltd	CAD	12.00	Dec 31/2015	730,000	631,209	633,518
Kirkland Lake Gold Inc.	CAD	7.50	Dec 31/2017	218,000	188,181	216,602
Petroamerica Oil Corp.	CAD	11.50	Apr 19/2015	170,000	170,000	172,625
Spot Coffee Canada Ltd	CAD	9.00	Oct 11/2017	48,000	48,000	48,000
Spot Coffee Canada Ltd	CAD	9.00	Jul 17/2017	90,000	90,000	90,000
Spot Coffee Canada Ltd	CAD	9.00	Apr 30/2017	175,000	175,000	175,000
Spot Coffee Canada Ltd	CAD	9.00	Jul 29/2016	310,000	310,000	310,025
Versapay Corp	CAD	11.00	Dec 21/2015	240,000	240,000	240,025
Solimar Energy Ltd	CAD	10.00	Dec 31/2013	50,000	47,794	50,000

The Fund values these instruments based on an analysis of the capital structure and comparable debt issuances and uses the net present value of estimated future cash flows. The Fund also considers other liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

Description	Value	Valuation Technique	Unobservable inputs	Weighted average input	Reasonable possible shift (+/-)	Change in valuation (+/-)
Canadian Corporate Bonds – Private debentures	$1,510,465	Discounted cash flows	Cost of Capital	30.3%	1%	$49,850

c) Derivative assets

Derivative assets consist of warrants and options. The Partnership's derivatives are classified as Level 1 when the derivatives are actively traded and a reliable price is observable. Certain of the Fund's derivatives do not trade frequently and the determination of fair value requires significant unobservable data, in which case they are valued using models and valuation techniques commonly used in the industry, with inputs used including underlying stock price, restrictions on exercise and days to expiry. When the inputs that are significant to valuation are generally observable, the derivatives are classified as Level 2. Derivatives that have significant unobservable inputs are classified as Level 3.

The level 3 derivative assets that amount to $4 (December 31, 2014 - $830,332; January 1, 2013 - $387,424) consist of warrants that are exercisable into common shares of private and publicly traded companies. The Fund utilizes the Black-Scholes Option Pricing Model (the “Pricing Model”) in arriving at the valuation for these positions. The Pricing Model takes into account the observable inputs of the contract terms including maturity and exercise price as well as the underlying equity price for the publicly traded companies. The Pricing Model utilizes the unobservable inputs of the implied volatility and the underlying equity price for the private companies thus the warrants are categorized in level 3. A sensitivity analysis for the level 3 derivative assets has not been presented as it has been deemed that the impact of reasonable changes in unobservable inputs would not be significant.

Financial Instruments by Category

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the years ended December 31, 2014 and 2013.

December 31, 2014

	Net realized gains /(losses)	Net unrealized gains /(losses)	Interest Income	Interest Expense	Dividend income	Dividend expense	Total
Financial assets at FVTPL:							
Designated as FVTPL	$14,699,844	$(453,955)	$1,321,165	-	$1,166,202	-	$16,733,256
HFT	(69,425)	(3,359,324)	-	-	-	-	(3,428,749)
	14,630,419	(3,813,279)	1,321,165	-	1,166,202	-	13,304,507
Financial liabilities at FVTPL:							
HFT	9,488,727	598,138	-	$(112)	-	$(4,116,661)	5,970,092
Total:	$24,119,146	$(3,215,141)	$1,321,165	$(112)	$1,166,202	$(4,116,661)	$19,274,599

December 31, 2013

	Net realized gains /(losses)	Net unrealized gains /(losses)	Interest Income	Interest Expense	Dividend income	Dividend expense	Total
Financial assets at FVTPL:							
Designated as FVTPL	$11,064,717	$(27,066)	$749,012	-	$605,617	-	$12,392,280
HFT	(10,364)	1,740,592	-	-	-	-	1,730,228
	11,054,353	1,713,526	749,012	-	605,617	-	14,122,508
Financial liabilities at FVTPL:							
HFT	312,184	576,458	-	-	-	$(1,249,944)	(361,302)
Total:	$11,366,537	$2,289,984	$749,012	-	$605,617	$(1,249,944)	$13,761,206

6. INVESTMENT IN UNDERLYING FUNDS

Information related to investments in Underlying Funds are as follows:

December 31, 2014

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
American Hotel Income Properties REIT LP	3,021,036	1.7	1.5
Dream Industrial Real Estate Investment Trust	8	0.0	0.0
Milestone Apartments Real Estate Investment Trust	695,318	0.4	0.1

December 31, 2013

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
Allied Properties Real Estate Investment Trust	252,021	0.2	0.0
Artis Real Estate Investment Trust	647,024	0.4	0.0
Dundee Industrial Real Estate Investment Trust	9	0.0	0.0

January 1, 2013

Fund	Fair Value of Fund's Investment in Underlying Fund $	Net Assets Attributable to Holders of Redeemable Shares %	Ownership of Underlying Fund %
Curvature Fund LP, Class M Series 1	12,692,176	23.8	31.5

7. REDEEMABLE UNITS

Units issued and outstanding represent the capital of the Fund. The Fund is an open-ended trust and its units are sold and redeemed at the current net asset value per unit at the option of the unitholders. If applicable, the unitholders are entitled to distributions when declared. Distributions are reinvested in additional units of the Fund or paid in cash. The characterization of the distributions is based on Management's estimate of the actual income for the year.

Different classes of redeemable units are offered for sale by the Fund:

Class A units	Designed primarily for investors who are advised by a Registered Dealer
Class F units	Designed primarily for purchase by investors who participate in fee-based programs through their Registered Dealer
Class I units	Designed primarily for eligible institutional investors
Class X units	Designed primarily for purchase by other funds managed by the Manager. Taxable income of Class X units is allocated annually to unitholders and immediately reinvested in the Fund without any increase in the number of units outstanding

During the years ended December 31, 2014 and 2013 the number of units issued, redeemed and outstanding was as follows:

For the year ended December 31, 2014

Units	Redeemable units outstanding at beginning of year	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding at end of year
Class A	4,912,375	1,698,660	(685,706)	5,925,329
Class F	5,132,547	3,708,436	(807,883)	8,033,100
Class I	5,263	1,469	(6,732)	-
Class X	156,435	-	(23,570)	132,865

For the year ended December 31, 2013

Units	Redeemable units outstanding at beginning of year	Redeemable units issued	Redeemable units redeemed	Redeemable units issued and outstanding at end of year
Class A	2,470,411	2,879,125	(437,161)	4,912,375
Class F	1,805,875	3,492,341	(165,669)	5,132,547
Class I	34,232	-	(28,969)	5,263
Class X	292,314	29,301	(165,180)	156,435

8. RELATED PARTY TRANSACTIONS

The Manager is responsible for making decisions relating to the investment of the Fund's assets and providing key management personnel.

a) Management and Performance Fees

Management fees are paid by the Fund to the Manager as compensation for investment management and advisory services as follows:

	Class A Units	Class F Units	Class I Units	Class X Units
Management fee per annum	2.50%	1.50%	1.50%	0.75%

Management fees are calculated and paid as of the last Valuation Date of each month.

The Manager is entitled to receive from the Fund an annual Performance Fee equal to 20% of the increase in the Net Asset Value of each class (after adjusting for capital transactions and before accruing performance fees for the period) of the Fund, subject to a high water mark.

The Performance Fee will be accrued on every Valuation Date and payable on the last Valuation Date of each calendar year, except where Units are redeemed in which case the Performance Fee will be payable on a pro rata basis in respect of the redeemed Units on the redemption date.

Prior to January 1, 2014, Performance Fees were calculated based on the investment of each individual investor and expensed by the Fund at the end of each calendar year. Redemption proceeds payable during the year to a unitholder were reduced by the Performance Fees.

The Fund is responsible for all operating expenses incurred by or on behalf of the Fund.

As at December 31, 2014 included in other liabilities are amounts owing to the Manager for management fees and administration expenses paid on behalf of the Fund by the Manager of $290,077 [December 31, 2013 - $21,492] and performance fees of $Nil [December 31, 2013 - $202,923].

b) Related Party Unit Holdings

Unitholders who represent management of the Fund held the following units:

Class	December 31, 2014	December 31, 2013
Class A	55,223	11,926
Class F	131,855	108,197
Class I	-	5,263

c) Brokerage Commissions

Total commissions paid to dealers for the year ended December 31, 2014 in connection with portfolio transactions were $2,971,718 [December 31, 2013 - $1,421,544].

9. TAXATION

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada) ("Tax Act"). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any taxation year are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses would not be reflected in the statement of financial position as a deferred income tax asset. The Fund currently does not have any capital or non-capital losses available from previous years.

10. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2014 and 2013 is calculated as follows:

December 31, 2014

	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
Class A	$4,054,158	5,677,012	$0.71
Class F	$5,984,545	7,109,346	$0.84
Class I	$4,931	5,669	$0.87
Class X	$182,624	138,889	$1.31

December 31, 2013

	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
Class A	$3,777,129	3,679,773	$1.03
Class F	$3,690,799	3,278,172	$1.13
Class I	$18,965	17,525	$1.08
Class X	$348,366	236,577	$1.47

11. TRANSITION TO IFRS

The effect of the Fund's transition to IFRS is summarized in this note as follows:

Transition Elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition (see Note 2) were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, *Investment Companies*.

Revaluation of Investments at FVTPL

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, *Financial Instruments - Recognition and Measurement,* which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, *Fair Value Measurement* (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. The impact of this adjustment was an increase (decrease) in net assets attributable to holders of redeemable units as shown below.

Reconciliation of Equity and Comprehensive Income as Previously Reported Under Canadian GAAP to IFRS

Equity	December 31, 2013	January 1, 2013
Equity as reported under Canadian GAAP	$127,929,773	$53,409,145
Revaluation of investments at FVTPL	738,569	172,559
Net assets attributable to holders of redeemable units	$128,668,342	$53,581,704

Comprehensive income	For the year ended December 31, 2013
Comprehensive income as reported under Canadian GAAP	$7,269,249
Revaluation of investments at FVTPL	566,010
Increase (decrease) in net assets attributable to holders of redeemable units	$7,835,259

Reclassification Adjustments

In addition to the measurement adjustments noted above, the Fund reclassified certain amounts upon transition in order to conform its financial statement presentation under IFRS. Under Canadian GAAP, the Fund presented withholding taxes by netting them against dividend income, whereas they have been reclassified and presented separately as tax expense under IFRS.

Classification of redeemable units issued by the Fund

The Funds' redeemable units contain multiple contractual obligations and multiple series of units have been issued which do not have identical features. Consequently, the units do not meet the conditions in IAS 32 to be classified as equity. As a result, the Funds' obligations for net assets attributable to holders of redeemable shares are presented at the redemption amounts.

12. REGULATORY EXEMPTION

The Fund is relying on Section 2.11 of National Instrument 81-106 which provides relief from filing the interim and annual financial statements of the Fund with the Ontario Securities Commission.

The Fund is exempt from the inclusion in the Schedule of Investment Portfolio of the name of the issuers of the securities sold short except for the short positions that exceed 5% of the Fund's net assets.

13. FUTURE ACCOUNTING CHANGES - IFRS 9, FINANCIAL INSTRUMENTS

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

March 31, 2015

The accompanying financial statements have been prepared by Arrow Capital Management Inc., the Manager of Curvature Market Neutral Fund (the "Fund"), and approved by the Board of Directors of the Manager. The Fund's manager is responsible for the information and representations contained in these financial statements.

Arrow Capital Management Inc. maintains appropriate processes to ensure that reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards 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.

PricewaterhouseCoopers LLP is the external auditor of the Fund, appointed by the unitholders. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out on the following page.

"James L. McGovern"

JAMES L. MCGOVERN
Managing Director & CEO
ARROW CAPITAL MANAGEMENT INC.

"Robert W. Maxwell"

ROBERT W. MAXWELL
Managing Director & CFO
ARROW CAPITAL MANAGEMENT INC.

Independent Auditor's Report

To the Unitholders
Curvature Market Neutral Fund (the Fund)

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2014 and December 31, 2013, 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 these financial statements in accordance with International Financial Reporting Standards, 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 these 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 the 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, 2014, December 31, 2013 and January 1, 2013 and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 31, 2015

13 Date and Certificate

TO: BRITISH COLUMBIA, NEW BRUNSWICK, NOVA SCOTIA AND NEWFOUNDLAND AND LABRADOR RESIDENTS PURCHASING UNITS IN RELIANCE IN THE EXEMPTION IN SECTION 2.9 (OFFERING MEMORANDUM EXEMPTION) OF NATIONAL INSTRUMENT 45-106.

Dated: May1, 2015

This Offering Memorandum does not contain a misrepresentation.

"James L. McGovern"	"Robert W. Maxwell"
(signed) JAMES L. MCGOVERN Managing Director and Chief Executive Officer Arrow Capital Management Inc.	(signed) ROBERT W. MAXWELL Managing Director and Chief Financial Officer Arrow Capital Management Inc.

On behalf of the Board of Directors
ARROW CAPITAL MANAGEMENT INC.
As the manager, trustee and promoter of the Funds

"Mark R. Purdy"	"Frederick F. Dalley"
(signed) MARK R. PURDY Director	(signed) FREDERICK F. DALLEY Director

ARROW CAPITAL MANAGEMENT INC.

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