



AIP Global Macro Class
Management Report of Fund Performance
December 31, 2016

Caution Regarding Forward-looking Statements

This report may contain forward-looking statements about AIP Global Macro Class (the “Fund”), including its strategy, risks, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions.

These statements reflect management’s current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based on what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.

Management Report of Fund Performance

This management report of fund performance is for the period from January 14, 2016 (date of incorporation) to December 31, 2016. It does not contain the financial statements of the investment fund. You can get a copy, at your request and at no cost, of the financial statements, proxy voting policy and procedures, proxy voting disclosure record or quarterly portfolio disclosure, by calling 416.601.0808, or by writing to us at: AIP Asset Management Inc., 77 King Street West, Suite 4140, Toronto, Ontario M5C 1G3 or by visiting our website at www.aipassetmanagement.com or SEDAR at www.sedar.com

Investment Objective and Strategies

The investment objective of AIP Macro Class Fund (the “Fund”) is to generate superior risk-adjusted investment returns, relative to the Fund’s benchmark, a 50/50 blend of the MSCI World Index and FTSE Global Government Bond Index, by taking a balanced approach to investing in equity and fixed income securities of global companies.

The Fund may also invest in special situation securities. As global assets become increasingly correlated, there is value in finding securities that do not exhibit a high correlation with other assets. Accordingly, the Fund has invested in high yielding debt instruments of private companies.

Risk

The risks associated with investing in this Fund are set out in the prospectus. There were no material changes in the Fund during the period that affected the overall level of risk of the Fund.

Results of Operations

The results of operations is for the period from January 14, 2016, the date of incorporation, to December 31, 2016. However, the Fund did not start operations until March 18, 2016 when it merged with Redwood Global Macro Class (“Redwood”). The Fund acquired all the net assets of Redwood at fair market value in exchange for shares of the same series of the Fund of equal value. The shareholders of Redwood became shareholders of the Fund.

For the period ending December 31, 2016, the Net Asset Value (“NAV”) for the three main class of shares, Class A, F and I were \$10.81, \$11.57 and \$10.42 respectively. The increase in net assets per share from operations for Class A, F and I were \$ 0.42, \$ 0.37 and \$ 0.24 respectively. The different increases in net assets per share is attributable to different expense structures and the timing of the initial issuance of shares of the class.

The Fund’s merger with Redwood resulted in the Fund emerging as the continuing Fund with opening net assets of \$8,255,750. Net subscriptions of shares increased assets by another \$4,296,476 during the reporting period.

The most significant factor affecting the Fund's performance is the Fund holding approximately 51.6% of its net assets in cash which earns a nominal return on investment. By holding a large cash position, the Fund will underperform its benchmark index when equity and fixed income markets are strong and outperform when markets are weak. The Fund's second largest position is in corporate bonds at approximately 32% of net assets, with average maturities of less than two years.

Recent Developments and outlook

The Fund experienced a surge of subscriptions following its launch date. Cash came in faster than the Fund's ability to deploy it in accordance with its longer strategy and the near term investment outlook. The Fund's positive investment returns were achieved despite the Fund holding over 50% of its assets in cash.

2016 was a wild ride for equity and bond investors as most major stock market indices went to new highs as many markets returned double digit gains. But it wasn't a smooth market ride. Stocks weathered many bumps along the way and defied gloomy forecasts that followed a global recession scare, Brexit, energy price volatility, uncertainty regarding interest rates, China and the U.S. presidential election of Donald Trump.

Since the election, the stock market moved higher and higher almost every day, but bonds have lost \$1.1 trillion dollars globally. The majority of the stock market gains occurred in the second half of the year as corporate earnings rebounded, higher growth expectations and energy prices stabilizing. The rally accelerated after the election, as investors bet that Trump would be able to successfully implement his agenda items such as tax cuts, less regulation and increased infrastructure spending.

The only certainty in 2017 is uncertainty. Investors believe that the Trump administration will be able to pass his pro-growth policy agenda thru congress such as cutting corporate taxes, easing regulations, repatriation of overseas cash, and fiscal stimulus package but the passage of his policies are far from certain. Furthermore, immigration restrictions, trade wars with China and Mexico, Brexit, elections in Germany and France, withdrawing from trade deals and imposing tariffs on China are all possible negative effects on economic growth and creates uncertainties.

If congress does not pass his corporate tax cuts and imposed tariffs and trade barriers, we expect that the market rally will correct itself. Having dry powder will allow us to seize new investment opportunities and to preserve capital due to the higher than usual risks and uncertainties as these set of binary outcomes will have dramatically different results. The portfolio advisor continues diligently monitoring economic conditions in Canada, the United States and globally with the view of deploying its vast cash reserve in sectors that offer the most attractive opportunities, including special situations which have higher potential returns, less credit risk than bonds as standing higher in capital structure and short duration.

Related Party Transactions

Management fee

AIP Asset Management Inc. is the manager and portfolio advisor for the Fund (the “Manager”). The Manager is responsible for the Fund’s business operations, which includes portfolio construction for the Fund. The Fund pays an annual management fee of up to 2.25% and 1.25% of the average net assets of Series A and Series F respectively.

For the period ending December 31, 2016, the Fund paid a management fee of \$104,151.

Incentive fee

The Fund will pay the Manager an annual incentive fee plus applicable taxes of 20% of the difference by which the return in the NAV per share of the applicable series of the Fund, in a calendar year, exceeds the percentage return of the 50/50 blend of the MSCI World Index and FTSE Global Government Bond Index.

The Fund paid an incentive fee of \$15,228 for the period ending December 31, 2016.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund’s financial performance for the year ended December 31, 2016. Per share data is derived from the Fund’s financial statements.

The Fund’s Net Assets per share⁽¹⁾

For the period ended December 31, 2016	Class			
	A	F	I	I2
	\$	\$	\$	\$
Net Assets, beginning of period⁽¹⁾	10.49	11.15	10.00	10.44
Increase (decrease) from operations				
Total revenue	0.32	0.21	0.04	(0.05)
Total expenses	(0.34)	(0.27)	(0.05)	(0.04)
Realized gains (losses)	(0.04)	0.03	(0.02)	0.01
Unrealized gains (losses)	0.48	0.45	0.27	-
Total increase (decrease) from operations⁽²⁾	0.42	0.42	0.24	(0.08)
Distributions:				
From income (excluding dividends)	(0.04)	(0.04)	(0.04)	(0.04)
From dividends	-	-	-	-
From capital gains	-	-	-	-
Return of capital	-	-	-	-
Total annual distributions⁽³⁾	(0.04)	(0.04)	(0.04)	(0.04)
Net Assets, end of period⁽⁴⁾	10.81	11.57	10.42	10.33

- (1) This information is derived from the Fund's audited annual financial statements for the period of January 14 (date of incorporation) to December 31, 2016.
- (2) Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.
- (3) Distributions were paid in shares of the Fund.
- (4) This is not a reconciliation of the beginning and ending Net Assets per share.

Ratios and Supplemental Data

For the period ended December 31, 2016	Class			
	A	F	I	I2
Total Net Asset Value (\$000's) ⁽¹⁾	949	6,134	3,853	1,852
Number of shares outstanding	87,778	529,939	369,779	179,198
Management expense ratio ⁽²⁾	3.85%	2.52%	0.54%	1.12%
Management expense ratio before waivers or absorptions	3.85%	2.52%	0.54%	1.12%
Trading expense ratio ⁽³⁾	0.10%	0.10%	0.10%	0.10%
Portfolio turnover rate ⁽⁴⁾	38.22%	38.22%	38.22%	38.22%
Net Asset Value per unit	\$ 10.81	\$ 11.57	\$ 10.42	\$ 10.33

- (1) This information is provided as at December 31, 2016
- (2) Management expense ratio is based on total expenses (excluding commission and other portfolio transaction costs) for the stated period and expressed as an annualized percentage of daily average net asset value during the period.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
- (4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and performance of a fund.

Summary of Investment Portfolio as at December 31, 2016

Sector Allocation	% of Net Assets	Asset Allocation	% of Net Assets
Cash & Cash Equivalent	51.6	Cash and cash equivalents	51.6
Corporate Bonds	32.4	Fixed income	32.4
Information Technology	5.2	Equity	16.0
Financials	2.1		100.0
Health Care	1.9		
Energy	1.3		
Materials	1.3		
Telcommunication Services	1.2		
Consumer Staples	1.3		
Industrials	0.9		
Consumer Discretionary	0.8		
	100.0		
	% of Net Assets		% of Net Assets
Geographic Allocation	% of Net Assets	Top 25 Investments	
Cash & Cash Equivalent	51.6	Cash & Cash Equivalent	51.6
Canada	30.5	Sobeys Inc 3.52%, August 8, 2018	3.9
United States	14.9	Capital Guardian Holdings, LLC 12%, Sept. 29, 2018	2.6
United Kingdom	0.7	Ascension Technology Group Ltd. 10%, Nov. 17, 2018	2.4
Switzerland	0.6	Manitoba Telecom Service 4.59%, Oct. 1, 2018	2.1
Germany	0.6	Thomson Reuters Corporation 3.369%, May 23, 2019	2.0
Japan	0.5	Canadian National Resources 3.05%, Dec. 19, 2016	2.0
Australia	0.2	Transcontinental Inc 3.897%, May 13, 2019	2.0
France	0.2	Enbridge Income Fund 5.0% June 22, 2017	2.0
Hong Kong	0.2	Canadian National Resources 2.6%, Dec. 3, 2016	2.0
	100.0	Canadian Western Bank 2.1%, June 17, 2017	2.0
		Shaw Communications 5.70%, March 2, 2017	2.0
		Dream Office REIT 3.424%, June 13, 2018	2.0
		Carl Data Solutions Inc. Convertible 10%, May 30, 2018	1.3
		Brookfield Asset Management 5.29%, April 25, 2017	0.9
		H&R REIT 5.9%, February 3, 2017	0.9
		Carl Data Solutions Inc.	0.8
		Anfield Gold Corp.	0.8
		Apple Inc.	0.7
		Bell Canada 4.37%, September 13, 2017	0.6
		Bank of Nova Scotia 4.10%, June 8, 2017	0.6
		Alimentation Couche-Tard 2.86%, November 1, 2017	0.6
		Bank of Montreal 2.24%, December 11, 2017	0.6
		Royal Bank of Canada 2.36%, September 21, 2017	0.6
		Microsoft Corporation	0.6
		Alphabet Inc.	0.5

As at December 31, 2016, the top 25 investments in the Fund are long only. Total net assets are: \$12,788,222

The summary investment portfolio may change due to ongoing portfolio transactions of the investment fund. The most recent simplified prospectus, annual information form and fund facts document is available by visiting our website at www.aipassetmanagement.com or SEDAR at www.sedar.com.

Corporate Information

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