Financial Statements of

AIP GLOBAL MACRO CLASS

Period from January 14, 2016 (date of incorporation)
to December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of AIP Global Macro Class

We have audited the accompanying financial statements of AIP Global Macro Class, which comprise the statement of financial position as at December 31, 2016, the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the period from January 14, 2016 (date of incorporation) to December 31, 2016, and notes, comprising 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 our 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, we consider 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 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 AIP Global Macro Class as at December 31, 2016 and its financial performance and its cash flows for the period from January 14, 2016 (date of incorporation) to December 31, 2016 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 29, 2017
Toronto, Canada

AIP GLOBAL MACRO CLASS

Statement of Financial Position

December 31, 2016

Assets

Investments (note 5)	$	6,167,985
Cash		6,601,735
Receivable for investments sold		6,877
Subscriptions receivable		2,160
Interest and dividends receivable		101,249
Other receivables		75,964
Derivative assets (note 5)		7,858
		12,963,828

Liabilities

Redemptions payable		44,656
Management fees payable (note 7)		38,217
Incentive fees payable (note 7)		15,228
Accrued expenses		28,661
Dividends payable to shareholders		48,844
		175,606
Net assets attributable to holders of redeemable shares	$	12,788,222
Net assets attributable to holders of redeemable shares by series:		
Series A	$	949,183
Series F		6,133,934
Series I		3,853,330
Series I-2		1,851,775
	$	12,788,222
Net assets attributable to holders of redeemable shares per share:		
Series A	$	10.81
Series F		11.57
Series I		10.42
Series I-2		10.33

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

Approved on behalf of AIP Global Macro Class
by the Board of Directors of AIP Mutual Funds Corporation

"Jay Bala"
Director

"Karim Mecklai"
Director

AIP GLOBAL MACRO CLASS

Statement of Comprehensive Income

Period from January 14, 2016 (date of incorporation) to December 31, 2016

Income:	
Investment income:	
Dividends	$ 39,438
Security lending fee	19
Interest	170,723
Net realized loss on sale of investments	(25,910)
Net change in unrealized appreciation in value of investments	336,254
Foreign exchange gain on cash	19,418
	539,942
Expenses:	
Management fees (note 7)	104,151
Royalty income receivable written off	74,760
Other expenses	31,272
Incentive fees (note 7)	15,228
Audit fees	11,968
Withholding taxes	6,141
Valuation and administrative fees	6,066
Independent review committee fees	3,519
Custodial fees	1,486
Transaction costs	501
	255,092
Increase in net assets attributable to holders of redeemable shares	$ 284,850
Increase (decrease) in net assets attributable to holders of redeemable shares by series:	
Series A	$ 54,682
Series F	194,593
Series I	46,124
Series I-2	(10,549)
	$ 284,850
Increase (decrease) in net assets attributable to holders of redeemable shares per series per share:	
Series A	$ 0.42
Series F	0.37
Series I	0.24
Series I-2	(0.09)

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

AIP GLOBAL MACRO CLASS

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares

Period from January 14, 2016 (date of incorporation) to December 31, 2016

	Series A	Series F	Series I	Series I-2	Total
Net assets attributable to holders of redeemable shares, beginning of period	$ –	$ –	$ –	$ –	$ –
Increase (decrease) in net assets attributable to holders of redeemable shares	54,682	194,593	46,124	(10,549)	284,850
Dividends paid or payable to holders of redeemable shares:					
Net investment income	(3,624)	(23,398)	(14,739)	(7,083)	(48,844)
Redeemable share transactions:					
Proceeds from redeemable shares issued	3,944,228	8,128,105	3,961,996	1,428,479	17,462,808
Redemption of redeemable shares	(2,605,175)	(2,165,366)	(140,051)	–	(4,910,592)
Exchange of redeemable shares	(440,928)	–	–	440,928	–
	898,125	5,962,739	3,821,945	1,869,407	12,552,216
Net increase in net assets attributable to holders of redeemable shares, being net assets attributable to holders of redeemable shares, end of period	$ 949,183	$ 6,133,934	$ 3,853,330	$ 1,851,775	$ 12,788,222

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

AIP GLOBAL MACRO CLASS

Statement of Cash Flows

Period from January 14, 2016 (date of incorporation) to December 31, 2016

Cash flows from (used in) operating activities:		
Increase in net assets attributable to holders of redeemable shares	$	284,850
Adjustments for:		
Foreign exchange gain on cash		(19,418)
Net realized loss on sale of investments		25,910
Net change in unrealized appreciation of investments		(336,254)
Accrued liabilities		149,564
Proceeds from sale and maturity of investments		1,233,588
Purchase of investments		(3,927,268)
Interest, dividends receivable and other assets		496,750
		(2,092,278)
Cash flows from (used in) financing activities:		
Proceeds from redeemable shares issued		9,207,058
Redemption of redeemable shares		(4,910,592)
Cash from merger (note 10)		4,378,129
		8,674,595
Foreign exchange gain on cash		19,418
Increase in cash, being cash, end of period	$	6,601,735
Supplemental information (included in operating activities):		
Interest received	$	100,456
Dividends received, net of withholding taxes		37,235

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

AIP GLOBAL MACRO CLASS

Schedule of Investment Portfolio

December 31, 2016

Shares/ par value	Security	Cost	Fair value
Fixed income (32.4%)			
Canadian bonds (27.4%):			
75,000	Alimentation Couche-Tard 2.86%, November 1, 2017	$ 76,253	$ 75,904
75,000	Bank of Montreal 2.24%, December 11, 2017	76,095	75,793
75,000	Bank of Nova Scotia 4.10%, June 8, 2017	77,213	76,003
75,000	Bell Canada 4.37%, September 13, 2017	77,708	76,619
112,500	Brookfield Asset Management 5.29%, April 25, 2017	115,999	113,768
250,000	Canadian National Resources 2.6%, December 3, 2019	252,135	252,160
250,000	Canadian National Resources 3.05%, December 19, 2016	254,810	255,282
250,000	Canadian Western Bank 2.104%, June 17, 2017	251,285	250,953
101,250	Carl Data Solutions Inc. Convertible 10%, May 30,2018	101,250	101,250
250,000	Dream Office REIT 3.424%, June 13, 2018	251,935	249,707
250,000	Enbridge Income Fund 5.0% June 22, 2017	255,635	254,175
112,500	H&R REIT 5.9%, February 3, 2017	115,650	112,878
250,000	Manitoba Telecom Service 4.59%, October 1, 2018	263,785	262,550
75,000	Royal Bank of Canada 2.36%, September 21, 2017	76,073	75,700
250,000	Shaw Communications 5.70%, March 2, 2017	253,310	251,747
500,000	Sobeys Inc. 3.52%, August 8, 2018	510,370	504,385
250,000	Thomson Reuters Corporation 3.369%, May 23, 2019	260,260	258,798
250,000	Transcontinental Inc. 3.897%, May 13, 2019	256,388	255,170
		3,526,154	3,502,842
Foreign Bonds (5.0%):			
227,500	Ascension Technology Group 10%	303,779	305,463
250,000	Capital Guardian Holdings, LLC, 12%	334,851	335,676
		638,630	641,139
	Total fixed income	4,164,784	4,143,981

AIP GLOBAL MACRO CLASS

Schedule of Investments (continued)

December 31, 2016

Shares/ par value	Security	Cost	Fair value
Canadian equities (2.4%):			
Materials (0.8%):			
86,300	Anfield Gold Corp.	–	100,108
Industrials (0.1%):			
600,000	ATI Airtest Technologies Inc.	28,000	13,500
Financials (0.2%):			
150	The Toronto-Dominion Bank	8,261	9,937
119	Bank of Montreal	9,275	11,491
		17,536	21,428
Information Technology (1.3%):			
569,294	Carl Data Solutions Inc.	97,442	170,788
	Total Canadian equities	142,978	305,824
Foreign equities (13.5%):			
Energy (1.3%):			
426	Total SA	27,324	29,154
448	BP PLC	20,776	22,485
303	Royal Dutch Shell PLC Class A	21,013	22,124
356	ConocoPhillips	24,828	23,967
354	Exxon Mobil Corporation	37,277	42,902
258	Schlumberger Limited	26,495	29,082
		157,713	169,714
Materials (0.5%):			
14	South32 Ltd.	–	186
622	BHP Biliton Ltd.	24,685	29,882
276	BASF SE	29,093	34,305
		53,778	64,373
Industrials (0.7%):			
246	Toyota Motor Corporation	37,728	38,712
1311	General Electric Company	45,577	55,625
		83,305	94,337

AIP GLOBAL MACRO CLASS

Schedule of Investments (continued)

December 31, 2016

Shares/ par value	Security	Cost	Fair value
Consumer Discretionary (0.8%):			
184	McDonald's Corporation	24,689	30,072
276	The Walt Disney Corporation	37,292	38,622
415	Wal-Mart Stores Inc.	33,321	38,515
		95,302	107,209
Consumer Staples (1.3%):			
685	The Coca Cola Company	36,182	38,132
477	Nestle SA	44,537	45,947
232	PepsiCo Inc.	28,563	32,593
416	Procter & Gamble Company	41,054	46,964
		150,336	163,636
Health Care (1.9%):			
746	Roche Holding Ltd.	32,772	28,577
485	GlaxoSmithKline PLC	26,088	25,078
175,000	CardioGenics Holdings Inc.	–	2,091
225	Gilead Sciences Inc.	30,681	21,634
434	Johnson & Johnson	55,081	67,136
442	Merck & Co. Inc.	31,090	34,938
843	Pfizer Inc.	34,080	36,764
497	Sanofi SA	29,072	26,986
		238,864	243,204
Financials (1.9%):			
1,520	Bank of America Corporation	33,097	45,104
2855	Mitsubishi UFJ Financial Group	23,674	23,614
234	Berkshire Hathaway Inc.	40,464	51,207
445	Citigroup Inc.	30,661	35,509
467	JPMorgan Chase & Co.	37,403	54,107
595	HSBC Holdings PLC	32,162	32,100
		197,461	241,641
Information Technology (3.9%):			
228	Siemens AG	30,219	37,477
65	Alphabet Inc. Class A	51,560	69,161
550	Apple Inc.	76,468	85,531
842	Cisco Systems, Inc.	28,700	34,165
393	Comcast Corporation Class A	29,002	36,489
760	Intel Corporation	31,081	37,012
208	International Business Machine	37,988	46,358
867	Microsoft Corporation	51,715	72,338
544	Oracle Corporation	27,236	28,085
441	QUALCOMM Inc.	32,334	38,607
		396,303	485,223

AIP GLOBAL MACRO CLASS
Schedule of Investments (continued)

December 31, 2016

Shares/ par value	Security	Cost	Fair value
Telecommunication Services (1.2%):			
372	China Mobile Limited	28,247	26,188
692	Vodafone Group PLC	30,251	22,699
917	AT&T Inc.	39,111	52,365
664	Verizon Communications Inc.	39,440	47,591
		137,049	148,843
Option (0.1%):			
7	Ipath VXX S&P 500 Jan/28	7,678	7,858
Total foreign equities		1,517,789	1,726,038
Total investment portfolio (48.3%)		5,825,548	6,175,843
Transaction costs		–	–
Net investments owned (48.3%)		$ 5,825,548	6,175,843
Cash (51.6%)			6,601,735
Other assets less other liabilities (0.1%)			10,644
Net assets (100.0%)			$ 12,788,222

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

AIP Global Macro Class (the "Fund") is a class of shares of AIP Mutual Funds Corporation (the "Corporation"), which was incorporated on January 14, 2016.

The Fund started operations on March 18, 2016 when it merged with Redwood Global Macro Class. The merger resulted in the Fund issuing shares with a net asset value of $8,255,750 in exchange for shares of an equivalent net asset value of a corresponding series of shares of Redwood Macro Class (note 10).

These financial statements only present the financial information for the Fund, as its own reporting entity. Since the Corporation as a whole is liable for the expenses and obligation of all classes, it's possible that if a class cannot satisfy its own obligations, such obligations may be satisfied by another class. The Corporation, however, believes that the risk of cross-class liability is remote and is diligent to minimize such liability.

Laurentian Bank Securities Inc. is the custodian of the Fund. AIP Asset Management Inc., the manager and portfolio advisor of the Fund (the "Manager"), is responsible for managing the affairs of the Fund and for the investment portfolio. The Manager is incorporated under the laws of the province of Ontario and is registered with the Ontario Securities Commission as an Investment Fund Manager, Portfolio Manager and an Exempt Market Dealer.

The investment objective of 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's registered address is 77 King Street West, Toronto, ON M5K 1E7.

The Fund's financial statements were authorized for issue by the Board of Directors on March 29, 2017.

1. Basis of presentation:

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

2. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements:

(a) Financial instruments:

The Fund recognizes financial instruments at fair value upon initial recognition. Investments have been designated at fair value through profit or loss. The Fund's obligation for net assets attributable to holders of redeemable shares 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 paid and received. Due to the short-term nature of these financial assets and liabilities, their carrying values approximate fair values.

The Fund's financial assets and liabilities, except derivatives, are designated at fair value through profit or loss at inception, as those financial assets and liabilities are managed together and their performance evaluated on a fair value basis in accordance with the Fund's investment strategies. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges.

(b) Offsetting of financial assets and liabilities:

Financial assets and liabilities are offset and the net amount presented 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.

2. Significant accounting policies (continued):

(c) 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 on the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities 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 will apply a price within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event of change in circumstances that gave rise to the transfer.

Investments held that are not traded in an active market are valued based on the results of 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, discounted cash flow analysis, option pricing models and other methodologies commonly used by market participants and 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 financial assets at amortized cost are 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 the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

2. Significant accounting policies (continued):

(e) Revenue recognition

Investment income:

Investment transactions are recognized on its trade date. The 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. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. Dividend income is recognized on the ex-dividend date. Realized and unrealized gains and losses from investment transactions are calculated on a weighted average cost basis. Income, realized and unrealized gains/losses are allocated among the series on a pro-rata basis.

(f) Functional and presentation currency and foreign currency translation:

The functional and presentation currency of the Fund is Canadian dollars, which is the currency of the primary economic environment in which the Fund operates and is the primary currency in which it raises capital.

The fair value of investments and other assets and liabilities denominated in a foreign currency are translated into Canadian dollars at the rate of exchange on the valuation date. Transactions denominated in a foreign currency are translated into Canadian dollars at the rate of exchange prevailing at the date of the transactions. Realized and unrealized foreign currency gains or losses on investments are included in the statement of comprehensive income in net realized gain (loss) on sale of investments and net change in unrealized appreciation (depreciation) on investments, respectively. Realized and unrealized foreign currency gains or losses on monetary assets and liabilities other than investments denominated in foreign currencies are included in the statement of comprehensive income in foreign exchange gain (loss) on cash.

2. Significant accounting policies (continued):

(g) Cash:

Cash is comprised of demand deposits with financial institutions, bank overdraft, and short-term debt instruments with original terms of maturity of less than 90 days.

(h) Multi-series operations:

A separate net asset value ("NAV") is calculated for each series of shares of the Fund by taking the series' proportionate share of the Fund's common assets less that series' proportionate share of the Fund's common liabilities and deducting from this amount all liabilities that relate solely to a specific series. The NAV per share for each series is determined by dividing the NAV of each series by the number of shares of that series outstanding on the valuation date.

(i) Transaction costs:

Transaction costs are expensed and are included in transaction costs in the statement of comprehensive income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers.

(j) Classification of redeemable shares issued by the Fund:

The Fund's shares are classes in the Corporation. The classes will not participate pro rata in the residual net assets of the Corporation and they do not have identical features. Consequently, the Fund's outstanding redeemable shares are classified as financial liabilities in accordance with the requirements of International Accounting Standard ("IAS") 32, Financial Instruments - Presentation.

2. Significant accounting policies (continued):

(k) Income taxes:

The Fund is established as a class of shares of the Corporation. The Corporation will pay sufficient capital gains dividends and ordinary dividends so that, generally, the tax paid by the Corporation with respect to realized capital gains and dividends from taxable Canadian corporations will be refunded to the Corporation. The Corporation will be liable to pay tax at corporate rates applicable to mutual fund corporations if income from other sources such as interest and foreign source income exceeds expenses and tax credits. Occasionally, when more income is distributed than earned by the Fund, it is deemed a return of capital and is not taxable to the shareholder.

The Fund incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown separately in the statement of comprehensive income.

(l) Standards issued but not yet effective:

The final version of IFRS 9, Financial Instrument - Recognition and Measurement ("IFRS 9") was issued by the IASB in July 2014 and will replace IAS 39, Financial Instruments - Recognition and Measurement ("IAS 39"). 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. 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 recognised 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.

(m) Securities lending transactions:

The Fund is permitted to enter into securities lending transactions. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities at a future date. Income is earned from these transactions in the form of fees paid by the counterparty. Income earned from these transactions is recognized on an accrual basis an included in the statement of comprehensive income.

3. Critical accounting estimates and judgments:

The preparation of these financial statements requires management to use judgement, make estimates and assumptions when applying the Fund's accounting policies. The following are the most significant accounting judgements and estimates made:

(a) Fair value measurement of securities not quoted in an active market:

The Fund holds financial instruments that are not quoted in active markets. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources. Where no market data is available, the Fund may value positions using valuation models that are recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk, 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. See note 5 for more information on the fair value measurement of the Fund's financial instruments.

(b) 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. 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.

4. Financial instruments risk:

Risk factors:

The Fund's activities expose it to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most significant risks include credit risk, liquidity risk and market risk (including price risk, currency risk and interest rate risk). The level of risk depends on the type of securities the Fund invests in. 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 result in a risk of capital. These risks and related risk management practices employed by the Fund are as follows:

(a) Credit risk:

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. All transactions in listed securities are settled upon delivery using approved brokers. The risk of default is considered minimal, 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 obligations. The Manager may choose to utilize multiple counterparties and those that have a high credit rating in order to minimize credit risk.

The table below summarizes the credit quality of the Fund's debt portfolio at December 31, 2016.

Credit rating	% of total debt securities
A+	5.5
A-	2.7
BBB+	38.6
BBB	14.2
BBB-	12.6
Other	26.4
Total	100.0

The Fund limits its exposure to credit loss by dealing with counterparties of high credit quality. To maximize the credit quality of its investments, the Fund's Manager performs ongoing credit evaluations based upon factors surrounding the credit risk of counterparties, historical trends and other information.

4. Financial instruments risk (continued):

The Fund may engage in securities lending transactions. The credit risk related to securities lending transactions is limited by the fact that the value of cash of securities held as collateral by the Fund in connection with these transactions is at least 102 percent of the fair value of the securities loaned. The collateral and loaned securities are marked to market on each business day. There was $19 of revenue earned from securities lending transactions during 2016.

(b) Liquidity risk:

Liquidity risk is the possibility that investments of the Fund cannot be readily converted into cash when required. The Fund may be subject to liquidity constraints because of insufficient volume in the markets for the securities of the Fund or the securities may be subject to legal or contractual restrictions on their resale. In addition, the Fund is exposed to daily cash redemptions of redeemable shares. The shares of the Fund are redeemed on demand at the current net asset value per share at the option of the shareholder. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed. The Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity; therefore, the liquidity risk for the Fund is considered minimal.

All of the Fund's financial liabilities as at December 31, 2016 are due within three months. Redeemable shares are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity disclosed above will be representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

(c) Market risks:

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 shares would have been affected by a reasonably possible change in the relevant risk variable on the reporting date. In practice, actual results may be materially different from the analysis.

4. Financial instruments risk (continued):

(i) Currency risk:

The Fund holds assets denominated in currencies other than the Canadian dollar. The Fund is exposed to currency risk because the value of these assets will fluctuate due to changes in exchange rates. The Fund may enter into forward foreign exchange contracts primarily with the intention to offset or reduce exchange rate risks associated with its investments and also, periodically, to enhance returns to the portfolio. The Canadian dollar value of forward foreign exchange contracts is determined using forward currency exchange rates supplied by an independent service provider. Losses may arise due to a change in the value of the foreign currency or if the counterparty fails to perform under the contract.

The table below summarizes the Fund's exposure to currency risks as at December 31, 2016. Had the exchange rate between the Canadian dollar and the foreign currencies increased (decreased) by 10%, with all other variables held constant, net assets attributable to holders of redeemable shares would have increased (decreased) by $291,734 on December 31, 2016. In practice, actual results may differ from this sensitivity analysis.

	Monetary assets	Non-monetary assets	Net exposure	Percentage of net assets
United States dollars	$ 550,164	$ 2,367,177	$ 2,917,341	22.8

(ii) Interest rate risk:

The Fund invests in interest bearing financial instruments and is exposed to interest rate risk when changes in interest rates affect future cash flows or fair values of financial instruments. In addition, as interest rates fall and fixed-income security issuers prepay principal, the Fund may have to reinvest this money in securities with lower interest rates. The Fund's exposure to interest rate risk is concentrated in its investment in money market instruments and fixed income securities. Other assets and liabilities are short-term in nature and/or non-interest bearing.

4. Financial instruments risk (continued):

The table below summarize the Fund's exposure to interest rate risk as at December 31, 2016. They include the Fund's assets and trading liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates.

	Less than 1 year	1 -3 years	Total
Fixed income	$ 1,363,541	$ 2,780,440	$ 4,143,981

As at December 31, 2016, if the prevailing interest rate had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, net assets attributable to holders of redeemable shares could possibly have decreased or increased, respectively, by $46,957. The Fund's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis.

(iii) Other price risk:

Other price risk 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 Manager aims to moderate this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Fund's investment objectives and strategy.

The impact on net assets of the Fund due to a 10% change in the valuation of equity investments held by the fund, as at December 31, 2016, with all other variables held constant is $203,183. This analysis assumes that all other variables remained unchanged. The historical correlation may not be representative of the future correlation.

4. Financial instruments risk (continued):

(iv) Concentration risks:

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 schedule of investments shows a summary of the Fund's concentration risk of its investment portfolio as a percentage of net assets:

5. 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 as follows:

- Level 1 - quoted prices in active markets for identical investments;
- Level 2 - other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment spreads, etc.); and
- Level 3 - unobservable inputs (including the Fund's own assumptions based on the best information available).

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 fair value hierarchy table present information about the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2016.

	Level 1	Level 2	Level 3	Total
Financial assets:				
Equities	$ 2,024,004	$ –	$ –	$ 2,024,004
Bonds*	–	3,401,592	742,389	4,143,981
Options	7,858	–	–	7,858
	$ 2,031,862	$ 3,401,592	$ 742,389	$ 6,175,843

*Included in Level 3 securities is a convertible bond with a fair value of $101,250 which is convertible into shares of a publicly traded company.

5. Fair value measurement (continued):

All fair value measurements are recurring. The carrying values of cash, receivable for investments sold, subscription receivable, interest and dividends receivable, accrued expenses, distributions payable to shareholders and the Fund's obligation for net assets attributed to holders of redeemable shares approximates their fair value due to their short term nature. Fair values are classified as Level 1 when the security 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 is classified as Level 3. 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 gives rise to the transfer.

For the period ended December 31, 2016, no investments were transferred between Levels.

A reconciliation of Level 3 financial instruments is as follows:

Balance, beginning of period	$ –
Acquisitions	742,389
Balance, end of period	$ 742,389

Level 3 securities are valued at the transaction price, an unobservable input. The potential values for Level 3 securities range from a full recovery of the cost of purchase ($742,389) to complete impairment (nil).

(a) Equities:

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

(b) Bonds and short-term investments:

Bonds are primarily government and corporate bonds, which are at prices received from independent price services or from dealers who make a market in such securities and, therefore, the Fund's bonds and short-term investments have mainly been classified as Level 2.

5. Fair value measurement (continued):

Certain of the Fund's bonds 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.

6. Redeemable shares:

Shares issued and outstanding are considered to be the capital of the Fund which is managed in accordance with the investment objective of the Fund. The Fund does not have any specific capital requirements on the subscription and redemption of shares, other than certain minimum subscription requirements. Shareholders are entitled to require payment of the net asset value per share of their shares by giving notice no later than 4:00 p.m., EST, on the valuation day upon which the shares are to be redeemed. The shares are redeemable for cash equal to a pro rata share of the Fund's NAV.

The Fund may issue an unlimited number of shares of each series. Series A shares are available to all investors. Series F shares are available to investors who participate in fee-based programs through their dealers whose dealer has signed a Series F agreement with the Manager. Series I shares are available to investors that invest a minimum initial investment of $1 million in the Fund, at the discretion of the Manager. Each series of Series I shares have different management fees which are negotiated between the shareholder and the Manager.

Shares of a series of the Fund represent the shareholders' ownership in the Fund. Distributions of the Fund’s net income and capital gains is allocated to shareholders based on their relative net asset value per share for each series in a Fund. Upon the termination of the Fund, shareholders receive a pro rata share in a Fund’s net assets. Shareholders are entitled to vote at the shareholder meetings of the Fund as a whole, as well as any shareholder meetings for the particular series of shares.

6. Redeemable shares (continued):

	Series A	Series F	Series I	Series I-2
Shares outstanding, beginning of period	–	–	–	–
Exchange redeemable shares issued	374,003	716,531	340,985	179,198
Exchanger redeemable shares redeemed	(246,072)	(186,592)	(13,447)	–
Exchange of redeemable shares	(40,153)	–	42,241	–
	87,778	529,939	369,779	179,198

7. Related party transactions:

(a) Management and incentive fees:

The Fund pays the Manager an annual management fee of up to 2.25% for Series A shares, and up to 1.25% for Series F shares, plus applicable taxes. Series I shares are available to investors that invest a minimum initial investment of $ 1 million in the Fund, at the discretion of the Manager. Each series of Series I shares have different management fees which are negotiated between the shareholder and the Manager. The management fee is calculated and accrued daily and is paid on the last day of each month based on the average daily net asset value of the Fund.

As at December 31, 2016, a management fee of $38,217 was payable to the Manager.

The Fund will pay the Manager an annual incentive fee, plus applicable taxes, equal to 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 Fund's benchmark, a 50/50 blend of the MSCI World Index and FTSE Global Government Bond Index. If the performance of a series of the Fund in any period is less than the performance of the benchmark (the "Deficiency"), then no incentive fee will be payable in any subsequent period until the performance of the applicable series, on a cumulative basis calculated from the first of such subsequent years has exceeded the amount of the Deficiency.

7. Related party transactions (continued):

(b) Expenses:

The Fund is responsible for the payment of all direct expenses related to its operations, such as brokerage commissions and fees, taxes, audit and legal fees, safekeeping and custodial fees and other expenses. Each series of shares of the Fund is responsible for the operating expenses that relate specifically to that series.

(c) Shares owned by the Manager:

A principal of the Manager owns 4,189 Series F shares.

8. Increase (decrease) in net assets attributable to holders of redeemable shares per share:

The increase (decrease) in net assets attributable to holders of redeemable shares per share for the period ended December 31, 2016 is calculated as follows:

	Series A	Series F	Series I	Series I-2
Increase (decrease) in net assets attributable to holders of redeemable shares	$ 54,682	$ 194,593	$ 46,124	$ (10,549)
Weighted average shares outstanding during the period	129,715	524,379	191,366	120,247
Increase (decrease) in net assets attributable to holders of redeemable shares per share	$ 0.42	$ 0.37	$ 0.24	$ (0.09)

9. Income tax:

The Corporation computes its net income (loss) and net capital gains (losses) for income tax purposes as a single entity. Therefore, net losses of one class may be used to offset net gains of another class to reduce the total net income or net gain of the Corporation as a whole. It is assumed that the Fund will continuously qualify as a mutual fund corporation and as a financial intermediary as defined in the Income Tax Act (Canada) and will not qualify as an investment corporation under the Act.

All income of the Corporation, including taxable capital gains net of allowable capital losses, will be subject to tax at normal corporate rates. Taxes payable on net realized capital gains are refundable on a formula basis when shares are redeemed or the Corporation elects to pay capital gains dividends. Dividends received by the Corporation on taxable dividends from taxable Canadian corporations are subject to a 33% tax which is refundable on payment of sufficient taxable dividends by the Corporation. Taxes payable by the Corporation on income from other sources (such as interest, foreign income and distributions of income from royalty trusts and exchange traded funds) are not refundable. Due to deductible expenses and to tax refunds available to the Corporation upon the payment of capital gains dividends and taxable dividends, the Corporation is not expected to have any material net income tax liability in any year.

10. Merger:

On March 18, 2016, the Fund merged with Redwood Macro Class Fund ("Redwood"), which resulted in the Fund emerging as the continuing fund. The Fund acquired all the net assets of Redwood at fair market value in exchange for units of the same series of the Fund of equal value. The shareholders of Redwood became shareholders of the Fund. The financial statements of the Fund do not include the operating results of Redwood. The following table provides the value of net assets acquired by the Fund and the value of shares issued by the Fund to Redwood's shareholders:

Investments	$ 3,220,664
Cash	4,378,129
Subscriptions receivable	305,500
Other receivables	377,500
Accounts payable	(26,043)
Redeemable shares issued	$ 8,255,750

11. Net gain (loss) from financial assets at fair value through profit or loss:

Net realized loss on financial assets:	
Financial assets held for trading	$ (1,479)
Financial assets designated at fair value through profit or loss	(24,431)
	(25,910)
Net change in unrealized appreciation on financial assets:	
Financial assets held for trading	180
Financial assets designated at fair value through profit or loss	336,074
	336,254
	$ 310,344

The net realized loss on financial assets at fair value through profit or loss represents the difference between the carrying amount of the financial asset at the beginning of the reporting year, or the transaction price if it was purchased during the reporting year, and its sale or settlement price.

The net change in unrealized appreciation on financial assets represents the difference between the carrying amount of a financial asset at the beginning of the reporting period, or the transaction price if it was purchased during the reporting period, and its carrying amount at the end of the reporting year.