



AIP Canadian Enhanced Income Class
Interim Management Report of Fund Performance
June 30, 2018

Caution Regarding Forward-looking Statements

This report may contain forward-looking statements about AIP Canadian Enhanced Income 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 refers 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.

Interim Management Report of Fund Performance

This interim management report of fund performance contains financial highlights, but does not contain the interim financial statements of the investment fund. You can get a copy of the interim financial statements, proxy voting policy and procedures, proxy voting disclosure record or quarterly portfolio disclosure, at your request and at no cost 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 the AIP Canadian Enhanced Income Class Fund (the “Fund”) is to generate superior risk-adjusted investment returns, relative to the FTSE/TMX Canada Universe Bond Index (the “benchmark”), by investing primarily in Canadian income oriented securities, convertible and fixed income or other income producing securities.

Risk

The risks associated with investing in the Fund are set out in the prospectus. In June 2018 the Fund reduced its exposure in Solbright Group Inc. (“Solbright”) from 12% of net assets at the end of 2017 to 8.8% of net assets.

Results of Operations

For the period ended June 30, 2018, Class F, I and I.1 returned 2.8%, 5% and 3.8% respectively, net of expenses. The difference in returns is due to different expense structures and the timing of unit subscriptions for a particular class. Included in the Class F return is a five cents monthly distribution. The Fund’s benchmark return was .6%.

The Fund is authorized to issue Class A shares. No such shares were outstanding as at June 30, 2018.

The most significant factor affecting the Fund’s performance is the Fund holding approximately 67.9% of its net assets in cash and treasury bills which earn a nominal return on investment. As at December 31, 2017 the Fund’s cash position was 60.2% of net assets. By holding a large cash position, the Fund will generally underperform its benchmark index when equity and fixed income markets are strong and outperform when markets are weak. The Fund outperformed its benchmark index in the first half of 2018 because of a fee earned from waiving debt covenants on a loan to Solbright. Subsequent to the waiver, Solbright repaid the loan. The Solbright fee and other fees were approximately 6% of the Fund’s average net assets during the first half of 2018.

The Fund’s largest investment position is in corporate bonds at 23% of net assets, with average maturities of less than two years. Approximately 31% of the Fund’s net assets are denominated in U.S. dollars, an increase from 22% from the prior year. The U.S. dollar had no impact on the Fund’s performance during the first half of 2018.

Recent Developments and Outlook

Global equity and bond markets had a relatively lacklustre performance in the first half of 2018 compared to the same period in 2017. As of June 30, 2018 the MSCI World Index was up 0.8% and, FTSE Global Government Bond Index was down -0.6%. Global equity markets experienced a significant correction in February 2018 due to inflation fears, equity valuations and potential trade wars. The Fund took advantage of the pullback in equities by investing in the blue chip DIA ETF. The Fund did not make any new investments in technology stocks due to valuation and concentration concerns. The strong performance of the technology sector over the past few years resulted in increased weighting of tech stocks in broad based indexes like the S&P 500. Currently, tech stocks represent over 25% of the S&P 500, the highest percentage since the tech bubble and subsequent crash in 1999/2000. Five tech companies now represent over 15% of the S&P 500 index and 46% of the NASDAQ. In early 2000, the ten largest technology stocks in the U.S., collectively represented 25% of the S&P 500 and 40% of the NASDAQ.

We are concerned about concentration risk whereby a small number of stocks have such a large weighting in the indexes and some stocks such as Amazon and Netflix trade at very high P/E ratios – above 200x earnings. The market is priced for perfection and we are uneasy that even a small earnings miss could result in a significant market correction over the next 6-18 months.

Interest rates are expected to increase in both Canada and the U.S., which may have a negative impact on bonds. Bond prices tend to decline as interest rates rise. Rising interest rates may result in slower GDP growth and corporate earnings growth. Furthermore, if inflation rises faster than expected, central banks may increase interest rates more aggressively which will further exacerbate the market correction, if one were to occur.

In the first half of 2018, the Solbright and Carl Data special situation Notes were repaid which increased liquidity in the Fund. The proceeds were used to increase our position in shorter duration government bonds since they would be less impacted by rising interest rates.

There are significant risks to equity markets over the next 6 to 18 months. It is difficult to estimate the exact timing of a market correction and it is possible that this bull market continues well beyond the 18-month time frame.

The fund manager intends to diligently monitor global economic conditions with the view of changing the composition of the portfolio to the most attractive opportunities in order to enhance unitholder value.

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 the Manger a monthly management fee for its services. For the period ending June 30, 2018, the Fund paid a management fee of \$1,941.

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 FTSE/TMX Canada Universe Bond Index. The Fund accrued a performance fee for the period ended June 30, 2018 of \$2,498.

Independent Review Committee

Brigitte Geisler, Edna Chu and Rod Seyffert were appointed to the Independent Review Committee (the “IRC”) on May 14, 2018. The IRC is a three person committee with a mandate to review and provide guidance on conflict of interest matters referred to it by the Manager, on behalf of the Fund.

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 period ended June 30, 2018. Per share data is derived from the Fund's financial statements.

Class F	30-Jun-18	31-Dec-17	30-Dec-16 ⁽²⁾
	\$	\$	\$
Net Assets, beginning of period ⁽¹⁾	9.45	9.74	10.00
Increase (decrease) from operations			
Total revenue	0.75	0.30	0.29
Total expenses	(0.31)	(0.25)	(0.14)
Realized gains	-	0.24	-
Unrealized (losses)	(0.16)	(0.11)	(0.05)
Total increase operations ⁽³⁾	0.28	0.18	0.10
Distributions:			
From income (excluding dividends)		(0.60)	(0.38)
From dividends	-	-	-
From capital gains	(0.41)	-	-
Return of capital	-	-	-
Total annual distributions ⁽⁴⁾	(0.41)	-	-
Net Assets, end of period ⁽⁵⁾	9.04	9.45	9.74

Class I	30-Jun-18	31-Dec-17	30-Dec-16 ⁽²⁾
	\$	\$	\$
Net Assets, beginning of period ⁽¹⁾	10.79	10.33	10.00
Increase (decrease) from operations			
Total revenue	0.86	0.47	0.34
Total expenses	(0.27)	(0.31)	(0.06)
Realized gains (losses)	-	0.66	-
Unrealized (losses)	(0.05)	(0.35)	0.09
Total increase operations ⁽³⁾	0.54	0.47	0.37
Distributions:			
From income (excluding dividends)		-	-
From dividends	-	-	-
From capital gains	(0.47)	-	-
Return of capital	-	-	-
Total annual distributions ⁽⁴⁾	(0.47)	-	-
Net Assets, end of period ⁽⁵⁾	10.87	10.79	10.33

Class I.1	30-Jun-18	31-Dec-17	30-Dec-16 ⁽²⁾
	\$	\$	\$
Net Assets, beginning of period ⁽¹⁾	10.48	10.27	10.19
Increase (decrease) from operations			
Total revenue	0.82	0.37	0.15
Total expenses	(0.37)	(0.27)	(0.04)
Realized gains (losses)	-	0.19	-
Unrealized (losses)	0.01	(0.32)	(0.03)
Total increase (decrease) operations ⁽³⁾	0.46	(0.03)	0.08
Distributions:			
From income (excluding dividends)		-	-
From dividends	-	-	-
From capital gains	(0.46)	-	-
Return of capital	-	-	-
Total annual distributions ⁽⁴⁾	(0.46)	-	-
Net Assets, end of period ⁽⁵⁾	10.42	10.48	10.27

- (1) This information is derived from the Fund's audited financial statements for 2016 and 2017 and the Fund's interim financial statements for June 30, 2018
- (2) This information is derived from the Fund's audited annual financial statements for the period of January 14, 2016 (date of incorporation) to December 31, 2016.
- (3) 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 year.
- (4) Distributions were paid in cash or shares of the Fund or both.
- (5) This is not a reconciliation of the beginning and ending Net Assets per share.

Ratios and Supplemental Data

Class F	30-Jun-18	31-Dec-17	31-Dec-16
Total Net Asset Value (\$000's)	\$ 333	\$ 348	\$ 2,324
Number of units outstanding (000's)	36,858	36,857	238,512
Management expense ratio ⁽¹⁾	2.47%	1.90%	2.19%
Trading expense ratio ⁽²⁾	0.00%	0.10%	0.10%
Portfolio turnover rate ⁽³⁾	28.31%	287.46%	15.57%
Net Asset Value per unit	\$ 9.04	\$ 9.45	\$ 9.74
Class I	30-Jun-18	31-Dec-17	31-Dec-16
Total Net Asset Value (\$000's)	\$ 11,907	\$ 12,682	\$ 11,469
Number of units outstanding (000's)	1,095,886	1,174,881	1,110,583
Management expense ratio ⁽¹⁾	0.88%	0.79%	0.86%
Trading expense ratio ⁽²⁾	0.00%	0.10%	0.10%
Portfolio turnover rate ⁽³⁾	28.31%	287.46%	15.57%
Net Asset Value per unit	\$ 10.87	\$ 10.79	\$ 10.33
Class I.1	30-Jun-18	31-Dec-17	31-Dec-16
Total Net Asset Value (\$000's)	\$ 15	\$ 106	\$ 836
Number of units outstanding (000's)	1,418	10,154	81,415
Management expense ratio ⁽¹⁾	3.07%	3.23%	1.52%
Trading expense ratio ⁽²⁾	0.00%	0.10%	0.10%
Portfolio turnover rate ⁽³⁾	28.31%	287.46%	15.57%
Net Asset Value per unit	\$ 10.42	\$ 10.48	\$ 10.27

- (1) 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.
- (2) 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.
- (3) 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.

Management and advisory fees

The Fund pays the Manager a monthly management fee for its services as the manager and investment advisor of the fund, based on the net asset value of each Series, calculated daily and payable monthly. The management fee for Series I is paid directly by the investor and is not an expense of the Fund. The Manager uses the management fee to pay for trailing commissions to registered dealers for the distribution of the Fund's shares, investment counsel and administrative expenses such as salaries, rent and professional fees.

	Management fee	Allocation of management fee	
		Dealer compensation	Investment counsel and administration
Series F	1.0%	-	100%
Series I	-	-	-
Series I.1	2.0%	50%	50%

Past Performance

The performance information assumes that all distributions, if any, made by the Fund in the years shown were reinvested in additional securities of the Fund. The performance information does not account for sales, redemptions, distribution or other optional charges that would have reduced returns or performance. The Fund's past performance is not indicative of how it will perform in the future.

Period-by-Period Returns

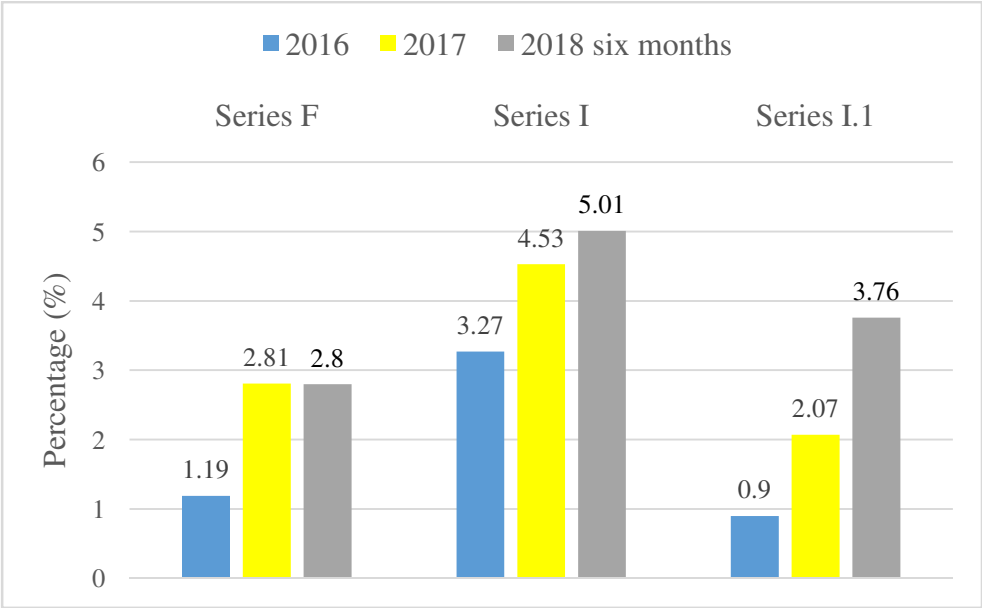
The bar chart below shows the Fund's performance for each of the periods shown and illustrates how the Fund's performance has changed from period to period. The chart shows, in percentage terms, how much an investment made on either the series inception date or first day of each financial year would have changed by the last day of the reporting period.

The calculation of the returns for 2016 is based on the following periods:

Series F: May 10, 2016 (inception date) to December 31, 2016

Series I: April 8, 2016 (inception date) to December 31, 2016

Series I.1: August 29, 2016 (inception date) to December 31, 2016



Summary of Investment Portfolio as at June 30, 2018

<u>Sector Allocation</u>	<u>% of Net Assets</u>	<u>Asset Allocation</u>	<u>% of Net Assets</u>
Cash	50.8	Cash	50.8
Corporate bonds	23.0	Fixed Income	23.0
Treasury Bills	16.2	Treasury Bills	16.2
Information Technology	8.9	Equity	10.0
Financial	0.8	Total Net Assets	100.0
Consumer Staples	0.3		
Total Net Assets	100.0		
		<u>Top Investments</u>	<u>% of Net Assets</u>
		Cash	50.8
		Government of Canada *	16.2
		Solbright Group Inc.	8.9
		Cameco Corporation*	6.3
		Canadian National Resources *	4.1
		Sobeys Inc *	4.1
		Thomson Reuters Corp *	2.1
		Transcontinental Inc. *	2.1
		Baytex Energy Corp *	1.5
		Relevium Technologies Inc. *	1.5
		Crew Energy *	1.4
		Capital Guardian Holdings, LLC	0.8
		Relevium Technogies Inc.	0.3
		Carl Data Solutions Inc. *	0.1

(*) Debt instrument

As at June 30, 2018 the Fund's assets are long only. Total net assets are \$ 12,254,747

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

Manager and Portfolio Advisor

AIP Asset Management Inc.
77 King Street West
Suite 4140
Toronto, ON

Tel: 416.601.0808

Email: info@aipassetmanagement.com

Auditor

KPMG LLP
333 Bay Street
Suite 4600
Toronto, ON
M5H 2S5

Custodian

Laurentian Bank Securities Inc.
Montreal, Quebec