# Man Canada AHL DP Investment Fund

Annual Report – 2013

Innovating to perform

# Man Canada AHL DP Investment Fund
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# Man Canada AHL DP Investment Fund
## Management's Responsibility for Financial Reporting

Man Investments Canada Corp. (the "Manager") is responsible for the accompanying financial statements and all the information in this report. These financial statements have been approved by the Board of Directors of Man Investments Canada Corp., as Manager and Trustee. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect Management's judgment and best estimates.

Management has established systems of internal control that provide assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. The systems of internal controls meet Management's responsibilities for the integrity of the financial statements.

The Manager recognizes its responsibility to conduct the Fund's affairs in the best interest of its unitholders.

Respectfully,

Toreigh N. Stuart
Chief Executive Officer
Man Investments Canada Corp.
March 28, 2014

To the unitholders of Man Canada AHL DP Investment Fund (the "Fund)":

We have audited the accompanying financial statements of the Fund, which comprise the statement of investments as at December 31, 2013, the statements of net assets as at December 31, 2013 and 2012, and the statements of operations and changes in net assets for the years then ended, and 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 Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' 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 auditors' 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 auditors 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 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, 2013 and 2012 and the results of its operations and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
March 28, 2014

# Man Canada AHL DP Investment Fund
## Statements of Net Assets

| As at December 31, | 2013 CAD | 2012 CAD |
|---|---|---|
| **ASSETS** | | |
| Cash | 55,061,989 | 3,527,186 |
| Subscription receivable | 5,598,770 | - |
| Due from broker | 2,140,753 | - |
| Accounts receivable | 102,060 | 825,232 |
| Receivable from the Forward Agreement | - | 894,798 |
| Investments, at fair value | | |
| Investment in Underlying Fund (Note 2) | 31,941,188 | - |
| Common Share Portfolio | - | 156,874,619 |
| Forward Agreement (Note 4) | - | (831,775) |
| | 31,941,188 | 156,042,844 |
| **Total Assets** | 94,844,760 | 161,290,060 |
| **LIABILITIES** | | |
| Due to broker | 2,170,600 | - |
| Fees and operating expenses | 671,652 | 972,698 |
| Redemptions payable | 3,023,199 | 4,416,075 |
| Distributions payable | 176,745 | 363,580 |
| **Total Liabilities** | 6,042,196 | 5,752,353 |
| **NET ASSETS representing unitholders' equity** | 88,802,564 | 155,537,707 |
| **NET ASSETS PER CLASS:** | | |
| Class A | 31,107,748 | 53,899,578 |
| Class B | 15,754,520 | 24,966,335 |
| Class C | 5,260,961 | 6,910,148 |
| Class D | 2,639,280 | 5,143,583 |
| Class F | 13,439,611 | 37,928,419 |
| Class G | 3,972,411 | 5,547,927 |
| Class H[1] | 991,005 | - |
| Class I | - | 47,003 |
| Class L[2] | 537,236 | - |
| Class M[2] | 4,855,222 | - |
| Class O | 4,112,045 | 7,210,321 |
| Class P | 1,604,581 | 2,148,828 |
| Class Q | 776,817 | 1,021,298 |
| Class R | 2,910,626 | 9,637,549 |
| Class S | 184,571 | 249,936 |
| Class T | 655,930 | 826,782 |
| | 88,802,564 | 155,537,707 |
| **NUMBER OF UNITS OUTSTANDING:** (Note 6) | | |
| Class A | 3,575,253 | 5,723,378 |
| Class B | 1,809,079 | 2,648,598 |
| Class C | 604,333 | 733,277 |
| Class D | 320,079 | 576,261 |
| Class F | 1,462,174 | 3,865,846 |
| Class G | 500,246 | 644,885 |
| Class H[1] | 109,189 | - |

1. Class H units were offered November 9, 2012, with the first issuance of units on February 1, 2013.

2. Class L and M units were offered December 3, 2013, with the first issuance of units on December 30, 2013.

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

# Man Canada AHL DP Investment Fund

## Statements of Net Assets (continued)

| **As at December 31,** | **2013** | **2012** |
|---|---:|---:|
| **NUMBER OF UNITS OUTSTANDING:** (Note 6) | | |
| Class I | - | 4,829 |
| Class L[2] | 53,740 | - |
| Class M[2] | 485,670 | - |
| Class O | 609,638 | 924,972 |
| Class P | 237,660 | 275,380 |
| Class Q | 114,893 | 130,691 |
| Class R | 407,985 | 1,190,148 |
| Class S | 27,266 | 31,948 |
| Class T | 100,595 | 109,587 |
| | 10,417,800 | 16,859,800 |
| **NET ASSETS PER UNIT:** | | |
| Class A | 8.70 | 9.42 |
| Class B | 8.71 | 9.43 |
| Class C | 8.71 | 9.42 |
| Class D | 8.25 | 8.93 |
| Class F | 9.19 | 9.81 |
| Class G | 7.94 | 8.60 |
| Class H[1] | 9.08 | - |
| Class I | - | 9.73 |
| Class L[2] | 10.00 | - |
| Class M[2] | 10.00 | - |
| Class O | 6.75 | 7.80 |
| Class P | 6.75 | 7.80 |
| Class Q | 6.76 | 7.81 |
| Class R | 7.13 | 8.10 |
| Class S | 6.77 | 7.82 |
| Class T | 6.52 | 7.54 |

1. Class H units were offered November 9, 2012, with the first issuance of units on February 1, 2013.

2. Class L and M units were offered December 3, 2013, with the first issuance of units on December 30, 2013.

Approved by Man Investments Canada Corp.

Toreigh N. Stuart
Chief Executive Officer

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

# Man Canada AHL DP Investment Fund
## Statements of Operations

| For the years ended December 31, | 2013<br>CAD | 2012<br>CAD |
|---|---|---|
| **INVESTMENT INCOME** | | |
| Dividends | - | 865,759 |
| Securities lending (Note 5) | 274,230 | 534,478 |
| Interest | 2,483 | 1,372 |
| | 276,713 | 1,401,609 |
| **EXPENSES** (Note 8) | | |
| Management fee | 1,138,954 | 1,724,733 |
| General operating expenses | 571,349 | 629,044 |
| Independent Review Committee fees | 10,730 | 26,127 |
| Legal fees | 332,550 | 249,892 |
| Audit fees | 92,741 | 72,978 |
| Unitholders reporting costs | 10,225 | 16,488 |
| Commodity tax (HST) | 257,658 | 274,727 |
| | 2,414,207 | 2,993,989 |
| **NET INVESTMENT LOSS** | (2,137,494) | (1,592,380) |
| Transaction costs | (813,698) | (1,494,707) |
| **NET REALIZED GAIN ON INVESTMENT TRANSACTIONS** | 8,029,851 | 7,769,554 |
| **NET REALIZED FOREIGN EXCHANGE LOSS** | - | (1,597) |
| **NET CHANGE IN UNREALIZED DEPRECIATION OF INVESTMENTS** | (14,457,536) | (22,654,928) |
| **NET LOSS ON INVESTMENTS** | (7,241,383) | (16,381,678) |
| **NET DECREASE IN NET ASSETS FROM OPERATIONS** | (9,378,877) | (17,974,058) |

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

| For the years ended December 31, | 2013 CAD | 2012 CAD |
|---|---|---|
| **NET DECREASE IN NET ASSETS FROM OPERATIONS PER UNIT:** | | |
| Class A | (3,486,349) | (6,588,252) |
| Class B | (1,757,032) | (2,545,161) |
| Class C | (474,244) | (794,069) |
| Class D | (228,943) | (606,357) |
| Class F | (1,674,798) | (4,638,103) |
| Class G | (370,111) | (764,431) |
| Class H | (106,244) | - |
| Class I | (3,687) | (3,953) |
| Class L | (164) | - |
| Class M | (1,478) | - |
| Class O | (513,800) | (799,791) |
| Class P | (149,539) | (257,971) |
| Class Q | (75,586) | (106,473) |
| Class R | (458,915) | (776,641) |
| Class S | (18,510) | (26,606) |
| Class T | (59,477) | (66,250) |
| | (9,378,877) | (17,974,058) |
| **AVERAGE NUMBER OF UNITS OUTSTANDING:** | | |
| Class A | 4,788,398 | 7,140,109 |
| Class B | 2,341,878 | 2,804,222 |
| Class C | 664,567 | 870,202 |
| Class D | 436,245 | 707,535 |
| Class F | 2,626,452 | 5,617,942 |
| Class G | 578,719 | 910,542 |
| Class H | 101,979 | - |
| Class I | 4,331 | 4,829 |
| Class L | 53,740 | - |
| Class M | 485,670 | - |
| Class O | 825,278 | 1,011,996 |
| Class P | 255,904 | 327,174 |
| Class Q | 125,578 | 141,310 |
| Class R | 888,097 | 1,153,154 |
| Class S | 31,371 | 34,082 |
| Class T | 104,190 | 86,738 |
| **NET DECREASE IN NET ASSETS FROM OPERATIONS PER UNIT:** | | |
| Class A | (0.73) | (0.92) |
| Class B | (0.75) | (0.91) |
| Class C | (0.71) | (0.91) |
| Class D | (0.52) | (0.86) |
| Class F | (0.64) | (0.83) |
| Class G | (0.64) | (0.84) |
| Class H | (1.04) | - |
| Class I | (0.85) | (0.82) |
| Class L | - | - |
| Class M | - | - |
| Class O | (0.62) | (0.79) |

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

| For the years ended December 31, | 2013<br>CAD | 2012<br>CAD |
|---|---|---|
| **NET DECREASE IN NET ASSETS FROM OPERATIONS PER CLASS:** | | |
| Class P | (0.58) | (0.79) |
| Class Q | (0.60) | (0.75) |
| Class R | (0.52) | (0.67) |
| Class S | (0.59) | (0.78) |
| Class T | (0.57) | (0.76) |

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

# Man Canada AHL DP Investment Fund
## Statements of Changes in Net Assets

| For the years ended December 31, | 2013 CAD | 2012 CAD |
| --- | --- | --- |
| Class A | | |
| Beginning of year | 53,899,578 | 78,537,919 |
| Net decrease in Net Assets from Operations | (3,486,349) | (6,588,252) |
| Proceeds from issuance of units (Note 6) | 1,512,152 | 9,779,353 |
| Consideration paid for redemption of units (Note 6) | (20,817,633) | (27,829,442) |
| End of year | 31,107,748 | 53,899,578 |
| Class B | | |
| Beginning of year | 24,966,335 | 28,831,385 |
| Net decrease in Net Assets from Operations | (1,757,032) | (2,545,161) |
| Proceeds from issuance of units (Note 6) | 386,897 | 2,345,865 |
| Consideration paid for redemption of units (Note 6) | (7,841,680) | (3,665,754) |
| End of year | 15,754,520 | 24,966,335 |
| Class C | | |
| Beginning of year | 6,910,148 | 9,990,324 |
| Net decrease in Net Assets from Operations | (474,244) | (794,069) |
| Proceeds from issuance of units (Note 6) | 95,045 | 380,525 |
| Consideration paid for redemption of units (Note 6) | (1,269,988) | (2,666,632) |
| End of year | 5,260,961 | 6,910,148 |
| Class D | | |
| Beginning of year | 5,143,583 | 7,664,012 |
| Net decrease in Net Assets from Operations | (228,943) | (606,357) |
| Proceeds from issuance of units (Note 6) | - | 49,492 |
| Consideration paid for redemption of units (Note 6) | (2,275,360) | (1,963,564) |
| End of year | 2,639,280 | 5,143,583 |
| Class F | | |
| Beginning of year | 37,928,419 | 71,967,269 |
| Net decrease in Net Assets from Operations | (1,674,798) | (4,638,103) |
| Proceeds from issuance of units (Note 6) | 2,514,976 | 9,293,956 |
| Consideration paid for redemption of units (Note 6) | (25,328,986) | (38,694,703) |
| End of year | 13,439,611 | 37,928,419 |
| Class G | | |
| Beginning of year | 5,547,927 | 10,053,779 |
| Net decrease in Net Assets from Operations | (370,111) | (764,431) |
| Proceeds from issuance of units (Note 6) | 105,692 | 1,143,172 |
| Consideration paid for redemption of units (Note 6) | (1,311,097) | (4,884,593) |
| End of year | 3,972,411 | 5,547,927 |
| Class H[1] | | |
| Beginning of year | - | - |
| Net decrease in Net Assets from Operations | (106,244) | - |
| Proceeds from issuance of units (Note 6) | 1,538,338 | - |
| Consideration paid for redemption of units (Note 6) | (441,089) | - |
| End of year | 991,005 | - |

1. Class H units were offered November 9, 2012, with the first issuance of units on February 4, 2013

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

| For the years ended December 31, | 2013 CAD | 2012 CAD |
|---|---|---|
| Class I | | |
| Beginning of year | 47,003 | 50,956 |
| Net decrease in Net Assets from Operations | (3,687) | (3,953) |
| Consideration paid for redemption of units (Note 6) | (43,316) | - |
| End of year | - | 47,003 |
| Class L[2] | | |
| Beginning of year | - | - |
| Net decrease in Net Assets from Operations | (164) | - |
| Proceeds from issuance of units (Note 6) | 537,400 | - |
| End of year | 537,236 | - |
| Class M[2] | | |
| Beginning of year | - | - |
| Net decrease in Net Assets from Operations | (1,478) | - |
| Proceeds from issuance of units (Note 6) | 4,856,700 | - |
| End of year | 4,855,222 | - |
| Class O | | |
| Beginning of year | 7,210,321 | 8,714,683 |
| Net decrease in Net Assets from Operations | (513,800) | (799,791) |
| Proceeds from issuance of units (Note 6) | 422,566 | 1,336,227 |
| Reinvestment of distributions (Note 6) | 76,214 | 99,217 |
| Consideration paid for redemption of units (Note 6) | (2,714,041) | (1,601,772) |
| Distributions to unitholder - return of capital | (369,215) | (538,243) |
| End of year | 4,112,045 | 7,210,321 |
| Class P | | |
| Beginning of year | 2,148,828 | 3,024,696 |
| Net decrease in Net Assets from Operations | (149,539) | (257,971) |
| Proceeds from issuance of units (Note 6) | - | 238,327 |
| Reinvestment of distributions (Note 6) | 41,629 | 62,141 |
| Consideration paid for redemption of units (Note 6) | (318,843) | (745,578) |
| Distributions to unitholder - return of capital | (117,494) | (172,787) |
| End of year | 1,604,581 | 2,148,828 |
| Class Q | | |
| Beginning of year | 1,021,298 | 1,132,623 |
| Net decrease in Net Assets from Operations | (75,586) | (106,473) |
| Proceeds from issuance of units (Note 6) | - | 408,743 |
| Reinvestment of distributions (Note 6) | 8,461 | 11,422 |
| Consideration paid for redemption of units (Note 6) | (119,167) | (349,044) |
| Distributions to unitholder - return of capital | (58,189) | (75,973) |
| End of year | 776,817 | 1,021,298 |

2. Class L and M units were offered December 3, 2013, with the first issuance of units on December 30, 2013.

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

| For the years ended December 31, | 2013 CAD | 2012 CAD |
|---|---|---|
| Class R | | |
| Beginning of year | 9,637,549 | 9,596,255 |
| Net decrease in Net Assets from Operations | (458,915) | (776,641) |
| Proceeds from issuance of units (Note 6) | 865,643 | 3,853,127 |
| Reinvestment of distributions (Note 6) | 264,230 | 264,926 |
| Consideration paid for redemption of units (Note 6) | (7,010,509) | (2,649,666) |
| Distributions to unitholder - return of capital | (387,372) | (650,452) |
| End of year | 2,910,626 | 9,637,549 |
| Class S | | |
| Beginning of year | 249,936 | 282,146 |
| Net decrease in Net Assets from Operations | (18,510) | (26,606) |
| Proceeds from issuance of units (Note 6) | - | 39,882 |
| Reinvestment of distributions (Note 6) | 702 | 494 |
| Consideration paid for redemption of units (Note 6) | (33,100) | (27,509) |
| Distributions to unitholder - return of capital | (14,457) | (18,471) |
| End of year | 184,571 | 249,936 |
| Class T | | |
| Beginning of year | 826,782 | 609,524 |
| Net decrease in Net Assets from Operations | (59,477) | (66,250) |
| Proceeds from issuance of units (Note 6) | 14,246 | 434,294 |
| Reinvestment of distributions (Note 6) | 1,790 | 1,495 |
| Consideration paid for redemption of units (Note 6) | (80,623) | (104,344) |
| Distributions to unitholder - return of capital | (46,788) | (47,937) |
| End of year | 655,930 | 826,782 |

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

# Man Canada AHL DP Investment Fund
## Statement of Investments

The total fair value of the Fund's investments is based on the Fund's investment in Man AHL DP Limited, the underlying fund (see Note 2 in the notes to the financial statements).

| Number of Shares | Name | Average Cost (CAD) | Fair Value (CAD) |
|---|---|---|---|
| 286,492 | Man AHL DP Limited – Class A CAD Shares | 28,590,512 | 29,418,199 |
| 3,443 | Man AHL DP Limited – Class B CAD Shares | 343,259 | 354,031 |
| 21,706 | Man AHL DP Limited – Class C CAD Shares | 2,170,600 | 2,168,958 |
| | Total Investment In Underlying Fund | 31,104,371 | 31,941,188 |

**The balance sheet of Man AHL DP Limited as at December 31, 2013 is listed below:**

| | USD | % |
|---|---|---|
| Cash[1] | 20,104,654 | 66.9% |
| Prepayments and other assets | 613 | 0.0% |
| Investments at fair value[2] | 10,141,533 | 33.7% |
| Accounts payable and accrued expenses | -178,847 | -0.6% |
| Net Assets per financial statements | 30,067,953 | 100.0% |
| Net Assets for valuation purposes | 30,067,953 | |

| | |
|---|---|
| Total number of Shares outstanding - Class A | 286,492 |
| Net Asset Value per Share - Class A (CAD) | 102.68 |
| Number of Shares attributable to the Fund - Class | 286,492 |
| Aggregate value of Shares - Class A (CAD) | 29,418,199 |
| | |
| Total number of Shares outstanding - Class B | 3,443 |
| Net Asset Value per Share - Class B (CAD) | 102.82 |
| Number of Shares attributable to the Fund - Class | 3,443 |
| Aggregate value of Shares - Class B (CAD) | 354,031 |
| | |
| Total number of Shares outstanding - Class C | 21,706 |
| Net Asset Value per Share - Class C (CAD) | 99.92 |
| Number of Shares attributable to the Fund - Class | 21,706 |
| Aggregate value of Shares - Class C (CAD) | 2,168,958 |

1. Cash is comprised of cash in bank deposits and cash held w ith brokers in order to meet margin requirements.

2. The investments consist predominately of futures contracts written across a range of global markets including currencies, bonds, stocks, energy, metals and interest rates (the "Underlying Assets") and have a substantially larger notional value than is reflected by the investment amount w ith the result that the Underlying Assets is exposed to a form of leverage. Based on the Investment Manager's view , such futures contracts may be purchased or sold resulting in a long or short investment position.

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

# Man Canada AHL DP Investment Fund

## Statement of Investments (continued)

The following shows the Underlying Assets allocation by asset class and the top 25 holdings as presented in the Man AHL DP Limited Management Report on Fund Performance posted on SEDAR. This summary of the Underlying Assets may change due to ongoing portfolio transactions. For further details, see the Man AHL DP Limited consolidated financial statements for the year ended December 31, 2013 as posted on SEDAR.

**Portfolio Allocation**

| Asset Class | % of Net Assets |
|---|---|
| Stock Indices | 15.69 |
| Interest Rates | 9.61 |
| Agriculturals | 7.65 |
| Metals | 3.73 |
| Energies | 2.64 |
| Currencies | 0.12 |

### Top 25 Holdings

| Issuer | % of Net Assets |
|---|---|
| | |
| **Long Positions** | |
| S&P500 EMINI FUT - CME Group Inc | 2.10 |
| Euro-BTP Future - EUREX | 1.72 |
| KOSPI2 INX FUT - Korea Futures Exchange | 1.27 |
| NASDAQ 100 E-MINI - CME Group Inc | 1.26 |
| DAX INDEX FUTURE - EUREX | 1.20 |
| SOYBEAN FUTURE - Chicago Board Of Trade | 1.19 |
| BRENT CRUDE FUTR - ICE FUTURES EUROPE | 1.03 |
| KOREA 3YR BND FUT - Korea Futures Exchange | 1.02 |
| EURO STOXX 50 - EUREX | 0.90 |
| FTSE 100 IDX FUT - LIFFE | 0.88 |
| AUST 3YR BOND FUT - Sydney Futures Exchange | 0.84 |
| 3MO EURO EURIBOR - LIFFE | 0.73 |
| BANK ACCEPT FUTR - Montreal Options Exchange | 0.68 |
| RUSSELL 2000 MINI - ICE Futures US | 0.66 |
| LME ZINC FORWARD ($) 2014 - LME | 0.64 |
| COPPER FUTURE - CMX | 0.63 |
| NIKKEI 225 (SGX) - SIMEX | 0.62 |
| OMXS30 IND FUTURE - Stockholm Options Exchange | 0.59 |
| | |
| **Short Positions** | |
| CORN FUTURE - Chicago Board Of Trade | 1.91 |
| LONG GILT FUTURE - LIFFE | 1.69 |
| LME ALUMINUM FORWARD 2014 - LME | 1.68 |
| CBOE VIX FUTURE - Chicago Board Options Exchange | 1.16 |
| WHEAT FUTURE(KCB) - Kansas City Board Of Trade | 0.79 |
| WHEAT FUTURE(CBT) - Chicago Board Of Trade | 0.78 |
| SUGAR #11 (WORLD) - ICE Futures US | 0.58 |
| **Total Net Asset Value of the Underlying Fund:** | **CAD – 31,941,188** |

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

## 1. THE FUND

Man Canada AHL DP Investment Fund (the “Fund”) is a commodity pool structured as an open-ended investment trust established under the laws of the Province of Ontario.

The Fund’s investment objectives are: (i) to provide holders of units (the “unitholders”) with the opportunity to realize capital appreciation through investment returns that have a low correlation to traditional forms of stock and bond securities; and (ii) to pay to holders of Class O units, Class P units, Class Q units, Class R units, Class S units and Class T units quarterly cash distributions in a calendar year equal to 6% of the Net Asset Value (“NAV”) of such units calculated as at the last valuation date of the preceding year. The Fund is intended to provide added diversification and enhance the risk/reward profile of conventional investment portfolios.

To pursue its investment objectives, the Fund obtains exposure to the returns of a diversified portfolio of financial instruments across a range of global markets including, without limitation, stocks, bonds, currencies, short-term interest rates, energy, metals and agricultural commodities (the “Underlying Assets”) managed by AHL Partners LLP (the “Investment Manager”) using a predominantly trend-following trading program (the “AHL Diversified Programme”). The AHL Diversified Programme is implemented and managed by the Investment Manager.

## 2. DISCLOSURE OF INVESTMENT PORTFOLIO OF THE UNDERLYING FUND

Effective December 9, 2013, the Fund obtains exposure to the Underlying Assets, through its investment in the underlying fund Man AHL DP Limited (“AHL DP Limited” or the “Underlying Fund”), an exempted company with limited liability incorporated in the Cayman Islands. AHL DP Limited acquired and maintains the Underlying Assets.

The return to the Fund, and consequently to unitholders, will depend on the performance of the Underlying Fund, which, in turn, will be based on the performance of the Underlying Assets. The investment strategies employed by the Underlying Assets include entering into futures and forward contracts and investments in other financial instruments. The exposure under all contracts and positions to which the Underlying Assets may have exposure at any time may be substantially larger than the actual amount invested with the result that the Underlying Assets will be exposed to a form of structural leverage.

The return to the holders of Class A units, Class B units, Class C units, Class D units, Class F units, Class G units, Class I units, Class O units, Class P units, Class Q units, Class R units, Class S units, and Class T units is referable to the Class A CAD Shares (as hereinafter defined) issued by the Underlying Fund. The return to the holders of Class H units is referable to the Class B CAD Shares (as hereinafter defined) issued by the Underlying Fund. The return to the holders of Class L units and Class M units is referable to the Class C CAD Shares (as hereinafter defined) issued by the Underlying Fund. The Class A CAD, Class B CAD, and Class C CAD Shares issued by the Underlying Fund differ in their management fees, at up to approximately 2.00%, 1.00%, and 1.00% per annum respectively, the details of which can be found in the final long form prospectus for Man AHL DP Limited filed on SEDAR.

Prior to December 9, 2013, the Fund obtained exposure to the Underlying Assets through one or more forward purchase and sale agreements (collectively, the “Forward Agreement”) entered into with one or more Canadian chartered banks and/or their affiliates (TD Global Finance or the “Counterparty”). The Counterparty in turn held AHL Investment Strategies SPC (“AHL SPC”) Notes in order to hedge its exposure under the terms of the Forward Agreement.

AHL employs sophisticated computerized processes to identify pricing inefficiencies in markets around the world. A stable and robust trading and implementation infrastructure is then employed to capitalize on these trading opportunities. The process is quantitative and primarily directional in nature, meaning that investment decisions are entirely driven by mathematical models based on market trends and other historical relationships.

The entire process is underpinned by rigorous risk control, ongoing research, diversification and the constant quest for efficiency.

The cornerstone of AHL's investment philosophy is that financial markets experience persistent inefficiencies that take the form of price trends. Trends are a manifestation of serial correlation in financial markets – the phenomenon whereby past price movements influence future price behaviour. Serial correlation can be explained by factors as obvious as crowd behaviour, as well as more subtle factors such as varying levels of information among different market participants. Although they vary in their intensity, duration and frequency, price trends are universally recurrent across all sectors and markets. Trends are an attractive focus for active trading styles applied across a diverse range of global markets.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These annual financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). In applying Canadian GAAP, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, investment income and expenses reported during the period. Actual results could differ from those estimates.

A summary of the significant accounting policies is listed below:

### (I) Valuation of Investments

The Fund's investment in the Underlying Fund is valued at the net asset value per unit reported by the Underlying Fund's manager. This measure approximately represents the fair value of the investment. The Fund's investment in the Underlying Fund is classified as held for trading.

The Fund's investments in the Common Share Portfolio have offsetting market risks against the Forward Agreement and accordingly, the value of any security in the Common Share Portfolio is valued on the same basis as specified in the Forward Agreement. The terms of the Forward Agreement stipulate that the investments in the Common Share Portfolio, for purposes of determining a value for cash settlement, be valued at the last trade price (close) on a designated exchange, which is typically the Toronto Stock Exchange ("TSX").

The fair value of any security positions which are not included in the Common Share Portfolio or do not have offsetting market risks is determined as follows:

a) Securities listed upon a recognized public stock exchange are valued at their bid prices on the valuation date. Securities with no available bid price are valued at the last trade price.

b) Securities not listed upon a recognized public stock exchange are valued using valuation techniques, as determined appropriate by an independent valuation agent (the "Valuation Agent") retained by the Manager in accordance with the Manager's authority under the Trust Agreement, with the consent of the Manager.

As at December 31, 2013 the Fund held investments in the Underlying Fund. As at December 31, 2012 all security positions were included in the Common Share Portfolio and valued in accordance with the Forward Agreement.

The year-over-year change in the difference between fair value and the average cost is shown as the net change in unrealized appreciation (depreciation) of investments.

Transactions costs such as brokerage commissions incurred in the purchase and sale of securities by the Fund are charged to net income in the year.

The Forward Agreement is valued at an amount equal to the gain or loss that would be realized if the position was to be closed out on the valuation date and in accordance with its terms, in which case fair value shall be based on the fair value of AHL SPC. On cash settlement, the fair value of the Forward Agreement would equal the difference between the fair value of the securities held in the Common Share Portfolio and the Counterparty's investment in AHL SPC. The Forward Agreement was classified as held for trading.

### (II) Investment Transactions and Income Recognition

Investment transactions are accounted for as of the trade date. Income and expenses are recorded on an accrual basis. Dividends are recorded on the ex-dividend date. Interest income is recorded as it is earned.

Realized gains and losses from security transactions are calculated using the average cost basis.

### (III) Valuation of Fund Units

The net asset value of the Fund as at the close of business on every Monday of each week, or, if not a Business Day, on the following Business Day and on any other day as the Manager determines (a "Valuation Date"), will be obtained by the Valuation Agent by taking the then fair value of the assets of the Fund less the aggregate amount of its liabilities ("Net Asset Value" or "NAV"). The NAV per unit of any class of units of the Fund for a Valuation Date will be obtained by dividing the then fair value of the assets of the Fund less the aggregate amount of its liabilities in each case attributable to that class of units, by the total number of units of the class outstanding at the time the calculation is made on the Valuation Date and adjusting the result to a maximum of four decimal places ("NAV per Unit"). The NAV and the NAV per Unit, as at the relevant Valuation Date, is calculated by the Valuation Agent on or about the fourth Business Day following the relevant Valuation Date.

For each Fund unit sold, the Fund receives an amount equal to the NAV per Unit, on the date of the transaction, which is included in unitholders' equity. Units are redeemable at the option of the unitholders at their NAV per Unit on the redemption date. For each unit redeemed, the number of issued and outstanding units is reduced and the equity in the Fund is reduced by the related NAV on the date of redemption.

The calculation of the value of net assets ("Net Assets") for financial statement purposes in accordance with Canadian GAAP may differ from the NAV for transactional purposes. As at December 31, 2013 and 2012, there were no differences in the calculation and valuation method of the Net Assets and the NAV of the Fund.

### IV) Foreign Currency Translation

The market value of foreign investments and other assets and liabilities is translated into Canadian dollars at the exchange rates prevailing at the close of each business day. Purchases and sales of foreign securities and the related income are translated into Canadian dollars at rates of exchange prevailing on the respective dates of such transactions. As at December 31, 2013 and 2012, the Fund did not hold any foreign currency investments in its Common Share Portfolio. As at December 31, 2013, the Fund held 100% of the Man AHL DP Limited issued shares denominated in US dollars with USD net assets of 30,067,953, translated to CAD net assets of 31,941,188 at the rate of exchange as at December 31, 2013.

### (V) Net Increase Decrease in Net Assets from Operations per Unit

The net decrease in Net Assets from Operations per unit amounts are determined by dividing the net decrease in Net Assets from Operations per class by the weighted average number of units outstanding per class during the year.

## 4. FORWARD AGREEMENT

The Common Share Portfolio was dissolved and the Forward Agreement terminated effective December 9, 2013.

Prior to December 9, 2013 the Fund entered into the Forward Agreement with the Counterparty, pursuant to which the Counterparty agreed to pay to the Fund upon a partial settlement the purchase price for the relevant portion of an investment in the applicable Common Share Portfolio, an amount equal to 100% of the redemption proceeds of a corresponding number of participating shares of the applicable Underlying Fund. The Fund pledged the applicable Common Share Portfolio to the Counterparty under the Forward Agreement. Pursuant to the Forward Agreement, the Counterparty held 1,664,457 Underlying Fund Notes as at December 31, 2012.

The value of the Forward Agreement as at December 31, 2012 of ($831,775) had been determined as the difference between the value of the Common Share Portfolio as at December 31, 2012 of $156,874,619 and the Counterparty's investment in the Underlying Fund Notes as at December 31, 2012 of $156,042,844.

## 5. SECURITIES LENDING

In order to generate additional returns, the Fund entered into a securities lending agreement with the Counterparty. Under this agreement, the Counterparty must pay the Fund a negotiated securities lending fee, provide compensation to the Fund equal to any distributions received by the Counterparty on the securities borrowed, and the Fund must receive collateral security of not less than 105% of the market value of the loaned securities. Collateral may be composed of cash delivered in the form of certified cheque, bank draft, or government of Canada Treasury debt obligations.

The securities lending agreement was terminated effective December 9, 2013. The market value of the collateral held by the Fund as at December 31, 2013 was nil (2012: $169,633,877) for nil (2012: $157,867,853) securities loaned. Revenue earned on securities lending transactions during the year is disclosed in the Fund's Statements of Operations.

## 6. UNIT TRANSACTIONS

The Fund currently offers fifteen classes of units: Class A units, Class B units, Class C units, Class D units, Class F units, Class G units, Class H units, Class L units, Class M units, Class O units, Class P units, Class Q units, Class R units, Class S units and Class T units. Units are available for purchase on both an upfront selling commission basis and a deferred sales charge basis, and may provide regular distributions, depending upon the class of units purchased. The Class of units selected affects both the fees that are payable by an investor, the management fee payable by the Fund, the distributions paid in respect of the units and the compensation that a dealer receives in respect of the sale of units.

A new class of units, Class H, had been offered via an amended prospectus dated November 9, 2012, with the first issuance of units on February 4, 2013. Two new classes of units, Class L and M, had been offered via an amended prospectus dated December 3, 2013 with the first issuance of units on December 30, 2013.

All of the Classes have the same investment objective, strategy and restrictions but differ in respect of one or more features, such as the management fee, sales commission, service commission and distributions. The NAV per Unit of each class will not be the same as a result of the different fees, expenses and distributions allocable to each class of units. The Fund and the Manager do not charge a fee or commission when investors purchase units of the Fund. An authorized broker, dealer or advisor may charge investors an upfront selling commission of up to 3.00% at the time of purchase of Class A units or Class O units, which will reduce the amount of money invested in the Class A units or Class O units of the Fund.

Units issued and outstanding represent the capital of the Fund. The Manager manages the capital of the Fund in accordance with the Fund's investment objectives, including managing its liquidity in order to be able to meet redemptions. The Statement of Changes in Net Assets identifies changes in the Fund's capital during the period.

The number of units issued, redeemed or cancelled during the years ended December 31, 2013 and 2012 for each respective Class is summarized as follows:

| **For the years ended December 31,** | **2013** | **2012** |
|---|---|---|
| **Class A** | | |
| Balance, Beginning | 5,723,378 | 7,607,444 |
| Units issued for cash | 158,502 | 978,621 |
| Units redeemed | (2,306,627) | (2,862,687) |
| Balance, Ending | 3,575,253 | 5,723,378 |
| **Class B** | | |
| Balance, Beginning | 2,648,598 | 2,790,912 |
| Units issued for cash | 40,960 | 234,842 |
| Units redeemed | (880,479) | (377,156) |
| Balance, Ending | 1,809,079 | 2,648,598 |
| **Class C** | | |
| Balance, Beginning | 733,277 | 967,200 |
| Units issued for cash | 9,717 | 37,937 |
| Units redeemed | (138,661) | (271,860) |
| Balance, Ending | 604,333 | 733,277 |
| **Class D** | | |
| Balance, Beginning | 576,261 | 783,487 |
| Units issued for cash | - | 5,078 |
| Units redeemed | (256,182) | (212,304) |
| Balance, Ending | 320,079 | 576,261 |
| **Class F** | | |
| Balance, Beginning | 3,865,846 | 6,784,664 |
| Units issued for cash | 257,028 | 903,184 |
| Units redeemed | (2,660,700) | (3,822,002) |
| Balance, Ending | 1,462,174 | 3,865,846 |
| **Class G** | | |
| Balance, Beginning | 644,885 | 1,064,285 |
| Units issued for cash | 12,005 | 125,177 |
| Units redeemed | (156,644) | (544,577) |
| Balance, Ending | 500,246 | 644,885 |

| For the years ended December 31, | 2013 | 2012 |
|---|---|---|
| **Class H** | | |
| Balance, Beginning | - | - |
| Units issued for cash | 153,022 | - |
| Units redeemed | (48,833) | - |
| Balance, Ending | 104,189 | - |
| **Class I** | | |
| Balance, Beginning | 4,829 | 4,829 |
| Units redeemed | (4,829) | - |
| Balance, Ending | - | 4,829 |
| **Class L** | | |
| Balance, Beginning | - | - |
| Units issued for cash | 53,740 | - |
| Balance, Ending | 53,740 | - |
| **Class M** | | |
| Balance, Beginning | - | - |
| Units issued for cash | 485,670 | - |
| Balance, Ending | 485,670 | - |
| **Class O** | | |
| Balance, Beginning | 924,972 | 955,862 |
| Units issued for cash | 53,124 | 152,225 |
| Reinvested | 10,192 | 11,550 |
| Units redeemed | (378,650) | (194,665) |
| Balance, Ending | 609,638 | 924,972 |
| **Class P** | | |
| Balance, Beginning | 275,380 | 331,518 |
| Units issued for cash | - | 26,829 |
| Reinvested | 5,582 | 7,217 |
| Units redeemed | (43,302) | (90,184) |
| Balance, Ending | 237,660 | 275,380 |
| **Class Q** | | |
| Balance, Beginning | 130,691 | 123,980 |
| Units issued for cash | - | 46,546 |
| Reinvested | 1,133 | 1,327 |
| Units redeemed | (16,931) | (41,162) |
| Balance, Ending | 114,893 | 130,691 |

| For the years ended December 31, | 2013 | 2012 |
|---|---|---|
| **Class R** | | |
| Balance, Beginning | 1,190,148 | 1,028,271 |
| Units issued for cash | 103,763 | 445,241 |
| Reinvested | 33,896 | 30,129 |
| Units redeemed | (919,822) | (313,493) |
| Balance, Ending | 407,985 | 1,190,148 |
| **Class S** | | |
| Balance, Beginning | 31,948 | 30,829 |
| Units issued for cash | - | 4,495 |
| Reinvested | 94 | 59 |
| Units redeemed | (4,776) | (3,435) |
| Balance, Ending | 27,266 | 31,948 |
| **Class T** | | |
| Balance, Beginning | 109,587 | 69,042 |
| Units issued for cash | 1,848 | 53,871 |
| Reinvested | 247 | 182 |
| Units redeemed | (11,087) | (13,508) |
| Balance, Ending | 100,595 | 109,587 |

## 7. INCOME TAXES

It is generally assumed that the Fund will qualify at all times as a “mutual fund trust” within the meaning of the Income Tax Act (Canada) (the “Tax Act”) and that the Fund will validly elect under the Tax Act to be a mutual fund trust from the date it was established.

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of amounts paid or payable to unitholders (whether in cash or in units) in the year. An amount will be considered to be payable to a unitholder in a taxation year if it is paid in the year by the Fund or the unitholder is entitled in that year to enforce payment of the amount. The Fund intends to make sufficient distributions in each year of its net income and net capital gains for tax purposes, thereby permitting the Fund to deduct sufficient amounts so that the Fund will generally not be liable in such year for non-refundable income tax under Part I of the Tax Act.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act to reduce (receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of units during the year (the “Capital Gains Refund”). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the disposition of securities included in the Common Share Portfolio under the Forward Agreement in connection with the redemption of units.

The Fund does not anticipate having income other than taxable capital gains on partial settlement of the Forward Agreement and therefore the Manager does not anticipate that the Fund will make any distributions on classes of units other than Class O units, Class P units, Class Q units, Class R units, Class S units and Class T units. If the Fund does have income for tax purposes which is in excess of any distributions paid or made payable to unitholders during the year and the net realized capital gains of the Fund, the tax on which would be recovered by the Fund in the year by reason of the capital gains refund provisions of the Tax Act, in order to ensure that the Fund will not generally be liable for income tax under Part I of the Tax Act.

As at December 31, 2013, the Fund has non-capital losses of $3,842,873 (2012: $1,540,163) of which $515,162 (2012: $515,162) will expire in 2030, $1,025,001 (2012: $1,025,001) will expire in 2031, and $2,302,710 will expire in 2033, and may be carried forward and used to reduce taxable income in future years. The Fund also has available capital losses of $35,944,959 (2012: $42,515,795) that may be carried forward indefinitely to offset future capital gains. The benefit, if any, of these losses has not been recognized in the financial statements.

## 8. FEES AND OPERATING EXPENSES

For its services to the Fund, the Manager is entitled to receive from the Fund, a management fee (the "Management Fee") at an annual rate of: (i) 2.25% of the portion of its Net Asset Value represented by the Class A units, Class B units, Class C units, Class D units, Class L units, Class O units, Class P units, Class Q units, and Class S units; (ii) 2.30% of the portion of its Net Asset Value represented by the Class G units, and Class T units; (iii) 1.25% of the portion of Net Asset Value is represented by the Class I units; and (iv) 1.00% of the portion of its Net Asset Value represented by the Class F units, Class H units, Class M units, and Class R units, calculated weekly and paid quarterly in arrears, plus applicable taxes.

The Fund will pay for all expenses incurred in connection with its operation and administration, which will be allocated pro rata to each class of units.

It is expected that these expenses will include, unitholder reporting costs for preparing, mailing and printing expenses of periodic reports to unitholders; fees payable to any custodian of the assets of the Fund; fees payable to auditors and legal advisors; any taxes payable by the Fund or to which the Fund is subject and any other general operating expenses.

General operating expenses will include without limitation, other unitholder communications including marketing and advertising expenses; fees payable to the Valuation Agent and the independent pricing service for performing certain valuation services; fees payable to the registrar and transfer agent for performing certain financial, record keeping, reporting and general administrative services; fees payable to accountants; ongoing regulatory fees, licensing fees and other fees; any reasonable out-of-pocket expenses incurred by the Manager or its respective agents in connection with its ongoing obligations to the Fund; any additional fees payable to the Manager for performance of extraordinary services on behalf of the Fund; interest expenses, expenses relating to portfolio transactions; and any expenditures that may be incurred upon the termination of the Fund.

In 2012 the Fund had paid to the Counterparty a fee under the Forward Agreement for each Class of up to 0.50% per annum of the Class' Net Assets, plus a variable fee of the Class' Net Assets for the applicable costs of borrowing in respect of the common shares comprising the Common Share Portfolio. These costs have been reflected as transaction costs on the Statements of Operations.

The Manager may establish an upper limit on the total annual operating expenses of the Fund. The Manager or its affiliates may pay for certain operating expenses of the Fund in order to maintain the Fund's annual operating expenses within any such established limit. The amounts absorbed by the Manager, if any, are shown in the Statement of Operations. The Manager may cease to absorb expenses at any time.

Each Class of units is responsible for the expenses specifically related to that Class and a proportionate share of the expenses that are common to all Classes of units.

## 9. FINANCIAL INSTRUMENTS RISK

As at December 31, 2013, the portfolio of the Fund is composed of an investment in the Underlying Fund. As at December 31, 2012, the portfolio was composed primarily of common shares of large and medium sized Canadian companies in various industries. The table below presents financial instruments measured at fair value in the Statement of Net Assets in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

As at December 31, 2013, the financial instruments measured at fair value in the Statement of Net Assets are grouped into the fair value hierarchy as follows:

| | Level 1<br>CAD | Level 2<br>CAD | Level 3<br>CAD | Total<br>CAD |
|---|---|---|---|---|
| Investment in Underlying Fund | - | 31,941,188 | - | 31,941,188 |

As at December 31, 2012 the financial instruments measured at fair value in the Statement of Net Assets are grouped into the fair value hierarchy as follows:

| | Level 1<br>CAD | Level 2<br>CAD | Level 3<br>CAD | Total<br>CAD |
|---|---|---|---|---|
| Equities – long | 156,874,619 | - | - | 156,874,619 |
| Forward Agreement | - | (831,775) | - | (831,775) |

The Fund's investment activities expose it to a variety of financial risks:

### (I) Liquidity Risk

As at December 31, 2013, liquidity risk for the Fund is the possibility that the Fund will not be able to liquidate its investment in the Underlying Fund in order to settle unit redemption requests from unitholders. While unitholders may redeem their units, under conditions where the Underlying Fund restricts or suspends redemptions to the Fund, then the unitholder redemptions may be temporarily restricted or suspended.

As at December 31, 2012, liquidity risk for the Fund was the possibility that the Fund would not be able to redeem its shares in the Underlying Fund or to partially or completely settle the Forward Agreement with the Counterparty in order to settle unit redemption requests from unitholders. The Fund was exposed to cash redemptions of redeemable units. While unitholders may redeem their units, under conditions where the Underlying Fund restricts or suspends redemptions to the Fund or Counterparty, resulting in the Counterparty being unable to partially settle the Forward Agreement with the Fund, then unitholder redemptions may have been temporarily restricted or suspended. The Common Share Portfolio, while relatively liquid, was pledged as collateral under the terms of the Forward Agreement. Consequently, unless the Forward Agreement could be partially settled, the proportional collateral pledged under the Forward Agreement against the value of that partial settlement may not have been able to be sold. Unitholders requesting redemptions may have, therefore, potentially experienced delays in receiving redemption payments.

### (II) Interest Rate Risk

Interest rate risk is where the Fund might be exposed to changes in interest rates on cash deposits held in the Fund's name that earn interest. As the majority of financial assets and liabilities of the Fund are non-interest bearing, the Fund therefore does not have significant exposure to interest rate risk.

### (III) Credit Risk

Credit risk is the risk that the Counterparty will fail to discharge an obligation or commitment under the Forward Agreement that it has entered into with the Fund.

As at December 31, 2013, the Forward Agreement had been terminated.

### (IV) Currency Risk in the Common Share Portfolio

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2012, the Fund did not have any exposure to any non-Canadian currency.

### (VI) Currency Risk in the Investment in Underlying Fund

All classes of units are denominated in Canadian dollars. The Investment in the Underlying Assets of the Underlying Fund may be denominated in U.S. dollars and other foreign currencies and any return of such investments will be in the same currency. A fluctuation in Canadian dollars against the U.S. dollar and other foreign currencies could cause the value of the Investment in Underlying Fund (expressed in Canadian dollars) to diminish or increase irrespective of performance. It is the intention of the Fund to hedge this risk through a program of currency risk management. Any costs and related liabilities and/or benefits relating to such hedging will be reflected in the Net Asset Value per Class for the Class of units to which such hedging relates. There may be circumstances in which the Investment Manager may not be able to, or may determine that it is not advisable to, hedge the Fund's exposure to foreign currencies. There is no assurance that the Investment Manager will hedge the U.S. and other foreign currencies exposure of the Investment in Underlying Fund back to Canadian dollars or that it will be possible to remove all currency risk exposure.

### (VII) Price Risk in the Common Share Portfolio

Price risk is the risk that the value of the Common Share Portfolio will fluctuate as a result of changes in market prices of the stocks held in the Common Share Portfolio.

As at December 31, 2013, the Common Share Portfolio had been dissolved. The Fund is not exposed to significant credit risk as at December 31, 2013.

Prior to December 9, 2013, by entering into the Forward Agreement, the Fund was exposed to the credit risk associated with the Counterparty. Depending on the value of the Common Share Portfolio and the Underlying Fund Notes at any given time, the Fund's exposure to the credit risk of the Counterparty may have been significant. This difference between the Common Share Portfolio and the Counterparty's investment in the Underlying Fund Notes ("Counterparty Credit Risk Exposure") as at December 31, 2012 was ($831,775), which is the difference between the Common Share Portfolio as at December 31, 2012 of $156,874,619 and the value of the Counterparty's investment in the Underlying Fund Notes as at December 31, 2012 of $156,042,844.

In the event of a credit default event where the Counterparty failed to uphold its obligations under the Forward Agreement ("Credit Default Event"), the Net Assets would be derived from the value of the

Common Share Portfolio. If the Counterparty Credit Risk Exposure was high, then unitholders could have stood to lose a substantial amount of value in their units. Conversely, if the Counterparty Credit Risk Exposure was inverted, where the Common Share Portfolio was worth more than the Underlying Fund Notes at any given time, then in a Credit Default Event, unitholders could have stood to gain value in their units. It should be noted that unitholders had no recourse or rights against the assets of the Underlying Fund or the Counterparty in respect of the Forward Agreement or arising out of the Forward Agreement.

To mitigate the credit risk, the Manager chose to engage only counterparties that were either Canadian Chartered banks or Canadian Schedule II banks. The Manager monitored the creditworthiness of the Counterparty. As at December 31, 2012 the credit rating of Toronto-Dominion Bank per Standard and Poor's was AA-.

### (VIII) Price Risk of the Underlying Fund

The Underlying Fund is exposed to price risk arising from its investments. Due to the nature of the trading strategies followed by these investments, no direct relationship between any market factors and the expected prices of the investments can be established.

## 10. FUTURE ACCOUNTING STANDARD

Investment companies that are publicly accountable enterprises or investment funds to which National Instrument 81-106 *Investment Fund Continuous Disclosure* is applicable, are required to adopt International Financial Reporting Standards (IFRS) for the first time for interim and annual financial statements relating to annual periods beginning on or after January 1, 2014. As a result, the Fund will adopt IFRS beginning January 1, 2014 and publish its first financial statements, prepared in accordance with IFRS, for the semi-annual period ending June 30, 2014. The 2014 semi-annual and annual financial statements will include 2013 comparative financial information and an opening Statement of Financial Position as at January 1, 2013, also prepared in accordance with IFRS.

The Manager continues to execute its transition plan to complete the changeover to IFRS for the Fund in 2014 and comply with the required timetable for continuous disclosure. As at December 31, 2013, the impact to the financial statements based on the Manager's assessment of the differences between current Canadian GAAP and IFRS are as follows:

- IFRS 13 *Fair Value Measurement* permits the use of mid-market prices or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. There is no difference between the current accounting policies for the valuation of investments and the calculation of net asset value (NAV) used to price unitholder transactions (Transaction NAV). As a result, adoption of IFRS 13 will have no applicable impact to the Fund.
- IFRS 10 *Consolidated Financial Statements* provides an exception to the consolidation requirements and requires an investment entity to account for its subsidiaries at fair value through profit or loss. The Manager has concluded that the Fund meets the definition of an investment entity as at January 1, 2013 and throughout the year ended December 31, 2013.
- Units of the Fund are puttable instruments and are required to be presented as equity or liability depending on certain criteria. As at January 1, 2013 and throughout the year ended December 31, 2013, units of the Fund did not meet the criteria to be classified as equity. As a result, unitholders' equity will be presented as a liability in the Statements of Financial Position.

- IFRS requires the presentation of a Statement of Cash Flows, including comparatives for 2013. The Fund has not previously presented this statement as permitted by current Canadian GAAP. In addition, other statements presented will be renamed as follows:

| Canadian GAAP | IFRS |
|---|---|
| Statements of Net Assets | Statements of Financial Position |
| Statements of Operations | Statements of Comprehensive Income |
| Statements of Changes in Net Assets | Statements of Changes in Financial Position |
| Statement of Investments | Schedule of Investments |

- Other reclassifications, presentation differences and additional disclosures will also be required in the financial statements to comply with the new requirements under IFRS.

## 11. SUBSEQUENT EVENTS

In March 2014 the senior leadership team of the Manager ("Management") entered into a binding agreement with an affiliate of Man Group plc ("Man") pursuant to which Management will acquire 100% of the issued and outstanding shares of the Manager (the "Transaction"), subject to receipt of all necessary regulatory approvals as well as the satisfaction of other customary closing conditions. The Transaction is expected to close on or about May 6, 2014.

After the Transaction, the Manager will continue to be led by Management and Man affiliates will remain as the investment managers of the Underlying Fund.

# Man Canada AHL DP Investment Fund
## Fund Information

### MANAGER AND PRINCIPAL DISTRIBUTOR

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