

Next Edge Bio-Tech Plus Fund

Annual Management Report of Fund Performance – 2014



This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Next Edge Bio-Tech Plus Fund (the "Fund"). You may obtain a copy of the annual financial statements at your request, and at no cost, by calling (416) 775-3600 or toll-free at (877) 860-1080, by writing to us at Next Edge Capital Corp., 1 Toronto Street, Suite 200, Toronto, Ontario, M5C 2V6, Canada or by visiting our website at www.nextedgecapital.com or SEDAR at www.sedar.com.

Unitholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Caution Regarding Forward-looking Statements

Certain portions of this report, including but not limited to, "Results of Operations" and "Recent Developments", may contain forward-looking statements about Next Edge Bio-Tech Plus Fund (the "Fund"), including its strategies, risks, expected performance and condition. All statements, other than statements of historical fact, that address activities, events or developments that Next Edge Capital Corp. (the "Manager") believe, expect or anticipate will or may occur in the future (including, without limitation, statements regarding any targeted returns, projections, forecasts, statements and future plans and objectives of the Fund) are forward-looking statements. These forward-looking statements reflect the current expectations, assumptions or beliefs of the Manager based on information currently available to the Fund.

Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Fund to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Fund.

Factors that could cause actual results or events to differ materially from current expectations include, among other things, changes in international financial and commodities markets, fluctuations in currency exchange and interest rates, illiquidity of portfolio investments, reduction in availability of leverage, default by counterparties, special risks arising from short sales and investments in forward contracts and other derivatives, unintentional trades, accuracy of analytical models, valuation risks, limitations on redemptions, tax consequences, changes in applicable laws and other risks associated with investing in securities and those factors discussed under the section entitled "Risk Factors" in the Fund's prospectus.

Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Manager and the Fund disclaim any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Manager believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

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Management discussion of fund performance

Investment Objective and Strategies

Next Edge Bio-Tech Plus Fund (the “**Fund**”) is a mutual fund established as a trust under the laws of the Province of Ontario by a declaration of trust dated December 1, 2014 made by Next Edge Capital Corp., as trustee. The Fund is divided into units of participation (“**Units**”) representing an interest in the Fund held by unitholders. The Fund has four classes of Units: Class A Units, Class A1 Units, Class F Units and Class F1 Units.

The Fund will seek to achieve positive absolute returns for its investors over the long term by investing primarily in options on indices and exchange-traded funds. The Fund started investing according to its investment objective on February 17, 2015.

Investment Objective

This Fund will seek short and long-term capital appreciation through the ownership of small and mid-capitalization biotechnology and healthcare companies based in Canada and the United States.

The Manager will not change the investment objectives of the Fund without the approval of a majority of Unitholders.

Investment Strategies

The portfolio manager uses the following investment strategies to achieve the Fund’s objective:

- Holdings will be comprised of a mix of Canadian and US biomedical companies.
- Sector exposure will include biotechnology, Speciality Pharma, Medical Devices, Diagnostics, Drug Delivery, Bioinformatics and Agricultural and Healthcare Services.
- Derivatives may be used for hedging purposes and return enhancement.

Investment decisions are made by:

- Focusing on companies in later stages of clinical development or early commercialization that meet specific criteria and whose data has been subjected to peer reviewed analysis.
- Managing the Fund in accordance with a risk-managed barbell methodology. This approach attempts to reduce overall portfolio volatility by: utilizing higher cash reserves to offset higher volatility securities; further reducing the risk associated with investments in a particular sector by placing option hedges on biotechnology indices; and exiting or hedging a particular position, should the applicable issuer be faced with event risks owing to expected upcoming factors/data/information.
- Collectively hedging to reduce the volatility of a traditionally volatile sector.

The Fund may invest in securities denominated in currencies other than Canadian dollars from time to time. The amount of such investments will vary but may exceed 50% of the net assets of the Fund at the time that such securities are purchased.

The Fund may invest in or use derivatives for hedging and non-hedging purposes in a manner consistent with the investment objective of the Fund and as permitted by applicable securities legislation. Derivatives to be used by the Fund may include, but are not limited to, non-exchange traded options, forward contracts, futures contracts and swaps.

The Fund may depart temporarily from its fundamental investment objectives and will likely invest in cash or cash equivalents in the event of adverse market, economic, political or other considerations.

The Fund is managed by Next Edge Capital Corp. (the “**Manager**”). The registrar of the Fund is Citigroup Fund Services Canada Inc., whose address is 100-5900 Hurontario St., Mississauga, ON L5R 0E8.

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Management discussion of fund performance (continued)

Risk

For the period from December 1 to 31, 2014 (the period since inception), the Fund held 100% of its net assets in cash. The overall level of risk associated with an investment in the Fund did not change during the period. The Fund started investing according to its investment objective on February 17, 2015. Effective February 17, 2015, an investment in the Fund is subject to certain risk factors relating to the Fund, as detailed in its Simplified Prospectus.

Results of Operations

During the period, no management fees or operating expenses were charged to the Fund, and the Fund did not begin investing according to its investment objectives until February 17, 2015.

Recent Developments

The Fund began investing according to its investment objectives on February 17, 2015. The Fund has accumulated net assets of \$2.87 million as of March 17, 2015.

Related Party Transactions

The Manager is responsible for the day-to-day operations of the Fund and provides management services to the Fund, including the marketing, promotion, and distribution of the Fund; transfer agency services; and unitholder reporting and servicing. In consideration of the management services, the Fund pays management fees, which are accrued for daily, to the Manager based on the average NAV of the applicable class of units of the Fund. Dealer compensation, or service fees, if any, are paid out of management fees and the Manager is not reimbursed for these payments.

Total management fees for the period ended December 31, 2014 amounted to nil with nil in outstanding accrued fees due to the Manager at December 31, 2014. The Fund started accruing for management fees on February 17, 2015.

The Manager incurs operating expenses on behalf of the Fund and is then reimbursed by the Fund for such expenses.

The Manager also provided formation capital of \$10 to the Fund to establish it as a trust.

National Instrument 81-107 Independent Review Committee for Investment Funds (“NI 81-107”) requires all publicly offered investment funds, such as the Fund, to establish an independent review committee (“IRC”). Consequently, the Manager has appointed three independent IRC members. The purpose of the IRC is to: (i) review and provide input on the Manager’s written policies and procedures that deal with conflict of interest matters; (ii) consider and, if deemed appropriate, approve the Manager’s decision on a conflict of interest matter that the Manager refers to the IRC for approval; and (iii) perform such other duties as may be required of the IRC under applicable Canadian securities laws. Additional information about the IRC is available in the Fund’s prospectus. Fees are paid to the IRC members for the performance of their duties.

The total remuneration paid to members of the Independent Review Committee during the month ended December 31, 2014 was nil. There were no outstanding payables relating to Independent Review Committee fees as at December 31, 2014.

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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 from December 1 to December 31, 2014.

Class A – Net Assets per unit (CAD)

<u>For the period</u>	<u>December 1 to 31, 2014¹</u>
Net Assets per unit, beginning of period	-
Increase (decrease) from operations	
Total revenue	-
Total expenses	-
Realized gains (losses) for the period	-
Unrealized gains (losses) for the period	-
Total increase (decrease) from operations	-
Distributions	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of capital	-
Total distributions	-
Net Assets per unit, end of period²	10.00

1. This information is derived from the Fund's audited financial statements for the period ended December 31, 2014. Information related to the period ended December 31, 2014 has been prepared in compliance with International Financial Reporting Standards as published by the International Accounting Standards Board.
2. Net Assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is calculated based on the average number of units outstanding over the period. Therefore, the beginning of period Net Assets, the increase (decrease) from operations and distributions, if any, will not sum to the end of period Net Assets.

Class A – Ratios and Supplement Data:

<u>For the period</u>	<u>December 1 to 31, 2014¹</u>
Total NAV (CAD 000s) ¹	10
Number of units outstanding ¹	1
Management expense ratio	-
Management expense ratio before waivers or absorptions	-
Trading expense ratio ²	-
Portfolio turnover rate ³	-
NAV per unit (CAD)	10.00

1. This information is provided as at and for the period ended December 31, 2014. Information related to the period ended December 31, 2014 has been prepared in compliance with International Financial Reporting Standards as published by the International Accounting Standards Board.
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 manager 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 the 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 the performance of the Fund.

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Financial highlights

Management Fees

For the period from December 1 (inception date of the Fund) to 31, 2014, for its services to the Fund, the Manager was entitled to receive from the Fund, a management fee (the "Management Fee") at (up to) an annual rate of: (i) 2.25% of the portion of its Net Asset Value represented by the Class A units; (ii) 1.00% of the portion of its Net Asset Value represented by the Class A1 units; (iii) 1.25% of the portion of its Net Asset Value represented by the Class F units and (iv) 0.00% of the portion of its Net Asset Value represented by the Class F1 units, calculated daily and paid monthly in arrears, plus applicable taxes. The Manager uses these management fees to pay for sales and trailing commissions to registered dealers on the distribution of the Fund's units, investment advice, as well as for general administrative expenses such as overhead, salaries, rent, legal and accounting fees relating to the role of the Manager. No management fees or operating expenses were charged to the Fund and accrued for the Fund in the period.

Annual management fees, and a breakdown of the services received in consideration of the management fees, as a percentage of management fees, for the period ended December 31, 2014, are as follows:

Class of units	Annual Rates	As a percentage of management fees	
		Dealer Compensation	General administration, investment advice and profit
A	2.25%	44.44%	55.56%
A1	1.00%	100.00%	0.00%
F	1.25%	0.00%	100.00%
F1	0.00%	-	-

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Past performance

Year-by-Year Returns

The Fund launched December 1, 2014 but did not trade according to its investment objectives until February 17, 2015. For the month ended December 31, 2014, for all classes, there was no net income or expense and no performance gain or loss.

Annual Compound Returns

Not applicable, as the Fund launched December 1, 2014.

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Summary of investment portfolio

The following shows the portfolio allocation by asset class and the top 25 holdings as at December 31, 2014. The portfolio may change due to ongoing transactions.

Portfolio Allocation

<u>Asset Class</u>	<u>% of Net Asset Value</u>
Cash	100.00%

Top 25 Holdings

<u>Issuer</u>	<u>% of Net Asset Value</u>
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Long positions

Cash	100.00%
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Short positions

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Total Net Asset Value of the Fund: \$10.00

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General information

MANAGER AND PRINCIPAL DISTRIBUTOR

Next Edge Capital Corp.
1 Toronto Street, Suite 200
Toronto, ON M5C 2V6

Telephone: (416) 775-3600
Fax: (416) 775-3601
Toll Free: 1 (877) 860-1080

www.nextedgecapital.com

REGISTRAR, TRANSFER AGENT AND VALUATION AGENT

Citigroup Fund Services Canada Inc.
5900 Hurontario Street, Suite 100
Mississauga, ON L5R 0E8

CUSTODIAN

CIBC Mellon Trust Company
320 Bay Street
Toronto, ON M5H 4A6

BROKER

BMO Capital Markets Prime Brokerage
100 King Street West, 6th Floor
Toronto, ON M5X 1H3

AUDITORS

Ernst & Young LLP
222 Bay Street, P.O. Box 251
Toronto, ON M5K 1J7

LEGAL COUNSEL

Fasken Martineau DuMoulin LLP
333 Bay Street, Suite 2400
Toronto, ON M5H 2T6

Next Edge Capital Corp.
1 Toronto St., Suite 200
Toronto, ON M5C 2V6

Tel: 416 775-3600
Fax: 416 775-3601

www.nextedgecapital.com