

Next Edge AHL Fund

Annual Financial Statements – 2015
As at and for the year ended December 31, 2015



Next Edge AHL Fund
Annual financial statements
December 31, 2015

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Next Edge AHL Fund

Management's responsibility for financial reporting

Next Edge Capital 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 Next Edge Capital Corp., as Manager and Trustee. The financial statements have been prepared in accordance with International Financial Reporting Standards 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



David Scobie
Chief Operating Officer

Next Edge Capital Corp.
March 30, 2016

INDEPENDENT AUDITORS' REPORT

To the unitholders of Next Edge AHL Fund (the "Fund")

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2015 and 2014, 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 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 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, 2015 and 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and 2014 in accordance with International Financial Reporting Standards.

Toronto, Canada

The signature of Ernst & Young LLP is written in a black, cursive script.

Chartered Professional Accountants
Licensed Public Accountants

30 March 2016

Next Edge AHL Fund
Statements of financial position

As at	Note	December 31, 2015	December 31, 2014
ASSETS			
Current assets			
Cash		68,161,903	78,569,197
Financial assets at fair value through profit or loss			
Investment in Underlying Fund	4,7	32,175,178	41,547,697
Subscription receivable		54,900	95,000
Receivable for investments sold		-	1,740,190
		100,391,981	121,952,084
LIABILITIES			
Current liabilities			
Redemptions payable	10	2,694,324	856,256
Management fees payable		83,569	131,821
Accrued liabilities		73,948	208,200
		2,851,841	1,196,277
Net assets attributable to holders of redeemable units		97,540,140	120,755,807
Net assets attributable to holders of redeemable units per class	11		
Class A		37,936,914	44,200,752
Class B		10,940,036	14,359,246
Class C		5,177,932	6,446,147
Class F		16,447,220	17,158,514
Class G		1,555,413	4,614,100
Class H		3,422,830	4,372,861
Class J		8,853,348	19,346,520
Class K		1,260,092	3,414,718
Class L		1,130,685	629,400
Class M		10,815,670	6,213,549
		97,540,140	120,755,807

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund
 Statements of financial position (continued)

As at	December 31, 2015	December 31, 2014
Number of redeemable units outstanding per class		
Class A	3,493,554	3,890,153
Class B	1,006,698	1,261,953
Class C	476,865	566,876
Class F	1,392,418	1,407,087
Class G	157,086	445,036
Class H	289,466	362,233
Class J	886,213	1,891,444
Class K	124,709	333,680
Class L	89,639	48,198
Class M	831,914	468,138
 Net assets attributable to holders of redeemable units per unit		
Class A	10.86	11.36
Class B	10.87	11.38
Class C	10.86	11.37
Class F	11.81	12.19
Class G	9.90	10.37
Class H	11.82	12.07
Class J	9.99	10.23
Class K	10.10	10.23
Class L	12.61	13.06
Class M	13.00	13.27

Approved by Next Edge Capital Corp.



Toreigh N. Stuart
 Chief Executive Officer



David Scobie
 Chief Operating Officer

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund
 Statements of comprehensive income

For the years ended December 31,	Note	2015	2014
Income	8		
Interest income for distribution purposes		506,082	266,712
Other changes in fair value of investments and derivatives			
Net realized gain		12,287,660	7,189,387
Net change in unrealized (depreciation) appreciation		(13,667,654)	17,018,680
Net (losses) gains on investments and derivatives		(1,379,994)	24,208,067
Total (losses) income (net)		(873,912)	24,474,779
Expenses	13		
Management fees	14	1,942,360	1,512,351
General operating expenses		542,588	460,989
Unitholder reporting costs		30,834	21,600
Audit fees		47,376	42,879
Legal fees		83,921	160,797
Independent Review Committee fees	14	47,803	26,743
Harmonized sales tax		282,792	255,943
Custody fees		4,800	4,800
Transaction costs		4,195	14,677
		2,986,669	2,500,779
Less: Expenses absorbed by the Manager	13	-	(329,528)
Total expenses		2,986,669	2,171,251
(Decrease) Increase in net assets attributable to holders of redeemable units		(3,860,581)	22,303,528

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund
 Statements of comprehensive income (continued)

For the years ended December 31,	2015	2014
(Decrease) Increase in net assets attributable to holders of redeemable units per class		
Class A	(1,717,071)	9,165,105
Class B	(488,210)	3,539,983
Class C	(232,965)	1,463,674
Class D ¹	-	124,333
Class F	(516,810)	3,282,026
Class G	(194,553)	1,053,288
Class H	(28,293)	693,220
Class J	(358,865)	432,083
Class K	12,032	77,917
Class L	(56,677)	107,745
Class M	(279,169)	1,555,867
Class O ²	-	302,666
Class P ²	-	163,274
Class Q ²	-	89,620
Class R ²	-	160,005
Class S ²	-	21,376
Class T ²	-	71,346
	(3,860,581)	22,303,528

Average number of units outstanding

Class A	3,746,457	3,432,084
Class B	1,104,698	1,459,075
Class C	516,710	557,147
Class D ¹	-	230,460
Class F	1,378,305	1,156,604
Class G	310,601	447,350
Class H	302,512	194,903
Class J	1,415,667	1,891,444
Class K	165,189	333,680
Class L	74,449	42,122
Class M	704,176	490,681
Class O ²	-	459,137
Class P ²	-	215,396
Class Q ²	-	112,664
Class R ²	-	248,409
Class S ²	-	26,640
Class T ²	-	95,036

1. Class D units were merged into Class A units and were no longer offered for sale effective August 26, 2014.

2. Class O, P, Q, R, S, and T units were merged into class A, B, C, F, A, and G units respectively and were no longer offered for sale effective August 26, 2014.

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund
 Statements of comprehensive income (continued)

For the years ended December 31,	2015	2014
(Decrease) Increase in net assets attributable to holders of redeemable units per unit		
Class A	(0.46)	2.67
Class B	(0.44)	2.43
Class C	(0.45)	2.63
Class D ¹	-	0.54
Class F	(0.37)	2.84
Class G	(0.63)	2.35
Class H	(0.09)	3.56
Class J	(0.25)	0.23
Class K	0.07	0.23
Class L	(0.76)	2.56
Class M	(0.40)	3.17
Class O ²	-	0.66
Class P ²	-	0.76
Class Q ²	-	0.80
Class R ²	-	0.64
Class S ²	-	0.80
Class T ²	-	0.75

1. Class D units were merged into Class A units and were no longer offered for sale effective August 26, 2014.
2. Class O, P, Q, R, S, and T units were merged into class A, B, C, F, A, and G units respectively and were no longer offered for sale effective August 26, 2014.

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Next Edge AHL Fund

Statements of changes in net assets attributable to holders of redeemable units

For the years ended December 31,	2015	2014
<u>Class A</u>		
Beginning of year	44,200,752	31,107,748
(Decrease) Increase in net assets attributable to holders of redeemable units from operations	(1,717,071)	9,165,105
Proceeds from issuance of units	4,854,313	15,058,417
Consideration paid for redemption of units	(9,401,080)	(11,130,518)
End of year	37,936,914	44,200,752
<u>Class B</u>		
Beginning of year	14,359,246	15,754,520
(Decrease) Increase in net assets attributable to holders of redeemable units from operations	(488,210)	3,539,983
Proceeds from issuance of units	-	1,508,841
Consideration paid for redemption of units	(2,931,000)	(6,444,098)
End of year	10,940,036	14,359,246
<u>Class C</u>		
Beginning of year	6,446,147	5,260,961
(Decrease) Increase in net assets attributable to holders of redeemable units from operations	(232,965)	1,463,674
Proceeds from issuance of units	104	807,812
Consideration paid for redemption of units	(1,035,354)	(1,086,300)
End of year	5,177,932	6,446,147
<u>Class D¹</u>		
Beginning of year	-	2,639,280
Increase in net assets attributable to holders of redeemable units from operations	-	124,333
Proceeds from issuance of units	-	-
Consideration paid for redemption of units	-	(2,763,613)
End of year	-	-
<u>Class E</u>		
Beginning of year	17,158,514	13,439,611
(Decrease) Increase in net assets attributable to holders of redeemable units from operations	(516,810)	3,282,026
Proceeds from issuance of units	3,845,720	9,969,940
Consideration paid for redemption of units	(4,040,204)	(9,533,063)
End of year	16,447,220	17,158,514
<u>Class G</u>		
Beginning of year	4,614,100	3,972,411
(Decrease) Increase in net assets attributable to holders of redeemable units from operations	(194,553)	1,053,288
Proceeds from issuance of units	-	624,486
Consideration paid for redemption of units	(2,864,134)	(1,036,085)
End of year	1,555,413	4,614,100

1. Class D units were merged into Class A units and were no longer offered for sale effective August 26, 2014.

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund

Statements of changes in net assets attributable to holders of redeemable units (continued)

For the years ended December 31,	2015	2014
<u>Class H</u>		
Beginning of year	4,372,861	991,005
(Decrease) Increase in net assets attributable to holders of redeemable units from operations	(28,293)	693,220
Proceeds from issuance of units	125,003	2,800,089
Consideration paid for redemption of units	(1,046,741)	(111,453)
End of year	3,422,830	4,372,861
<u>Class J¹</u>		
Beginning of year	19,346,520	-
(Decrease) Increase in net assets attributable to holders of redeemable units from operations	(358,865)	432,083
Proceeds from issuance of units	150,161	18,914,437
Consideration paid for redemption of units	(10,284,468)	-
End of year	8,853,348	19,346,520
<u>Class K¹</u>		
Beginning of year	3,414,718	-
Increase in net assets attributable to holders of redeemable units from operations	12,032	77,917
Proceeds from issuance of units	50,000	3,336,801
Consideration paid for redemption of units	(2,216,658)	-
End of year	1,260,092	3,414,718
<u>Class L</u>		
Beginning of year	629,400	537,236
(Decrease) Increase in net assets attributable to holders of redeemable units from operations	(56,677)	107,745
Proceeds from issuance of units	557,962	252,957
Consideration paid for redemption of units	-	(268,538)
End of year	1,130,685	629,400

1. Class J and K units were offered June 27, 2014, with the first issuance of units on December 16, 2014.

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund

Statements of changes in net assets attributable to holders of redeemable units (continued)

For the years ended December 31,	2015	2014
<u>Class M</u>		
Beginning of year	6,213,549	4,855,222
(Decrease) Increase in net assets attributable to holders of redeemable units from operations	(279,169)	1,555,867
Proceeds from issuance of units	5,427,056	472,775
Consideration paid for redemption of units	(545,766)	(670,315)
End of year	10,815,670	6,213,549
<u>Class O¹</u>		
Beginning of year	-	4,112,045
Increase in net assets attributable to holders of redeemable units from operations	-	302,666
Proceeds from issuance of units	-	-
Reinvestment of distributions	-	23,333
Distributions to holders of redeemable units - return of capital	-	(88,504)
Consideration paid for redemption of units	-	(4,349,540)
End of year	-	-
<u>Class P¹</u>		
Beginning of year	-	1,604,581
Increase in net assets attributable to holders of redeemable units from operations	-	163,274
Reinvestment of distributions	-	24,700
Distributions to holders of redeemable units - return of capital	-	(42,919)
Consideration paid for redemption of units	-	(1,749,636)
End of year	-	-
<u>Class Q¹</u>		
Beginning of year	-	776,817
Increase in net assets attributable to holders of redeemable units from operations	-	89,620
Reinvestment of distributions	-	5,110
Distributions to holders of redeemable units - return of capital	-	(22,800)
Consideration paid for redemption of units	-	(848,747)
End of year	-	-
<u>Class R¹</u>		
Beginning of year	-	2,910,626
Increase in net assets attributable to holders of redeemable units from operations	-	160,005
Proceeds from issuance of units	-	-
Reinvestment of distributions	-	27,723
Distributions to holders of redeemable units - return of capital	-	(46,583)
Consideration paid for redemption of units	-	(3,051,771)
End of year	-	-

1. Class O, P, Q, and R units were merged into class A, B, C, and F units respectively and were no longer offered for sale effective August 26, 2014.

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund

Statements of changes in net assets attributable to holders of redeemable units (continued)

For the years ended December 31,	2015	2014
<u>Class S¹</u>		
Beginning of year	-	184,571
Increase in net assets attributable to holders of redeemable units		
from operations	-	21,376
Reinvestment of distributions	-	331
Distributions to holders of redeemable units - return of capital	-	(5,547)
Consideration paid for redemption of units	-	(200,731)
End of year	-	-
<u>Class T¹</u>		
Beginning of year	-	655,930
Increase in net assets attributable to holders of redeemable units		
from operations	-	71,346
Proceeds from issuance of units	-	-
Reinvestment of distributions	-	933
Distributions to holders of redeemable units - return of capital	-	(18,778)
Consideration paid for redemption of units	-	(709,431)
End of year	-	-

1. Class S and T units were merged into class A and G units respectively and were no longer offered for sale effective August 26, 2014.

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund
Statements of cash flows

For the years ended December 31,	2015	2014
Cash flows from operating activities		
(Decrease) Increase in net assets attributable to holders of redeemable units	(3,860,581)	22,303,528
Adjustments to reconcile change in net assets attributable to holders to net cash from operating activities		
Proceeds from sale of investments	39,785,603	35,157,747
Purchase of investments	(30,052,844)	(22,326,226)
Change in unrealized depreciation (appreciation) of investments and derivatives	13,667,610	(17,018,680)
Net realized gain on investments	(12,287,660)	(7,189,387)
Decrease in interest and other receivable	-	102,060
Decrease in other payable and accrued liabilities	(182,504)	(331,631)
Net cash provided by operating activities	7,069,624	10,697,411
Cash flows from financing activities		
Distributions to holders of redeemable units, net of reinvested distributions	-	(319,746)
Proceeds from redeemable units issued	15,050,419	59,250,325
Amount paid on redemption of redeemable units	(32,527,337)	(46,120,782)
Net cash flows (used in) provided by financing activities	(17,476,918)	12,809,797
Net (decrease) increase in cash	(10,407,294)	23,507,208
Cash, beginning of year	78,569,197	55,061,989
Cash, end of year	68,161,903	78,569,197
Cash comprises:		
Cash at bank	68,161,903	78,569,197
Interest received	506,082	368,772

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund

Schedule of investments

As at December 31, 2015

The total fair value of the Fund's investments is based on the Fund's investment in Man AHL DP Limited (the "Underlying Fund"), an exempted company with limited liability incorporated in the Cayman Islands (see Note 2 in the notes to the financial statements).

Number of Shares	Name	Average Cost (CAD)	Fair Value (CAD)
142,109	Man AHL DP Limited – Class A CAD Shares	25,308,413	29,578,567
12,269	Man AHL DP Limited – Class C CAD Shares	2,681,849	2,596,611
		27,990,262	32,175,178
	Transaction Costs	(2,971)	-
	Total Investment In Underlying Fund	27,987,291	32,175,178
	Other assets net of liabilities	-	65,364,962
	Total net assets attributable to holders of redeemable units	27,987,291	97,540,140

The balance sheet of Man AHL DP Limited as at December 31, 2015 is listed below:

	USD	%
Cash at bank	9,410,746	40.5
Cash with brokers	8,896,125	38.3
Financial assets at fair value through profit or loss ¹	10,485,928	45.1
Prepayments and other assets	10,967	0.0
Financial liabilities at fair value through profit or loss ¹	(5,341,127)	(23.0)
Accounts payable and accrued expenses	(201,623)	(0.9)
Net Assets attributable to holders of Redeemable Participating Shares (IFRS)	23,261,016	
Net Assets attributable to holders of Redeemable Participating Shares (Valuation) ²	23,284,368	
Net Assets attributable to holders of Redeemable Participating Shares (Valuation) ² (CAD)	32,209,019	
Redeemable Participating Shares in issue - Class A	142,109	
Net Asset Value per Redeemable Participating Share - Class A (CAD)	208.14	
Number of Shares attributable to the Fund - Class A	142,109	
Aggregate value of Shares attributable to the Fund- Class A (CAD)	29,578,567	
Redeemable Participating Shares in issue - Class C	12,269	
Net Asset Value per Redeemable Participating Share - Class C (CAD)	211.64	
Number of Shares attributable to the Fund - Class C	12,269	
Aggregate value of Shares attributable to the Fund- Class C (CAD)	2,596,611	

- 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 with the result that the portfolio is exposed to a form of leverage. Such futures contracts may be purchased or sold resulting in a long or short investment position.
- There is a difference between the NAV as per the financial statements and the NAV for subscription and redemption purposes, calculated in accordance with the Underlying Fund Offering Memorandum. Formation costs must be expensed as incurred for IFRS. The valuation for the purposes of redemption of Redeemable Participating Shares is calculated by amortising the formation costs over the first three years of trading of the Underlying Fund. A detailed reconciliation is available in the Underlying Fund's financial statements.

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund

Schedule 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. The underlying assets may change due to ongoing portfolio transactions. For further details, see the Man AHL DP Limited financial statements for the year ended December 31, 2015 as posted on SEDAR.

Portfolio Allocation			
Asset Class	% of Net Asset Value ²	Asset Class	% of Net Asset Value ²
Long positions		Short positions	
Cash & equivalents ³	78.70%	Currency	(17.35)%
Fund	25.82%	Interest rate	(1.75)%
Currency	12.50%	Metal	(1.23)%
Agricultural	2.18%	Energy	(1.12)%
Energy	1.83%	Agricultural	(0.84)%
Interest rate	1.39%	Stock index	(0.67)%
Metal	0.98%		
Stock index	0.38%		
Total long	123.78%	Total short	(22.96)%
Total investments	100.82%		
Other assets, net liabilities	(0.82)%		
Total Net Asset Value	100.00%		

Top 25 Long Positions

Issuer	% of Net Asset Value ²
AHL Evolution Ltd	25.82%
USD/GBP forward contract	1.15%
BRENT CRUDE FUTR May16 – Intercontinental Exchange	1.03%
USD/CAD forward contract	1.01%
JPY/GBP forward contract	0.75%
USD/CAD forward contract	0.70%
JPY/USD forward contract	0.55%
SOYBEAN MEAL FUTR Mar16 – Chicago Board of Trade	0.54%
USD/BRL forward contract	0.48%
AUD/GBP forward contract	0.47%
USD/ZAR forward contract	0.47%
CORN FUTURE Mar16 – Chicago Board of Trade	0.47%
AUD/USD forward contract	0.44%
JPY/EUR forward contract	0.43%
NZD/EUR forward contract	0.42%
USD/EUR forward contract	0.40%
CAN 10YR BOND FUT Mar16 – Montreal Exchange	0.38%
USD/MXN forward contract	0.37%
SEK/EUR forward contract	0.37%
EUR/GBP forward contract	0.28%
USD/NOK forward contract	0.27%
JPN 10Y BOND(OSE) Mar16 – Osaka Securities Exchange	0.26%
PLN/USD forward contract	0.25%
USD/ILS forward contract	0.25%
AUD/EUR forward contract	0.24%

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund

Schedule of investments (continued)

Top 25 Short Positions

Issuer	% of Net Asset Value ²
CAD/USD forward contract	(5.23)%
USD/JPY forward contract	(1.00)%
BRL/USD forward contract	(0.84)%
NATURAL GAS FUTR Feb16 – New York Mercantile Exchange	(0.80)%
GBP/JPY forward contract	(0.72)%
EUR/JPY forward contract	(0.70)%
USD/JPY forward contract	(0.65)%
USD/AUD forward contract	(0.62)%
AUD/JPY forward contract	(0.58)%
MXN/USD forward contract	(0.49)%
EUR/SEK forward contract	(0.47)%
EUR/PLN forward contract	(0.34)%
GBP/EUR forward contract	(0.34)%
AUST 3YR BOND FUT Mar16 – Sydney Futures Exchange	(0.30)%
USD/PHP forward contract	(0.28)%
Platinum commodity contract	(0.25)%
GBP/AUD forward contract	(0.25)%
EUR/USD forward contract	(0.23)%
LEAN HOGS FUTURE Apr16 – Chicago Mercantile Exchange	(0.22)%
HUF/EUR forward contract	(0.22)%
EUR/AUD forward contract	(0.22)%
ZAR/USD forward contract	(0.21)%
USD/NZD forward contract	(0.21)%
EURODOLLAR H17 Mar17 – Chicago Mercantile Exchange	(0.21)%
CHF/USD forward contract	(0.17)%

Total Net Asset Value of the Underlying Fund: **CAD 32,175,178¹**

1. The total fair value of the Fund's investments is referable to Class A and Class C redeemable participating shares issued by Man AHL DP Limited. As at December 31, 2015, 142,109 Class A shares with a Net Asset Value of approximately \$29.58 million representing 100% of the outstanding Class A shares, and 12,269 Class C shares with a Net Asset Value of approximately \$2.60 million representing 100% of the outstanding Class C Shares were issued to the Fund.
2. The percentage of the Class net assets refer to the amount of margin required in cash terms to be pledged against the relevant investments. The cash requirement has then been converted into a percentage of the Net Asset Value of Man AHL DP Limited. The investments of Man AHL DP Limited consist predominately of futures contracts in the AHL Portfolio written across a range of global markets including currencies, bonds, stocks, energies, agriculturals, metals and interest rates and may have a substantially larger notional value than is reflected by the investment amount with the result that the portfolio is exposed to a form of leverage. Such futures contracts may be purchased or sold resulting in a long or short investment position.
3. Cash is comprised of cash in bank deposits and cash held with brokers in order to meet margin requirements.

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund

Notes to the financial statements – December 31, 2015

1. FUND INFORMATION

Next Edge AHL Fund, formerly 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 and governed by a Declaration of Trust dated November 12, 2009. The Fund changed its name from Man Canada AHL DP Investment Fund to Next Edge AHL Fund via an amendment to its Declaration of Trust dated June 27, 2014.

The Fund’s investment activities are managed by Next Edge Capital Corp., formerly Man Investments Canada Corp. (the “Manager”). On June 5, 2014, the Manager amended its articles of incorporation to rename the company from Man Investments Canada Corp. to Next Edge Capital Corp. On June 10, 2014, the senior leadership team of the Manager acquired 100% of the issued and outstanding shares of the Manager from Man Group Holdings Ltd., a wholly owned subsidiary of Man Group plc. The Fund’s custodian and administrator are Citibank Canada and Citigroup Fund Canada Inc., respectively. The registered office of the Fund is located at 1 Toronto Street, Suite 200, Toronto, Ontario, Canada, M5C 2V6.

The Fund’s investment objective is 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. 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 (the “Underlying Assets”) 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” or “AHL”), a division of Man Group plc, using a predominantly trend-following trading program (the “AHL Diversified Programme”). The AHL Diversified Programme is implemented and managed by the Investment Manager.

The Fund may have an unlimited number of classes of units and may issue an unlimited number of units of each class. All classes of units of the Fund are redeemable at the unitholders’ option. Each class of units is intended for different types of investors. All of the classes of units have the same investment strategy and restrictions but differ with respect to one or more of their features, such as management fees, expenses, redemption fees, currency denomination, commissions or distributions. The net asset value per unit (the “Net Asset Value per Unit” or “NAV per Unit”) of each class is not the same as a result of the different fees, expenses and distributions allocable to each class of units.

The Schedule of investments of the Fund is as at December 31, 2015. The Statements of financial position of the Fund are as at December 31, 2015 and 2014, and the Statements of comprehensive income, Statements of changes in net assets attributable to holders of redeemable units and Statements of cash flows are for the years ended December 31, 2015 and 2014, except for classes established during either period, in which case the information presented is from the Inception Date, as applicable, to December 31, 2015 or 2014.

These financial statements were approved for issuance by the Manager on March 30, 2016.

2. BASIS OF PREPARATION AND ADOPTION OF IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Fund adopted International Financial Reporting Standards (“IFRS”) on January 1, 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Canada Handbook (“Canadian GAAP”).

Next Edge AHL Fund

Notes to the financial statements – December 31, 2015 (continued)

The financial statements have been prepared on a going concern basis using the historical-cost convention. However, the Fund is an investment entity and primarily all financial assets and financial liabilities are measured at fair value in accordance with IFRS. Accordingly, the Fund's accounting policies for measuring the fair value of investments and derivatives are consistent with those used in measuring the Net Asset Value for transactions with unitholders.

In applying IFRS, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Actual results may differ from such estimates.

The financial statements have been presented in Canadian dollars, which is the Fund's functional currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's Investment in Underlying Fund is designated as fair value through profit or loss upon initial recognition and are measured at fair value through profit or loss ("FVTPL"). The Fund's obligation for net assets attributable to holders of redeemable units 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 required to be received or paid, discounted, when appropriate, at the contract's effective interest rate.

Fair value and subsequent measurement of financial instruments

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 at the measurement date. The fair value of financial assets and liabilities traded in active markets 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 that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point 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 or change in circumstances giving rise to the transfer.

The fair value of the Investment in the Underlying Fund is valued at the net asset value reported by the Underlying Fund's manager, which is equivalent to the proceeds that the Fund would receive on redemption of any Underlying Fund shares.

Net assets attributable to holders of redeemable units

Net assets attributable to holders of redeemable units are classified as financial liabilities and are redeemable at the unitholder's option at prices based on the Fund's Net Asset Value ("Net Asset Value" or "NAV") per unit at the time of redemption. The amounts are continuously measured at their redemption value.

The NAV measured 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 excluding those attributable to holders of redeemable units. 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 (excluding those attributable to holders of redeemable units) 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

Next Edge AHL Fund

Notes to the financial statements – December 31, 2015 (continued)

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. 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 net assets attributable to holders of redeemable units is reduced by the related NAV on the date of redemption.

The calculation of the value of net assets attributable to holders of redeemable units (“Net Assets”) for financial statement purposes in accordance with IFRS is consistent with the calculation of NAV for transactional purposes.

Investment transactions and income recognition

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

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

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.

Functional and presentation currency

The Fund’s functional and presentation currency is the Canadian dollar (“CAD”), which is the currency of the primary economic environment in which it operates. The Fund’s performance is evaluated and its liquidity is managed in CAD. Therefore, the CAD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund’s subscriptions and redemptions are denominated in CAD.

For the year ended December 31, 2015 and 2014, the Fund had foreign currency transactions. The Underlying Fund’s transactions were natively in USD and required translation. As at December 31, 2015 and 2014, the Underlying Fund’s assets and liabilities were natively in USD and did not require translation.

Cash

Cash is comprised of deposits with financial institutions.

Increase (decrease) in net assets attributable to holders of redeemable units per unit

The increase (decrease) in net assets attributable to holders of redeemable units of each class is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units by the weighted average number of units outstanding of the class during the period.

Income and expense allocation

The realized and unrealized gains or losses, income, and expenses (other than class-specific operating expenses and management fees) of the Fund are allocated on each Valuation Date to the redeemable participating unitholders in proportion to the respective prior day’s net asset value, which includes redeemable participating unitholder trade(s) dated for that day, of each class at the date on which the allocation is made. Class-specific operating expenses and

Next Edge AHL Fund

Notes to the financial statements – December 31, 2015 (continued)

management fees do not require allocation. All operating expenses are paid by the Manager and are collected from the Fund on a recoverable basis.

Taxation

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of financial position as a deferred income tax asset.

See Note 12 Income Taxes.

4. DISCLOSURE OF INVESTMENT PORTFOLIO OF THE UNDERLYING FUND

Effective December 9, 2013, the Fund obtains exposure to the Underlying Assets through its investment in 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 Investment Manager include entering into futures and forward contracts and investments in other financial instruments.

The return to the holders of Class A units, Class B units, Class C units, Class F units, Class G units, Class H units (effective September 8, 2014), Class L units (effective September 2, 2014), and Class M units (effective September 2, 2014) is referable to the Class A CAD Redeemable Participating Shares ("Class A Shares") issued by the Underlying Fund. The return to the holders of Class J and K units is referable to the Class C CAD Redeemable Participating Shares ("Class C Shares") issued by the Underlying Fund. The return to the holders of Class H units was referable to the Class B CAD Redeemable Participating Shares ("Class B Shares") issued by the Underlying Fund for the period January 1 to September 8, 2014. The return to the holders of Class L and M units was referable to the Class C Shares issued by the Underlying Fund for the period January 1 to September 2, 2014. The return to the holders of Class D units, Class O units, Class P units, Class Q units, Class R units, Class S units, and Class T units was referable to the Class A Shares issued by the Underlying Fund. The Class A Shares, Class B Shares, and Class C 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.

As at December 31, 2015, the Fund held 142,109 (2014: 153,394) of the Class A Shares and 12,269 (2014: 27,393) of the Class C Shares of the Underlying Fund, representing 100% (2014: 100%) and 100% (2014: 100%) of the issued shares for each class respectively.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Fund's financial statements are listed below. The Fund will adopt any applicable standards when they become effective.

IFRS 9, Financial Instruments - Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 introduces a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely

Next Edge AHL Fund

Notes to the financial statements – December 31, 2015 (continued)

recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value, such 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 also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. In addition, the entity's own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Manager is in the process of assessing the impact of IFRS 9.

6. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Assessment as investment entity

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated financial statements*, are required to measure their subsidiaries at fair value through profit or loss ("FVTPL") rather than consolidate them. The criteria which define an investment entity are, as follows:

- an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Fund's prospectus details the objective of providing investment management services to investors, which includes investing in AHL DP Limited for the purpose of returns in the form of investment income and capital appreciation.

The Fund reports to its investors via monthly investor information, and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by IFRS in the Fund's financial statements. The Fund has a clearly documented exit strategy for all of its investments.

The Manager has also concluded that the Fund meets the additional characteristics of an investment entity, in that it has more than one underlying investment; the underlying investments are predominantly in the form of stocks, bonds, currencies, short-term interest rates, energy, metals and agricultural commodities; it has more than one investor and its investors are not related parties.

These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics changes.

7. FINANCIAL INSTRUMENTS RISK

As at December 31, 2015 and 2014, the portfolio of the Fund is composed of an investment in the Underlying Fund. The table below presents financial instruments measured at fair value in the statements of financial position 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.

Next Edge AHL Fund

Notes to the financial statements – December 31, 2015 (continued)

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, 2015, the financial instruments measured at fair value in the statements of financial position are grouped into the fair value hierarchy as follows:

	Level 1 CAD	Level 2 CAD	Level 3 CAD	Total CAD
Investment in Underlying Fund	-	32,175,178	-	32,175,178

As at December 31, 2014, the financial instruments measured at fair value in the statements of financial position are grouped into the fair value hierarchy as follows:

	Level 1 CAD	Level 2 CAD	Level 3 CAD	Total CAD
Investment in Underlying Fund	-	41,547,697	-	41,547,697

All fair value measurements above are recurring. The carrying values of cash, subscriptions receivable, interest receivable, payable for investments purchased, redemptions payable, distributions payable, accrued liabilities and the Fund's obligation for net assets attributable to holders of redeemable units are measured at amortized cost. Fair values are classified as Level 1 when the related security or derivative 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.

a) Investment in Underlying Fund

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 inputs that are significant to valuation are generally observable and therefore the Fund's investment in the Underlying Fund has been classified as Level 2. There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the year ended December 31, 2015 and 2014.

8. NET GAINS ON INVESTMENTS AND DERIVATIVES

The Fund's Investment in the Underlying Fund is designated as fair value through profit or loss upon initial recognition and are measured at FVTPL. All other financial assets and liabilities are measured at amortized cost.

The following table presents the net gains (losses) on investments and derivatives by category for the respective years.

	Financial assets classified as held for trading	Financial assets designated at FVTPL	Total
For the year ended December 31, 2015			
Interest for distribution purposes	-	506,082	506,082
Dividends	-	-	-
Net realized gain on investments	-	12,287,660	12,287,660
Change in unrealized depreciation on investments	-	(13,667,610)	(13,667,610)
Total	-	(873,868)	(873,868)

Next Edge AHL Fund

Notes to the financial statements – December 31, 2015 (continued)

For the year ended December 31, 2014	Financial assets classified as held for trading	Financial assets designated at FVTPL	Total
Interest for distribution purposes	-	266,712	266,712
Dividends	-	-	-
Net realized gain on investments	-	7,189,387	7,189,387
Change in unrealized appreciation on investments	-	17,018,680	17,018,680
Total	-	24,474,779	24,474,779

9. UNDERLYING FUND RISK

The Fund's investment in the Underlying Fund exposes it to the risks of Man AHL DP Limited, the Underlying Fund. The risks described below are applicable to Man AHL DP Limited.

The Underlying Fund's investment activities expose it to the various types of risks which are associated with the financial instruments and markets in which it invests. The most important types of financial risks to which the Underlying Fund is exposed to are market risk, credit risk and liquidity risk. Market risk includes security price risk, interest rate risk and foreign currency risk. The Investment Manager manages these risks on an aggregate basis along with the risks associated with its investing activities as part of its overall risk management policies.

The nature and extent of the financial instruments outstanding at the date of statements of financial position and the risk management policies employed by the Investment Manager are discussed below.

Overall risk management of the Underlying Fund

The Underlying Fund seeks to generate returns through investing in the AHL Diversified Programme, through its underlying investments, which are managed by the Investment Manager.

The Investment Manager distinguishes between two primary risk levels, which are risks at the Underlying Fund level and risks at the underlying investment level. Accordingly, the Investment Manager has implemented procedures to manage risks associated with both the Underlying Fund and its underlying investments.

At the Underlying Fund level

Risk management at the Underlying Fund level can be segregated into pre and post-investment risk management. Pre-investment risk management involves determining asset allocation and portfolio construction. Thereafter, risk management involves conducting risk and return analysis, monitoring the portfolio restrictions and investment guidelines and managing currency, interest rate, credit and liquidity risks at the Underlying Fund level and making relevant adjustments to asset allocation and portfolio construction.

Risk considerations or the need to bring the portfolio back in line with product guidelines may trigger a rebalancing of the portfolio, which is typically reviewed on a weekly basis by the Investment Manager's portfolio management team.

The Underlying Fund Investment Manager, AHL

In the case of the AHL Diversified Programme, the trading activity is managed by AHL. AHL identifies opportunities to profit from price movements in more than 300 diverse international markets through specialized investment techniques, advanced technology and daily risk control.

Next Edge AHL Fund

Notes to the financial statements – December 31, 2015 (continued)

The AHL Diversified Programme seeks to identify and take advantage of upward and downward price trends. Trading takes place around-the-clock and real-time price information is used to respond to price movements across a diverse range of global markets. Investment rules are executed within a systematic framework.

AHL employs a number of risk measures including proprietary measurement methods similar to the industry standard Value-at-Risk ("VaR") and conducts daily stress testing based on historical data. Depending upon the risks identified, AHL may alter the exposure to different markets it trades in.

Substantially all derivative contracts are transacted on a margin basis. The Investment Manager manages the risk associated with these transactions by maintaining margin deposits in compliance with individual exchange regulations and internal guidelines. The Investment Manager also takes an active role in managing and controlling the Underlying Fund's market and counterparty risks, monitoring trading activities and margin levels daily and, as necessary, deposits additional collateral or reduces positions.

Market risk in the Underlying Fund

Market risk is the risk that fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and security prices.

There are many risk measures used by the Investment Manager, however one generally understood measure is annualized volatility. Annualized volatility is a measure of risk that is calculated as the standard deviation of the returns on the NAV per Redeemable Participating Share from inception up to the reporting date.

As it is based on the NAV per Redeemable Participating Share, annualized volatility incorporates all performance characteristics of the Underlying Fund including the impact of interest rate movements and currency exchange differences from inception. Although the direct investments of the Underlying Fund may change, the investment strategies employed by its underlying investments will not significantly change, meaning that the risk and return characteristics that the Underlying Fund is exposed to are broadly consistent.

Annualized volatility has limitations as it assumes a normal distribution of periodic returns, which may not be fully representative of hedge fund behaviour. Annualised volatility is based upon historical data. There is no guarantee of trading performance and past performance is no indication of future performance or results.

As at December 31, 2015, the annualized volatility for the Underlying Fund was 55.40% (2014: 29.01%).

Interest rate risk in the Underlying Fund

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Underlying Fund is directly exposed to interest rate risk through its investment strategy, which is deliberately designed to generate returns through trading strategies focussed on exploiting price differentials in rates. The sensitivity of these exposures is modelled through the overall volatility analysis provided in the market risk section.

The Underlying Fund is exposed to interest rate risk on cash at bank and cash with brokers and interest rate futures held at December 31, 2015 and 2014.

Currency risk in the Underlying Fund

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Underlying Fund's functional currency is in USD, but the Investment Manager utilizes

Next Edge AHL Fund

Notes to the financial statements – December 31, 2015 (continued)

currency hedging to minimize currency rate risk with respect to changes in the foreign exchange rate between USD, the Underlying Fund's functional currency, and CAD, the currency for which the Underlying Fund reports for valuation purposes.

The Underlying Fund is exposed to currency risk through its investments in non-USD denominated investments. The Investment Manager has an active procedure to monitor foreign exchange exposures and manages this risk through offsetting non-USD denominated balances and entering into offsetting forward foreign exchange contracts.

Other price risk of the Underlying Fund

Other price risk is the risk that the price of a financial instrument will fluctuate due to changes in market conditions influencing, directly or indirectly, the value of the instrument.

The Underlying Fund is exposed to other price risk 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 reliably established.

Other price risk is managed through the overall risk management processes described above.

Credit/counterparty risk in the Underlying Fund

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Underlying Fund.

The Underlying Fund's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that the counterparties fail to perform their obligations as of December 31, 2015 and 2014 in relation to each class of recognized financial assets, other than derivatives, is the carrying amount of those assets in the statements of financial position of the Underlying Fund.

With respect to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. Credit risk is mitigated for the AHL Diversified Programme through the diversity of counterparties and regular monitoring of concentration risk.

The significant exposures are to the banks and the brokers.

The tables below analyse the Underlying Fund's exposure of cash at bank and cash with brokers by rating agency category at December 31, 2015 and 2014 (Source: Moody's).

Counterparty	Moody's Rating	December 31, 2015 USD	Underlying Fund's net assets %
Citibank N.A	A1	6,855,890	37.45
Credit Suisse AG	Baa2	1,438,033	7.86
Deutsche Bank AG	A3	1,166,551	6.37
HSBC Bank plc	Aa2	719,081	3.93
JP Morgan	A3	1,464,203	8.00
Merrill Lynch & Co., Inc	Baa1	1,384,318	7.56
Royal Bank of Scotland plc	Ba1	474,830	2.59
Sumitomo Mitsui Banking	A1	4,803,965	26.24
		18,306,871	100.00

Next Edge AHL Fund

Notes to the financial statements – December 31, 2015 (continued)

Counterparty	Moody's Rating	December 31, 2014 USD	Underlying Fund's net assets %
Citibank N.A	A2	7,793,705	31.76
Mizuho Financial Group	A1	6,202,116	25.28
Credit Suisse AG	A1	2,489,155	10.15
JP Morgan	Aa3	2,500,982	10.19
Royal Bank of Scotland plc	Baa1	2,019,824	8.23
Sumitomo Mitsui Banking	A1	1,200,197	4.89
Deutsche Bank AG	A3	1,776,882	7.24
Merrill Lynch & Co., Inc	Baa2	554,321	2.26
		24,537,182	100.00

The Investment Manager performs due diligence on all counterparties before they become a service provider or counterparty to the Underlying Fund, and credit quality checks are part of this process. The credit quality of the Banks, Brokers and any lenders is regularly monitored and factored into allocation decisions.

Liquidity risk in the Underlying Fund

Liquidity risk is the risk that the Underlying Fund will encounter difficulty in meeting obligations associated with financial liabilities. Redeemable Participating Shareholder redemption requests are the main liquidity risk for the Underlying Fund.

The Underlying Fund's Redeemable Participating Shares are redeemable at the Redeemable Participating Shareholder's option on each weekly Dealing Day. Redeemable Participating Shareholders may redeem their shares subject to providing written notice no later than 16:00 (London time) one business day prior to the dealing day upon which the redemption is required to be effected. The Underlying Fund is therefore potentially exposed to weekly redemptions by its Redeemable Participating shareholders. The exposure to liquidity risk through Redeemable Participating Shareholder redemption requests is managed by specifically setting the redemption notice period to accommodate the expected liquidity of the underlying investments as agreed by the Investment Manager.

The Underlying Fund invests in a managed investment fund with a redemption notice period of less than that of the Underlying Fund or utilizes a dealing arrangement facility to ensure investments in managed investment funds can be purchased from the Underlying Fund should there be insufficient liquidity at a price equal to the last available price per Redeemable Participating Share on the date of purchase.

The Underlying Fund's investments also include exchange-traded futures contracts which are considered readily realisable as they are all listed on major recognised exchanges.

The Underlying Fund's financial instruments also include investments in derivative contracts traded over-the-counter, which are not quoted in an active public market and which generally may be illiquid. As a result, the Underlying Fund may not be able to liquidate quickly some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements.

The liquidity risk of the underlying investments is managed by AHL, subject to the general controls as noted above.

10. OTHER RISK FACTORS

In addition to the risks that the Fund is exposed to as a result of its investment in the Underlying Fund, there are other financial risks:

Next Edge AHL Fund

Notes to the financial statements – December 31, 2015 (continued)

Liquidity Risk of the Fund

As at December 31, 2015 and 2014, 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.

The tables below analyze the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

December 31, 2015			
Financial liabilities	On demand	< 3 months	Total
Redemptions payable	2,694,324	-	2,694,324
Distributions payable	-	-	-
Management fee payable	-	83,569	83,569
Accrued liabilities	-	73,948	73,948

December 31, 2014			
Financial liabilities	On demand	< 3 months	Total
Redemptions payable	856,256	-	856,256
Distributions payable	-	-	-
Management fee payable	-	131,821	131,821
Accrued liabilities	-	208,200	208,200

Interest Rate Risk on Cash

The Fund holds cash subject to variable interest rates which exposes the Fund to cash flow interest rate risk.

11. REDEEMABLE UNITS

For the year ended December 31, 2015, the Fund offered ten classes of redeemable units: Class A units, Class B units, Class C units, Class F units, Class G units, Class H units, Class J units, Class K units, Class L units, and Class M units. Units were available for purchase on both an upfront selling commission basis, and may have provided regular distributions, depending upon the class of units purchased. The Class of units selected affected both the fees that were 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 received 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 14, 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. Two new classes of units, Class J and K, had been offered via an amended prospectus dated June 27, 2014 with the first issuance of units on December 16, 2014.

Effective August 26, 2014, Class D units were merged into Class A units and were no longer offered for sale, and Class O, P, Q, R, S, and T units were merged into Class A, B, C, F, A, and G units respectively and were no longer offered for sale.

All of the Classes had the same investment objective, strategy and restrictions but differed 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 would not necessarily be the same as a result of the different fees, expenses and distributions allocable to each class of units. The Fund and the Manager did not charge a fee or commission when investors purchase units of

Next Edge AHL Fund

Notes to the financial statements – December 31, 2015 (continued)

the Fund. An authorized broker, dealer or advisor may have charged investors an upfront selling commission of up to 3.00% at the time of purchase of Class A units or Class O units, which would have reduced the amount of money invested in the Class A units or Class O units of the Fund.

The number of units issued, redeemed or cancelled during the years ended December 31, 2015 and 2014 for each respective Class is summarized in the following tables.

For the years ended December 31,	2015	2014
Class A		
Balance, Beginning	3,890,153	3,575,253
Units issued for cash	429,146	1,544,271
Units redeemed	(825,745)	(1,229,371)
Balance, Ending	3,493,554	3,890,153
Class B		
Balance, Beginning	1,261,953	1,809,079
Units issued for cash	-	154,231
Units redeemed	(255,255)	(701,357)
Balance, Ending	1,006,698	1,261,953
Class C		
Balance, Beginning	566,876	604,333
Units issued for cash	-	82,586
Units redeemed	(90,011)	(120,043)
Balance, Ending	476,865	566,876
Class D		
Balance, Beginning	-	320,079
Units redeemed	-	(320,079)
Balance, Ending	-	-
Class F		
Balance, Beginning	1,407,087	1,462,174
Units issued for cash	312,266	930,600
Units redeemed	(326,935)	(985,687)
Balance, Ending	1,392,418	1,407,087
Class G		
Balance, Beginning	445,036	500,246
Units issued for cash	-	70,021
Units redeemed	(287,950)	(125,231)
Balance, Ending	157,086	445,036
Class H		
Balance, Beginning	362,233	109,189
Units issued for cash	9,963	264,718
Units redeemed	(82,730)	(11,674)
Balance, Ending	289,466	362,233

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Notes to the financial statements – December 31, 2015 (continued)

For the years ended December 31,	2015	2014
Class J		
Balance, Beginning	1,891,444	-
Units issued for cash	13,700	1,891,444
Units redeemed	(1,018,931)	-
Balance, Ending	886,213	1,891,444
Class K		
Balance, Beginning	333,680	-
Units issued for cash	4,646	333,680
Units redeemed	(213,617)	-
Balance, Ending	124,709	333,680
Class L		
Balance, Beginning	48,198	53,740
Units issued for cash	41,441	20,558
Units redeemed	-	(26,100)
Balance, Ending	89,639	48,198
Class M		
Balance, Beginning	468,138	485,670
Units issued for cash	403,229	41,881
Units redeemed	(39,453)	(59,413)
Balance, Ending	831,914	468,138
Class O		
Balance, Beginning	-	609,638
Units issued for cash	-	-
Units reinvested	-	3,503
Units redeemed	-	(613,141)
Balance, Ending	-	-
Class P		
Balance, Beginning	-	237,660
Units reinvested	-	3,680
Units redeemed	-	(241,340)
Balance, Ending	-	-
Class Q		
Balance, Beginning	-	114,893
Units reinvested	-	760
Units redeemed	-	(115,653)
Balance, Ending	-	-

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Notes to the financial statements – December 31, 2015 (continued)

For the years ended December 31,	2015	2014
Class R		
Balance, Beginning	-	407,985
Units issued for cash	-	-
Units reinvested	-	3,941
Units redeemed	-	(411,926)
Balance, Ending	-	-
Class S		
Balance, Beginning	-	27,266
Units reinvested	-	51
Units redeemed	-	(27,317)
Balance, Ending	-	-
Class T		
Balance, Beginning	-	100,595
Units issued for cash	-	-
Units reinvested	-	144
Units redeemed	-	(100,739)
Balance, Ending	-	-

Capital Management

As a result of the ability to issue and redeem redeemable units, the capital of the Fund can vary depending on the demand for redemptions from and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue and redemptions of redeemable units other than those set out in the Prospectus.

The Fund's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in the Prospectus;
- To achieve consistent returns while safeguarding capital by obtaining exposure to the Underlying Assets by investing in the Underlying Fund as indicated in the Prospectus and Note 1 above
- To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise; and
- To maintain sufficient size to make the operation of the Fund cost-efficient.

12. 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

Next Edge AHL Fund

Notes to the financial statements – December 31, 2015 (continued)

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 Investment in the Underlying Fund in connection with the redemption of units.

The Fund does not anticipate having income and therefore the Manager does not anticipate that the Fund will make any distributions on classes of 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, 2015, the Fund has non-capital losses of \$3,842,873 (2014: \$3,842,873) of which \$515,162 (2014: \$515,162) will expire in 2030, \$1,025,001 (2014: \$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 \$28,748,832 (2014: \$35,944,959) 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.

13. FEES AND OPERATING EXPENSES

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, Class B units, Class C 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) 2.00% (2.25% prior to November 25, 2014) of the portion of its Net Asset Value represented by the Class J units, (iv) 1.25% of the portion of Net Asset Value is represented by the Class I units; (v) 1.00% of the portion of its Net Asset Value represented by the Class F units, Class K units, and Class R units; (vi) 1.25% of the portion of its Net Asset Value represented by the Class L units; and (vii) 0% of the portion of its Net Asset Value represented by the Class H and Class M units, calculated weekly and paid monthly in arrears, plus applicable taxes.

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

These expenses 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; taxes payable by the Fund or to which the Fund is subject and other general operating expenses. General operating expenses include other unitholder communications, 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; and expenses relating to portfolio transactions.

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 comprehensive income. The Manager may cease to absorb expenses at any time.

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Notes to the financial statements – December 31, 2015 (continued)

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.

For the years ended December 31, 2015 and 2014, “soft dollars”, in which a brokerage firm is paid for its services through commission revenue by executing trades at the brokerage, did not apply to the commissions and transaction costs of the Fund.

14. RELATED PARTY TRANSACTIONS

The Fund’s investment activities are managed by Next Edge Capital Corp.

(a) Management fees

Under the terms of the investment management agreement, the Fund appointed the Manager to provide management services (see Note 13, Fees and Operating Expenses). Total management fees for the years ended December 31, 2015 amounted to \$1,942,360 (2014: \$1,512,351) are reported in the Statements of comprehensive income, with \$83,569 in outstanding accrued fees due to the Manager at December 31, 2015 (December 31, 2014: \$131,821) reported in the Statements of financial position.

(b) Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee during the years ended December 31, 2015 was \$47,803 (2014: \$26,743) and is reported in the Statements of comprehensive income and consisted only of fixed fees. There were no outstanding payables relating to Independent Review Committee fees as at December 31, 2015 and 2014.

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