

Next Edge Bio-Tech Plus Fund

Annual Management Report of Fund Performance - 2015



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 simplified 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.

Next Edge Bio-Tech Plus Fund

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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 started investing according to its investment objective on February 17, 2015.

Investment Objective

This Fund seeks 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 attempt to achieve the Fund’s investment objective:

- Holdings comprised of a mix of Canadian and US biomedical companies.
- Sector exposure includes biotechnology, Speciality Pharma, Medical Devices, Diagnostics, Drug Delivery, Bioinformatics and Agricultural and Healthcare Services.
- Derivatives are 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: 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.

Next Edge Bio-Tech Plus Fund

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Management discussion of fund performance (continued)

Risk

For period ended December 31, 2014, the Fund held 100% of its net assets in cash. 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

The Fund experienced an increase in its net assets during the year ended December 31, 2015:

Class of redeemable units	December 31, 2015 NAV per unit (CAD) ¹	December 31, 2014 NAV per unit (CAD) ¹	% return for the period ended December 31, 2015 ¹
A ²	9.86	10.00	-1.4%
A1 ³	10.43	-	4.3%
F ³	10.40	-	4.0%
F1 ³	10.54	-	5.4%

1. Net assets attributable to holders of redeemable units ("NAV", or "Net Assets").
2. Class A was opened on December 1, 2015. The first issuance of Class A units to external investors was on April 10, 2015.
3. The first issuance of Class A1, Class F, and Class F1 units was on January 21, 2015.

The Fund started investing according to its investment objective on February 17, 2015.

Performance Commentary

The Next Edge Bio-Tech Plus Fund (the "Fund") commenced trading according to its investment objective on February 17th, 2015 to provide investors with an exposure to small-mid cap biotech stocks. The benchmark is a blend of 60% NASDAQ Biotechnology Index and 40% S&P/TSX Capped Health Care Index. Both indices are heavily weighted in large capitalization companies, which is not representative of the Fund's holdings in small-midcap emerging healthcare companies.

For the year ended December 31, 2015, the Fund delivered biotech index returns, with less volatility than the benchmark even though the Fund's holdings of small and midcap securities have a considerably higher volatility. The reason for this is the dampening effect of protective option hedges, particular against downside volatility. Despite the sector bear market, the Fund still delivered returns superior to the TSX Composite Index, TSX Venture Index, TSX Materials Index, and most significantly, the TSX Financial Services Index.

Through the first half of the year, the sector was led by large cap Biotech and Specialty Pharma companies that grew by acquisition rather than drug innovation. Neither of those type of companies are represented in the Fund's portfolio. The Fund's portfolio is focused on owning companies in late stage clinical trials for breakthrough therapeutics, with novel mechanisms of action (MoA). The Fund typically enters investments at phase II of drug development and exits at phase III as it considers this to represent the ideal risk/reward stage for investments. Many of these companies will be commercializing the next generation of therapeutics over the next 3 years.

The sector was characterized as range-bound from February to June with brief rallies that quickly dissipated into swift selloffs. The sector peaked in late July and commenced a -30% correction into early October. The peak coincided with a change overall for the market's appetite for risk assets, as flows migrated toward defensive holdings. In July, the Manager was concerned the biotech sector had become extended; a theory corroborated when companies reporting good news were sold into, and companies reporting disappointing news were sold with intensity. That was a warning for the Fund to protect its portfolio by increasing its cash holding to 18%, and increasing Put option hedges on Biotech indices. In addition, Call options were sold against many of the Fund's largest holdings to provide an additional cushion against rising risk.

Next Edge Bio-Tech Plus Fund

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Management discussion of fund performance (continued)

The biotech sector's second half correction of -30% was the tenth correction of that magnitude or greater since the sector's inception in 1980. Despite this setback, it is the Manager's thesis that the market is in the midst of one of the greatest healthcare secular innovation cycles in history, comparative to the technology cycle during the 1990s. Following the sharp decline into October, the Fund's hedges were closed out and the profits reinvested into averaging down on oversold core holdings with superior prospects.

Recent Developments

Due to the persistent selloff in the second half of 2015, the cost of capital for new trials has increased sharply which may cause earlier stage trials to be put on hold until conditions improve. That creates an advantage to late stage companies approaching commercialization and which are cashed-up. Many of the Fund's core holdings meet this criteria. They are on a path to profitability without the need to raise capital to conduct trials.

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, 2015 amounted to \$30,057 (2014: nil) with \$1,194 in outstanding accrued fees due to the Manager at December 31, 2015 (2014: nil). The Fund started accruing for management fees on February 17, 2015.

The Fund pays the Manager a quarterly performance fee if the percentage gain in the NAV per unit of a class exceeds the percentage gain or loss of the benchmark, provided that the NAV per unit is greater than all previous values in which a performance fee was paid. Total performance fees for the year ended December 31, 2015 amounted to \$76 (2014: nil) with nil in outstanding accrued fees due to the Manager at December 31, 2015 (2014: nil).

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

In 2014, 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 allocable to the Fund during the period ended December 31, 2015 was \$1,246 (2014: nil.) There were no outstanding payables relating to Independent Review Committee fees as at December 31, 2015 and 2014.

Next Edge Bio-Tech Plus Fund

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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 for the respective periods ended December 31, 2015, and December 1 (inception date of the Fund) to December 31, 2014.

Class A⁴ – Net Assets per unit (CAD)

<u>For the period ended</u>	<u>Dec 31, 2015^{1,4}</u>	<u>Dec 31, 2014²</u>
Net Assets per unit, beginning of period	10.00	10.00
Increase from operations		
Total revenue	0.02	-
Total expenses	(0.80)	-
Realized losses for the period	(0.76)	-
Unrealized gains for the period	2.49	-
Total increase (decrease) from operations	0.96	-
Distributions		
From income (excluding dividends)	-	-
From dividends	-	-
From capital gains	-	-
Return of capital	-	-
Total distributions	-	-
Net Assets per unit, end of period ³	9.86	10.00

Class A1⁵ – Net Assets per unit (CAD)

<u>For the period ended</u>	<u>Dec 31, 2015¹</u>
Net Assets per unit, beginning of period	10.00
Increase from operations	
Total revenue	0.02
Total expenses	(0.58)
Realized gains for the period	0.20
Unrealized gains for the period	0.78
Total increase from operations	0.42
Distributions	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of capital	-
Total distributions	-
Net Assets per unit, end of period ³	10.43

Next Edge Bio-Tech Plus Fund

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Financial highlights (continued)

Class F⁵ – Net Assets per unit (CAD)

<u>For the period ended</u>	<u>Dec 31, 2015¹</u>
Net Assets per unit, beginning of period	10.00
Increase from operations	
Total revenue	0.02
Total expenses	(0.82)
Realized losses for the period	(0.50)
Unrealized gains for the period	1.91
Total increase (decrease) from operations	0.62
Distributions	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of capital	-
Total distributions	-
Net Assets per unit, end of period ³	10.40

Class F1⁵ – Net Assets per unit (CAD)

<u>For the period ended</u>	<u>Dec 31, 2015¹</u>
Net Assets per unit, beginning of period	10.00
Increase from operations	
Total revenue	0.03
Total expenses	(0.53)
Realized gains for the period	0.04
Unrealized gains for the period	0.80
Total increase from operations	0.34
Distributions	
From income (excluding dividends)	-
From dividends	-
From capital gains	-
Return of capital	-
Total distributions	-
Net Assets per unit, end of period ³	10.54

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Financial highlights (continued)

1. This information is derived from the Fund's audited financial statements for the period ended December 31, 2015. Information related to the period ended December 31, 2015 has been prepared in compliance with International Financial Reporting Standards as published by the International Accounting Standards Board.
2. 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.
3. 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.
4. Class A units were first issued on inception date of the Fund on December 1, 2014, but the Fund did not start investing according to its mandate until February 17, 2015.
5. The first issuance of Class A1, Class F, and Class F1 units was on January 21, 2015.

Class A⁷ – Ratios and Supplement Data:

<u>For the period ended</u>	<u>December 31, 2015³</u>	<u>December 31, 2014⁴</u>
Total NAV (CAD 000s) ¹	705	0.01
Number of units outstanding ¹	71,474	1
Management expense ratio	9.77%	-
Management expense ratio before waivers or absorptions ²	9.77%	-
Trading expense ratio ⁵	2.22%	-
Portfolio turnover rate ⁶	148.16%	-
NAV per unit (CAD)	9.86	10.00

Class A1⁸ – Ratios and Supplement Data:

<u>For the period ended</u>	<u>December 31, 2015³</u>
Total NAV (CAD 000s) ¹	3,166
Number of units outstanding ¹	303,529
Management expense ratio	4.30%
Management expense ratio before waivers or absorptions ²	4.30%
Trading expense ratio ⁵	2.22%
Portfolio turnover rate ⁶	148.16%
NAV per unit (CAD)	10.43

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Financial highlights (continued)

Class F⁸ – Ratios and Supplement Data:

<u>For the period ended</u>	<u>December 31, 2015³</u>
Total NAV (CAD 000s) ¹	341
Number of units outstanding ¹	32,773
Management expense ratio	7.14%
Management expense ratio before waivers or absorptions ²	7.14%
Trading expense ratio ⁵	2.22%
Portfolio turnover rate ⁶	148.16%
NAV per unit (CAD)	10.40

Class F1⁸ – Ratios and Supplement Data:

<u>For the period ended</u>	<u>December 31, 2015³</u>
Total NAV (CAD 000s) ¹	1,254
Number of units outstanding ¹	119,014
Management expense ratio	3.65%
Management expense ratio before waivers or absorptions ²	3.65%
Trading expense ratio ⁵	2.22%
Portfolio turnover rate ⁶	148.16%
NAV per unit (CAD)	10.54

1. This information is provided as at December 31, 2015 and 2014.
2. Management expense ratio is based on total expenses (excluding distributions, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. The management expense ratio is calculated in accordance with Part 15 of NI 81-106.
3. This information is derived from the Fund's audited financial statements for the period ended December 31, 2015. Information related to the period ended December 31, 2015 has been prepared in compliance with International Financial Reporting Standards as published by the International Accounting Standards Board.
4. 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.
5. 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.
6. 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.
7. Class A units were first issued on inception date of the Fund on December 1, 2014, but the Fund did not start investing according to its mandate until February 17, 2015.
8. The first issuance of Class A1, Class F, and Class F1 units was on January 21, 2015.

Next Edge Bio-Tech Plus Fund

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Financial highlights (continued)

Management Fees

For the year ended December 31, 2015, 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. The Fund started accruing for management fees on February 17, 2015

Annual management fees, and a breakdown of the services received in consideration of the management fees, as a percentage of management fees, for the year ended December 31, 2015, 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%	N/A	N/A

Next Edge Bio-Tech Plus Fund

Annual management report of fund performance – December 31, 2015

Summary of investment portfolio

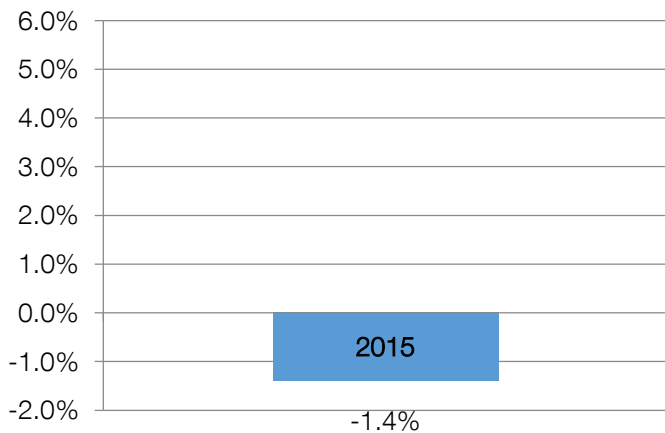
Year-by-Year Returns^{1,2}

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

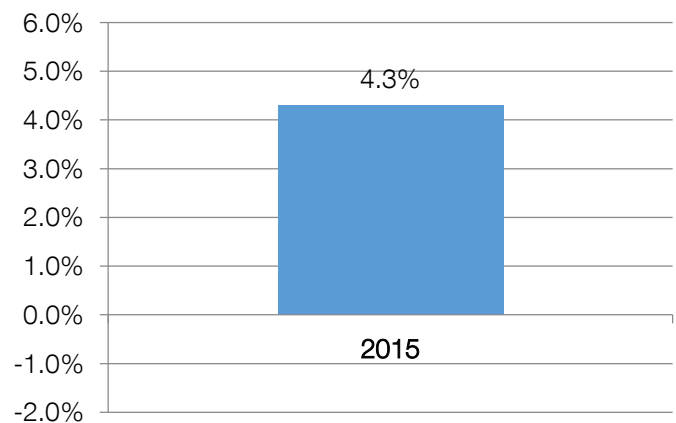
Reported returns are from December 1, 2014 (the Fund's inception date) to December 31, 2014 and January 1, 2015 to December 31, 2015.

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. The performance information shown does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

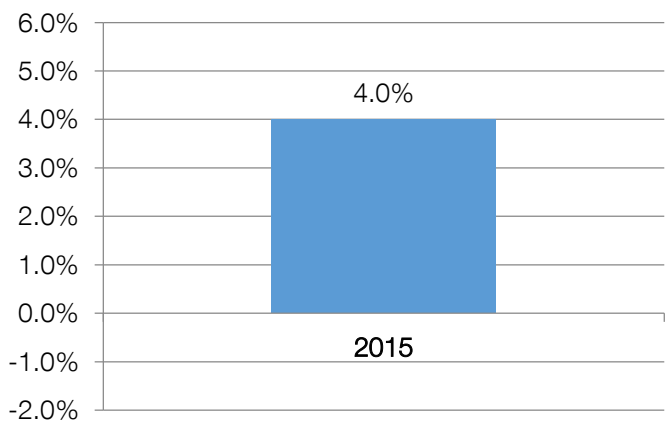
Class A



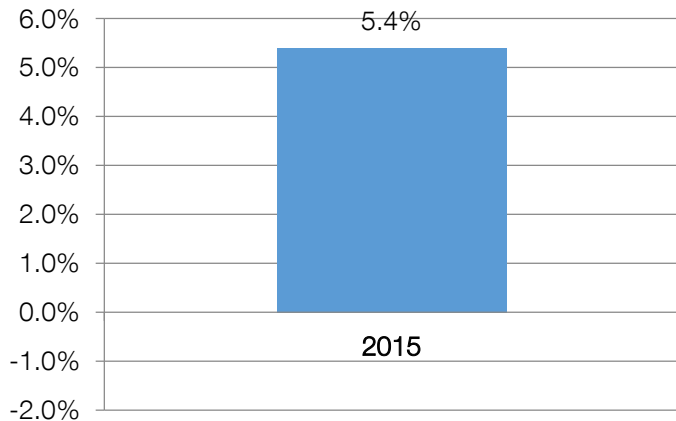
Class A1²



Class F²



Class F1²



1. Class A units were first issued on inception date of the Fund on December 1, 2014, but the Fund did not start investing according to its mandate until February 17, 2015.

2. Classes A1, F, and F1 units were issued on January 21, 2015.

Next Edge Bio-Tech Plus Fund

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Summary of investment portfolio

Annual Compound Returns

The following table shows the historical annualized compound returns for each Class of units of the Fund, for the period ended December 31, 2015. It also shows, for the same periods, the returns for the S&P/TSX Capped Health Care Index (SPTSHC) and NASDAQ Biotechnology Index (NBI) obtained from Citigroup Fund Services Canada Inc. There is no guarantee of performance and past or projected performance is not a reliable indicator of future performance. The latest data available at the time of production has been used. Returns may increase or decrease as a result of currency fluctuations.

<u>Percentage Return</u>	<u>1 year</u>	<u>Since Inception²</u>
Class A units	-1.4%	-1.3%
S&P/TSX Capped Health Care Index (SPTSHC)	22.5%	2.0%
NASDAQ Biotechnology Index (NBI)	11.4%	1.1%

1. Class A units were first issued on inception date of the Fund on December 1, 2014, but the Fund did not start investing according to its mandate until February 17, 2015. Class A1, F, and F1 units were issued on January 21, 2015 and do not have a full year of performance to December 31, 2015.
2. Inception date of December 1, 2014 used (inception date of Class A units) for calculation.

Next Edge Bio-Tech Plus Fund

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Summary of investment portfolio

The following shows the underlying assets allocation by asset class and the top 25 holdings. The Underlying Assets and investment portfolio may change due to ongoing portfolio transactions.

Portfolio by Asset Mix	% of Net Asset Value	
	Long	Short
United States Equity	54.6%	-
Canadian Equity	36.9%	-
International Equity	2.9%	-
Cash & Cash Equivalents	2.8%	-
Canadian Bond	1.9%	-
Equity Options	1.0%	(0.0%)
Currency Options	0.4%	-
Equity Index Options	0.1%	(0.0%)
Total investments	100.60%	-
Other assets, net liabilities	(0.60%)	
Total net asset value	100.00%	

Portfolio by Industry	% of Net Asset Value	
	Long	Short
Pharmaceuticals	26.8%	-
Biotechnology	26.5%	-
Pharmaceuticals & Biotechnology	24.9%	-
Healthcare equipment and services	10.8%	-
Healthcare	4.3%	-
Cash & Cash Equivalents	2.8%	-
Corporate Bond	1.9%	-
Energy – alternated sources	1.1%	-
Equity Options (Pharmaceuticals & Biotechnology)	1.0%	(0.0%)
Currency Options	0.4%	-
Equity Index Options (Biotechnology)	0.1%	(0.0%)
Total investments	100.60%	-
Other assets, net liabilities	(0.60%)	
Total net asset value	100.00%	

Portfolio by Country	% of Net Asset Value	
	Long	Short
United States	56.1%	(0.0%)
Canada	38.8%	-
Israel	2.9%	-
Cash & Cash Equivalents	2.8%	-
Total investments	100.6%	-
Other assets, net liabilities	(0.6%)	
Total net asset value	100.00%	

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Summary of investment portfolio (continued)

Top 25 Long Positions

Issuer	% of Net Asset Value
Extencicare Inc.	4.1%
Axovant Sciences Limited	3.5%
Synergy Pharmaceuticals Inc.	3.3%
KemPharm Inc.	3.3%
Medivation Inc.	3.1%
Concordia Healthcare Corporation	2.8%
Neurotrope Inc.	2.3%
Portola Pharmaceuticals Inc.	2.2%
Cipher Pharmaceuticals Inc.	2.2%
Acorda Therapeutics Inc.	2.2%
Acadia Pharmaceuticals Inc.	2.2%
Medicure Inc.	2.1%
Halozyme Therapeutics Inc.	2.1%
Intra-Cellular Therapies Inc.	2.0%
Brainstorm Cell Therapeutics Inc.	2.0%
HeartWare International Inc.	1.9%
Diagnos Inc. Convertible Bonds 10.000%, July 20, 2019	1.9%
Intercept Pharmaceuticals Inc.	1.9%
Promis Neurosciences Inc.	1.9%
Concert Pharmaceuticals Inc.	1.7%
Microbix Biosystems Inc.	1.7%
Cynapsus Therapeutics Inc.	1.7%
Theralase Technologies Inc.	1.6%
Supernus Pharmaceuticals Inc.	1.6%
FibroGen Inc.	1.5%

Short Positions¹

Issuer	% of Net Asset Value
iShares Nasdaq Biotechnology Index Fund WPO	(0.0%)
Axovant Sciences Limited WCO	(0.0%)

Net Asset Value of Next Edge Bio-Tech Plus Fund as at December 31, 2015

\$5,466,170

1. These are all of the Fund's short positions as at December 31, 2015.

Next Edge Bio-Tech Plus Fund

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General information

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