

Next Edge AHL Fund

Annual Financial Statements – 2016
As at and for the year ended December 31, 2016



NEXTEGE
CAPITAL

Next Edge AHL Fund
Annual financial statements
December 31, 2016

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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 Accounting Standards ("IFRS") and, where appropriate, reflect management's judgment and best estimates.

Management has established systems of internal controls 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 31, 2017

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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards.

Toronto, Canada
March 31, 2017

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Chartered Professional Accountants
Licensed Public Accountants

Next Edge AHL Fund
Statements of financial position

As at December 31,	Notes	2016	2015
ASSETS			
Current assets			
Cash		50,207,402	68,161,903
Financial assets at fair value through profit or loss			
Investment in Underlying Fund	4,7	24,030,649	32,175,178
Subscriptions receivable		63,000	54,900
		74,301,051	100,391,981
LIABILITIES			
Current liabilities			
Redemptions payable	10	1,261,238	2,694,324
Management fees payable		59,142	83,569
Accrued liabilities		117,549	73,948
		1,437,929	2,851,841
Net assets attributable to holders of redeemable units		72,863,122	97,540,140
Net assets attributable to holders of redeemable units per class	11		
Class A		27,045,401	37,936,914
Class B		5,859,889	10,940,036
Class C		3,263,920	5,177,932
Class F		15,928,754	16,447,220
Class G		708,398	1,555,413
Class H		3,562,642	3,422,830
Class J		4,698,441	8,853,348
Class K		778,218	1,260,092
Class L		1,057,676	1,130,685
Class M		9,959,783	10,815,670
		72,863,122	97,540,140

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund
 Statements of financial position (continued)

As at December 31,	2016	2015
Number of redeemable units outstanding per class		
Class A	2,752,906	3,493,554
Class B	596,901	1,006,698
Class C	332,434	476,865
Class F	1,473,118	1,392,418
Class G	79,602	157,086
Class H	324,776	289,466
Class J	505,200	886,213
Class K	81,433	124,709
Class L	91,675	89,639
Class M	825,803	831,914
 Net assets attributable to holders of redeemable units per unit		
Class A	9.82	10.86
Class B	9.82	10.87
Class C	9.82	10.86
Class F	10.81	11.81
Class G	8.90	9.90
Class H	10.97	11.82
Class J	9.30	9.99
Class K	9.56	10.10
Class L	11.54	12.61
Class M	12.06	13.00

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	2016	2015
Income	8		
Interest income for distribution purposes		386,997	506,082
Other changes in fair value of investments and derivatives			
Net realized gain		2,813,366	12,287,660
Net change in unrealized depreciation		(8,375,771)	(13,667,654)
Net losses on investments and derivatives		(5,562,405)	(1,379,994)
Total income (loss)		(5,175,408)	(873,912)
Expenses	13		
Management fees	14	1,407,171	1,942,360
General operating expenses		280,656	542,588
Unitholder reporting costs		68,514	30,834
Audit fees		39,220	47,376
Legal fees		23,388	83,921
Independent Review Committee fees	14	48,256	47,803
Harmonized sales tax		193,641	282,792
Custody fees		12,648	4,800
Transaction costs		4,353	4,195
Total expenses		2,077,847	2,986,669
Decrease in net assets attributable to holders of redeemable units		(7,253,255)	(3,860,581)

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,	2016	2015
Increase (Decrease) in net assets attributable to holders of redeemable units per class		
Class A	(3,090,727)	(1,717,071)
Class B	(750,851)	(488,210)
Class C	(397,730)	(232,965)
Class F	(1,505,876)	(516,810)
Class G	(110,203)	(194,553)
Class H	(322,040)	(28,293)
Class J	(353,308)	(358,865)
Class K	(27,583)	12,032
Class L	(99,221)	(56,677)
Class M	(595,716)	(279,169)
	(7,253,255)	(3,860,581)
Average number of units outstanding		
Class A	3,161,003	3,746,457
Class B	824,648	1,104,698
Class C	419,077	516,710
Class F	1,469,690	1,378,305
Class G	124,074	310,601
Class H	317,212	302,512
Class J	675,126	1,415,667
Class K	91,162	165,189
Class L	90,760	74,449
Class M	771,791	704,176
Increase (Decrease) in net assets attributable to holders of redeemable units per unit		
Class A	(0.98)	(0.46)
Class B	(0.91)	(0.44)
Class C	(0.95)	(0.45)
Class F	(1.02)	(0.37)
Class G	(0.89)	(0.63)
Class H	(1.02)	(0.09)
Class J	(0.52)	(0.25)
Class K	(0.30)	0.07
Class L	(1.09)	(0.76)
Class M	(0.77)	(0.40)

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

For the years ended December 31,	2016	2015
<u>Class A</u>		
Beginning of year	37,936,914	44,200,752
Decrease in net assets attributable to holders of redeemable units from operations	(3,090,727)	(1,717,071)
Proceeds from issuance of units	2,724,182	4,854,313
Consideration paid for redemption of units	(10,524,968)	(9,401,080)
End of year	27,045,401	37,936,914
<u>Class B</u>		
Beginning of year	10,940,036	14,359,246
Decrease in net assets attributable to holders of redeemable units from operations	(750,851)	(488,210)
Consideration paid for redemption of units	(4,329,296)	(2,931,000)
End of year	5,859,889	10,940,036
<u>Class C</u>		
Beginning of year	5,177,932	6,446,147
Decrease in net assets attributable to holders of redeemable units from operations	(397,730)	(232,965)
Proceeds from issuance of units	-	104
Consideration paid for redemption of units	(1,516,282)	(1,035,354)
End of year	3,263,920	5,177,932
<u>Class F</u>		
Beginning of year	16,447,220	17,158,514
Decrease in net assets attributable to holders of redeemable units from operations	(1,505,876)	(516,810)
Proceeds from issuance of units	7,279,394	3,845,720
Consideration paid for redemption of units	(6,291,984)	(4,040,204)
End of year	15,928,754	16,447,220
<u>Class G</u>		
Beginning of year	1,555,413	4,614,100
Decrease in net assets attributable to holders of redeemable units from operations	(110,203)	(194,553)
Consideration paid for redemption of units	(736,812)	(2,864,134)
End of year	708,398	1,555,413

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,	2016	2015
<u>Class H</u>		
Beginning of year	3,422,830	4,372,861
Decrease in net assets attributable to holders of redeemable units from operations	(322,040)	(28,293)
Proceeds from issuance of units	1,593,269	125,003
Consideration paid for redemption of units	(1,131,417)	(1,046,741)
End of year	3,562,642	3,422,830
<u>Class J</u>		
Beginning of year	8,853,348	19,346,520
Decrease in net assets attributable to holders of redeemable units from operations	(353,308)	(358,865)
Proceeds from issuance of units	15,190	150,161
Consideration paid for redemption of units	(3,816,789)	(10,284,468)
End of year	4,698,441	8,853,348
<u>Class K</u>		
Beginning of year	1,260,092	3,414,718
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(27,583)	12,032
Proceeds from issuance of units	-	50,000
Consideration paid for redemption of units	(454,291)	(2,216,658)
End of year	778,218	1,260,092
<u>Class L</u>		
Beginning of year	1,130,685	629,400
Decrease in net assets attributable to holders of redeemable units from operations	(99,221)	(56,677)
Proceeds from issuance of units	66,840	557,962
Consideration paid for redemption of units	(40,628)	-
End of year	1,057,676	1,130,685
<u>Class M</u>		
Beginning of year	10,815,670	6,213,549
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(595,716)	(279,169)
Proceeds from issuance of units	1,514,359	5,427,056
Consideration paid for redemption of units	(1,774,530)	(545,766)
End of year	9,959,783	10,815,670

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,	2016	2015
Cash flows from operating activities		
Decrease in net assets attributable to holders of redeemable units	(7,253,255)	(3,860,581)
Adjustments to reconcile change in net assets attributable to holders to net cash from operating activities		
Proceeds from sale of investments	27,897,501	39,785,603
Purchase of investments	(25,315,377)	(30,052,844)
Change in unrealized depreciation of investments and derivatives	8,375,771	13,667,610
Net realized gain on investments	(2,813,366)	(12,287,660)
Decrease in other payables and accrued liabilities	19,174	(182,504)
Net cash provided by operating activities	910,448	7,069,624
Cash flows from financing activities		
Proceeds from redeemable units issued	13,185,134	15,050,419
Amount paid on redemption of redeemable units	(32,050,083)	(32,527,337)
Net cash used in financing activities	(18,864,949)	(17,476,918)
Net decrease in cash	(17,954,501)	(10,407,294)
Cash, beginning of year	68,161,903	78,569,197
Cash, end of year	50,207,402	68,161,903
Cash comprises:		
Cash at bank	50,207,402	68,161,903
Supplemental disclosure of cash flow information:		
Interest received	386,997	506,082

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund

Schedule of investments

As at December 31, 2016

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 4 in the notes to the financial statements).

Number of Shares	Name	Average Cost (CAD)	Fair Value (CAD)
142,519	Man AHL DP Limited – Class A CAD Shares	26,683,472	22,791,641
7,411	Man AHL DP Limited – Class C CAD Shares	1,535,061	1,239,008
	Total investment in Underlying Fund	28,218,533	24,030,649
	Cash		50,207,402
	Other liabilities		(1,374,929)
	Total net assets attributable to holders of redeemable units		72,863,122

The balance sheet of Man AHL DP Limited as at December 31, 2016 is listed below:

	USD	%
Cash at bank	4,111,680	23%
Cash with brokers	7,461,778	42%
Financial assets at fair value through profit or loss ¹	9,161,648	51%
Prepayments and other assets	11,826	0%
Financial liabilities at fair value through profit or loss ¹	(2,666,507)	(15%)
Accounts payable and accrued expenses	(161,085)	(1%)
Net assets attributable to holders of Redeemable Participating Shares (IFRS)	17,919,340	100%
Net assets attributable to holders of Redeemable Participating Shares (Valuation)	17,919,340	
Net assets attributable to holders of Redeemable Participating Shares (Valuation) (CAD)	24,030,649	
Redeemable Participating Shares in issue - Class A	142,519	
Net Asset Value per Redeemable Participating Share - Class A (CAD)	159.92	
Number of Shares attributable to the Fund - Class A	142,519	
Aggregate value of Shares attributable to the Fund- Class A (CAD)	22,791,641	
Redeemable Participating Shares in issue - Class C	7,411	
Net Asset Value per Redeemable Participating Share - Class C (CAD)	167.18	
Number of Shares attributable to the Fund - Class C	7,411	
Aggregate value of Shares attributable to the Fund- Class C (CAD)	1,239,008	

- 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.

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund

Schedule of investments (continued)

The following shows the underlying asset 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, 2016 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	64.59%	Currency	(9.51%)
Fund	29.36%	Metal	(2.19%)
Currency	12.19%	Stock index	(1.07%)
Stock index	3.32%	Interest rate	(0.83%)
Agricultural	2.02%	Agricultural	(0.72%)
Energy	2.10%	Energy	(0.56%)
Interest rate	1.77%		
Metal	0.36%		
Total long	115.71%	Total short	(14.88%)
Total investments	100.83%		
Other net liabilities	(0.83%)		
Total Net Asset Value	100.00%		

Top 25 Long Positions

Issuer	% of Net Asset Value ²
Investment in AHL Evolution Ltd	29.36%
USD/AUD Forward exchange contract	0.78%
CAD/USD Forward exchange contract	0.70%
USD/EUR Forward exchange contract	0.58%
USD/GBP Forward exchange contract	0.53%
SEK/EUR Forward exchange contract	0.52%
COCOA FUTURE Mar17	0.52%
SPI 200 FUTURES Mar17	0.50%
NATURAL GAS FUTR Feb17	0.44%
DOLLAR INDEX Mar17	0.42%
COCOA FUTURE - ICE Mar17	0.37%
BRL/USD Forward exchange contract	0.35%
FTSE 100 IDX FUT Mar17	0.34%
USD/GBP Forward exchange contract	0.34%
NIKKEI 225 (SGX) Mar17	0.33%
EURO-BOBL FUTURE Mar17	0.32%
BRL/USD Forward exchange contract	0.31%
KOSPI2 INX FUT Mar17	0.31%
BRL/USD Forward exchange contract	0.28%
COFFEE 'C' FUTURE Mar 17	0.28%
DAX INDEX FUTURE Mar17	0.25%
EURO STOXX 50 Mar17	0.25%
USD/SGD Forward exchange contract	0.24%
EURO-BUND FUTURE Mar17	0.24%
BRENT CRUDE FUTR Jun17	0.23%

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
CLP/USD Forward exchange contract	(0.62%)
CAD/EUR Forward exchange contract	(0.52%)
NOK/EUR Forward exchange contract	(0.46%)
USD/Gold Forward exchange contract	(0.45%)
NZD/USD Forward exchange contract	(0.38%)
ICE NAT GAS FUTR Feb17	(0.38%)
Palladium/USD Forward exchange contract	(0.38%)
USD/BRL Forward exchange contract	(0.34%)
AUD/EUR Forward exchange contract	(0.33%)
SOYBEAN OIL FUTR Mar17	(0.28%)
PALLADIUM FUTURE Mar17	(0.27%)
EUR/SEK Forward exchange contract	(0.26%)
CAD/USD Forward exchange contract	(0.25%)
EUR/SEK Forward exchange contract	(0.23%)
EUR/USD Forward exchange contract	(0.22%)
Russell 2000 Mini Mar 17	(0.22%)
CAD/USD Forward exchange contract	(0.20%)
S&P500 EMINI FUT Mar17	(0.19%)
USD/SEK Forward exchange contract	(0.19%)
AUD/EUR Forward exchange contract	(0.17%)
USD/BRL Forward exchange contract	(0.17%)
SGD/USD Forward exchange contract	(0.17%)
NZD/USD Forward exchange contract	(0.16%)
GBP/EUR Forward exchange contract	(0.15%)
GOLD 100 OZ FUTR Feb17	(0.15%)

Total Net Asset Value of the Underlying Fund: **24,030,649 CAD¹**

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, 2016, 142,519 Class A shares with a NAV of approximately \$22.8 million representing 100% of the outstanding Class A shares, and 7,411 Class C shares with a NAV of approximately \$1.2 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, energy, agricultural commodities, 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, 2016

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 transfer agent, valuation agent and administrator is RBC Investor & Treasury Services beginning May 9, 2016 and was Citigroup Fund Services Canada Inc. prior to May 9, 2016. 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 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, 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, 2016. The Statements of financial position of the Fund are as at December 31, 2016 and 2015, 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, 2016 and 2015, except for classes established during either period, in which case the information presented is from the inception date, as applicable, to December 31, 2016 or 2015.

These financial statements were approved for issuance by the Manager on March 31, 2017.

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 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 (“NAV”) for transactions with unitholders.

Next Edge AHL Fund

Notes to the financial statements – December 31, 2016 (continued)

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 the Underlying Fund is designated as fair value through profit or loss upon initial recognition and is 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 NAV 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 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 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.

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Notes to the financial statements – December 31, 2016 (continued)

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 for distribution purposes 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, 2016 and 2015, the Fund had foreign currency transactions. The Underlying Fund’s transactions were natively in USD and required translation. As at December 31, 2016 and 2015, 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 year.

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

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Notes to the financial statements – December 31, 2016 (continued)

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

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, Class L units, and Class M units 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 Class A Shares and Class C Shares issued by the Underlying Fund differ in their management fees, at up to approximately 2.00% and 1.00% per annum respectively.

As at December 31, 2016, the Fund held 142,519 (2015: 142,109) of the Class A Shares and 7,411 (2015: 12,269) of the Class C Shares of the Underlying Fund, representing 100% (2015: 100%) and 100% (2015: 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, which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instrument project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Fund plans to adopt the new standard on the required effective date. The Fund is in the process of performing a high-level impact assessment of all three aspects of IFRS 9.

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Notes to the financial statements – December 31, 2016 (continued)

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 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, 2016 and 2015, 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.

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.

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Notes to the financial statements – December 31, 2016 (continued)

As at December 31, 2016, 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	-	24,030,649	-	24,030,649

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

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 NAV 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 years ended December 31, 2016 and 2015.

8. NET GAINS (LOSSES) 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, 2016			
Interest for distribution purposes	-	386,997	386,997
Net realized gain on investments	-	2,813,366	2,813,366
Change in unrealized depreciation on investments	-	(8,375,771)	(8,375,771)
Total	-	(5,175,408)	(5,175,408)

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Notes to the financial statements – December 31, 2016 (continued)

For the year ended December 31, 2015	Financial assets classified as held for trading	Financial assets designated at FVTPL	Total
Interest for distribution purposes	-	506,082	506,082
Net realized gain on investments	-	12,287,660	12,287,660
Change in unrealized depreciation on investments	-	(13,667,654)	(13,667,654)
Total	-	(873,912)	(873,912)

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

AHL manages the AHL Diversified Programme which employs sophisticated computerised processes to identify trends in markets around the world. Trading signals are generated and executed via a finely tuned trading and implementation infrastructure. This process is quantitative and primarily directional in nature, meaning that investment decisions are entirely driven by mathematical models based on market trends and other historical relationships. It is underpinned by rigorous risk control, ongoing research, diversification and the constant quest for efficiency.

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Notes to the financial statements – December 31, 2016 (continued)

The cornerstone of the investment philosophy is that financial markets exhibit persistent trends and other inefficiencies. Trends are a manifestation of serial correlation in financial markets – the phenomenon whereby past price movements influence future price behaviour. Although they vary in their intensity, duration and frequency, price trends are universally recurrent across all sectors and markets. Trends are an attractive focus for active trading styles applied across a diverse range of global markets.

Trading takes place around-the-clock and real-time price information is used to respond to price moves across a diverse range of global markets. The AHL Diversified Programme invests in a varied portfolio of instruments including, but not limited to futures, options, forward contracts, swaps and other financial derivatives both on and off exchange. These markets may be accessed directly or indirectly and include, without limitation, stocks, bonds, currencies, short-term interest rates, energies, metals, credit and agriculturals.

As well as emphasising sector and market diversification, the AHL Diversified Programme has been constructed to achieve diversification by allocating to multiple trading systems. Most of these systems work by sampling prices in real time and measuring price momentum and breakouts, aiming to capture price trends and close out positions when there is a high probability of a different trend developing. Signals are generated across different time frames, ranging from a few days to several months. In aggregate, the systems currently run around 2,000 price samples each day spread across the 300 or so markets traded. The AHL Diversified Programme also includes other technical systems, as well as quantitative models based on a variety of fundamental inputs, such as interest rate and equity valuation data.

In line with the principle of diversification, the approach to portfolio construction and asset allocation is premised on the importance of deploying investment capital across the full range of sectors and markets. Particular attention is paid to correlation of markets and sectors, expected returns, market access costs and market liquidity. Portfolios are regularly reviewed and, when necessary, adjusted to reflect changes in these factors. A systematic process for adjusting market risk exposure in real time to reflect changes in the volatility of individual markets is also in place. Through AHL's ongoing investment in research and technology, the number and diversity of markets and strategies traded directly or indirectly by the AHL Diversified Programme may change over the life of the investment, but always subject to the restrictions set out in the Offering Memorandum. It should also be noted that the AHL Diversified Programme traded by the Underlying Fund may differ from the AHL Diversified Programme traded by other investment products managed by entities within the Man Group.

The constituent components of the investment strategy are not exhaustive and may change over time. In seeking to fulfil the Underlying Fund's investment objective, the Investment Manager may reduce in whole or in part the allocation of assets to one or more investment styles and may allocate assets to new investment approaches, either within the AHL Diversified Programme or elsewhere. The composition and description of these strategies and approaches may also change over time.

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 annualised volatility. Annualised volatility is a measure of risk that is calculated as the standard deviation of the returns on the NAV per Redeemable Participating Share from beginning of the year until the year end date.

As it is based on the NAV per Redeemable Participating Share, annualised 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.

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Notes to the financial statements – December 31, 2016 (continued)

Annualised 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 31 December 2016, the annualised volatility for the Underlying Fund was 36.77% (31 December 2015: 55.40%).

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 brokers and interest rate futures held at 31 December 2016 and 31 December 2015.

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 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 contracts.

The Underlying Fund is also indirectly exposed to foreign exchange risk through the underlying strategies of the managed funds held, where foreign exchange risk trading forms part of the mandated investment strategy.

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 31 December 2016 in relation to each class of recognised financial assets, other than derivatives, is the carrying amount of those assets in the statements of financial position.

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Notes to the financial statements – December 31, 2016 (continued)

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 table below analyses the Underlying Fund's exposure of cash at bank and cash at brokers by rating agency category at 31 December 2016 (Source: Moody's).

Counterparty	Moody's Rating	December 31, 2016 USD	Underlying Fund's net assets %
Credit Suisse AG	A1	2,269,284	19.61
Deutsche Bank AG	A3	768,178	6.64
HSBC Bank plc	Aa2	767,055	6.63
JP Morgan	A3	1,648,313	14.24
Merrill Lynch & Co., Inc	Baa1	1,470,947	12.71
Royal Bank of Scotland plc	A3	538,001	4.65
Bank of New York Mellon SA/NV	Aa1	786,594	6.79
Sumitomo Mitsui Banking	A1	3,325,086	28.73
		11,573,458	100.00

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

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 Shareholders' option on each weekly Dealing Day. Redeemable Participating Shareholders may redeem their Redeemable Participating 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

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Notes to the financial statements – December 31, 2016 (continued)

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 equal to that of the Underlying Fund or utilises a dealing arrangement facility to ensure investments in managed investment funds can be purchased from the Company 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 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:

Liquidity risk of the Fund

As at December 31, 2016 and 2015, 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, 2016			
Financial liabilities	On demand	< 3 months	Total
Redemptions payable	1,261,238	-	1,261,238
Management fee payable	-	59,142	59,142
Accrued liabilities	-	117,549	117,549

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

Interest rate risk on cash

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

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Notes to the financial statements – December 31, 2016 (continued)

11. REDEEMABLE UNITS

As at and for the year ended December 31, 2016, 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.

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 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, which would have reduced the amount of money invested in the Class A units of the Fund.

The number of units issued, redeemed or cancelled during the years ended December 31, 2016 and 2015 for each respective class is summarized in the following tables.

For the years ended December 31,	2016	2015
Class A		
Balance, Beginning	3,493,554	3,890,153
Units issued for cash	258,682	429,146
Units redeemed	(999,330)	(825,745)
Balance, Ending	2,752,906	3,493,554
Class B		
Balance, Beginning	1,006,698	1,261,953
Units issued for cash	966	-
Units redeemed	(410,763)	(255,255)
Balance, Ending	596,901	1,006,698
Class C		
Balance, Beginning	476,865	566,876
Units redeemed	(144,431)	(90,011)
Balance, Ending	332,434	476,865
Class F		
Balance, Beginning	1,392,418	1,407,087
Units issued for cash	621,284	312,266
Units redeemed	(540,584)	(326,935)
Balance, Ending	1,473,118	1,392,418
Class G		
Balance, Beginning	157,086	445,036
Units issued for cash	982	-
Units redeemed	(78,466)	(287,950)
Balance, Ending	79,602	157,086

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Notes to the financial statements – December 31, 2016 (continued)

For the years ended December 31,	2016	2015
Class H		
Balance, Beginning	289,466	362,233
Units issued for cash	134,802	9,963
Units redeemed	(99,492)	(82,730)
Balance, Ending	324,776	289,466
Class J		
Balance, Beginning	886,213	1,891,444
Units issued for cash	4,730	13,700
Units redeemed	(385,743)	(1,018,931)
Balance, Ending	505,200	886,213
Class K		
Balance, Beginning	124,709	333,680
Units issued for cash	-	4,646
Units redeemed	(43,276)	(213,617)
Balance, Ending	81,433	124,709
Class L		
Balance, Beginning	89,639	48,198
Units issued for cash	5,263	41,441
Units redeemed	(3,227)	-
Balance, Ending	91,675	89,639
Class M		
Balance, Beginning	831,914	468,138
Units issued for cash	123,704	403,229
Units redeemed	(129,815)	(39,453)
Balance, Ending	825,803	831,914

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

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Notes to the financial statements – December 31, 2016 (continued)

- 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 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, 2016, the Fund has non-capital losses of \$3,842,873 (2015: \$3,842,873) of which \$515,162 (2015: \$515,162) will expire in 2030, \$1,025,001 (2015: \$1,025,001) will expire in 2031, and \$2,302,710 (2015: \$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 \$26,861,092 (2015: \$28,748,832) 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 NAV represented by the Class A units, Class B units, and Class C units, (ii) 2.30% of the portion of its NAV represented by the Class G units; (iii) 2.00% of the portion of its NAV represented by the Class J units, (iv) 1.25% of the portion of NAV is represented by the Class I units; (v) 1.00% of the portion of its NAV represented by the Class F units, and Class K units; (vi) 1.25% of the portion of its NAV represented by the Class L units; and (vii) 0% of the portion of its NAV 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

Next Edge AHL Fund

Notes to the financial statements – December 31, 2016 (continued)

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.

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

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.

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, 2016 and 2015, "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 year ended December 31, 2016 amounted to \$1,407,171 (2015: \$1,942,360) and reported in the Statements of comprehensive income, with \$59,142 in outstanding accrued fees due to the Manager as at December 31, 2016 (2015: \$83,569) 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 year ended December 31, 2016 was \$48,256 (2015: \$47,803) 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, 2016 and 2015.

Next Edge AHL Fund

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