

Next Edge AHL Fund

Annual Financial Statements – 2018
As at and for the year ended December 31, 2018

Next Edge AHL Fund
Annual financial statements
December 31, 2018

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Next Edge AHL Fund

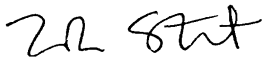
Management's responsibility for financial reporting

Next Edge Capital Corp. (the "Manager") is responsible for the accompanying financial statements of Next Edge AHL Fund (the "Fund") and all the information in this report. These financial statements have been approved by the Board of Directors of Next Edge Capital Corp., as Manager and Trustee. The financial statements have been prepared in accordance with International Financial Reporting Standards and, where appropriate, reflect management's judgment and best estimates.

Management has established systems of internal 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 29, 2019

Independent auditor's report

To the Unitholders of
Next Edge AHL Fund [the "Fund"]

Opinion

We have audited the financial statements of the Fund, which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income (loss), statements of changes in net assets attributable to holders of redeemable units and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.



Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Canada
March 29, 2019

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



A member firm of Ernst & Young Global Limited

Next Edge AHL Fund
Statements of financial position

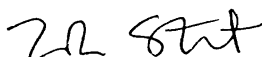
As at December 31,	Notes	2018	2017
ASSETS			
Current assets			
Cash		22,060,405	30,227,756
Financial assets at fair value through profit or loss			
Investment in Underlying Fund	4,7	16,154,880	23,024,856
Subscriptions receivable		-	56,000
		38,215,285	53,308,612
LIABILITIES			
Current liabilities			
	9		
Redemptions payable		1,348,528	224,789
Management fees payable		27,540	2,193
HST payable		6,422	4,046
Accrued liabilities		46,775	1,781
		1,429,265	232,809
Net assets attributable to holders of redeemable units		36,786,020	53,075,803
Net assets attributable to holders of redeemable units per class			
	10		
Class A		13,009,657	18,213,427
Class B		1,682,035	2,831,524
Class C		1,007,645	1,659,036
Class F		10,757,313	14,092,543
Class G		314,248	441,955
Class H		1,637,490	3,608,340
Class J		1,711,248	2,521,699
Class K		238,229	348,781
Class L		620,060	714,979
Class M		5,808,095	8,643,519
		36,786,020	53,075,803

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund
Statements of financial position (continued)

As at December 31,	2018	2017
Number of redeemable units outstanding per class		
Class A	1,341,183	1,794,336
Class B	173,938	279,479
Class C	104,267	163,771
Class F	981,759	1,245,134
Class G	35,794	48,074
Class H	144,129	310,848
Class J	184,055	264,715
Class K	24,378	35,234
Class L	53,392	59,404
Class M	465,408	677,588
Net assets attributable to holders of redeemable units per unit		
Class A	9.70	10.15
Class B	9.67	10.13
Class C	9.66	10.13
Class F	10.96	11.32
Class G	8.78	9.19
Class H	11.36	11.61
Class J	9.30	9.53
Class K	9.77	9.90
Class L	11.61	12.04
Class M	12.48	12.76

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 (loss)

For the years ended December 31,	Note	2018	2017
Income			
Interest income for distribution purposes		347,720	421,201
Other changes in fair value of investments			
Net realized loss		(466,194)	(1,521,602)
Net change in unrealized appreciation (depreciation) of investments		(990,356)	4,770,353
Total income (loss)		(1,108,830)	3,669,952
Expenses			
Management fees	13	609,242	850,732
General operating expenses	12,13	143,884	305,547
Unitholder reporting costs		36,438	37,069
Audit fees		45,115	39,790
Legal fees		73,048	61,757
Independent Review Committee fees		25,432	30,524
Harmonized sales tax	13	78,713	132,049
Custody fees		12,481	10,746
Transaction costs		1,137	1,687
Total expenses		1,025,490	1,469,901
Increase (decrease) in net assets attributable to holders of redeemable units		(2,134,320)	2,200,051

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund

Statements of comprehensive income (loss) (continued)

For the years ended December 31,	2018	2017
Increase (decrease) in net assets attributable to holders of redeemable units per class		
Class A	(899,757)	632,134
Class B	(134,198)	83,329
Class C	(58,219)	53,781
Class F	(541,625)	635,094
Class G	(20,452)	16,264
Class H	(128,977)	199,989
Class J	(62,719)	58,402
Class K	(6,036)	11,100
Class L	(25,274)	18,847
Class M	(257,063)	491,111
	(2,134,320)	2,200,051
Average number of units outstanding		
Class A	1,609,421	2,080,036
Class B	229,933	447,489
Class C	119,644	252,188
Class F	1,143,513	1,303,922
Class G	40,075	64,690
Class H	220,913	316,793
Class J	221,399	364,249
Class K	29,679	55,585
Class L	56,584	77,893
Class M	576,798	740,344
Increase (decrease) in net assets attributable to holders of redeemable units per unit		
Class A	(0.56)	0.30
Class B	(0.58)	0.19
Class C	(0.49)	0.21
Class F	(0.47)	0.49
Class G	(0.51)	0.25
Class H	(0.58)	0.63
Class J	(0.28)	0.16
Class K	(0.20)	0.20
Class L	(0.45)	0.24
Class M	(0.45)	0.66

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,	2018	2017
<u>Class A</u>		
Beginning of year	18,213,427	27,045,401
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(899,757)	632,134
Proceeds from issuance of units	1,981,392	1,959,643
Consideration paid for redemption of units	(6,285,405)	(11,423,751)
End of year	13,009,657	18,213,427
<u>Class B</u>		
Beginning of year	2,831,524	5,859,889
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(134,198)	83,329
Consideration paid for redemption of units	(1,015,291)	(3,111,694)
End of year	1,682,035	2,831,524
<u>Class C</u>		
Beginning of year	1,659,036	3,263,920
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(58,219)	53,781
Consideration paid for redemption of units	(593,172)	(1,658,665)
End of year	1,007,645	1,659,036
<u>Class F</u>		
Beginning of year	14,092,543	15,928,754
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(541,625)	635,094
Proceeds from issuance of units	1,971,933	2,620,066
Consideration paid for redemption of units	(4,765,538)	(5,091,371)
End of year	10,757,313	14,092,543
<u>Class G</u>		
Beginning of year	441,955	708,398
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(20,452)	16,264
Consideration paid for redemption of units	(107,255)	(282,707)
End of year	314,248	441,955

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,	2018	2017
<u>Class H</u>		
Beginning of year	3,608,340	3,562,642
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(128,977)	199,989
Proceeds from issuance of units	-	6,229
Consideration paid for redemption of units	(1,841,873)	(160,520)
End of year	1,637,490	3,608,340
<u>Class J</u>		
Beginning of year	2,521,699	4,698,441
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(62,719)	58,402
Consideration paid for redemption of units	(747,732)	(2,235,144)
End of year	1,711,248	2,521,699
<u>Class K</u>		
Beginning of year	348,781	778,218
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(6,036)	11,100
Proceeds from issuance of units	13,880	-
Consideration paid for redemption of units	(118,396)	(440,537)
End of year	238,229	348,781
<u>Class L</u>		
Beginning of year	714,979	1,057,676
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(25,274)	18,847
Proceeds from issuance of units	19,786	28,070
Consideration paid for redemption of units	(89,431)	(389,614)
End of year	620,060	714,979
<u>Class M</u>		
Beginning of year	8,643,519	9,959,783
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(257,063)	491,111
Proceeds from issuance of units	195,098	848,024
Consideration paid for redemption of units	(2,773,459)	(2,655,399)
End of year	5,808,095	8,643,519

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,	2018	2017
Cash flows from operating activities		
Increase (decrease) in net assets attributable to holders of redeemable Units	(2,134,320)	2,200,051
Adjustments to reconcile change in net assets attributable to holders to net cash from operating activities		
Proceeds from sale of investments	15,559,422	20,378,560
Purchase of investments	(10,145,996)	(16,124,016)
Change in unrealized appreciation (depreciation) of investments	990,356	(4,770,353)
Net realized loss on investments	466,194	1,521,602
Increase (decrease) in other payables and accrued liabilities	72,717	(168,671)
Net cash provided by operating activities	4,808,373	3,037,173
Cash flows from financing activities		
Proceeds from redeemable units issued	4,238,089	5,469,032
Amount paid on redemption of redeemable units	(17,213,813)	(28,485,851)
Net cash used in financing activities	(12,975,724)	(23,016,819)
Net decrease in cash	(8,167,351)	(19,979,646)
Cash, beginning of year	30,227,756	50,207,402
Cash, end of year	22,060,405	30,227,756
Cash comprises:		
Cash at bank	22,060,405	30,227,756
Supplemental disclosure of cash flow information:		
Interest received	347,720	421,201

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund

Schedule of investments

As at December 31, 2018

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)
99,328	Man AHL DP Limited – Class A CAD Shares	15,978,647	15,566,635
3,430	Man AHL DP Limited – Class C CAD Shares	584,119	588,245
	Total investment in Underlying Fund	16,562,766	16,154,880
	Cash		22,060,405
	Other liabilities		(1,429,265)
	Total net assets attributable to holders of redeemable units	16,562,766	36,786,020

The balance sheet of Man AHL DP Limited as at December 31, 2018 is listed below:

	USD	%
Cash at bank	2,843,771	24.0%
Cash with brokers	5,503,601	46.5%
Financial assets at fair value through profit or loss ¹	6,047,708	51.1%
Prepayments and other assets	10,994	0.1%
Balances due to brokers	(263,982)	(2.2%)
Financial liabilities at fair value through profit or loss ¹	(2,171,334)	(18.3%)
Accounts payable and accrued expenses	(137,304)	(1.2%)
Net assets attributable to holders of Redeemable Participating Shares (IFRS)	11,833,454	100%
Net assets attributable to holders of Redeemable Participating Shares (Valuation)	11,833,454	
Net assets attributable to holders of Redeemable Participating Shares (Valuation) (CAD)	16,154,880	
Redeemable Participating Shares in issue - Class A	99,327	
Net Asset Value per Redeemable Participating Share - Class A (CAD) ¹	156.72	
Number of Shares attributable to the Fund - Class A	99,328	
Aggregate value of Shares attributable to the Fund - Class A (CAD)	15,566,635	
Redeemable Participating Shares in issue - Class C	3,429	
Net Asset Value per Redeemable Participating Share - Class C (CAD) ¹	171.51	
Number of Shares attributable to the Fund - Class C	3,429	
Aggregate value of Shares attributable to the Fund - Class C (CAD)	588,245	

1. 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 assets allocation by asset class and the top 25 holdings as presented in the Man AHL DP Limited Management Report on Fund Performance posted on SEDAR. The underlying assets may change due to ongoing portfolio transactions. For further details, see the Man AHL DP Limited financial statements for the year ended December 31, 2018 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 and equivalents ³	68.31%	Agricultural	(0.23%)
Fund	22.17%	Currency	(15.53%)
Currency	14.07%	Energy	(0.98%)
Agricultural	1.16%	Interest rate	(0.10%)
Energy	2.25%	Metal	(0.97%)
Interest rate	7.04%	Stock index	(0.53%)
Metal	2.18%		
Stock index	2.25%		
Total long	119.43%	Total short	(18.34%)
Total investments	101.09%		
Other net liabilities	(1.09%)		
Total Net Asset Value	100.00%		

Top 25 Long Positions

Issuer	% of Net Asset Value ²
Investment in AHL Evolution Ltd ⁴	22.17%
JPY/USD Forward exchange contract	2.08%
JPY/AUD Forward exchange contract	1.28%
US 10YR NOTE (CBT) Mar19	0.78%
USD/CAD Forward exchange contract	0.62%
MXN/USD Forward exchange contract	0.59%
Euro-BTP Future Mar19	0.57%
USD/AUD Forward exchange contract	0.54%
AUST 3YR BOND FUT Mar19	0.51%
US 5YR NOTE (CBT) Mar19	0.50%
USD/CAD Forward exchange contract	0.49%
US 2YR NOTE (CBT) Mar19	0.45%
JPN 10Y BOND(OSE) Mar19	0.44%
LME ALUMINUM FORWARD Jan19	0.40%
PALLADIUM FUTURE Mar19	0.40%
JPY/EUR Forward exchange contract	0.39%
EUR/AUD Forward exchange contract	0.39%
JPY/EUR Forward exchange contract	0.38%
EURO-BUND FUTURE Mar19	0.34%
COFFEE 'C' FUTURE Mar19	0.33%
INR/USD Forward exchange contract	0.33%
BANK ACCEPT FUTR Sep19	0.32%
AUST 10Y BOND FUT Mar19	0.31%
BRENT CRUDE FUTR Jun19	0.29%
S&P500 EMINI FUT Mar19	0.29%

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund

Schedule of investments (continued)

Top 25 Short Positions

Issuer	% of Net Asset Value ²
CAD/USD Forward exchange contract	(3.16%)
AUD/EUR Forward exchange contract	(0.79%)
USD/JPY Forward exchange contract	(0.53%)
RUB/USD Forward exchange contract	(0.41%)
AUD/GBP Forward exchange contract	(0.39%)
AUD/EUR Forward exchange contract	(0.32%)
CAD/USD Forward exchange contract	(0.31%)
USD/MXN Forward exchange contract	(0.27%)
USD/JPY Forward exchange contract	(0.26%)
NOK/EUR Forward exchange contract	(0.26%)
USD/MXN Forward exchange contract	(0.25%)
AUD/JPY Forward exchange contract	(0.24%)
AUD/EUR Forward exchange contract	(0.24%)
AUD/GBP Forward exchange contract	(0.23%)
USD/GBP Forward exchange contract	(0.22%)
AUD/JPY Forward exchange contract	(0.22%)
AUD/JPY Forward exchange contract	(0.20%)
USD/Silver Forward commodity contract	(0.19%)
AUD/JPY Forward exchange contract	(0.19%)
FTSE/JSE TOP 40 Mar19	(0.19%)
LME ZINC FORWARD Jan19	(0.19%)
RUB/USD Forward exchange contract	(0.18%)
NATURAL GAS FUTR Feb19	(0.17%)
EUR/JPY Forward exchange contract	(0.16%)
CLP/USD Forward exchange contract	(0.15%)

Total Net Asset Value of the Underlying Fund:

16,154,880 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, 2018, 99,327 Class A shares with a NAV of approximately \$15.5 million representing 100% of the outstanding Class A shares, and 3,429 Class C shares with a NAV of approximately \$0.6 million representing 100% of the outstanding Class C Shares were issued to the Fund.
2. The percentage of the Asset Class net assets refers 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 comprises cash in bank deposits and cash held with brokers in order to meet margin requirements.
4. Investment in AHL Evolution Ltd. is 9.7% of Net Asset Value of the Next Edge AHL Fund.

The accompanying notes are an integral part of these financial statements

Next Edge AHL Fund

Notes to the financial statements – December 31, 2018 and 2017

1. FUND INFORMATION

Next Edge AHL 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 and amended June 27, 2014.

The Fund’s investment activities are managed by Next Edge Capital Corp. The Fund’s transfer agent, custodian, valuation agent and administrator is RBC Investor & Treasury. 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, 2018. The Statements of financial position of the Fund are as at December 31, 2018 and 2017, and the Statements of comprehensive income (loss), Statements of changes in net assets attributable to holders of redeemable units and Statements of cash flows are for the years ended December 31, 2018 and 2017.

These financial statements were approved for issuance by the Board of the Manager on March 29, 2019.

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. 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.

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.

Next Edge AHL Fund

Notes to the financial statements – December 31, 2018 and 2017 (continued)

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.

IFRS 9, *Financial Instruments*

Financial Instruments

Financial instruments include financial assets and liabilities such as debt and equity securities, open-ended investment funds and derivatives, cash and other trade receivables and payables. All financial assets and liabilities are recognized in the Statements of financial position when the Fund becomes a party to the contractual requirements of the instrument. Financial instruments are derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership.

Transition to IFRS 9

Effective January 1, 2018, the Fund adopted IFRS 9, Financial Instruments. The new standard requires assets to be carried at amortized cost, fair value, with changes in fair value recognized in profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI) based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Assessment and decision on the business model approach used is an accounting judgement.

The classification and measurement of liabilities remains generally unchanged with the exception of liabilities recorded at FVTPL. For these liabilities, fair value changes attributable to changes in the entity's own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income.

Upon transition to IFRS 9, the Fund's financial assets and financial liabilities previously classified as FVTPL under IAS 39, Financial Instruments: Recognition and Measurement continued to be categorized as FVTPL (or any other single category of classification arrived at). There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9.

There was no impact on the net assets and the results of the Fund from the adoption of IFRS 9. The adoption of IFRS 9 has also been applied retrospectively and did not result in any changes in the prior period.

Classification and Measurement

Classification and measurement categories under IFRS 9 are amortized at cost, FVOCI and FVTPL. To determine the appropriate classification and measurement category, IFRS 9 requires an entity to consider the business model for managing financial instruments and the contractual cash flow characteristics associated with the financial instruments. The Fund has performed an assessment of the business model and contractual cash flows and did not have a significant impact on its Statements of financial position from applying the classification and measurement requirements of IFRS 9.

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Notes to the financial statements – December 31, 2018 and 2017 (continued)

The Fund's business model is one in which financial assets are managed with the objective of realizing cash flows through the sale of assets. Decisions are made based on the assets' fair values and assets are managed to realize these fair values. This business model is aligned with a FVTPL classification and measurement category. The Fund continues its measuring at FVTPL all financial assets currently held at fair value.

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal. Thus, these will continue to be measured at amortized cost under IFRS 9.

Impairment

IFRS 9 requires that an entity recognize a loss allowance for expected credit losses on financial assets which are measured at amortized costs or FVOCI. Financial assets held by the Fund which are measured at FVTPL will not be subject to the impairment requirements.

With respect to receivables, the Fund considers both historical analysis and forward looking information in determining any expected credit loss. As at the financial statement date, all receivables are due to be settled within the short term. The Fund considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligation in the near term. No loss allowance has been recognized as any such impairment will not have a significant impact on the financial statements.

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, are calculated by the valuation agent on or about the fourth business day following the relevant Valuation Date.

Next Edge AHL Fund

Notes to the financial statements – December 31, 2018 and 2017 (continued)

For each Fund unit sold, the Fund receives an amount equal to the NAV per unit, on the date of the transaction. Units are redeemable at the option of the unitholders at their NAV per unit on the redemption date. For each unit redeemed, the number of issued and outstanding units is reduced and the net assets attributable to holders of redeemable units is reduced by the related NAV on the date of redemption.

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

Investment transactions and income recognition

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

Transactions during the year, including purchases and sales of securities, income and expenses, are translated into Canadian dollars at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date.

Foreign currency transaction gains and losses on financial instruments classified as FVTPL are included in profit or loss in the Statements of comprehensive income (loss) as part of the "net realized gain (loss)".

Cash

Cash comprises 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

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Notes to the financial statements – December 31, 2018 and 2017 (continued)

day, of each class at the date on which the allocation is made. Class-specific operating expenses and management fees are applied to the corresponding classes accordingly. All operating expenses are paid by the Manager and are collected from the Fund on a recoverable basis.

Taxation

The Fund qualifies as a mutual fund trust under the *Income Tax Act* (Canada) (the “Tax Act”). 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 11, 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% of the NAV per annum respectively.

As at December 31, 2018, the Fund held 99,328 (2017: 124,625) of the Class A Shares and 3,430 (2017: 4,507) of the Class C Shares of the Underlying Fund, representing 100% (2017: 100%) and 100% (2017: 100%) of the issued shares for each class respectively.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are no standards issued but not yet effective up to the date of issuance of the financial statements that is expected to have an impact on the Fund. The Fund will adopt any applicable standards when they become effective.

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 that define an investment entity are as follows:

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Notes to the financial statements – December 31, 2018 and 2017 (continued)

- 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 change.

7. FINANCIAL INSTRUMENTS RISK

As at December 31, 2018 and 2017, 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.

As at December 31, 2018, 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	-	16,154,880	-	16,154,880

As at December 31, 2017, 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	-	23,024,856	-	23,024,856

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Notes to the financial statements – December 31, 2018 and 2017 (continued)

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.

Investment in Underlying Fund

The Fund's investment in the Underlying Fund is valued at the NAV per unit reported by the Investment 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, 2018 and 2017.

The investments of the Underlying Fund are denominated primarily in U.S. dollars and any return of any such investments will therefore be in the same currency. However, the Fund's functional currency and the Underlying Fund shares are denominated in Canadian dollars. Therefore, the Fund is indirectly exposed to currency risk; a fluctuation in Canadian dollars against the U.S. dollar could cause the value of the underlying investments to diminish or increase irrespective of performance. The Underlying Fund uses a hedging programme to reduce this exposure.

8. 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 that 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

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Notes to the financial statements – December 31, 2018 and 2017 (continued)

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 computerized 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.

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 agricultural.

As well as emphasizing 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.

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Notes to the financial statements – December 31, 2018 and 2017 (continued)

Market risk in the Underlying Fund

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

There are many risk measures used by the Investment Manager; however, one generally understood measure is annualized volatility. Annualized volatility is a measure of risk that is calculated as the standard deviation of the returns on the NAV per Redeemable Participating Share from beginning of the year until the year-end date.

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

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

As at December 31, 2018, the annualized volatility for the Underlying Fund was 41.64% (2017: 32.49%).

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 December 31, 2018 and December 31, 2017.

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.

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Notes to the financial statements – December 31, 2018 and 2017 (continued)

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

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

Credit/counterparty risk in the Underlying Fund

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

The Underlying Fund's maximum exposure to credit risk (not taking into account the value of any collateral or other security held) in the event that the counterparties fail to perform their obligations as of December 31, 2018 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.

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 December 31, 2018 (Source: Moody's).

Counterparty	Moody's Rating	December 31, 2018 USD	Underlying Fund's net assets %
BNP Paribas	Aa3	2,201,142	18.70
Credit Suisse AG	Baa2	1,129,492	9.59
Deutsche Bank AG	A3	467,278	3.97
HSBC Bank Plc	A2	1,496,543	12.71
J.P. Morgan	A2	1,434,851	12.19
Merrill Lynch & Co., Inc.	A3	917,016	7.79
Royal Bank of Scotland Plc	Baa2	560,092	4.76
The Bank of New York Mellon SA/NV	A1	3,566,309	30.29
		11,772,723	100.00

Counterparty	Moody's Rating	December 31, 2017 USD	Underlying Fund's net assets %
Bank of New York Mellon SA/NV	A1	7,082,670	38.01
HSBC Bank plc	Aa3	2,322,995	12.47
JP Morgan	Aa3	2,205,218	11.83
Merrill Lynch & Co., Inc	A3	2,110,124	11.32
Credit Suisse AG	Baa2	2,016,258	10.82
Royal Bank of Scotland plc	Baa3	1,885,355	10.12
Deutsche Bank AG	Baa2	1,011,010	5.43
		18,633,630	100.00

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Notes to the financial statements – December 31, 2018 and 2017 (continued)

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 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 utilizes a dealing arrangement facility to ensure investments in managed investment funds can be purchased from the Underlying Fund should there be insufficient liquidity at a price equal to the last available price per Redeemable Participating Share on the date of purchase.

The Underlying Fund's investments include exchange-traded futures contracts which are considered readily realizable as they are all listed on major recognized 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.

9. 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, 2018 and 2017, 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 analyse 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.

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Notes to the financial statements – December 31, 2018 and 2017 (continued)

December 31, 2018

Financial liabilities	On demand	< 3 months	Total
Redemptions payable	1,348,528	-	1,348,528
Management fee payable	-	27,540	27,540
HST payable	-	6,422	6,422
Accrued liabilities	-	46,775	46,775

December 31, 2017

Financial liabilities	On demand	< 3 months	Total
Redemptions payable	224,789	-	224,789
Management fee payable	-	3,932	3,932
HST payable	-	4,046	4,046
Accrued liabilities	-	4,088	4,088

Interest rate risk on cash

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

10. REDEEMABLE UNITS

As at and for the years ended December 31, 2018 and 2017, 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 an upfront selling commission basis, and may have provided regular distributions, depending upon the class of units purchased. The class of units selected affected 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, 2018 and 2017 for each respective class is summarized in the following tables.

For the years ended December 31,	2018	2017
Class A		
Balance, beginning	1,794,336	2,752,906
Units issued for cash	208,376	200,723
Units redeemed	(661,529)	(1,159,293)
Balance, ending	1,341,183	1,794,336
Class B		
Balance, beginning	279,479	596,901
Units redeemed	(105,541)	(317,422)
Balance, ending	173,938	279,479

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Notes to the financial statements – December 31, 2018 and 2017 (continued)

For the years ended December 31,	2018	2017
Class C		
Balance, beginning	163,771	332,434
Units redeemed	(59,504)	(168,663)
Balance, ending	104,267	163,771
Class F		
Balance, beginning	1,245,134	1,473,118
Units issued for cash	182,658	240,064
Units redeemed	(446,033)	(468,048)
Balance, ending	981,759	1,245,134
Class G		
Balance, beginning	48,074	79,602
Units redeemed	(12,280)	(31,528)
Balance, ending	35,794	48,074
Class H		
Balance, beginning	310,848	324,776
Units issued for cash	-	581
Units redeemed	(166,719)	(14,509)
Balance, ending	144,129	310,848
Class J		
Balance, beginning	264,715	505,200
Units redeemed	(80,660)	(240,485)
Balance, ending	184,055	264,715
Class K		
Balance, beginning	35,234	81,433
Units issued for cash	1,341	-
Units redeemed	(12,197)	(46,199)
Balance, ending	24,378	35,234
Class L		
Balance, beginning	59,404	91,675
Units issued for cash	1,812	2,432
Units redeemed	(7,824)	(34,703)
Balance, ending	53,392	59,404
Class M		
Balance, beginning	677,588	825,803
Units issued for cash	15,208	70,657
Units redeemed	(227,388)	(218,872)
Balance, ending	465,408	677,588

Next Edge AHL Fund

Notes to the financial statements – December 31, 2018 and 2017 (continued)

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 its 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 maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise; and
- To maintain sufficient size to make the operation of the Fund cost-efficient.

11. INCOME TAXES

It is generally assumed that the Fund will qualify at all times as a "mutual fund trust" within the meaning of 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 that 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 that 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, 2018, the Fund has non-capital losses of \$3,800,082 (2017: \$4,022,100) of which \$293,145 (2017: \$515,162) will expire in 2030, \$1,025,011 (2017: \$1,025,011) will expire in 2031, \$2,302,710 (2017: \$2,302,710) will expire in 2033, \$179,227 (2017: \$179,227) will expire in 2037, and \$418,954 will expire in 2038 and may be carried forward and used to reduce taxable income in future years. The Fund also has available capital losses of \$26,448,918 (2017: \$26,861,092) 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.

Next Edge AHL Fund

Notes to the financial statements – December 31, 2018 and 2017 (continued)

12. FEES AND OPERATING EXPENSES

For its services to the Fund, the Manager is entitled to receive from the Fund, a management fee (the “Management Fee”) at (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) nil 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 are to be allocated pro rata to each class of units.

These expenses include unitholder reporting costs for preparing, mailing and printing expenses of periodic reports to unitholders; fees payable to any custodian of the assets of the Fund; fees payable to auditors and legal advisors; taxes payable by the Fund or to which the Fund is subject and other general operating expenses. General operating expenses include other unitholder communications, fees payable to the valuation agent and the independent pricing service for performing certain valuation services; fees payable to the registrar and transfer agent for performing certain financial, record keeping, reporting and general administrative services; fees payable to accountants; ongoing regulatory fees, licensing fees and other fees; and expenses relating to portfolio transactions.

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

Each class of unit 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, 2018 and 2017, “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.

13. 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, 2018 amounted to \$609,242 (2017: \$850,732) and reported in the Statements of comprehensive income (loss), with \$27,540 in outstanding accrued fees due to the Manager as at December 31, 2018 (2017: \$2,193) 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, 2018 was \$25,432 (2017: \$30,524) and is reported in the Statements of comprehensive income (loss) and consisted only of fixed fees. There were no outstanding payables relating to Independent Review Committee fees as at December 31, 2018 and 2017.

Next Edge AHL Fund

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