

# **Annual Report of the Independent Review Committee of the Next Edge Group of Funds**

February 5, 2015

**IRC Annual Report to: Securityholders in the Next Edge group of funds (the “Funds”) as listed at the end of this report**

Dear Securityholder,

In accordance with **National Instrument 81-107 Independent Review Committee for Investment Funds** (“NI 81-107” or the “Instrument”), the former manager established an Independent Review Committee (the “Committee” or “IRC”) for the Funds in May 2009.

On June 10, 2014 the management group of Man Investments Canada Corp. (the former manager or “MICC”) acquired MICC from the parent, Man Group PLC. (the “Acquisition”) and renamed the company Next Edge Capital Corp. (the “Manager”). As a result of the Acquisition, the Manager underwent a change of control, and therefore, all of the existing members of the Independent Review Committee (“IRC”) ceased to be members. On the same date as the Acquisition, the Manager re-appointed the same members to the IRC.

The IRC has functioned in accordance with the applicable securities laws and is composed of three individuals, each of whom is independent of the Funds, the Manager and each entity related to the Manager (as defined in the Instrument).

The IRC is pleased to publish its annual report to Securityholders, covering the period from January 1, 2014 to December 31, 2014 (“the Reporting Period”).

## **Mandate of the IRC**

In accordance with the Instrument, the mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager may be subject when managing the Funds. The Manager is required under the Instrument to identify potential conflicts of interest inherent in its management of the Funds, develop written policies and procedures guiding its management of those conflicts and request input from the IRC on those written policies and procedures.

When a conflict matter arises, the Manager must refer its proposed course of action in respect of such conflict to the IRC for its review. While certain matters require the IRC’s prior approval, in most cases the IRC will provide a recommendation to the Manager as to whether or not, in the opinion of the IRC, the Manager’s proposed action provides a fair and reasonable result for the Funds. For recurring conflict of interest matters, the IRC can provide the Manager with Standing Instructions (“SIs”) that enable the Manager to proceed with certain matters without having to refer them to the IRC each time for approval, providing the Manager deals with the conflicts in accordance with the SIs.

The IRC is empowered to represent the best interest of the Funds in any matter where the Manager has referred a conflict of interest matter to it. In those cases, it has sought to ensure that the Manager’s proposed course of action represents a fair and reasonable result for the Funds.

## **Composition of the IRC**

The current members of the IRC, and their principal occupations, are as follows:

<b><i>Name and Municipality of Residence</i></b>	<b><i>Principal Occupation</i></b>	<b><i>Term of Office</i></b>
Chair: Eamonn B.P. McConnell, Toronto, Ontario	Consultant, Managing Director Kensington Capital	Originally appointed May 2009; Re-appointed by the current Manager June 10, 2014 until December 31, 2016
W. William Woods, Toronto, Ontario	Consultant, Independent Director, former CEO of Bermuda Stock Exchange	Originally appointed May 2009; Re-appointed by the current Manager June 10, 2014 until December 31, 2015
Geoff Salmon, Barrie, Ontario	Managing Director Independent Review Inc.	Originally appointed: February 14, 2014.  Re-appointed by the current Manager June 10, 2014 until December 31, 2016.

Jane Davis, who was a member of the Committee for over 5 years having been originally appointed in May 2008, sadly passed away on February 7, 2014. Geoff Salmon was appointed to replace Jane, effective February 14, 2014 until December 31, 2016. The members of the Committee were saddened by Jane's untimely and sudden passing. Jane is remembered fondly for her work and dedication on the IRC, and we are very grateful for her contribution to the Committee.

As a result of the change in control outlined above, the IRC members were all re-appointed June 10, 2014 for the terms set out above.

## **Compensation and Indemnification**

### **Review of Compensation**

The IRC reviewed its compensation which included a consideration of:

- the nature and extent of the workload of each member of the IRC, including the commitment of time and energy expected from each member;
- the number of meetings required by the IRC including special meetings to consider conflict issues brought to the committee;
- industry best practices, including industry averages and surveys on IRC compensation; and
- the complexity of the conflict issues brought to the IRC.

The IRC concluded that its fees were adequate at present.

### **Members' Fees**

In aggregate the IRC members were paid \$30,000 in 2014, plus applicable taxes.

### **Indemnities Granted**

The Funds and the Manager have provided each IRC Member with a contractual indemnity in keeping with NI 81-107. No payments were paid to the IRC Members pursuant to this indemnity by the Funds or the Manager during the Reporting Period.

### **Disclosure of IRC Members' Holdings**

As at December 31, 2014, the IRC Members did not beneficially own, directly or indirectly:

- any units in any of the Funds;
- any interests in the Manager; or
- any interests in a company or person that provides services to the Manager or any Fund.

### **Recommendations and Approvals**

On February 14, 2014 the IRC gave its approval to merge the GLG Emerging Markets Income Fund ("Emerging Markets Fund") into the GLG EM Income Fund ("EM Fund"). This re-organization required three conflict matters for the IRC to consider:

- 1 Change the investment objectives and investment restrictions of the Emerging Markets Fund to a flexible bond strategy;
- 2 Merge the EM Fund into the Emerging Markets Fund; and
- 3 After the merger, convert the Emerging Markets Fund into an open end mutual fund.

Based on the information provided by the Manager and after making reasonable enquiry, the IRC **RESOLVED** unanimously that the Manager's course of action to re-organize the above Funds, if completed, would provide a fair and reasonable result for each of the Funds. However this merger was not completed. On November 5, 2014 the Manager asked the IRC to approve its proposed course of action originally brought to the IRC on February 14, 2014 however it was then proposed to merge the Emerging Markets Fund and the EM Fund (the "Terminating Funds"), into the Next Edge Theta Yield Fund (the "Theta Fund"). Based on the information provided by the Manager and after making reasonable enquiry, the IRC **RESOLVED** unanimously that the Manager's course of action to merge the Terminating Funds into the Theta Fund, if completed, would provide a fair and reasonable result for each of the Terminating Funds.

On October 30, 2014 the Manager proposed the merger of the Next Edge AHL Alpha Fund ("Terminating Fund") into the Next Edge AHL Fund. Based on the information provided by the Manager and after making reasonable enquiry, the IRC **RESOLVED** unanimously that the Manager's course of action to merge the two funds, if completed, would provide a fair and reasonable result for the Terminating Fund.

### **Standing Instruction Approved**

The IRC has approved one Standing Instruction (SI), which constitutes a written approval or recommendation from the IRC that permits the Manager to proceed with the specific action(s) set out in the SI on an ongoing basis, without having to refer the conflict of interest matter or its proposed action to the IRC, provided that the Manager complies with the terms and conditions of the SI. In each case, the SI required the Manager to comply with its related policy and procedures and to report periodically to the IRC. The Manager relied on the SI during the Reporting Period.

### **Standing Instruction No. 1: Omnibus.**

This SI deals with a number of conflict of interest matters including:

1. Fees and Expenses
2. Trade Allocations
3. Portfolio Pricing Issues
4. Pricing Errors and other Errors
5. Distribution Issues
6. Showing Favouritism
7. Outsourcing to Third-Party Services
8. Personal Trading
9. Benchmarking Indices
10. Client Complaints
11. Capacity Issues

### **Manager's Report on its Standing Instruction**

In accordance with the Instrument, the Manager provided a written report to the IRC describing its reliance on the SI during the Reporting Period.

### **Funds served by the IRC**

Next Edge AHL Fund (formerly Man Canada AHL DP Investment Fund)

Next Edge Theta Yield Fund

Next Edge Bio-Tech Plus Fund

This report is available on the Manager's website at <http://nextedgecapital.com/> or you may request a copy, at no cost to you, by contacting the Next Edge Funds at 1 866 379 3265 or email the Next Edge Funds at [info@nextedgecapital.com](mailto:info@nextedgecapital.com). This document and other information about the Next Edge Funds, is available on [www.sedar.com](http://www.sedar.com).

Yours truly,



Eamonn McConnell, Chair

## **Schedule of IRC Members who sit on IRCs for other Fund Families**

**Eamonn McConnell serves as a member of the Independent Review Committees for the following funds:**

Investment funds that are reporting issuers managed by Integra Capital Limited;  
Investment funds that are reporting issuers managed by Sprott Asset Management LP;  
Investment funds that are reporting issuers managed by Northwest & Ethical Investments L.P.;  
Investment funds that are reporting issuers managed by O'Leary Funds Management L.P.;  
Investment funds that are reporting issuers managed by Onex Credit Partners, LLC;  
Investment funds that are reporting issuers managed by Goodwood Inc.  
Investment funds that are reporting issuers managed by Russell Investments Canada Limited;  
Investment funds that are reporting issuers managed by Portfolio Strategies Securities Inc. and  
Investment funds that are reporting issuers managed by Newport Private Wealth Inc.

**W. William Woods serves as a member of the Independent Review Committees for the following funds:**

Investment funds that are reporting issuers managed by Integra Capital Limited;  
Investment funds that are reporting issuers managed by Sprott Asset Management LP;  
Investment funds that are reporting issuers managed by O'Leary Funds Management L.P.;  
Investment funds that are reporting issuers managed by Goodwood Inc.  
Investment funds that are reporting issuers managed by Portfolio Strategies Securities Inc.  
Investment funds that are reporting issuers managed by Picton Mahoney Asset Management Inc.  
Investment funds that are reporting issuers managed by Russell Investments Canada Limited;  
Investment funds that are reporting issuers managed by The Knowledge First Foundation;  
Investment funds that are reporting issuers managed by Onex Credit Partners, LLC; and  
Investment funds that are reporting issuers managed by Questrade Inc.

**Geoff Salmon serves as a member of the Independent Review Committees for the following funds:**

Investment funds that are reporting issuers managed by Aegon Fund Management Inc.