



# INTERIM FINANCIAL STATEMENTS OF NORREP CANADIAN ENHANCED EQUITY FUND

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For the six months ended April 30, 2018

# NORREP CANADIAN ENHANCED EQUITY FUND

Interim Statements of Financial Position  
(unaudited)

*(in Canadian dollars, except units outstanding)*

As at	April 30 2018	October 31 2017
<b>Assets</b>		
Cash and cash equivalents	218,566	773,817
Dividends and interest receivable	17,696	25,695
Portfolio assets sold	969,016	117,227
Units issued	81,169	–
Investments, at fair value through profit or loss	15,786,441	16,484,374
<b>Total assets</b>	<b>17,072,888</b>	<b>17,401,113</b>
<b>Liabilities</b>		
Accrued expenses (note 7)	34,300	30,000
Dividends payable on investments sold short	2,010	3,194
Performance fee payable (note 7)	12,689	2,540
Portfolio assets purchased	1,522,587	260,901
Units redeemed	19,507	7,944
Investments - short, at fair value through profit or loss	3,870,170	4,066,818
<b>Total liabilities (excluding net assets attributable to holders of redeemable units)</b>	<b>5,461,263</b>	<b>4,371,397</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>11,611,625</b>	<b>13,029,716</b>
Net assets attributable to holders of redeemable units:		
Series A	29,664	98,486
Series F	8,696,816	10,020,126
Series I	2,885,145	2,911,104
Redeemable units outstanding (note 6):		
Series A	2,558	8,121
Series F	726,098	804,162
Series I	233,710	227,914
Net assets attributable to holders of redeemable units per unit:		
Series A	11.60	12.13
Series F	11.98	12.46
Series I	12.34	12.77

See accompanying notes to interim financial statements.

On behalf of the Board of Directors of Norrep Capital Management Ltd.



Alex Sasso



Keith Leslie

# NORREP CANADIAN ENHANCED EQUITY FUND

Interim Statements of Comprehensive Income (Loss)  
(unaudited)

Six months ended April 30, 2018 and 2017

(in Canadian dollars)

	2018	2017
Dividend income	196,913	122,399
Interest for distribution purposes	9,078	2,249
Net gain (loss) on investments at fair value through profit or loss		
Net realized gain (loss) on investments	298,942	(11,574)
Net change in unrealized appreciation (depreciation) in fair value of investments	(401,569)	320,082
Total investment revenue (loss)	103,364	433,156
Management fees (note 7)	46,522	21,671
Dividend expense on investments sold short	25,740	20,418
Custodian and record keeping fees	15,489	13,281
Transaction costs	15,439	8,461
Risk management fees	13,009	7,874
Performance fee (note 7)	9,656	–
Administrative fees (note 7)	8,317	4,808
Audit and tax fees	7,463	7,113
HST/GST	5,220	2,768
Other	4,814	4,060
Legal and filing fees	2,661	1,625
Computer services	2,069	1,280
Independent review committee	775	445
Operating expense recovery (note 7)	–	(1,500)
Total operating expenses	157,174	92,304
Increase (decrease) in net assets attributable to holders of redeemable units before tax	(53,810)	340,852
Withholding tax expense	–	56
Increase (decrease) in net assets attributable to holders of redeemable units	(53,810)	340,796
Change in net assets attributable to holders of redeemable units (note 6):		
Series A	(605)	5,666
Series F	(64,537)	191,291
Series I	11,332	143,839
Change in net assets attributable to holders of redeemable units per unit (note 6):		
Series A	(0.17)	0.51
Series F	(0.08)	0.52
Series I	0.04	0.59

See accompanying notes to interim financial statements.

# NORREP CANADIAN ENHANCED EQUITY FUND

Interim Statements of Changes in Net Assets Attributable to Holders of Redeemable Units  
(unaudited)

Six months ended April 30, 2018 and 2017

(in Canadian dollars)

	All Series		Series A		Series F		Series I	
	2018	2017	2018	2017	2018	2017	2018	2017
Net assets attributable to holders of redeemable units, beginning of period	13,029,716	6,749,301	98,486	126,299	10,020,126	3,916,630	2,911,104	2,706,372
Increase (decrease) in net assets, attributable to holders of redeemable units	(53,810)	340,796	(605)	5,666	(64,537)	191,291	11,332	143,839
Transactions attributable to holders of redeemable units:								
Issuance of units	855,803	380,073	29,908	–	825,895	375,072	–	5,001
Reinvestment of distributions	133,292	45,441	1,126	1,957	23,504	4,367	108,662	39,117
Amounts paid on redemptions of redeemable units	(1,876,923)	(218,353)	(98,125)	(43,435)	(1,742,952)	(174,918)	(35,846)	–
	(887,828)	207,161	(67,091)	(41,478)	(893,553)	204,521	72,816	44,118
Distributions declared	(476,453)	(106,466)	(1,126)	(1,957)	(365,220)	(62,179)	(110,107)	(42,330)
	(476,453)	(106,466)	(1,126)	(1,957)	(365,220)	(62,179)	(110,107)	(42,330)
Net assets attributable to holders of redeemable units, end of period	11,611,625	7,190,792	29,664	88,530	8,696,816	4,250,263	2,885,145	2,851,999
Distributions per unit to holders of redeemable units			0.45	0.17	0.47	0.17	0.48	0.17

See accompanying notes to interim financial statements

# NORREP CANADIAN ENHANCED EQUITY FUND

Interim Statements of Cash Flows  
(unaudited)

Six months ended April 30, 2018 and 2017

*(in Canadian dollars)*

	2018	2017
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	(53,810)	340,796
Adjustments for:		
Net realized (gain) loss on sale of investments at fair value through profit or loss	(298,942)	11,574
Net change in unrealized (appreciation) depreciation of investments at fair value through profit or loss	401,569	(320,082)
Purchase of investments	(17,820,247)	(9,812,667)
Proceeds from the sale of investments	18,628,891	9,634,136
Dividends and interest receivable	7,999	1,909
Due from Manager	–	(1,500)
Accrued expenses	4,300	14,600
Performance fee payable	10,149	–
Dividends payable on investments sold short	(1,184)	(683)
<b>Net cash from (used in) operating activities</b>	<b>878,725</b>	<b>(131,917)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from the issuance of redeemable units	774,634	343,773
Amounts paid on redemption of redeemable units	(1,865,360)	(218,841)
Distributions to holders of redeemable units, net of reinvestments	(343,161)	(61,025)
<b>Net cash from (used in) financing activities</b>	<b>(1,433,887)</b>	<b>63,907</b>
Net increase (decrease) in cash and cash equivalents	(555,162)	(68,010)
Effect of exchange rates on cash and cash equivalents	(89)	(29)
Cash and cash equivalents at beginning of period	773,817	499,441
<b>Cash and cash equivalents at end of period</b>	<b>218,566</b>	<b>431,402</b>
Dividends received, net of withholding tax paid	204,912	124,252
Interest received	9,078	2,249
Dividend expenses on investments sold short	26,924	21,101

See accompanying notes to interim financial statements

# NORREP CANADIAN ENHANCED EQUITY FUND

Schedule of Investment Portfolio  
(unaudited)

As at April 30, 2018

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>CANADIAN EQUITIES - Long</b>				
<b>Consumer Discretionary</b>				
goeasy Ltd.	8,700	314,926	326,250	
Keg Royalties Income Fund (The)	12,300	224,345	221,154	
Leon's Furniture Ltd.	16,800	299,368	285,264	
Magna International Inc.	3,000	229,718	227,490	
		1,068,357	1,060,158	9.1%
<b>Consumer Staples</b>				
Alimentation Couche-Tard Inc., Class 'B'	4,000	247,058	222,040	
Andrew Peller Ltd., Class 'A'	9,500	171,924	171,475	
		418,982	393,515	3.4%
<b>Energy</b>				
Canadian Natural Resources Ltd.	6,400	292,106	296,448	
Enerplus Corp.	26,400	301,241	393,360	
Husky Energy Inc.	19,500	352,836	350,220	
Parex Resources Inc.	16,700	247,718	368,903	
Seven Generations Energy Ltd., Class 'A'	19,300	355,731	353,576	
TransCanada Corp.	8,500	505,587	462,740	
Whitecap Resources Inc.	34,100	303,677	317,130	
		2,358,896	2,542,377	21.9%
<b>Financials</b>				
Bank of Nova Scotia	8,700	682,099	686,604	
Canadian Imperial Bank of Commerce	6,000	627,890	670,980	
Genworth MI Canada Inc.	5,700	240,889	236,550	
Manulife Financial Corp.	14,100	329,748	341,643	
National Bank of Canada	3,800	206,562	231,724	
Royal Bank of Canada	8,100	715,162	790,884	
Sun Life Financial Inc.	10,000	526,032	530,000	
		3,328,382	3,488,385	30.0%
<b>Industrials</b>				
CAE Inc.	15,000	355,432	364,050	
Canadian Pacific Railway Ltd.	1,000	236,763	234,280	
Finning International Inc.	8,700	276,403	281,793	
Hardwoods Distribution Inc.	15,300	270,674	279,684	
New Flyer Industries Inc.	3,800	201,943	224,086	
Rocky Mountain Dealerships Inc.	10,600	142,055	131,016	
Russel Metals Inc.	8,000	218,701	233,440	
SNC-Lavalin Group Inc.	4,000	222,733	225,160	
TFI International Inc.	10,600	353,732	394,002	
Transcontinental Inc., Class 'A'	13,900	358,635	375,856	
		2,637,071	2,743,367	23.6%
<b>Information Technology</b>				
Constellation Software Inc.	200	125,456	183,526	
Open Text Corp.	10,100	432,071	457,833	
		557,527	641,359	5.5%

# NORREP CANADIAN ENHANCED EQUITY FUND

Schedule of Investment Portfolio (continued)  
(unaudited)

As at April 30, 2018

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Materials</b>				
Canfor Pulp Products Inc.	15,900	289,583	286,995	
CCL Industries Inc., Class 'B'	4,800	301,341	298,944	
Centerra Gold Inc.	31,500	234,768	246,960	
Conifex Timber Inc.	56,100	310,093	359,040	
Hudbay Minerals Inc.	38,400	363,020	344,448	
Kirkland Lake Gold Ltd.	15,100	236,707	338,240	
Lundin Mining Corp.	27,500	228,667	233,750	
Methanex Corp.	1,900	147,089	147,041	
Teck Resources Ltd., Class 'B'	7,200	211,170	232,056	
Trevali Mining Corp.	125,800	165,104	149,702	
		2,487,542	2,637,176	22.7%
<b>Real Estate</b>				
BTB REIT	55,000	238,953	253,550	
Choice Properties REIT	26,300	338,344	300,609	
Granite REIT	3,500	175,554	176,785	
H&R REIT	10,000	217,285	206,200	
Northview Apartment REIT	6,700	169,241	170,917	
		1,139,377	1,108,061	9.5%
<b>Telecommunication Services</b>				
BCE Inc.	6,100	358,158	332,389	
Rogers Communications Inc., Class 'B'	3,800	230,905	230,318	
		589,063	562,707	4.9%
<b>Utilities</b>				
Fortis Inc.	4,000	177,330	172,400	
Superior Plus Corp.	17,000	210,016	211,480	
Valener Inc.	11,200	247,223	225,456	
		634,569	609,336	5.3%
<b>TOTAL CANADIAN EQUITIES - Long</b>		<b>15,219,766</b>	<b>15,786,441</b>	<b>135.9%</b>
<b>TOTAL EQUITIES - Long</b>		<b>15,219,766</b>	<b>15,786,441</b>	<b>135.9%</b>

Description	Number of Shares	Proceeds (\$)	Fair Value (\$)	% of Net Assets
<b>CANADIAN EQUITIES - Short</b>				
<b>Consumer Discretionary</b>				
Aritzia Inc.	(11,800)	(142,010)	(144,314)	
Transat A.T. Inc.	(10,700)	(85,529)	(92,876)	
		(227,539)	(237,190)	-2.0%
<b>Energy</b>				
Advantage Oil & Gas Ltd.	(33,100)	(136,090)	(135,379)	
Genovus Energy Inc.	(13,600)	(173,721)	(174,896)	
Imperial Oil Ltd.	(4,100)	(143,061)	(163,713)	
		(452,872)	(473,988)	-4.1%

# NORREP CANADIAN ENHANCED EQUITY FUND

Schedule of Investment Portfolio (continued)  
(unaudited)

As at April 30, 2018

(in Canadian dollars)

Description	Number of Shares	Proceeds (\$)	Fair Value (\$)	% of Net Assets
<b>Financials</b>				
Fairfax Financial Holdings Ltd.	(300)	(205,370)	(213,249)	
Thomson Reuters Corp.	(2,800)	(140,458)	(144,564)	
		(345,828)	(357,813)	-3.1%
<b>Industrials</b>				
GDI Integrated Facility Services Inc.	(6,300)	(103,894)	(104,076)	
Héroux-Devtek Inc.	(12,700)	(179,924)	(186,563)	
Ritchie Bros. Auctioneers Inc.	(2,600)	(88,649)	(109,096)	
Savaria Corp.	(6,700)	(117,019)	(110,282)	
Stantec Inc.	(4,400)	(143,736)	(143,748)	
Westshore Terminals Investment Corp.	(7,600)	(167,542)	(168,492)	
		(800,764)	(822,257)	-7.1%
<b>Information Technology</b>				
Absolute Software Corp.	(24,500)	(170,811)	(170,765)	
		(170,811)	(170,765)	-1.5%
<b>Materials</b>				
Kinross Gold Corp.	(21,600)	(114,385)	(107,352)	
NovaGold Resources Inc.	(23,300)	(116,897)	(143,528)	
Osisko Gold Royalties Ltd.	(8,600)	(132,839)	(107,758)	
Stella-Jones Inc.	(3,700)	(168,464)	(172,161)	
Turquoise Hill Resources Ltd.	(34,000)	(132,728)	(129,200)	
Yamana Gold Inc.	(29,900)	(102,125)	(110,331)	
		(767,438)	(770,330)	-6.6%
<b>Real Estate</b>				
Boardwalk REIT	(3,100)	(140,686)	(142,941)	
Cominar REIT	(10,800)	(145,535)	(135,324)	
Crombie REIT	(9,400)	(125,362)	(116,842)	
Dream Unlimited Corp., Class 'A'	(23,600)	(169,975)	(225,852)	
First Capital Realty Inc.	(8,200)	(164,900)	(164,574)	
Morguard North American Residential REIT	(10,200)	(156,205)	(142,188)	
		(902,663)	(927,721)	-8.0%
<b>Utilities</b>				
Hydro One Ltd.	(5,400)	(123,326)	(110,106)	
		(123,326)	(110,106)	-0.9%
<b>TOTAL CANADIAN EQUITIES - Short</b>		<b>(3,791,241)</b>	<b>(3,870,170)</b>	<b>-33.3%</b>
Less: Transaction costs included in average cost		(7,622)		
<b>TOTAL INVESTMENTS</b>		<b>11,420,903</b>	<b>11,916,271</b>	<b>102.6%</b>
Other assets, less net liabilities			(304,646)	-2.6%
<b>TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>11,611,625</b>	<b>100.0%</b>



# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements  
(unaudited)

Six months ended April 30, 2018

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## 1. Reporting Entity:

Norrep Canadian Enhanced Equity Fund (the “Fund”) is an unincorporated open-ended mutual fund trust established under the laws of Ontario pursuant to a trust agreement dated January 30, 2015. The Fund’s principal place of business is Suite 4330, 77 King Street West, Toronto, Ontario, M5K 1H6.

The Fund may issue an unlimited number of units in an unlimited number of series. Each unit represents an equal undivided interest in the net assets of the Fund; however, the value of a Trust Unit in one Class may differ from the value of a Trust Unit in another Class, depending on the Net Asset Value of that particular Class.

Norrep Capital Management Ltd. (“Norrep”) is the Manager and Portfolio Manager for the Fund. As Manager, it provides overall management and direction for the Fund as well as manages the day-to-day operation of the Fund. As Portfolio Manager, it provides investment management services to the Fund. Computershare Trust Company is the Trustee, Scotia Capital Inc. is the Prime Broker, CIBC Mellon Global Securities Services Company is the Custodian, Administrator, Transfer Agent and Registrar and Norrep Investment Management Group Inc. is the Sponsor of the Fund.

## 2. Basis of preparation:

### (a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These interim financial statements have also been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting.

The financial statements of the Fund were approved and were authorized for issue by the Manager’s Board of Directors on June 25, 2018.

### (b) Basis of measurement:

The financial statements have been prepared on the historical cost basis, except for investments at fair value through profit or loss which are measured at fair value.

### (c) Functional and presentation currency:

The financial statements are presented in Canadian dollars, which is the Fund’s functional currency, and all values are rounded to the nearest dollar except where otherwise indicated.

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements  
(unaudited)

Six months ended April 30, 2018

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## 2. Basis of preparation (continued):

### (d) Use of judgements and estimates:

These financial statements include estimates and assumptions made by management that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and gains and losses during the reporting period. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Significant areas requiring the use of management estimates include the fair value of investments, the unrealized gains/losses from investments and the accruals for investment income.

## 3. Significant accounting policies:

### (a) Financial assets and financial liabilities:

#### (i) Recognition and initial measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognized on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they originated.

Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value, with transaction costs recognized in profit or loss.

#### (ii) Classification

Effective November 1, 2017, the Fund adopted IFRS 9 Financial Instruments. The new standard requires assets to be carried at amortized cost or 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.

Upon transition to IFRS 9, the Fund's financial assets and financial liabilities that were classified as fair value through profit and loss (FVTPL) under IAS 39 continued to be categorized as fair value through profit and loss. There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9.

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements  
(unaudited)

Six months ended April 30, 2018

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### 3. Significant accounting policies (continued):

#### (a) Financial assets and financial liabilities (continued):

##### (ii) Classification (continued)

Under IFRS 9, derivatives are classified as FVTPL like other financial assets and liabilities, so there is no requirement to present separately the different component amounts on the Statement of Comprehensive Income as they fall within the same classification; this is a change from the requirement under IAS 39 where derivatives were classified as Held for Trading.

However, Canadian Security Administrators (“CSA”) regulatory requirements under NI 81-106 prescribe the individual line items that are required to be disclosed which includes separate disclosure for derivatives.

The Funds classify financial assets and financial liabilities into the following categories.

Financial assets at fair value through profit or loss:

- All investments, including derivatives

Financial assets at amortized cost:

- Loans and receivables: cash and cash equivalents and receivables

Financial liabilities at amortised cost:

- Other liabilities: all liabilities other than redeemable units

The Funds designate all financial assets and liabilities at fair value through profit or loss on initial recognition because it manages securities on a fair value basis in accordance with its documented investment strategy. Internal reporting and performance measurement of these securities and the Fund as a whole is on a fair value basis. The Manager also receives management fees which are based on the overall fair value of the Fund.

##### (iii) Fair value measurement

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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at last traded price.

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements  
(unaudited)

Six months ended April 30, 2018

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### 3. Significant accounting policies (continued):

(a) Financial assets and financial liabilities (continued):

(iii) Fair value measurement (continued)

For securities where market quotes are not available, the Fund values the initial investment at the amount paid. After initial investment, the Fund uses estimation techniques to determine fair value including observable market data, discounted cash flows and internal models that compare the investments to its peer group.

There is no difference between pricing Net Asset Value (“NAV”) and accounting NAV.

(iv) Amortized cost measurement

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at recognition, minus principal repayments (if applicable), plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount (if applicable), minus any reduction for impairment (if applicable).

(v) Specific instruments

Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments, other than cash collateral provided in respect of derivatives and securities borrowing transactions.

Redeemable units

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Fund has multiple classes of redeemable units that do not have identical features and therefore, do not qualify as equity under IAS 32, Financial Instruments. The redeemable units, which are classified as financial liabilities and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund’s valuation policies at each redemption date. The units represent the residual interest in the Fund.

The value at which redeemable units are issued or redeemed is determined by dividing the net assets at fair value, based on last trading price, of each class by the total number of redeemable units outstanding for the Class at the Valuation Time on the Dealing Day as defined in the Offering Memorandum (generally the last day of each calendar week and

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements  
(unaudited)

Six months ended April 30, 2018

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### 3. Significant accounting policies (continued):

(a) Financial assets and financial liabilities (continued):

(v) Specific instruments (continued)

Redeemable units (continued)

the last business day of each calendar month). Amounts received on the issuance of redeemable units and amounts paid by the Class on the redemption of redeemable units are added to or deducted from net assets.

(b) Dividend income and dividend expense:

Dividend income is recognized in profit or loss on the date on which the right to receive payment is established. This is usually the ex-dividend date.

The Fund incurs expenses on short positions in equity securities equal to the dividends due on these securities. Such dividend expense is recognized in profit or loss as operating expense when the shareholders' right to receive payment is established.

(c) Distributions to holders of redeemable units:

Any distribution made will be in proportion to the number of units held by each unitholder.

Distributions per unit are calculated as the total amount of distributions divided by the number of units on the record date.

(d) Net gain (loss) from financial instruments at fair value through profit or loss:

Net unrealized/realized gain/loss from financial instruments at fair value through profit or loss is calculated using the average cost method.

(e) Income tax:

The Fund is a "mutual fund trust" under the Income Tax Act (Canada) and, accordingly, will not be taxed on that portion of its taxable income that is paid or allocated to unitholders. The Fund expects to pay out sufficient net income and net realized capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made in these financial statements.

(f) Increase (decrease) in net assets attributable to holders of redeemable units:

Increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated as the increase (decrease) in net assets attributable to holders of redeemable units of a Series for the period, divided by the weighted average units outstanding during the period.

(g) Translation of foreign currency:

Foreign currency amounts are expressed in Canadian dollars as follows:

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements  
(unaudited)

Six months ended April 30, 2018

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### 3. Significant accounting policies (continued):

(g) Translation of foreign currency (continued):

- (i) fair value of investments and accrued receivables and payables and other assets and liabilities at the rate of exchange at the end of the period; and
- (ii) purchases and sales of investments and dividend and interest income at the rate of exchange prevailing on the respective dates of such transactions.

Foreign currency differences are recognized as a component of net gain/loss from financial instruments at fair value through profit or loss.

(h) Derivative financial instruments:

The Fund may use derivative financial instruments to reduce its exposure to fluctuations in foreign currency exchange rates. Derivative financial instruments are recorded at mark to market with changes in fair value recorded in the statement of comprehensive income.

Options are contracts entitling the holder to purchase or sell a specified item at a specified price, during a specified period or on a specified date. Options purchased are recorded as investments; options written (sold) are recorded as liabilities. Any gain or loss resulting from revaluation is included in change in unrealized gain (loss) on derivative instruments on the statements of comprehensive income. Upon closing of an option, other than by exercise, which results in a cash settlement, the difference between the premium (original option value) and the settlement proceeds is included in net realized gain (loss) on derivative instruments on the statements of comprehensive income. When securities are acquired or delivered upon exercise of an option, the acquisition cost or sale proceeds are adjusted by the amount of the premium. When an option is closed, the difference between the premium and the cost to close the position is included in net realized gain (loss) on derivatives on the statements of comprehensive income. When an option expires, the premium for options written or purchased is reflected in the statement of operations as net realized gain (loss) on derivative instruments.

The risks include the possibility there may be an illiquid options market or the inability of the counterparties to fulfill their obligations under the contract. Writing options involves, to varying degrees, elements of market risk in excess of the amount recognized in the statement of financial position.

(i) Short selling:

The Fund may make short sales whereby a security that it does not own is sold in anticipation of a decline in the fair value of the security. Securities that are sold short are valued at the last traded price reported by the principal securities exchange on which the issue is traded on the financial statement date. To enter into a short sale, the Fund will need to borrow the security for

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements  
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Six months ended April 30, 2018

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### 3. Significant accounting policies (continued):

(i) Short selling (continued):

delivery to the buyer. Also, while the transaction is open, the Fund will incur a liability for any paid dividends or interest that is due to the lender of the security.

Should the security increase in value during the shorting period, the Fund will incur a loss. There is, in theory, no upper limit to how high the price of a security may go. Another risk involved in shorting is the loss of a borrow, a situation where the lender of the security requests its return. In cases like this, the Fund must either find securities to replace those borrowed or step into the market and repurchase the securities. Depending on the liquidity of the security shorted, if there are insufficient securities available at current market prices, the Fund may have to bid up the price of the security in order to cover the short, resulting in losses to the Fund.

### 4. Fair value measurement:

(a) Investments:

The fair values of financial assets and financial liabilities that are traded on active markets are based on quoted market prices. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

A three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

- Inputs that are quoted prices (unadjusted) in active markets for identical instruments (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for instruments, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Inputs for the instruments that are not based on observable market data (unobservable inputs) (Level 3). This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on the quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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Six months ended April 30, 2018

## 4. Fair value measurement (continued):

### (a) Investments (continued):

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The Fund recognizes transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change occurred.

### (b) Fair value hierarchy – Financial instruments measured at fair value:

The tables below analyze investments measured at fair value at the reporting dates by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
April 30, 2018				
Public securities				
Equities - long	15,786,441	—	—	15,786,441
Equities - short	(3,870,170)	—	—	(3,870,170)
Total Investments	11,916,271	—	—	11,916,271

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
October 31, 2017				
Public securities				
Equities - long	16,484,374	—	—	16,484,374
Equities - short	(4,066,818)	—	—	(4,066,818)
Total Investments	12,417,556	—	—	12,417,556

There were no transfers into or out of Level 1, 2 or 3 during the period.

### (c) Financial instruments not measured at fair value:

The carrying values of cash and cash equivalents, dividends and interest receivable, accrued expenses, and other receivables and payables approximate their fair values due to their short term nature.

## 5. Financial instruments and associated risks:

The Fund's activities expose it to a variety of risks associated with financial instruments as follows: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments result in a risk of loss of capital. The Fund also holds short positions which are subject to certain inherent risks. The ultimate cost to the Fund to acquire these securities may exceed the liability reflected in these financial statements.



# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements  
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Six months ended April 30, 2018

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## 5. Financial instruments and associated risks (continued):

### **Credit risk:**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The carrying amount of cash and cash equivalents and receivables, represent the maximum credit risk exposure as at April 30, 2018.

Credit risk arising on transactions for shares issued and portfolio assets sold relates to transactions awaiting settlement, also known as settlement risk. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. Credit risk relating to unsettled transactions is considered small due to the short settlement period involved.

For the majority of the transactions, the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Also, legal entitlement will not pass until all monies have been received for the units purchased or the portfolio assets sold. If either party does not meet its obligation then the transaction will fail.

All of the assets of the Fund are held by Scotia Capital Inc., the Prime Broker. Bankruptcy or insolvency of the Prime Broker may cause the Fund's rights with respect to securities held by the custodian and prime broker to be delayed or limited. The Fund monitors its risk by monitoring the credit quality and credit rating and financial position of the prime broker. If the credit quality or the financial position deteriorates significantly then the Manager will move the cash holdings to another financial institution.

### **Liquidity risk:**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

The Fund is exposed to weekly and monthly cash redemptions of redeemable units. The Fund may acquire significant positions in thinly-traded and relatively illiquid investments that may cease to be traded after the Fund invests. In such cases, and in the event of extreme market volatility, the Fund may not be able to promptly liquidate its investments, if a need should arise.

Additionally, investments in small, mid-capitalization and micro-capitalization companies may involve greater risks than investments in larger, more established companies since such companies may have more limited markets and financial resources, their securities may be more sensitive to market changes, and the liquidity of their securities may be limited.

Consequently, in order to fund redemptions, the Fund may have to liquidate its shareholdings in the more liquid large and medium-sized companies.

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements  
(unaudited)

Six months ended April 30, 2018

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## 5. Financial instruments and associated risks (continued):

### Liquidity risk (continued):

To the extent that the liquidity is limited, the Fund's ability to realize profits and/or minimize losses may be limited, which could adversely affect the net asset value of the Fund. The Fund believes it maintains sufficient cash and cash equivalent positions to maintain liquidity.

The Fund may borrow to make investments or maintain liquidity and may pledge its assets to secure the borrowings.

### Market risk:

Market risk embodies the potential for both losses and gains and includes currency risk, interest rate risk and price risk.

The Fund is an alternative investment fund that seeks long-term capital appreciation by investing primarily in a diversified portfolio of Canadian equity securities. The Fund pursues its investment objective by establishing long and short equity exposure to securities of companies, stock markets or industry sectors located, primarily, in Canada. The Fund may hold a portion of its assets in cash, money market instruments, or fixed-income securities, including bonds and other debt securities. In periods of unusual market conditions, a significant portion of the Fund's assets may be held in such instruments. The Fund may also from time to time use derivatives, such as options, futures and forward contracts for hedging purposes, to gain exposure to individual securities and markets (instead of buying the securities directly) and/or to generate income.

The success of the Fund's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Fund's investments. Unexpected volatility or illiquidity could reduce the Fund's profitability or result in losses.

No material change that would adversely affect the interest of the Unitholders of the Fund may be made without the approval of the unitholders. An approval is not required if the Manager provides the Unitholders with at least 60 days written notice of such proposed change and the right to redeem all Units prior to the effective date of the change. The Manager may alter the Fund's investment objectives, strategies and restrictions without prior approval by Unitholders in certain circumstances.

The Fund's market risk is managed on a daily basis by the Portfolio Manager in accordance with the policies and procedures in place.

Details of the nature of the Fund's investment portfolio at April 30, 2018 are disclosed in the schedule of investment portfolio.

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements  
(unaudited)

Six months ended April 30, 2018

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## 5. Financial instruments and associated risks (continued):

### Market risk (continued):

#### (a) Currency risk:

Investment in securities denominated in a currency other than Canadian dollars will be affected by the changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. Therefore the value of securities held by the Fund may be worth more or less depending on their susceptibility to foreign exchange rates. At April 30, 2018 the Fund did not hold any foreign currency denominated investments.

#### (b) Interest rate risk:

Interest rate risk arises on interest bearing financial instruments. Changes in interest rates may also affect the value of the equity securities. The income earned by an investment fund and the interest paid by an investment fund for borrowing, is also affected by changes in interest rates.

At April 30, 2018, there are no interest-bearing financial assets or liabilities. As a result, the Fund is subject to limited exposure to interest rate risks due to fluctuations in the prevailing levels of market interest rates.

#### (c) Other price risk:

Other price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer, or factors affecting all instruments traded in the market. All securities present a risk of loss of capital. However, the Fund holds short positions that are subject to certain inherent risks. The ultimate cost to the Fund to acquire these securities may exceed the liability reflected in these financial statements.

To achieve its objective, the Fund will generally hold 100 percent net long equity market exposure by investing primarily in equity securities with an aggregate value of approximately 130 percent of its Net Asset Value and holding short positions with a market value of approximately 30 percent of its Net Asset Value.

Approximately 10% of the equity portion of the invested net assets of the Fund may be managed with “pairs” trades, meaning the Fund will match a “long” position with a “short” position of two different stocks in the sub-sector of the market with the intention of eliminating market risk. This strategy seeks to take advantage of profitable opportunities based on differences in valuation and market momentum (i.e. the perceived strength of a downward or upward movement in prices) of companies in the same line of business rather than absolute values of their returns.

The remaining equity portion of the invested net assets of the Fund will primarily be managed using the Manager’s back tested quantitative models. Earnings surprises (i.e. actual company performance in comparison to analysts’ expectations) will have a significant influence on

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements  
(unaudited)

Six months ended April 30, 2018

## 5. Financial instruments and associated risks (continued):

### Market risk (continued):

#### (c) Other price risk (continued):

securities selection. Other factors of importance in the long positions include low valuations, high profitability, strong earnings and price momentum and low debt levels. The short positions tend to consist of stocks that lack momentum, growth or trade at unreasonable valuations.

Price risk is managed by the Manager by constructing a diversified portfolio of instruments. The price of a security is affected by individual company developments and by general economic and financial conditions in those countries where the issuer of the security is located, does business or where the security is listed for trading.

The Manager monitors these factors daily and makes decisions regarding the portfolio based on its knowledge of the market conditions and diversifies the portfolio of investments accordingly. The risk resulting from financial instruments is equivalent to their fair value.

#### Sensitivity analysis:

A 1% increase or decrease on the S&P/TSX Total Return Index ("Benchmark") at April 30, 2018 would have impacted the net assets and the net increase/decrease in net assets attributable to holders of redeemable units by \$119,163.

The Fund's financial assets exposed to other price risk were concentrated in the following industries as a percentage of net investment at April 30, 2018 and October 31, 2017:

Equities	2018	2017
Energy	17.4%	16.1%
Materials	15.7%	14.4%
Industrials	16.1%	14.1%
Consumer Discretionary	6.9%	4.8%
Consumer Staples	3.3%	4.6%
Financials	26.3%	29.0%
Information Technology	3.9%	1.3%
Telecommunication Services	4.7%	3.1%
Utilities	4.2%	7.2%
Real Estate	1.5%	5.4%
Total	100.0%	100.0%

## 6. Redeemable units:

The authorized capital of the Fund consists of an unlimited number of Units, each representing an equal undivided interest in the net assets of the Fund. Currently, there are three series outstanding, Series A, Series F and Series I. Each series ranks equally, on a per-Series basis, with respect to distributions and return of capital in the event of liquidation, dissolution or winding up based on their

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Notes to the Interim Financial Statements  
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Six months ended April 30, 2018

## 6. Redeemable units (continued):

respective series' net asset values. Each series pays its own fees and expenses. The general expenses that are not series specific are allocated in proportion to the annual weighted average units of each series. Series A is sold under the front end sales charge option. A commission ranging from 0% to 2% is paid by the investor to the dealer with a 3% redemption fee being charged if the Units are redeemed in the first 180 days of investment. Series F is sold without commission provided the purchaser is enrolled in a fee-for-service or wrap program with the dealer. A 3% redemption fee is charged if the Series F is redeemed in the first 180 days of investment.

Series I units are sold with commissions negotiated between the investor and the dealer and are available to certain investors at the Portfolio Manager's discretion. A 3% redemption fee is charged if the units are redeemed in the first 180 days of investment.

The rights attached to the redeemable units are as follows:

- the units may be redeemed on the last business day of each week and the last business day of each month at the net asset value per share of the respective series upon 7 days' notice prior to the valuation day;
- units carry a right to receive notice of, attend and vote at meetings called in accordance with the Declaration of Trust;
- the holders of Units are entitled to receive all distributions declared by the Fund. Distributions the Fund makes will be allocated among each Series in such manner as the Manager considers appropriate and equitable. Distributions paid in cash will be paid in the currency in which the investor bought the units.

The analysis of movements in the number of units and net assets attributable to holders of redeemable units during the period was as follows:

<b>Series A</b>	<b>2018</b>	<b>2017</b>
Balance, opening	8,121	11,744
Issued on distributions reinvested	96	179
Issued for cash	2,462	–
Redeemed for cash	(8,121)	(3,908)
Balance, April 30	2,558	8,015

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements  
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Six months ended April 30, 2018

## 6. Redeemable units (continued):

Series F	2018	2017
Balance, opening	804,162	357,687
Issued on distributions reinvested	1,957	390
Issued for cash	68,866	33,661
Redeemed for cash	(148,887)	(15,628)
Balance, April 30	726,098	376,110

  

Series I	2018	2017
Balance, opening	227,914	243,377
Issued on distributions reinvested	8,804	3,435
Issued for cash	–	446
Redeemed for cash	(3,008)	–
Balance, April 30	233,710	247,258

The calculation of the increase (decrease) in net assets attributable to holders of redeemable units per unit is presented below. Due to rounding, numbers presented may not calculate precisely and not reflect the absolute figures.

April 30, 2018	Series A	Series F	Series I
Increase (decrease) in net assets attributable to holders of redeemable units	\$(605)	\$(64,537)	\$11,332
Average units outstanding during the period	3,536	756,721	232,538
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$(0.17)	\$(0.08)	\$0.04

  

April 30, 2017	Series A	Series F	Series I
Increase (decrease) in net assets attributable to holders of redeemable units	\$5,666	\$191,291	\$143,839
Average units outstanding during the period	11,175	367,116	245,237
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$0.51	\$0.52	\$0.59

## 7. Management fees, expenses and key contracts:

### (a) Manager and management fees:

The Series A units paid an annual management fee to the Manager of 2.0% of the net asset value of the series. Series F units paid an annual management fee to the Manager of 1.0% of the net asset value of the series. The management fee is calculated and paid monthly. Included in accrued expenses is \$7,106 (October 31, 2017 - \$6,358) related to these fees.

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements  
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Six months ended April 30, 2018

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## 7. Management fees, expenses and key contracts (continued):

### (a) Manager and management fees (continued):

No management fee is charged to the Series I. Instead, the investors pay a management fee directly to the Manager in an amount determined through negotiation with the Manager.

The Fund will pay the Manager a Performance Fee if the series return of the Fund exceeds the return of a specified benchmark (the "Benchmark") during the relevant period. The Performance Fee is based on the performance of the Fund determined at the end of each calendar quarter. If the series performance exceeds the Benchmark, 20% of this amount will be multiplied by the average series net asset value during the Performance Measurement Period, as defined. As at April 30, 2018, included in accounts payable is \$12,689 (October 31, 2017 - \$2,540 related to these fees).

### (b) Expenses:

All fees and expenses applicable to the administration and operation of each series, including record keeping and communication costs, custodian fees, legal and filing fees, audit, applicable taxes and bank charges are payable by the Fund. Brokerage costs are incorporated in the cost and proceeds of securities transactions. The Manager has charged the Fund for administration services. Included in accrued expenses is \$1,182 (October 31, 2017 - \$791) related to these fees.

## 8. Brokerage commissions on securities transactions:

The Fund paid brokerage commissions amounting to \$15,439 (April 30, 2017 - \$8,461) in connection with portfolio transactions during the period.

## 9. Filing of financial statements:

The Fund is relying on the exemption provided by Section 2.11 of National Instrument 81-106 and therefore does not file its financial statements with the Ontario Securities Commission.



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