

FINANCIAL STATEMENTS OF NORREP CANADIAN ENHANCED EQUITY FUND



For the period ended October 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Norrep Canadian Enhanced Equity Fund:

We have audited the accompanying financial statements of Norrep Canadian Enhanced Equity Fund, which comprise the statement of financial position as at October 31, 2015, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the period from January 30, 2015 to October 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Norrep Canadian Enhanced Equity Fund as at October 31, 2015 and its financial performance and its cash flows for the period from January 30, 2015 to October 31, 2015 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

December 18, 2015
Calgary, Canada

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NORREP CANADIAN ENHANCED EQUITY FUND

Statement of Financial Position

(in Canadian dollars, except units outstanding)

October 31, 2015

Assets

Cash and cash equivalents	85,309
Dividends and interest receivable	8,300
Due from Manager (note 7)	18,000
Portfolio assets sold	28,808
Investments - long, at fair value through profit or loss	3,506,932
Total assets	3,647,349

Liabilities

Accrued expenses (note 7)	14,300
Dividends payable on investments sold short	1,085
Portfolio assets purchased	62,733
Investments - short, at fair value through profit or loss	848,714
Total liabilities (excluding net assets attributable to holders of redeemable units)	926,832
Net assets attributable to holders of redeemable units	2,720,517

Net assets attributable to holders of redeemable units:

Series A	114,583
Series F	219,049
Series I	2,386,885

Redeemable units outstanding (note 6):

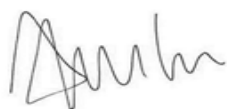
Series A	11,400
Series F	21,617
Series I	234,214

Net assets attributable to holders of redeemable units per unit:

Series A	10.05
Series F	10.13
Series I	10.19

See accompanying notes to financial statements.

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



Alex Sasso



Keith Leslie

NORREP CANADIAN ENHANCED EQUITY FUND

Statement of Comprehensive Income

(in Canadian dollars)

	Period from January 30, 2015 to October 31, 2015
Dividend income	61,834
Net gain (loss) on investments at fair value through profit or loss	
Net realized gain on investments	76,478
Net unrealized depreciation in fair value of investments	(191,757)
Total investment loss	(53,445)
Audit and tax fees	16,702
Dividend expenses on investments sold short	15,373
Other	10,537
Transaction costs	6,037
Management fees (note 7)	4,115
Risk management fees	3,127
Administrative fees (note 7)	1,360
Legal and filing fees	799
GST/HST	784
Operating expense recovery (note 7)	(17,143)
Total operating expenses	41,691
Decrease in net assets attributable to holders of redeemable units	(95,136)
Change in net assets attributable to holders of redeemable units:	
Series A	(417)
Series F	26,416
Series I	(121,135)
Change in net assets attributable to holders of redeemable units per unit:	
Series A	(0.04)
Series F	0.83
Series I	(0.57)

See accompanying notes to financial statements.

NORREP CANADIAN ENHANCED EQUITY FUND

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

Period from January 30, 2015 to October 31, 2015

(in Canadian dollars)

	All Series	Series A	Series F	Series I
Net assets, beginning of period	–	–	–	–
Increase (decrease) in net assets, attributable to holders of redeemable units	(95,136)	(417)	26,416	(121,135)
Transactions attributable to holders of redeemable units:				
Issuance of redeemable units	3,145,020	115,000	522,000	2,508,020
Reinvestments of distributions	39,744	2,254	5,303	32,187
Redemptions of redeemable units	(328,020)	-	(328,020)	-
	2,856,744	117,254	199,283	2,540,207
Distributions declared	(41,091)	(2,254)	(6,650)	(32,187)
Net assets, end of period	2,720,517	114,583	219,049	2,386,885
Distributions per unit to holders of redeemable units		0.23	0.23	0.15

See accompanying notes to financial statements.

NORREP CANADIAN ENHANCED EQUITY FUND

Statement of Cash Flows

(in Canadian dollars)

Period from January 30, 2015 to
October 31, 2015

Cash flows from (used in) operating activities

Decrease in net assets attributable to holders of redeemable units	(95,136)
Adjustments for:	
Net realized gain on sale of investments at fair value through profit or loss	(76,478)
Transaction costs	6,037
Net unrealized depreciation of investments at fair value through profit or loss	191,757
Purchases of investments	(7,076,857)
Proceeds from sale of investments	4,331,309
Dividends and interest receivable	(8,300)
Due from the Manager	(18,000)
Accrued expenses	14,300
Dividends payable on investments sold short	1,085
Net cash used in operating activities	(2,730,283)

Cash flows from (used in) financing activities

Proceeds from issuance of redeemable units	3,145,020
Amounts paid on redemption of redeemable units	(328,020)
Distributions to holders of redeemable units	(41,091)
Reinvestment of distributions	39,744
Net cash from financing activities	2,815,653

Net increase in cash and cash equivalents	85,370
Effect of exchange rate changes on cash and cash equivalents	(61)
Cash and cash equivalents at beginning of period	—
Cash and cash equivalents at end of period	85,309

Dividends received	69,012
Dividends paid on investments sold short	14,510

See accompanying notes to financial statements.

NORREP CANADIAN ENHANCED EQUITY FUND

Schedule of Investment Portfolio

As at October 31, 2015

(in Canadian dollars)

Description	Number of shares	Cost (\$)	Fair Value (\$)
Canadian Equities - Long (131.93%)			
A&W Revenue Royalties Income Fund	2,500	68,726	69,225
AGT Food and Ingredients Inc.	1,900	53,976	55,537
Air Canada	5,800	69,855	62,408
Artis Real Estate Investment Trust	6,300	89,547	84,357
Bank of Nova Scotia	2,800	182,339	172,172
BCE Inc.	2,100	115,238	118,692
Brookfield Property Partners LP.	3,000	87,678	92,280
BRP Inc.	4,500	119,579	105,930
Canadian National Railway Company	1,400	109,946	111,818
CCL Industries Inc.	400	70,600	74,100
Chorus Aviation Inc., Class B	15,000	84,805	80,400
CI Financial Corp.	2,200	69,269	68,640
Clearwater Seafoods Inc.	7,400	88,776	92,870
DH Corporation	2,100	85,443	74,130
Enbridge Inc.	1,400	88,999	78,246
Fortuna Silver Mines Inc.	24,000	86,983	81,840
Gamehost Inc.	6,800	84,330	70,040
Hardwoods Distribution Inc.	4,000	52,756	65,760
Industrial Alliance Insurance and Financial Services Inc.	2,200	92,666	94,380
Keyera Corp.	2,000	85,910	80,700
Kinaxis Inc.	1,400	51,262	63,952
Kirkland Lake Gold Inc.	16,100	90,324	89,355
Labrador Iron Ore Royalty Corporation	4,600	73,036	69,966
Metro Inc.	3,000	105,546	112,170
National Bank of Canada	4,000	192,170	173,240
OneREIT	25,500	92,068	86,445
Peyto Exploration & Development Corp.	2,700	89,405	72,900
Royal Bank of Canada	3,100	242,470	231,787
Strad Energy Services Ltd.	24,900	72,830	54,780
Sun Life Financial Inc.	1,900	82,963	83,790
Suncor Energy Inc.	2,100	82,465	81,711
Transcontinental Inc.	3,500	69,815	70,525
Trimac Transportation Ltd., Class A	14,800	92,991	81,400
Valeant Pharmaceuticals International Inc.	400	104,210	48,816
Valener Inc.	4,400	74,786	74,052
Vecima Networks Inc.	7,000	69,452	78,190
Vermilion Energy Inc.	1,700	96,599	78,217
Western Forest Products Inc.	4,6800	95,482	90,324
Whitecap Resources Inc.	7,500	104,699	87,075
Wi-LAN Inc.	18,400	50,061	44,712
Total Equities - Long		3,720,055	3,506,932
Transaction costs		(1,427)	
		3,718,628	3,506,932

NORREP CANADIAN ENHANCED EQUITY FUND

Schedule of Investment Portfolio (continued)

As at October 31, 2015

(in Canadian dollars)

Description	Number of shares	Proceeds (\$)	Fair Value (\$)
Canadian Equities - Short (-31.93%)			
AltaGas Ltd.	(900)	(36,272)	(30,384)
Boardwalk Real Estate Investment Trust	(600)	(34,069)	(32,232)
Canadian Real Estate Investment Trust	(800)	(33,729)	(34,072)
Cenovus Energy Inc.	(1,400)	(31,166)	(27,272)
Cervus Equipment Corp.	(2,900)	(44,662)	(43,848)
Dorel Industries Inc., Class B Sub Voting	(800)	(28,349)	(26,600)
Exchange Income Corporation	(1,100)	(23,754)	(27,302)
Finning International Inc.	(1,600)	(36,936)	(33,440)
H&R Real Estate Investment Trust, Callable Series D+	(1,600)	(35,032)	(33,568)
IGM Financial Inc.	(700)	(24,945)	(26,460)
Killam Properties	(2,600)	(27,015)	(27,066)
Lumenpulse Inc.	(2,000)	(28,808)	(28,960)
Maple Leaf Foods Inc.	(1,700)	(37,359)	(35,343)
Methanex Corporation	(800)	(47,092)	(41,736)
Pan American Silver Corporation	(3,000)	(30,209)	(29,760)
Pure Technologies Ltd.	(7,000)	(49,804)	(38,920)
Restaurant Brands International Inc.	(500)	(25,718)	(26,240)
Rogers Sugar Inc.	(6,100)	(27,853)	(24,766)
Saputo Inc.	(1,300)	(39,273)	(40,534)
Sienna Senior Living Inc.	(2,300)	(35,609)	(39,928)
Sierra Wireless Inc.	(1,300)	(37,251)	(42,393)
Solium Capital Inc.	(6,100)	(43,509)	(46,482)
Student Transportation Inc.	(4,900)	(31,324)	(26,607)
Wajax Corp.	(1,700)	(38,263)	(40,783)
Yellow Pages Ltd.	(2,600)	(40,652)	(44,018)
Total Equities - Short		(868,653)	(848,714)

NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Period from January 30, 2015 to October 31, 2015

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. Valiant 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”).

The financial statements of the Fund were approved and were authorized for issue by the Manager’s Board of Directors on December 18, 2015.

(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 Financial Statements

Period from January 30, 2015 to October 31, 2015

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

The Fund classifies financial assets and financial liabilities into the following categories.

Financial assets at fair value through profit or loss:

- Designated at fair value through profit and loss: all investments

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 investments sold short, which are designated at fair value through profit and loss

NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Period from January 30, 2015 to October 31, 2015

3. Significant accounting policies (continued):

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

(ii) Classification (continued)

A financial instrument is classified as held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio that is managed together and for which there is evidence of a recent pattern of short-term profit taking; or
- it is a derivative, other than a designated and effective hedging instrument.

The Fund designates all debt and equity investments at fair value through profit or loss on initial recognition because it manages these securities on a fair value basis in accordance with its documented investment strategy. Internal reporting and performance measurement of these securities is on a fair value basis.

(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.

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 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).

NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Period from January 30, 2015 to October 31, 2015

3. Significant accounting policies (continued):

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

(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 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.

NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Period from January 30, 2015 to October 31, 2015

3. Significant accounting policies (continued):

(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 intends to become a “mutual fund trust” under the Income Tax Act (Canada) by March 15, 2016 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.

In the event that the Fund does not qualify as a “mutual fund trust”, the income tax considerations would in some respects be materially different from those described above.

(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:

- (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.

NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Period from January 30, 2015 to October 31, 2015

3. Significant accounting policies (continued):

(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 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

NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Period from January 30, 2015 to October 31, 2015

3. Significant accounting policies (continued):

(i) Short selling (continued):

Fund may have to bid up the price of the security in order to cover the short, resulting in losses to the Fund.

(j) Future accounting pronouncements:

IFRS 9 Financial Instruments; IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 (2010) introduces additions relating to financial liabilities. In July 2014 new requirements were added to address the impairment of financial assets.

The mandatory effective date of IFRS 9 is for periods beginning on or after January 1, 2018.

The Manager has not yet addressed the impact of the standard on 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

NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Period from January 30, 2015 to October 31, 2015

4. Fair value measurement (continued):

(a) Investments (continued)

- 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.

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) Valuation framework

The Fund has an established control framework with respect to the measurement of fair values. This framework includes a portfolio valuation function, which is independent of front office management. Specific controls include:

- verification of observable pricing inputs;
- a review and approval process for new models and changes to existing models;
- analysis and investigation of significant daily valuation variations; and
- review of unobservable inputs and valuation adjustments.

When third party information, such as broker quotes or pricing services, is used to measure fair value, then the portfolio valuation function assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- verifying that the broker or pricing service is approved by the Fund for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions; and
- if a number of quotes for the same financial instrument have been obtained, then how the fair value has been determined using those quotes.

NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Period from January 30, 2015 to October 31, 2015

4. Fair value measurement (continued):

(c) 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
October 31, 2015				
Public securities				
Equities - long	3,506,932	–	–	3,506,932
Equities - short	(848,714)	–	–	(848,714)
Total investments	2,658,218	–	–	2,658,218

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

(d) 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.

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 October 31, 2015.

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.

NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Period from January 30, 2015 to October 31, 2015

5. Financial instruments and associated risks (continued):

Credit risk (continued):

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.

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.

NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Period from January 30, 2015 to October 31, 2015

5. Financial instruments and associated risks (continued):

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 October 31, 2015 are disclosed in the schedule of investment portfolio.

(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 October 31, 2015 the Fund did not hold any foreign currency denominated investments.

NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Period from January 30, 2015 to October 31, 2015

5. Financial instruments and associated risks (continued):

Market risk (continued):

(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 October 31, 2015, 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 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.

NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Period from January 30, 2015 to October 31, 2015

5. Financial instruments and associated risks (continued):

Market risk (continued):

(c) Other price risk (continued):

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 October 31, 2015 would have impacted the net assets and the net increase/decrease in net assets attributable to holders of redeemable units by \$26,582.

The Fund's financial assets exposed to other price risk were concentrated in the following industries as a percentage of net investment at October 31, 2015:

Equities	2015
Energy	17.9%
Basic Materials	12.6%
Industrials	7.7%
Consumer Discretionary	8.1%
Consumer Staples	6.0%
Healthcare	0.3%
Financials	35.1%
Information Technology	5.0%
Telecommunications	4.5%
Utilities	2.8%
Total	100.0%

6. Net assets attributable to holders of redeemable units:

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 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

NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Period from January 30, 2015 to October 31, 2015

6. Net assets attributable to holders of redeemable units (continued):

Redeemable units (continued)

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:

	Series A	Series F	Series I
Balance, opening	–	–	–
Issued for cash	11,182	51,323	231,103
Issued on distributions reinvested	218	509	3,111
Redeemed for cash	–	(30,215)	–
Balance, October 31, 2015	11,400	21,617	234,214

NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Period from January 30, 2015 to October 31, 2015

7. Management fees, expenses and key contracts:

(a) Manager and management fees:

The Series A units paid a monthly management fee to the Manager of 1/12 of 2.0% of the average net asset value of the series. Series F units paid a monthly management fee to the Manager of 1/12 of 1.0% of the average net asset value of the series. Included in accrued expenses is \$378 related to these fees.

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 October 31, 2015, included in accounts payable is \$nil 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 \$243 related to these fees.

The Manager has agreed to absorb certain expenses associated with the Fund. Such absorptions may be terminated at any time without notice. Included in Due from Manager is \$18,000 related to this recovery.

8. Brokerage commissions on securities transactions:

The Fund paid brokerage commissions amounting to \$6,037 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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