

September 30, 2021

FINANCIAL STATEMENTS OF
NCM CANADIAN ENHANCED
EQUITY FUND





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INDEPENDENT AUDITORS' REPORT

To the Unitholders of NCM Canadian Enhanced Equity Fund:

Opinion

We have audited the financial statements of NCM Canadian Enhanced Equity Fund (the "Fund"), which comprise:

- the statement of financial position as at September 30, 2021
- the statement of comprehensive income (loss) for the year then ended
- the statement of changes in net assets attributable to holders of redeemable units for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at September 30, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).



Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “*Auditors’ Responsibilities for the Audit of the Financial Statements*” section of our auditors’ report.

We are independent of - the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on - the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

KPMG LLP

Chartered Professional Accountants,

Calgary, Canada

December 8, 2021

NCM CANADIAN ENHANCED EQUITY FUND

Statement of Financial Position

(in Canadian dollars, except units outstanding)

As at	September 30 2021	September 30 2020
Assets		
Cash and cash equivalents	1,313,334	1,459,596
Dividends receivable	90,448	29,898
Due from Manager (note 8)	–	15,401
Portfolio assets sold	539,230	217,438
Units issued	45,380	–
Investments, at fair value through profit or loss	19,459,554	7,328,143
Total assets	21,447,946	9,050,476
Liabilities		
Accrued expenses (note 8)	45,000	27,601
Distributions payable	106,679	26,288
Dividends payable on investments sold short	22,320	6,306
Portfolio assets purchased	688,697	417,346
Units redeemed	30,509	50,719
Investments - short, at fair value through profit or loss	4,752,998	2,125,487
Total liabilities (excluding net assets attributable to holders of redeemable units)	5,646,203	2,653,747
Net assets attributable to holders of redeemable units	15,801,743	6,396,729
Net assets attributable to holders of redeemable units:		
Series A	4,351,550	26,616
Series F	9,774,855	3,797,748
Series I	1,675,338	2,572,365
Redeemable units outstanding (note 7):		
Series A	410,415	2,760
Series F	860,388	370,979
Series I	137,895	237,234
Net assets attributable to holders of redeemable units per unit:		
Series A	10.60	9.64
Series F	11.36	10.24
Series I	12.15	10.84

See accompanying notes to financial statements.

On behalf of the Board of Directors of NCM Asset Management Ltd.



Alex Sasso



Keith Leslie

NCM CANADIAN ENHANCED EQUITY FUND

Statement of Comprehensive Income (Loss)

For the year ended September 30, 2021 with comparative information for 2020

(in Canadian dollars)

	2021	2020
Dividend income	523,515	243,782
Interest for distribution purposes	24,582	8,630
Net gain (loss) on investments at fair value through profit or loss		
Net realized gain (loss) on investments	2,086,916	(519,330)
Net change in unrealized appreciation (depreciation) in fair value of investments	361,998	77,371
Total investment revenue (loss)	2,997,011	(189,547)
Management fees (note 8)	167,682	39,988
Dividend expense on investments sold short	76,960	44,615
Transaction costs	46,091	22,744
Custodian and record keeping fees	34,107	32,400
Risk management fees	29,189	13,937
Administrative fees (note 8)	21,398	11,384
Audit fees	11,500	10,780
HST/GST	11,130	6,023
Other	8,902	10,244
Tax and other professional fees	5,562	5,738
Computer services	4,714	2,706
Legal and filing fees	2,560	1,094
Operating expense recovery (note 8)	–	(15,401)
Independent review committee	–	(81)
Total operating expenses	419,795	186,171
Increase (decrease) in net assets attributable to holders of redeemable units before tax	2,577,216	(375,718)
Withholding tax expense	2,263	114
Increase (decrease) in net assets attributable to holders of redeemable units	2,574,953	(375,832)
Change in net assets attributable to holders of redeemable units (note 7):		
Series A	709,794	(1,912)
Series F	1,519,267	(253,331)
Series I	345,892	(120,589)
Change in net assets attributable to holders of redeemable units per unit (note 7):		
Series A	1.85	(0.71)
Series F	1.80	(0.67)
Series I	1.80	(0.50)

See accompanying notes to financial statements.

NCM CANADIAN ENHANCED EQUITY FUND

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

For the year ended September 30, 2021 with comparative information for 2020

(in Canadian dollars)

	All Series		Series A		Series F		Series I	
	2021	2020	2021	2020	2021	2020	2021	2020
Net assets attributable to holders of redeemable units, beginning of year	6,396,729	7,043,689	26,616	28,528	3,797,748	4,264,007	2,572,365	2,751,154
Increase (decrease) in net assets, attributable to holders of redeemable units	2,574,953	(375,832)	709,794	(1,912)	1,519,267	(253,331)	345,892	(120,589)
Transactions attributable to holders of redeemable units:								
Issuance of redeemable units in exchange for net assets held by merged NCM funds (note 4)	9,538,641	–	3,998,711	–	5,539,930	–	–	–
Issuance of units	1,331,218	412,825	8	–	1,035,485	352,825	295,725	60,000
Reinvestment of distributions	192,040	83,069	97,914	780	53,836	13,066	40,290	69,223
Amounts paid on redemptions	(3,789,936)	(577,335)	(363,011)	–	(1,902,475)	(464,902)	(1,524,450)	(112,433)
	7,271,963	(81,441)	3,733,622	780	4,726,776	(99,011)	(1,188,435)	16,790
Distributions declared	(441,902)	(189,687)	(118,482)	(780)	(268,936)	(113,917)	(54,484)	(74,990)
	(441,902)	(189,687)	(118,482)	(780)	(268,936)	(113,917)	(54,484)	(74,990)
Net assets attributable to holders of redeemable units, end of year	15,801,743	6,396,729	4,351,550	26,616	9,774,855	3,797,748	1,675,338	2,572,365
Distributions per unit to holders of redeemable units			0.29	0.29	0.31	0.30	0.32	0.31

See accompanying notes to financial statements

NCM CANADIAN ENHANCED EQUITY FUND

Statement of Cash Flows

For the year ended September 30, 2021 with comparative information for 2020

(in Canadian dollars)

	2021	2020
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	2,574,953	(375,832)
Adjustments for:		
Net realized (gain) loss on sale of investments at fair value through profit or loss	(2,086,916)	519,330
Net change in unrealized (appreciation) depreciation of investments at fair value through profit or loss	(361,998)	(77,371)
Purchase of investments	(79,839,968)	(28,378,459)
Proceeds from the sale of investments	72,734,752	30,060,027
Dividend income	(523,515)	(243,782)
Dividends received, net of withholding tax paid	460,702	231,449
Withholding tax paid	2,263	114
Interest for distribution purposes	(24,582)	(8,630)
Interest received	24,582	8,630
Due from Manager	15,401	(6,028)
Accrued expenses	17,399	(2,672)
Dividend expense on investments sold short	76,960	44,615
Dividend paid on investments sold short	(60,946)	(45,564)
Net cash from (used in) operating activities	(6,990,913)	1,725,827
Cash flows from (used in) financing activities		
Proceeds from asset transferred in	9,538,641	–
Proceeds from the issuance of redeemable units	1,285,838	412,825
Amounts paid on redemption of redeemable units	(3,810,146)	(527,616)
Distributions to holders of redeemable units, net of reinvestments	(169,471)	(108,478)
Net cash from (used in) financing activities	6,844,862	(223,269)
Net increase (decrease) in cash and cash equivalents	(146,051)	1,502,558
Effect of exchange rates on cash and cash equivalents	(211)	(101)
Cash and cash equivalents (bank indebtedness) at beginning of year	1,459,596	(42,861)
Cash and cash equivalents at end of year	1,313,334	1,459,596

See accompanying notes to financial statements

NCM CANADIAN ENHANCED EQUITY FUND

Schedule of Investment Portfolio

As at September 30, 2021

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
CANADIAN EQUITIES - Long				
Communication Services				
BCE Inc.	12,700	744,552	805,815	
Quebecor Inc., Class 'B'	23,900	772,009	731,579	
		1,516,561	1,537,394	9.7%
Consumer Discretionary				
Gildan Activewear Inc.	8,300	360,310	384,124	
Sleep Country Canada Holdings Inc.	9,000	299,626	302,400	
		659,936	686,524	4.3%
Consumer Staples				
Apollo Healthcare Corp.	163,600	641,936	301,024	
Loblaw Cos. Ltd.	9,700	754,445	843,124	
Premium Brands Holdings Corp.	2,100	262,823	272,034	
		1,659,204	1,416,182	8.9%
Energy				
ARC Resources Ltd.	22,000	171,371	261,140	
Canadian Natural Resources Ltd.	5,900	190,976	273,229	
Enbridge Inc.	15,600	755,765	787,176	
Enerplus Corp.	25,900	211,765	262,626	
Tourmaline Oil Corp.	5,900	147,388	261,075	
		1,477,265	1,845,246	11.8%
Financials				
Bank of Montreal	6,300	718,085	796,635	
Canadian Imperial Bank of Commerce	6,700	825,723	944,700	
Intact Financial Corp.	2,400	378,385	401,952	
Power Corp. of Canada	11,300	474,998	471,775	
Royal Bank of Canada	11,900	1,194,579	1,499,757	
TMX Group Ltd.	3,600	489,219	491,724	
Trisura Group Ltd.	9,800	446,851	423,752	
		4,527,840	5,030,295	31.8%
Health Care				
Medical Facilities Corp.	35,300	347,637	343,822	
		347,637	343,822	2.2%
Industrials				
Aecon Group Inc.	15,800	317,606	302,886	
Canadian National Railway Co.	5,500	787,451	807,290	
Canadian Pacific Railway Ltd.	4,800	429,755	397,008	
Hardwoods Distribution Inc.	10,400	345,707	381,576	
Toromont Industries Ltd.	3,900	398,170	412,347	
		2,278,689	2,301,107	14.5%
Information Technology				
Constellation Software Inc.	300	572,102	622,506	
Evertz Technologies Ltd.	3,600	50,309	51,660	
Open Text Corp.	4,700	257,363	290,554	
Shopify Inc., Class 'A'	300	441,451	515,766	
		1,321,225	1,480,486	9.3%
Materials				
Agnico Eagle Mines Ltd.	3,800	284,630	249,698	
Endeavour Mining PLC	10,900	301,331	310,759	
Intertape Polymer Group Inc.	11,400	276,537	314,070	
Major Drilling Group International Inc.	49,900	465,016	421,655	
Newmont Corp.	6,600	529,792	454,014	
Nutrien Ltd.	8,800	627,997	723,448	
Wheaton Precious Metals Corp.	6,400	352,952	305,152	
		2,838,255	2,778,796	17.7%

NCM CANADIAN ENHANCED EQUITY FUND

Schedule of Investment Portfolio (continued)

As at September 30, 2021

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
Real Estate				
Choice Properties REIT	27,000	379,347	384,750	
CT REIT	12,900	187,902	219,687	
Information Services Corp., Class 'A'	15,100	445,922	417,666	
NorthWest Healthcare Properties REIT	23,900	306,367	308,549	
		1,319,538	1,330,652	8.4%
Utilities				
Fortis Inc.	4,200	231,987	235,998	
Hydro One Ltd.	15,800	467,610	473,052	
		699,597	709,050	4.5%
TOTAL CANADIAN EQUITIES – Long		18,645,747	19,459,554	123.1%

Description	Number of Shares	Proceeds (\$)	Fair Value (\$)	% of Net Assets
CANADIAN EQUITIES - Short				
Communication Services				
Cogeco Communications Inc.	(600)	(71,815)	(67,536)	
Rogers Communications Inc., Class 'B'	(1,200)	(77,343)	(70,980)	
		(149,158)	(138,516)	-0.8%
Consumer Discretionary				
Pizza Pizza Royalty Corp.	(7,000)	(70,492)	(78,680)	
Recipe Unlimited Corp.	(3,900)	(83,353)	(75,972)	
		(153,845)	(154,652)	-1.0%
Consumer Staples				
Primo Water Corp.	(4,000)	(82,340)	(79,800)	
Rogers Sugar Inc.	(14,800)	(78,539)	(79,920)	
Saputo Inc.	(2,200)	(79,012)	(70,862)	
		(239,891)	(230,582)	-1.5%
Energy				
Computer Modelling Group Ltd.	(9,100)	(50,949)	(43,134)	
PrairieSky Royalty Ltd.	(3,000)	(36,728)	(40,530)	
		(87,677)	(83,664)	-0.6%
Health Care				
Chartwell Retirement Residences	(6,400)	(82,469)	(77,184)	
		(82,469)	(77,184)	-0.5%
Industrials				
Badger Infrastructure Solutions Ltd.	(2,000)	(85,798)	(67,700)	
Ballard Power Systems Inc.	(4,300)	(82,977)	(76,454)	
Magellan Aerospace Corp.	(7,900)	(83,352)	(80,343)	
Ritchie Bros. Auctioneers Inc.	(1,000)	(70,571)	(78,160)	
		(322,698)	(302,657)	-1.9%
Information Technology				
Kinaxis Inc.	(400)	(61,421)	(73,096)	
		(61,421)	(73,096)	-0.5%
Materials				
Cascades Inc.	(5,100)	(80,748)	(79,917)	
IAMGOLD Corp.	(24,500)	(106,472)	(70,315)	
MAG Silver Corp.	(2,100)	(49,495)	(43,071)	
NovaGold Resources Inc.	(8,300)	(93,315)	(72,376)	
Pretium Resources Inc.	(6,300)	(79,436)	(77,175)	
Yamana Gold Inc.	(15,400)	(80,504)	(77,000)	
		(489,970)	(419,854)	-2.7%

NCM CANADIAN ENHANCED EQUITY FUND

Schedule of Investment Portfolio (continued)

As at September 30, 2021

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
Real Estate				
First Capital REIT	(4,500)	(71,734)	(78,750)	
H&R REIT	(5,100)	(83,926)	(79,713)	
InterRent REIT	(5,100)	(71,373)	(85,323)	
Minto Apartment REIT	(3,600)	(70,841)	(80,496)	
Morguard North American Residential REIT	(4,600)	(81,922)	(78,614)	
		(379,796)	(402,896)	-2.5%
Utilities				
Borex Inc., Class 'A'	(2,100)	(79,890)	(78,540)	
Innergex Renewable Energy Inc.	(4,100)	(84,341)	(83,230)	
Northland Power Inc.	(2,100)	(84,851)	(83,580)	
		(249,082)	(245,350)	-1.5%
Exchange Traded Funds				
iShares Core S&P/TSX Capped Composite Index ETF	(82,300)	(2,376,551)	(2,624,547)	
		(2,376,551)	(2,624,547)	-16.6%
TOTAL CANADIAN EQUITIES - Short		(4,592,558)	(4,752,998)	-30.1%
Less: Transaction costs included in average cost		(6,851)		
TOTAL INVESTMENTS		14,046,338	14,706,556	93.0%
Other assets, less liabilities			1,095,187	7.0%
TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			15,801,743	100.0%

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

For the year ended September 30, 2021 with comparative information for 2020

1. Reporting Entity

NCM 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 as supplemented August 27, 2018. The Fund’s principal place of business is 310, 99 Yorkville Avenue, Toronto, Ontario, M5R 3K5.

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.

NCM Asset Management Ltd. (“NCM”) 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”). The Fund’s significant accounting principles under IFRS are presented in note 3. These policies have been applied consistently to all years presented.

The financial statements of the Fund were approved and were authorized for issue by the Manager’s Board of Directors on December 8, 2021.

(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.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

For the year ended September 30, 2021 with comparative information for 2020

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 year. 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 (“FVTPL”) 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. Financial assets or financial liabilities not at FVTPL are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue.

(ii) Derecognition

Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire, or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. The Fund derecognizes financial liabilities when, and only when, the Fund’s obligations are discharged, cancelled or they expire.

(iii) Classification

The Fund follows IFRS 9 Financial Instruments. The standard requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit and loss or fair value through other comprehensive income (“FVOCI”) based on the entity’s business model for managing financial assets or the contractual cash flow characteristics of the financial assets. Assessment and decision on the business model approach used is an accounting judgement.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

For the year ended September 30, 2021 with comparative information for 2020

3. Significant accounting policies (continued)

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

(iii) 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.

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

Financial assets and liabilities at fair value through profit or loss:

- All investments, including derivatives

Financial assets at amortized cost:

- Cash and cash equivalents and receivables

Financial liabilities at amortised cost:

- All liabilities other than redeemable units

The Fund designates 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.

(iv) 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.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

For the year ended September 30, 2021 with comparative information for 2020

3. Significant accounting policies (continued)

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

(iv) 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.

(v) 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).

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

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

For the year ended September 30, 2021 with comparative information for 2020

3. Significant accounting policies (continued)

(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.

However, certain dividend and interest income received by the Fund is subject to withholding tax imposed in certain countries of origin. Income that is subject to such tax is recognized gross of the taxes and the corresponding withholding tax is recognized as a tax expense. The Fund incurred withholding tax expense of \$2,263 (2020 - \$114) for the year ended September 30, 2021.

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

The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units of a particular series of units by the total number of units of that particular series outstanding at the end of the year.

Change 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 year, divided by the weighted average units outstanding during the year.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

For the year ended September 30, 2021 with comparative information for 2020

3. Significant accounting policies (continued)

(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 year; 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.

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

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

For the year ended September 30, 2021 with comparative information for 2020

3. Significant accounting policies (continued)

(i) Short selling (continued):

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

4. Assets Transfer

On October 30, 2020, NCM Market Neutral Income Fund transferred all of its net assets, which was \$9,538,641 in cash and cash equivalents, to NCM Canadian Enhanced Equity Fund in exchange for units. As a result, 434,642 Series A units were issued and 566,774 Series F units were issued.

5. 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);
- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable (Level 2);
- Valuation techniques for which the lowest level input that is significant to the fair value measurement is observable (Level 3);

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

For the year ended September 30, 2021 with comparative information for 2020

5. 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 year 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
September 30, 2021				
Public securities				
Equities - long	19,459,554	—	—	19,459,554
Equities - short	(4,752,998)	—	—	(4,752,998)
Total Investments	14,706,556	—	—	14,706,556
<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
September 30, 2020				
Public securities				
Equities - long	7,328,143	—	—	7,328,143
Equities - short	(2,125,487)	—	—	(2,125,487)
Total Investments	5,202,656	—	—	5,202,656

There were no transfers into or out of Level 1, Level 2 and Level 3 during the years ended September 30, 2021 and September 30, 2020.

(c) Financial instruments not measured at fair value:

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

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

For the year ended September 30, 2021 with comparative information for 2020

6. 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. Market disruptions associated with acts of terrorism, war, natural disasters and epidemics can lead to increased market volatilities and be highly disruptive to economies, individual companies, sectors, industries, markets, currencies, interest and inflation rates, credit ratings and investor sentiment. Such disruptions can adversely affect the financial instrument risks associated with the Fund and its investments. 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 credit risk exposure as at September 30, 2021.

Credit risk arising on transactions for units 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 custodian or 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.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

For the year ended September 30, 2021 with comparative information for 2020

6. Financial instruments and associated risks (continued)

Liquidity risk (continued):

The Fund is exposed to daily 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.

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 years 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.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

For the year ended September 30, 2021 with comparative information for 2020

6. Financial instruments and associated risks (continued)

Market risk (continued):

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 September 30, 2021 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 September 30, 2021 and 2020 the Fund did not hold any foreign currency denominated investments.

(b) Interest rate risk:

Interest rate risk arises on interest bearing financial instruments. A change in general interest rates is a main factor affecting the price of a fund that invests in fixed-income securities. Fixed-income securities, like bonds, pay interest based on interest rates when the bond is issued. When interest rates fall, the value of bonds rise. This is because the interest on existing bonds will be higher than the rate on newer bonds. Conversely, when interest rates rise, the price of existing bonds drop because they pay less than newer bonds. 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 September 30, 2021 and 2020, 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

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

For the year ended September 30, 2021 with comparative information for 2020

6. Financial instruments and associated risk (continued)

Market risk (continued):

(c) Other price risk (continued):

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.

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 September 30, 2021 would have impacted the net assets and the net increase/decrease in net assets attributable to holders of redeemable units by \$147,066 (September 30, 2020 - \$52,027).

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

For the year ended September 30, 2021 with comparative information for 2020

6. Financial instruments and associated risk (continued)

Market risk (continued):

(c) Other price risk (continued):

Sensitivity analysis (continued):

The Fund's financial assets exposed to other price risk were concentrated in the following industries as a percentage of net investment at September 30, 2021 and September 30, 2020:

	2021	2020
Equities		
Energy	11.9%	14.5%
Materials	16.1%	20.3%
Industrials	13.5%	5.0%
Consumer Discretionary	3.6%	0.1%
Consumer Staples	8.0%	7.8%
Financials	34.2%	31.7%
Communication Services	9.6%	8.9%
Information Technology	9.6%	6.8%
Utilities	3.1%	6.6%
Real Estate	6.4%	5.8%
Health Care	1.8%	-
Exchange Traded Funds	(17.8)%	(7.5)%
Total	100.0%	100.0%

7. 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 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 30 days of investment. Series F are sold to purchasers enrolled in a fee-for-service or wrap program with their dealer. A 2% redemption fee is charged if the Series F is redeemed within the first 30 days.

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 30 days of investment.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

For the year ended September 30, 2021 with comparative information for 2020

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

Redeemable units (continued)

The units may be redeemed daily at the net asset value per unit of the respective series.

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

Series A	2021	2020
Balance, opening	2,760	2,676
Issued in exchange for assets transferred in	434,642	–
Issued on distributions reinvested	9,586	84
Redeemed for cash	(36,573)	–
Balance, September 30	410,415	2,760
Series F	2021	2020
Balance, opening	370,979	381,185
Issued in exchange for assets transferred in	566,774	–
Issued on distributions reinvested	4,930	1,329
Issued for cash	99,699	32,645
Redeemed for cash	(181,994)	(44,180)
Balance, September 30	860,388	370,979
Series I	2021	2020
Balance, opening	237,234	234,881
Issued on distributions reinvested	3,532	6,662
Issued for cash	27,500	6,024
Redeemed for cash	(130,371)	(10,333)
Balance, September 30	137,895	237,234

The calculation of 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.

September 30, 2021	Series A	Series F	Series I
Increase (decrease) in net assets attributable to holders of redeemable units (in 000's of \$)	710	1,519	346
Average units outstanding during the year (in 000's of units)	381	842	193
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$1.85	\$1.80	\$1.80

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

For the year ended September 30, 2021 with comparative information for 2020

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

Redeemable units (continued)

September 30, 2020	Series A	Series F	Series I
Increase (decrease) in net assets attributable to holders of redeemable units (in 000's of \$)	(2)	(253)	(121)
Average units outstanding during the year (in 000's of units)	3	380	240
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$(0.71)	\$(0.67)	\$(0.50)

8. 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 at September 30, 2021 is \$15,731 (September 30, 2020 - \$3,268) 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 year. 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 September 30, 2021, included in accounts payable is \$nil (September 30, 2020 - \$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 \$1,580 (September 30, 2020 - \$1,095) related to these fees.

(c) Operating expense recoveries:

The Manager has agreed to absorb certain expenses associated with some of the Funds. Such absorptions may be terminated at any time without notice. Included in Due from Manager at September 30, 2021 is \$nil (September 30, 2020 - \$15,401) related to these fees.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

For the year ended September 30, 2021 with comparative information for 2020

9. Brokerage commissions on securities transactions

The Fund paid brokerage commissions amounting to \$46,091 (September 30, 2020 - \$22,744) in connection with portfolio transactions during the year.

10. 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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