

September 30, 2021

FINANCIAL STATEMENTS OF  
**NCM CORE INCOME FUND**  
(FORMERLY, NCM SHORT TERM  
INCOME FUND)





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## INDEPENDENT AUDITORS' REPORT

To the Unitholders of NCM Core Income Fund (formerly "NCM Short Term Income Fund"):

### ***Opinion***

We have audited the accompanying financial statements of NCM Core Income Fund (the Fund), which comprise:

- the statements of financial position as at September 30, 2021 and September 30, 2020
- the statements of comprehensive income (loss) for the years then ended
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended
- the statements of cash flows for the years 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 September 30, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).



### ***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 ethical responsibilities in accordance with these requirements.

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

### ***Other Information***

Management is responsible for the other information. Other information comprises the information included in the Fund’s Management Report of Fund Performance to be filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the Fund’s Management Report of Fund Performance to be filed with the relevant Canadian Securities Commissions as at the date of this auditors’ report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors’ report.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 CORE INCOME FUND

(FORMERLY, NCM SHORT TERM INCOME FUND)

Statements of Financial Position

(in Canadian dollars, except units outstanding)

As at	September 30 2021	September 30 2020
<b>Assets</b>		
Cash and cash equivalents	298,621	2,949,060
Dividends receivable	–	1,437
Interest receivable	165,384	260,514
Due from Manager (note 7)	12,087	–
Portfolio assets sold	–	661,196
Units issued	450	830
Investments, at fair value through profit or loss	14,922,517	22,720,506
<b>Total assets</b>	<b>15,399,059</b>	<b>26,593,543</b>
<b>Liabilities</b>		
Accrued expenses (note 7)	28,286	70,000
Distributions payable	–	29,274
Units redeemed	139,373	1,468,687
Unrealized loss on derivative instruments	3,066	137,676
<b>Total liabilities (excluding net assets attributable to holders of redeemable units)</b>	<b>170,725</b>	<b>1,705,637</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>15,228,334</b>	<b>24,887,906</b>
Net assets attributable to holders of redeemable units:		
Series A	3,906,957	7,905,877
Series F	3,184,599	4,989,479
Series I	2,996,860	2,297,984
Series A (H)	68,606	23,317
Series F (H)	327,401	3,559,836
Series R	4,743,911	6,111,413
Redeemable units outstanding (note 6):		
Series A	478,424	1,008,365
Series F	368,965	605,269
Series I	322,267	260,812
Series A (H)	7,246	2,432
Series F (H)	32,582	352,002
Series R	510,427	693,932
Net assets attributable to holders of redeemable units per unit:		
Series A	8.17	7.84
Series F	8.63	8.24
Series I	9.30	8.81
Series A (H)	9.47	9.59
Series F (H)	10.05	10.11
Series R	9.29	8.81
Series A (H) USD	7.47	7.18
Series F (H) USD	7.93	7.57

See accompanying notes to financial statements.

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



Alex Sasso



Keith Leslie

# NCM CORE INCOME FUND

(FORMERLY, NCM SHORT TERM INCOME FUND)

Statements of Comprehensive Income (Loss)

For the years ended September 30, 2021 and 2020

(in Canadian dollars)

	2021	2020
Dividend income	110,812	202,559
Interest for distribution purposes	693,467	1,903,914
Securities lending income	1,366	2,971
Net gain (loss) on investments at fair value through profit or loss		
Net realized gain (loss) on investments	(824,319)	(1,445,080)
Net realized gain (loss) on derivative instruments	355,171	(726,552)
Net change in unrealized appreciation (depreciation) in fair value of investments	1,359,014	(1,753,120)
Net change in unrealized appreciation (depreciation) on derivative instruments	134,610	(184,004)
Total investment revenue (loss)	1,830,121	(1,999,312)
Management fees (note 7)	108,212	262,547
Custodian and record keeping fees	42,133	48,222
Legal and filing fees	40,762	58,222
Administrative fees (note 7)	25,429	67,062
HST/GST	22,315	51,565
Transaction costs	21,408	27,011
Audit fees	13,620	13,380
Other	11,939	8,471
Computer services	8,626	18,236
Tax and other professional fees	8,076	10,966
Independent review committee	3,617	7,468
Operating expense recovery (note 7)	(12,087)	—
Total operating expenses	294,050	573,150
Increase (decrease) in net assets attributable to holders of redeemable units before tax	1,536,071	(2,572,462)
Withholding tax expense (recovery)	(4,285)	2,248
Increase (decrease) in net assets attributable to holders of redeemable units	1,540,356	(2,574,710)
Change in net assets attributable to holders of redeemable units (note 6):		
Series A	553,661	(1,272,699)
Series F	341,065	(532,316)
Series I	193,958	(38,991)
Series A (H)	624	(21,563)
Series F (H)	5,447	(214,459)
Series R	445,601	(494,682)
Change in net assets attributable to holders of redeemable units per unit (note 6):		
Series A	0.76	(0.87)
Series F	0.77	(0.57)
Series I	0.76	(0.10)
Series A (H)	0.12	(0.56)
Series F (H)	0.10	(0.38)
Series R	0.86	(0.51)

See accompanying notes to financial statements.

# NCM CORE INCOME FUND

(FORMERLY, NCM SHORT TERM INCOME FUND)

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

Years ended September 30, 2021 and 2020

(in Canadian dollars)

	All Series		Series A		Series F		Series I		Series A (H)		Series F (H)		Series R	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Net assets attributable to holders of redeemable units, beginning of year	24,887,906	49,363,646	7,905,877	16,955,072	4,989,479	11,370,143	2,297,984	6,280,427	23,317	751,386	3,559,836	7,819,765	6,111,413	6,186,853
Increase (decrease) in net assets, attributable to holders of redeemable units	1,540,356	(2,574,710)	553,661	(1,272,699)	341,065	(532,316)	193,958	(38,991)	624	(21,563)	5,447	(214,459)	445,601	(494,682)
Transactions attributable to holders of redeemable units:														
Issuance of units	2,706,487	9,254,640	760,756	1,598,378	190,322	1,117,008	803,765	–	68,156	22	–	204,151	883,488	6,335,081
Reinvestment of distributions	412,692	1,269,269	177,289	444,860	47,331	174,717	–	–	1,881	16,312	15,422	261,345	170,769	372,035
Amounts paid on redemptions	(13,684,289)	(30,697,812)	(5,267,608)	(9,285,763)	(2,242,480)	(6,784,649)	(216,357)	(3,780,803)	(23,491)	(706,464)	(3,237,882)	(4,240,669)	(2,696,471)	(5,899,464)
	(10,565,110)	(20,173,903)	(4,329,563)	(7,242,525)	(2,004,827)	(5,492,924)	587,408	(3,780,803)	46,546	(690,130)	(3,222,460)	(3,775,173)	(1,642,214)	807,652
Distributions declared	(634,818)	(1,727,127)	(223,018)	(533,971)	(141,118)	(355,424)	(82,490)	(162,649)	(1,881)	(16,376)	(15,422)	(270,297)	(170,889)	(388,410)
	(634,818)	(1,727,127)	(223,018)	(533,971)	(141,118)	(355,424)	(82,490)	(162,649)	(1,881)	(16,376)	(15,422)	(270,297)	(170,889)	(388,410)
Net assets attributable to holders of redeemable units, end of year	15,228,334	24,887,906	3,906,957	7,905,877	3,184,599	4,989,479	2,996,860	2,297,984	68,606	23,317	327,401	3,559,836	4,743,911	6,111,413
Distributions per unit to holders of redeemable units			0.29	0.37	0.31	0.38	0.33	0.41	0.34	0.45	0.36	0.48	0.33	0.41

See accompanying notes to financial statements.

# NCM CORE INCOME FUND

(FORMERLY, NCM SHORT TERM INCOME FUND)  
Statements of Cash Flows

For the years ended September 30, 2021 and 2020

*(in Canadian dollars)*

	2021	2020
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	1,540,356	(2,574,710)
Adjustments for:		
Net realized (gain) loss on sale of investments at fair value through profit or loss	824,319	1,445,080
Net change in unrealized (appreciation) depreciation of investments at fair value through profit or loss	(1,359,014)	1,753,120
Net change in unrealized (appreciation) depreciation on derivative instruments	(134,610)	184,004
Purchase of investments	(20,951,301)	(22,703,014)
Proceeds from the sale and maturity of investments	30,010,293	39,950,642
Dividend income	(110,812)	(202,559)
Dividends received, net of withholding tax paid	116,534	198,874
Withholding tax paid	(4,285)	2,248
Interest for distribution purposes	(693,467)	(1,903,914)
Interest receivable	788,597	2,212,366
Due from Manager	(12,087)	–
Accrued expenses	(41,714)	(26,500)
<b>Net cash from (used in) operating activities</b>	<b>9,972,809</b>	<b>18,335,637</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from the issuance of redeemable units	2,706,867	9,412,461
Amounts paid on redemption of redeemable units	(15,013,603)	(29,282,996)
Distributions to holders of redeemable units, net of reinvestments	(251,400)	(479,065)
<b>Net cash from (used in) financing activities</b>	<b>(12,558,136)</b>	<b>(20,349,600)</b>
Net increase (decrease) in cash and cash equivalents	(2,585,327)	(2,013,963)
Effect of exchange rates on cash and cash equivalents	(65,112)	(76,119)
Cash and cash equivalents at beginning of year	2,949,060	5,039,142
<b>Cash and cash equivalents at end of year</b>	<b>298,621</b>	<b>2,949,060</b>

See accompanying notes to financial statements.

# NCM CORE INCOME FUND

(FORMERLY, NCM SHORT TERM INCOME FUND)

Schedule of Investment Portfolio

As at September 30, 2021

(in Canadian dollars)

Description	Number of Shares / Par Value	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>CANADIAN EQUITIES</b>				
<b>Preferred Shares</b>				
Bank of Montreal, Variable Rate, Preferred, Perpetual, Series '44'	25,000	636,795	642,500	
Toronto-Dominion Bank (The), Variable Rate, Preferred, Perpetual, Series '20'	25,000	632,095	640,500	
		1,268,890	1,283,000	8.4%
<b>TOTAL CANADIAN EQUITIES</b>		<b>1,268,890</b>	<b>1,283,000</b>	<b>8.4%</b>
<b>TOTAL EQUITIES</b>		<b>1,268,890</b>	<b>1,283,000</b>	<b>8.4%</b>
<b>CANADIAN BONDS (Par Value in CAD except as otherwise stated)</b>				
<b>Corporate</b>				
AltaGas Ltd., Callable, 2.166%, 2027/03/16	800,000	796,800	795,113	
Bank of Nova Scotia, Variable Rate, Callable, Series '1', 3.700%, 2081/07/27	500,000	501,000	499,666	
Choice Properties REIT, Callable, Series 'N', 2.981%, 2030/03/04	500,000	509,215	507,514	
Corus Entertainment Inc., Callable, 5.000%, 2028/05/11	500,000	503,750	505,000	
Enbridge Inc., Variable Rate, Callable, 5.375%, 2077/09/27	500,000	527,500	532,302	
Ford Credit Canada Co., 4.460%, 2024/11/13	610,000	643,525	647,108	
goeasy Ltd., Callable, 5.375%, 2024/12/01 (Par Value in USD)	1,000,000	1,343,193	1,300,105	
Manulife Financial Corp., Variable Rate, Callable, Series '1', 3.375%, 2081/06/19	500,000	499,750	496,406	
Morguard Corp., Callable, Series 'F', 4.204%, 2024/11/27	1,000,000	1,007,500	1,011,641	
Parkland Corp., Callable, 6.000%, 2028/06/23	750,000	750,000	807,969	
Pembina Pipeline Corp., Callable, Series '15', 3.310%, 2030/02/01	500,000	521,715	517,970	
Royal Bank of Canada, Variable Rate, Callable, 3.650%, 2081/11/24	500,000	500,500	498,052	
Russel Metals Inc., Callable, 5.750%, 2025/10/27	1,000,000	1,000,000	1,062,917	
Shaw Communications Inc., Callable, 2.900%, 2030/12/09	500,000	498,410	496,223	
Sun Life Financial Inc., Variable Rate, Callable, Series '21-1', 3.600%, 2081/06/30	700,000	700,000	704,678	
TD Capital Trust IV, Variable Rate, Callable, 10.000%, 2108/06/30	1,000,000	1,059,600	1,007,201	
TELUS Corp., Callable, 2.050%, 2030/10/07	500,000	474,500	472,428	
TransCanada Trust, Variable Rate, Callable, 4.200%, 2081/03/04	500,000	491,965	493,237	
Videotron Ltd., Callable, 3.625%, 2028/06/15	650,000	653,125	655,145	
		12,982,048	13,010,675	85.5%
<b>TOTAL CANADIAN BONDS</b>		<b>12,982,048</b>	<b>13,010,675</b>	<b>85.5%</b>
<b>INTERNATIONAL BONDS</b>				
<b>Jersey, Channel Islands (Par Value in CAD)</b>				
Heathrow Funding Ltd., Callable, 3.782%, 2032/09/04	591,000	634,994	628,842	
		634,994	628,842	4.1%
<b>TOTAL INTERNATIONAL BONDS</b>		<b>634,994</b>	<b>628,842</b>	<b>4.1%</b>
<b>TOTAL BONDS</b>		<b>13,617,042</b>	<b>13,639,517</b>	<b>89.6%</b>
Less: Transaction costs included in average cost		(3,536)		
<b>TOTAL INVESTMENTS</b>		<b>14,882,396</b>	<b>14,922,517</b>	<b>98.0%</b>
Derivative liabilities			(3,066)	0.0%
Other assets, less liabilities			308,883	2.0%
<b>TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>15,228,334</b>	<b>100.0%</b>

# NCM CORE INCOME FUND

(FORMERLY, NCM SHORT TERM INCOME FUND)

Schedule of Derivative Investments - Forward Foreign Currency Contracts

As at September 30, 2021

Counterparty	Credit Rating	Settlement Date	Currency to be Delivered	Fair Value in Cdn Dollars	Currency to be Received	Contract Price	Unrealized Loss
Bank of Nova Scotia	A-1	October 15, 2021	504,172 USD	638,721	635,655 CAD	1.2608	(3,066)
Net Unrealized Loss							(3,066)

# NCM CORE INCOME FUND

(formerly, NCM Short Term Income Fund)

Notes to Financial Statements

For the years ended September 30, 2021 and 2020

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## 1. Reporting Entity

On August 27, 2018, Norrep Short Term Income Fund changed its name to NCM Short Term Income Fund, then on May 19, 2021 its name was changed to NCM Core Income Fund. NCM Core Income Fund (the “Fund”) is an open-ended mutual fund trust established under the laws of Alberta pursuant to a Declaration of Trust dated August 16, 2011, as amended April 14, 2014. The Fund’s principal place of business is Suite 1850, 333 - 7<sup>th</sup> Avenue SW, Calgary, Alberta, T2P 2Z1.

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

NCM Asset Management Ltd. (“Manager and Portfolio Manager”) provides investment management services and manages the day-to-day operation of the Fund. CIBC Mellon Trust Company (“CIBC Mellon”) is the custodian of the Fund and NCM Asset Management Ltd. is the Trustee and Promoter 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 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 and derivative instruments 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.

### (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

# NCM CORE INCOME FUND

(formerly, NCM Short Term Income Fund)

Notes to Financial Statements

For the years ended September 30, 2021 and 2021

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## 2. Basis of preparation (continued)

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

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 estimates include the valuation of investments and investment income accruals.

Functional currency is the currency of the primary economic environment in which the Fund operates and requires judgement. If indicators of the primary environment are mixed, then management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. All of the Fund's operating expenses are denominated in Canadian dollars. Investments are a mixture of Canadian and United States securities. Investor subscriptions and redemptions for Series A (H) and Series F (H) are in U.S. dollars. Although Series A (H) and Series F (H) are denominated in U.S. dollars for investor subscriptions and redemptions, the Series are meant to replicate the Series A and Series F, respectively. The Fund's NAV is calculated in Canadian dollars with the NAV per unit for the Series A (H) and Series F (H) being converted to USD after the Canadian NAV per unit is calculated. Accordingly, management has determined that the functional currency of the Fund is Canadian dollars.

## 3. Significant accounting policies

The Fund has consistently applied the following accounting policies to all periods presented in these financial statements.

### (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 are 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.

# NCM CORE INCOME FUND

(formerly, NCM Short Term Income Fund)

Notes to Financial Statements

For the years ended September 30, 2021 and 2021

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### 3. Significant accounting policies (continued)

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

(ii) Derecognition

Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset 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.

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 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.

# NCM CORE INCOME FUND

(formerly, NCM Short Term Income Fund)

Notes to Financial Statements

For the years ended September 30, 2021 and 2021

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### 3. Significant accounting policies (continued)

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

(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.

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.

Fair value of investments in restricted units is determined using an economic model taking into account various factors including risk free rate of interest, volatility, market value and length of the restriction.

Fair value of investments in unit purchase warrants is determined using a recognized economic model taking into account various factors including risk free rate of interest, dividend rates, volatility, market value and trading volume of the underlying stock.

Fair value of investments in bonds, asset-backed securities and secured loans represents a price that may fall between the last bid and ask price provided by an independent security pricing service, depending on which service provider is used.

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).

# NCM CORE INCOME FUND

(formerly, NCM Short Term Income Fund)

Notes to Financial Statements

For the years ended September 30, 2021 and 2020

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### 3. Significant accounting policies (continued)

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

(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, does 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.

For U.S. dollar pricing, net asset values are calculated by converting the Canadian dollar net asset value per unit to the U.S. dollar equivalent using the then current rate of exchange.

(b) Interest for distribution purposes:

The interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis and is recognized through profit or loss. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities.

(c) 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.

(d) 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 at the date of distribution.

# NCM CORE INCOME FUND

(formerly, NCM Short Term Income Fund)

Notes to Financial Statements

For the years ended September 30, 2021 and 2020

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### 3. Significant accounting policies (continued)

- (e) 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.

Average cost does not include amortization of premiums or discounts on fixed income securities.

- (f) Income tax:

As at September 30, 2021 the Fund was a “mutual fund trust” under the Income Tax Act (Canada) and, accordingly, is not taxed on that portion of its taxable income that is paid or allocated to unitholders. The Fund pays 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 (recovery) of \$(4,285) (September 30, 2020 - \$2,248) for the year ended September 30, 2021.

- (g) 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 period. Increase (decrease) in net assets attributable to unitholders per unit is calculated as increase (decrease) in net assets attributable to unitholders, divided by the weighted average units outstanding during the year.

- (h) 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.

# NCM CORE INCOME FUND

(formerly, NCM Short Term Income Fund)

Notes to Financial Statements

For the years ended September 30, 2021 and 2021

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### 3. Significant accounting policies (continued)

(i) Derivative financial instruments:

The Fund may use derivative financial instruments to reduce their 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.

(j) Securities lending transactions:

The Funds are permitted to enter into securities lending transactions as set out in the Fund's Simplified Prospectus. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities on a future date. Securities lending transactions are administered by The Bank of New York Mellon (collectively the "Securities Lending Agent"). The value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, sold or purchased. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is included in the Statements of Comprehensive Income as Securities lending income and recognized when earned.

### 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);
- Valuation techniques for which the lowest level input that is significant to 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 unobservable (Level 3);

# NCM CORE INCOME FUND

(formerly, NCM Short Term Income Fund)

Notes to Financial Statements

For the years ended September 30, 2021 and 2021

## 4. Fair value measurement (continued)

### (a) Investments (continued):

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

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

The tables below analyze investments measured at fair value at September 30, 2021 and September 30, 2020 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. All derivative fair values in the statement of financial position are classified as level 2.

<i>(in Canadian dollars)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
September 30, 2021				
Public securities				
Equities - long	1,283,000	—	—	1,283,000
Bonds	—	13,639,517	—	13,639,517
Unrealized loss on derivative instruments	—	(3,066)	—	(3,066)
<b>Total Investments</b>	<b>1,283,000</b>	<b>13,636,451</b>	<b>—</b>	<b>14,919,451</b>

<i>(in Canadian dollars)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
September 30, 2020				
Public securities				
Equities - long	299,920	—	—	299,920
Bonds/Term loans	—	18,785,566	—	18,785,566
ETF's	3,635,020	—	—	3,635,020
Unrealized loss on derivative instruments	—	(137,676)	—	(137,676)
<b>Total Investments</b>	<b>3,934,940</b>	<b>18,647,890</b>	<b>—</b>	<b>22,582,830</b>

There were no transfers between the levels for 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, accrued expenses, other receivables and payables approximate their fair values due to their short term nature.

# NCM CORE INCOME FUND

(formerly, NCM Short Term Income Fund)

Notes to Financial Statements

For the years ended September 30, 2021 and 2020

## 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 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 each of the Funds and its investments. All investments result in a risk of loss of capital.

### 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 fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of bonds as presented on the statement of investment portfolios represents credit risk exposure as at September 30, 2021. This also applies to cash and cash equivalents and receivables as they have a short-term settlement.

A portion of the Fund's portfolio may consist of instruments that have a credit quality rated below investment grade by internationally recognized credit rating organizations or may be unrated.

These securities involve significant risk exposure as there is uncertainty regarding the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations. Low rated and unrated debt instruments generally offer a higher current yield than that available from higher grade issuers, but typically involve greater risk.

As at September 30, 2021 and September 30, 2020, the Fund was invested in debt securities with the following credit rating:

Debt Security by Credit Rating	% of Assets Under Management in each category	
	September 30, 2021	September 30, 2020
A	4.6%	-%
BBB	52.2%	17.5%
Below BBB	32.8%	53.4%
Unrated	-%	4.6%

Credit risk arising on transactions for units purchased 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 and the high credit quality of the brokers used.

# NCM CORE INCOME FUND

(formerly, NCM Short Term Income Fund)

Notes to Financial Statements

For the years ended September 30, 2021 and 2021

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## 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.

Substantially all of the assets of the Fund are held by CIBC Mellon, the custodian. Bankruptcy or insolvency of the custodian may cause the Fund's rights with respect to securities held by the custodian to be delayed or limited. The Fund monitors its risk by monitoring the credit quality and credit rating and financial positions of the custodian. If the credit quality or the financial position deteriorates significantly then the Portfolio Manager will move the investment 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 daily cash redemptions of redeemable units. The Fund's investments may include unlisted equity and debt instruments which are not traded on an organized public market and which may be illiquid. As a result, the Fund may not be able to quickly liquidate some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements. The Fund believes it maintains sufficient cash and cash equivalent positions to maintain liquidity.

The Fund's liquidity risk is managed on a daily basis by the Portfolio Manager. Minimum cash balances will be required to be maintained in the Fund at the discretion of the Portfolio Manager to allow for monies to cover redemptions. At the September 30, 2021, the Fund had a cash balance equal to 2% (September 30, 2020 - 12%) of the net assets. The Fund's redemption policy allows for redemptions at any time during any given month. In certain circumstances, the Fund is required to settle the transaction by trade day plus two days.

The Fund is subject to regulatory requirements whereby the Fund shall not purchase an illiquid asset if, immediately after the purchase, more than ten percent of the net assets of the Fund, taken at market value at the time of purchase, would consist of illiquid assets. Residual contractual maturities of financial liabilities are all due on demand.

### **Market risk:**

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

# NCM CORE INCOME FUND

(formerly, NCM Short Term Income Fund)

Notes to Financial Statements

For the years ended September 30, 2021 and 2020

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

### Market risk (continued):

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. On May 10, 2021 the unitholders of the Fund approved a change to the investment objective to permit the Fund to invest primarily in Canadian fixed income securities instead of investing primarily in Canadian and U.S. issuers. The Fund is designed to provide holders of the units with capital preservation through a highly liquid portfolio comprised primarily of government and corporate debt securities targeting a level of income consistent with investments in Canadian fixed income securities.

The portfolio may consist of all types of debt obligations of issuers that may or may not be listed for trading upon the facilities of stock exchanges or other organized and regulated trading facilities.

Assets of the Fund may also be invested in debt obligations or held in cash to the extent that economic, market or other conditions make it appropriate.

No material change in the investment objectives, policies or restrictions of the Fund may be made without the approval of a two-thirds majority of the votes cast by unitholders at a meeting of the Fund duly called for that purpose.

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:

The Fund may invest in financial instruments and enter into transactions denominated in currencies other than the Canadian dollar. Consequently, the Funds are exposed to risks that the exchange rate of the Canadian dollar to other foreign currencies may fluctuate.

The Fund uses forward contracts to hedge a portion of the Fund's foreign exchange risk.

At the reporting date the Fund had 4.9% (September 30, 2020 – 10.0%) of its net asset value in U.S. currency.

#### Sensitivity Analysis:

At September 30, 2021, had the Canadian dollar strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets attributable to the holders of redeemable units and the change in net assets attributable to holders of redeemable units would have increased or decreased by \$7,433 (September 30, 2020 – \$24,983). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

# NCM CORE INCOME FUND

(formerly, NCM Short Term Income Fund)

Notes to Financial Statements

For the years ended September 30, 2021 and 2021

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

### Market risk (continued):

#### (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 the bonds rise. This is because the interest rates of 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. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing market interest rates.

High yield corporate bond prices are impacted by the credit metrics, liquidity and business fundamentals of the corporate entity movements in underlying interest rates and inflows and outflows in and out of high yield space. Historically, the high yield corporate bonds held in the Fund have been correlated with the related stock indices for those corporate investments, although generally less volatile. The table below summarizes the Fund's exposure to interest rate risks. It includes the Fund's assets at fair values, categorized by the maturity dates.

September 30, 2021	Less than 1 year	1 to 3 years	3 to 5 years	>5 years	Total
All amounts stated in Canadian dollars					
Corporate bonds	—	—	4,021,771	9,617,746	13,639,517

September 30, 2020	Less than 1 year	1 to 3 years	3 to 5 years	>5 years	Total
All amounts stated in Canadian dollars					
Corporate bonds/Term loans	—	6,043,618	9,658,787	3,083,161	18,785,566

#### (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.

Price risk is managed by the Fund's Portfolio Manager by constructing a diverse portfolio of securities. The price of a security is affected by individual company developments and by general economic and financial conditions in those industries and countries where the issuer of the security is located, does business or where the security, if applicable, is listed for trading. Certain

# NCM CORE INCOME FUND

(formerly, NCM Short Term Income Fund)

Notes to Financial Statements

For the years ended September 30, 2021 and 2020

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

### Market risk (continued):

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

securities are not listed on any prescribed stock exchange and thus a liquid market for resale may not exist.

The Portfolio Manager will monitor these factors daily and make decisions regarding the portfolio based on their knowledge of the market conditions and diversify the portfolio of investments accordingly. The risk resulting from financial instruments is equivalent to their fair value.

The Fund will primarily invest in government and corporate debt securities of varying types. The following table details the breakdown of the investment assets and liabilities held by the Fund as at September 30, 2021 and September 30, 2020:

	% of Net Assets	
	2021	2020
Investments:		
Exchange Traded Funds	-%	14.6%
Preferred Shares	8.4%	1.2%
Over-the-counter debt instruments	89.6%	75.5%

#### Sensitivity analysis:

A 1% increase or decrease in the Blended Index: 70% FTSE Canada Universe Bond Total Return Index and 30% FTSE Canada Investment Grade 1-5 Year Laddered Corporate Bond Total Return Index at September 30, 2021 would have impacted the net assets attributable to unitholders and the changes in net assets attributable to unitholders by approximately \$149,225 (September 30, 2020 - \$227,205). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

The Fund's investments exposed to other price risk were concentrated in the following industries at September 30, 2021 and September 30, 2020:

	2021	2020
Preferred Shares	8.6%	1.3%
Bonds and Secured Loans	91.4%	98.7%
Total	100.0%	100.0%

## 6. Net assets attributable to unitholders 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, the Fund is offered in seven series of units, Series A, Series A (H), Series F, Series F (H), Series I, Series R and Series Z. Each series

# NCM CORE INCOME FUND

(formerly, NCM Short Term Income Fund)

Notes to Financial Statements

For the years ended September 30, 2021 and 2020

## 6. Net assets attributable to unitholders of redeemable units (continued)

Redeemable units (continued):

ranks equally with respect to dividends 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 and Series A (H) are sold under the front end sales charge option. A commission ranging from 0% to 5% is paid by the investor to the dealer with a 2% redemption fee being charged if the units are redeemed in the first 30 days. Series F, Series F (H) and Series Z 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, Series F (H) or Series Z is redeemed within the first 30 days. Currently, there are no Series Z units outstanding.

Series I units are sold without commission and are available to certain investors at the Portfolio Manager's discretion. A 2% redemption fee is charged if the units are redeemed in the first 30 days.

Series A (H) and Series F (H) units are offered for purchase in U.S. dollars only.

There are no sales charges or commissions payable in respect of purchases of Series R units. Series R is only available for purchase by the NCM Funds and other funds and accounts managed or advised by the Manager and/or its affiliates.

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 redeemable units and net assets attributable to holders of redeemable units during the year was as follows:

<b>Series A</b>	2021	2020
Balance, opening	1,008,365	1,959,967
Issued on distributions reinvested	21,728	54,126
Issued for cash	93,945	200,488
Redeemed for cash	(645,614)	(1,206,216)
Balance, September 30	478,424	1,008,365

  

<b>Series F</b>	2021	2020
Balance, opening	605,269	1,257,758
Issued on distributions reinvested	5,504	20,405
Issued for cash	21,746	125,845
Redeemed for cash	(263,554)	(798,739)
Balance, September 30	368,965	605,269

  

<b>Series I</b>	2021	2020
Balance, opening	260,812	656,061
Issued for cash	85,846	—
Redeemed for cash	(24,391)	(395,249)
Balance, September 30	322,267	260,812

# NCM CORE INCOME FUND

(formerly, NCM Short Term Income Fund)

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For the years ended September 30, 2021 and 2020

## 6. Net assets attributable to unitholders of redeemable units (continued)

Redeemable units (continued):

Series A (H)	2021	2020
Balance, opening	2,432	71,722
Issued on distributions reinvested	199	1,587
Issued for cash	7,069	–
Redeemed for cash	(2,454)	(70,877)
Balance, September 30	7,246	2,432

Series F (H)	2021	2020
Balance, opening	352,002	711,722
Issued on distributions reinvested	1,538	24,936
Issued for cash	–	19,110
Redeemed for cash	(320,958)	(403,766)
Balance, September 30	32,582	352,002

Series R	2021	2020
Balance, opening	693,932	646,479
Issued on distributions reinvested	18,518	41,421
Issued for cash	94,935	671,038
Redeemed for cash	(296,958)	(665,006)
Balance, September 30	510,427	693,932

Increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated as follows:

Due to rounding, numbers presented may not calculate precisely and not reflect the absolute figures.

NCM Core Income Fund (formerly, NCM Short Term Income Fund) - September 30, 2021	Series A	Series F	Series I	Series A (H)	Series F (H)	Series R
Increase (decrease) in net assets attributable to holders of redeemable units (in 000's of \$)	554	341	194	1	5	446
Average units outstanding during the year (in 000's of units)	727	448	251	5	52	520
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$0.76	\$0.77	\$0.76	\$0.12	\$0.10	\$0.86

NCM Core Income Fund (formerly, NCM Short Term Income Fund) - September 30, 2020	Series A	Series F	Series I	Series A (H)	Series F (H)	Series R
Increase (decrease) in net assets attributable to holders of redeemable units (in 000's of \$)	(1,273)	(532)	(39)	(22)	(214)	(495)
Average units outstanding during the year (in 000's of units)	1,470	941	404	39	573	965
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$(0.87)	\$(0.57)	\$(0.10)	\$(0.56)	\$(0.38)	\$(0.51)

# NCM CORE INCOME FUND

(formerly, NCM Short Term Income Fund)

Notes to Financial Statements

For the years ended September 30, 2021 and 2020

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## 7. Management fees, expenses and key contracts

### (a) Manager and management fees:

Series A and Series A (H) paid an annual management fee to the Manager of 1.25% of the net asset value of the series. Series F and Series F (H) paid an annual management fee to the Manager of 0.75% 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 \$6,416 (September 30, 2020 - \$14,862) 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. There are no management fees payable in respect of Series R units. The NCM Funds and other funds and accounts managed or advised by the Manager and/or its affiliates that invest in Series R units are charged a management fee for the provision of our services to them.

### (b) Expenses:

All fees and expenses applicable to the administration and operation of the Fund, including recordkeeping and communication costs, custodian fees, legal and filing fees, audit, applicable taxes and bank charges are payable by the Fund. The Manager has charged the Fund for administration services. As at September 30, 2021 \$1,430 (September 30, 2020 - \$5,174) is included in accrued expenses.

### (c) Operating expense recoveries:

NCM has agreed to absorb certain expenses associated with some of the Funds. Such absorptions may be terminated at any time without notice. Included in accounts receivable at September 30, 2021 is \$12,087 (September 30, 2020 - \$nil).

## 8. Brokerage commissions on securities transactions

The Fund paid brokerage commissions amounting to \$12,237 (September 30, 2020 - \$14,737) in connection with portfolio transactions during the year.

## 9. Securities lending transactions

The Fund engages in securities lending. Collateral received on securities lending may be comprised of debt obligations of the Government of Canada and other countries, Canadian provincial or territorial governments, governments of states of the United States of America, and evidence of indebtedness of financial institutions whose short-term debt is rated A-1 or R-1 or equivalent by a recognized, widely followed North American credit rating agency, corporate debt or corporate commercial paper, convertible securities or cash that is not to be invested. The table below shows a reconciliation of the gross amount generated from securities lending transactions to the securities lending income earned by Fund for the years ended September 30, 2021 and 2020.

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Notes to Financial Statements

For the years ended September 30, 2021 and 2020

## 9. Securities lending transactions (continued)

	2021		2020	
<i>(In Canadian dollars)</i>				
Gross securities lending income	\$2,527	100.0%	\$4,997	100.0%
Withholding taxes	\$(251)	(9.9)%	\$(46)	(0.9)%
Agent fees	\$(910)	(36.0)%	\$(1,981)	(39.7)%
Securities lending income	\$1,366	54.1%	\$2,970	59.4%

  

<b>Security Lending:</b>	2021		2020	
Value of securities loaned	\$1,017,349		\$1,301,910	
Value of collateral received	\$1,068,217		\$1,367,131	

## 10. Subsequent events

On November 1, 2021, NCM appointed Cidel Asset Management Inc. ("Cidel") as sub-advisor to the Fund. Gary Morris, responsible for the overall management of the fixed income team at Cidel, has been named lead portfolio manager. NCM continues as portfolio manager and there are no material changes to the investment objective strategy of the Fund.

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