

March 31, 2022

INTERIM FINANCIAL STATEMENTS OF
NCM CANADIAN ENHANCED
EQUITY FUND



TO THE UNITHOLDERS OF NCM CANADIAN ENHANCED EQUITY FUND

These unaudited interim financial statements are as at March 31, 2022. The unaudited interim financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and include the statement of financial position as at March 31, 2022 and September 30, 2021, statement of comprehensive income (loss), statement of changes in net assets attributable to holders of redeemable units, and statement of cash flows for the six months ended March 31, 2022 and 2021; and notes to the interim financial statements, comprising a summary of significant accounting policies, schedule of investment portfolio and other explanatory information.

The accompanying interim financial statements have not been reviewed by the external auditors of the Fund. The external auditors will be auditing the annual financial statements of the Fund prepared in accordance with IFRS.

We would be pleased to respond to any inquiries regarding this Fund.

NCM Canadian Enhanced Equity Fund
May 27, 2022

NCM CANADIAN ENHANCED EQUITY FUND

Interim Statements of Financial Position (unaudited)

(in Canadian dollars, except units outstanding)

As at	March 31 2022	September 30 2021
Assets		
Cash and cash equivalents	615,836	1,313,334
Dividends receivable	57,463	90,448
Portfolio assets sold	670,945	539,230
Units issued	–	45,380
Investments, at fair value through profit or loss	21,854,566	19,459,554
Total assets	23,198,810	21,447,946
Liabilities		
Accrued expenses (note 8)	46,100	45,000
Dividends payable	56,640	106,679
Dividends payable on investments sold short	7,982	22,320
Portfolio assets purchased	748,750	688,697
Units redeemed	–	30,509
Investments - short, at fair value through profit or loss	5,155,057	4,752,998
Total liabilities (excluding net assets attributable to holders of redeemable units)	6,014,529	5,646,203
Net assets attributable to holders of redeemable units	17,184,281	15,801,743
Net assets attributable to holders of redeemable units:		
Series A	4,762,306	4,351,550
Series F	11,031,511	9,774,855
Series I	1,390,464	1,675,338
Redeemable units outstanding (note 7):		
Series A	404,303	410,415
Series F	869,999	860,388
Series I	102,055	137,895
Net assets attributable to holders of redeemable units per unit:		
Series A	11.78	10.60
Series F	12.68	11.36
Series I	13.62	12.15

See accompanying notes to interim financial statements.

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



Alex Sasso



Keith Leslie

Interim Statements of Comprehensive Income (Loss) (unaudited)

Six months ended March 31, 2022 and 2021

(in Canadian dollars)

	2022	2021
Dividend income	220,077	268,344
Interest for distribution purposes	12,726	3,466
Net gain (loss) on investments at fair value through profit or loss		
Net realized gain (loss) on investments	1,131,206	562,423
Net change in unrealized appreciation (depreciation) in fair value of investments	834,519	926,115
Total investment revenue (loss)	2,198,528	1,760,348
Management fees (note 8)	96,317	73,782
Transaction costs	20,662	30,423
Custodian and record keeping fees	17,053	16,717
Dividend expense on investments sold short	14,250	37,471
Risk management fees	13,286	13,890
Administrative fees (note 8)	9,436	11,970
HST/GST	8,323	6,765
Other	7,933	8,260
Audit fees	5,750	5,350
Tax and other professional fees	3,666	3,004
Computer services	2,804	1,713
Legal and filing fees	2,025	2,462
Total operating expenses	201,505	211,808
Increase (decrease) in net assets attributable to holders of redeemable units before tax	1,997,023	1,548,541
Withholding tax expense	504	1,156
Increase (decrease) in net assets attributable to holders of redeemable units	1,996,519	1,547,385
Change in net assets attributable to holders of redeemable units (note 7):		
Series A	539,503	443,369
Series F	1,270,007	873,167
Series I	187,009	230,849
Change in net assets attributable to holders of redeemable units per unit (note 7):		
Series A	1.32	1.27
Series F	1.49	1.08
Series I	1.58	0.93

See accompanying notes to interim financial statements.

NCM CANADIAN ENHANCED EQUITY FUND

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

Six months ended March 31, 2022 and 2021

(in Canadian dollars)

	All Series		Series A		Series F		Series I	
	2022	2021	2022	2021	2022	2021	2022	2021
Net assets attributable to holders of redeemable units, beginning of period	15,801,743	6,396,729	4,351,550	26,616	9,774,855	3,797,748	1,675,338	2,572,365
Increase (decrease) in net assets, attributable to holders of redeemable units	1,996,519	1,547,385	539,503	443,369	1,270,007	873,167	187,009	230,849
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	561,711	1,156,981	–	8	561,711	861,248	–	295,725
Reinvestment of distributions	93,612	101,434	48,510	49,587	29,577	26,729	15,525	25,118
Amounts paid on redemptions	(1,062,255)	(3,170,609)	(119,007)	(252,547)	(472,495)	(1,417,612)	(470,753)	(1,500,450)
	(406,932)	7,626,447	(70,497)	3,795,759	118,793	5,010,295	(455,228)	(1,179,607)
Distributions declared	(207,049)	(227,560)	(58,250)	(59,871)	(132,144)	(135,529)	(16,655)	(32,160)
	(207,049)	(227,560)	(58,250)	(59,871)	(132,144)	(135,529)	(16,655)	(32,160)
Net assets attributable to holders of redeemable units, end of period	17,184,281	15,343,001	4,762,306	4,205,873	11,031,511	9,545,681	1,390,464	1,591,447
Distributions per unit to holders of redeemable units			0.14	0.14	0.15	0.15	0.16	0.16

See accompanying notes to interim financial statements

NCM CANADIAN ENHANCED EQUITY FUND

Interim Statements of Cash Flows (unaudited)

Six months ended March 31, 2022 and 2021

(in Canadian dollars)

	2022	2021
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	1,996,519	1,547,385
Adjustments for:		
Net realized (gain) loss on sale of investments at fair value through profit or loss	(1,131,206)	(562,423)
Net change in unrealized (appreciation) depreciation of investments at fair value through profit or loss	(834,519)	(926,115)
Purchase of investments	(34,768,515)	(50,543,450)
Proceeds from the sale of investments	34,669,739	42,454,588
Dividends income	(220,077)	(268,344)
Dividends received, net of withholding tax paid	252,558	231,260
Withholding tax paid	504	—
Interest for distribution purposes	(12,726)	(3,466)
Interest received	12,726	3,466
Due from Manager	—	15,401
Accrued expenses	1,100	15,189
Dividend expense on investments sold short	14,250	37,471
Dividend paid on investments sold short	(28,588)	(34,238)
Net cash from (used in) operating activities	(48,235)	(8,033,276)
Cash flows from (used in) financing activities		
Proceeds from the issuance of redeemable units	607,091	10,695,622
Amounts paid on redemption of redeemable units	(1,092,764)	(3,218,692)
Distributions to holders of redeemable units, net of reinvestments	(163,476)	(89,327)
Net cash from (used in) financing activities	(649,149)	7,387,603
Net increase (decrease) in cash and cash equivalents	(697,384)	(645,673)
Effect of exchange rates on cash and cash equivalents	(114)	(40)
Cash and cash equivalents at beginning of period	1,313,334	1,459,596
Cash and cash equivalents at end of period	615,836	813,883

See accompanying notes to interim financial statement

Schedule of Investment Portfolio (unaudited)

As at March 31, 2022

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
CANADIAN EQUITIES - Long				
Communication Services				
BCE Inc.	12,800	770,274	887,040	
Quebecor Inc., Class 'B'	17,600	531,204	524,480	
		1,301,478	1,411,520	8.2%
Consumer Discretionary				
Canada Goose Holdings Inc.	—	—	—	
Dollarama Inc.	4,900	312,974	347,410	
Exco Technologies Ltd.	—	—	—	
Gildan Activewear Inc.	12,300	577,740	576,747	
MTY Food Group Inc.	—	—	—	
Pet Valu Holdings Ltd.	12,900	424,275	431,634	
Sleep Country Canada Holdings Inc.	18,900	644,006	552,069	
		1,958,995	1,907,860	11.1%
Consumer Staples				
Empire Co. Ltd., Class 'A'	5,900	258,153	261,606	
Loblaws Cos. Ltd.	5,900	496,438	661,862	
Neighbourly Pharmacy Inc.	—	—	—	
Premium Brands Holdings Corp.	3,600	385,963	393,732	
Rogers Sugar Inc.	—	—	—	
Saputo Inc.	—	—	—	
		1,140,554	1,317,200	7.7%
Energy				
ARC Resources Ltd.	25,900	323,077	433,566	
Computer Modelling Group Ltd.	—	—	—	
Enerplus Corp.	25,900	323,456	410,256	
Peyto Exploration & Development Corp.	27,900	325,249	353,772	
Secure Energy Services Inc.	—	—	—	
TC Energy Corp.	11,900	807,620	839,069	
Tourmaline Oil Corp.	6,100	263,651	351,360	
Whitecap Resources Inc.	33,900	264,675	350,526	
		2,307,728	2,738,549	15.9%
Financials				
Bank of Montreal	6,300	763,024	926,793	
Bank of Nova Scotia	13,300	1,222,247	1,191,680	
Definity Financial Corp.	—	—	—	

NCM CANADIAN ENHANCED EQUITY FUND

Schedule of Investment Portfolio (continued)
(unaudited)

As at March 31, 2022

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
Industrials				
Canadian National Railway Co.	5,600	831,682	939,120	
Hardwoods Distribution Inc.	26,000	1,038,459	949,000	
Stantec Inc.	7,900	491,015	495,409	
Toromont Industries Ltd.	2,900	303,884	343,679	
		2,665,040	2,727,208	15.9%
Information Technology				
Constellation Software Inc.	200	381,402	427,400	
Evertz Technologies Ltd.	17,800	252,194	271,272	
Shopify Inc., Class 'A'	500	778,947	422,735	
		1,412,543	1,121,407	6.5%
Materials				
Hudbay Minerals Inc.	43,900	447,994	431,098	
Itafos Inc.	119,100	332,791	356,109	
Major Drilling Group International Inc.	34,900	316,436	424,733	
Newmont Corp.	4,200	335,290	417,186	
Nutrien Ltd.	5,200	404,925	671,944	
Teck Resources Ltd., Class 'B'	6,900	342,290	348,312	
Victoria Gold Corp.	15,900	222,563	252,810	
		2,402,289	2,902,192	16.9%
Real Estate				
Choice Properties REIT	35,100	499,233	543,699	
NorthWest Healthcare Properties REIT	45,900	600,313	632,043	
Slate Grocery REIT	28,900	425,567	493,612	
		1,525,113	1,669,354	9.7%
Utilities				
Emera Inc.	8,000	469,506	495,760	
Fortis Inc.	6,300	377,288	389,529	
		846,794	885,289	5.2%
TOTAL CANADIAN EQUITIES - Long		20,263,391	21,854,566	127.2%

(in Canadian dollars)

Description	Number of Shares	Proceeds (\$)	Fair Value (\$)	% of Net Assets
CANADIAN EQUITIES - Short				
Consumer Discretionary				
Canada Goose Holdings Inc.	(4,000)	(134,244)	(131,400)	
Exco Technologies Ltd.	(5,900)	(55,819)	(56,581)	
MTY Food Group Inc.	(2,400)	(133,074)	(130,776)	
		(323,137)	(318,757)	-1.8%
Consumer Staples				
Rogers Sugar Inc.	(13,600)	(73,551)	(85,680)	
Saputo Inc.	(2,900)	(91,265)	(85,869)	
		(164,816)	(171,549)	-1.0%
Energy				
Computer Modelling Group Ltd.	(14,100)	(73,586)	(75,576)	
Secure Energy Services Inc.	(16,700)	(95,970)	(89,178)	
		(169,556)	(164,754)	-1.0%
Financials				
Definity Financial Corp.	(3,700)	(107,455)	(118,141)	
		(107,455)	(118,141)	-0.7%
Health Care				
Chartwell Retirement Residences	(9,600)	(120,693)	(119,040)	
Extencicare Inc.	(16,700)	(121,287)	(131,095)	
		(241,980)	(250,135)	-1.4%
Industrials				
Aecon Group Inc.	(7,900)	(126,461)	(134,063)	
Badger Infrastructure Solutions Ltd.	(4,100)	(106,966)	(128,986)	
Magellan Aerospace Corp.	(12,200)	(125,989)	(120,170)	
Ritchie Bros. Auctioneers Inc.	(1,700)	(125,122)	(125,528)	
		(484,538)	(508,747)	-3.0%
Materials				
Cascades Inc.	(9,400)	(135,948)	(120,508)	
CCL Industries Inc., Class 'B'	(2,100)	(120,011)	(118,440)	
Eldorado Gold Corp.	(3,000)	(37,623)	(42,000)	
IAMGOLD Corp.	(29,900)	(117,001)	(129,766)	
MAG Silver Corp.	(3,900)	(84,519)	(78,936)	
Methanex Corp.	(600)	(31,922)	(40,902)	
NovaGold Resources Inc.	(4,500)	(41,198)	(43,335)	
Stella-Jones Inc.	(2,300)	(90,979)	(86,411)	
Winpak Ltd.	(2,100)	(81,270)	(80,640)	
		(740,471)	(740,938)	-4.3%
Real Estate				
Canadian Apartment Properties REIT	(2,300)	(129,152)	(123,395)	

NCM CANADIAN ENHANCED EQUITY FUND

Schedule of Investment Portfolio (continued)
(unaudited)

As at March 31, 2022

(in Canadian dollars)

Description	Number of Shares	Proceeds (\$)	Fair Value (\$)	% of Net Assets
H&R REIT	(9,300)	(118,961)	(121,365)	
InterRent REIT	(7,600)	(118,968)	(121,524)	
Minto Apartment REIT	(4,000)	(87,850)	(85,880)	
Morguard North American Residential REIT	(6,800)	(120,672)	(133,348)	
Summit Industrial Income REIT	(3,700)	(80,203)	(81,474)	
		<u>(655,806)</u>	<u>(666,986)</u>	<u>-3.9%</u>
Utilities				
Algonquin Power & Utilities Corp.	(2,200)	(38,885)	(42,658)	
Innergex Renewable Energy Inc.	(4,400)	(86,718)	(87,472)	
Northland Power Inc.	(1,000)	(40,138)	(41,560)	
		<u>(165,741)</u>	<u>(171,690)</u>	<u>-1.0%</u>
TOTAL CANADIAN EQUITIES - Short		<u>(3,053,500)</u>	<u>(3,111,697)</u>	<u>-18.1%</u>
CANADIAN EQUITY ETFs - Short				
Exchange Traded Funds				
iShares Core S&P/TSX Capped Composite Index ETF	(39,600)	(1,343,284)	(1,380,456)	
iShares S&P/TSX 60 Index ETF	(19,800)	(654,171)	(662,904)	
		<u>(1,997,455)</u>	<u>(2,043,360)</u>	<u>-11.9%</u>
TOTAL CANADIAN EQUITY ETFs - Short		<u>(1,997,455)</u>	<u>(2,043,360)</u>	<u>-11.9%</u>
TOTAL CANADIAN INVESTMENTS - Short		<u>(5,050,955)</u>	<u>(5,155,057)</u>	<u>-30.0%</u>
Less: Transaction costs included in average cost		<u>(7,664)</u>		
TOTAL INVESTMENTS		<u>15,204,772</u>	<u>16,699,509</u>	<u>97.2%</u>
Other assets, less liabilities			<u>484,772</u>	<u>2.8%</u>
TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>17,184,281</u>	<u>100.0%</u>

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2022 and 2021

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 periods presented.

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

The financial statements of the Fund were approved and were authorized for issue by the Manager’s Board of Directors on May 27, 2022.

(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.

(d) Use of judgements and estimates:

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

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

3. Significant accounting policies

(a) Financial assets and financial liabilities:

(i) Recognition and initial measurement

Financial assets and financial liabilities at fair value through profit or loss (“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.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2022 and 2021

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 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.

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 amortized 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.

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.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2022 and 2021

3. Significant accounting policies (continued)

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

(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.

(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.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2022 and 2021

3. Significant accounting policies (continued)

(e) Income tax (continued):

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 \$504 (2021 - \$1,156) for the period ended March 31, 2022.

(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 period.

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 period, divided by the weighted average units outstanding during the period.

(g) Translation of foreign currency:

Foreign currency amounts are expressed in Canadian dollars as follows:

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

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

(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 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.

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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);

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

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

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

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
March 31, 2022				
Public securities				
Equities - long	21,854,566	—	—	21,854,566
Equities - short	(5,155,057)	—	—	(5,155,057)
Total Investments	16,699,509	—	—	16,699,509
<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

There were no transfers into or out of Level 1, Level 2 and Level 3 during the periods ended March 31, 2022 and September 30, 2021.

(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.

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,

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6. Financial instruments and associated risks (continued)

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 March 31, 2022.

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.

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

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6. Financial instruments and associated risks

(continued)

Market risk (continued):

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.

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 March 31, 2022 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 March 31, 2022 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 March 31, 2022, there are no interest-bearing financial assets or liabilities. As a result, the Fund is subject to limited exposure to interest rate risks due to fluctuations in the prevailing levels of market interest rates.

(c) Other price risk:

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

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6. Financial instruments and associated risks (continued)

Market risk (continued):

(c) Other price risk (continued):

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 March 31, 2022 would have impacted the net assets and the net increase/decrease in net assets attributable to holders of redeemable units by \$166,995 (September 30, 2021 - \$147,066).

The Fund’s financial assets exposed to other price risk were concentrated in the following industries as a percentage of net investment at March 31, 2022 and September 30, 2021:

Equities	2022	2021
Energy	15.3%	11.9%
Materials	13.0%	16.1%
Industrials	13.3%	13.5%
Consumer Discretionary	9.5%	3.6%
Consumer Staples	6.9%	8.0%
Health Care	(1.5)%	1.8%
Financials	30.2%	34.2%
Information Technology	6.7%	9.6%
Communication Services	8.5%	9.6%
Utilities	4.3%	3.1%
Real Estate	6.0%	6.4%
Exchange Traded Funds	(12.2)%	(17.8)%
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.

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Six months ended March 31, 2022 and 2021

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

Redeemable units (continued)

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.

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 period was as follows:

Series A	2022	2021
Balance, opening	410,415	2,760
Issued on distributions reinvested	4,239	5,058
Issued for cash	–	434,643
Redeemed for cash	(10,351)	(26,331)
Balance, March 31	404,303	416,130

Series F	2022	2021
Balance, opening	860,388	370,979
Issued on distributions reinvested	2,398	2,558
Issued for cash	47,208	651,087
Redeemed for cash	(39,995)	(139,275)
Balance, March 31	869,999	885,349

Series I	2022	2021
Balance, opening	137,895	237,234
Issued on distributions reinvested	1,175	2,289
Issued for cash	–	27,500
Redeemed for cash	(37,015)	(128,370)
Balance, March 31	102,055	138,653

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

March 31, 2022	Series A	Series F	Series I
Increase (decrease) in net assets attributable to holders of redeemable units (in 000's of \$)	540	1,270	187
Average units outstanding during the period (in 000's of units)	408	854	118
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$1.32	\$1.49	\$1.58

March 31, 2021	Series A	Series F	Series I
Increase (decrease) in net assets attributable to holders of redeemable units (in 000's of \$)	443	873	231
Average units outstanding during the period (in 000's of units)	350	809	248
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$1.27	\$1.08	\$0.93

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 is \$16,663 (September 30, 2021 - \$15,731) 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

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8. Management fees, expenses and key contracts (continued)

(a) Manager and management fees (continued):

Negotiation with the Manager.

The Fund will pay the Manager a Performance Fee if the series return of the Fund exceeds the return of a specified benchmark (the "Benchmark") during the relevant period. The Performance Fee is based on the performance of the Fund determined at the end of each calendar quarter. If the series performance exceeds the Benchmark, 20% of this amount will be multiplied by the average series net asset value during the Performance Measurement Period, as defined. As at March 31, 2022, included in accounts payable is \$nil (September 30, 2021 - \$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 \$1,614 (September 30, 2021 - \$1,580) related to these fees.

9. Brokerage commissions on securities transactions

The Fund paid brokerage commissions amounting to \$20,662 (March 31, 2021 - \$30,423) in connection with portfolio transactions during the period.

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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