

September 30, 2021

FINANCIAL STATEMENTS OF
NCM NORREP FUND





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INDEPENDENT AUDITORS' REPORT

To the Unitholders of NCM Norrep Fund:

Opinion

We have audited the accompanying financial statements of NCM Norrep 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 NORREP FUND

Statements of Financial Position

(in Canadian dollars, except units outstanding)

As at	September 30 2021	September 30 2020
Assets		
Cash and cash equivalents	1,506,830	2,981,230
Dividends receivable	111,651	50,140
Portfolio assets sold	533,879	–
Investments, at fair value through profit or loss	47,523,359	37,816,009
Total assets	49,675,719	40,847,379
Liabilities		
Accrued expenses (note 7)	116,200	103,300
Portfolio assets purchased	365,886	–
Units redeemed	81,115	29,764
Unrealized loss on derivative instruments	34,495	–
Total liabilities (excluding net assets attributable to holders of redeemable units)	597,696	133,064
Net assets attributable to holders of redeemable units	49,078,023	40,714,315
Net assets attributable to holders of redeemable units:		
Series A	44,065,374	36,974,961
Series F	5,012,649	1,950,068
Series R	–	1,789,286
Redeemable units outstanding (note 6):		
Series A	1,105,580	1,137,115
Series F	119,480	57,437
Series R	–	51,243
Net assets attributable to holders of redeemable units per unit:		
Series A	39.86	32.52
Series F	41.95	33.95
Series R	–	34.92

See accompanying notes to financial statements.

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



Alex Sasso



Keith Leslie

NCM NORREP FUND

Statements of Comprehensive Income (Loss)

For the years ended September 30, 2021 and 2020

(in Canadian dollars)

	2021	2020
Dividend income	1,214,117	630,427
Interest for distribution purposes	53,939	56,519
Securities lending income	4,436	8,289
Net gain (loss) on investments at fair value through profit or loss		
Net realized gain (loss) on investments	14,023,641	(1,480,821)
Net realized gain (loss) on derivative instruments	191,933	–
Net change in unrealized appreciation (depreciation) in fair value of investments	(4,452,186)	911,857
Net change in unrealized appreciation (depreciation) on derivative instruments	(34,495)	–
Total investment revenue (loss)	11,001,385	126,271
Management fees (note 7)	844,228	759,235
Transaction costs	113,723	37,492
Administrative fees (note 7)	62,355	69,919
HST/GST	56,699	47,436
Custodian and record keeping fees	36,387	37,222
Legal and filing fees	19,870	15,800
Computer services	16,267	16,655
Audit fees	13,336	13,736
Tax and other professional fees	12,003	11,326
Independent review committee	9,231	7,701
Other	2,938	6,359
Total operating expenses	1,187,037	1,022,881
Increase (decrease) in net assets attributable to holders of redeemable units before tax	9,814,348	(896,610)
Withholding tax expense	35,236	–
Increase (decrease) in net assets attributable to holders of redeemable units	9,779,112	(896,610)
Change in net assets attributable to holders of redeemable units (note 6):		
Series A	9,023,857	(909,348)
Series F	656,989	(118,181)
Series R	98,266	130,919
Change in net assets attributable to holders of redeemable units per unit (note 6):		
Series A	8.14	(0.76)
Series F	8.17	(1.69)
Series R	1.94	2.49

See accompanying notes to financial statements.

NCM NORREP 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 R	
	2021	2020	2021	2020	2021	2020	2021	2020
Net assets attributable to holders of redeemable units, beginning of year	40,714,315	46,284,661	36,974,961	42,396,287	1,950,068	2,705,473	1,789,286	1,182,901
Increase (decrease) in net assets, attributable to holders of redeemable units	9,779,112	(896,610)	9,023,857	(909,348)	656,989	(118,181)	98,266	130,919
Transactions attributable to holders of redeemable units:								
Issuance of units	7,560,111	2,048,006	3,811,108	81,020	3,733,771	465,821	15,232	1,501,165
Reinvestment of distributions	776,079	–	743,097	–	32,982	–	–	–
Amounts paid on redemptions	(8,880,417)	(6,721,742)	(5,664,362)	(4,592,998)	(1,313,271)	(1,103,045)	(1,902,784)	(1,025,699)
	(544,227)	(4,673,736)	(1,110,157)	(4,511,978)	2,453,482	(637,224)	(1,887,552)	475,466
Distributions declared:								
From net realized gain on investments	(871,177)	–	(823,287)	–	(47,890)	–	–	–
	(871,177)	–	(823,287)	–	(47,890)	–	–	–
Net assets attributable to holders of redeemable units, end of year	49,078,023	40,714,315	44,065,374	36,974,961	5,012,649	1,950,068	–	1,789,286
Distributions per unit to holders of redeemable units:								
From net realized gain on investments			0.76	–	0.79	–	–	–

See accompanying notes to financial statements.

NCM NORREP FUND

Statements of Cash Flows

For the years ended September 30, 2021 and 2020

(in Canadian dollars)

	2021	2020
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	9,779,112	(896,610)
Adjustments for:		
Net realized (gain) loss on sale of investments at fair value through profit or loss	(14,023,641)	1,480,821
Net realized (gain) loss on sale of options	(56,449)	—
Net change in unrealized (appreciation) depreciation of investments at fair value through profit or loss	4,452,186	(911,857)
Net change in unrealized (appreciation) depreciation on derivative instruments	34,495	—
Purchase of investments	(70,864,900)	(9,077,560)
Purchase of derivatives	(17,625)	—
Proceeds from the sale and maturity of investments	70,613,052	10,982,142
Proceeds from the sale of derivatives	74,074	—
Dividend income	(1,214,117)	(630,427)
Dividends received, net of withholding tax paid	1,117,370	693,426
Withholding tax paid	35,236	—
Interest for distribution purposes	(53,939)	(56,519)
Interest received	53,939	56,778
Accrued expenses	12,900	(19,600)
Net cash from (used in) operating activities	(58,307)	1,620,594
Cash flows from (used in) financing activities		
Proceeds from the issuance of redeemable units	7,560,111	2,055,004
Amounts paid on redemption of redeemable units	(8,829,066)	(6,846,742)
Distributions to holders of redeemable units, net of reinvestments	(95,098)	—
Net cash from (used in) financing activities	(1,364,053)	(4,791,738)
Net increase (decrease) in cash and cash equivalents	(1,422,360)	(3,171,144)
Effect of exchange rates on cash and cash equivalents	(52,040)	(39)
Cash and cash equivalents at beginning of year	2,981,230	6,152,413
Cash and cash equivalents at end of year	1,506,830	2,981,230

See accompanying notes to financial statements.

NCM NORREP FUND

Schedule of Investment Portfolio

As at September 30, 2021

(in Canadian dollars)

Description	Number of Shares / Warrants / Par Value	Cost (\$)	Fair Value (\$)	% of Net Assets
CANADIAN EQUITIES				
Communication Services				
TELUS Corp.	53,000	1,253,515	1,475,520	
		1,253,515	1,475,520	3.0%
Consumer Staples				
Metro Inc.	21,650	1,355,925	1,339,919	
		1,355,925	1,339,919	2.7%
Energy				
ARC Resources Ltd.	127,750	1,046,620	1,516,392	
Canadian Natural Resources Ltd.	12,400	547,087	574,244	
Keyera Corp.	32,300	822,582	1,029,401	
Tidewater Midstream and Infrastructure Ltd.	689,700	899,101	944,889	
Tourmaline Oil Corp.	37,800	940,006	1,672,650	
		4,255,396	5,737,576	11.7%
Financials				
Bank of Montreal	9,050	1,019,774	1,144,372	
Intact Financial Corp.	11,200	1,723,866	1,875,776	
Power Corp. of Canada	33,800	1,200,286	1,411,150	
Royal Bank of Canada	14,600	1,459,865	1,840,038	
Toronto-Dominion Bank (The)	12,200	980,384	1,022,970	
		6,384,175	7,294,306	14.9%
Health Care				
Think Research Corp.	155,400	325,344	321,678	
		325,344	321,678	0.7%
Industrials				
Calian Group Ltd.	20,650	1,229,875	1,259,650	
Cargojet Inc.	8,800	1,577,097	1,781,208	
LifeWorks Inc.	77,450	2,485,333	2,499,312	
TFI International Inc.	12,100	850,387	1,567,918	
		6,142,692	7,108,088	14.6%
Information Technology				
Enghouse Systems Ltd.	22,250	1,335,727	1,236,433	
		1,335,727	1,236,433	2.5%
Materials				
AirBoss of America Corp.	36,550	1,353,420	1,322,744	
ERO Copper Corp.	12,000	287,858	269,520	
Interfor Corp.	31,700	757,976	991,576	
Nutrien Ltd.	13,500	893,555	1,109,835	
Star Royalties Ltd.	161,900	113,202	71,236	
Star Royalties Ltd., Warrants, 2024/02/19	572,000	–	82,940	
		3,406,011	3,847,851	7.8%
Real Estate				
Choice Properties REIT	46,300	581,632	659,775	
Granite REIT	18,800	1,446,036	1,693,504	
		2,027,668	2,353,279	4.8%

NCM NORREP FUND

Schedule of Investment Portfolio (Continued)

As at September 30, 2021

(in Canadian dollars)

Description	Number of Shares / Warrants / Par Value	Cost (\$)	Fair Value (\$)	% of Net Assets
Utilities				
Fortis Inc.	23,800	1,288,815	1,337,322	
Hydro One Ltd.	49,900	1,471,951	1,494,006	
		2,760,766	2,831,328	5.7%
TOTAL CANADIAN EQUITIES		29,247,219	33,545,978	68.4%
UNITED STATES EQUITIES				
Communication Services				
Alphabet Inc., Class 'A'	395	905,826	1,337,845	
Verizon Communications Inc.	18,500	1,401,283	1,265,817	
		2,307,109	2,603,662	5.3%
Consumer Discretionary				
Bath & Body Works Inc.	11,200	921,505	894,315	
TJX Cos. Inc. (The)	8,600	812,868	718,846	
		1,734,373	1,613,161	3.3%
Financials				
Raymond James Financial Inc.	7,050	811,674	824,180	
		811,674	824,180	1.7%
Health Care				
Johnson & Johnson	6,650	1,251,455	1,360,565	
		1,251,455	1,360,565	2.8%
Industrials				
Huntington Ingalls Industries Inc.	2,400	540,246	586,987	
Northrop Grumman Corp.	1,100	445,841	501,882	
Union Pacific Corp.	8,730	2,271,695	2,167,792	
		3,257,782	3,256,661	6.6%
Information Technology				
Applied Materials Inc.	6,100	1,039,426	994,798	
Visa Inc., Class 'A'	5,450	1,431,681	1,537,940	
Western Union Co. (The)	57,300	1,679,269	1,467,780	
		4,150,376	4,000,518	8.2%
TOTAL UNITED STATES EQUITIES		13,512,769	13,658,747	27.9%
TOTAL EQUITIES		42,759,988	47,204,725	96.3%
CANADIAN BONDS - (Par Value in CAD except as otherwise stated)				
Corporate				
StorageVault Canada Inc., Callable, 5.500%, 2026/09/30	310,000	310,000	318,634	
		310,000	318,634	0.6%
TOTAL BONDS		310,000	318,634	0.6%
Less: Transaction costs included in average cost		(29,297)		
TOTAL INVESTMENTS		43,040,691	47,523,359	96.9%
Derivative liabilities			(34,495)	(0.1)%
Other assets, less liabilities			1,589,159	3.2%
TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			49,078,023	100.0%

NCM NORREP 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
Toronto-Dominion Bank (The)	A-1+	October 15, 2021	5,673,000 USD	7,186,957	7,152,462 CAD	1.2608	(34,495)
Net Unrealized Loss							(34,495)

NCM NORREP FUND

Notes to Financial Statements

Years ended September 30, 2021 and 2020

1. Reporting Entity

On August 27, 2018, Norrep Fund changed its name to NCM Norrep Fund. NCM Norrep Fund (the “Fund”) is an open-ended mutual fund trust established under the laws of Alberta pursuant to a Declaration of Trust dated June 3, 1997 and restated January 1, 2002 and August 16, 2011. The Fund’s principal place of business is Suite 1850, 333 7th Avenue, 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. On June 29, 2017, MF Series was renamed Series A.

NCM Asset Management Ltd. (“Manager and Portfolio Manager”) provides investment management services and manages the day-to-day operations of the Fund. Effective May 15, 2020 the Trustee changed to NCM Asset Management Ltd., CIBC Mellon Trust Company (“CIBC Mellon”) is the custodian of the Fund and NCM Asset Management Ltd. is the Promoter of the Fund. Effective March 1, 2005 the Fund was closed to both new and additional purchases except for reinvested distributions and management fee rebates. Effective May 22, 2015, the Fund was re-opened to both new and existing investors and re-closed effective December 31, 2015. Effective August 28, 2018 Series R was available to purchase by other NCM Funds and affiliates of the manager and on May 19, 2021, Series R was no longer available to purchase. Effective November 9, 2020, all Series of the Fund were re-opened for purchase to both new and existing investors.

2. Basis of Reporting

(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.

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

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

NCM NORREP FUND

Notes to Financial Statements

Years ended September 30, 2021 and 2020

2. Basis of Reporting (continued)

(d) Use of judgements and estimates:

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

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

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 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 (FVTPL) are initially recognized at fair value, with transaction costs recognized in profit or loss. Financial assets or financial liabilities not at FVTPL are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue.

(ii) Derecognition

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

(iii) Classification

The Fund follows IFRS 9 Financial Instruments. The standard requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit and loss or fair value through other comprehensive income ("FVOCI") based on the entity's business model

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Notes to Financial Statements

Years ended September 30, 2021 and 2020

3. Significant accounting policies (continued)

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

(iii) Classification (continued)

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 of 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.

(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

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Notes to Financial Statements

Years ended September 30, 2021 and 2020

3. Significant accounting policies (continued)

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

(iv) Fair value measurement (continued)

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 restriction.

Fair value of investments in share 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 subscription receipts is determined using a recognized economic model taking into account various factors including risk free interest rate, volatility, price of underlying security, expiry date and purchase price.

Fair value of investments in bonds 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).

(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

NCM NORREP FUND

Notes to Financial Statements

Years ended September 30, 2021 and 2020

3. Significant accounting policies (continued)

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

(vi) Specific instruments (continued)

Cash and cash equivalents

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: Presentation. 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.

(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:

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 on the record date.

(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.

NCM NORREP FUND

Notes to Financial Statements

Years ended September 30, 2021 and 2020

3. Significant accounting policies (continued)

(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.

Certain dividend and interest income received by the Fund is subject to withholding tax imposed in certain countries of origin. Income that is subject to such tax is recognized gross of the taxes and the corresponding withholding tax is recognized as a tax expense. The Fund incurred withholding tax expense of \$35,236 (2020 - \$nil) 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.

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

(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.

(i) 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

NCM NORREP FUND

Notes to Financial Statements

Years ended September 30, 2021 and 2020

3. Significant accounting policies (continued)

(i) Derivative financial instruments (continued):

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 statements of financial position.

(j) Securities lending transactions:

The Fund is 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:

NCM NORREP FUND

Notes to Financial Statements

Years ended September 30, 2021 and 2020

4. Fair value measurement (continued)

(a) Investments (continued):

- 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 unobservable (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
NCM Norrep Fund – September 30, 2021				
Public securities				
Equities - long	47,121,785	—	—	47,121,785
Bonds	—	318,634	—	318,634
Warrants	—	82,940	—	82,940
Unrealized loss on derivative instruments	—	(34,495)	—	(34,495)
Total Investments	47,121,785	367,079	—	47,488,864

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
NCM Norrep Fund - September 30, 2020				
Public securities				
Equities - long	37,816,009	—	—	37,816,009
Total Investments	37,816,009	—	—	37,816,009

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

NCM NORREP FUND

Notes to Financial Statements

Years ended September 30, 2021 and 2020

4. Fair value measurement (continued)

(c) Financial instruments not measured at fair value:

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

5. Financial instruments and associated risks

The Fund's activities expose it to a variety of risks associated with financial instruments as follows: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. Market disruptions associated with acts of terrorism, war, natural disasters and epidemics can lead to increased market volatilities and be highly disruptive to economies, individual companies, sectors, industries, markets, currencies, interest and inflation rates, credit ratings and investor sentiment. Such disruptions can adversely affect the financial instrument risks associated with the Fund and its investments. All investments result in a risk of loss of capital.

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 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 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
Unrated	0.6%	-

NCM NORREP FUND

Notes to Financial Statements

Years ended September 30, 2021 and 2020

5. Financial instruments and associated risks (continued)

Credit risk (continued):

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 and the high credit quality of the brokers used.

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. Investments in small, mid-capitalization and micro-capitalization companies may involve greater risks than in larger, more established companies since such companies may have more limited markets and financial resources and their securities may be more sensitive to market changes. As well, the liquidity of the securities may be limited. Consequently, in order to fund redemptions, the Fund may have to liquidate 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. Also, the Fund's investments may include unlisted equity 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.

NCM NORREP FUND

Notes to Financial Statements

Years ended September 30, 2021 and 2020

5. Financial instruments and associated risks (continued)

Liquidity risk (continued):

The Fund's liquidity risk is managed on a daily basis by the Portfolio Manager. The Fund's redemption policy allows for redemptions at any time during any given month.

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.

Market risk:

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

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The Fund is designed to achieve long-term capital appreciation and consistent income by investing in all market capitalization issuers. Prior to November 9, 2020 the Fund's investment objective was to invest in small and mid capitalization equities. The portfolio may consist of all types of equity and debt obligations of issuers in Canada and the United States that may or may not be listed for trading upon the facilities of stock exchanges or other organized and regulated trading facilities in Canada and the United States.

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.

The Fund may engage in a limited amount of short selling as well as in securities lending, repurchase and reverse repurchase transactions. The Fund may also invest in derivatives (including forward contracts, calls and puts) and in Horizon BetaPro ETF's. These transactions will be used to achieve the Fund's overall investment objectives and to enhance the Fund's returns.

No material change in the investment objectives, policies or restrictions of the Fund may be made without the approval of a majority of the votes cast 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:

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

NCM NORREP FUND

Notes to Financial Statements

Years ended September 30, 2021 and 2020

5. Financial instruments and associated risks (continued)

Market risk (continued):

(a) Currency risk (continued):

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 the reporting date the Fund had 13.7% and (September 30, 2020 – nil%) of its net asset value in USD 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 holders of redeemable units would have increased or decreased by \$67,066 (2020 - \$nil). In practice the actual trading results may differ from this sensitivity analysis and difference could be material.

(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.

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.

The table below summarizes the Fund's exposure to interest rate risks at September 30, 2021 and 2020. 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	—	—	318,634	—	318,634

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	—	—	—	—	—

NCM NORREP FUND

Notes to Financial Statements

Years ended September 30, 2021 and 2020

5. Financial instruments and associated risks (continued)

Market risk (continued):

(c) Other price risk:

Other price risk is the risk that 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, if the Fund holds short positions it is subject to certain inherent risks. The ultimate cost to the Fund to acquire these securities may exceed the liability reflected in these financial statements.

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 countries where the issuer of the security is located, does business or where the security is listed for trading. In addition, certain 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 price risk resulting from financial instruments is equivalent to their fair value.

Sensitivity analysis:

Management's estimate of the impact of a 1% increase or decrease in the BMO Small Cap Equity Only Weighted Total Return Index at September 30, 2021 is an increase or decrease in the net assets attributable to holders of redeemable units of approximately \$475,234 (September 30, 2020 - \$378,160). In practice, the actual trading results may differ from this estimate and the difference could be material.

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

Equities	2021	2020
Energy	12.1%	10.7%
Materials	8.1%	30.1%
Industrials	21.8%	11.7%
Consumer Discretionary	3.4%	13.0%
Consumer Staples	2.8%	—
Health Care	3.5%	2.4%
Financials	17.1%	4.2%
Communication Services	8.6%	—
Information Technology	11.0%	7.8%
Utilities	6.0%	4.4%
Real Estate	4.9%	15.7%
Bonds	0.7%	—
Total	100.0%	100.0%

NCM NORREP FUND

Notes to Financial Statements

Years ended September 30, 2021 and 2020

6. Net assets attributable to unitholders of redeemable units

The authorized capital of the Fund consists of an unlimited number of units of each class, each representing an equal undivided interest in the net assets of the Fund. Currently, the Fund has two series outstanding, Series A and Series F. On October 1, 2018, the Fund issued Series R units and then on May 19, 2021, these units were no longer available to purchase and there are no Series R units outstanding. There were no sales charges or commissions payable in respect of purchases of Series R units. Series R was only available for purchase by the NCM Funds and other funds and accounts managed or advised by the Manager and/or its affiliates. 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.

The rights attached to the redeemable units are as follows:

- the units may be redeemed daily at the net asset value per unit of the respective series;
- redeemable units carry a right to receive notice of, attend and vote at meetings called in accordance with the Declaration of Trust; and
- The holders of redeemable units are entitled to receive all dividends declared by the Fund. Each series will rank equally with respect to the distributions based on their respective series net asset values. Distributions paid in cash will be paid in the currency in which the investor bought the units.

The analysis of movements in the number of redeemable units and net assets attributable to holders of redeemable units during the years ended September 30, 2021 and 2020 were as follows:

Series A	2021	2020
Balance, opening	1,137,115	1,287,507
Issued on distributions reinvested	21,696	–
Issued for cash	104,810	2,521
Redeemed for cash	(158,041)	(152,913)
Balance, September 30	1,105,580	1,137,115

Series F	2021	2020
Balance, opening	57,437	79,297
Issued on distributions reinvested	920	–
Issued for cash	96,490	16,704
Redeemed for cash	(35,367)	(38,564)
Balance, September 30	119,480	57,437

Series R	2021	2020
Balance, opening	51,243	34,165
Issued for cash	419	47,195
Redeemed for cash	(51,662)	(30,117)
Balance, September 30	–	51,243

NCM NORREP FUND

Notes to Financial Statements

Years ended September 30, 2021 and 2020

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

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

NCM Norrep Fund – September 30, 2021	Series A	Series F	Series R
Increase (decrease) in net assets attributable to holders of redeemable units (in 000's of \$)	9,024	657	98
Average units outstanding during the year (in 000's of units)	1,109	80	51
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$8.14	\$8.17	\$1.94

NCM Norrep Fund - September 30, 2020	Series A	Series F	Series R
Increase (decrease) in net assets attributable to holders of redeemable units (in 000's of \$)	(909)	(118)	131
Average units outstanding during the year (in 000's of units)	1,200	70	53
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$(0.76)	\$(1.69)	\$2.49

7. Management fees, expenses and key contracts

(a) Manager and management fees:

Series A paid an annual management fee to the Manager of 2% of the net asset value of the series. Series F paid an annual management fee to the Manager of 1% (1.25% prior to November 9, 2020) of the net asset value of the series. There were 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 invested in Series R units were charged a management fee for the provision of the services to them. The management fee is calculated and paid monthly. Included in accrued expenses at September 30, 2021 is \$79,177 (September 30, 2020 - \$64,030) related to these fees.

(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 Portfolio Manager has charged the Fund for administration services. Included in accrued expenses is September 30, 2021 is \$4,764 (September 30, 2020 - \$6,902) related to these fees.

NCM NORREP FUND

Notes to Financial Statements

Years ended September 30, 2021 and 2020

8. Brokerage commissions on securities transactions

The Fund paid brokerage commissions amounting to \$102,404 (September 30, 2020 - \$32,381) 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 the Fund for the years ended September 30, 2021 and 2020:

<i>(In Canadian dollars)</i>	2021		2020	
Gross securities lending income	7,471	100.0%	14,058	100.0%
Withholding taxes	(79)	(1.1)%	(246)	(1.7)%
Agent fees	(2,956)	(39.5)%	(5,523)	(39.3)%
Securities lending income	4,436	59.4%	8,289	59.0%

Security Lending (In Canadian dollars):	2021	2020
Value of securities loaned	693,791	2,904,955
Value of collateral received	739,478	3,050,410

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