

This Offering Memorandum constitutes an offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities and to those persons to whom they may be lawfully offered for sale. No prospectus has been filed with any such authority in connection with the securities offered hereunder. This Offering Memorandum is confidential and is provided to specific prospective investors for the purpose of assisting them and their professional advisors in evaluating the securities offered hereby and is not to be construed as a prospectus or a public offering of these securities. These securities are not registered with the U.S. Securities and Exchange Commission and may only be offered or sold in the United States under an exemption from registration. No securities regulatory authority or regulator has assessed the merits of these securities or reviewed this Offering Memorandum. Any representation to the contrary is an offence. This is a risky investment. See Item 9 - *Risk Factors*.



**NORREP CANADIAN ENHANCED EQUITY FUND  
CONFIDENTIAL OFFERING MEMORANDUM**

(Continuous Offering of Units)

**SUMMARY**

The following information is a summary only and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Memorandum.

**Date:** March 24, 2017

**The Issuer:**

Name: NORREP CANADIAN ENHANCED EQUITY FUND (the “**Fund**”)

Investment Fund Manager and Portfolio Manager: NORREP CAPITAL MANAGEMENT LTD. (the “**Manager**”)

Head office: Suite 4330, 77 King Street West  
Toronto, Ontario  
M5K 1H6

Phone Number: (416) 640-6718  
E-mail Address: info@norrep.com  
Fax Number: (416) 640-6722

Currently listed or quoted: **No. These securities do not trade on any exchange or market.**

Reporting issuer: No.

SEDAR Filer: No.

**The Offering:**

Securities offered: Series A Units, Series F Units and Series I Units (collectively referred to as the “**Units**”) of the Fund (the “**Offering**”).

Price per security: Units are offered at the applicable Series Net Asset Value per Unit (as defined in Item 6.2 — *Determination of Net Asset Value*) calculated as of the applicable Valuation Day (as defined in Item 6.2 — *Determination of Net Asset Value*).

Minimum/Maximum offering: **There is no minimum or maximum offering.**

Minimum subscription amount:	The minimum initial investment in the Fund is \$5,000. Subsequent investments are subject to an additional minimum investment of \$1,000. See Item 6.3 — <i>Subscription Procedure</i> .
Payment terms:	Orders for Units must be made with your dealer and you will be required to pay your dealer for the Units. Your dealer will enter and settle purchase orders with the Fund using the transaction processing system of FundSERV Inc. See Item 6.3 — <i>Subscription Procedure</i> .
Proposed closing date(s):	Orders for Units placed and accepted prior to 4 p.m. (Eastern) on any <b>Valuation Day</b> will be processed at the applicable Series Net Asset Value determined as at that Valuation Day. A Valuation Day is the last business day of each calendar week and the last business day of each month. A business day means a day that the Toronto Stock Exchange is open for trading.
Income tax consequences:	Important tax consequences apply to the Fund and to holders of Units (" <b>Unitholders</b> ") of the Fund. See Item 7 — <i>Income Tax Consequences and RRSP Eligibility</i> .
Selling agent(s)	None.

**Resale restrictions:** Unitholders will be restricted from selling their Units for an indefinite period. See Item 11 — *Resale Restrictions*. However, except in limited circumstances, a Unitholder may redeem any or all Units held on the next Valuation Day provided they have given seven days' notice to the Transfer Agent and Registrar. See Item 6.4 — *Redemption of Units*. Redemptions must be processed through the FundSERV system.

**Purchasers' rights:** Unitholders have two (2) business days to cancel their agreement to purchase the Units. In addition, if there is a misrepresentation in this Offering Memorandum, Unitholders may have the right to sue for damages or to cancel the agreement. See Item 12 — *Purchasers' Rights*.

A subscription for Units should be considered only by persons financially able to maintain their investment and who can bear the risk of loss associated with an investment in the Fund. There is no assurance of a positive return or any return on an investment in Units. The value of the securities held by the Fund will be affected by factors beyond the Fund's or the Manager's control.

There is no market through which the Units may be sold and none is expected to develop. Persons who receive this Offering Memorandum must inform themselves of, and observe, all applicable restrictions with respect to the acquisition or disposition of Units under applicable securities legislation. **There are certain additional risk factors associated with investing in the Units.** Investors should consult their own professional advisors to assess the income tax, legal and other aspects of the investment.

No person is authorized to provide any information or to make any representation not contained in this Offering Memorandum and any information or representation, other than that contained in this Offering Memorandum, must not be relied upon. This Offering Memorandum is a confidential document furnished solely for the use of prospective purchasers who, by acceptance hereof, agree that they shall not transmit, reproduce or make available this document or any information contained in it (except to their professional advisors).

**Prospective purchasers are urged to consult with an independent legal advisor prior to signing the applicable Subscription Agreement for the Units and to review the Trust Agreement, which is available from the Manager on request.**

## TABLE OF CONTENTS

ITEM 1.	FORWARD-LOOKING STATEMENTS .....	1
ITEM 2.	USE OF AVAILABLE FUNDS .....	1
2.1	Funds .....	1
2.2	Use of Available Funds .....	1
2.3	Reallocation.....	1
ITEM 3.	THE FUND .....	1
3.1	The Fund’s Business .....	1
3.2	Investment Policy .....	4
3.3	Material Agreements .....	7
3.4	Conflicts of Interest.....	9
3.5	Fees and Expenses .....	9
ITEM 4.	DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS.....	10
4.1	Compensation .....	10
4.2	Management Experience .....	10
4.3	Penalties, Sanctions and Bankruptcy .....	11
4.4	Loans .....	11
ITEM 5.	CAPITAL STRUCTURE.....	11
5.1	Outstanding Units of the Fund .....	12
ITEM 6.	SECURITIES OFFERED .....	12
6.1	Terms of Units .....	12
6.2	Determination of Net Asset Value .....	13
6.3	Subscription Procedure .....	14
6.4	Redemption of Units .....	17
6.5	Distributions.....	18
ITEM 7.	INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY.....	19
7.1	Taxation of the Fund .....	19
7.2	Taxation of Unitholders.....	20
7.3	Eligibility for Investment .....	22
ITEM 8.	COMPENSATION PAID TO DEALERS .....	22
ITEM 9.	RISK FACTORS .....	22
9.1	Risks Associated with an Investment in the Fund .....	23
9.2	Risks Associated with the Fund’s Investments.....	27
9.3	Investment Risk Classification .....	33
9.4	Anti-Terrorism and Anti-Money Laundering Legislation .....	33
ITEM 10.	REPORTING OBLIGATIONS .....	33
ITEM 11.	RESALE RESTRICTIONS .....	33
11.1	General Statement .....	34
11.2	Restricted Period.....	34
11.3	Manitoba Resale Restrictions.....	34
ITEM 12.	PURCHASERS’ RIGHTS .....	34
12.1	Two Day Cancellation Right.....	34
12.2	Rights of Action for Damages or Rescission .....	34
ITEM 13.	FINANCIAL STATEMENTS .....	48

## ITEM 1. FORWARD-LOOKING STATEMENTS

This offering memorandum (“**Offering Memorandum**”) includes forward-looking statements with respect to the Fund (as defined below). Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects”, “does not expect”, “is expected”, “anticipates”, “does not anticipate”, “plans”, “estimates”, “believes”, “does not believe” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be “forward-looking statements”. These statements are based on assumptions made by the Manager at the time the statements are made about the success of the Fund’s investment strategies in certain market conditions, relying on the experience of the Manager’s officers and employees and their knowledge of historical economic and market trends. Investors are cautioned that the assumptions made and the success of the Fund’s investment strategies are subject to a number of mitigating factors, which could cause actual results or events to differ materially from those presently anticipated. Economic and market conditions may change, which may materially impact the success of the Fund’s intended strategies as well as the Fund’s actual course of conduct. Investors are urged to read Item 9 — *Risk Factors* for a discussion of other factors that will impact the Fund. Neither the Fund nor the Manager (as defined below) undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required to do so by applicable laws.

## ITEM 2. USE OF AVAILABLE FUNDS

### 2.1 Funds

Units of the Fund are offered on a continuous basis and the Net Asset Value of the Fund (as defined in Item 6.2 — *Determination of Net Asset Value*) will vary. Investors may subscribe for Units, which subscriptions will be processed at the applicable Series Net Asset Value on each applicable Valuation Day, as more fully described below under Item 6.3 — *Subscription Procedure*.

### 2.2 Use of Available Funds

The Fund uses the moneys invested in the Fund to purchase a portfolio of securities and financial instruments in accordance with the Fund’s stated investment objectives and investment strategies, as more fully described below under Item 3.2 — *Investment Policy*.

### 2.3 Reallocation

The Fund will invest available funds as described herein. The Fund will not reallocate funds for any other purpose.

## ITEM 3. THE FUND

### 3.1 The Fund’s Business

#### *Structure*

Norrep Canadian Enhanced Equity Fund (the “**Fund**”) was formed to allow investors to invest moneys with a view to seeking to achieve a specified investment objective through the investment strategies described herein.

The Fund is an open-end trust established under the laws of the Province of Ontario pursuant to a trust agreement dated effective January 30, 2015, as the same may be amended, restated or supplemented from time to time (the “**Trust Agreement**”). Valiant Trust Company (the “**Trustee**”) is the trustee of the Fund and Norrep Capital Management Ltd. (the “**Manager**”) is the investment fund manager and portfolio manager of the Fund. The

description of provisions of the Trust Agreement contained herein is subject to and qualified in its entirety by the Trust Agreement.

The head office of the Fund is located at the Toronto office of the Manager, being Suite 4330, 77 King Street West, Toronto, Ontario M5K 1H6.

The Fund may issue an unlimited number of Units in an unlimited number of Series. The Units are currently issued in three Series: Series A Units; Series F Units, and Series I Units. Distributions the Fund makes will be allocated among each Series in such manner as the Manager considers appropriate and equitable. Each Unit has the right to one vote at a meeting of Unitholders. Fractions of Units may be issued and have the same rights, including voting rights, as whole Units, although these rights are prorated in accordance with the fraction and voting rights may only be exercised in whole numbers (although fractional Units held by a single Unitholder may be combined for voting purposes). After payment of the liabilities of the Fund, each Unitholder is entitled to receive its proportionate share of the value of the Fund upon termination of the Fund, based on the Series Net Asset Value of the Units held. Each Unit of a particular Series will be of equal value; however, the value of a Unit in one Series may differ from the value of a Unit in another Series, depending on the Series Net Asset Value of that particular Series. In addition to the Series described in this Offering Memorandum, the Fund may create additional Series of Units with such attributes and characteristics as the Manager may determine and which may be offered for sale to such persons as the Manager may determine.

The Trust Agreement and the Management Agreement set out the rights, duties and obligations of the Manager relating to the management, portfolio management and administration of the Fund. Under the terms of the Trust Agreement and the Management Agreement, the Manager makes investment decisions for the Fund in accordance with the investment objectives, investment strategy and investment restrictions as described in this Offering Memorandum. The Manager provides various services to the Fund, including the determination of the investment policy for the Fund from time to time, the provision of investment analysis, advice and recommendations and the implementation of investment decisions. The Trust Agreement and the Management Agreement allow the Manager to delegate certain responsibilities regarding the day-to-day management, supervision, administration and control of the Fund.

#### *Management of the Fund*

##### *The Manager*

The Manager is the manager of the Fund and is a private corporation incorporated under the laws of the Province of Alberta. In connection with an internal corporate restructuring, effective December 1, 2014, the Manager changed its name from Hesperian Capital Management Ltd. to Norrep Capital Management Ltd. The Manager is located at:

Suite 1100  
606 – 4<sup>th</sup> Street SW  
Calgary, Alberta T2P 1T1  
Phone: (403) 531-2650  
Fax: (403) 508-6120

and

Suite 4330  
77 King Street West  
Toronto, Ontario  
M5K 1H6  
Phone: (416) 640-6718  
Fax: (416) 640-6722

E-Mail: info@norrep.com  
Website : www.norrep.com

The Manager is registered as a portfolio manager with the Alberta Securities Commission and the Ontario Securities Commission, and as an investment fund manager with the Alberta Securities Commission, Ontario Securities Commission, Autorité des marchés financiers and the Office of the Superintendent of Securities, Service Newfoundland and Labrador.

The Manager performs management, portfolio management and administration services for the Fund pursuant to the Trust Agreement and a management agreement between the Trustee, in its capacity as trustee for the Fund, and the Manager (the "**Management Agreement**").

#### *Management Fee*

Except for Series I Units, in consideration for the services provided by the Manager, the Fund pays the Manager a monthly management fee, payable in arrears, calculated as a percentage of the applicable Series Net Asset Value. The management fee may vary from Series to Series and will be deducted as an expense to each particular Series in the calculation of the Series Net Asset Value. The management fee for each of the Series is as follows:

- Series A: 1/12 of 2.00% (2.00% per annum) of the Series A Net Asset Value, plus applicable taxes such as HST. The management fee will be paid monthly based on the average Series A Net Asset Value for the preceding month.
- Series F: 1/12 of 1.00% (1.00% per annum) of the Series F Net Asset Value, plus applicable taxes, such as HST. The management fee will be paid monthly based on the average Series F Net Asset Value for the preceding month.
- Series I The management fee you pay is negotiated with the Manager when you enter into a Series I agreement with the Manager and is paid directly by the Series I Unitholder to the Manager (either by way of cash or by redemption of Units). The management fee will be paid monthly based on the average Series I Net Asset Value for the preceding month.

#### *Performance Fee*

The Fund also pays the Manager a Performance Fee if the series return of the Fund exceeds the return of the Benchmark (described below) during the relevant period. The Performance Fee is based on the performance of the Fund determined at the end of each calendar quarter. Generally, in order to determine if the Performance Fee will be payable, each series return is compared to the return of the S&P/TSX Total Return Index (the "**Benchmark**") since the last time the Performance Fee was paid (the "**Performance Measurement Period**"). 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 (the "**Outperformance Amount**"). The Performance Fee is subject to applicable taxes, such as HST, and is only payable at the end of a calendar quarter.

Even if the Outperformance Amount is positive, the Manager will not be paid the Performance Fee unless:

1. The cumulative return of the series is greater than zero since the last time the Performance Fee was paid to the Manager; and
2. The cumulative return of the series has outperformed the Benchmark since the last time the Performance Fee was paid to the Manager.

No increase or other change in the Manager's management fees, including the Performance Fee, which would negatively affect the Unitholders will be made without at least 60 days' notice to the Unitholders.

*Prime Broker*

Scotia Capital Inc. (the "**Prime Broker**") acts as prime broker in respect of the Fund's portfolio transactions pursuant to an institutional prime brokerage services agreement, as amended from time to time (the "**Prime Broker Agreement**"). Pursuant to the Prime Broker Agreement, the Prime Broker provides services to the Fund, which may include the provision to the Fund of securities financing, stock borrowing and stock lending, and are provided solely at the discretion of the Prime Broker. The Prime Broker may utilise sub-custodians, agents, nominees or clearing agents to assist it in providing such services. The Fund may also utilise other brokers and dealers for the purposes of executing transactions for the Fund. The Prime Broker provides a *de facto* custody service for investments of the Fund held on the books of the Prime Broker, in that it assumes possession of and takes a security interest in those assets as part of its prime brokerage function in accordance with the terms of the Prime Broker Agreement. Assets not required as margin on borrowings are required to be segregated (from the Prime Broker's own assets) under the rules of the Investment Industry Regulatory Organization of Canada ("**IIROC**"), which regulates the Prime Broker. Other assets, cash and free credit balances are not required to be segregated and may be used by the Prime Broker in the ordinary conduct of its business. The Fund may request delivery of any assets not required by the Prime Broker for margin or borrowing purposes. The Prime Broker is located in Toronto, Ontario.

*Custodian*

CIBC Mellon Trust Company acts as custodian of certain assets of the Fund pursuant to an amended and restated custodial services agreement. CIBC Mellon Trust Company is located in Toronto, Ontario.

*Fund Administrator*

CIBC Mellon Global Securities Services Company provides certain administrative services for the Fund pursuant to an amended and restated fund administration services agreement. CIBC Mellon Global Securities Services Company is located in Toronto, Ontario.

*Transfer Agent and Registrar*

CIBC Mellon Global Securities Services Company is the transfer agent and registrar (the "**Transfer Agent and Registrar**") for the Fund pursuant to an amended and restated transfer agency agreement. CIBC Mellon Global Securities Services Company is located in Toronto, Ontario.

*Trustee*

Valiant Trust Company is the trustee of the Fund pursuant to the Trust Agreement.

*Auditors*

KPMG LLP is the auditor of the Fund.

**3.2 Investment Policy**

*Fundamental Investment Objective*

The investment objective of the Fund is to seek long-term capital appreciation by investing primarily in a diversified portfolio of Canadian equity securities. The Fund pursues its investment objective by establishing long

and short equity exposure to securities of companies, stock markets or industry sectors located, primarily, in Canada.

### *Objectives and Strategies*

To achieve its objective, the Fund will generally hold 100 percent net long equity market exposure. The Fund will invest primarily in equity securities, including income trusts, common and preferred shares, warrants and securities convertible into equity securities, and securities with equity-like characteristics ("**Equity Securities**") with an aggregate value of approximately 130 percent of its Net Asset Value. In addition, the Fund will establish short positions in securities of companies, stock markets or industry sectors with a market value of approximately 30 percent of its Net Asset Value.

While it is the intention of the Manager to adhere to the percentages set out above, in the Manager's discretion, the Fund may invest in Equity Securities with an aggregate value of up to 140 percent of its Net Asset Value and establish short positions in securities of companies, stock markets or industry sectors with a market value of up to 40 percent of its Net Asset Value.

The Manager generally intends that the Fund will have net long equity market exposure of 100 percent. However, in the discretion of the Manager, the Fund may be positioned so that it is between 0 and 40 percent short and between 90 and 140 percent long.

The Fund will achieve its strategy by (i) investing approximately 100 percent of its assets in a long portfolio of Equity Securities, (ii) taking short positions in an amount equal to approximately 30 percent (or up to 40 percent, as the case may be) of the Fund's Net Asset Value in securities that are anticipated to fall in price, and then (iii) investing the proceeds received from the short sales in additional long-only equity securities.

The percentages listed above are approximate due to continuous market fluctuations and administrative efficiencies. As a result, the actual percentages of long and short positions on any given day may not exactly conform to the percentages set forth above. Rebalancing will be done at the discretion of the Manager, provided that if the value of the short positions of the Fund at any time exceeds 42 percent of the Net Asset Value of the Fund, the Manager will close out sufficient of the Fund's short positions to reduce its holding in short positions to below 42 percent of the Net Asset Value of the Fund.

The Fund takes long positions primarily in stocks that the Manager has identified as attractive and expected to increase in value, and short positions in stocks, stock markets or industry sectors that the Manager has identified as unattractive investments and expected to decrease in value. Short positions may also be used to hedge the market exposure of the Fund's long positions.

The Fund may hold a portion of its assets in cash, money market instruments, or fixed-income securities, including bonds and other debt securities. In periods of unusual market conditions, a significant portion of the Fund's assets may be held in such instruments.

The Fund may also from time to time use derivatives, such as options, futures and forward contracts for hedging purposes, to gain exposure to individual securities and markets (instead of buying the securities directly) and/or to generate income.

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.

The Fund may borrow to make investments or maintain liquidity and may pledge its assets to secure the borrowings, all in accordance with and subject to its Investments Objective, Investment Strategy and Investment Restrictions.

#### *Portfolio Construction*

The Manager uses a proprietary quantitative model to assist in the search for stocks exhibiting strong or weak earnings and price momentum that are due to report in the near term (30 days or less). The model also helps identify companies in the same industry that have wide variations in their valuation parameters. The Fund will acquire positions in issuers that the Manager expects to surpass analysts' expectations or that exhibit strong quantitative attributes. The Fund will also establish "short" positions in issuers that the Manager expects will underperform in relation to analysts' expectations or that exhibit what the Manager believes are weak quantitative attributes.

The typical "Notional Exposure" (the sum of the absolute values of all notional exposure (both long and short) within the Portfolio) that will be utilized by the Fund will range between 1.0:1.0 and 1.6:1.0. However, the maximum Notional Exposure that may be utilized by the Fund is 2.0:1.0.

#### *Investment Policies and Restrictions*

The Manager will adhere to the following investment policies and restrictions in seeking to achieve the investment objectives and strategies of the Fund:

1. The Fund will not invest directly in any commodities.
2. The Fund will not make any investment that would result in the Fund failing to qualify as a "unit trust" or a "mutual fund trust" within the meaning of the *Income Tax Act* (Canada) and the regulations promulgated thereunder (together, the "**Tax Act**") under the then current definitions of "unit trust" and "mutual fund trust".
3. The Fund will not knowingly:
  - (a) purchase a security of an issuer in which a "responsible person" of the Manager or an associate of a responsible person is a partner, officer or director;
  - (b) purchase or sell a security from or to the investment portfolio of any of the following: (i) a responsible person of the Manager, (ii) an associate of a responsible person, (iii) an investment fund for which a responsible person acts as an advisor;
  - (c) provide a guarantee or loan to a responsible person or an associate of a responsible person.

For the purposes of this investment restriction, "responsible person" means in respect of the Manager, (i) the Manager, (ii) a partner, director or officer of the Manager and (iii) each of the following who has access to, or participates in formulating, an investment decision made on or behalf of a client of the Manager or advice to be given to a client of the Manager (A) an employee or agent of the Manager (B) an affiliate of the Manager (C) a partner, director, officer, employee or agent of an affiliate of the Manager.

The Fund may purchase and sell securities to an investment fund for which a responsible person acts as an advisor, if the Manager conducts those trades in accordance with the “inter-fund trading” conditions applicable to investment funds subject to National Instrument 81-107 and obtains, where necessary, regulatory approval for such inter-fund trading.

4. The Fund will not invest in any securities that would be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act.
5. The Fund will not invest in any securities of an issuer that would be a “foreign affiliate” of the Fund for the purposes of the Tax Act.
6. The Fund will not invest more than 10% of its net assets in the securities of any single issuer (as determined at the time of purchase), other than certain exchange traded securities that replicate the performance of an index, securities of investment funds or publicly traded mutual funds, provided in each case the purchase is in keeping with the Fund’s investment objectives, investment strategy and other applicable investment restrictions and is made in accordance with applicable laws.
7. If the Fund holds securities in any issuer managed by the Manager, there will be no duplication of management fees chargeable in connection with those investments.

### **3.3 Material Agreements**

The following material agreements have been entered into by the Fund, each of which remains in force on the date hereof (excluding agreements entered into in the ordinary course of business):

1. the Trust Agreement;
2. the Prime Broker Agreement and
3. the Management Agreement.

Copies of the material agreements referred to above may be inspected during normal business hours at the office of the Manager, Suite 4330, 77 King Street West, Toronto, Ontario M5K 1H6.

#### *The Trustee*

Valiant Trust Company acts as the trustee of the Fund pursuant to the Trust Agreement. The Trustee has those powers and responsibilities in respect of the Fund as described in the Trust Agreement. The Trustee is required to exercise its powers and discharge the duties of its office honestly and in good faith and in connection therewith to exercise the degree of care, diligence and skill that a reasonably prudent Canadian trust company would exercise in comparable circumstances.

Pursuant to the Trust Agreement, the Manager may remove the Trustee at any time upon 60 days’ written notice to the Trustee and to the Unitholders, provided a successor trustee is appointed by the Manager or the Fund is terminated. The Trustee may resign at any time by giving notice to the Manager and the Unitholders not less than 90 days prior to the date that such resignation is to take effect. Such resignation shall become effective on the date specified in the notice, unless at or prior to such date a successor trustee is appointed by the Manager in which case such resignation shall take effect immediately upon the appointment of a successor Trustee. If the Manager fails to appoint a successor Trustee in any circumstance under which the Trustee ceases to hold office, the Fund shall be terminated upon the effective date of the resignation or removal of the Trustee. In such circumstances, the Trustee will continue to be trustee of the Fund in such limited manner until all of the remaining assets of the Fund has been distributed.

The Trust Agreement provides that the Trustee and its affiliates have a right of indemnification from the Fund and, where all or substantially all of the assets of the Fund are not held by the Trustee as custodian and only to the extent that the assets of the Fund are insufficient to satisfy such right, from the Manager, for any claims arising out of the execution of its duties as trustee, except in cases of negligence, misfeasance or wilful default or to the extent the Trustee does not meet its standard of care under the Trust Agreement.

#### *Meetings of Unitholders*

Pursuant to the terms of the Trust Agreement, Unitholder approval is required to amend the Trust Agreement or to change the terms applicable to classes or series of Units that would materially adversely affect the interest of the Unitholders of the Fund as a whole and/or of a class or series of the Fund, any appointment of a substitute manager (other than an affiliate of the Manager) and any change to the fees payable by the Fund to the Manager which could result in an increase in aggregate fees payable by the Fund to the Manager. Such Unitholder approval will not be 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 convene a meeting of Unitholders, or Unitholders of a Series, as it considers appropriate or advisable from time to time and must convene a meeting for any matter which applicable securities laws requires approval of Unitholders and to allow the Unitholders to consider the appointment of a successor Trustee (other than a successor Trustee that is a registered trust company). The Trustee must also call a meeting of Unitholders or of a Series of Unitholders on the written request of Unitholders holding not less than 50% of the outstanding Units of the Fund (or Units of a Series with respect to a Series meeting) in accordance with the Trust Agreement.

Units of a Series will vote separately as a Series if the notice calling the meeting so provides.

Not less than 10 days' notice and not more than 21 days' notice will be given of any meeting of Unitholders. Unless otherwise required by law or in the Trust Agreement, the quorum for any meeting of the Fund is two or more Unitholders present in person or represented by proxy and holding or representing by proxy not less than 5% of the Units then outstanding. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a request of Unitholders, will be cancelled, but otherwise will be adjourned to another day, not less than 7 days later, selected by the chairperson of the meeting, and notice will be given to the Unitholders of such adjourned meeting. At such adjourned meeting, those Unitholders who are present in person or by proxy shall constitute a quorum.

#### *Amendment to the Trust Agreement*

Any provision of the Trust Agreement may be amended by the Manager, with the approval of the Trustee, upon notice to Unitholders if the amendment does not constitute an amendment for which applicable laws or the Trust Agreement provides that the approval of Unitholders is required. If an amendment does require Unitholder approval, a meeting of Unitholders will be called by the Manager or the Trustee as described above.

Notice of any amendment which does not require Unitholder approval will be given in writing to Unitholders of the Fund if, in the opinion of the Manager, such amendments are material and/or potentially adverse to the interests of one or more Unitholders of the Fund.

The Series attributes set by the Manager may be amended without notice to Unitholders if the amendment, in the opinion of the Manager, is for the protection of, or benefit to, Unitholders of that Series.

The Fund may be terminated on the occurrence of certain events stipulated in the Trust Agreement. The Manager may resign as manager of the Fund, and if no successor is appointed, the Fund will be terminated. On termination of the Fund, the Trustee will distribute the assets of the Fund in cash or in kind in accordance with the Trust Agreement.

### 3.4 Conflicts of Interest

The services of the Manager and its respective officers, directors and affiliates are not exclusive to the Fund. The Manager and any of its respective affiliates and associates may, at any time, engage in the promotion, management or portfolio management of any other fund or trust and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for the Fund will be made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager may make the same investment for the Fund and for one or more of its other clients. If the Fund and one or more of the other clients of the Manager are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis.

The Manager has adopted a conflict of interest policy to address and minimize potential conflicts of interest. The policy states that the Manager will deal fairly, honestly and in good faith with all clients and not advantage one client over another.

### 3.5 Fees and Expenses

The Fund will pay all of its own expenses and the Manager's expenses incurred in connection with its duties as the Manager, including trustee's fees, custodial fees, taxes (other than the Manager's own corporate taxes), legal, audit and valuation fees, Unitholder reporting costs, registrar and transfer agency costs, printing and mailing costs and other administrative expenses, costs to be incurred in connection with the Fund's continuous disclosure of public filings (if applicable) and other obligations, and commissions, fees and other expenses associated with the execution of transactions in respect of the portfolio of the Fund.

The Manager will pay for all expenses associated with the identification and management of the Fund's investments (other than direct expenses such as interest charges or margin borrowings and brokerage fees, which are the responsibility of the Fund). The Manager will pay for all expenses associated with advertising and promotional activities in connection with the performance of its duties under the Management Agreement.

#### *Sales Commission, Trailing Commissions and Redemption Fees*

##### *Sales Commission*

If an investor purchases Series A Units of the Fund, a sales commission (the "**Sales Commission**") may be deducted from the amount of the subscription and paid to the investor's dealer ("**Dealer**"). The Sales Commission is the fee that Dealers may charge, at their discretion, and equals up to 2% of the Series Net Asset Value of the Series A Units purchased through the Dealer. Such fee will be negotiated between the Dealer and the investor and will be payable by the investor. The remaining amount is divided by the Series Net Asset Value per Unit for the Series A Units subscribed for, as described under "Securities Offered - Subscription Procedure", to determine the number of Units purchased. No Sales Commission applies to additional Units issued through the reinvestment of distributions.

There is no Sales Commission payable on the purchase of Series F Units, since the investor pays the Dealer a negotiated asset-based fee. There is also no Sales Commission payable on the purchase of Series I Units.

##### *Trailing Commissions*

The Manager pays Dealers an ongoing trailing commission as compensation for the advice and service they provide investors in connection with an investment in Series A Units of the Fund. The trailing commission is paid in arrears monthly and equals 1% of the average Series Net Asset Value of the Series A Units held in a Dealer's accounts during the preceding month. The trailing commission is paid out of the management fees received by the Manager from the Fund in respect of the Series A Units. The Manager may change or terminate the payment of these trailing commissions at any time.

There is no trailing commission payable to Dealers with respect to an investment in Series F Units. Investors in Series I Units will negotiate with their dealer what trailing commission the Manager will pay to the dealer.

*Short-Term Redemption Fee*

The Manager will deduct a 3% redemption fee based on the original cost of Units if a Unitholder redeems any Units within the first 180 days of investment. This fee will be paid to the Manager. See *Item 6.4 – Redemption of Units – Redemption Price and Payment*.

**ITEM 4. DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS**

**4.1 Compensation**

The officers and directors of the Manager do not receive any compensation from the Fund. The Fund pays the Manager a management fee and the Performance Fee. See *Item 3.2 – The Fund’s Business - Management of the Fund – The Manager*.

**4.2 Management Experience**

The following table discloses the principal occupations of the directors and executive officers of the Manager for the past five years.

<b>Name and Municipality of Residence</b>	<b>Position with the Manager</b>	<b>Previous Positions in Last Five Years</b>
<b>Alexander Sasso</b> , CFA Mississauga, Ontario	Chief Executive Officer, Portfolio Manager and Director	May 2009 to Present, Chief Executive Officer and Portfolio Manager, Norrep Capital Management Ltd.
<b>Keith J. Leslie</b> , CFA Calgary, Alberta	Vice-President, Chief Compliance Officer and Chief Risk Officer, Portfolio Manager and Director. Mr. Leslie is the principal portfolio manager of the Fund.	March 24, 2017 to Present, Vice President, Chief Compliance Officer, Chief Risk Officer and Portfolio Manager, Norrep Capital Management Ltd.; January 2014 to March 23, 2017, Vice President, Chief Risk Officer and Portfolio Manager, Norrep Capital Management Ltd.; November 2007 to January 2014, Vice President, Chief Compliance Officer and Portfolio Manager, Norrep Capital Management Ltd.
<b>Craig J. Millar</b> , CFA Oakville, Ontario	Vice-President, Chief Investment Officer, Portfolio Manager and Director	September 2010 to Present, Vice President, Chief Investment Officer and Portfolio Manager, Norrep Capital Management Ltd.; April 2005 to September 2010, Vice-President and Portfolio Manager, Norrep Capital Management Ltd.
<b>R. Stevenson Smith</b> , CA Calgary, Alberta	Vice President, Chief Financial Officer and Portfolio Manager	November 2007 to Present, Vice President, Chief Financial Officer and Portfolio Manager, Norrep Capital Management Ltd.
<b>Sonia Maloney</b> Calgary, Alberta	Chief Operating Officer	August 26, 2014 to Present, Chief Operating Officer, Norrep Capital Management Ltd., August 2009 to July 2014, Director of Operations, Mawer Investment Management

Ltd.

The following table shows the holders who own, beneficially or of record, directly or indirectly, more than 10 percent of the voting securities of the Manager on January 1, 2017. In aggregate, directors, officers and employees of the Manager own 30.7% of the voting securities of Norrep Investment Management Group Inc., which owns 100 percent of the outstanding voting securities of the Manager.

Name and Municipality of Residence	Issuer of Securities Held	Class of Securities	Number of Securities	Percentage of Class
Norrep Investment Management Group Inc.	The Manager	Common Shares	100	100%
Gary Perron Calgary, Alberta	Norrep Investment Management Group Inc.	Class A Common Shares	69,300	69.3%

Gary Perron is a director of Norrep Investment Management Group Inc., and the holder of a majority of its outstanding common shares. Mr. Perron is also the Chief Executive Officer, majority owner and an advising representative of Perron & Partners Wealth Management Corp., which is a registered investment dealer in four provinces of Canada and is a member of IIROC. Mr. Perron will receive the benefit of commissions received by Perron & Partners Wealth Management Corp. with respect to purchases of the Fund by his clients, and will benefit as an owner in the revenues generated by Perron & Partners Wealth Management Corp. He will also benefit, as a shareholder, from dividends or other distributions of profit from Norrep Investment Management Group Inc.

#### 4.3 Penalties, Sanctions and Bankruptcy

No director or officer of the Manager, or person holding a sufficient number of securities of the Manager to affect materially the control of the Manager, has, in the last ten (10) years:

- (a) been subject to any penalties or sanctions (including any cease trade orders in effect for more than 30 consecutive days) imposed by a court or by a regulatory authority;
- (b) been a director, executive officer or control person of any issuer that has been subject to any penalties or sanctions (including any cease trade orders in effect for more than 30 consecutive days) imposed by a court or by a regulatory authority while the director, officer or control person was a director, officer or control person of such issuer;
- (c) made any declaration of bankruptcy, voluntary assignment in bankruptcy or proposal under bankruptcy or insolvency legislation or been subject to any proceedings, arrangements or compromise with creditors or appointment of a receiver, receiver-manager or trustee to hold assets; or
- (d) been a director, executive officer or control person of any issuer that has made any declaration of bankruptcy, voluntary assignment in bankruptcy, proposal under bankruptcy or insolvency legislation, or been subject to any proceedings, arrangement or compromise with creditors or appointment of a receiver, receiver-manager or trustee to hold assets while the director, officer or control person was a director, officer or control person of such issuer.

#### 4.4 Loans

The Fund has no outstanding amount due under any loan or debenture to or from any of the directors or officers of the Manager, any Unitholder or the Manager.

### ITEM 5. CAPITAL STRUCTURE

## 5.1 Outstanding Units of the Fund

Investments in the Fund are represented by units “(Units)”. The Fund is permitted to have an unlimited number of series of Units (each, a “Series”) having such terms and conditions as the Manager may determine. Holders of Units of the Fund are referred to as “Unitholders”. Three Series of Units of the Fund are offered under this Offering Memorandum.

**Series A Units** are designed for investors who are not eligible to purchase Series F Units or Series I Units.

**Series F Units** are designed for investors who are enrolled in a Dealer sponsored fee-for-service or wrap program and who are subject to an annual asset-based fee payable to the Dealer.

**Series I Units** are available to certain investors at the discretion of the Manager. Investors in Series I Units must enter into a Series I agreement with the Manager.

<u>Securities</u>	<u>Number authorized to be issued</u>	<u>Number of Units outstanding as at December 31, 2016<sup>(i)</sup></u>
Series A Units	Unlimited	11,842.03
Series F Units	Unlimited	370,750.07
Series I Units	Unlimited	245,729.00

<sup>(i)</sup> The Fund may issue additional Series of Units in the future.

## ITEM 6. SECURITIES OFFERED

### 6.1 Terms of Units

An unlimited number of Series A Units, Series F Units and Series I Units are being offered hereby on a continuous basis to investors resident in each of the provinces of Canada, other than Québec (the “Offering Jurisdictions”), pursuant to exemptions from the prospectus requirements contained in the securities legislation of the Offering Jurisdictions. See Item 6.3 – *Subscription Procedure*.

Although the money invested by investors to purchase Units of any Series of the Fund is tracked on a Series by Series and Unit by Unit basis in the Fund’s administration records, the assets of all Series of the Fund will be combined into a single pool to create one portfolio for investment purposes.

Where the general nature of the business to be transacted at a Unitholder meeting concerns an issue relevant to all Unitholders of the Fund, Units of all Series of the Fund will be voted together. Where an issue may affect the Unitholders of a particular Series in a manner that is materially different from another Series, only Unitholders of those Series to which such business is relevant will be entitled to vote and such Units will be voted separately as a Series.

The Manager, in its discretion, determines the number of Series of Units and establishes the attributes of each Series, including investor eligibility and the designation and currency of each Series. Additional Series may be offered in the future with different minimum subscription levels.

Each Series of the Fund has the right to participate equally, on a per-Series basis, in distributions the Fund makes. After payment of the liabilities of the Fund, each Unitholder is entitled to receive its proportionate share of the value of the Fund upon termination of the Fund, based on its respective Series Net Asset Value.

Units are not transferable, except by operation of law (for example, a death or bankruptcy of a Unitholder) or with the consent of the Manager. To dispose of Units, a Unitholder may redeem them following the redemption procedures described in this Offering Memorandum.

Fractional Units carry the same rights and are subject to the same conditions as whole Units (other than with respect to voting rights) in the proportion that they bear to a whole Unit. Outstanding Units of any Series may be subdivided or consolidated in the Manager's discretion on 21 days' prior written notice, provided however that no subdivision or consolidation may be made to Units of a Series unless an identical subdivision or consolidation is made to Units of all other Series of the Fund. The Manager may redesignate Units of a Series as Units of any other Series based on the applicable Series Net Asset Value.

## **6.2 Determination of Net Asset Value**

The Series Net Asset Value per Unit of any Series on a Valuation Day is obtained by dividing the aggregate value of the assets of the Fund less the aggregate amount of its liabilities, in each case attributable to that Series, by the total number of Units of the Series outstanding at the time the calculation is made on the applicable Valuation Day (before giving effect to any issue of Units issued on that date). Valuation Day means, at a minimum, the last business day of each calendar week, the last business day of each calendar month and the date the Fund is terminated in accordance with the Trust Agreement (the "**Termination Date**"), and includes any other date on which the Manager, in its discretion, chooses to calculate a Series Net Asset Value per Unit.

In calculating Series Net Asset Value per Unit, the total assets are to be determined as follows:

- the value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash received (or declared to holders of record on a date before the Valuation Day as of which the total assets are being determined, and to be received) and interest accrued and not yet received, shall be deemed to be the full amount thereof provided that if the Manager has determined that any such deposit, bill, demand note, account receivable or prepaid expense is not otherwise worth the full amount thereof, the value thereof shall be deemed to be such value as the Manager determines to be the fair value thereof;
- the value of any security which is listed or dealt in upon a stock exchange is determined by (i) in the case of a security which was traded on the day as of which the net asset value of the Fund is being determined, the closing sale price; (ii) in the case of a security which was not traded on the day as of which the net asset value of the Fund is being determined, the last closing price of the security on the trading day immediately before such date will be used for the purpose of calculating the net asset value of the Fund. The value of inter-listed securities is computed in accordance with directions established from time to time by the Manager. If, in the opinion of the Manager, stock exchange or over-the-counter quotations do not properly reflect the prices which would be received by the Fund upon the disposal of shares or securities necessary to effect any redemptions of shares, the Manager may place such value upon such shares or securities as appears to it to most closely reflect the fair value of such shares or securities;
- the value of any bonds, debentures, and other debt obligations is determined by taking the last price of such security at 4:00 p.m. (Eastern Standard Time). Short-term investments including money market instruments shall be valued at cost plus accrued interest;
- the value of any security, the resale of which is restricted by reason of a representation, undertaking or agreement by the Fund or by the Fund's predecessor in title shall be determined using an economic model taking into account various factors including risk free rate of interest, volatility, market value and length of the restriction;



- investments in assets for which no published market exists will be valued either at cost or the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is otherwise determined to be appropriate by the Manager;
- the value of any security or property to which, in the opinion of the Manager, the above principles cannot be applied (whether because no price or yield equivalent quotations are available as above provided, or for any other reason) shall be the fair value thereof determined in good faith in such manner as the Manager from time to time adopts;
- the value of all assets of the Fund quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the Fund in foreign currency and the value of all liabilities and contractual obligations payable by the Fund in foreign currency shall be translated into Canadian currency at the noon rate of exchange quoted by a Canadian financial institution designated by the Manager from time to time for such purposes;
- for long positions in covered options, over-the-counter options, debt-like securities and listed warrants, the current market value is used;
- the premium received when a covered option, or over-the-counter option is written is shown as a deferred credit. The value of the deferred credit is equal to the current market value of an option that would have the effect of closing the position. Any difference issued resulting from the revaluation is treated as an unrealized gain or loss. The deferred credit is deducted when we calculate the net asset value of the Fund;
- for forward contracts or swaps, the current market value of the underlying interest is used, if daily limits are in effect. If daily limits are not in effect, the gain or loss realized if, on valuation day, the position of the contract were closed out, is used;
- margin paid or deposited for forward contracts is shown as an account receivable. Margin consisting of assets other than cash is shown as margin; and
- the 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, volatility, and share price of the underlying stock.

### **6.3 Subscription Procedure**

#### *Purchase of Units*

Investors may subscribe for Units of the Fund through Dealers. Dealers will generally send subscription orders to the Transfer Agent and Registrar using the FundSERV network on the day on which a completed subscription package is received and an order is placed, and orders received by the Transfer Agent and Registrar will be processed (subject to acceptance of the subscription by the Manager) at the applicable Series Net Asset Value of the Units determined as of the next applicable Valuation Day.

The subscription amount is payable upon placing the subscription order with the Dealer. Units can only be purchased in Canadian dollars. No financing of the subscription price will be provided by the Manager. The minimum aggregate initial subscription amount for Units is \$5,000 and the minimum aggregate subsequent subscription amount for Units is \$1,000, or such lesser amount as the Manager, in its sole discretion, may accept.

Investors who wish to make a subscription for Units of the Fund may do so by delivering a Subscription Agreement (substantially in the form of the Subscription Instructions package accompanying the Offering Memorandum or such other subscription form as the Manager may approve from time to time) to the Manager, through Dealers, accompanied by funds in an amount equal to the purchase price, using the FundSERV network.

FundSERV has issued the following codes to each Series of Units:

Series A Units – NRP5101

Series F Units – NRP5100

Series I Units – NRP5105

Units will be issued at the Series Net Asset Value per Unit (as defined in Item 6.2 — *Determination of Net Asset Value*) calculated as of the applicable Valuation Day.

Subscriptions that are received prior to 4:00 pm (Eastern Standard Time) on the applicable Valuation Day and accepted by the Manager will be processed on such Valuation Day using the Series Net Asset Value calculated as of that Valuation Day. Subscriptions that are received by the Manager after such time will be processed, if accepted by the Manager, as of the next Valuation Day using the Series Net Asset Value calculated as of that next Valuation Day. Any subscription funds received by the Manager will be held in the Fund's trust account until the next Valuation Day, at which time the Units subscribed for will be issued (if the subscription has been accepted). Such funds will not be segregated for the Investor's account and will be held in trust on behalf of the Investor until the later of (i) the expiration of the two (2) business day cancellation period (see Item 12 — *Purchasers' Rights*), or (ii) the issuance of the Units.

The Manager reserves the right to accept or reject orders, and any monies received with a rejected order will be refunded forthwith, without interest, other compensation or deduction after the Manager has made such determination. All subscriptions will be irrevocable after the expiration of the two (2) business day cancellation period. Fractional Units will be issued up to three decimal points.

A book-based system of registration is maintained for the Fund. Unit certificates will not be issued. The register for the Units is kept at the office of the Transfer Agent and Registrar.

Each prospective and qualified investor who wishes to subscribe for Units must:

- if the investor is resident in one of British Columbia, New Brunswick, Nova Scotia and Newfoundland and Labrador ("**Newfoundland**") and is subscribing for Units pursuant to the "Offering Memorandum" exemption in section 2.9(1) of National Instrument 45-106 *Prospectus and Registration Exemptions* ("**NI 45-106**"):
  - (a) complete and sign the applicable form of subscription agreement ("**Subscription Agreement**") specifying the number and the Series of Units being subscribed for;
  - (b) complete and sign two (2) copies of the "Risk Acknowledgement Form" (45-106F4) attached to its Subscription Agreement; and
  - (c) deliver to the Transfer Agent and Registrar, through its Dealer (via FundSERV), the subscription amount payable for the Units subscribed for;
- if the Investor is subscribing for Units pursuant to another available exemption in NI 45-106, then the Investor must:

- (a) complete and sign the applicable Subscription Agreement specifying the number and the Series of Units being subscribed for;
- (b) complete and sign the accredited investor certificate in the Subscription Agreement, if the Investor is an “accredited investor” as defined in NI 45-106 and is subscribing for Units pursuant to the “Accredited Investor” exemption in section 2.3 of NI 45-106, and, if the Investor is subscribing for Units pursuant to subsections (j), (k) or (l) of the definition of “Accredited Investor”, complete and sign two (2) copies of the “Risk Acknowledgement Form” (45-106F9) attached to its Subscription Agreement;
- (c) indicate by marking the applicable section of the Subscription Agreement if the Investor is resident in British Columbia, Alberta, Manitoba, New Brunswick, Newfoundland, Nova Scotia or Prince Edward Island and is subscribing for Units under the “Family, Friends and Business Associates” exemption in section 2.5 of NI 45-106;
- (d) indicate by marking the applicable section of the Subscription Agreement if the Investor is resident in Saskatchewan and is subscribing for Units under the “Family, Friends and Business Associates” exemption in section 2.6 of NI 45-106 and complete and sign two (2) copies of the “Risk Acknowledgement Form” (45-106F4) attached to its Subscription Agreement (in certain cases as set out in the Subscription Agreement); and
- (e) deliver to the Transfer Agent and Registrar, through its Dealer (via FundSERV), the subscription amount payable for the Units subscribed for.

Subscriptions will be received subject to acceptance of the Investor’s subscription, in whole or in part (subject to compliance with applicable securities laws) by the Manager on behalf of the Fund.

If either the Fund or the Transfer Agent and Registrar, as applicable, does not receive a fully and properly completed Subscription Agreement by the fifth (5th) business day following the applicable Valuation Day, the proposed purchase may be cancelled.

#### *Qualified Investors*

The Manager is offering for sale an unlimited number of Units of each Series on a continuous basis in each of the provinces of Canada (other than Québec) by way of private placement.

The offering is being conducted:

- in all provinces (other than Québec) pursuant to the exemption from the prospectus requirements afforded by section 2.3 of NI 45-106 (the “Accredited Investor” exemption);
- in the provinces of British Columbia, Alberta, Manitoba, Nova Scotia, New Brunswick, Newfoundland and Prince Edward Island pursuant to the exemption from the prospectus requirements afforded by section 2.5 of NI 45-106 (the “Family, Friends and Business Associates” exemption);
- in the province of Saskatchewan pursuant to the exemption from the prospectus requirements afforded by section 2.6 of NI 45-106 (the “Family, Friends and Business Associates” exemption);
- in the provinces of British Columbia, New Brunswick, Nova Scotia and Newfoundland pursuant to the exemption from the prospectus requirements afforded by section 2.9(1) of NI 45-106 (the “Offering Memorandum” exemption); and

- in all provinces (other than Québec) pursuant to the exemption from the prospectus requirements afforded by section 2.10 of NI 45-106 (the “Minimum Amount Investment” exemption).

The exemption pursuant to section 2.3 of NI 45-106 is available for distributions to investors purchasing as principal and who are “accredited investors” as defined in NI 45-106; provided any individual Accredited Investor purchasing pursuant to subsections (j), (k) or (l) of the definition of “Accredited Investor” must complete and sign two (2) copies of the “Risk Acknowledgement Form” (45-106F9).

The exemption pursuant to sections 2.5 and 2.6 of NI 45-106 is available for distributions only to investors in the relevant jurisdictions purchasing as principals, and who are considered “family, friends and business associates” as set out in NI 45-106.

The exemption pursuant to section 2.9(1) of NI 45-106 is available for distributions only to investors in the relevant jurisdictions purchasing as principals and who complete and sign two (2) copies of the “Risk Acknowledgement Form” (45-106F4).

The exemption pursuant to section 2.10 of NI 45-106 is available for distributions to investors, who are not individuals, purchasing as principal and who invest a minimum of \$150,000.

The foregoing exemptions relieve the Fund from the provisions of the applicable securities laws of each of the Offering Jurisdictions which otherwise would require the Fund to file and obtain a receipt for a prospectus.

#### *Minimum Initial and Subsequent Investments*

The Manager has established minimum investment amounts for initial investments and additional investments. For any Investor investing pursuant to this Offering Memorandum, the minimum initial investment in the Fund is \$5,000 for any Series. Subsequent investments in the Fund are subject to an additional minimum investment of \$1,000. The Manager may in its discretion waive these minimum investments, accept investments in other minimum amounts permitted under applicable securities laws, or require higher minimum investments than those set out herein.

## **6.4 Redemption of Units**

### *Right to Redeem*

Subject to the Fund’s right to suspend redemptions (as described below), Units may be redeemed on any Valuation Day (a “**Redemption Date**”) upon notice to the Transfer Agent and Registrar given not less than seven days’ prior to the Valuation Day (the “**Redemption Period**”). A Unitholder who wishes to redeem Units must do so by contacting its Dealer to request the redemption of Units as of a particular Redemption Date in accordance with the foregoing notice requirements. Redemption requests received with less than the required notice will be redeemed on the next following Redemption Date. The Dealer will use the FundSERV network to notify the Fund of the redemption of Units requested.

### *Redemption Price and Payment*

The redemption price of Units is based on the Series Net Asset Value determined as of the applicable Redemption Date. The redemption proceeds will be paid in Canadian dollars. The redemption proceeds will be paid net of any amount required to be withheld therefrom under applicable law. Payment of the redemption proceeds will be made on or before the third business day following the applicable Redemption Date, subject to the Manager’s right to suspend redemptions in certain circumstances. A 3% redemption fee based on the original cost of the Units will apply if the Unitholder redeems any Units within the first 180 days of investment. This fee will be paid to the Manager.

### *Suspension of Redemption Right*

The Manager may suspend redemptions, including payment of redemption proceeds: (a) for the whole or any part of a period during which normal trading is suspended on one or more stock exchanges or options exchanges on which more than 50% of the securities held by the Fund (by value) are listed and traded; (b) for any period not exceeding 120 days during which the Manager determines that conditions exist which render impractical the sale of assets of the Fund or which impair the ability of the Manager to determine the value of the assets of the Fund; or (c) for a period not exceeding 120 days in all other cases in which the Manager determines it is in the best interests of the Fund and Unitholders to suspend redemptions. The suspension of payment of redemption proceeds may apply to all requests for redemption received prior to the suspension for which payment has not been made, as well as to all redemption requests received while the suspension is in effect. In such circumstances, all Unitholders shall have, and shall be advised that they have, the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first business day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with applicable laws applying to the Fund, any declaration of suspension of redemptions made by the Manager shall be conclusive.

### *Redemption at the Demand of the Manager*

The Manager may in its discretion, cause the Fund to redeem all or a portion of a Unitholder's Units by giving 30 days' prior written notice to the Unitholder, specifying the number or value of Units to be redeemed. For example, the Manager may cause the Units of any Unitholder to be redeemed if at any time, as a result of redemptions, the value of the Unitholder's investment in the Fund is less than the minimum initial subscription amount. If at any time the Unitholder is in breach of the representations, warranties and covenants made in the Subscription Agreement, the Manager may cause the Fund to redeem the Units owned by such Unitholder immediately and without notice. The redemption proceeds payable to the Unitholder in such circumstances will be based on the Series Net Asset Value determined at the applicable Redemption Date.

## **6.5 Distributions**

On or prior to each record date (the "**Record Date**") (being the second last business day of each quarter prior to termination of the Fund), the Manager shall determine the amount of distributable cash to be paid to Unitholders, and the classification thereof, and shall declare such distributable cash to be payable to Unitholders of record as of the close of business on such Record Date. The Manager shall (subject to any reinvestments under the Reinvestment Plan (as defined below) and to any other applicable limitations) cause the payment of such amount to the Unitholders no later than the next Distribution Date (as defined below) in accordance with the *pro rata* share of each Unitholder on that Record Date (after giving effect to any issuances, redemptions or repurchases of Units implemented on such date). Despite the foregoing, the distribution amount may not be finally determined until the Distribution Date.

Distributions may also include a return of capital.

The Manager may make such designations, determinations and allocations for tax purposes of amounts or portions of amounts which the Fund has received, paid, declared payable or allocated to a Unitholder as distributions or redemption proceeds.

The costs of distributions, if any, will be paid by the Fund.

### *Distribution Reinvestment Plan*

Unless the Unitholder otherwise instructs, all distributions due to Unitholders will be reinvested in additional Units. Such distributions will be applied to purchase Units from the Fund through the issue of new Units at a price

per Unit equal to the applicable Series Net Asset Value per Unit on the last business day of each quarter (the “Distribution Date”).

Notwithstanding the foregoing, payments of distributions to Unitholders who are not residents of Canada will be made in cash, less any applicable withholding taxes.

#### **ITEM 7. INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY**

The following summary describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a Unitholder who acquires Units of the Fund and who, for purposes of the Tax Act, is an individual (other than a trust) resident or deemed to be resident in Canada for purposes of the Tax Act, holds the Units as capital property and deals at arm’s length with, and is not affiliated with, the Fund. Generally, Units of a Fund will be considered to be capital property to a Unitholder provided the Unitholder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them (and all other “Canadian securities” (as defined in the Tax Act)) treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

The Fund qualifies as a “mutual fund trust” as defined in the Tax Act and this summary assumes that the Fund will continue to qualify as a mutual fund trust at all relevant times. **In the event that the Fund was not to so qualify as a “mutual fund trust”, the income tax considerations would be materially different from those described below.**

This summary also assumes that the Fund will comply at all times with its investment restrictions and that the Fund will at no time be a “SIFT trust” for the purposes of the Tax Act. Provided that units of, or other investments in, the Fund are not listed or traded on a stock exchange or other “public market” within the meaning of the Tax Act, the Fund will not be a SIFT trust for the purposes of the Tax Act.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “Proposed Amendments”) and an understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the “CRA”). No advance income tax ruling has been requested in respect of this offering. No assurance can be given that the Proposed Amendments will be enacted in the form proposed or at all.

This summary does not address any Canadian federal income tax considerations applicable to persons who are not resident or not deemed to be resident in Canada for the purposes of the Tax Act, and such persons should consult their own tax advisors regarding the tax consequences of acquiring, holding and disposition of Units.

**This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the investor’s particular circumstances, including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any investor. You should consult your own professional advisors to obtain advice on the income tax consequences that apply to you.**

##### **7.1 Taxation of the Fund**

In each taxation year, the Fund is subject to tax under Part I of the Tax Act on its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of amounts paid or made payable in the year to the Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Fund or if the Unitholder is entitled in that year to enforce payment of the amount. The taxation year end of the Fund is December 15. The Fund intends to make sufficient distributions in

each year of its net income for tax purposes and net realized capital gains so that the Fund will generally not be liable in that year for income tax under Part I of the Tax Act.

The Fund may not allocate losses incurred by the Fund to Unitholders but may apply allowable capital losses or non-capital losses from prior taxation years to reduce its taxable income in accordance with the rules contained in the Tax Act. In certain circumstances, losses of the Fund may be suspended or restricted, and therefore would be unavailable to shelter income or capital gains.

In computing its income, the Fund may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income. Expenses incurred by the Fund to issue Units are deductible by the Fund rateably over a five-year period. The portion of those issue expenses deductible by the Fund in a particular taxation year is 20% of those issue expenses, pro-rated where the Fund's taxation year is less than 365 days. The Fund will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the "**capital gains refund**"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Fund's tax liability for that taxation year arising as a result of the redemption of Units. The Trust Agreement provides that the taxable portion of any capital gain realized by the Fund as a result of that redemption may, at the discretion of the Manager, be treated as income paid to, and designated as a taxable capital gain of, the redeeming Unitholder. Any amount so designated must be included in the income of the redeeming Unitholder and will be deductible by the Fund.

Generally, gains and losses from derivatives and short sales will generally be taxed on income account rather than as capital gains and losses; however, the Fund has made an election under subsection 39(4) of the Tax Act so that all Equity Securities and other property held by the Fund that are "Canadian securities" (as defined in the Tax Act), including Canadian securities acquired in connection with a short sale, are deemed to be capital property to the Fund.

## **7.2 Taxation of Unitholders**

A Unitholder (other than registered tax plans) will generally be required to include in income for a particular year the portion of the net income of the Fund for a taxation year, including net realized taxable capital gains, that is paid or made payable to the Unitholder in the particular taxation year, whether that amount is received in cash, additional Units, or otherwise.

Provided that appropriate designations are made by the Fund, such portion of its net realized taxable capital gains and taxable dividends received on shares of taxable Canadian corporations as are paid or made payable to a Unitholder will effectively retain their character and will be treated as such in the hands of the Unitholder for purposes of the Tax Act. The Fund may make similar designations in respect of foreign source income received in the year and foreign taxes paid in the year. Where applicable, Unitholders may apply allowable capital losses against taxable capital gains designated by the Fund and may claim foreign tax credits in calculating tax payable.

The non-taxable portion of any net realized capital gains of the Fund that are paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Fund that is paid or payable to a Unitholder in that year will not generally be included in the Unitholder's income for the year but will reduce the adjusted cost base of the Units by that amount. To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Unitholder will then be nil.

The cost to a Unitholder of additional Units received in lieu of a cash distribution of income will be the amount of income distributed by the issue of those Units. For the purpose of determining the adjusted cost base to a Unitholder of Units, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before that acquisition.

For income tax purposes, a subsequent consolidation of the number of Units outstanding will not result in a disposition of a Unitholder's Units. The aggregate adjusted cost base to a Unitholder of all of the Unitholder's Units will not change as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

Fees paid on Series I Units will not be deductible for tax purposes.

On the disposition or deemed disposition of a Unit whether on a redemption or otherwise, the Unitholder will realize a capital gain (or capital loss) equal to the amount by which the Unitholder's proceeds of disposition (which will not include any amount of capital gains made payable by the Fund to the Unitholder which represents capital gains realized by the Fund in connection with its disposition of securities in order to fund the redemption, as described above) exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition). A Unitholder's proceeds of disposition on the redemption of Units will generally be equal to the total of the amount of cash and fair market value of non-cash property received by the Unitholder for their Units. Based in part on the CRA's administrative position, the conversion of Series A Units into Series F Units (or vice versa) will not constitute a disposition for purposes of the Tax Act.

One-half of the amount of any capital gain (a "**taxable capital gain**") realized by a Unitholder must generally be included in the Unitholder's income for that year, and one-half of any capital loss (an "**allowable capital loss**") realized by a Unitholder may be deducted from taxable capital gains of the holder for that year. That portion of allowable capital losses which exceeds the Unitholder's taxable capital gains for that year may be carried back and deducted against the taxable capital gains of the Unitholder in any of the three preceding taxation years or carried forward and deducted in any following taxation year against taxable capital gains realized in such years to the extent and under the circumstances described in the Tax Act.

In general terms, net income of the Fund paid or payable to a Unitholder that is designated as taxable dividends from taxable Canadian corporations or as net realized taxable capital gains, as well as taxable capital gains realized on the disposition of Units, may increase the Unitholder's liability for alternative minimum tax.

#### *Tax Reporting of Foreign Accounts*

Part XVIII of the Tax Act imposes due diligence and reporting obligations on "reporting Canadian financial institutions" in respect of their "U.S. reportable accounts". The Fund is a "reporting Canadian financial institution" and may be required to provide information to the CRA in respect of its Unitholder who are "US reportable accounts". If Unitholders hold their Units through a dealer, the dealers will be subject to due diligence and reporting obligations with respect to financial accounts they maintain for their clients. Accordingly, Unitholders may be requested to provide information to the Fund or their dealers to identify U.S. persons holding the Units. If a Unitholder is a U.S. person (including a U.S. citizen) or if a Unitholder does not provide the requested information, Part XVIII of the Tax Act will generally require information about the Unitholder's investments held in the financial account maintained by the Fund or the dealer to be reported to the CRA, unless the investments are held within a registered plan (as defined below). The CRA is expected to provide that information to the U.S. Internal Revenue Service.

In addition, Part XIX of the Tax Act was recently enacted to implement the Organization for Economic Co-operation and Development Common Reporting Standard (the "CRS"), which will require the Fund to provide information to the CRA about accounts maintained for individuals and entities whose residency for tax purposes is in a jurisdiction other than Canada. The CRA will then provide that information to foreign jurisdictions with which it has established a partnership in the context of the CRS. The Fund will begin collecting information on new client accounts no later than July 1, 2017. In 2018, it will report the information collected in 2017 (and other information, generally related to distributions from, and value of, the accounts) on any new holders whose residency for tax purposes is in a jurisdiction other than Canada. Any holders of pre-existing accounts whose residency for tax purposes is in a jurisdiction other than Canada will be reported to the CRA starting in 2019. Each subsequent year, the accounts of the preceding year will be reported.



### 7.3 Eligibility for Investment

Provided that the Fund qualifies as a “mutual fund trust” for purposes of the Tax Act or is a registered investment at a particular time, the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, registered education savings plans, deferred profit sharing plans and tax-free savings accounts (collectively, “**registered plans**”).

Notwithstanding that the Units may be a qualified investment for registered plans, the holder of a tax-free savings account or an annuitant of a registered retirement savings plan or registered retirement income fund, as the case may be, will be subject to a penalty tax if the holder or annuitant, as the case may be, does not deal at arm’s length with the Fund for the purposes of the Tax Act or if the holder or annuitant has a “significant interest” (within the meaning of the Tax Act) in the Fund. However, a holder or annuitant will not be subject to the penalty tax if the Units are “excluded property” for the holder’s or annuitant’s registered retirement savings plan, registered retirement income fund or tax-free savings account, as the case may be. Holders and annuitants should consult with their own tax advisors with respect to whether Units would be prohibited investments, including with respect to whether the Units would be excluded property.

### ITEM 8. COMPENSATION PAID TO DEALERS

Units will be distributed in the Offering Jurisdictions through Dealers. In the event of such distribution, Dealers will be entitled to the compensation described below.

#### *Sales Commissions*

If an Investor purchases Series A Units of the Fund, a Sales Commission may be deducted from the amount of the subscription and paid to the Investor’s Dealer. See Item 3.6 – *Fees and Expenses*. No Sales Commission applies to additional Units issued through the reinvestment of distributions. There is no Sales Commission payable on the purchase of Series F Units or Series I Units.

#### *Trailing Commissions*

The Manager also pays Dealers an ongoing trailing commission as compensation for the advice and service they provide an Investor in connection with an investment in Series A Units of the Fund. See Item 3.5 *Fees and Expenses*.

There is no trailing commission payable with respect to an investment in Series F Units. Investors in Series I Units agree with their dealer how much trailing commission they will authorize the Manager to pay to the dealer out the management fee investors agree to pay the Manager.

### ITEM 9. RISK FACTORS

**The following risk factors do not purport to be a complete explanation of all risks involved in purchasing Units. Potential investors should read this entire Offering Memorandum and consult with their legal and other professional advisors before determining to invest in Units.**

Investment funds own different types of investments, depending upon the investment objectives of the particular fund. The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions, and market and company news. As a result, the value of an investment in an investment fund may go up or down on a daily basis, and the value of an investment in an investment fund may be more or less when it is redeemed than when it was first purchased.

The investment in the Fund is not guaranteed. Unlike bank accounts or GICs, the Units are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer. Under exceptional circumstances, the Fund may suspend redemptions, as more fully described under Item 6.4 — *Redemption of Units*.

Different investments have different types of investment risk. Investment funds also have different kinds of risk, depending on the securities they own. Below is a summary of the various types of investment risks that may be applicable to investment funds generally.

## **9.1 Risks Associated with an Investment in the Fund**

### *General Investment Risk*

The Series Net Asset Value per Unit will vary directly with the market value and return of the portfolio held by the Fund. There can be no assurance that the Fund will not incur losses. There is no guarantee that the Fund will earn a return. There is no assurance the Fund will be able to achieve its investment objective.

### *Fees and Expenses*

The Fund is obligated to pay fees, brokerage commissions and legal, accounting, filing and other expenses regardless of whether it realizes profits.

### *Not a Public Mutual Fund*

Although the Fund may be a “mutual fund” as defined in the securities law applicable in certain provinces of Canada, it does not operate in accordance with the requirements of National Instrument 81-102 *Investment Funds* and other policies and regulations of the securities regulatory authorities that are applicable to mutual funds that have offered securities under a prospectus and are reporting issuers. As a result, the Fund is not subject to the restrictions placed on public mutual funds to ensure diversification and liquidity of the Fund’s Portfolio.

### *Not a Trust Company*

The Fund is not a trust company and, accordingly, is not registered under the trust company legislation of any jurisdiction. Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under provisions of that statute or any other legislation.

### *Absence of Operating History*

The Fund is newly formed and has no operating history, and there can be no assurance that the Fund will achieve its investment objectives.

### *Past Performance of Manager*

The past performance of the senior portfolio managers of the Manager may not be representative of their future performance on behalf of the Manager.

### *Changes in Investment Objectives and Strategies*

The Manager may alter the Fund’s investment objectives, strategies and restrictions without prior approval by Unitholders in certain circumstances.

### *Limited Diversification*

No minimum level of capital is required to be maintained by the Fund. As a result of a failure to raise substantial capital, or subsequent losses or redemptions, the Fund may not have sufficient funds to diversify its investments.

#### *Conflicts of Interest*

The services of the Manager and its respective officers, directors and affiliates are not exclusive to the Fund. The Manager and any of their respective affiliates and associates may, at any time, engage in the promotion, management or portfolio management of any other fund or trust and provide similar services to other investment funds and other clients and engage in other activities. Investment decisions for the Fund will be made independently of those made for other clients and independently of investments of the Manager. On occasion, however, the Manager may make the same investment for the Fund and for one or more of its other clients. If the Fund and one or more of the other clients of the Manager are engaged in the purchase or sale of the same security, the transactions will be effected on an equitable basis. The Manager has adopted a conflict of interest policy to address and minimize potential conflicts of interest. The policy states that the Manager will deal fairly, honestly and in good faith with all clients and not advantage one client over another.

#### *Limited Ability to Liquidate Investment*

There is no formal market for Units and it is likely that no active secondary market will develop. This offering of Units is not qualified by way of prospectus, and consequently the resale of Units is subject to restrictions under applicable securities legislation. In addition, Units may not be assigned, encumbered, pledged, hypothecated or otherwise transferred except with the prior written consent of the Manager, which may be withheld in the Manager's sole and absolute discretion. Accordingly, it is possible that Unitholders may not be able to resell their Units other than by way of redemption of their Units at any Redemption Day which redemption will be subject to the limitations described under Item 6.4 — *Redemption of Units*. Unitholders may not be able to liquidate their investments in a timely manner. As a result, an investment in the Units is suitable only for sophisticated investors who do not require liquidity for their investment and are able to bear the financial risk of the investment for an extended period of time.

#### *Redemptions*

Redemptions are only permitted weekly and at month end. There are circumstances in which the Fund may suspend redemptions. See Item 6.4 — *Redemption of Units*. Accordingly, Units may not be an appropriate investment for investors seeking liquidity. Substantial redemptions of Units could require the Fund to liquidate positions more rapidly than otherwise desirable to raise the necessary cash to fund redemptions and achieve a market position appropriately reflecting a smaller asset base. Such factors could adversely affect the value of the Units redeemed and of the Units remaining outstanding.

#### *Capital Depletion*

A portion of each distribution of the Fund made to Unitholders may include a return of capital. Further, when the Net Income and the Net Realized Capital Gains available for distribution of the Fund is less than the amount distributed, the difference may be a return of capital. A return of capital represents a return to the Unitholder of a portion of their own invested capital. These distributions should not be confused with "yield" or "income", and are not intended to reflect the Fund's investment performance.

#### *Operating Deficits*

The expenses of operating the Fund (including the management fee and the Performance Fee) may exceed its income, thereby requiring that the difference be paid out of the Fund's capital, reducing the value of the Fund's investments and potential for profitability.

### *Valuation of the Fund's Investments*

While the Fund's assets will be valued on a weekly and month-end basis, in order to ensure as fair and accurate a pricing as possible, valuation of the portfolio securities and other investments may involve uncertainties and subjective determinations and, if such valuations should prove to be incorrect, the Net Asset Value of the Fund and the Series Net Asset Value per Unit could be adversely affected.

Although the Fund generally will invest in exchange-traded and liquid over-the-counter securities, the Fund may from time to time have some of its assets in investments which by their very nature may be extremely difficult to value accurately. To the extent that the value assigned by the Fund to any such investment differs from the actual value, the Series Net Asset Value per Unit may be understated or overstated, as the case may be. In light of the foregoing, there is a risk that a Unitholder who redeems all or part of his or her Units while the Fund holds such investments will be paid an amount less than such Unitholder would otherwise be paid if the actual value of such investments is higher than the value designated by the Fund. Similarly, there is a risk that such Unitholder might, in effect, be overpaid if the actual value of such investments is lower than the value designated by the Fund in respect of a redemption. In addition, there is a risk that an investment in the Fund by a new Investor (or an additional investment by an existing Unitholder) could dilute the value of such investments for the other Unitholders if the actual value of such investments is higher than the value designated by the Fund. Further, there is a risk that a new Investor (or an existing Unitholder that makes an additional investment) could pay more than it might otherwise if the actual value of such investments is lower than the value designated by the Fund.

### *Broker or Dealer Insolvency*

The Fund's assets may be held in one or more accounts maintained for the Fund by its Prime Broker or at other brokers. Such brokers are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Fund's assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker or any sub-custodians, agents or affiliates, it is impossible to generalize about the effect of their insolvency on the Fund and its assets. Investors should assume that the insolvency of any of the Prime Broker or such other service providers would result in the loss of all or a substantial portion of the Fund's assets held by or through the Prime Broker and/or the delay in the payment of withdrawal proceeds.

### *Unitholders not Entitled to Participate in Management*

Unitholders are not entitled to participate in the management or control of the Fund or its operations or to select or evaluate any of the Fund's investments or strategies. Unitholders do not have any input into the Fund's trading. The success or failure of the Fund will ultimately depend on the investment of the assets of the Fund by the Manager, with which Unitholders will not have any direct dealings. The likelihood that Unitholders will realize income or gain depends on the skill and expertise of the Manager and its personnel.

### *Reliance on Manager*

The Fund will be relying on the ability of the Manager to actively manage the Fund. There can be no assurance that satisfactory replacements for the Manager will be available, if the Manager ceases to act as such. Termination of the Manager will terminate the Fund if no successor is appointed. In addition, it will expose Investors to the risks involved in whatever new investment management arrangements can be made.

### *Dependence of Manager on Key Personnel*

The Manager will depend, to a great extent, on the services of a limited number of individuals in the administration of the Fund's activities. The loss of such individuals for any reason could impair the ability of the Manager to perform its management activities on behalf of the Fund.

### *Tax Risk*

If the Fund experiences a “loss restriction event” (i) the Fund will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of the Fund’s net income and net realized capital gains, if any, at such time to Unitholders so that the Fund is not liable for income tax on such amounts under Part I of the Tax Act), and (ii) the Fund will become subject to the loss restriction rules generally applicable to corporations that experience an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on their ability to carry forward losses. Generally, the Fund could be subject to a loss restriction event when a person becomes a “majority-interest beneficiary” of the Fund, or a group of persons becomes a “majority-interest group of beneficiaries” of the Fund, as those terms are defined in the affiliated persons rules contained in the Tax Act, with appropriate modifications. Generally, a majority-interest beneficiary of the Fund will be a beneficiary who, together with the beneficial interests of persons and partnerships with whom the beneficiary is affiliated, has a fair market value that is greater than 50% of the fair market value of all interest in the income or capital, respectively, in the Fund. Trusts that qualify as “investment funds” as defined in the rules in the Tax Act relating to loss restriction events are generally exempted from the application of these rules. An “investment fund” for this purpose includes a trust that meets certain conditions, including satisfying certain of the conditions necessary to qualify as a “mutual fund trust” for purposes of the Tax Act, not using any property in the course of carrying on a business and complying with certain asset diversification requirements. If the Fund were not to qualify as an “investment fund”, it could potentially have a loss restriction event and thereby become subject to the related tax consequences described above.

### *Series Risk*

Since the Fund may have multiple Series of Units, each Series will be charged, as a separate Series, any Series Expenses such as management fees and performance fees that are specifically attributable to that Series. However, the Manager generally will allocate all other expenses of the Fund among the Series of Units in a fair and equitable manner and a creditor of the Fund may seek to satisfy its claims from the assets of the Fund as a whole, even though its claims relate only to a particular Series of Units.

### *Performance Fees to the Manager*

The Manager receives Performance Fees in respect of each of the Series based upon appreciation, if any, in the Net Asset Value of the applicable Series. The Performance Fees theoretically may create an incentive for the Manager to make investments that are riskier than would be the case if such fees did not exist. In addition, because the Performance Fees are calculated on a basis that includes unrealized appreciation of the Fund’s assets, it may be greater than if such compensation were based solely on realized gains.

### *Potential Indemnification Obligations*

Under certain circumstances, the Fund might be subject to significant indemnification obligations in favour of the Trustee, the Manager, and other service providers to the Fund or certain parties related to them. The Fund will not carry any insurance to cover such potential obligations and, to the Manager’s knowledge, none of the foregoing parties will be insured for losses for which the Fund has agreed to indemnify them. Any indemnification paid by the Fund would reduce the Net Asset Value of such Fund and, by extension, the Series Net Asset Value per Unit.

### *Liability of Unitholders*

The Fund is a trust and, as such, the Unitholders do not receive the protection of statutorily mandated limited liability as in the case of shareholders of most Canadian corporations. There is no guarantee therefore, that Unitholders could not be made party to legal actions in connection with the Fund. However, the Trust Agreement provides that no Unitholder will be held to have any personal liability as such and no resort will be had to the Unitholder’s property for satisfaction of any obligation or claim arising out of, or in connection with, any contract or obligation of the Fund, the Manager or the Trustee, but rather, only the Fund’s property is intended to be liable

and subject to levy or execution for such satisfaction. In addition, pursuant to the Trust Agreement, if any Unitholder is held personally liable as such in respect of any liability or obligation incurred by the Fund, such Unitholder will be entitled to indemnity and reimbursement out of the Fund's assets to the full extent of such liability and the costs of any litigation or other proceedings in which such liability will have been determined, including without limitation the fees and disbursements of counsel.

#### *Lack of Independent Experts Representing Unitholders*

The Fund and the Manager have consulted with a single legal counsel regarding the formation and terms of the Fund and the offering of Units. Unitholders have not, however, been independently represented. Therefore, to the extent that the Fund, Unitholders or this offering could benefit by further independent review, such benefit will not be available. Each prospective Investor should consult his or her own legal, tax and financial advisors regarding the desirability of purchasing Units and the suitability of investing in the Fund.

#### *Trading Errors*

In the course of carrying out trading and investing responsibilities on behalf of the Fund, Manager personnel may make "trading errors" - i.e., errors in executing specific trading instructions. Examples of trading errors include: (i) buying or selling an investment asset at a price or quantity that is inconsistent with the specific trading instructions generated by a particular strategy; or (ii) buying rather than selling a particular investment asset (and vice versa). Trading errors are an intrinsic factor in any complex investment process, and will occur notwithstanding the exercise of due care and special procedures designed to prevent trading errors. Trading errors are, therefore, distinguishable from errors in judgment, due diligence or other factors leading to a specific trading instruction being generated, as well as from unauthorized trading or other improper conduct by Manager personnel. Consequently, the Manager will (unless the Manager otherwise determines) treat all trading errors (including those which result in losses and those which result in gains) as for the account of the Fund, unless they are the result of conduct by the Manager which is inconsistent with the Manager's standard of care.

#### *Possible Negative Impact of Regulation of Private or Alternative Funds*

The regulatory environment for private and alternative funds is evolving and changes to it may adversely affect the Fund. To the extent that regulators adopt practices of regulatory oversight in the area of private or alternative funds that create additional compliance, transaction, disclosure or other costs for private or alternative funds, returns of the Fund may be negatively affected. In addition, the regulatory or tax environment for derivative and related instruments is evolving and may be subject to modification by government or judicial action that may adversely affect the value of the investments held by the Fund. The effect of any future regulatory or tax change on the Fund is impossible to predict.

#### *Early Termination*

In the event of the early termination of the Fund, the Fund would distribute to the Unitholders *pro rata* their interest in the assets of the Fund available for such distribution, subject to the rights of the Trustee or Manager to retain monies for costs and expenses. Certain assets held by the Fund may be illiquid and might have little or no marketable value. In addition, the securities held by the Fund would have to be sold by the Fund or distributed in kind of the Unitholders. It is possible that at the time of such sale or distribution certain securities held by the Fund would be worth less than the initial cost of such securities, resulting in a loss to the Unitholders.

## **9.2 Risks Associated with the Fund's Investments**

The following are risk factors associated with the Fund's investments.

### *General Economic and Market Conditions*

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, competition, technological developments, changes in laws, and national and international political circumstances. None of these factors is within the control of the Manager and no assurances can be given that the Manager will anticipate these developments. These factors may affect the level and volatility of securities prices and the liquidity of the Fund's investments. Unexpected volatility or illiquidity could impair the Fund's profitability or result in losses.

### *Business Risks*

No assurance can be given that the Fund's investment portfolio will generate any income or will appreciate in value. You may suffer a loss of your investment.

### *Investment Selection*

The Manager selects certain of the investments for the Fund on the basis of information and data filed by the issuers of such investments with various government and international agencies or through sources other than the issuers. Although the Manager intends to evaluate all such information and data and to seek independent corroboration when the Manager considers it appropriate and when it is reasonably available, the Manager is not in a position to confirm the completeness, genuineness or accuracy of such information and data.

### *Limited Liquidity of Investments*

The Fund may invest in thinly-traded and relatively illiquid investments that may cease to be traded after the Fund invests. The Fund may acquire significant positions in one investment. In such cases, and in the event of extreme market volatility, the Fund may not be able to promptly liquidate its investments if the need should arise. In addition, the Fund's sales of thinly-traded investments could depress the market value of such investments and thereby reduce the Fund's profitability or increase its losses. Such circumstances or events could affect materially, and adversely, the amount of gain or loss the Fund may realize.

### *Regulatory Risk*

Some industries, such as financial services, health care and telecommunications are heavily regulated and may receive government funding. Investments in these sectors may be substantially affected by changes in government policy, such as increased regulation, ownership restrictions, deregulation or reduced government funding. The value of an investment fund that buys these investments may rise and fall substantially due to changes in these factors.

There can be no assurance that income tax or securities laws, or interpretation or application thereof, will not be changed in a manner that adversely affects the Fund or its Unitholders.

### *Fixed-Income Securities*

The Fund may invest in bonds or other fixed-income securities of U.S., Canadian and other issuers, including, without limitation, bonds, notes and debentures issued by corporations; debt securities issued or guaranteed by federal, state or provincial governments in the United States or Canada or a governmental agency; and commercial paper. Fixed-income securities pay fixed, variable or floating rates of interest. The value of fixed-income securities in which the Fund invests will change in response to fluctuations in interest rates. In addition, the value of certain fixed-income securities can fluctuate in response to perceptions of credit worthiness, political stability or soundness of economic policies. Fixed-income securities are subject to the risk of the issuer's inability to meet

principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). If fixed-income investments are not held to maturity, the Fund may suffer a loss at the time of sale of such securities.

#### *Credit Risk*

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the Fund's unrealized gain of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by its carrying amount.

#### *Equity Risk*

The value of an investment fund that invests in equity securities will be affected by changes in the market price of those securities. The price of a stock is affected by individual company developments and by general economic and financial conditions in those countries where the issuer of the stock is located, does business or where the stock is listed for trading. In addition, a portion of the equity securities invested in may be of issuers whose securities are not listed on any prescribed stock exchange and thus may lack a liquid market for resale.

#### *Interest Rate Risk*

The value of fixed-income securities will generally rise if interest rates fall and fall if interest rates rise. Changes in interest rates may also affect the value of equity securities.

The income earned by an investment fund, and the interest paid by the investment fund for borrowing, is also affected by changes in interest rates.

#### *Income Trust Risk*

A fund that invests in trusts faces the risk that, as a holder of units of a trust, the fund may be held liable and subject to levy or execution for satisfaction of all obligations and claims of the trust. This risk may arise with income trusts, which include real estate trusts and other forms of business trusts. The risk is considered remote. To the extent that a fund is subject to such claims and such claims are not satisfied by the fund, there is a risk that a unitholder of the fund could be held personally liable for the obligations of the trust. The possibility of a unitholder incurring personal liability of this nature is considered extremely remote.

#### *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. Thus the value of securities held by the Fund may be worth more or less depending on their susceptibility to foreign exchange rates.

#### *Counterparty Risk*

To the extent that any counterparty with or through which the Fund engages in trading and maintains accounts does not segregate the Fund's assets, the Fund will be subject to a risk of loss in the event of the insolvency of such



person. Even where the Fund's assets are segregated, there is no guarantee that in the event of such an insolvency, the Fund will be able to recover all of its assets.

#### *Use of a Prime Broker to Hold Assets*

Some or all of the assets of the Fund may be held in one or more margin accounts due to the fact that the Fund will sell securities short. The margin accounts may provide less segregation of customer assets than would be the case with a more conventional custody arrangement. The Prime Broker may also lend, pledge or hypothecate the assets of the Fund in such accounts, which may result in a potential loss of such assets. As a result, the assets of the Fund could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if the Prime Broker experiences financial difficulty. In such case, the Fund may experience losses due to insufficient assets of the Prime Broker to satisfy the claims of its creditors, and adverse market movements while its positions cannot be traded, and which would adversely affect the total return to the Fund.

#### *Competition in the Non-Traditional Investment Industry*

The non-traditional investment industry is highly competitive. In recent years there has been a marked increase in the number of, and flow of capital into, investment vehicles established in order to implement non-traditional or "alternative" investment strategies. Prospective Investors should understand that the Fund competes with other market participants that may have substantially greater financial and other resources as well as better access to investment opportunities than the Fund.

#### *Small, Mid-Capitalization and Micro-Capitalization Company Risk*

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, an investment fund may have to liquidate its holdings in the more liquid large and medium-sized companies that it owns. As well, to the extent that the liquidity is limited, the investment fund's ability to realize profits and/or minimize losses may be limited, which could adversely affect the net asset value of the investment fund.

#### *Turnover*

The Manager may invest on the basis of short-term market considerations from time to time. The turnover rate associated with such investments may be significant, potentially involving substantial brokerage commissions and fees.

#### *Differences between Quoted and Actionable Market Prices*

Many funds calculate their net asset values on the basis of market prices received from dealers. However, it is not unusual - especially in the case of certain less conventional instruments - for the prices quoted by dealers for informational purposes to materially exceed the prices at which the same dealers are willing actually to enter into transactions. This discrepancy can cause material disruptions and unexpected net asset value declines when a fund is required to sell a position which it had been valuing based on dealers' markets.

### *Risks of Special Techniques*

The special investment techniques that the Manager may use are subject to risks including those summarized below.

*Short Sales.* Selling a security short (“**shorting**”) involves borrowing a security from an existing holder and selling the security in the market with a promise to return it at a later date. Should the security increase in value during the shorting period, losses will incur to the Fund. 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. The Fund may experience difficulties repurchasing and returning the borrowed security if a liquid market for the security does not exist. The lender may also recall borrowed securities at any time. The lender from whom the Fund has borrowed securities may go bankrupt and the Fund may lose the collateral it has deposited with the lender.

*Leverage.* The use of leverage increases the risk to the Fund and subjects the Fund to higher current expenses. The Fund may utilize different forms of leverage, including borrowing money from banks or other institutions, acquiring securities on margin and entering into derivatives and other transactions with inherent financial leverage. The use of leverage involves increased market exposure as well as interest expense. The use of leverage may be counterproductive in that the interest expense associated with such leverage may materially exceed the rate of return earned by the Fund. Such borrowing and other leverage may result in significant loss of capital. The Fund will provide collateral to banks from which it borrows, to brokers through whom it buys securities on margin and to derivative counterparties by registering or pledging the interests or assets of the Fund in the names of such banks, brokers or counterparties or their nominees. This procedure exposes the Fund to the risk that for whatever reason, including, without limitation, the default, insolvency, negligence, misconduct or fraud of such banks, brokers or counterparties, the Fund will not reacquire the ownership of such interests upon the repayment by the Fund of such loans. Also, the Fund will be unable to reacquire such interests if the Fund defaults on such loans, on a margin call or under its derivatives transactions. The Fund’s failure or inability to reacquire such interests from the banks, brokers or counterparties in whose name the interests are registered could entangle the Fund in protracted litigation and, potentially, result in the complete loss of such interests. While the Manager will cause the Fund to borrow money only from banks or other institutions it believes to be creditworthy, there can be no absolute certainty that such institutions will return such interests to the Fund upon the repayment of their secured obligations.

*Derivative Financial Instruments.* The Fund may use derivative financial instruments, including, without limitation, options, swaps, notional principal contracts, contracts for differences and may use derivative techniques for hedging and for other trading purposes, including for the purpose of obtaining the economic benefit of an investment in an entity without making a direct investment. The risks posed by such instruments and techniques, which can be extremely complex and may involve leveraging of the Fund’s assets, include: (i) credit risks (the exposure to the possibility of loss resulting from a counterparty’s failure to meet its financial obligations); (ii) market risk (adverse movements in the price of a financial asset or commodity); (iii) legal risks (the characterization of a transaction or a party’s legal capacity to enter into it could render the financial contract unenforceable, and the insolvency or bankruptcy of a counterparty could pre-empt otherwise enforceable contract rights); (iv) operations risk (inadequate controls, deficient procedures, human error, system failure or fraud); (v) documentation risk (exposure to losses resulting from inadequate documentation); (vi) liquidity risk (exposure to losses created by inability to prematurely terminate the derivative); (vii) system risk (the risk that financial difficulties in one institution or a major market disruption will cause uncontrollable financial harm to the financial system); (viii) concentration risk (exposure to losses from the concentration of closely related risks such as exposure to a particular industry or exposure linked to a particular entity); and (ix) settlement risk (the risk faced when one party to a transaction has performed its obligations under a contract but has not yet received value from its counterparty).

Use of derivatives and other techniques such as short sales for hedging purposes involves certain additional risks, including (i) dependence on the ability to predict movements in the price of the securities hedged; (ii) imperfect correlation between movements in the securities on which the derivative is based and movements in the assets of the underlying portfolio; and (iii) possible impediments to effective portfolio management or the ability to meet short term obligations because of the percentage of a portfolio's assets segregated to cover its obligations. In addition, by hedging a particular position, any potential gain from an increase in value of such position may be limited.

*Special Situation Investing.* The Fund may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. The consummation of mergers, tender offers and exchange offers can be prevented or delayed by a variety of factors, including: (i) opposition of the management or shareholders of the target company, which often results in litigation to enjoin the proposed transaction; (ii) intervention of government agencies; (iii) efforts by the target company to pursue a defensive strategy, including a merger with, or a friendly tender offer by, a company other than the offeror; (iv) an attempt by a third party to acquire the offeror; (v) in the case of a merger, failure to obtain the necessary shareholder approvals; (vi) market conditions resulting in material changes in securities prices; (vii) compliance with any applicable legal requirements; and (viii) inability to obtain adequate financing. Additionally, such investment can result in a distribution of cash or a new security the value of which is less than the purchase price of the security in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Fund may be required to sell its investments at a loss. The Fund may purchase securities on a when-issued basis, which means that delivery and payment take place sometime after the date of the commitment to purchase and is often conditioned upon the occurrence of a subsequent event, such as approval and consummation of a merger, reorganization or debt restructuring. The purchase price and/or interest rate receivable with respect to a when-issued security are fixed when the Fund enters into the commitment. Such securities are subject to changes in market value prior to their delivery.

*Concentration.* The Manager may take more concentrated positions for the Fund than the Manager would for a typical fund or concentrate investment holdings of the Fund in specialized industries, market sectors or in a limited number of issuers. Investments in the Fund involve greater risk and volatility than other investments since the performance of one particular sector, market, or issuer could significantly and adversely affect the overall performance of the Fund.

*Hedging.* Although a hedge is intended to reduce risk, it does not eliminate risk entirely. A hedging strategy may not be effective. A hedge can result in a loss in the case of an extraordinary event. There are several such possible cases including, but not limited to: (i) a cease trade order being issued in respect of the underlying security; (ii) the inability to maintain a short position, due to the repurchase or redemption of shares by the issuing company; (iii) disappearance of any conversion premium due to premature redemptions, changes in conversion terms or changes in an issuer's dividend policy; (iv) credit quality considerations, such as bond defaults; and (v) lack of liquidity during market panics. To protect the Fund's capital against the occurrence of such events, the Manager will attempt to maintain a diversified Portfolio.

*Special Relationship.* The Manager may from time to time develop a special relationship with management of an issuer, whether through the provision of consulting services or financial sponsorship, or otherwise, which may constitute the Manager, and the Fund and other funds and managed accounts on whose behalf the Manager is acting, an "insider" of the issuer for a temporary or prolonged period, and therefore subject to statutory prohibitions on trading any of the issuer's securities, rendering the Fund's investments in such securities illiquid.

*Securities Lending.* The Fund may enter into securities lending transactions. The risks associated with securities lending transactions arise when the counterparty to such transaction defaults under the agreement and the Fund is forced to make a claim in order to recover its investment. The Fund could incur a loss if the value of the securities loaned or sold by the Fund has increased in value relative to the value of the collateral held by the Fund. The Fund may also incur losses in connection with the indemnification it is required to give to its authorized lending agents.

**In light of the foregoing there can be no assurance that the Fund’s investment objectives will be achieved or that the Series Net Asset Value per Unit at redemption will be equal to or more than the Unitholder’s original cost.**

**9.3 Investment Risk Classification**

As a guideline for evaluating the investment risk of the Fund, the Manager uses the Volatility Classification and Typical Fund Types table found in Appendix 1 of the Investment Funds Institute of Canada’s (“**IFIC**”) Recommendations for Fund Managers Regarding Fund Volatility. This document has been created by the Fund Risk Classification Task Force of IFIC (the “**Task Force**”). The Task Force concluded that the most comprehensive, easily understood form of risk in this context is historical volatility risk as measured by the standard deviation of fund performance. However, the Task Force recognizes that other types of risk, both measurable and non-measurable, may exist and reminds that historical performance may not be indicative of future returns and a fund’s historical volatility may not be indicative of its future volatility.

<b>INVESTMENT RISK CLASSIFICATION TABLE</b>			
	<b>TYPICAL FUND TYPE (based on the Canadian Investment Funds Standards Committee - www.cifsc.org)</b>	<b>IFIC FUND RISK SD BANDS</b>	<b>INVESTMENT RISK</b>
Norrep Canadian Enhanced Equity Fund	Alternative Strategies	Average	Medium

**9.4 Anti-Terrorism and Anti-Money Laundering Legislation**

The Manager is required to comply with all applicable laws, regulations and administrative pronouncements concerning money laundering and other criminal activities (“**Anti-Money Laundering Laws**”). In order to comply with Anti-Money Laundering Laws, the Manager requires Investors to make certain representations to the Manager in the Subscription Agreement regarding compliance with Anti-Money Laundering Laws. The Subscription Agreement contains detailed guidance on whether identification verification materials will need to be provided with the Subscription Agreement and, if so, a list of the documents and information required.

If, as a result of any information or other matter which comes to the Manager’s attention, any director, officer or employee of the Manager, or its professional advisors, knows or suspects that an investor is engaged in money laundering, such person is required to report such information or other matter to the Financial Transactions and Reports Analysis Centre of Canada and such report shall not be treated as a breach of any restriction upon the disclosure of information imposed by law or otherwise.

**ITEM 10. REPORTING OBLIGATIONS**

The fiscal year end of the Fund is October 31. The Fund’s audited annual financial statements will be posted on the Fund’s website (www.norrep.com) within 90 days of year end and the Fund’s unaudited semi-annual financial statements will be posted on the Fund’s website within 60 days of April 30, or as otherwise required by law. The audited annual and semi-annual financial statements can be requested, at no cost, by writing the Manager at Suite 4330, 77 King Street West, Toronto, Ontario M5K 1H6. Additional interim reporting to Unitholders will be at the discretion of the Manager. Unitholders will receive the applicable required tax form(s) within the time required by applicable law to assist Unitholders in making the necessary tax filings.

**ITEM 11. RESALE RESTRICTIONS**

No transfers of Units of the Fund may be made other than by operation of law or with the consent of the Manager. The statements in Items 11.1, 11.2, 11.3 below are expressly qualified by this restriction. Investors are advised to seek legal advice prior to any resale of the Units. However, Unitholders may redeem their Units in accordance with the Trust Agreement. See Item 6.4 — *Redemption of Units*.

### **11.1 General Statement**

For trades in Alberta, British Columbia, New Brunswick, Newfoundland, Nova Scotia, Prince Edward Island and Saskatchewan:

The Units will be subject to a number of resale restrictions, including a restriction on trading. Until the restriction on trading expires, Unitholders will not be able to trade the Units unless they comply with an exemption from the prospectus and registration requirements under securities legislation.

### **11.2 Restricted Period**

For trades in Alberta, British Columbia, New Brunswick, Newfoundland, Nova Scotia, Prince Edward Island and Saskatchewan:

Unless permitted under securities legislation, you cannot trade the Units before the date that is 4 months and a day after the date the Fund becomes a reporting issuer in any province or territory of Canada. As the Fund is not currently a reporting issuer in any province or territory of Canada, and does not contemplate becoming a reporting issuer, the statutory hold period could be indefinite.

### **11.3 Manitoba Resale Restrictions**

Unless permitted under securities legislation, you must not trade the Units without the prior written consent of the regulator in Manitoba unless:

- (1) the Fund has filed a prospectus with the regulator in Manitoba with respect to the Units you have purchased and the regulator in Manitoba has issued a receipt for that prospectus, or
- (2) you have held the Units for at least 12 months.

The regulator in Manitoba will consent to your trade if the regulator is of the opinion that to do so is not prejudicial to the public interest.

## **ITEM 12. PURCHASERS' RIGHTS**

If you purchase the Units you will have certain rights, some of which are described below. For information about your rights you should consult a lawyer.

### **12.1 Two Day Cancellation Right**

You can cancel your agreement to purchase the Units. To do so, you must send a notice to us by midnight on the 2<sup>nd</sup> business day after you sign the agreement to buy the Units.

### **12.2 Rights of Action for Damages or Rescission**

Securities legislation in some of the Offering Jurisdictions provides purchasers of securities pursuant to an offering memorandum (such as this Offering Memorandum) with a remedy for damages or rescission, or both, in addition

to any other rights they may have at law, where the offering memorandum and any amendment to it contains a Misrepresentation. As used herein, "Misrepresentation" means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement in the Offering Memorandum or any amendment hereto not misleading in light of the circumstances in which it was made. A "material fact" means a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of the Units. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the purchaser within the time limits prescribed by applicable securities legislation.

The information set forth below is not intended to be a comprehensive summary of the rights of each Investor, and may be subject to change and is qualified in its entirety by the provisions of the applicable provincial securities legislation. Each Investor should refer to their legal advisor for more details.

The following summaries are subject to the express provisions of the securities legislation referred to below and the rules, regulations and other instruments thereunder, and reference is made to the complete text of such provisions. Such provisions may contain limitations and statutory defences on which the Fund may rely.

The rights of action for damages or rescission discussed below are in addition to, and without derogation from, any other right or remedy which each Investor may have at law.

#### **Rights for Investors in Ontario**

If this Offering Memorandum, together with any amendment hereto, is delivered to an Investor resident in Ontario and contains a Misrepresentation, without regard to whether the Misrepresentation was relied upon by the Investor, the Investor will have a right of action against the Fund for damages or, alternatively, while still the owner of the purchased Units, for rescission, provided that:

1. no action may be commenced to enforce a right of action:
  - (a) for rescission more than 180 days after the date of the purchase; or
  - (b) for damages more than the earlier of (i) 180 days after the Investor first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of purchase;
2. the rights conferred here are in addition to and without derogation from any other rights or remedies available at law to the Investor;
3. the Fund will not be liable if it proves that the Investor purchased the Units with knowledge of the Misrepresentation;
4. the Fund will not be liable for a Misrepresentation in forward-looking information if the Fund proves that:
  - (a) this Offering Memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
  - (b) the Fund had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;

5. a Fund, and every director of the Fund (if applicable) at the date of the Offering Memorandum who is not a selling Unitholder, is not liable if the Fund does not receive any proceeds from the distribution of the Units and the Misrepresentation was not based on information provided by the Fund, unless the Misrepresentation:
  - (a) was based on information previously publicly disclosed by the Fund;
  - (b) was a Misrepresentation at the time of its previous public disclosure; and
  - (c) was not subsequently publicly corrected or superseded by the Fund before completion of the distribution of the funds being distributed.
6. in an action for damages, the Fund will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation relied upon; and
7. in no case shall the amount recoverable exceed the price at which the Units were sold to the Investor;
8. all persons or companies referred to above that are found to be liable or accept liability are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

The foregoing rights do not apply if the Investor is:

- (a) a Canadian financial institution (as defined in National Instrument 45-106) or a Schedule III bank;
- (b) the Business Development Bank of Canada incorporated under the Business Development Bank of Canada Act (Canada); or
- (c) a subsidiary of any person referred to in paragraphs (a) and (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

#### **Rights for Investors in British Columbia Purchasing under the Offering Memorandum Exemption Only**

If this Offering memorandum, together with any amendment hereto, is delivered to an Investor resident in British Columbia and contains a Misrepresentation and it was a Misrepresentation at the time of purchase, the Investor will be deemed to have relied upon the Misrepresentation and will have a right of action against the Fund, every director of the Fund (if applicable) at the date of this Offering Memorandum and every person who signed this Offering Memorandum for damages or, alternatively, while still the owner of the purchased Units, for rescission against the Fund, provided that:

1. no action may be commenced to enforce a right of action:
  - (a) for rescission more than 180 days after the date of the purchase; or
  - (b) for damages more than the earlier of (i) 180 days after the Investor first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the date of purchase;

2. the rights conferred here are in addition to and without derogation from any other rights or remedies available at law to the Investor;
3. no person or company will be liable if the person or company proves that the Investor purchased the Units with knowledge of the Misrepresentation;
4. no person or company (but excluding the Fund) will be liable if the person or company proves that:
  - (a) the Offering Memorandum was delivered to the Investor without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave written notice to the Fund that it was delivered without the person's or company's knowledge or consent; or
  - (b) on becoming aware of any Misrepresentation in the Offering Memorandum, the person or company withdrew the person's or company's consent to the Offering Memorandum and gave written notice to the Fund of the withdrawal and the reason for it; or
  - (c) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a Misrepresentation, or the relevant part of the Offering Memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
5. no person or company (but excluding the Fund) will be liable with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert, or to be a copy of, or an extract from, a report, opinion or statement of expert unless the person or company failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation, or believed that there had been a Misrepresentation;
6. the Fund will not be liable for a Misrepresentation in forward-looking information if the Fund proves that:
  - (a) this Offering Memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
  - (b) the Fund had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;
7. in an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves does not represent the depreciation in value of the Units as a result of the Misrepresentation;
8. in no case shall the amount recoverable exceed the price at which the Units were sold to the Investor;



9. if the Misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an Offering Memorandum, the Misrepresentation is deemed to be contained in the Offering Memorandum;
10. all persons or companies referred to above that are found to be liable or accept liability are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

### **Rights for Investors in Saskatchewan**

If this Offering Memorandum, together with any amendment hereto, is delivered to an Investor resident in Saskatchewan and contains a Misrepresentation at the time of purchase, the Investor is deemed to have relied upon that Misrepresentation and will have a right for damages against the Fund, every promoter and director of the Fund (as the case may be), every person or company who signed this Offering Memorandum and every person or company who sells Units on behalf of the Fund, or alternatively, while still the owner of the purchased Units, for rescission against the Fund, provided that:

1. no action shall be commenced to enforce the foregoing rights:
  - (a) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
  - (b) in the case of any action, other than an action for rescission, the earlier of (i) one year after the Investor first had knowledge of the facts giving rise to the cause of action, or (ii) six years after the date of the transaction that gave rise to the cause of the action;
2. no person or company will be liable if the person or company proves that the Investor purchased the Units with knowledge of the Misrepresentation;
3. no person or company (excluding the Fund) will be liable if the person or company proves that:
  - (a) the Offering Memorandum was delivered without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company immediately gave reasonable general notice that it was delivered without the person's or company's knowledge; or
  - (b) after the filing of the Offering Memorandum or amendment to the Offering Memorandum, and before the purchase of securities by the Investor, on becoming aware of any Misrepresentation, the person or company withdrew the person's or company's consent to the Offering Memorandum and gave reasonable general notice of the withdrawal and the reason for it; or
  - (c) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a Misrepresentation, or the relevant part of the Offering Memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of or extract from the report, opinion or statement of the expert;

4. no person or company (but excluding the Fund) will be liable with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert, or to be a copy of or an extract from a report, opinion or statement of an expert, unless the person or company failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation, or believed there had been a Misrepresentation;
5. the Fund will not be liable for a Misrepresentation in forward-looking information if the Fund proves that:
  - (a) this Offering Memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
  - (b) the Fund had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information.
6. no person or company, other than the Fund or fund distributor, is liable if the person or company proves that with respect to any part of the Offering Memorandum or of the amendment to the Offering Memorandum purporting to be made on the person's or company's own authority as an expert or purporting to be a copy of or an extract from the person's or company's own report, opinion or statement as an expert that contains a Misrepresentation attributable to failure to represent fairly his, her or its report, opinion or statement as an expert:
  - (a) the person or company had, after reasonable investigation, reasonable grounds to believe and did believe that the part of the Offering Memorandum or of the amendment to the Offering Memorandum fairly represented the person's or company's report, opinion or statement; or
  - (b) on becoming aware that the part of the Offering Memorandum did not fairly represent the person's or company's report, opinion or statement as expert, the person or company immediately advised the Commission and gave reasonable general notice that such use had been made of it and that the person or company would not be responsible for that part of the Offering Memorandum or the amendment to the Offering Memorandum;
7. no person or company, other than the Fund or fund distributor, is liable for any part of the Offering Memorandum or the amendment to the Offering Memorandum purporting to be made on the person's or company's own authority as an expert or purporting to be a copy of or an extract from the person's or company's own report, opinion or statement as an expert, unless the person or company:
  - (a) failed to conduct a reasonable investigation sufficient to provide reasonable grounds for a belief that there had been no Misrepresentation; or
  - (b) believe there had been a Misrepresentation;
8. no person or company, other than the Fund or fund distributor, is liable if the person or company proves that with respect to a false statement purporting to be a statement made by an official person or contained in what purports to be a copy of or extract from a public official document, the statement was a correct and fair representation of the statement or copy of or extract from

the document and the person or company had reasonable grounds to believe, and did believe, that the statement was true;

9. no person or company responsible for selling Units on behalf of the Fund, or alternatively, while still the owner of the purchased Units, is liable if that person or company can establish that he, she or it cannot reasonably be expected to have had knowledge of any Misrepresentation in the Offering Memorandum or the amendment to the Offering Memorandum;
10. in an action for damages, the Fund will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation relied upon;
11. in no case shall the amount recoverable exceed the price at which the Units were sold to the Investor; and
12. all persons or companies referred to above that are found to be liable or accept liability are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

An Investor resident in Saskatchewan who has entered into an agreement for the purchase of Units, which has not yet been completed, and who receives an amendment to this Offering Memorandum that discloses (i) a material change in the affairs of the Fund, (ii) a change in the terms or conditions of the offering as described in this Offering Memorandum or (iii) securities to be distributed that are in addition to the Units described herein, that occurred or arose before the Investor entered into the agreement for the purchase of the Units, may within two business days of receiving the amendment deliver a notice to the Manager or agent through whom the Units are being purchased indicating the Investor's intention not to be bound by the purchase agreement.

#### **Rights for Investors in Manitoba**

In the event that this Offering Memorandum or any amendment hereto contains a Misrepresentation, an Investor is deemed to have relied on the Misrepresentation and has a right of action for damages against the Fund, every director of the Fund at the date of the Offering Memorandum and every person or company who signed the Offering Memorandum, or alternatively, while still the owner of the purchased Units, a right of rescission against the Fund, provided that:

1. no action may be commenced to enforce a right of action:
  - (a) for rescission more than 180 days after the date of the purchase; or
  - (b) for damages, the earlier of (i) 180 days after the Investor first had knowledge of the facts giving rise to the cause of action, or (ii) two years after the date of the purchase;
2. no person or company will be liable if the person or company proves that the Investor purchased the Units with knowledge of the Misrepresentation;
3. no person or company (but excluding the Fund) will be liable if the person or company proves that:
  - (a) the Offering Memorandum was sent to the Investor without the person's or company's knowledge or consent, and that, after becoming aware of its sent, the person or

company promptly gave reasonable notice to the Fund that it was sent without the person's or company's knowledge and consent; or

- (b) on becoming aware of the Misrepresentation, the person or company withdrew their respective consent to the Offering Memorandum and gave reasonable notice to the Fund of the withdrawal and the reason for it; or
  - (c) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, an expert's report, opinion or statement, the person or company proves that they had no reasonable grounds to believe and did not believe that there had been a Misrepresentation, or the relevant part of the Offering Memorandum did not fairly represent the expert's report, opinion or statement, or was not a fair copy of, or an extract from, the expert's report or statement;
4. no person or company (excluding the Fund) will be liable with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of , or an extract from, an expert's report, opinion or statement, unless the person or company did not conduct an investigation sufficient to provide reasonable grounds for a belief that there had been on Misrepresentation, or believed that there had been a Misrepresentation;
  5. the Fund will not be liable for a Misrepresentation in forward-looking information if the Fund proves that:
    - (a) this Offering Memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
    - (b) the Fund had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;
  6. in an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves does not represent the depreciation in value of the Units as a result of the Misrepresentation;
  7. in no case shall the amount recoverable exceed the price at which the Units were sold to the Investor;
  8. if the Misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an Offering Memorandum, the Misrepresentation is deemed to be contained in the Offering Memorandum; and
  9. all persons or companies referred to above that are found to be liable or accept liability are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

### **Rights for Investors in New Brunswick**

If the Offering Memorandum, together with any amendment thereto, delivered to an Investor resident in New Brunswick contains a Misrepresentation that was a Misrepresentation at the time of purchase, the Investor will be deemed to have relied on the Misrepresentation and will have a right of action against the Fund for damages or, alternatively, while still the owner of the purchased Units, for rescission, provided that:

1. no action may be commenced to enforce a right of action:
  - (a) for rescission more than 180 days after the date of the purchase; or
  - (b) for damages more than the earlier of (i) one year after the Investor first had knowledge of the facts giving rise to the cause of action, and (ii) six years after the date of purchase;
2. the rights conferred here are in addition to and without derogation from any other rights or remedies available at law to the Investor;
3. the Fund will not be liable if it proves that the Investor purchased the Units with knowledge of the Misrepresentation;
4. the Fund will not be liable for a Misrepresentation in forward-looking information if the Fund proves that:
  - (a) this Offering Memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
  - (b) the Fund had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;
5. a Fund, and every director of the Fund (if applicable) at the date of the Offering Memorandum who is not a selling Unitholder, is not liable if the Fund does not receive any proceeds from the distribution of the Units and the Misrepresentation was not based on information provided by the Fund, unless the Misrepresentation:
  - (a) was based on information previously publicly disclosed by the Fund;
  - (b) was a Misrepresentation at the time of its previous public disclosure; and
  - (c) was not subsequently publicly corrected or superseded by the Fund before completion of the distribution of the funds being distributed;
6. in an action for damages, the Fund will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation relied upon;
7. in no case shall the amount recoverable exceed the price at which the Units were sold to the Investor;

8. all persons or companies referred to above that are found to be liable or accept liability are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

### **Rights for Investors in Nova Scotia**

In Nova Scotia, in the event that this Offering Memorandum, together with any amendment hereto or any advertising or sales literature (as defined in the *Securities Act* (Nova Scotia) (the "Nova Scotia Act")), contains a Misrepresentation and it was a Misrepresentation at the time of purchase, the Investor resident in Nova Scotia will be deemed to have relied upon the Misrepresentation and will have a right of action against the Fund, every director of the Fund (if applicable) at the date of this Offering Memorandum and every person who signed this Offering Memorandum for damages or, alternatively, while still the owner of the purchased Units, for rescission against the Fund, provided that:

1. no action may be commenced to enforce a right of action more than 120 days:
  - (a) after the date on which payment was made for the Units or;
  - (b) after the date on which the initial payment was made;
2. the rights conferred here are in addition to and without derogation from any other rights or remedies available at law to the Investor;
3. no person or company will be liable if the person or company proves that the Investor purchased the Units with knowledge of the Misrepresentation;
4. no person or company (but excluding the Fund) will be liable if the person or company proves that:
  - (a) the Offering Memorandum was delivered to the Investor without the person's or company's knowledge or consent and that, on becoming aware of its delivery, the person or company gave reasonable general notice that it was delivered without the person's or company's knowledge or consent;
  - (b) after delivery of the Offering Memorandum and before the purchase of the Units by the Investor, on becoming aware of any Misrepresentation in the Offering Memorandum, the person or company withdrew the person's or company's consent to the Offering Memorandum and gave reasonable general notice of the withdrawal and the reason for it; or
  - (c) with respect to any part of the Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that there had been a Misrepresentation, or the relevant part of the Offering Memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert; or
5. no person or company (but excluding the Fund) will be liable with respect to any part of the Offering Memorandum not purporting to be made on the authority of an expert, or to be a copy, or an extract from, a report, opinion or statement of expert unless the person or company failed

- to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation, or believed that there had been a Misrepresentation;
6. the Fund will not be liable for a Misrepresentation in forward-looking information if the Fund proves that:
    - (a) this Offering Memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information; and
    - (b) the Fund had a reasonable basis for drawing the conclusions or making the forecasts and projections set out in the forward-looking information;
  7. in an action for damages, the defendant will not be liable for all or any portion of the damages that the defendant proves does not represent the depreciation in value of the Units as a result of the Misrepresentation relied upon;
  8. in no case will the amount recoverable in any action exceed the price at which the Units were sold to the Investor;
  9. if the Misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an Offering Memorandum, the Misrepresentation is deemed to be contained in the Offering Memorandum;
  10. all persons or companies referred to above that are found to be liable or accept liability are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

These rights are intended to correspond with the rights against a seller of securities provided in the Nova Scotia Act and the securities regulations thereto and are subject to defences contained therein.

#### **Rights for Investors in Newfoundland**

If this Offering Memorandum, together with any amendment hereto, delivered to an Investor resident in Newfoundland contains a Misrepresentation and it was a Misrepresentation at the time of purchase, the Investor will be deemed to have relied upon the Misrepresentation and will have a right of action for damages against the Fund, a director of the Fund (if applicable) at the date of this Offering Memorandum, a person or company whose consent has been filed with respect to reports, opinions or statements that have been made by them and a person or company who signed this Offering Memorandum, or alternatively, while still the owner of the purchased Units, a right for rescission against the Fund, provided that:

1. no action shall be commenced to enforce the foregoing rights:
  - (a) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action; or
  - (b) in the case of any action, other than an action for rescission, the earlier of: (i) 180 days after the Investor first had knowledge of the facts giving rise to the cause of the action;

- or (ii) three years after the date of the transaction that gave rise to the cause of the action;
2. no person or company will be liable if the person or company proves that the Investor purchased the Offering Memorandum with knowledge of the Misrepresentation;
  3. no person or company (but excluding the Fund) will be liable if:
    - (a) the person or company proves that this Offering Memorandum was sent to the Investor without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Fund that it was sent without the knowledge and consent of the person or company;
    - (b) the person or company proves that the person or company, on becoming aware of any Misrepresentation in this Offering Memorandum, withdrew the person's or company's consent to this Offering Memorandum and gave reasonable notice of the withdrawal to the Fund and the reason for it;
    - (c) with respect to any part of this Offering Memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or statement of an expert, the person or company proves that they did not have any reasonable grounds to believe and did not believe that: (i) there had been a Misrepresentation; or (ii) the relevant part of this Offering Memorandum did not fairly represent the report, opinion or statement of the expert, or was not a fair copy of, or an extract from, the report, opinion or statement of the expert;
  4. no person or company (excluding the Fund) will be liable with respect to any part of this Offering Memorandum not purporting to be made on the authority of an expert and not purporting to be a copy of, or an extract from, a report, opinion or statement of an expert, unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation; or (ii) believed that there had been a Misrepresentation;
  5. a Fund, and every director of the Fund (if applicable) at the date of the Offering Memorandum who is not a selling Unitholder, is not liable if the Fund does not receive any proceeds from the distribution of the Units and the Misrepresentation was not based on information provided by the Fund, unless the Misrepresentation:
    - (a) was based on information previously publicly disclosed by the Fund;
    - (b) was a Misrepresentation at the time of its previous public disclosure; and
    - (c) was not subsequently publicly corrected or superseded by the Fund before completion of the distribution of the funds being distributed;
  6. in an action for damages, the defendant will not be liable for all or any part of the damages that it proves do not represent the depreciation in value of the Units as a result of the Misrepresentation;
  7. in no case shall the amount recoverable exceed the price at which the Units were sold to the Investor;



8. if the Misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an offering memorandum, the Misrepresentation is deemed to be contained in the offering memorandum;
9. all persons or companies referred to above that are found to be liable or accept liability are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

#### **Rights for Investors in Prince Edward Island**

If this offering memorandum contains a Misrepresentation, an Investor resident in Prince Edward Island who purchases Units offered by the offering memorandum during the period of distribution will be deemed to have relied upon the Misrepresentation and will have a right of action against the Fund, every director of the Fund at the date of this offering memorandum and every person who signed this offering memorandum for damages or, alternatively, while still the owner of the purchased Units, for rescission against the Fund, provided that:

1. no action shall be commenced to enforce the foregoing rights:
  - (a) in the case of an action for rescission, more than 180 days after the date of the transaction that gave rise to the cause of action, or
  - (b) in the case of any action, other than an action for rescission, the earlier of (i) 180 days after the Investor first had knowledge of the facts giving rise to the cause of the action, or (ii) three years after the date of the transaction that gave rise to the cause of the action;
2. the right of action for rescission or damages is in addition to and without derogation from any other right available at law to the Investor;
3. no person or company will be liable if the person or company proves that the Investor purchased the Units with knowledge of the Misrepresentation;
4. no person or company (but excluding the Fund) will be liable if it proves that:
  - (a) the offering memorandum was sent to the Investor without the person's or company's knowledge or consent and that, on becoming aware of its being sent, the person or company promptly gave reasonable notice to the Fund that it was sent without the person's or company's knowledge and consent, or
  - (b) the person or company, on becoming aware of any Misrepresentation in the offering memorandum, withdrew the person's or company's consent to the offering memorandum and gave reasonable notice of the withdrawal and the reason for it to the Fund, or
  - (c) with respect to any part of the offering memorandum purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert, the person or company had no reasonable grounds to believe and did not believe that (i) there had been a Misrepresentation, or (ii) the relevant part of the offering memorandum did not fairly represent the report, statement or opinion of the expert, or was not a fair copy of, or an extract from, the report, statement or opinion of the expert;

5. no person or company (but excluding the Fund) will be liable with respect to any part of the offering memorandum not purporting to be made on the authority of an expert or to be a copy of, or an extract from, a report, an opinion or a statement of an expert unless the person or company (i) failed to conduct a reasonable investigation to provide reasonable grounds for a belief that there had been no Misrepresentation or, (ii) believed that there had been a Misrepresentation;
6. no person or company will be liable for a Misrepresentation in forward-looking information if:
  - (a) the offering memorandum contains, proximate to the forward-looking information, reasonable cautionary language identifying the forward-looking information as such, and identifying material factors that could cause actual results to differ materially from a conclusion, forecast or projection in the forward-looking information, and a statement of material factors or assumptions that were applied in drawing a conclusion or making a forecast or projection set out in the forward-looking information, and
  - (b) the person or company had a reasonable basis for drawing the conclusions or making the forecasts or projections set out in the forward-looking information;
7. a Fund, and every director of the Fund at the date of the offering memorandum who is not a selling Unitholder, is not liable if the Fund does not receive any proceeds from the distribution of the Units and the Misrepresentation was not based on information provided by the Fund, unless the Misrepresentation:
  - (a) was based on information previously publicly disclosed by the Fund;
  - (b) was a Misrepresentation at the time of its previous public disclosure; and
  - (c) was not subsequently publicly corrected or superseded by the Fund before completion of the distribution of the Units being distributed;
8. in an action for damages, the defendant will not be liable for all or any portion of the damages that it proves do not represent the depreciation in value of the Units resulting from the Misrepresentation;
9. in no case shall the amount recoverable exceed the price at which the Units were offered to the Investor;
10. if the Misrepresentation is contained in a record incorporated by reference in, or is deemed to be incorporated into, an offering memorandum, the Misrepresentation is deemed to be contained in the offering memorandum;
11. all or any one of the persons who or companies that are found to be liable or accept liability are jointly and severally liable. A defendant who is found liable to pay a sum in damages may recover a contribution, in whole or in part, from a person or company who is jointly and severally liable to make the same payment in the same cause of action unless, in all the circumstances of the case, the court is satisfied that it would not be just and equitable.

**ITEM 13. FINANCIAL STATEMENTS**

See attached financial statements of Norrep Canadian Enhanced Equity Fund, for the period ended October 31, 2016.

# FINANCIAL STATEMENTS OF NORREP CANADIAN ENHANCED EQUITY FUND



For the year ended October 31, 2016



KPMG LLP  
205 5th Avenue SW  
Suite 3100  
Calgary AB  
T2P 4B9  
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www.kpmg.ca

## **INDEPENDENT AUDITORS' REPORT**

To the Unitholders of Norrep Canadian Enhanced Equity Fund:

We have audited the accompanying financial statements of Norrep Canadian Enhanced Equity Fund, which comprise the statement of financial position as at October 31, 2016, the statements of comprehensive income (loss), changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's responsibility for the financial statements*

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

### *Auditors' responsibility*

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

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

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



*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Norrep Canadian Enhanced Equity Fund as at October 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*KPMG LLP*

Chartered Professional Accountants

December 15, 2016

Calgary, Canada

# NORREP CANADIAN ENHANCED EQUITY FUND

Statements of Financial Position

*(in Canadian dollars, except Units outstanding)*

As at	October 31, 2016	October 31, 2015
<b>Assets</b>		
Cash and cash equivalents	499,441	85,309
Dividends and interest receivable	20,314	8,300
Due from manager (note 7)	-	18,000
Portfolio assets sold	99,218	28,808
Investments - long, at fair value through profit or loss	8,906,040	3,506,932
Total assets	9,525,013	3,647,349
<b>Liabilities</b>		
Accrued expenses (note 7)	23,500	14,300
Dividends payable on investments sold short	3,867	1,085
Portfolio assets purchased	532,279	62,733
Units redeemed	3,188	-
Investments - short, at fair value through profit or loss	2,212,878	848,714
Total liabilities (excluding net assets attributable to holders of redeemable units)	2,775,712	926,832
Net assets attributable to holders of redeemable units	6,749,301	2,720,517
Net assets attributable to holders of redeemable units:		
Series A	126,299	114,583
Series F	3,916,630	219,049
Series I	2,706,372	2,386,885
Redeemable units outstanding (note 6):		
Series A	11,744	11,400
Series F	357,687	21,617
Series I	243,377	234,214
Net assets attributable to holders of redeemable units per unit:		
Series A	10.75	10.05
Series F	10.95	10.13
Series I	11.12	10.19

See accompanying notes to financial statements.

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



Keith Leslie



Alex Sasso

# NORREP CANADIAN ENHANCED EQUITY FUND

Statements of Comprehensive Income (Loss)

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

*(in Canadian dollars)*

	2016	2015
Dividend income	208,119	61,834
Interest for distribution purposes	5,333	-
Net gain (loss) on investments at fair value through profit or loss		-
Net realized gain on investments	204,106	76,478
Net change in unrealized appreciation (depreciation) in fair value of investments	566,408	(191,757)
Total investment revenue (loss)	983,966	(53,445)
Dividend expense on investments sold short	53,077	15,373
Management fees (note 7)	29,252	4,115
Transaction costs	16,602	6,037
Audit and tax fees	13,884	16,702
Risk management fees	13,257	2,501
Other	12,149	10,537
Administrative fees (note 7)	5,812	1,360
HST/GST	3,295	784
Custodian and record keeping fees	2,740	135
Legal and filing fees	1,561	799
Computer services	1,542	385
Independent review committee	411	106
Operating expense recovery (note 7)	-	(17,143)
Total operating expenses	153,582	41,691
Increase (decrease) in net assets attributable to holders of redeemable units before tax	830,384	(95,136)
Withholding tax expense	28	-
Increase (decrease) in net assets attributable to holders of redeemable units	830,356	(95,136)
Change in net assets attributable to holders of redeemable units (note 6):		
Series A	11,721	(417)
Series F	522,506	26,416
Series I	296,129	(121,135)
Change in net assets attributable to holders of redeemable units per unit (note 6):		
Series A	1.01	(0.04)
Series F	2.00	0.83
Series I	1.24	(0.57)

See accompanying notes to financial statements.



# NORREP CANADIAN ENHANCED EQUITY FUND

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

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

(in Canadian dollars)

	All Series					Series F			Series I	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Net assets attributable to holders of redeemable units, beginning of period	2,720,517	-	114,583	-	219,049	-	-	-	2,386,885	-
Increase (decrease) in net assets, attributable to holders of redeemable units	830,356	(95,136)	11,721	(417)	522,506	26,416	296,129	(121,135)		
Transactions attributable to holders of redeemable units:										
Issuance of units	3,361,409	3,145,020	-	115,000	3,332,569	522,000	28,840	2,508,020		
Reinvestment of distributions	76,073	39,744	3,478	2,254	5,234	5,303	67,361	32,187		
Amounts paid on redemptions of redeemable units	(83,576)	(328,020)	-	-	(83,576)	(928,020)	-	-		
	3,353,906	2,856,744	3,478	117,254	3,254,227	199,283	96,201	2,540,207		
Distributions declared	(155,478)	(41,091)	(3,483)	(2,254)	(79,152)	(6,650)	(72,843)	(32,187)		
	(155,478)	(41,091)	(3,483)	(2,254)	(79,152)	(6,650)	(72,843)	(32,187)		
Net assets attributable to holders of redeemable units, end of period	6,749,301	2,720,517	126,299	114,583	3,916,630	219,049	2,706,372	2,386,885		
Distributions per unit to holders of redeemable units			0.30	0.23	0.31	0.23	0.31	0.15		

See accompanying notes to financial statements

# NORREP CANADIAN ENHANCED EQUITY FUND

## Statements of Cash Flows

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

*(in Canadian dollars)*

	2016	2015
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	830,356	(95,136)
Adjustments for:		
Net realized gain on sale of investments at fair value through profit or loss	(204,106)	(76,478)
Net change in unrealized (appreciation) depreciation of investments at fair value through profit or loss	(566,408)	191,757
Purchase of investments	(19,600,904)	(7,073,227)
Proceeds from the sale of investments	16,735,688	4,333,716
Dividends and interest receivable	(12,014)	(8,300)
Due from Manager	18,000	(18,000)
Accrued expenses	9,200	14,300
Dividends payable on investments sold short	2,782	1,085
<b>Net cash used in operating activities</b>	<b>(2,787,406)</b>	<b>(2,730,283)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from the issuance of redeemable units	3,361,409	3,145,020
Amounts paid on redemption of redeemable units	(80,388)	(328,020)
Distributions to holders of redeemable units	(155,478)	(41,091)
Reinvestment of distributions	76,073	39,744
<b>Net cash from financing activities</b>	<b>3,201,616</b>	<b>2,815,653</b>
Net increase in cash and cash equivalents	414,210	85,370
Effect of exchange rates on cash and cash equivalents	(78)	(61)
Cash and cash equivalents at beginning of period	85,309	-
<b>Cash and cash equivalents at end of period</b>	<b>499,441</b>	<b>85,309</b>
Dividends received, net of withholding tax paid	196,077	69,012
Interest received	5,333	-
Dividend expenses on investments sold short	50,295	14,510

See accompanying notes to financial statements.

# NORREP CANADIAN ENHANCED EQUITY FUND

Schedule of Investment Portfolio

As at October 31, 2016

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>CANADIAN EQUITIES - LONG</b>				
<b>Basic Materials</b>				
CCL Industries Inc., Class 'B'	1,000	218,158	238,540	
Kirkland Lake Gold Inc.	25,600	234,611	238,080	
OceanaGold Corp.	42,400	157,592	173,840	
Supremex Inc.	24,000	136,029	137,760	
Tahoe Resources Inc.	12,000	226,573	192,960	
Western Forest Products Inc.	100,000	206,199	204,000	
		1,179,162	1,185,180	17.6%
<b>Consumer Discretionary</b>				
Dollarama Inc.	2,000	163,879	200,460	
Gildan Activewear Inc.	3,500	134,770	120,575	
Hardwoods Distribution Inc.	7,300	114,329	138,627	
Magna International Inc., Class 'A'	2,500	122,408	137,675	
Quebecor Inc., Class 'B'	4,500	182,663	169,380	
		718,049	766,717	11.4%
<b>Consumer Staples</b>				
AGT Food and Ingredients Inc.	3,700	133,583	141,118	
Alimentation Couche-Tard Inc., Class 'B'	2,100	125,809	141,498	
George Weston Ltd.	1,300	144,309	142,090	
Metro Inc., Class 'A'	3,000	120,777	124,380	
		524,478	549,086	8.1%
<b>Energy</b>				
Advantage Oil & Gas Ltd.	15,000	138,019	135,750	
Crescent Point Energy Corp.	7,600	154,600	121,372	
Enbridge Inc.	4,100	236,591	237,472	
Inter Pipeline Ltd.	7,800	199,617	216,918	
Parex Resources Inc.	8,700	95,019	134,241	
Peyto Exploration & Development Corp.	4,500	141,908	155,070	
TransCanada Corp.	3,400	201,032	206,448	
Whitecap Resources Inc.	19,200	163,427	205,824	
ZCL Composites Inc.	11,900	85,024	139,111	
		1,415,237	1,552,206	23.0%
<b>Financials</b>				
Bank of Montreal	3,900	294,428	332,904	
Canadian Imperial Bank of Commerce	3,400	313,605	341,700	
Industrial Alliance Insurance and Financial Services Inc.	3,800	170,947	197,372	
Manulife Financial Corp.	10,600	188,225	205,958	
National Bank of Canada	4,300	186,946	205,884	
Royal Bank of Canada	6,700	504,593	561,460	
Sun Life Financial Inc.	4,700	196,840	210,983	
		1,855,584	2,056,261	30.5%
<b>Industrials</b>				
Air Canada	8,900	80,358	112,585	
Canadian National Railway Co.	3,200	244,074	269,824	
Chorus Aviation Inc.	23,900	139,477	149,136	
New Flyer Industries Inc.	4,200	136,870	157,500	
		600,779	689,045	10.2%
<b>Information Technology</b>				
CGI Group Inc., Class 'A'	2,600	165,662	165,646	
Open Text Corp.	1,900	160,086	158,232	
Vecima Networks Inc.	10,000	106,206	86,400	
		431,954	410,278	6.1%
<b>Real Estate</b>				
Choice Properties REIT	9,500	117,063	125,210	
Colliers International Group Inc.	3,000	157,427	140,100	
Cominar REIT	9,000	135,291	133,740	
CREIT	2,700	126,529	124,686	
Granite REIT	3,200	137,361	135,040	
OneREIT	63,900	208,301	225,567	
Smart REIT	4,100	155,882	137,145	
		1,037,854	1,021,488	15.1%
<b>Telecommunications</b>				
BCE Inc.	4,300	247,057	262,042	
		247,057	262,042	3.9%
<b>Utilities</b>				
ATCO Ltd., Class 'I'	4,100	181,518	192,782	
Capital Power Corp.	10,700	227,301	220,955	
		408,819	413,737	6.1%
<b>TOTAL CANADIAN EQUITIES - LONG</b>		<b>8,418,973</b>	<b>8,906,040</b>	<b>132.0%</b>
<b>TOTAL EQUITIES - LONG</b>		<b>8,418,973</b>	<b>8,906,040</b>	<b>132.0%</b>

# NORREP CANADIAN ENHANCED EQUITY FUND

Schedule of Investment Portfolio (continued)

As at October 31, 2016

(in Canadian dollars)

Description	Number of Shares	Proceeds (\$)	Fair Value (\$)	% of Net Assets
<b>CANADIAN EQUITIES - SHORT</b>				
<b>Basic Materials</b>				
Goldcorp Inc.	(2,700)	(60,628)	(54,999)	
		(60,628)	(54,999)	-0.8%
<b>Consumer Discretionary</b>				
Shaw Communications Inc., Class 'B'	(5,200)	(130,593)	(138,216)	
Yellow Pages Ltd.	(6,600)	(120,516)	(143,418)	
		(251,109)	(281,634)	-4.2%
<b>Consumer Staples</b>				
Jean Coutu Group (PJC) Inc. (The), Class 'A'	(5,000)	(96,580)	(101,000)	
Rogers Sugar Inc.	(15,000)	(66,531)	(94,200)	
		(163,111)	(195,200)	-2.9%
<b>Energy</b>				
Enbridge Income Fund Holdings Inc.	(3,100)	(101,268)	(105,524)	
Imperial Oil Ltd.	(2,600)	(103,864)	(113,100)	
		(205,132)	(218,624)	-3.2%
<b>Financials</b>				
Brookfield Asset Management Inc., Class 'A'	(2,200)	(101,748)	(103,334)	
Canadian Western Bank	(4,100)	(104,123)	(104,345)	
IGM Financial Inc.	(2,800)	(100,412)	(100,800)	
Onex Corp.	(1,200)	(97,316)	(104,112)	
		(403,599)	(412,591)	-6.1%
<b>Industrials</b>				
Cervus Equipment Corp.	(6,400)	(74,691)	(86,080)	
K-Bro Linen Inc.	(1,700)	(73,649)	(65,382)	
Student Transportation Inc.	(14,200)	(90,181)	(110,334)	
		(238,521)	(261,796)	-3.9%
<b>Information Technology</b>				
Celestica Inc.	(8,500)	(116,515)	(134,895)	
Solium Capital Inc.	(14,500)	(97,244)	(107,155)	
		(213,759)	(242,050)	-3.6%
<b>Real Estate</b>				
Boardwalk REIT	(2,000)	(101,179)	(98,440)	
Canadian Apartment Properties REIT	(3,300)	(102,850)	(96,756)	
Dream Office REIT	(4,000)	(78,571)	(66,840)	
First Capital Realty Inc.	(4,300)	(85,996)	(91,977)	
H&R REIT	(4,300)	(87,591)	(98,083)	
RioCan REIT	(3,600)	(102,706)	(93,888)	
		(558,893)	(545,984)	-8.1%
<b>TOTAL CANADIAN EQUITIES - SHORT</b>		<b>(2,094,752)</b>	<b>(2,212,878)</b>	<b>-32.8%</b>
Less: Transaction costs included in average cost		(4,593)		
<b>TOTAL INVESTMENTS</b>		<b>6,319,628</b>	<b>6,693,162</b>	<b>99.2%</b>
Other assets, less liabilities			<b>56,139</b>	<b>0.8%</b>
<b>TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>6,749,301</b>	<b>100.0%</b>

# NORREP CANADIAN ENHANCED EQUITY FUND

## Notes to the Financial Statements

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

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### 1. Reporting entity:

Norrep Canadian Enhanced Equity Fund (the “Fund”) is an unincorporated open-ended mutual fund trust established under the laws of Ontario pursuant to a trust agreement dated January 30, 2015. The Fund’s principal place of business is Suite 4330, 77 King Street West, Toronto, Ontario, M5K 1H6.

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

Norrep Capital Management Ltd. (“Norrep”) is the Manager and Portfolio Manager for the Fund. As Manager, it provides overall management and direction for the Fund as well as manages the day-to-day operation of the Fund. As Portfolio Manager, it provides investment management services to the Fund. Valiant Trust Company is the trustee, Scotia Capital Inc. is the prime broker, CIBC Mellon Global Securities Services Company is the custodian, administrator, transfer agent and registrar and Norrep Investment Management Group Inc. is the Sponsor of the Fund.

### 2. Basis of preparation:

#### (a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements of the Fund were approved and were authorized for issue by the Manager’s Board of Directors on December 15, 2016.

#### (b) Basis of measurement:

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

#### (c) Functional and presentation currency:

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

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

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## 2. Basis of preparation (continued):

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

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

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

## 3. Significant accounting policies:

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

#### (i) Recognition and initial measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognized on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they originated.

Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value, with transaction costs recognized in profit or loss.

#### (ii) Classification

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

Financial assets at fair value through profit or loss:

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

Financial assets at amortized cost:

- Loans and receivables: cash and cash equivalents and receivables

Financial liabilities at amortised cost:

- Other liabilities: all liabilities, other than investments sold short, which are designated at fair value through profit and loss

# NORREP CANADIAN ENHANCED EQUITY FUND

## Notes to the Financial Statements

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

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### 3. Significant accounting policies (continued):

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

##### (ii) Classification (continued)

A financial instrument is classified as held for trading if:

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

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

##### (iii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at last traded price.

For securities where market quotes are not available, the Fund values the initial investment at the amount paid. After initial investment, the Fund uses estimation techniques to determine fair value including observable market data, discounted cash flows and internal models that compare the investments to its peer group.

There is no difference between pricing NAV and accounting NAV.

##### (iv) Amortized cost measurement

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at recognition, minus principal repayments (if applicable), plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount (if applicable), minus any reduction for impairment (if applicable).

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

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### 3. Significant accounting policies (continued):

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

##### (v) Specific instruments

##### Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments, other than cash collateral provided in respect of derivatives and securities borrowing transactions.

##### Redeemable units

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Fund has multiple classes of redeemable units that do not have identical features and therefore, do not qualify as equity under IAS 32, Financial Instruments. The redeemable units, which are classified as financial liabilities and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's valuation policies at each redemption date. The units represent the residual interest in the Fund.

The value at which redeemable units are issued or redeemed is determined by dividing the net assets at fair value, based on last trading price, of each class by the total number of redeemable units outstanding for the Class at the Valuation Time on the Dealing Day as defined in the Offering Memorandum (generally the last day of each calendar week and the last business day of each calendar month). Amounts received on the issuance of redeemable units and amounts paid by the Class on the redemption of redeemable units are added to or deducted from net assets.

#### (b) Dividend income and dividend expense:

Dividend income is recognized in profit or loss on the date on which the right to receive payment is established. This is usually the ex-dividend date.

The Fund incurs expenses on short positions in equity securities equal to the dividends due on these securities. Such dividend expense is recognized in profit or loss as operating expense when the shareholders' right to receive payment is established.



# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

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### 3. Significant accounting policies (continued):

(c) Distributions to holders of redeemable units:

Any distribution made will be in proportion to the number of units held by each unitholder.

Distributions per unit are calculated as the total amount of distributions divided by the number of units on the record date.

(d) Net gain (loss) from financial instruments at fair value through profit or loss:

Net unrealized/realized gain (loss) from financial instruments at fair value through profit or loss is calculated using the average cost method.

(e) Income tax:

The Fund 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.

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

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

(g) Translation of foreign currency:

Foreign currency amounts are expressed in Canadian dollars as follows:

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

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

# NORREP CANADIAN ENHANCED EQUITY FUND

## Notes to the Financial Statements

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

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### 3. Significant accounting policies (continued):

#### (h) Derivative financial instruments:

The Fund may use derivative financial instruments to reduce its exposure to fluctuations in foreign currency exchange rates. Derivative financial instruments are recorded at mark to market with changes in fair value recorded in the statement of comprehensive income.

Options are contracts entitling the holder to purchase or sell a specified item at a specified price, during a specified period or on a specified date. Options purchased are recorded as investments; options written (sold) are recorded as liabilities. Any gain or loss resulting from revaluation is included in change in unrealized gain (loss) on derivative instruments on the statements of comprehensive income. Upon closing of an option, other than by exercise, which results in a cash settlement, the difference between the premium (original option value) and the settlement proceeds is included in net realized gain (loss) on derivative instruments on the statements of comprehensive income. When securities are acquired or delivered upon exercise of an option, the acquisition cost or sale proceeds are adjusted by the amount of the premium. When an option is closed, the difference between the premium and the cost to close the position is included in net realized gain (loss) on derivatives on the statements of comprehensive income. When an option expires, the premium for options written or purchased is reflected in the statement of operations as net realized gain (loss) on derivative instruments.

The risks include the possibility there may be an illiquid options market or the inability of the counterparties to fulfill their obligations under the contract. Writing options involves, to varying degrees, elements of market risk in excess of the amount recognized in the statement of financial position.

#### (i) Short selling:

The Fund may make short sales whereby a security that it does not own is sold in anticipation of a decline in the fair value of the security. Securities that are sold short are valued at the last traded price reported by the principal securities exchange on which the issue is traded on the financial statement date. To enter into a short sale, the Fund will need to borrow the security for delivery to the buyer. Also, while the transaction is open, the Fund will incur a liability for any paid dividends or interest that is due to the lender of the security.

Should the security increase in value during the shorting period, the Fund will incur a loss. There is, in theory, no upper limit to how high the price of a security may go. Another risk involved in shorting is the loss of a borrow, a situation where the lender of the security requests its return. In cases like this, the Fund must either find securities to replace those borrowed or step into the market and repurchase the securities. Depending on the liquidity of the security shorted, if there are insufficient securities available at current market prices, the

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

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### 3. Significant accounting policies (continued):

(i) Short selling (continued):

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

(j) Future accounting pronouncements:

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also introduces new requirements to address the impairment of financial assets.

The mandatory effective date of IFRS 9 for the Fund is for the fiscal year beginning November 1, 2018.

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

### 4. Fair value measurement:

(a) Investments

The fair values of financial assets and financial liabilities that are traded on active markets are based on quoted market prices. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

A three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

- Inputs that are quoted prices (unadjusted) in active markets for identical instruments (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for instruments, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

## 4. Fair value measurement (continued):

### (a) Investments (continued)

- Inputs for the instruments that are not based on observable market data (unobservable inputs) (Level 3). This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on the quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
October 31, 2016				
Public securities				
Equities - long	8,906,040	–	–	8,906,040
Equities - short	(2,212,878)	–	–	(2,212,878)
Total investments	6,693,162	–	–	6,693,162

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
October 31, 2015				
Public securities				
Equities - long	3,506,932	–	–	3,506,932
Equities - short	(848,714)	–	–	(848,714)
Total investments	2,658,218	–	–	2,658,218

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

### (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.

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

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## 5. Financial instruments and associated risks:

The Fund's activities expose it to a variety of risks associated with financial instruments as follows: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments result in a risk of loss of capital. The Fund also holds short positions which are subject to certain inherent risks. The ultimate cost to the Fund to acquire these securities may exceed the liability reflected in these financial statements.

### **Credit risk:**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The carrying amount of cash and cash equivalents and receivables, represent the maximum credit risk exposure as at October 31, 2016.

Credit risk arising on transactions for shares issued and portfolio assets sold relates to transactions awaiting settlement, also known as settlement risk.

'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. Credit risk relating to unsettled transactions is considered small due to the short settlement period involved.

For the majority of the transactions, the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Also, legal entitlement will not pass until all monies have been received for the units purchased or the portfolio assets sold. If either party does not meet its obligation then the transaction will fail.

All of the assets of the Fund are held by Scotia Capital Inc., the prime broker. Bankruptcy or insolvency of the prime broker may cause the Fund's rights with respect to securities held by the custodian and prime broker to be delayed or limited. The Fund monitors its risk by monitoring the credit quality and credit rating and financial position of the prime broker. If the credit quality or the financial position deteriorates significantly then the Manager will move the cash holdings to another financial institution.

### **Liquidity risk:**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

The Fund is exposed to weekly and monthly cash redemptions of redeemable units. The Fund may acquire significant positions in thinly-traded and relatively illiquid investments that may cease to be traded after the Fund invests. In such cases, and in the event of extreme market volatility, the Fund may not be able to promptly liquidate its investments, if a need should arise.

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

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

### Liquidity risk (continued):

Additionally, investments in small, mid-capitalization and micro-capitalization companies may involve greater risks than investments in larger, more established companies since such companies may have more limited markets and financial resources, their securities may be more sensitive to market changes, and the liquidity of their securities may be limited.

Consequently, in order to fund redemptions, the Fund may have to liquidate its shareholdings in the more liquid large and medium-sized companies.

To the extent that the liquidity is limited, the Fund's ability to realize profits and/or minimize losses may be limited, which could adversely affect the net asset value of the Fund. The Fund believes it maintains sufficient cash and cash equivalent positions to maintain liquidity.

The Fund may borrow to make investments or maintain liquidity and may pledge its assets to secure the borrowings.

### Market risk:

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

The Fund is an alternative investment fund that seeks long-term capital appreciation by investing primarily in a diversified portfolio of Canadian equity securities. The Fund pursues its investment objective by establishing long and short equity exposure to securities of companies, stock markets or industry sectors located, primarily, in Canada. The Fund may hold a portion of its assets in cash, money market instruments, or fixed-income securities, including bonds and other debt securities. In periods of unusual market conditions, a significant portion of the Fund's assets may be held in such instruments. The Fund may also from time to time use derivatives, such as options, futures and forward contracts for hedging purposes, to gain exposure to individual securities and markets (instead of buying the securities directly) and/or to generate income.

The success of the Fund's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Fund's investments. Unexpected volatility or illiquidity could reduce the Fund's profitability or result in losses.

No material change that would adversely affect the interest of the Unitholders of the Fund may be made without the approval of the unitholders. An approval is not required if the Manager provides the Unitholders with at least 60 days written notice of such proposed change and the right to redeem all Units prior to the effective date of the change. The Manager may alter the Fund's investment objectives, strategies and restrictions without prior approval by Unitholders in certain circumstances.

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

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

### Market risk (continued):

The Fund's market risk is managed on a daily basis by the Portfolio Manager in accordance with the policies and procedures in place.

Details of the nature of the Fund's investment portfolio at October 31, 2016 are disclosed in the schedule of investment portfolio.

#### (a) Currency risk:

Investment in securities denominated in a currency other than Canadian dollars will be affected by the changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. Therefore the value of securities held by the Fund may be worth more or less depending on their susceptibility to foreign exchange rates. At October 31, 2016 the Fund did not hold any foreign currency denominated investments.

#### (b) Interest rate risk:

Interest rate risk arises on interest bearing financial instruments. Changes in interest rates may also affect the value of the equity securities. The income earned by an investment fund and the interest paid by an investment fund for borrowing, is also affected by changes in interest rates.

At October 31, 2016, there are no interest-bearing financial assets or liabilities. As a result, the Fund is subject to limited exposure to interest rate risks due to fluctuations in the prevailing levels of market interest rates.

#### (c) Other price risk:

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

To achieve its objective, the Fund will generally hold 100 percent net long equity market exposure by investing primarily in equity securities with an aggregate value of approximately 130 percent of its Net Asset Value and holding short positions with a market value of approximately 30 percent of its Net Asset Value.

Approximately 10% of the equity portion of the invested net assets of the Fund may be managed with "pairs" trades, meaning the Fund will match a "long" position with a "short" position of two different stocks in the sub-sector of the market with the intention of eliminating

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

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

### Market risk (continued):

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

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 October 31, 2016 would have impacted the net assets and the net increase/decrease in net assets attributable to holders of redeemable units by \$66,932 (October 31, 2015 - \$26,582).



# NORREP CANADIAN ENHANCED EQUITY FUND

## Notes to the Financial Statements

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

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

#### Market risk (continued):

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

The Fund's financial assets exposed to other price risk were concentrated in the following industries as a percentage of net investment at October 31, 2016 and October 31, 2015:

Equities	2016	2015
Energy	19.9%	17.9%
Basic Materials	16.9%	12.6%
Industrials	6.4%	7.7%
Consumer Discretionary	7.2%	8.1%
Consumer Staples	5.3%	6.0%
Healthcare	—	0.3%
Financials	24.6%	35.1%
Information Technology	2.5%	5.0%
Telecommunications	3.9%	4.5%
Utilities	6.2%	2.8%
Real Estate	7.1%	—
Total	100.0%	100.0%

### 6. Redeemable units:

The authorized capital of the Fund consists of an unlimited number of Units, each representing an equal undivided interest in the net assets of the Fund. Currently, there are three series outstanding, Series A, Series F and Series I. Each series ranks equally, on a per-Series basis, with respect to distributions and return of capital in the event of liquidation, dissolution or winding up based on their respective series' net asset values. Each series pays its own fees and expenses. The general expenses that are not series specific are allocated in proportion to the annual weighted average units of each series. Series A is sold under the front end sales charge option. A commission ranging from 0% to 2% is paid by the investor to the dealer with a 3% redemption fee being charged if the Units are redeemed in the first 180 days of investment. Series F is sold without commission provided the purchaser is enrolled in a fee-for-service or wrap program with the dealer. A 3% redemption fee is charged if the Series F is redeemed in the first 180 days of investment.

Series I units are sold with commissions negotiated between the investor and the dealer and are available to certain investors at the Portfolio Manager's discretion. A 3% redemption fee is charged if the units are redeemed in the first 180 days of investment.

The rights attached to the redeemable units are as follows:

# NORREP CANADIAN ENHANCED EQUITY FUND

## Notes to the Financial Statements

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

### 6. Redeemable units (continued):

- the units may be redeemed on the last business day of each week and the last business day of each month at the net asset value per share of the respective series upon 7 days' notice prior to the valuation day;
- units carry a right to receive notice of, attend and vote at meetings called in accordance with the Declaration of Trust;
- the holders of Units are entitled to receive all distributions declared by the Fund. Distributions the Fund makes will be allocated among each Series in such manner as the Manager considers appropriate and equitable. Distributions paid in cash will be paid in the currency in which the investor bought the units.

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

Series A	2016	2015
Balance, opening	11,400	–
Issued on distributions reinvested	344	218
Issued for cash	–	11,182
Redeemed for cash	–	–
Balance, October 31	11,744	11,400

  

Series F	2016	2015
Balance, opening	21,617	–
Issued on distributions reinvested	504	509
Issued for cash	343,867	51,323
Redeemed for cash	(8,301)	(30,215)
Balance, October 31	357,687	21,617

  

Series I	2016	2015
Balance, opening	234,214	–
Issued on distributions reinvested	6,473	3,111
Issued for cash	2,690	231,103
Redeemed for cash	–	–
Balance, October 31	243,377	234,214

# NORREP CANADIAN ENHANCED EQUITY FUND

## Notes to the Financial Statements

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

### 6. Redeemable units (continued):

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

October 31, 2016	Series A	Series F	Series I
Increase in net assets attributable to holders of redeemable units	\$11,721	\$522,506	\$296,129
Average units outstanding during the year	11,562	261,722	238,362
Increase in net assets attributable to holders of redeemable units per unit	\$1.01	\$2.00	\$1.24

### 7. 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 \$3,485 (October 31, 2015 - \$378) related to these fees.

No management fee is charged to the Series I. Instead, the investors pay a management fee directly to the Manager in an amount determined through negotiation with the Manager.

The Fund will pay the Manager a Performance Fee if the series return of the Fund exceeds the return of a specified benchmark (the "Benchmark") during the relevant period. The Performance Fee is based on the performance of the Fund determined at the end of each calendar quarter. If the series performance exceeds the Benchmark, 20% of this amount will be multiplied by the average series net asset value during the Performance Measurement Period, as defined. As at October 31, 2016, included in accounts payable is \$nil (October 31, 2015 - \$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 \$704 (October 31, 2015 - \$243) related to these fees.

The Manager has agreed to absorb certain expenses associated with the Fund. Such absorptions may be terminated at any time without notice. Included in Due from Manager is \$nil (October 31, 2015 - \$18,000) related to this recovery.

# NORREP CANADIAN ENHANCED EQUITY FUND

Notes to the Financial Statements

Year ended October 31, 2016 and Period from January 30, 2015 to October 31, 2015

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**8. Brokerage commissions on securities transactions:**

The Fund paid brokerage commissions amounting to \$16,602 (October 31, 2015 - \$6,037) in connection with portfolio transactions during the period.

**9. Filing of financial statements:**

The Fund is relying on the exemption provided by Section 2.11 of National Instrument 81-106 and therefore does not file its financial statements with the Ontario Securities Commission.

**ITEM 14 DATE AND CERTIFICATE**

Dated: March 24, 2017

**This offering memorandum does not contain a misrepresentation.**

**BY NORREP CAPITAL MANAGEMENT LTD., in its capacity as Investment Fund Manager of  
NORREP CANADIAN ENHANCED EQUITY FUND**

Per: (Signed) "Alexander Sasso"  
Alexander Sasso  
Chief Executive Officer

Per: (Signed) "Keith Leslie"  
Keith Leslie  
Chief Compliance Officer and Chief Risk  
Officer



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