

March 31, 2020

INTERIM FINANCIAL STATEMENTS OF
NCM CANADIAN ENHANCED
EQUITY FUND



TO THE UNITHOLDERS OF NCM CANADIAN ENHANCED EQUITY FUND

These unaudited interim financial statements are as at March 31, 2020. The unaudited interim financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and include statements of financial position as at March 31, 2020 and September 30, 2019, statements of comprehensive income, changes in net assets attributable to unitholders, and cash flows for the six months ended March 31, 2020 and 2019; and notes to the interim financial statements, comprising a summary of significant accounting policies, schedule of investment portfolio and other explanatory information.

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

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

NCM Canadian Enhanced Equity Fund
May 28, 2020

NCM CANADIAN ENHANCED EQUITY FUND

Interim Statements of Financial Position
(unaudited)

(in Canadian dollars, except units outstanding)

As at	March 31 2020	September 30 2019
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Assets

Cash and cash equivalents	504,687	–
Dividends receivable	18,232	17,679
Due from Manager (note 7)	6,507	9,373
Portfolio assets sold	299,270	201,559
Investments, at fair value through profit or loss	6,741,676	9,300,068
Total assets	7,570,372	9,528,679

Liabilities

Accrued expenses (note 7)	24,308	30,273
Distributions payable	26,236	28,148
Dividends payable on investments sold short	4,495	7,255
Portfolio assets purchased	455,114	96,986
Units redeemed	–	1,000
Bank indebtedness	–	42,861
Investments - short, at fair value through profit or loss	1,695,239	2,278,467
Total liabilities (excluding net assets attributable to holders of redeemable units)	2,205,392	2,484,990
Net assets attributable to holders of redeemable units	5,364,980	7,043,689

Net assets attributable to holders of redeemable units:

Series A	21,997	28,528
Series F	3,194,789	4,264,007
Series I	2,148,194	2,751,154

Redeemable units outstanding (note 6):


Series A	2,718	2,676
Series F	373,597	381,185
Series I	238,261	234,881

Net assets attributable to holders of redeemable units per unit:

Series A	8.09	10.66
Series F	8.55	11.19
Series I	9.02	11.71

See accompanying notes to interim financial statements.

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



Alex Sasso



Keith Leslie

NCM CANADIAN ENHANCED EQUITY FUND

Interim Statements of Comprehensive Income (Loss)
(unaudited)

Six months ended March 31, 2020 and 2019

(in Canadian dollars)

	2020	2019
Dividend income	125,088	145,587
Interest for distribution purposes	4,957	1,186
Net gain (loss) on investments at fair value through profit or loss		
Net realized gain (loss) on investments	(250,333)	(543,481)
Net change in unrealized appreciation (depreciation) in fair value of investments	(1,322,446)	(359,659)
Total investment revenue (loss)	(1,442,734)	(756,367)
Dividend expense on investments sold short	29,866	27,300
Management fees (note 7)	21,642	24,839
Custodian and record keeping fees	16,211	15,785
Transaction costs	13,459	14,070
Risk management fees	6,796	7,688
Other	5,862	6,360
Administrative fees (note 7)	5,694	6,772
Audit fees	5,430	5,350
HST/GST	3,166	3,455
Tax and other professional fees	2,751	3,231
Computer services	1,555	1,804
Legal and filing fees	136	1,615
Independent review committee	(81)	553
Operating expense recovery (note 7)	(6,507)	(6,600)
Total operating expenses	105,980	112,222
Increase (decrease) in net assets attributable to holders of redeemable units	(1,548,714)	(868,589)
Change in net assets attributable to holders of redeemable units (note 6):		
Series A	(6,532)	(2,138)
Series F	(941,265)	(676,683)
Series I	(600,917)	(189,768)
Change in net assets attributable to holders of redeemable units per unit (note 6):		
Series A	(2.43)	(0.82)
Series F	(2.44)	(1.52)
Series I	(2.55)	(0.74)

See accompanying notes to interim financial statements.

NCM CANADIAN ENHANCED EQUITY FUND

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

(unaudited)

Six months ended March 31, 2020 and 2019

(in Canadian dollars)

	All Series		Series A		Series F		Series I	
	2020	2019	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units, beginning of period	7,043,689	11,619,234	28,528	29,786	4,264,007	8,480,665	2,751,154	3,108,783
Increase (decrease) in net assets, attributable to holders of redeemable units	(1,548,714)	(868,589)	(6,532)	(2,138)	(941,265)	(676,683)	(600,917)	(189,768)
Transactions attributable to holders of redeemable units:								
Issuance of units	288,497	312,745	–	–	288,497	49,541	–	263,204
Reinvestment of distributions	41,095	48,678	388	423	5,996	4,433	34,711	43,822
Amounts paid on redemptions	(365,226)	(3,999,977)	–	–	(365,226)	(3,999,977)	–	–
	(35,634)	(3,638,554)	388	423	(70,733)	(3,946,003)	34,711	307,026
Distributions declared	(94,361)	(106,163)	(387)	(423)	(57,220)	(60,910)	(36,754)	(44,830)
	(94,361)	(106,163)	(387)	(423)	(57,220)	(60,910)	(36,754)	(44,830)
Net assets attributable to holders of redeemable units, end of period	5,364,980	7,005,928	21,997	27,648	3,194,789	3,797,069	2,148,194	3,181,211
Distributions per unit to holders of redeemable units			0.14	0.16	0.15	0.17	0.16	0.17

See accompanying notes to interim financial statements.

NCM CANADIAN ENHANCED EQUITY FUND

Interim Statements of Cash Flows
(unaudited)

Six months ended March 31, 2020 and 2019

(in Canadian dollars)

	2020	2019
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	(1,548,714)	(868,589)
Adjustments for:		
Net realized (gain) loss on sale of investments at fair value through profit or loss	250,333	543,481
Net change in unrealized (appreciation) depreciation of investments at fair value through profit or loss	1,322,446	359,659
Purchase of investments	(16,355,255)	(17,068,792)
Proceeds from the sale of investments	17,018,120	20,972,201
Dividends receivable	(553)	7,584
Due from Manager	2,866	(6,600)
Accrued expenses	(5,965)	(8,100)
Dividends payable on investments sold short	(2,760)	(1,417)
Net cash from (used in) operating activities	680,518	3,929,427
Cash flows from (used in) financing activities		
Proceeds from the issuance of redeemable units	288,497	232,745
Amounts paid on redemption of redeemable units	(366,226)	(4,003,477)
Distributions to holders of redeemable units, net of reinvestments	(55,178)	(92,972)
Net cash from (used in) financing activities	(132,907)	(3,863,704)
Net increase (decrease) in cash and cash equivalents	547,611	65,723
Effect of exchange rates on cash and cash equivalents	(63)	(20)
Cash and cash equivalents (bank indebtedness) at beginning of period	(42,861)	57,579
Cash and cash equivalents at end of period	504,687	123,282
Dividends received, net of withholding tax paid	124,535	153,171
Interest received	4,957	1,186
Dividend expenses on investments sold short	32,626	28,717

See accompanying notes to interim financial statements.

NCM CANADIAN ENHANCED EQUITY FUND

Schedule of Investment Portfolio
(unaudited)

As at March 31, 2020

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
CANADIAN EQUITIES - Long				
Communication Services				
BCE Inc.	3,300	192,379	190,509	
TELUS Corp.	6,800	165,407	151,300	
		357,786	341,809	6.4%
Consumer Discretionary				
BRP Inc.	2,800	159,765	64,288	
Real Matters Inc.	3,000	41,797	42,000	
		201,562	106,288	2.0%
Consumer Staples				
Alimentation Couche-Tard Inc., Class 'B'	6,200	232,158	205,530	
Clearwater Seafoods Inc.	10,900	50,987	55,699	
High Liner Foods Inc.	16,000	91,161	102,880	
Loblaw Cos. Ltd.	2,900	200,218	210,395	
		574,524	574,504	10.7%
Energy				
Enbridge Inc.	3,000	155,513	122,940	
Parex Resources Inc.	16,900	342,651	201,110	
Suncor Energy Inc.	6,000	221,537	134,760	
		719,701	458,810	8.5%
Financials				
Bank of Nova Scotia	4,800	357,849	275,856	
Brookfield Asset Management Inc., Class 'A'	2,600	153,950	162,188	
ECN Capital Corp.	32,400	135,966	121,824	
Genworth MI Canada Inc.	3,300	180,977	103,191	
goeasy Ltd.	2,900	154,525	105,531	
Great-West Lifeco Inc.	5,400	178,801	131,274	
iA Financial Corp. Inc.	2,500	139,624	110,600	
Intact Financial Corp.	1,300	183,405	158,119	
Manulife Financial Corp.	4,900	113,146	86,583	
National Bank of Canada	3,400	246,206	184,926	
Royal Bank of Canada	5,300	502,478	462,001	
Sun Life Financial Inc.	3,100	161,358	140,337	
Toronto-Dominion Bank (The)	4,500	317,271	269,235	
		2,825,556	2,311,665	43.1%
Industrials				
Aecon Group Inc.	7,500	134,060	94,200	
Canadian Pacific Railway Ltd.	700	206,898	217,385	
Hardwoods Distribution Inc.	11,600	183,097	112,404	
Ritchie Bros. Auctioneers Inc.	2,200	122,562	106,040	
Stantec Inc.	4,100	149,039	147,600	
Toromont Industries Ltd.	2,100	118,563	129,465	
Waste Connections Inc.	1,300	137,558	141,960	
		1,051,777	949,054	17.7%
Information Technology				
Constellation Software Inc.	200	256,306	255,804	
Enghouse Systems Ltd.	3,000	121,843	130,590	
Open Text Corp.	2,500	124,121	123,025	
		502,270	509,419	9.5%

NCM CANADIAN ENHANCED EQUITY FUND

Schedule of Investment Portfolio (continued)
(unaudited)

As at March 31, 2020

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
Materials				
B2Gold Corp.	31,000	147,603	132,060	
Barrick Gold Corp.	7,000	195,750	181,020	
Cascades Inc.	16,600	207,452	208,662	
Kirkland Lake Gold Ltd.	2,800	147,648	116,060	
Lundin Mining Corp.	42,300	283,565	223,767	
		982,018	861,569	16.1%
Real Estate				
Canadian Apartment Properties REIT	2,900	166,578	123,511	
Granite REIT	2,100	154,474	122,073	
Killam Apartment REIT	7,600	159,678	119,928	
		480,730	365,512	6.8%
Utilities				
Algonquin Power & Utilities Corp.	8,100	152,952	153,495	
Northland Power Inc.	3,900	118,859	109,551	
		271,811	263,046	4.9%
TOTAL CANADIAN EQUITIES - Long		7,967,735	6,741,676	125.7%
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Description	Number of Shares	Proceeds (\$)	Fair Value (\$)	% of Net Assets
CANADIAN EQUITIES - Short				
Consumer Staples				
Primo Water Corp.	(1,600)	(19,701)	(20,432)	
Rogers Sugar Inc.	(7,900)	(45,562)	(34,681)	
		(65,263)	(55,113)	-1.0%
Financials				
IGM Financial Inc.	(2,000)	(75,147)	(46,700)	
Laurentian Bank of Canada	(1,700)	(76,135)	(51,952)	
		(151,282)	(98,652)	-1.8%
Industrials				
Richelieu Hardware Ltd.	(1,100)	(32,769)	(24,453)	
Savaria Corp.	(4,500)	(53,860)	(47,835)	
Westshore Terminals Investment Corp.	(2,100)	(37,188)	(27,468)	
		(123,817)	(99,756)	-1.9%
Information Technology				
Sierra Wireless Inc.	(4,000)	(57,838)	(31,800)	
		(57,838)	(31,800)	-0.6%
Materials				
AirBoss of America Corp.	(4,700)	(36,578)	(37,882)	
First Quantum Minerals Ltd.	(7,000)	(45,415)	(50,330)	
IAMGOLD Corp.	(8,500)	(35,099)	(27,200)	
Pretium Resources Inc.	(2,800)	(28,745)	(22,484)	
Sandstorm Gold Ltd.	(3,400)	(28,123)	(23,970)	
SSR Mining Inc.	(1,500)	(28,733)	(24,075)	
		(202,693)	(185,941)	-3.5%

NCM CANADIAN ENHANCED EQUITY FUND

Schedule of Investment Portfolio (continued)
(unaudited)

As at March 31, 2020

(in Canadian dollars)

Description	Number of Shares	Proceeds (\$)	Fair Value (\$)	% of Net Assets
Real Estate				
Brookfield Property Partners L.P.	(1,600)	(38,978)	(18,176)	
Crombie REIT	(2,200)	(32,028)	(27,324)	
InterRent REIT	(1,800)	(32,467)	(23,958)	
Summit Industrial Income REIT	(3100)	(37,816)	(27,497)	
		(141,289)	(96,955)	-1.8%
Utilities				
Emera Inc.	(600)	(35,570)	(33,300)	
		(35,570)	(33,300)	-0.6%
Exchange Trade Funds				
iShares Core S&P/TSX Capped Composite Index ETF	(25,900)	(535,127)	(548,562)	
iShares S&P/TSX 60 Index ETF	(26,400)	(503,147)	(545,160)	
		(1,038,274)	(1,093,722)	-20.4%
TOTAL CANADIAN EQUITIES - Short		(1,816,026)	(1,695,239)	-31.6%
Less: Transaction costs included in average cost		(3,674)		
TOTAL INVESTMENTS		6,148,035	5,046,437	94.1%
Other assets, less liabilities			318,543	5.9%
TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			5,364,980	100.0%

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2020 and 2019

1. Reporting Entity

NCM Canadian Enhanced Equity Fund (the “Fund”) is an unincorporated open-ended mutual fund trust established under the laws of Ontario pursuant to a trust agreement dated January 30, 2015 as supplemented August 27, 2018. The Fund’s principal place of business is 310, 99 Yorkville Avenue, Toronto, Ontario, M5R 3K5.

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

NCM Asset Management Ltd. (“NCM”) is the Manager and Portfolio Manager for the Fund. As Manager, it provides overall management and direction for the Fund as well as manages the day-to-day operation of the Fund. As Portfolio Manager, it provides investment management services to the Fund. Computershare Trust Company is the Trustee, Scotia Capital Inc. is the Prime Broker, CIBC Mellon Global Securities Services Company is the Custodian, Administrator, Transfer Agent and Registrar and NCM Asset Management Ltd. is the Promoter of the Fund.

Effective August 27, 2018, NCM Canadian Enhanced Equity Fund changed its year end from October 31 to September 30.

2. Basis of preparation

(a) Statement of compliance:

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The Fund’s significant accounting principles under IFRS are presented in note 3. These policies have been applied consistently to all periods presented.

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

The financial statements of the Fund were approved and were authorized for issue by the Manager’s Board of Directors on May 28, 2020.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2020 and 2019

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 (“FVTPL”) are initially recognized on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they originated.

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

(ii) Derecognition

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

(iii) Classification

Effective November 1, 2017, the Fund adopted IFRS 9 Financial Instruments. The standard requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI) based on the entity’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2020 and 2019

3. Significant accounting policies (continued)

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

(iii) Classification (continued)

Assessment and decision on the business model approach used is an accounting judgement.

Upon transition to IFRS 9, the Fund's financial assets and financial liabilities that were classified as fair value through profit and loss (FVTPL) under IAS 39 continued to be categorized as fair value through profit and loss. There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9.

Under IFRS 9, derivatives are classified as FVTPL like other financial assets and liabilities, so there is no requirement to present separately the different component amounts on the Statement of Comprehensive Income as they fall within the same classification; this is a change from the requirement under IAS 39 where derivatives were classified as Held for Trading.

However, Canadian Security Administrators ("CSA") regulatory requirements under NI 81-106 prescribe the individual line items that are required to be disclosed which includes separate disclosure for derivatives.

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

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

- All investments, including derivatives

Financial assets at amortized cost:

- Loans and receivables: cash and cash equivalents and receivables

Financial liabilities at amortised cost:

- Other liabilities: all liabilities other than redeemable units

The Fund designates all financial assets and liabilities at fair value through profit or loss on initial recognition because it manages securities on a fair value basis in accordance with its documented investment strategy. Internal reporting and performance measurement of these securities and the Fund as a whole is on a fair value basis. The Manager also receives management fees which are based on the overall fair value of the Fund.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2020 and 2019

3. Significant accounting policies (continued)

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

(iv) Fair value measurement

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

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

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

There is no difference between pricing Net Asset Value ("NAV") and accounting NAV.

(v) Amortized cost measurement

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

(vi) Specific instruments

Cash and cash equivalents

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

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2020 and 2019

3. Significant accounting policies (continued)

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

(vi) Specific instruments (continued)

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.

(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.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2020 and 2019

3. Significant accounting policies (continued)

(e) Income tax:

The Fund is a “mutual fund trust” under the Income Tax Act (Canada) and, accordingly, will not be taxed on that portion of its taxable income that is paid or allocated to unitholders. The Fund expects to pay out sufficient net income and net realized capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made in these financial statements.

However, certain dividend and interest income received by the Fund is subject to withholding tax imposed in certain countries of origin. Income that is subject to such tax is recognized gross of the taxes and the corresponding withholding tax is recognized as a tax expense. The Fund incurred no withholding tax expense for the periods ended March 31, 2020 and 2019.

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

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

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

(g) Translation of foreign currency:

Foreign currency amounts are expressed in Canadian dollars as follows:

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

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

(h) Derivative financial instruments:

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

Options are contracts entitling the holder to purchase or sell a specified item at a specified price, during a specified period or on a specified date. Options purchased are recorded as investments; options written (sold) are recorded as liabilities. Any gain or loss resulting from

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2020 and 2019

3. Significant accounting policies (continued)

(h) Derivative financial instruments (continued):

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

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2020 and 2019

4. Fair value measurement

(a) Investments:

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

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

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

- Inputs that are quoted prices (unadjusted) in active markets for identical instruments (Level 1);
- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable (Level 2);
- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (Level 3);

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

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

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

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
March 31, 2020				
Public securities				
Equities - long	6,741,676	—	—	6,741,676
Equities - short	(1,695,239)	—	—	(1,695,239)
Total Investments	5,046,437	—	—	5,046,437

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
September 30, 2019				
Public securities				
Equities - long	9,300,068	—	—	9,300,068
Equities - short	(2,278,467)	—	—	(2,278,467)
Total Investments	7,021,601	—	—	7,021,601

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2020 and 2019

4. Fair value measurement (continued)

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

There were no transfers into or out of Level 1, Level 2 and Level 3 during the periods ended March 31, 2020 and September 30, 2019.

- (c) Financial instruments not measured at fair value:

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

5. Financial instruments and associated risks

The Fund's activities expose it to a variety of risks associated with financial instruments as follows: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. 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 March 31, 2020.

Credit risk arising on transactions for units issued and portfolio assets sold relates to transactions awaiting settlement, also known as settlement risk. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. Credit risk relating to unsettled transactions is considered small due to the short settlement period involved.

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

All of the assets of the Fund are held by Scotia Capital Inc., the Prime Broker. Bankruptcy or insolvency of the custodian or Prime Broker may cause the Fund's rights with respect to securities held by the custodian and prime broker to be delayed or limited. The Fund monitors its

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2020 and 2019

5. Financial instruments and associated risks (continued)

Credit risk (continued):

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.

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.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2020 and 2019

5. Financial instruments and associated risks (continued)

Market risk (continued):

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

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

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

Details of the nature of the Fund's investment portfolio at March 31, 2020 are disclosed in the schedule of investment portfolio.

(a) Currency risk:

Investment in securities denominated in a currency other than Canadian dollars will be affected by the changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. Therefore the value of securities held by the Fund may be worth more or less depending on their susceptibility to foreign exchange rates. At March 31, 2020 the Fund did not hold any foreign currency denominated investments.

(b) Interest rate risk:

Interest rate risk arises on interest bearing financial instruments. A change in general interest rates is a main factor affecting the price of a fund that invests in fixed-income securities. Fixed-income securities, like bonds, pay interest based on interest rates when the bond is issued. When interest rates fall, the value of bonds rise. This is because the interest on existing bonds will be higher than the rate on newer bonds. Conversely, when interest rates rise, the price of existing bonds drop because they pay less than newer bonds. Changes in interest rates may also affect the value of the equity securities. The income earned by an investment fund and the interest paid by an investment fund for borrowing, is also affected by changes in interest rates.

At March 31, 2020, there are no interest-bearing financial assets or liabilities. As a result, the Fund is subject to limited exposure to interest rate risks due to fluctuations in the prevailing levels of market interest rates.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2020 and 2019

5. Financial instruments and associated risks (continued)

Market risk (continued):

(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 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.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2020 and 2019

5. Financial instruments and associated risks (continued)

Market risk (continued):

(c) Other price risk (continued):

Sensitivity analysis:

A 1% increase or decrease on the S&P/TSX Total Return Index (“Benchmark”) at March 31, 2020 would have impacted the net assets and the net increase/decrease in net assets attributable to holders of redeemable units by \$50,464 (September 30, 2019 - \$70,216).

The Fund’s financial assets exposed to other price risk were concentrated in the following industries as a percentage of net investment at March 31, 2020 and September 30, 2019:

Equities	2020	2019
Energy	9.1%	15.3%
Materials	13.4%	14.6%
Industrials	16.8%	13.9%
Consumer Discretionary	2.1%	5.5%
Consumer Staples	10.3%	6.4%
Financials	43.9%	26.3%
Health Care	-	1.5%
Information Technology	9.5%	3.0%
Communication Services	6.8%	6.0%
Utilities	4.5%	2.5%
Real Estate	5.3%	5.0%
Exchange Trade Funds	(21.7)%	-
Total	100.0%	100.0%

6. Net assets attributable to holders of redeemable units

Redeemable units

The authorized capital of the Fund consists of an unlimited number of Units, each representing an equal undivided interest in the net assets of the Fund. Currently, there are three series outstanding, Series A, Series F and Series I. Each series ranks equally, on a per-series basis, with respect to distributions and return of capital in the event of liquidation, dissolution or winding up based on their respective series’ net asset values. Each series pays its own fees and expenses. The general expenses that are not series specific are allocated in proportion to the annual weighted average units of each series. Series A is sold under the front end sales charge option. A commission ranging from 0% to 2% is paid by the investor to the dealer with a 3% redemption fee being charged if the Units are redeemed in the first 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.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2020 and 2019

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

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 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 unit of the respective series upon 7 days' notice prior to the valuation day.

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	2020	2019
Balance, opening	2,676	2,598
Issued on distributions reinvested	42	43
Balance, March 31	2,718	2,641

Series F	2020	2019
Balance, opening	381,185	712,888
Issued on distributions reinvested	618	434
Issued for cash	25,942	4,463
Redeemed for cash	(34,148)	(370,274)
Balance, March 31	373,597	347,511

Series I	2020	2019
Balance, opening	234,881	252,391
Issued on distributions reinvested	3,380	4,065
Issued for cash	–	23,134
Balance, March 31	238,261	279,590

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

March 31, 2020	Series A	Series F	Series I
Increase (decrease) in net assets attributable to holders of redeemable units	\$(6,532)	\$(941,265)	\$(600,917)
Average units outstanding during the period	2,685	385,937	235,589
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$(2.43)	\$(2.44)	\$(2.55)

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2020 and 2019

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

March 31, 2019	Series A	Series F	Series I
Increase (decrease) in net assets attributable to holders of redeemable units	\$(2,138)	\$(676,683)	\$(189,768)
Average units outstanding during the period	2,610	445,111	257,568
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$(0.82)	\$(1.52)	\$(0.74)

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 at March 31, 2020 is \$3,073 (September 30, 2019 - \$3,586) 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 March 31, 2020, included in accounts payable is \$nil (September 30, 2019 - \$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 \$942 (September 30, 2019 - \$928) related to these fees.

(c) Operating expense recoveries:

The Manager has agreed to absorb certain expenses associated with some of the Funds. Such absorptions may be terminated at any time without notice. Included in Due from Manager at March 31, 2020 is \$6,507 (September 30, 2019 - \$9,373) related to these fees.

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2020 and 2019

8. Brokerage commissions on securities transactions

The Fund paid brokerage commissions amounting to \$13,459 (March 31, 2019 - \$14,035) 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.

10. Subsequent Events

In January 2020, the World Health Organization declared the coronavirus a global health emergency and on March 11, 2020, it was declared a global pandemic. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. At this time, governments and businesses around the world are introducing significant new measures to contain and control the spread of the virus.

There had been a significant drop in commodity prices and equity markets have reacted with the biggest decline experienced in more than a decade. In response, both the US Federal Reserve and the Bank of Canada quickly reduced their key interest rates.

The full impact of these circumstances on businesses will not be fully understood until time has passed. While the full impact is not yet known, we will continue to monitor the impact the coronavirus has on the Fund's investments and reflect the consequences as appropriate in our accounting and reporting.

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