



FINANCIAL STATEMENTS OF NORREP FUND

For the year ended October 31, 2017



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB
T2P 4B9
Telephone (403) 691-8000
Fax (403) 691-8008
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Norrep Fund

We have audited the accompanying financial statements of Norrep Fund, which comprise the statements of financial position as at October 31, 2017 and October 31, 2016, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years 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 Fund as at October 31, 2017 and October 31, 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

December 14, 2017

Calgary, Canada

NORREP FUND

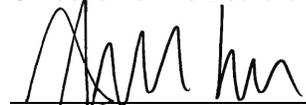
Statements of Financial Position

(in Canadian dollars, except units outstanding)

As at	October 31 2017	October 31 2016
Assets		
Cash and cash equivalents	2,585,294	2,075,462
Dividends and interest receivable	59,493	75,515
Investments, at fair value through profit or loss	65,340,869	78,388,818
Total assets	67,985,656	80,539,795
Liabilities		
Accrued expenses (note 7)	156,000	188,000
Units redeemed	295,160	160
Total liabilities (excluding net assets attributable to holders of redeemable units)	451,160	188,160
Net assets attributable to holders of redeemable units	67,534,496	80,351,635
Net assets attributable to holders of redeemable units:		
Series A	60,538,002	70,852,337
Series F	6,996,494	9,499,298
Redeemable units outstanding (note 6):		
Series A	1,581,473	1,992,542
Series F	179,185	263,719
Net assets attributable to holders of redeemable units per unit:		
Series A	38.28	35.56
Series F	39.05	36.02

See accompanying notes to financial statements.

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


Alek Sasso


Keith Leslie

NORREP FUND

Statements of Comprehensive Income

Years ended October 31, 2017 and 2016

(in Canadian dollars)

	2017	2016
Dividend income	839,390	1,759,364
Interest for distribution purposes	49,993	69,120
Net gain (loss) on investments at fair value through profit and loss		
Net realized (loss) gain on investments	10,279,480	2,802,050
Net change in unrealized (depreciation) appreciation in fair value of investments	(2,237,594)	1,410,605
Total investment revenue	8,931,269	6,041,139
Management fees (note 7)	1,392,088	1,601,146
Transaction costs	143,726	170,921
Administrative fees (note 7)	96,070	108,006
HST/GST	87,015	101,415
Custodian and record keeping fees	41,921	40,197
Audit and tax fees	30,788	31,382
Computer services	24,586	30,149
Legal and filing fees	21,220	27,490
Other	14,545	17,578
Independent review committee	9,052	8,671
Total operating expenses	1,861,011	2,136,955
Increase in net assets attributable to holders of redeemable units	7,070,258	3,904,184
Change in net assets attributable to holders of redeemable units (note 6):		
Series A	6,232,582	3,277,467
Series F	837,676	626,717
Change in net assets attributable to holders of redeemable units per unit (note 6):		
Series A	3.53	1.49
Series F	3.47	3.02

See accompanying notes to financial statements.

NORREP FUND

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

Years ended October 31, 2017 and 2016

(in Canadian dollars)

	All Series		Series A		Series F	
	2017	2016	2017	2016	2017	2016
Net assets attributable to holders of redeemable units, beginning of year	80,351,635	93,103,258	70,852,337	89,614,084	9,499,298	3,489,174
Increase (decrease) in net assets, attributable to holders of redeemable units	7,070,258	3,904,184	6,232,582	3,277,467	837,676	626,717
Transactions attributable to holders of redeemable units:						
Issuance of units	1,716,043	10,330,337	134,348	4,735,765	1,581,695	5,594,572
Reinvestment of distributions	1,806,475	–	1,573,952	–	232,523	–
Amounts paid on redemptions of redeemable units	(21,476,801)	(26,986,144)	(16,555,851)	(26,774,979)	(4,920,950)	(211,165)
	(17,954,283)	(16,655,807)	(14,847,551)	(22,039,214)	(3,106,732)	5,383,407
Distributions declared:						
From net realized gains on investments	(1,933,114)	–	(1,699,366)	–	(233,748)	–
	(1,933,114)	–	(1,699,366)	–	(233,748)	–
Net assets attributable to holders of redeemable units, end of year	67,534,496	80,351,635	60,538,002	70,852,337	6,996,494	9,499,298
Distributions per unit to holders of redeemable units:						
From net realized gain on investments			0.88	–	0.89	–

See accompanying notes to financial statements.

NORREP FUND

Statements of Cash Flows

Years ended October 31, 2017 and 2016

(in Canadian dollars)

	2017	2016
Cash flows from (used in) operating activities		
Increase in net assets attributable to holders of redeemable units	7,070,258	3,904,184
Adjustments for:		
Net realized (gain) loss on sale of investments at fair value through profit or loss	(10,279,480)	(2,802,050)
Net change in unrealized depreciation (appreciation) of investments at fair value through profit or loss	2,237,594	(1,410,605)
Purchase of investments	(21,477,321)	(35,218,749)
Proceeds from the sale and maturity of investments	42,566,969	36,254,482
Dividends and interest receivable	16,022	12,609
Accrued expenses	(32,000)	(20,800)
Dividends payable on investments sold short	–	(2,800)
Net cash from (used in) operating activities	20,102,042	716,271
Cash flows from (used in) financing activities		
Proceeds from the issuance of redeemable units	1,716,043	10,342,540
Amounts paid on redemption of redeemable units	(21,181,801)	(27,623,047)
Distributions to holders of redeemable units, net of reinvestments	(126,639)	–
Net cash from (used in) financing activities	(19,592,397)	(17,280,507)
Net increase (decrease) in cash and cash equivalents	509,645	(16,564,236)
Effect of exchange rates on cash and cash equivalents	187	481
Cash and cash equivalents at beginning of year	2,075,462	18,639,217
Cash and cash equivalents at end of year	2,585,294	2,075,462
Dividends received, net of withholding tax paid	855,399	1,769,023
Interest received	50,006	69,433
Dividend expenses on investments sold short	–	2,800

See accompanying notes to financial statements.

NORREP FUND

Schedule of Investment Portfolio

As at October 31, 2017

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
EnerCare Inc.	101,600	1,854,408	2,043,176	
Gildan Activewear Inc.	42,300	1,488,701	1,670,004	
Reitmans (Canada) Ltd.	5,400	29,268	24,624	
Reitmans (Canada) Ltd., Class 'A'	188,800	1,156,795	876,032	
Sleep Country Canada Holdings Inc.	69,100	1,322,456	2,644,457	
Uni-Select Inc.	53,900	1,580,250	1,502,732	
		7,431,878	8,761,025	13.0%
Energy				
Enerflex Ltd.	99,000	1,483,507	1,737,450	
Kelt Exploration Ltd.	219,000	1,440,989	1,548,330	
North American Energy Partners Inc.	201,500	1,189,433	1,047,800	
Parex Resources Inc.	130,000	2,175,228	2,230,800	
Parkland Fuel Corp.	117,000	3,290,351	3,065,400	
Peyto Exploration & Development Corp.	64,400	1,622,008	1,133,440	
Precision Drilling Corp.	422,000	2,023,801	1,633,140	
Raging River Exploration Inc.	211,100	1,017,091	1,606,471	
Whitecap Resources Inc.	242,600	2,674,513	2,246,476	
		16,916,921	16,249,307	24.1%
Industrials				
Air Canada	102,000	941,448	2,607,120	
Badger Daylighting Ltd.	44,000	1,221,969	1,292,280	
CAE Inc.	91,500	1,496,637	2,091,690	
Chorus Aviation Inc.	310,000	1,904,842	2,830,300	
Russel Metals Inc.	45,000	1,102,557	1,297,800	
Transcontinental Inc., Class 'A'	53,000	1,013,048	1,517,920	
		7,680,501	11,637,110	17.2%
Information Technology				
Avigilon Corp.	114,800	1,796,979	2,196,124	
Celestica Inc.	95,000	1,478,056	1,230,250	
Descartes Systems Group Inc. (The)	72,100	648,535	2,696,540	
		3,923,570	6,122,914	9.1%
Basic Materials				
BMO Junior Gold Index ETF	201,000	1,819,670	1,772,820	
Chemtrade Logistics Income Fund	121,800	2,325,658	2,382,408	
Detour Gold Corp.	91,600	1,172,480	1,259,500	
Hudbay Minerals Inc.	186,400	1,660,157	1,787,576	
Intertape Polymer Group Inc.	77,700	1,036,502	1,479,408	
Lundin Mining Corp.	360,000	1,588,763	3,542,400	
Major Drilling Group International Inc.	394,100	2,326,911	2,723,231	
		11,930,141	14,947,343	22.1%
Real Estate				
Altus Group Ltd.	74,000	1,589,102	2,607,020	
FirstService Corp.	33,000	715,052	2,963,730	
		2,304,154	5,570,750	8.3%
Utilities				
Superior Plus Corp.	158,000	1,888,865	2,052,420	
		1,888,865	2,052,420	3.0%
TOTAL EQUITIES				
		52,076,030	65,340,869	96.8%
Less: Transaction costs included in average cost		(130,145)		
TOTAL INVESTMENTS				
		51,945,885	65,340,869	96.8%
Other assets, less liabilities			2,193,627	3.2%
TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			67,534,496	100.0%

NORREP FUND

Notes to Financial Statements

Years ended October 31, 2017 and 2016

1. Reporting Entity

Norrep Fund (the “Fund”) is an open-ended mutual fund trust established under the laws of Alberta pursuant to a Declaration of Trust dated June 3, 1997 and restated January 1, 2002 and August 16, 2011. The Fund’s principal place of business is Suite 1850, 333 7th Avenue, Calgary, Alberta, T2P 2Z1.

The Fund may issue an unlimited number of units. Each unit represents an equal undivided interest in the net assets of the Fund. On June 29, 2017, MF Series was renamed Series A.

Norrep Capital Management Ltd. (“Norrep”), the Manager and Portfolio Manager, provides investment management services and manages the day-to-day operations of the Fund. TSX Trust Company is the trustee, CIBC Mellon Trust Company (“CIBC Mellon”) is the custodian of the Fund, Scotia Capital Inc. is the Prime Broker and Norrep Investment Management Group Inc. is the Promoter of the Fund. Effective March 1, 2005 the Fund was closed to both new and additional purchases except for reinvested distributions and management fee rebates. Effective May 22, 2015, the Fund was re-opened to both new and existing investors and re-closed effective December 31, 2015.

2. Basis of Reporting

(a) Statement of compliance:

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

The financial statements of the Funds were approved and were authorized for issue by the Funds’ Board of Directors on December 14, 2017.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

(d) Use of judgements and estimates:

These financial statements include estimates and assumptions made by management that affect the application of accounting policies and the reported amounts of assets, liabilities, income and

NORREP FUND

Notes to Financial Statements

Years ended October 31, 2017 and 2016

2. Basis of Reporting (continued):

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

expenses, and gains and losses during the reporting period. Actual results could differ from those estimates.

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

3. Significant accounting policies:

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

(a) Financial assets and financial liabilities:

(i) Recognition and initial measurement

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

Financial assets and financial liabilities at fair value through profit or loss 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 and redeemable units

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;

NORREP FUND

Notes to Financial Statements

Years ended October 31, 2017 and 2016

3. Significant accounting policies (continued):

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

(ii) Classification (continued)

- 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 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.

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

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

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

NORREP FUND

Notes to Financial Statements

Years ended October 31, 2017 and 2016

3. Significant accounting policies (continued):

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

(iii) Fair value measurement (continued):

There is no difference between pricing Net Asset Value (“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).

(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: Presentation*. The redeemable units, which are classified as financial liabilities and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund’s valuation policies at each redemption date. The units represent the residual interest in the Fund.

(b) Interest for distribution purposes:

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

NORREP FUND

Notes to Financial Statements

Years ended October 31, 2017 and 2016

3. Significant accounting policies (continued):

(c) Dividend income:

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

(d) Distributions to holders of redeemable units:

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

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

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

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

(f) Income tax:

As at October 31, 2017 the Fund was a "mutual fund trust" under the Income Tax Act (Canada) and, accordingly, is not taxed on that portion of its taxable income that is paid or allocated to unitholders. The Fund pays out sufficient net income and net realized capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made in these financial statements.

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

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

(h) Translation of foreign currency:

Foreign currency amounts are expressed in Canadian dollars as follows:

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

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

NORREP FUND

Notes to Financial Statements

Years ended October 31, 2017 and 2016

3. Significant accounting policies (continued):

(i) Derivative financial instruments:

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

(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 implementation of financial assets.

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

The Manager has reviewed the standard and does not anticipate a material impact 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
- 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

NORREP FUND

Notes to Financial Statements

Years ended October 31, 2017 and 2016

4. Fair value measurement (continued):

(a) Investments (continued):

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, 2017				
Public securities				
Equities - long	65,340,869	—	—	65,340,869
Total Investments	65,340,869	—	—	65,340,869

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
October 31, 2016				
Public securities				
Equities - long	78,170,869	217,949	—	78,388,818
Total Investments	78,170,869	217,949	—	78,388,818

There were no transfers into or out of Level 1, Level 2 and Level 3 during the years ended October 31, 2017 and October 31, 2016 with the exception of Parkland Fuel Corp. Subscription Receipts. Parkland Fuel Corp. Subscription Receipts were transferred from a level 2 security at October 31, 2016 to a level 1 security at October 31, 2017 due to the trade restriction being lifted. These subscription receipts are now actively trading in the market.

(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 FUND

Notes to Financial Statements

Years ended October 31, 2017 and 2016

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.

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 at October 31, 2017.

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

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

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

The majority of the assets of the Fund are held by CIBC Mellon, the Custodian, with some assets held at Scotia Capital Inc., the Prime Broker. Bankruptcy or insolvency of the Custodian may cause the Fund's rights with respect to securities held by the custodian to be delayed or limited. The Fund monitors its risk by monitoring the credit quality and credit rating and financial positions of the custodian. If the credit quality or the financial position deteriorates significantly then the Portfolio Manager will move the investment holdings to another financial institution.

Liquidity risk:

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

The Fund is exposed to daily cash redemptions of redeemable units. Investments in small, mid-capitalization and micro-capitalization companies may involve greater risks than in larger, more established companies since such companies may have more limited markets and financial

NORREP FUND

Notes to Financial Statements

Years ended October 31, 2017 and 2016

5. Financial instruments and associated risks (continued):

Liquidity risk (continued):

resources and their securities may be more sensitive to market changes. As well, the liquidity of the securities may be limited. Consequently, in order to fund redemptions, the Fund may have to liquidate shareholdings in the more liquid large and medium-sized companies.

To the extent that the liquidity is limited, the Fund's ability to realize profits and/or minimize losses may be limited, which could adversely affect the net asset value of the Fund. Also, the Fund's investments may include unlisted equity instruments which are not traded on an organized public market and which may be illiquid. As a result, the Fund may not be able to quickly liquidate some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements. The Fund believes it maintains sufficient cash and cash equivalent positions to maintain liquidity.

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

The Fund is subject to regulatory requirements whereby the Fund shall not purchase an illiquid asset if, immediately after the purchase, more than ten percent of the net assets of the Fund, taken at market value at the time of purchase, would consist of illiquid assets.

Market risk:

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

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The Fund is designed to achieve long-term capital appreciation by investing in small and mid-capitalization equities. The portfolio may consist of all types of equity and debt obligations of issuers in Canada and the United States that may or may not be listed for trading upon the facilities of stock exchanges or other organized and regulated trading facilities in Canada and the United States. Assets of the Fund may also be invested in debt obligations or held in cash to the extent that economic, market or other conditions make it appropriate.

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

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

NORREP FUND

Notes to Financial Statements

Years ended October 31, 2017 and 2016

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, 2017 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, 2017 and 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. The majority of the Fund's assets are non-interest-bearing. Interest-bearing financial assets mature or re-price in the short-term, being no longer than twelve months. There are no interest-bearing financial liabilities. As a result, the Fund is subject to limited exposure to the risk of fluctuations in the prevailing levels of market interest rates.

(c) Other price risk:

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

Price risk is managed by the Fund's Portfolio Manager by constructing a diverse portfolio of securities. The price of a security is affected by individual company developments and by general economic and financial conditions in those countries where the issuer of the security is located, does business or where the security is listed for trading. In addition, certain securities are not listed on any prescribed stock exchange and thus a liquid market for resale may not exist.

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

NORREP FUND

Notes to Financial Statements

Years ended October 31, 2017 and 2016

5. Financial instruments and associated risks (continued):

Market risk (continued):

(c) Other price risk (continued):

The investment assets held by the Fund as at October 31, 2017 and October 31, 2016 were all listed equities, with the exception of one restricted common share held at October 31, 2016.

Sensitivity analysis::

Management's estimate of the impact of a 1% increase or decrease in the BMO Small Cap Equity Only Weighted Total Return Index at October 31, 2017 is an increase or decrease in the net assets attributable to holders of redeemable units of approximately \$653,409 (October 31, 2016 - \$783,888). In practice, the actual trading results may differ from this estimate and the difference could be material.

The Fund's financial assets exposed to other price risk were concentrated in the following industries as a percentage of total investments at October 31, 2017 and October 31, 2016:

Equities	2017	2016
Basic Materials	22.9%	28.5%
Energy	24.9%	18.6%
Industrials	17.8%	20.1%
Consumer Discretionary	13.4%	14.3%
Information Technology	9.4%	8.4%
Utilities	3.1%	—
Real Estate	8.5%	10.1%
Total	100.0%	100.0%

6. Redeemable units:

The authorized capital of the Fund consists of an unlimited number of units of each class, each representing an equal undivided interest in the net assets of the Fund. Currently, the Fund has two series outstanding, Series A and Series F.

The rights attached to the redeemable units are as follows:

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

NORREP FUND

Notes to Financial Statements

Years ended October 31, 2017 and 2016

6. Redeemable units (continued):

The analysis of movements in the number of redeemable units and net assets attributable to holders of redeemable units during the periods ended October 31, 2017 and 2016 were as follows:

Series A	2017	2016
Balance, opening	1,992,542	2,635,505
Issued on dividends reinvested	44,821	1,785
Issued for cash	3,720	135,385
Redeemed for cash	(459,610)	(780,133)
Balance, October 31	1,581,473	1,992,542

Series F	2017	2016
Balance, opening	263,719	101,982
Issued on dividends reinvested	6,531	–
Issued for cash	42,656	167,549
Redeemed for cash	(133,721)	(5,812)
Balance, October 31	179,185	263,719

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

October 31, 2017	Series A	Series F
Increase in net assets attributable to holders of redeemable units	\$6,232,582	\$837,676
Average units outstanding during the year	1,765,661	241,464
Increase in net assets attributable to holders of redeemable units per unit	\$3.53	\$3.47

October 31, 2016	Series A	Series F
Increase in net assets attributable to holders of redeemable units	\$3,277,467	\$626,717
Average units outstanding during the year	2,200,490	207,422
Increase in net assets attributable to holders of redeemable units per unit	\$1.49	\$3.02

NORREP FUND

Notes to Financial Statements

Years ended October 31, 2017 and 2016

7. Management fees, expenses and key contracts:

(a) Manager and management fees:

The Series A paid an annual management fee to the Manager of 2% of the net asset value of the series. Series F paid an annual management fee to the Manager of 1.25% of the net asset value of the series. The management fee is calculated and paid monthly. Included in accrued expenses at October 31, 2017 is \$106,705 (October 31, 2016 - \$131,115) related to these fees.

(b) Expenses:

All fees and expenses applicable to the administration and operation of the Fund, including recordkeeping and communication costs, custodian fees, legal and filing fees, audit, applicable taxes and bank charges are payable by the Fund. The Portfolio Manager has charged the Fund for administration services. Included in accrued expenses is \$7,126 (October 31, 2016 - \$8,598) related to these fees.

8. Brokerage commissions on securities transactions:

The Fund paid brokerage commissions amounting to \$132,639 (October 31, 2016 - \$159,620) in connection with portfolio transactions during the year.

THIS PAGE LEFT INTENTIONALLY BLANK

A



Dome Tower, TD Square
Suite 1850, 333-7th Avenue S.W.
Calgary, Alberta T2P 2Z1

norrep.com
1.877.431.1407