

March 31, 2019

INTERIM FINANCIAL STATEMENTS OF  
NCM CONSERVATIVE  
INCOME PORTFOLIO



## TO THE UNITHOLDERS OF NCM CONSERVATIVE INCOME PORTFOLIO.

These unaudited interim financial statements are as at March 31, 2019. 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, 2019 and September 30, 2018, statements of comprehensive income, changes in net assets attributable to unitholders, and cash flows for the six months ended March 31, 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 Conservative Income Portfolio.  
May 30, 2019

# NCM CONSERVATIVE INCOME PORTFOLIO

Interim Statements of Financial Position  
(unaudited)

*(in Canadian dollars, except units outstanding)*

As at	March 31 2019	September 30 2018
<b>Assets</b>		
Cash and cash equivalents	285,357	150,000
Dividends and interest receivable	22,761	-
Due from Manager (note 8)	60,000	-
Investments, at fair value through profit or loss	13,275,968	-
Total assets	13,644,086	150,000
<b>Liabilities</b>		
Accrued expenses (note 8)	45,400	-
Units redeemed	1,850	-
Total liabilities (excluding net assets attributable to holders of redeemable units)	47,250	-
Net assets attributable to holders of redeemable units	13,596,836	150,000
Net assets attributable to holders of redeemable units:		
Series A	5,613,678	75,000
Series F	6,168,906	75,000
Series I	1,550,865	-
Series T6	171,803	-
Series F6	91,584	-
Mutual fund units outstanding (note 7):		
Series A	222,941	3,000
Series F	243,674	3,000
Series I	59,345	-
Series T6	6,956	-
Series F6	3,670	-
Net assets attributable to holders of redeemable units per unit:		
Series A	25.18	25.00
Series F	25.32	25.00
Series I	26.13	-
Series T6	24.70	-
Series F6	24.95	-

See accompanying notes to interim financial statements.

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

  
 \_\_\_\_\_  
 Alex Sasso

  
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 Keith Leslie

# NCM CONSERVATIVE INCOME PORTFOLIO

Interim Statement of Comprehensive Income (Loss)  
(unaudited)

Six months ended March 31, 2019

*(in Canadian dollars)*

	2019
Dividend income	166,667
Interest for distribution purposes	2,047
Net gain (loss) on investments at fair value through profit or loss	
Net realized gain (loss) on investments	32,093
Net change in unrealized appreciation (depreciation) in fair value of investments	437,256
Total investment revenue (loss)	638,063
Management fees (note 8)	59,640
Custodian and record keeping fees	21,359
Audit and tax fees	16,598
Legal and filing fees	12,349
HST/GST	10,078
Transaction costs	7,272
Other	7,002
Operating expense recovery (note 8)	(60,000)
Total operating expenses	74,298
Increase (decrease) in net assets attributable to holders of redeemable units	563,765
Withholding tax recovery	(4,020)
Increase (decrease) in net assets attributable to holders of redeemable units	567,785
Change in net assets attributable to holders of redeemable units (note 7):	
Series A	242,420
Series F	271,557
Series I	41,608
Series T6	6,430
Series F6	5,770
Change in net assets attributable to holders of redeemable units per unit (note 7):	
Series A	1.28
Series F	1.37
Series I	2.00
Series T6	0.93
Series F6	1.79

See accompanying notes to interim financial statements.

# NCM CONSERVATIVE INCOME PORTFOLIO

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

Six months ended March 31, 2019

*(in Canadian dollars)*

	All Series 2019	Series A 2019	Series F 2019	Series I 2019	Series T6 2019	Series F6 2019
Net assets attributable to holders of redeemable units, beginning of period	150,000	75,000	75,000	-	-	-
Increase (decrease) in net assets, attributable to holders of redeemable units	567,785	242,420	271,557	41,608	6,430	5,770
Transactions attributable to holders of redeemable units:						
Issuance of units	14,348,316	5,954,324	6,487,877	1,648,847	169,668	87,600
Reinvestment of distributions	38,781	20,284	17,686	811	-	-
Amounts paid on redemptions	(1,432,285)	(645,153)	(648,037)	(139,095)	-	-
	12,954,812	5,329,455	5,857,526	1,510,563	169,668	87,600
Distributions declared	(75,761)	(33,197)	(35,177)	(1,306)	(4,295)	(1,786)
	(75,761)	(33,197)	(35,177)	(1,306)	(4,295)	(1,786)
Net assets attributable to holders of redeemable units, end of period	13,596,836	5,613,678	6,168,906	1,550,865	171,803	91,584
Distributions per unit to holders of redeemable units		0.15	0.15	0.15	0.62	0.50

See accompanying notes to interim financial statements.

# NCM CONSERVATIVE INCOME PORTFOLIO

Interim Statement of Cash Flows  
(unaudited)

Six months ended March 31, 2019

*(in Canadian dollars)*

	2019
<b>Cash flows from (used in) operating activities</b>	
Increase (decrease) in net assets attributable to holders of redeemable units	567,785
Adjustments for:	
Net realized (gain) loss on sale of investments at fair value through profit or loss	(32,093)
Net change in unrealized (appreciation) depreciation of investments at fair value through profit or loss	(437,256)
Purchase of investments	(13,254,382)
Proceeds from the sale of investments	447,743
Dividends and interest receivable	(22,761)
Due from Manager	(60,000)
Accrued expenses	45,400
<b>Net cash from (used in) operating activities</b>	<b>(12,745,564)</b>
<b>Cash flows from (used in) financing activities</b>	
Proceeds from the issuance of redeemable units	14,348,316
Amounts paid on redemption of redeemable units	(1,430,435)
Distributions to holders of redeemable units, net of reinvestments	(36,980)
<b>Net cash from (used in) financing activities</b>	<b>12,880,901</b>
Net increase (decrease) in cash and cash equivalents	135,337
Effect of exchange rates on cash and cash equivalents	20
Cash and cash equivalents at beginning of period	150,000
<b>Cash and cash equivalents at end of period</b>	<b>285,357</b>
Dividends received, net of withholding tax paid	147,926
Interest received	2,047

See accompanying notes to interim financial statements.

# NCM CONSERVATIVE INCOME PORTFOLIO

Interim Schedule of Investment Portfolio  
(unaudited)

As at March 31, 2019

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>MUTUAL FUND SHARES</b>				
Mutual Fund Trusts				
NCM Norrep Fund, Series 'R'	7,984	278,091	269,812	
NCM Short Term Income Fund, Series 'R'	279,781	2,695,199	2,674,007	
		2,973,290	2,943,819	21.6%
NCM Core Portfolios Ltd.				
NCM Core Canadian, Series 'R'	50,093	1,543,877	1,632,607	
NCM Core Global, Series 'R'	57,894	1,817,026	1,956,139	
		3,360,903	3,588,746	26.4%
<b>TOTAL MUTUAL FUND SHARES</b>		<b>6,334,193</b>	<b>6,532,565</b>	<b>48.0%</b>
<b>CANADIAN EQUITY ETFs</b>				
BMO Global Infrastructure Index ETF	11,000	384,761	420,750	
iShares Global Real Estate Index ETF	6,600	183,555	208,758	
iShares S&P Global Water Index Fund	5,900	200,146	209,745	
Vanguard FTSE Developed All Cap ex North America Index ETF (CAD Hedged)	19,400	539,656	540,096	
		1,308,118	1,379,349	10.1%
<b>TOTAL CANADIAN EQUITY ETFs</b>		<b>1,308,118</b>	<b>1,379,349</b>	<b>10.1%</b>
<b>CANADIAN BOND ETFs</b>				
BMO High Yield US Corporate Bond Hedged to CAD ETF	68,300	926,730	931,612	
BMO Mid-Term US IG Corporate Bond Hedged to CAD Index ETF	303,800	4,273,852	4,432,442	
<b>TOTAL CANADIAN BOND ETFs</b>		<b>5,200,582</b>	<b>5,364,054</b>	<b>39.5%</b>
<b>TOTAL EXCHANGE TRADED FUNDS</b>		<b>6,508,700</b>	<b>6,743,403</b>	<b>49.6%</b>
Less: Transaction costs included in average cost		(4,181)		
<b>TOTAL INVESTMENTS</b>		<b>12,838,712</b>	<b>13,275,968</b>	<b>97.6%</b>
Other assets, less liabilities			320,868	2.4%
<b>TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>13,596,836</b>	<b>100.0%</b>

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Interim Financial Statements  
(unaudited)

Six months ended March 31, 2019 and period from August 27, 2018 to September 30, 2018

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## 1. Reporting Entity:

NCM Conservative Income Portfolio (the “Fund”) is an open-ended mutual fund trust established under the laws of Alberta pursuant to a Declaration of Trust dated August 27, 2018. The Fund’s principal place of business is Suite 1850, 333 - 7<sup>th</sup> Avenue SW, 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; 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. is the investment fund manager and the portfolio manager (the “Manager”) of the Fund. Computershare Trust Company of Canada is the trustee of the Fund. CIBC Mellon Trust Company (“CIBC Mellon”) is the custodian of the Fund.

The Fund commenced operations on October 1, 2018, as such, there are no comparative numbers for the six months ended March 31, 2018. The Fund (in this context, the “Top Fund”) may invest in securities of other funds within the NCM Group of funds (in this context, each an Underlying Fund).

## 2. Basis of preparation:

### (a) Statement of compliance:

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

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

The financial statements of the Fund were approved and were authorized for issue by the Fund’s Board of Directors on May 30, 2019.

### (b) Basis of measurement:

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

### (c) Functional and presentation currency:

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

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

These financial statements include estimates and assumptions made by management that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and gains and losses during the reporting period. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to



# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Interim Financial Statements  
(unaudited)

Six months ended March 31, 2019 and period from August 27, 2018 to September 30, 2018

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## 2. Basis of preparation (continued):

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

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 are 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 follows IFRS 9 Financial Instruments. The standard requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit and loss ("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.

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

The Fund's financial assets and financial liabilities are classified as FVTPL.

Under IFRS 9, derivatives are classified as FVTPL like other financial assets and liabilities, so there is no requirement to present separately the different component amounts on the Statement of Comprehensive Income as they fall within the same classification.

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

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

Financial assets at fair value through profit or loss:

- All investments, including derivatives

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Interim Financial Statements  
(unaudited)

Six months ended March 31, 2019 and period from August 27, 2018 to September 30, 2018

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## 3. Significant accounting policies (continued):

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

(ii) Classification (continued)

Financial assets at amortized cost:

- Cash and cash equivalents and receivables

Financial liabilities at amortized cost:

- All liabilities other than redeemable units

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

(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 bonds, asset-backed securities and secured loans represents a price that may fall between the last bid and ask price provided by an independent security pricing service, depending on which service provider is used.

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

(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

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Interim Financial Statements  
(unaudited)

Six months ended March 31, 2019 and period from August 27, 2018 to September 30, 2018

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

#### (iv) Amortized cost measurement (continued)

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.

#### (c) Dividend income:

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

#### (d) Distributions to holders of redeemable units:

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

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

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

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

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Interim Financial Statements  
(unaudited)

Six months ended March 31, 2019 and period from August 27, 2018 to September 30, 2018

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

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

Average cost does not include amortization of premiums or discounts on fixed income securities.

(f) Income tax:

As at March 31, 2019 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.

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 had a withholding tax recovery of \$4,020 for the six months ended March 31, 2019.

(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:

(i) fair value of investments and accrued receivables and payables and other assets and liabilities at the rate of exchange at the end of the period; and

(ii) purchases and sales of investments and dividend and interest income at the rate of exchange prevailing on the respective dates of such transactions.

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

(i) Derivative financial instruments:

The Fund may use derivative financial instruments with the Fund's other instrument strategies. Derivative financial instruments are recorded at mark to market with changes in fair value recorded in the statement of comprehensive income.

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Interim Financial Statements  
(unaudited)

Six months ended March 31, 2019 and period from August 27, 2018 to September 30, 2018

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## 4. Asset Transfers

On October 31, 2018, the Fund acquired substantially all of the net assets of NCM High Income Fund (“the terminating Fund”) and security holders of the terminating Fund became security holders of the Fund.

As a result, 226,852 Series A units of the Fund were issued, 234,083 Series F units of the Fund were issued and 8,641 Series I units were issued. The assets transferred were as follows:

	October 31, 2018
Cash and cash equivalents	11,446,305
Other assets – net of liabilities	(35,400)
<b>Value of assets received and units issued</b>	<b>11,410,905</b>

## 5. Fair value measurement:

### (a) Investments:

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

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

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

- Inputs that are quoted prices (unadjusted) in active markets for identical instruments (Level 1);
- 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 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.

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Interim Financial Statements  
(unaudited)

Six months ended March 31, 2019 and period from August 27, 2018 to September 30, 2018

## 5. Fair value measurement (continued):

### (a) Investments (continued):

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, 2019				
Public securities – Equity and Bond ETFs	6,743,403	-	-	6,743,403
Public securities - Underlying Funds	6,532,565	-	-	6,532,565
Total Investments	13,275,968	-	-	13,275,968

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
September 30, 2018				
Public securities – Equity and Bond ETFs	-	-	-	-
Public securities - Underlying Funds	-	-	-	-
Total Investments	-	-	-	-

There were no transfers into or out of Level 1, Level 2 and Level 3 during the periods ended March 31, 2019 and September 30, 2018 .

### (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.

## 6. Financial instruments and associated risks:

The Fund's activities expose it to a variety of risks associated with financial instruments as follows: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. 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 fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of bonds and secured

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Interim Financial Statements  
(unaudited)

Six months ended March 31, 2019 and period from August 27, 2018 to September 30, 2018

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

### Credit risk (continued):

loans in the Underlying Funds and ETFs represents the maximum credit risk exposure as at March 31, 2019 and September 30, 2018. The carrying amount of cash and cash equivalents and receivables also represents their maximum credit risk.

A portion of the Underlying Funds and ETFs may consist of instruments that have a credit quality rated below investment grade by internationally recognized credit rating organizations or may be unrated. These securities involve significant risk exposure as there is uncertainty regarding the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations. Low rated and unrated debt instruments generally offer a higher current yield than that available from higher grade issuers, but typically involve greater risk.

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

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

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

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

If the credit quality or the financial position deteriorates significantly then the Portfolio Manager will move the cash holdings to another financial institution.

The Portfolio Manager analyses credit concentration based on the counterparty, industry and geographical location of the financial assets that the Fund holds.

Other than outlined above there were no significant concentrations of credit risk to counterparties at March 31, 2019 and September 30, 2018.

### 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.

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Interim Financial Statements  
(unaudited)

Six months ended March 31, 2019 and period from August 27, 2018 to September 30, 2018

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

### Liquidity risk (continued):

The Fund and its Underlying Funds are exposed to daily cash redemptions of redeemable shares. Investments in small, mid-capitalization and micro-capitalization companies may involve greater risks than in larger, more established companies since such companies may have more limited markets and financial resources and their securities may be more sensitive to market changes. As well, the liquidity of the securities may be limited. Consequently, in order to fund redemptions, the Underlying 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 Underlying Fund's investments may include unlisted equity and debt instruments, which are not traded on an organized public market and which may be illiquid. As a result, the Underlying 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 their 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 each Fund, taken at market value at the time of purchase, would consist of illiquid assets. Residual contractual maturities of financial liabilities are all due on demand.

### 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 provide investors with current income and the potential for capital preservation by investing, directly or indirectly through investments in Underlying Funds, in a diversified portfolio consisting primarily of fixed-income securities and to a lesser extent equity securities from anywhere in the world.

It is expected that the Fund will invest primarily in Underlying Funds managed or advised by the Manager or its affiliates and ETFs.

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 ETFs. 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.



# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Interim Financial Statements  
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Six months ended March 31, 2019 and period from August 27, 2018 to September 30, 2018

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## 6. 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 March 31, 2019 are disclosed in the schedule of investment portfolio.

#### (a) Currency risk:

The Fund may invest in financial instruments and enter into transactions denominated in currencies other than the Canadian dollar. In addition, some of the Underlying Funds and ETFs hold investments in global currencies. Consequently, the Fund is exposed to risks that the exchange rate of the Canadian dollar to other foreign currencies may fluctuate.

At the reporting date the Fund had 0.0% (September 30, 2018 – nil) of its net asset value in foreign currency.

#### Sensitivity Analysis:

At March 31, 2019, had the Canadian dollar strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets attributable to the holders of redeemable units and the change in net assets attributable to holders of redeemable units would have increased or decreased by \$40 (September 30, 2018 - \$nil). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

#### (b) Interest rate risk:

Interest rate risk arises on interest-bearing financial instruments. Some of the Underlying Funds and ETFs have interest-bearing assets and are exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing market interest rates.

High yield corporate bond prices are impacted by the credit metrics, liquidity and business fundamentals of the corporate entity with a minimal correlation to interest rates. Thus, the high yield corporate bonds held in the Underlying Funds and ETFs are empirically correlated with the related stock indices for those corporate investments.

#### (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.

Price risk is managed by the Fund's Portfolio Manager through construction of diversified portfolios. 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.

# NCM CONSERVATIVE INCOME PORTFOLIO

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

### Market risk (continued):

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

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

#### Sensitivity analysis:

Management's estimate of the impact of a 1% increase or decrease on the following underlying indices and ETFs at March 31, 2019 and September 30, 2018, is an increase or decrease in the net assets attributable to holders of redeemable shares of approximately:

(In Canadian dollars)	Total Return Index	Change in Net Assets (\$)	
		2019	2018
Underlying Funds			
NCM Core Canadian	S&P TSX Composite Total Return Index	16,326	-
NCM Core Global	MSCI World Net Total Return Index	19,561	-
NCM Norrep Fund	BMO Small Cap Equity Only Weighted Total Return Index	2,698	-
NCM Short Term Income Fund	50% FTSE TMX Short Term Bond Index; 30% Credit Suisse Leveraged Loan Index; 20% the Merrill Lynch High Yield Canadian Issuer's Index	26,740	-
Total Underlying Funds		65,325	-
Equity and Bond ETFs		67,434	-
Total		132,759	-

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 March 31, 2019 and September 30, 2018:

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

### Market risk (continued):

(c) Other price risk (continued):

	2019	2018
Energy	2.1%	-
Materials	1.6%	-
Industrials	3.4%	-
Consumer Discretionary	2.8%	-
Consumer Staples	4.1%	-
Health Care	2.1%	-
Financials	6.6%	-
Information Technology	2.8%	-
Communication Services	1.7%	-
Utilities	1.1%	-
Real Estate	1.2%	-
Mutual Funds	0.1%	-
Exchange Traded Funds	10.4%	-
Bonds and Secured Loans	60.0%	-
Total	100.0%	-

## 7. Net assets attributable to unitholders of redeemable units:

### Redeemable units

The authorized capital of the Fund consists of an unlimited number of units, issuable in series. Currently, the Fund is offered in five series of units: Series A units, Series F units, Series I units, Series T6 units, and Series F6 units. Each series ranks equally with respect to dividends 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 and Series T6 are sold under the front end sales charge option. A commission ranging from 0% to 5% is paid by the investor to the dealer with a 2% redemption fee being charged if the units are redeemed in the first 90 days.

Series F and Series F6 are sold without commission provided the purchaser is enrolled in a fee-for-service or wrap program with the dealer. A 2% redemption fee is charged if the Series F or Series F6 is redeemed in the first 90 days.

Series I units are sold without commission and are available to certain investors at the Portfolio Manager's discretion. A 2% redemption fee is charged if the units are redeemed in the first 90 days.

The rights attached to the redeemable units are as follows:

- The units may be redeemed daily at the net asset value per unit of the respective series;
- Redeemable units carry a right to receive notice of, attend and vote at meetings called in accordance with the Declaration of Trust; and

# NCM CONSERVATIVE INCOME PORTFOLIO

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## 7. Net assets attributable to unitholders of redeemable units (continued):

Redeemable units (continued)

- The holders of redeemable units are entitled to receive all distributions declared by the Fund. Each series will rank equally with respect to the distributions based on their respective series net asset values. Distributions paid in cash will be paid in the currency in which the investor bought the units.

The analysis of movements in the number of redeemable units and net assets attributable to holders of redeemable units during the periods ended March 31, 2019 and September 30, 2018 were as follows:

<b>Series A</b>	2019
Balance, opening	3,000
Issued on distributions reinvested	861
Issued for cash	245,487
Redeemed for cash	(26,407)
Balance, March 31	222,941
<b>Series F</b>	2019
Balance, opening	3,000
Issued on distributions reinvested	748
Issued for cash	266,690
Redeemed for cash	(26,764)
Balance, March 31	243,674
<b>Series I</b>	2019
Balance, opening	-
Issued on distributions reinvested	33
Issued for cash	64,714
Redeemed for cash	(5,402)
Balance, March 31	59,345
<b>Series T6</b>	2019
Balance, opening	-
Issued on distributions reinvested	-
Issued for cash	6,956
Redeemed for cash	-
Balance, March 31	6,956
<b>Series F6</b>	2019
Balance, opening	-
Issued on distributions reinvested	-
Issued for cash	3,670
Redeemed for cash	-
Balance, March 31	3,670

# NCM CONSERVATIVE INCOME PORTFOLIO

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## 7. Net assets attributable to unitholders of redeemable units (continued):

Redeemable units (continued)

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

March 31, 2019	Series A	Series F	Series I	Series T6	Series F6
Increase (decrease) in net assets attributable to holders of redeemable units	\$242,420	\$271,557	\$41,608	\$6,430	\$5,770
Average units outstanding during the period	189,172	198,291	20,843	6,885	3,220
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$1.28	\$1.37	\$2.00	\$0.93	\$1.79

## 8. Management fees, expenses and key contracts:

(a) Manager and management fees:

Series A and Series T6 paid an annual management fee to the Manager of 1.75% of the net asset value of the series. Series F and Series F6 paid an annual management fee to the Manager of 0.75% of the net asset value of the series. The management fee is calculated and paid monthly. Included in accrued expenses at March 31, 2019 is \$12,316 (September 30, 2018 - \$nil) 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.

(b) Operating expense recoveries:

The Manager has agreed to absorb certain expenses associated with some of the Funds, such as absorptions may be terminated at any time without notice. Included in accrued expenses at March 31, 2019 is \$60,000 (September 30, 2018 - \$nil) related to these fees.

## 9. Involvement with unconsolidated structured entities:

The Fund holds interests in structured entities that it does not consolidate. The purpose of the investment is to manage assets on behalf of third party investors and generate fees for the investment manager. These vehicles are financed through the issue of shares to investors.

The table below sets out interests held by the Fund in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

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## 9. Involvement with unconsolidated structured entities (continued):

	Total net assets	Carrying amount included in financial assets at fair value through profit or loss
March 31, 2019		
NCM Core Portfolios Ltd:		
NCM Core Canadian	19,502,771	1,632,607
NCM Core Global	28,884,640	1,956,139
Mutual Fund Trust:		
NCM Norrep Fund	51,996,371	269,812
NCM Short Term Income Fund	58,164,315	2,674,007
<b>Total</b>	<b>158,548,097</b>	<b>6,532,565</b>
September 30, 2018		
NCM Core Portfolios Ltd:		
NCM Core Canadian	15,668,759	-
NCM Core Global	23,213,607	-
Mutual Fund Trust:		
NCM Norrep Fund	57,144,070	-
NCM Short Term Income Fund	122,003,378	-
<b>Total</b>	<b>218,029,814</b>	<b>-</b>

During the periods ended March 31, 2019 and September 30, 2018 (where applicable), the Fund did not provide financial support to unconsolidated structured entities and had no intention of providing financial or other support.

The Fund can redeem shares in the above investments Funds daily at the net asset value per share of the respective series.

## 10. Brokerage commissions on securities transactions:

The Fund paid brokerage commissions amounting to \$4,482 in connection with portfolio transactions during the period.

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