

March 31, 2019

INTERIM FINANCIAL STATEMENTS OF  
**NCM NORREP FUND**



## TO THE UNITHOLDERS OF NCM NORREP FUND.

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 2018; 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 Norrep Fund.  
May 30, 2019

# NCM NORREP FUND


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	9,329,346	2,690,679
Dividends and interest receivable	132,633	129,993
Portfolio assets sold	400,057	766,356
Investments, at fair value through profit or loss	42,332,835	53,861,369
<b>Total assets</b>	<b>52,194,871</b>	<b>57,448,397</b>
<b>Liabilities</b>		
Accrued expenses (note 7)	128,500	151,000
Portfolio assets purchased	–	137,653
Units redeemed	70,000	15,674
<b>Total liabilities (excluding net assets attributable to holders of redeemable units)</b>	<b>198,500</b>	<b>304,327</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>51,996,371</b>	<b>57,144,070</b>
Net assets attributable to holders of redeemable units:		
Series A	48,183,441	54,229,755
Series F	2,893,875	2,914,315
Series R	919,055	–
Redeemable units outstanding (note 6):		
Series A	1,481,961	1,469,941
Series F	86,263	76,880
Series R	27,195	–
Net assets attributable to holders of redeemable units per unit:		
Series A	32.51	36.89
Series F	33.55	37.91
Series R	33.79	–

See accompanying notes to interim financial statements.

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

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

  
\_\_\_\_\_  
Keith Leslie

# NCM NORREP FUND

Interim Statements of Comprehensive Income (Loss)  
(unaudited)

Six months ended March 31, 2019 and 2018

*(in Canadian dollars)*

	2019	2018
Dividend income	498,850	652,486
Interest for distribution purposes	81,900	19,465
Net gain (loss) on investments at fair value through profit or loss		
Net realized gain (loss) on investments	(173,499)	2,497,170
Net change in unrealized appreciation (depreciation) in fair value of investments	(2,758,122)	(2,308,576)
Total investment revenue (loss)	(2,350,871)	860,545
Management fees (note 7)	494,785	614,053
Transaction costs	49,568	48,981
Administrative fees (note 7)	44,129	42,982
HST/GST	33,052	38,941
Custodian and record keeping fees	19,619	21,962
Audit and tax fees	12,978	18,932
Legal and filing fees	9,730	8,922
Computer services	9,125	9,803
Other	4,505	5,317
Independent review committee	3,965	4,778
Total operating expenses	681,456	814,671
Increase (decrease) in net assets attributable to holders of redeemable units	(3,032,327)	45,874
Change in net assets attributable to holders of redeemable units (note 6):		
Series A	(2,921,713)	6,273
Series F	(141,084)	39,601
Series R	30,470	-
Change in net assets attributable to holders of redeemable units per unit (note 6):		
Series A	(1.98)	-
Series F	(1.72)	0.23
Series R	1.63	-

See accompanying notes to interim financial statements.

# NCM NORREP FUND

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

Six-months ended March 31, 2019 and 2018

(in Canadian dollars)

	All Series		Series A		Series F		Series R	
	2019	2018	2019	2018	2019	2018	2019	2018
Net assets attributable to holders of redeemable units, beginning of period	57,144,070	66,180,794	54,229,755	59,442,194	2,914,315	6,738,600	–	–
Increase (decrease) in net assets, attributable to holders of redeemable units	(3,032,327)	45,874	(2,921,713)	6,273	(141,084)	39,601	30,470	–
Transactions attributable to holders of redeemable units:								
Issuance of units	1,228,106	364,819	69,754	56,809	246,131	308,010	912,221	–
Reinvestment of distributions	3,103,696	3,328,900	2,897,159	2,986,785	159,567	342,115	46,970	–
Amounts paid on redemptions	(3,071,230)	(7,057,489)	(2,940,232)	(3,807,938)	(107,362)	(3,249,551)	(23,636)	–
	1,260,572	(3,363,770)	26,681	(764,344)	298,336	(2,599,426)	935,555	–
Distributions declared:								
From net realized gains on investments	(3,375,944)	(3,603,426)	(3,151,282)	(3,237,877)	(177,692)	(365,549)	(46,970)	–
	(3,375,944)	(3,603,426)	(3,151,282)	(3,237,877)	(177,692)	(365,549)	(46,970)	–
Net assets attributable to holders of redeemable units, end of period	51,996,371	59,259,472	48,183,441	55,446,246	2,893,875	3,813,226	919,055	–
Distributions per unit to holders of redeemable units:								
From net realized gains on investments			2.22	2.08	2.28	2.12	2.29	–

See accompanying notes to interim financial statements.

# NCM NORREP FUND

Interim Statements of Cash Flows  
(unaudited)

Six-months ended March 31, 2019 and 2018

*(in Canadian dollars)*

	2019	2018
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	(3,032,327)	45,874
Adjustments for:		
Net realized (gain) loss on sale of investments at fair value through profit or loss	173,499	(2,497,170)
Net change in unrealized (appreciation) depreciation of investments at fair value through profit or loss	2,758,122	2,308,576
Purchase of investments	(7,428,210)	(8,832,089)
Proceeds from the sale of investments	16,253,899	13,775,987
Dividends and interest receivable	(2,640)	(36,595)
Accrued expenses	(22,500)	2,424
<b>Net cash from (used in) operating activities</b>	<b>8,699,843</b>	<b>4,767,007</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from the issuance of redeemable units	1,228,106	364,819
Amounts paid on redemption of redeemable units	(3,016,904)	(7,027,489)
Distributions to holders of redeemable units, net of reinvestments	(272,248)	(274,526)
<b>Net cash from (used in) financing activities</b>	<b>(2,061,046)</b>	<b>(6,937,196)</b>
Net increase (decrease) in cash and cash equivalents	6,638,797	(2,170,189)
Effect of exchange rates on cash and cash equivalents	(130)	(76)
Cash and cash equivalents at beginning of period	2,690,679	3,532,241
<b>Cash and cash equivalents at end of period</b>	<b>9,329,346</b>	<b>1,361,976</b>
Dividends received, net of withholding tax paid	497,512	615,829
Interest received	80,598	19,527

See accompanying notes to interim financial statements.

# NCM NORREP FUND

Schedule of Investment Portfolio  
(unaudited)

As at March 31, 2019

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>CANADIAN EQUITIES</b>				
<b>Consumer Discretionary</b>				
Aritzia Inc.	110,000	1,784,542	1,953,600	
		<u>1,784,542</u>	<u>1,953,600</u>	<u>3.7%</u>
<b>Energy</b>				
Birchcliff Energy Ltd.	298,200	981,677	1,061,592	
Enerflex Ltd.	86,500	1,312,857	1,651,285	
Enerplus Corp.	79,300	952,771	888,160	
Ensign Energy Services Inc.	254,100	1,579,563	1,359,435	
Kelt Exploration Ltd.	101,000	537,219	556,510	
North American Construction Group Ltd.	140,400	828,767	2,179,008	
Parex Resources Inc.	111,200	1,860,656	2,326,304	
Parkland Fuel Corp.	50,100	1,427,402	2,045,583	
		<u>9,480,912</u>	<u>12,067,877</u>	<u>23.2%</u>
<b>Industrials</b>				
Air Canada	46,000	424,575	1,481,660	
Badger Daylighting Ltd.	64,000	1,751,677	2,599,680	
Boyd Group Income Fund	8,000	1,115,082	1,100,080	
Chorus Aviation Inc.	260,500	1,639,436	1,870,390	
Transcontinental Inc., Class 'A'	91,000	1,844,766	1,522,430	
		<u>6,775,536</u>	<u>8,574,240</u>	<u>16.5%</u>
<b>Information Technology</b>				
Celestica Inc.	132,000	1,936,322	1,490,280	
Descartes Systems Group Inc. (The)	39,100	351,702	1,899,478	
		<u>2,288,024</u>	<u>3,389,758</u>	<u>6.5%</u>
<b>Materials</b>				
BMO Junior Gold Index ETF	21,716	1,179,617	1,024,344	
Chemtrade Logistics Income Fund	154,300	2,739,167	1,410,302	
Detour Gold Corp.	91,600	1,172,480	1,148,664	
Hudbay Minerals Inc.	222,300	1,826,332	2,122,965	
Intertape Polymer Group Inc.	100,400	1,450,636	1,822,260	
Lundin Mining Corp.	227,000	1,026,523	1,407,400	
Major Drilling Group International Inc.	471,500	2,819,629	2,117,035	
		<u>12,214,384</u>	<u>11,052,970</u>	<u>21.3%</u>
<b>Real Estate</b>				
Altus Group Ltd.	40,000	858,974	1,042,800	
FirstService Corp.	18,200	394,362	2,166,710	
		<u>1,253,336</u>	<u>3,209,510</u>	<u>6.2%</u>
<b>Utilities</b>				
Superior Plus Corp.	132,000	1,578,039	1,511,400	
		<u>1,578,039</u>	<u>1,511,400</u>	<u>2.9%</u>
<b>TOTAL CANADIAN EQUITIES</b>		<b><u>35,374,773</u></b>	<b><u>41,759,355</u></b>	<b><u>80.3%</u></b>
<b>UNITED STATES EQUITIES</b>				
<b>Health Care</b>				
Hamilton Thorne Ltd.	531,000	569,498	573,480	
		<u>569,498</u>	<u>573,480</u>	<u>1.1%</u>
<b>TOTAL UNITED STATES EQUITIES</b>		<b><u>569,498</u></b>	<b><u>573,480</u></b>	<b><u>1.1%</u></b>
<b>TOTAL EQUITIES</b>		<b><u>35,944,271</u></b>	<b><u>42,332,835</u></b>	<b><u>81.4%</u></b>
Less: Transaction costs included in average cost		(79,031)		
<b>TOTAL INVESTMENTS</b>		<b><u>35,865,240</u></b>	<b><u>42,332,835</u></b>	<b><u>81.4%</u></b>
Other assets, less liabilities			9,663,536	18.6%
<b>TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b><u>51,996,371</u></b>	<b><u>100.0%</u></b>

# NCM NORREP FUND

Notes to Interim Financial Statements  
(unaudited)

Six Months ended March 31, 2019 and 2018

---

## 1. Reporting Entity

On August 27, 2018, Norrep Fund changed its name to NCM Norrep Fund. NCM Norrep Fund (the "Fund") is an open-ended mutual fund trust established under the laws of Alberta pursuant to a Declaration of Trust dated June 3, 1997 and restated January 1, 2002 and August 16, 2011. The Fund's principal place of business is Suite 1850, 333 7<sup>th</sup> 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.

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

NCM Asset Management Ltd. (formerly, Norrep Capital Management Ltd.) ("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 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 reopened to both new and existing investors and re-closed effective December 31, 2015. Effective August 28, 2018 Series R was available to purchase by other NCM Funds and affiliates of the manager.

## 2. Basis of Reporting

### (a) Statement of compliance:

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

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.



# NCM NORREP FUND

Notes to Interim Financial Statements  
(unaudited)

Six Months ended March 31, 2019 and 2018

---

## 2. Basis of Reporting (continued):

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

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

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

## 3. Significant accounting policies:

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

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

#### (i) Recognition and initial measurement

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

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

#### (ii) 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.

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.

# NCM NORREP FUND

Notes to Interim Financial Statements  
(unaudited)

Six Months ended March 31, 2019 and 2018

---

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

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

(ii) Classification (continued)

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 Funds classify financial assets and financial liabilities into the following categories.

Financial assets at fair value through profit or loss:

- All investments, including derivatives

Financial assets at amortized cost:

- Cash and cash equivalents and receivables

Financial liabilities at amortised cost:

- All liabilities other than redeemable shares

The Funds designate 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.

# NCM NORREP FUND

Notes to Interim Financial Statements  
(unaudited)

Six Months ended March 31, 2019 and 2018

---

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

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

##### (iii) Fair value measurement (continued)

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.

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,

# NCM NORREP FUND

Notes to Interim Financial Statements  
(unaudited)

Six Months ended March 31, 2019 and 2018

---

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

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

(v) Specific instruments (continued)

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.

(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.

# NCM NORREP FUND

Notes to Interim Financial Statements  
(unaudited)

Six Months ended March 31, 2019 and 2018

---

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

(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.

(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.

### 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

# NCM NORREP FUND

Notes to Interim Financial Statements  
(unaudited)

Six Months ended March 31, 2019 and 2018

## 4. Fair value measurement (continued):

### (a) Investments (continued):

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

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

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

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

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
March 31, 2019				
Public securities				
Equities - long	42,332,835	—	—	42,332,835
Total Investments	42,332,835	—	—	42,332,835

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
September 30, 2018				
Public securities				
Equities - long	53,861,369	—	—	53,861,369
Total Investments	53,861,369	—	—	53,861,369

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.

# NCM NORREP FUND

Notes to Interim Financial Statements  
(unaudited)

Six Months ended March 31, 2019 and 2018

---

## 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 March 31, 2019.

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

### **Liquidity risk:**

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

The Fund is exposed to daily cash redemptions of redeemable units. Investments in small, mid-capitalization and micro-capitalization companies may involve greater risks than in larger, more established companies since such companies may have more limited markets and financial resources and their securities may be more sensitive to market changes. As well, the liquidity of the securities may be limited. Consequently, in order to fund redemptions, the Fund may have to liquidate shareholdings in the more liquid large and medium-sized companies.

# NCM NORREP FUND

Notes to Interim Financial Statements  
(unaudited)

Six Months ended March 31, 2019 and 2018

---

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

### Liquidity risk (continued):

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.

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.



# NCM NORREP FUND

Notes to Interim Financial Statements  
(unaudited)

Six Months ended March 31, 2019 and 2018

---

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

### Market risk (continued):

#### (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, 2019 and September 30, 2018 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.

The investment assets held by the Fund as at March 31, 2019 and September 30, 2018 were all listed equities.

# NCM NORREP FUND

Notes to Interim Financial Statements  
(unaudited)

Six Months ended March 31, 2019 and 2018

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

### Market risk (continued):

(c) Other price risk (continued):

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 March 31, 2019 is an increase or decrease in the net assets attributable to holders of redeemable units of approximately \$423,328 (September 30, 2018 - \$538,614). 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 :

Equities	2019	2018
Energy	28.5%	29.6%
Materials	26.1%	22.3%
Industrials	20.2%	21.5%
Consumer Discretionary	4.6%	9.4%
Health Care	1.4%	-
Information Technology	8.0%	6.7%
Utilities	3.6%	3.1%
Real Estate	7.6%	7.4%
Total	100.0%	100.0%

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

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

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.

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 2018 were as follows:

# NCM NORREP FUND

Notes to Interim Financial Statements  
(unaudited)

Six Months ended March 31, 2019 and 2018

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

<b>Series A</b>	2019	2018
Balance, opening	1,469,941	1,597,636
Issued on dividends reinvested	99,309	82,807
Issued for cash	2,218	1,562
Redeemed for cash	(89,507)	(104,550)
Balance, March 31	1,481,961	1,577,455

<b>Series F</b>	2019	2018
Balance, opening	76,880	177,601
Issued on dividends reinvested	5,311	9,287
Issued for cash	7,296	8,129
Redeemed for cash	(3,224)	(88,989)
Balance, March 31	86,263	106,028

<b>Series R</b>	2019	2018
Balance, opening	–	–
Issued on dividends reinvested	1,557	–
Issued for cash	26,348	–
Redeemed for cash	(710)	–
Balance, March 31	27,195	–

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

NCM Norrep Fund - March 31, 2019	Series A	Series F	Series R
Increase (decrease) in net assets attributable to holders of redeemable units	\$(2,921,713)	\$(141,084)	\$30,470
Average units outstanding during the period	1,474,810	81,833	18,644
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$(1.98)	\$(1.72)	\$1.63

NCM Norrep Fund - March 31, 2018	Series A	Series F	Series R
Increase in net assets attributable to holders of redeemable units	\$6,273	\$39,601	\$ –
Average units outstanding during the period	1,590,465	174,254	–
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$ –	\$0.23	\$ –

# NCM NORREP FUND

Notes to Interim Financial Statements  
(unaudited)

Six Months ended March 31, 2019 and 2018

---

## 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. There are no management fees payable in respect of Series R units. The NCM Funds and other funds and accounts managed or advised by the Manager and/or its affiliates that invest in Series R units are charged a management fee for the provision of our services to them. The management fee is calculated and paid monthly. Included in accrued expenses at March 31, 2019 is \$83,889 (September 30, 2018 - \$94,257) 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 March 31, 2019 is \$7,335 (September 30, 2018 - \$6,196) related to these fees.

## 8. Brokerage commissions on securities transactions:

The Fund paid brokerage commissions amounting to \$45,177 (March 31, 2018 - \$44,619) in connection with portfolio transactions during the period.

THIS PAGE LEFT INTENTIONALLY BLANK

**THIS PAGE LEFT INTENTIONALLY BLANK**

THIS PAGE LEFT INTENTIONALLY BLANK

A



Suite 1850, 333 – 7 Avenue S.W.  
Calgary, Alberta T2P 2Z1

[ncminvestments.com](http://ncminvestments.com)

1.877.431.1407