

March 31, 2019

INTERIM FINANCIAL STATEMENTS OF
NCM SHORT TERM INCOME
FUND



TO THE UNITHOLDERS OF NORREP SHORT TERM INCOME 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 Short Term Income Fund.
May 30, 2019

NCM SHORT TERM INCOME FUND

Interim Statements of Financial Position
(unaudited)

(in Canadian dollars, except units outstanding)

As at	March 31 2019	September 30 2018
Assets		
Cash and cash equivalents	5,337,547	20,037,923
Dividends and interest receivable	502,417	857,472
Portfolio assets sold	–	1,665,287
Units issued	32,063	983
Unrealized gain on derivative instruments	–	385,122
Investments, at fair value through profit or loss	52,496,196	103,736,544
Total assets	58,368,223	126,683,331
Liabilities		
Accrued expenses (note 7)	99,000	132,500
Portfolio assets purchased	–	4,527,331
Units redeemed	9,415	20,122
Unrealized loss on derivative instruments	95,493	–
Total liabilities (excluding net assets attributable to holders of redeemable units)	203,908	4,679,953
Net assets attributable to holders of redeemable units	58,164,315	122,003,378
Net assets attributable to holders of redeemable units:		
Series A	18,700,722	21,508,713
Series F	17,732,835	21,086,733
Series I	6,868,449	69,579,853
Series A (H)	859,901	991,332
Series F (H)	8,943,859	8,836,747
Series R	5,058,549	–
Redeemable units outstanding (note 6):		
Series A	2,148,760	2,416,913
Series F	1,955,329	2,279,903
Series I	718,340	7,168,127
Series A (H)	80,879	94,291
Series F (H)	804,316	805,864
Series R	529,178	–
Net assets attributable to holders of redeemable units per unit:		
Series A	8.70	8.90
Series F	9.07	9.25
Series I	9.56	9.71
Series A (H)	10.63	10.51
Series F (H)	11.12	10.97
Series R	9.56	–
Series A (H) USD	7.96	8.13
Series F (H) USD	8.32	8.49

See accompanying notes to interim financial statements

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



Alex Sasso



Keith Leslie

NCM SHORT TERM INCOME FUND

Interim Statements of Comprehensive Income (Loss)
(unaudited)

Six months ended March 31, 2019 and 2018

(in Canadian dollars)

	2019	2018
Dividend income	187,165	176,866
Interest for distribution purposes	2,135,242	2,327,658
Other income	69	–
Net gain (loss) on investments at fair value through profit or loss		
Net realized gain (loss) on investments	70,794	(553,269)
Net realized gain (loss) on derivative instruments	(2,434,035)	(3,631,664)
Net change in unrealized appreciation (depreciation) in fair value of investments	653,208	1,623,145
Net change in unrealized appreciation (depreciation) on derivative instruments	(480,615)	1,585,173
Total investment revenue (loss)	131,828	1,527,909
Management fees (note 7)	234,862	197,072
Administrative fees (note 7)	76,006	75,315
HST/GST	33,967	29,028
Custodian and record keeping fees	29,030	33,571
Computer services	19,406	14,312
Transaction costs	16,606	19,525
Legal and filing fees	14,759	8,983
Other	12,312	9,366
Independent review committee	6,445	10,757
Audit and tax fees	4,524	21,703
Total operating expenses	447,917	419,632
Increase (decrease) in net assets attributable to holders of redeemable units before tax	(316,089)	1,108,277
Withholding tax recovery	(16,721)	(16,397)
Increase (decrease) in net assets attributable to holders of redeemable units	(299,368)	1,124,674
Change in net assets attributable to holders of redeemable units (note 6):		
Series A	(34,588)	50,768
Series F	28,063	112,437
Series I	(699,788)	691,785
Series A (H)	30,645	35,249
Series F (H)	326,198	234,435
Series R	50,102	–
Change in net assets attributable to holders of redeemable units per unit (note 6):		
Series A	(0.01)	0.03
Series F	–	0.06
Series I	(0.18)	0.10
Series A (H)	0.35	0.37
Series F (H)	0.41	0.44
Series R	0.14	–

See accompanying notes to interim financial statements

NCM SHORT TERM INCOME 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 I		Series A (H)		Series F (H)		Series R	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net assets attributable to holders of redeemable units, beginning of period	122,003,378	104,011,790	21,508,713	15,763,464	21,086,733	17,218,744	69,579,853	65,460,011	991,332	1,035,409	8,836,747	4,534,162	-	-
Increase (decrease) in net assets, attributable to holders of redeemable units	(299,368)	1,124,674	(34,588)	50,768	28,063	112,437	(699,788)	691,785	30,645	35,249	326,198	234,435	50,102	-
Transactions attributable to holders of redeemable units:														
Issuance of units	8,714,777	20,298,932	824,971	3,711,047	2,615,392	5,740,900	69,086	7,447,672	26,297	-	91,456	3,399,313	5,087,575	-
Reinvestment of distributions	1,371,593	1,917,434	385,028	294,949	262,260	271,083	453,967	1,235,722	20,040	21,676	168,580	94,004	81,718	-
Amounts paid on redemptions	(71,744,780)	(9,373,680)	(3,545,689)	(3,657,602)	(5,816,089)	(2,256,470)	(61,838,738)	(2,545,243)	(187,576)	(51,807)	(277,560)	(862,558)	(79,128)	-
	(61,658,410)	12,842,686	(2,335,690)	348,394	(2,938,437)	3,755,513	(61,315,685)	6,138,151	(141,239)	(30,131)	(17,524)	2,630,759	5,090,165	-
Distributions declared	(1,881,285)	(2,474,781)	(437,713)	(363,227)	(443,524)	(426,829)	(695,931)	(1,528,510)	(20,837)	(22,461)	(201,562)	(133,754)	(81,718)	-
	(1,881,285)	(2,474,781)	(437,713)	(363,227)	(443,524)	(426,829)	(695,931)	(1,528,510)	(20,837)	(22,461)	(201,562)	(133,754)	(81,718)	-
Net assets attributable to holders of redeemable units, end of period	58,164,315	115,504,369	18,700,722	15,799,399	17,732,835	20,659,865	6,868,449	70,761,437	859,901	1,018,066	8,943,859	7,265,602	5,058,549	-
Distributions per unit to holders of redeemable units			0.20	0.20	0.21	0.21	0.22	0.22	0.24	0.24	0.25	0.24	0.22	-

See accompanying notes to interim financial statements

NCM SHORT TERM INCOME FUND

Interim Statements of Cash Flows
(unaudited)

Six months ended March 31, 2019 and 2018

(in Canadian dollars)

	2019	2018
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	(299,368)	1,124,674
Adjustments for:		
Net realized (gain) loss on sale of investments at fair value through profit or loss	(70,794)	553,269
Net change in unrealized (appreciation) depreciation of investments at fair value through profit or loss	(653,208)	(1,623,145)
Net change in unrealized (appreciation) depreciation on derivative instruments	480,615	(1,585,173)
Purchase of investments	(12,925,742)	(42,147,414)
Proceeds from the sale and maturity of investments	61,521,084	23,761,637
Dividends and interest receivable	355,055	(123,452)
Accrued expenses	(33,500)	30,886
Net cash from (used in) operating activities	48,374,142	(20,008,718)
Cash flows from (used in) financing activities		
Proceeds from the issuance of redeemable units	8,683,697	20,388,972
Amounts paid on redemption of redeemable units	(71,755,487)	(9,367,380)
Distributions to holders of redeemable units, net of reinvestments	(509,692)	(557,347)
Net cash from (used in) financing activities	(63,581,482)	10,464,245
Net increase (decrease) in cash and cash equivalents	(15,207,340)	(9,544,473)
Effect of exchange rates on cash and cash equivalents	506,964	69,269
Cash and cash equivalents at beginning of period	20,037,923	27,901,304
Cash and cash equivalents at end of period	5,337,547	18,426,100
Dividends received, net of withholding tax paid	203,886	193,263
Interest received	2,490,297	2,204,206

See accompanying notes to interim financial statements

NCM SHORT TERM INCOME FUND

Schedule of Investment Portfolio
(unaudited)

As at March 31, 2019

<i>(in Canadian dollars)</i>	Number of Shares/Par Value	Cost (\$)	Fair Value (\$)	% of Net Assets
CANADIAN BONDS - LONG (Par Value in CAD except as otherwise stated)				
Canada Other Corporate				
AGT Food and Ingredients Inc., Callable, 5.875%, 2021/12/21	1,000,000	1,013,750	1,009,167	
Air Canada, Callable, 4.750%, 2023/10/06	2,000,000	2,070,000	2,049,167	
Canadian National Railway Co., Callable, 2.750%, 2021/02/18	1,500,000	1,527,615	1,516,202	
Kruger Products L.P., Callable, 6.000%, 2025/04/24	2,000,000	2,011,250	1,925,978	
Mattamy Group Corp., Callable, 6.500%, 2025/10/01	1,000,000	1,000,000	983,750	
Mattamy Group Corp., Callable, 6.500%, 2025/10/01 (Par Value in USD)	500,000	612,575	653,948	
Nuvista Energy Ltd., Callable, 6.500%, 2023/03/02	1,500,000	1,500,000	1,482,812	
Parkland Fuel Corp., Callable, 5.500%, 2021/05/28	2,000,000	2,085,000	2,030,000	
Russel Metals Inc., Callable, 6.000%, 2022/04/19	2,000,000	2,040,000	2,029,583	
WestJet Airlines Ltd., Callable, 3.287%, 2019/07/23	1,750,000	1,774,270	1,754,261	
		15,634,460	15,434,868	26.6%
TOTAL CANADIAN BONDS		15,634,460	15,434,868	26.6%
UNITED STATES BONDS - LONG (Par Value in USD)				
Acadia Healthcare Co. Ltd., Callable, 5.625%, 2023/02/15	1,000,000	1,295,706	1,350,979	
Capital One NA, Callable, 2.250%, 2021/09/13	1,000,000	1,264,595	1,315,253	
Delta Air Lines Inc., 3.400%, 2021/04/19	2,000,000	2,617,180	2,684,133	
First Data Corp., Callable, 5.375%, 2023/08/15	1,000,000	1,298,882	1,367,679	
Freeport-McMoRan Inc., Callable, 3.550%, 2022/03/01	200,000	250,437	264,852	
NCR Corp., Callable, 6.375%, 2023/12/15	800,000	1,081,562	1,100,823	
T-Mobile USA Inc., 4.000%, 2022/04/15	1,000,000	1,294,080	1,354,319	
Unisys Corp., Callable, 10.750%, 2022/04/15	1,190,000	1,729,096	1,758,695	
USB Realty Corp., Variable Rate, Perpetual, 3.989%, 2022/01/15	1,000,000	1,188,457	1,150,888	
		12,019,995	12,347,621	21.2%
Exchange Traded Funds				
iShares iBoxx High Yield Corporate Bond ETF	12,400	1,410,269	1,432,443	
SPDR Bloomberg Barclays Short Term High Yield Bond ETF	49,900	1,798,405	1,816,591	
		3,208,674	3,249,034	5.6%
TOTAL UNITED STATES BONDS		15,228,669	15,596,655	26.8%
TOTAL BONDS		30,863,129	31,031,523	53.4%
CANADIAN TERM LOANS (Par Value in USD)				
Canam Steel Corp., Term Loans, 7.493%, 2024/07/01	1,478,712	1,882,592	1,926,098	
Decolin Inc., Term Loans, 6.993%, 2023/12/27	1,703,616	2,140,114	2,207,667	
Gateway Casinos & Entertainment Ltd., Term Loans, 5.803%, 2025/03/08	1,486,263	1,947,131	1,976,896	
		5,969,837	6,110,661	10.5%
TOTAL CANADIAN TERM LOANS		5,969,837	6,110,661	10.5%

NCM SHORT TERM INCOME FUND

Schedule of Investment Portfolio (continued)
(unaudited)

As at March 31, 2019

<i>(in Canadian dollars)</i>	Number of Shares/Par Value	Cost (\$)	Fair Value (\$)	% of Net Assets
UNITED STATES TERM LOANS (Par Value in USD)				
Atkins Nutritional Holdings Inc., Term Loans, 5.993%, 2024/07/07	985,000	1,287,096	1,312,621	
Avaya Inc., Term Loans, 6.849%, 2024/12/15	785,995	1,014,984	1,044,579	
BDF Acquisition Corp., Term Loans, 7.749%, 2023/08/14	1,386,472	1,515,839	1,768,905	
CareCentrix Inc., Term Loans, 7.101%, 2025/04/02	721,994	914,888	952,491	
Consolidated Container Co. LLC, Term Loans, 5.249%, 2024/05/22	975,100	1,304,350	1,280,162	
McAfee LLC, Term Loans, 6.245%, 2024/09/30	963,525	1,179,771	1,285,072	
Shutterfly Inc., Term Loans, 5.250%, 2024/08/17	1,125,110	1,505,122	1,477,253	
SiteOne Landscape Supply Holding LLC, Term Loans, 5.240%, 2024/10/29	970,354	1,215,127	1,284,198	
Travel Leaders Group LLC, Term Loans, 6.482%, 2024/01/25	990,013	1,292,193	1,322,052	
U.S. Silica Co., Term Loans, 6.500%, 2025/05/01	985,025	1,260,605	1,240,277	
		<u>12,489,975</u>	<u>12,967,610</u>	<u>22.3%</u>
Exchange Traded Funds				
Invesco Senior Loan ETF	78,900	2,441,980	2,386,402	
		<u>2,441,980</u>	<u>2,386,402</u>	<u>4.1%</u>
TOTAL UNITED STATES TERM LOANS		<u>14,931,955</u>	<u>15,354,012</u>	<u>26.4%</u>
TOTAL TERM LOANS		<u>20,901,792</u>	<u>21,464,673</u>	<u>36.9%</u>
Less: Transaction costs included in average cost		<u>(5,938)</u>		
TOTAL INVESTMENTS		<u>51,758,983</u>	<u>52,496,196</u>	<u>90.3%</u>
Derivative liabilities			(95,493)	-0.2%
Other assets, less liabilities			<u>5,763,612</u>	<u>9.9%</u>
TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>58,164,315</u>	<u>100.0%</u>

NCM SHORT TERM INCOME FUND

Schedule of Derivative Investments - Forward Foreign Currency Contracts
(unaudited)

As at March 31, 2019

Counterparty	Credit Rating	Settlement Date	Currency to be Delivered	Fair Value in Cdn Dollars	Currency to be Received	Contract Price	Unrealized Loss
Bank of Nova Scotia	A-1	April 15, 2019	23,564,948 USD	31,471,278	31,375,785 CAD	1.3315	(95,493)
Net Unrealized Loss							(95,493)

NCM SHORT TERM INCOME FUND

Notes to Interim Financial Statements
(unaudited)

Six months ended March 31, 2019 and 2018

1. Reporting Entity:

On August 27, 2018, Norrep Short Term Income Fund changed its name to NCM Short Term Income Fund. NCM Short Term Income Fund (the "Fund") is an open-ended mutual fund trust established under the laws of Alberta pursuant to a Declaration of Trust dated August 16, 2011, as amended April 14, 2014. The Fund's principal place of business is Suite 1850, 333 - 7th 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.

Effective August 27, 2018, NCM Short Term Income Fund changed its year end from December 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 operation of the Fund. TMX Group is the trustee, CIBC Mellon Trust Company ("CIBC Mellon") is the custodian of the Fund and Norrep Investment Management Group Inc. ("NCM") is the Sponsor of the Fund.

2. Basis of preparation:

(a) Statement of compliance:

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

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

The financial statements of the Fund were approved and were authorized for issue by the Manager's Board of Directors on May 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 and derivative instruments 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 SHORT TERM INCOME FUND

Notes to Interim Financial Statements
(unaudited)

Six months ended March 31, 2019 and 2018

2. Basis of preparation (continued):

(d) Use of judgements and estimates:

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

Functional currency is the currency of the primary economic environment in which the Fund operates and requires judgement. If indicators of the primary environment are mixed, then management uses its judgement to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. All of the Fund's operating expenses are denominated in Canadian dollars. Investments are a mixture of Canadian and United States securities. Investor subscriptions and redemptions for Series A (H) and Series F (H) are in U.S. dollars. Although Series A (H) and Series F (H) are denominated in U.S. dollars for investor subscriptions and redemptions, the Series are meant to replicate the Series A and Series F, respectively. The Fund's NAV is calculated in Canadian dollars with the NAV per unit for the Series A (H) and Series F (H) being converted to USD after the Canadian NAV per unit is calculated. Accordingly, management has determined that the functional currency of the Fund is Canadian dollars.

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.

NCM SHORT TERM INCOME 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

Effective January 1, 2018 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 or loss. There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9.

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

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

The 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

NCM SHORT TERM INCOME 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)

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.

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 shares is determined using an economic model taking into account various factors including risk free rate of interest, volatility, market value and length of the 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 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 NAV and accounting NAV.

NCM SHORT TERM INCOME 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):

(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, does not qualify as equity under IAS 32, Financial Instruments. The redeemable units, which are classified as financial liabilities and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's valuation policies at each redemption date. The units represent the residual interest in the Fund.

For U.S. dollar pricing, net asset values are calculated by converting the Canadian dollar net asset value per unit to the U.S. dollar equivalent using the then current rate of exchange.

(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.

NCM SHORT TERM INCOME FUND

Notes to Interim Financial Statements
(unaudited)

Six months ended March 31, 2019 and 2018

3. Significant accounting policies (continued):

(c) Dividend income and dividend expense:

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

(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 at the date of distribution.

(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.

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 incurred withholding tax recovery of \$16,721 (March 31, 2018 - \$16,397) for the six months ended March 31, 2019.

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

Increase (decrease) in net assets attributable to unitholders per unit is calculated as increase (decrease) in net assets attributable to unitholders, 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

NCM SHORT TERM INCOME FUND

Notes to Interim Financial Statements
(unaudited)

Six months ended March 31, 2019 and 2018

3. Significant accounting policies (continued):

(h) Translation of foreign currency (continued):

- (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 their 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
- 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

NCM SHORT TERM INCOME FUND

Notes to Interim Financial Statements
(unaudited)

Six months ended March 31, 2019 and 2018

4. Fair value measurement (continued):

(a) Investments (continued):

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 recognises 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 March 31, 2019 and September 30, 2018 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. All derivative fair values in the statement of financial position are classified as level 2.

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
March 31, 2019				
Public securities				
Bonds/Secured Loans/ETFs	5,635,436	46,860,760	—	52,496,196
Unrealized loss on derivative instruments	—	(95,493)	—	(95,493)
Total Investments	5,635,436	46,765,267	—	52,400,703

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
September 30, 2018				
Public securities				
Bonds/Secured Loans/ETFs	7,275,811	96,460,733	—	103,736,544
Unrealized gain on derivative instruments	—	385,122	—	385,122
Total Investments	7,275,811	96,845,855	—	104,121,666

There were no transfers between the levels for the six months ended March 31, 2019 and period ended 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, other receivables and payables approximate their fair values due to their short term nature.

NCM SHORT TERM INCOME 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 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 loans as presented on the statement of investment portfolios represents the maximum credit risk exposure as at March 31, 2019. This also applies to cash and cash equivalents and receivables as they have a short-term settlement.

A portion of the Fund's portfolio 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.

As at March 31, 2019 and September 30, 2018, the Fund was invested in debt securities with the following credit rating:

Debt Security by Credit Rating	% of Assets Under Management in each category	
	March 31, 2019	September 30, 2018
A	2.6%	3.3%
BBB	7.3%	10.1%
BB	29.0%	23.7%
B	37.9%	40.1%
Unrated	3.8%	1.8%
	80.6%	79.0%

Credit risk arising on transactions for units purchased 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

NCM SHORT TERM INCOME FUND

Notes to Interim Financial Statements
(unaudited)

Six months ended March 31, 2019 and 2018

5. Financial instruments and associated risks (continued):

Credit risk (continued):

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.

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. The 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 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. Minimum cash balances will be required to be maintained in the Fund at the discretion of the Portfolio Manager to allow for monies to cover redemptions. At March 31, 2019 the Fund had a cash balance equal to 9% (September 30, 2018 - 16%) of the net assets. The Fund's redemption policy allows for redemptions at any time during any given month. In certain circumstances, the Fund is required to settle the transaction by trade day plus two days.

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. 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 holders of the units with capital preservation and a highly liquid portfolio comprised primarily of government and corporate debt securities targeting a level of income consistent with investments in short-term fixed income securities. The portfolio

NCM SHORT TERM INCOME 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):

may consist of all types of debt obligations of issuers that may or may not be listed for trading upon the facilities of stock exchanges or other organized and regulated trading facilities.

Assets of the Fund may also be invested in equity or equity-like securities or held in cash to the extent that economic, market or other conditions make it appropriate.

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.

(a) Currency risk:

The Fund may invest in financial instruments and enter into transactions denominated in currencies other than the Canadian dollar. Consequently, the Funds are exposed to risks that the exchange rate of the Canadian dollar to other foreign currencies may fluctuate.

The Fund uses forward contracts to hedge a portion of the Fund's foreign exchange risk.

At the reporting date the Fund had 17.3% (September 30, 2018 – 8.6%) of its net asset value in U.S. 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 \$100,820 (September 30, 2018 - \$105,312). 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. The Fund is 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 Fund are empirically correlated with the related stock

NCM SHORT TERM INCOME 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):

(b) Interest rate risk (continued):

indices for those corporate investments. The table below summarizes the Fund's exposure to interest rate risks. It includes the Fund's assets at fair values, categorized by the maturity dates.

March 31, 2019	Less than 1 year	1 to 3 years	3 to 5 years	>5 years	Total
----------------	---------------------	-----------------	-----------------	-------------	-------

All amounts stated in Canadian dollars

Corporate bonds/Secured loans	1,754,261	9,970,495	17,792,682	17,343,322	46,860,760
-------------------------------	-----------	-----------	------------	------------	------------

September 30, 2018	Less than 1 year	1 to 3 years	3 to 5 years	>5 years	Total
--------------------	---------------------	-----------------	-----------------	-------------	-------

All amounts stated in Canadian dollars

Corporate bonds/Secured loans	6,364,343	15,685,975	33,641,858	40,768,557	96,460,733
-------------------------------	-----------	------------	------------	------------	------------

(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 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 industries and countries where the issuer of the security is located, does business or where the security, if applicable, is listed for trading. 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 risk resulting from financial instruments is equivalent to their fair value.

NCM SHORT TERM INCOME 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):

The Fund will primarily invest in government and corporate debt securities of varying types. The following table details the breakdown of the investment assets and liabilities held by the Fund as at March 31, 2019 and September 30, 2018:

	% of Net Assets	
	2019	2018
Investments:		
Over-the-counter debt instruments	80.6%	79.0%
Exchange traded funds	9.7%	6.0%

Sensitivity analysis:

A 1% increase or decrease in the Blended Index: FTSE TMX Short Term Bond Index (50%), Credit Suisse Leveraged Loan Index (30%) and the Merrill Lynch High Yield Canadian Issuer's Index (20%) at March 31, 2019 would have impacted the net assets attributable to unitholders and the changes in net assets attributable to unitholders by approximately \$524,962 (September 30, 2018 - \$1,037,365).

The Fund's investments exposed to other price risk were concentrated in the following industries at March 31, 2019 and September 30, 2018:

	2019	2018
Bonds and Secured Loans	100.0%	100.0%
Total	100.0%	100.0%

6. Net assets attributable to unitholders of redeemable units:

Redeemable units

The authorized capital of the Fund consists of an unlimited number of units, each representing an equal undivided interest in the net assets of the Fund. Currently, there are six series outstanding, Series A, Series A (H), Series F, Series F (H), Series I and Series R. 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 A (H) 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 30 days. Series F and Series F (H) 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 F (H) is redeemed in the first 30 days.

NCM SHORT TERM INCOME 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):

Redeemable units (continued)

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 30 days.

Series A (H) and Series F (H) units are offered for purchase in U.S. dollars only.

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 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 period was as follows:

Series A	2019	2018
Balance, opening	2,416,913	1,714,641
Issued on distributions reinvested	44,328	32,465
Issued for cash	94,615	406,411
Redeemed for cash	(407,096)	(401,565)
Balance, March 31	2,148,760	1,751,952

Series F	2019	2018
Balance, opening	2,279,903	1,811,669
Issued on distributions reinvested	29,024	28,823
Issued for cash	288,181	608,763
Redeemed for cash	(641,779)	(239,246)
Balance, March 31	1,955,329	2,210,009

Series I	2019	2018
Balance, opening	7,168,127	6,621,110
Issued on distributions reinvested	47,504	125,994
Issued for cash	7,287	756,493
Redeemed for cash	(6,504,578)	(258,247)
Balance, March 31	718,340	7,245,350

NCM SHORT TERM INCOME 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):

Redeemable units (continued)

Series A (H)	2019	2018
Balance, opening	94,291	98,595
Issued on distributions reinvested	1,894	2,057
Issued for cash	2,468	–
Redeemed for cash	(17,774)	(4,841)
Balance, March 31	80,879	95,811

Series F (H)	2019	2018
Balance, opening	805,864	416,117
Issued on distributions reinvested	15,253	8,609
Issued for cash	8,282	311,203
Redeemed for cash	(25,083)	(78,593)
Balance, March 31	804,316	657,336

Series R	2019	2018
Balance, opening	–	–
Issued on distributions reinvested	8,610	–
Issued for cash	528,859	–
Redeemed for cash	(8,291)	–
Balance, March 31	529,178	–

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

March 31, 2019	Series A	Series F	Series I	Series A(H)	Series F(H)	Series R
Increase (decrease) in net assets attributable to holders of redeemable units	\$(34,588)	\$28,063	\$ (699,788)	\$30,645	\$326,198	\$50,102
Average units outstanding during the period	2,240,208	2,167,809	3,876,986	88,189	802,868	362,399
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$ (0.01)	\$–	\$ (0.18)	\$0.35	\$0.41	\$0.14

NCM SHORT TERM INCOME 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):

Redeemable units (continued)

March 31, 2018	Series A	Series F	Series I	Series A(H)	Series F(H)	Series R
Increase (decrease) in net assets attributable to holders of redeemable units	\$50,768	\$112,437	\$691,785	\$35,249	\$234,435	\$-
Average units outstanding during the period	1,775,598	1,989,408	6,959,438	96,050	527,069	-
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$0.03	\$0.06	\$0.10	\$0.37	\$0.44	\$-

7. Management fees, expenses and key contracts:

(a) Manager and management fees:

Series A and Series A (H) paid an annual management fee to the Manager of 1.25% of the net asset value of the series. Series F and Series F (H) 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 \$36,860 (September 30, 2018 - \$42,195) 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. 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.

(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 Manager has charged the Fund for administration services. As at March 31, 2019 \$8,188 (September 30, 2018 - \$13,017) is included in accrued expenses.

8. Brokerage commissions on securities transactions:

The Fund paid brokerage commissions amounting to \$2,796 (March 31, 2018 - \$758) in connection with portfolio transactions during the period.

THIS PAGE LEFT INTENTIONALLY BLANK

THIS PAGE LEFT INTENTIONALLY BLANK

C



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

ncminvestments.com

1.877.431.1407