

September 30, 2018

FINANCIAL STATEMENTS OF  
**NCM CORE PORTFOLIOS LTD.**

• NCM Core Canadian • NCM Core Global





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## INDEPENDENT AUDITORS' REPORT

To the Shareholders of NCM Core Portfolios Ltd. being:

NCM Core Canadian  
NCM Core Global

We have audited the accompanying financial statements of NCM Core Portfolios Ltd., which comprise the statement of financial position of NCM Core Canadian and NCM Core Global as at September 30, 2018 and October 31, 2017, the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the eleven months ended September 30, 2018 and year ended October 31, 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of NCM Core Canadian and NCM Core Global as at September 30, 2018 and October 31, 2017, and their financial performance and their cash flows for the eleven months ended September 30, 2018 and year ended October 31, 2017 in accordance with International Financial Reporting Standards.

A handwritten signature in black ink, appearing to read 'KPMG LLP'.

Chartered Professional Accountants  
December 13, 2018  
Calgary, Canada

# NCM CORE CANADIAN

## Statements of Financial Position

*(in Canadian dollars, except shares outstanding)*

As at	September 30 2018	October 31 2017
<b>Assets</b>		
Cash and cash equivalents	2,028,899	1,986,829
Dividends and interest receivable	44,309	25,980
Due from Manager (note 7)	66,700	63,800
Portfolio assets sold	82,685	–
Shares issued	–	49,000
Investments, at fair value through profit or loss	15,130,002	13,397,558
<b>Total assets</b>	<b>17,352,595</b>	<b>15,523,167</b>
<b>Liabilities</b>		
Accrued expenses (note 7)	52,900	51,300
Dividends payable	–	20,712
Dividends payable on investments sold short	1,538	1,635
Portfolio assets purchased	372,273	–
Shares redeemed	68,391	3,046
Investments - short, at fair value through profit or loss	1,188,734	1,154,050
<b>Total liabilities (excluding net assets attributable to holders of redeemable shares)</b>	<b>1,683,836</b>	<b>1,230,743</b>
<b>Net assets attributable to holders of redeemable shares</b>	<b>15,668,759</b>	<b>14,292,424</b>
Net assets attributable to holders of redeemable shares:		
Series A	8,041,901	8,357,007
Series F	4,800,201	4,884,431
Series Z	2,826,657	1,050,986
Redeemable shares outstanding (note 6):		
Series A	257,477	263,296
Series F	149,624	151,296
Series Z	87,257	32,482
Net assets attributable to holders of redeemable shares per share:		
Series A	31.23	31.74
Series F	32.08	32.28
Series Z	32.39	32.36

See accompanying notes to financial statements.

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



Alex Sasso



Keith Leslie

# NCM CORE CANADIAN

## Statements of Comprehensive Income

Eleven months ended September 30, 2018 and year ended October 31, 2017

*(in Canadian dollars)*

	2018	2017
Dividend income	394,859	324,392
Interest for distribution purposes	27,458	14,435
Net gain (loss) on investments at fair value through profit or loss		
Net realized gain (loss) on investments	664,689	719,961
Net change in unrealized appreciation (depreciation) in fair value of investments	(786,702)	928,158
Total investment revenue (loss)	300,304	1,986,946
Management fees (note 7)	167,100	178,684
Custodian and record keeping fees	30,600	28,102
Legal and filing fees	23,457	20,109
Dividend expense on investments sold short	21,567	18,775
Transaction costs	19,557	15,169
Audit and tax fees	19,198	22,768
HST/GST	18,618	18,105
Administrative fees (note 7)	18,411	16,512
Risk management fees	9,818	8,974
Other	6,016	4,407
Computer services	4,925	4,034
Independent review committee	1,417	1,544
Operating expense recovery (note 7)	(66,700)	(63,800)
Total operating expenses	273,984	273,383
Increase (decrease) in net assets attributable to holders of redeemable shares before tax	26,320	1,713,563
Withholding tax expense	132	118
Increase (decrease) in net assets attributable to holders of redeemable shares	26,188	1,713,445
Change in net assets attributable to holders of redeemable shares (note 6):		
Series A	(29,497)	1,138,973
Series F	31,425	510,472
Series Z	24,260	64,000
Change in net assets attributable to holders of redeemable shares per share (note 6):		
Series A	(0.11)	3.93
Series F	0.20	4.49
Series Z	0.38	3.09

See accompanying notes to financial statements.

# NCM CORE CANADIAN

## Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares

Eleven months ended September 30, 2018 and year ended October 31, 2017

(in Canadian dollars)

	All Series		Series A		Series F		Series Z	
	2018	2017	2018	2017	2018	2017	2018	2017
Net assets attributable to holders of redeemable shares, beginning of period	14,292,424	11,850,115	8,357,007	8,917,558	4,884,431	2,932,557	1,050,986	–
Increase (decrease) in net assets, attributable to holders of redeemable shares:	26,188	1,713,445	(29,497)	1,138,973	31,425	510,472	24,260	64,000
Transactions attributable to holders of redeemable shares:								
Issuance of shares	3,427,631	3,509,044	929,586	603,654	731,860	1,909,973	1,766,185	995,417
Reinvestment of dividends	166,414	197,527	90,728	121,733	51,408	66,070	24,278	9,724
Amounts paid on redemptions	(2,058,726)	(2,759,448)	(1,210,938)	(2,297,776)	(842,201)	(459,718)	(5,587)	(1,954)
	1,535,319	947,123	(190,624)	(1,572,389)	(58,933)	1,516,325	1,784,876	1,003,187
Dividends declared:								
From dividend income	(185,172)	(218,259)	(94,985)	(127,135)	(56,722)	(74,923)	(33,465)	(16,201)
	(185,172)	(218,259)	(94,985)	(127,135)	(56,722)	(74,923)	(33,465)	(16,201)
Net assets attributable to holders of redeemable shares, end of period	15,668,759	14,292,424	8,041,901	8,357,007	4,800,201	4,884,431	2,826,657	1,050,986
Dividends per share to holders of redeemable shares:								
From dividend income			0.37	0.49	0.38	0.50	0.39	0.50

See accompanying notes to financial statements.

# NCM CORE CANADIAN

## Statements of Cash Flows

Eleven months ended September 30, 2018 and year ended October 31, 2017

*(in Canadian dollars)*

	2018	2017
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares	26,188	1,713,445
Adjustments for:		
Net realized (gain) loss on sale of investments at fair value through profit or loss	(664,689)	(719,961)
Net change in unrealized (appreciation) depreciation of investments at fair value through profit or loss	786,702	(928,158)
Purchase of investments	(24,473,067)	(17,763,824)
Proceeds from the sale of investments	22,942,941	17,256,583
Dividends and interest receivable	(18,329)	6,435
Due from Manager	(2,900)	(6,300)
Accrued expenses	1,600	2,801
Dividends payable on investments sold short	(97)	(797)
<b>Net cash from (used in) operating activities</b>	<b>(1,401,651)</b>	<b>(439,776)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from the issuance of redeemable shares	3,476,631	3,489,044
Amounts paid on redemption of redeemable shares	(1,993,381)	(2,767,014)
Dividends to holders of redeemable shares, net of reinvestments	(39,470)	(3,128)
<b>Net cash from (used in) financing activities</b>	<b>1,443,780</b>	<b>718,902</b>
Net increase (decrease) in cash and cash equivalents	42,129	279,126
Effect of exchange rates on cash and cash equivalents	(59)	35
Cash and cash equivalents at beginning of period	1,986,829	1,707,668
<b>Cash and cash equivalents at end of period</b>	<b>2,028,899</b>	<b>1,986,829</b>
Dividends received, net of withholding tax paid	376,398	330,709
Interest received	27,458	14,435
Dividend expenses on investments sold short	21,664	19,572

See accompanying notes to financial statements.

# NCM CORE CANADIAN

## Schedule of Investment Portfolio

As at September 30, 2018

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>CANADIAN EQUITIES - Long</b>				
<b>Communication Services</b>				
BCE Inc.	5,800	342,931	303,514	
Quebecor Inc., Class 'B'	16,800	423,458	435,120	
Rogers Communications Inc., Class 'B'	5,800	351,283	385,294	
		1,117,672	1,123,928	7.2%
<b>Consumer Discretionary</b>				
A&W Revenue Royalties Income Fund	5,500	197,424	199,375	
Great Canadian Gaming Corp.	5,100	239,967	236,130	
Leon's Furniture Ltd.	17,700	317,659	311,697	
		755,050	747,202	4.8%
<b>Consumer Staples</b>				
Alimentation Couche-Tard Inc., Class 'B'	9,400	572,012	607,334	
		572,012	607,334	3.9%
<b>Energy</b>				
Enbridge Inc.	7,500	358,708	312,600	
TransCanada Corp.	8,900	514,141	465,114	
		872,849	777,714	5.0%
<b>Financials</b>				
Bank of Nova Scotia	4,100	318,524	315,659	
Canadian Imperial Bank of Commerce	5,700	600,640	689,871	
goeasy Ltd.	7,000	305,871	357,630	
Great-West Lifeco Inc.	14,800	492,143	463,832	
Manulife Financial Corp.	12,900	281,008	297,861	
National Bank of Canada	4,900	310,159	316,099	
Royal Bank of Canada	10,700	922,323	1,107,878	
Sun Life Financial Inc.	7,600	389,191	390,260	
Toronto-Dominion Bank (The)	12,000	937,576	941,880	
		4,557,435	4,880,970	31.1%
<b>Industrials</b>				
Badger Daylighting Ltd.	10,400	295,163	307,840	
CAE Inc.	11,800	285,552	309,396	
Canadian National Railway Co.	3,400	392,078	394,060	
Hardwoods Distribution Inc.	22,800	406,059	389,880	
NFI Group Inc.	6,200	335,182	311,674	
Russel Metals Inc.	11,100	312,737	297,480	
TFI International Inc.	5,700	239,733	267,216	
Waste Connections Inc.	3,100	240,103	319,176	
		2,506,607	2,596,722	16.6%
<b>Information Technology</b>				
CGI Group Inc., Class 'A'	1,900	142,743	158,232	
Constellation Software Inc.	700	586,060	664,909	
Open Text Corp.	6,300	262,899	309,645	
		991,702	1,132,786	7.2%
<b>Materials</b>				
Canfor Pulp Products Inc.	19,200	387,165	469,632	
CCL Industries Inc., Class 'B'	3,900	226,222	227,058	



# NCM CORE CANADIAN

Schedule of Investment Portfolio (continued)

As at September 30, 2018

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Materials (continued)</b>				
Conifex Timber Inc.	89,300	412,496	368,809	
Nutrien Ltd.	5,300	391,388	395,274	
		1,417,271	1,460,773	9.3%
<b>Real Estate</b>				
BTB REIT	74,200	317,647	356,902	
Northview Apartment REIT	10,600	270,731	271,784	
Slate Retail REIT, Class 'U'	36,900	465,881	469,737	
SmartCentres REIT	10,000	305,833	305,100	
		1,360,092	1,403,523	9.0%
<b>Utilities</b>				
TransAlta Renewables Inc.	34,700	416,623	399,050	
		416,623	399,050	2.5%
<b>TOTAL CANADIAN EQUITIES - Long</b>		<b>14,567,313</b>	<b>15,130,002</b>	<b>96.6%</b>
<b>TOTAL EQUITIES - Long</b>		<b>14,567,313</b>	<b>15,130,002</b>	<b>96.6%</b>

	Number of Shares	Proceeds (\$)	Fair Value (\$)	% of Net Assets
<b>CANADIAN EQUITIES - Short</b>				
<b>Consumer Discretionary</b>				
MTY Food Group Inc.	(1,400)	(88,158)	(89,950)	
		(88,158)	(89,950)	-0.6%
<b>Consumer Staples</b>				
Cott Corp.	(3,400)	(70,375)	(70,890)	
		(70,375)	(70,890)	-0.4%
<b>Financials</b>				
ECN Capital Corp.	(19,000)	(72,314)	(71,630)	
		(72,314)	(71,630)	-0.5%
<b>Industrials</b>				
Héroux-Devtek Inc.	(5,700)	(81,879)	(88,236)	
Richelieu Hardware Ltd.	(2,500)	(77,233)	(74,750)	
		(159,112)	(162,986)	-1.0%
<b>Information Technology</b>				
Absolute Software Corp.	(11,000)	(77,121)	(82,390)	
Solium Capital Inc.	(7,000)	(78,694)	(79,170)	
		(155,815)	(161,560)	-1.0%
<b>Materials</b>				
Winpak Ltd.	(1,600)	(79,447)	(76,224)	
		(79,447)	(76,224)	-0.5%
<b>Real Estate</b>				
Boardwalk REIT	(1,700)	(74,349)	(85,289)	
Cominar REIT	(6,500)	(85,387)	(75,790)	
Crombie REIT	(6,200)	(82,941)	(80,662)	
Dream Unlimited Corp., Class 'A'	(8,800)	(73,172)	(71,104)	
H&R REIT	(3,900)	(78,935)	(77,493)	
Morguard North American Residential REIT	(5,600)	(82,712)	(89,656)	
		(477,496)	(479,994)	-3.1%

# NCM CORE CANADIAN

Schedule of Investment Portfolio (continued)

As at September 30, 2018

*(in Canadian dollars)*

Description	Number of Shares	Proceeds (\$)	Fair Value (\$)	% of Net Assets
<b>Utilities</b>				
ATCO Ltd., Class 'I'	(2,000)	(77,369)	(75,500)	
		(77,369)	(75,500)	-0.5%
<b>TOTAL CANADIAN EQUITIES - Short</b>		<b>(1,180,086)</b>	<b>(1,188,734)</b>	<b>-7.6%</b>
Less: Transaction costs included in average cost		(4,841)		
<b>TOTAL INVESTMENTS</b>		<b>13,382,386</b>	<b>13,941,268</b>	<b>89.0%</b>
Other assets, less liabilities			1,727,491	11.0%
<b>TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>			<b>15,668,759</b>	<b>100.0%</b>

# NCM CORE GLOBAL

## Statements of Financial Position

*(in Canadian dollars, except shares outstanding)*

As at	September 30 2018	October 31 2017
<b>Assets</b>		
Cash and cash equivalents	1,508,994	404,241
Dividends and interest receivable	17,915	6,850
Due from Manager (note 7)	87,200	62,100
Portfolio assets sold	–	27,713
Shares issued	165,327	516,722
Unrealized gain on derivative instruments	119,753	196
Investments, at fair value through profit or loss	21,575,909	9,142,308
<b>Total assets</b>	<b>23,475,098</b>	<b>10,160,130</b>
<b>Liabilities</b>		
Accrued expenses (note 7)	62,000	32,100
Portfolio assets purchased	–	70,318
Shares redeemed	195,325	25,790
Unrealized loss on derivative instruments	4,166	226,386
<b>Total liabilities (excluding net assets attributable to holders of redeemable shares)</b>	<b>261,491</b>	<b>354,594</b>
<b>Net assets attributable to holders of redeemable shares</b>	<b>23,213,607</b>	<b>9,805,536</b>
Net assets attributable to holders of redeemable shares:		
Series A	2,927,140	1,328,318
Series F	14,038,080	6,152,821
Series Z	6,248,387	2,324,397
Redeemable shares outstanding (note 6):		
Series A	92,419	44,736
Series F	431,292	203,460
Series Z	190,128	76,720
Net assets attributable to holders of redeemable shares per share:		
Series A	31.67	29.69
Series F	32.55	30.24
Series Z	32.86	30.30

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



Alex Sasso



Keith Leslie

# NCM CORE GLOBAL

## Statements of Comprehensive Income

Eleven months ended September 30, 2018 and year ended October 31, 2017

*(in Canadian dollars)*

	2018	2017
Dividend income	409,629	69,799
Interest for distribution purposes	1,180	27
Net gain (loss) on investments at fair value through profit or loss		
Net realized gain (loss) on investments	5,679	(68,831)
Net realized gain (loss) on derivative instruments	(398,444)	123,334
Net change in unrealized appreciation (depreciation) in fair value of investments	1,240,104	858,518
Net change in unrealized appreciation (depreciation) on derivative instruments	341,777	(212,537)
<b>Total investment revenue (loss)</b>	<b>1,599,925</b>	<b>770,310</b>
Management fees (note 7)	123,519	39,383
Transaction costs	39,358	13,801
Custodian and record keeping fees	35,148	23,641
Audit and tax fees	29,463	17,165
Legal and filing fees	26,430	19,612
Administrative fees (note 7)	22,692	4,630
HST/GST	17,394	6,348
Other	7,213	2,855
Computer services	5,832	1,049
Independent review committee	1,801	373
Operating expense recovery (note 7)	(87,200)	(62,100)
<b>Total operating expenses</b>	<b>221,650</b>	<b>66,757</b>
Increase (decrease) in net assets attributable to holders of redeemable shares before tax	1,378,275	703,553
Withholding tax expense	54,340	8,961
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	<b>1,323,935</b>	<b>694,592</b>
Change in net assets attributable to holders of redeemable shares (note 6):		
Series A	141,818	152,893
Series F	764,844	472,247
Series Z	417,273	69,452
Change in net assets attributable to holders of redeemable shares per share (note 6):		
Series A	1.91	4.19
Series F	2.18	5.54
Series Z	2.25	1.86

See accompanying notes to financial statements.

# NCM CORE GLOBAL

## Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares

Eleven months ended September 30, 2018 and year ended October 31, 2017

*(in Canadian dollars)*

	All Series		Series A		Series F		Series Z	
	2018	2017	2018	2017	2018	2017	2018	2017
Net assets attributable to holders of redeemable shares, beginning of period	9,805,536	2,628,612	1,328,318	913,809	6,152,821	1,714,803	2,324,397	–
Increase (decrease) in net assets, attributable to holders of redeemable shares:								
Transactions attributable to holders of redeemable shares:								
Issuance of shares	16,292,975	7,098,686	2,055,459	361,179	9,194,093	4,463,005	5,043,423	2,274,502
Amounts paid on redemptions	(4,208,839)	(616,354)	(598,455)	(99,563)	(2,073,678)	(497,234)	(1,536,706)	(19,557)
	12,084,136	6,482,332	1,457,004	261,616	7,120,415	3,965,771	3,506,717	2,254,945
Net assets attributable to holders of redeemable shares, end of period	23,213,607	9,805,536	2,927,140	1,328,318	14,038,080	6,152,821	6,248,387	2,324,397

See accompanying notes to financial statements.

# NCM CORE GLOBAL

## Statements of Cash Flows

Eleven months ended September 30, 2018 and year ended October 31, 2017

*(in Canadian dollars)*

	2018	2017
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares	1,323,935	694,592
Adjustments for:		
Net realized (gain) loss on sale of investments at fair value through profit or loss	(5,679)	68,831
Net change in unrealized (appreciation) depreciation of investments at fair value through profit or loss	(1,240,104)	(858,518)
Net change in unrealized (appreciation) depreciation on derivative instruments	(341,777)	212,537
Purchase of investments	(12,611,851)	(6,026,196)
Proceeds from the sale of investments	1,383,305	233,063
Dividends and interest receivable	(11,065)	(3,742)
Due from Manager	(25,100)	(21,000)
Accrued expenses	29,900	17,200
<b>Net cash from (used in) operating activities</b>	<b>(11,498,436)</b>	<b>(5,683,233)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from the issuance of redeemable shares	16,644,370	6,581,964
Amounts paid on redemption of redeemable shares	(4,039,304)	(590,564)
<b>Net cash from (used in) financing activities</b>	<b>12,605,066</b>	<b>5,991,400</b>
Net increase (decrease) in cash and cash equivalents	1,106,630	308,167
Effect of exchange rates on cash and cash equivalents	(1,877)	(31,812)
Cash and cash equivalents at beginning of period	404,241	127,886
<b>Cash and cash equivalents at end of period</b>	<b>1,508,994</b>	<b>404,241</b>
Dividends received, net of withholding tax paid	344,224	57,096
Interest received	1,180	27

See accompanying notes to financial statements.

# NCM CORE GLOBAL

## Schedule of Investment Portfolio

As at September 30, 2018

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>CANADIAN EQUITIES</b>				
<b>Financials</b>				
Royal Bank of Canada	3,650	347,923	377,921	
Toronto-Dominion Bank (The)	7,200	502,143	565,128	
		850,066	943,049	4.1%
<b>TOTAL CANADIAN EQUITIES</b>		<b>850,066</b>	<b>943,049</b>	<b>4.1%</b>
<b>UNITED STATES EQUITIES</b>				
<b>Communication Services</b>				
Alphabet Inc., Class 'A'	395	487,335	616,307	
Verizon Communications Inc.	3,365	213,891	232,225	
		701,226	848,532	3.7%
<b>Consumer Discretionary</b>				
Alibaba Group Holding Ltd., ADR	2,200	478,852	468,531	
Home Depot Inc.	2,393	515,967	640,755	
McDonald's Corp.	2,711	546,773	586,224	
Nike Inc., Class 'B'	5,019	384,362	549,626	
Starbucks Corp.	5,067	366,176	372,279	
		2,292,130	2,617,415	11.3%
<b>Consumer Staples</b>				
Altria Group Inc.	4,757	391,444	370,840	
Anheuser-Busch InBev NV, ADR	2,757	398,942	312,073	
Costco Wholesale Corp.	2,794	617,982	848,275	
Estée Lauder Cos. Inc., Class 'A'	3,132	468,979	588,317	
General Mills Inc.	4,989	350,953	276,782	
		2,228,300	2,396,287	10.3%
<b>Energy</b>				
Chevron Corp.	3,128	454,510	494,409	
		454,510	494,409	2.1%
<b>Financials</b>				
First Republic Bank	5,486	625,412	680,756	
Wells Fargo & Co.	12,046	850,363	818,394	
		1,475,775	1,499,150	6.5%
<b>Health Care</b>				
Danaher Corp.	3,356	388,689	471,363	
Eli Lilly and Co.	3,900	400,781	540,965	
Johnson & Johnson	4,330	722,171	773,332	
PerkinElmer Inc.	3,388	299,942	425,977	
		1,811,583	2,211,637	9.5%
<b>Industrials</b>				
Fortive Corp.	1,424	121,377	154,984	
Lockheed Martin Corp.	807	303,485	360,880	
		424,862	515,864	2.2%

# NCM CORE GLOBAL

Schedule of Investment Portfolio (continued)

As at September 30, 2018

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Information Technology</b>				
Microsoft Corp.	8,219	823,592	1,215,053	
Oracle Corp.	3,934	238,322	262,187	
Spotify Technology SA, ADR	1,000	233,961	233,741	
Visa Inc., Class 'A'	3,915	534,708	759,535	
		1,830,583	2,470,516	10.6%
<b>Materials</b>				
PPG Industries Inc.	1,700	230,499	239,804	
Sherwin-Williams Co. (The)	440	201,321	258,898	
		431,820	498,702	2.1%
<b>TOTAL UNITED STATES EQUITIES</b>				
		<b>11,650,789</b>	<b>13,552,512</b>	<b>58.3%</b>
<b>INTERNATIONAL EQUITIES</b>				
<b>Denmark</b>				
Alm. Brand AS	3,125	37,983	34,540	
Danske Bank AS	14,295	657,338	485,517	
DSV AS	7,188	662,714	845,136	
Novo Nordisk AS, Series 'B'	4,100	268,290	249,615	
Ringkjoebing Landbobank AS	3,300	234,117	225,891	
Topdanmark AS	8,732	462,733	515,798	
		2,323,175	2,356,497	10.1%
<b>Finland</b>				
Kone OYJ, Class 'B'	3,570	236,983	246,660	
		236,983	246,660	1.1%
<b>Indonesia</b>				
PT Bank Central Asia TBK	385,300	729,414	807,143	
		729,414	807,143	3.5%
<b>Japan</b>				
Bridgestone Corp.	7,100	395,866	346,866	
Suntory Beverage & Food Ltd.	6,400	371,842	350,323	
		767,708	697,189	3.0%
<b>Netherlands</b>				
Hal Trust	2,142	512,855	483,028	
Heineken NV	4,000	511,575	484,998	
		1,024,430	968,026	4.2%
<b>Norway</b>				
Atea ASA	16,004	263,200	335,325	
		263,200	335,325	1.4%
<b>Portugal</b>				
Galp Energia SGPS SA, Class 'B'	20,417	450,990	523,862	
		450,990	523,862	2.3%
<b>Sweden</b>				
Svenska Handelsbanken AB, Class 'A'	18,343	324,217	299,270	
		324,217	299,270	1.3%



# NCM CORE GLOBAL

Schedule of Investment Portfolio (continued)

As at September 30, 2018

*(in Canadian dollars)*

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Switzerland</b>				
Givaudan SA, Registered	96	275,426	306,540	
		275,426	306,540	1.3%
<b>United Kingdom</b>				
British American Tobacco PLC	3,450	277,393	208,452	
Reckitt Benckiser Group PLC	1,420	158,379	167,933	
Unilever PLC	2,300	159,977	163,451	
		595,749	539,836	2.3%
<b>TOTAL INTERNATIONAL EQUITIES</b>		<b>6,991,292</b>	<b>7,080,348</b>	<b>30.5%</b>
<b>TOTAL EQUITIES</b>		<b>19,492,147</b>	<b>21,575,909</b>	<b>92.9%</b>
Less: Transaction costs included in average cost		(18,649)		
<b>TOTAL INVESTMENTS</b>		<b>19,473,498</b>	<b>21,575,909</b>	<b>92.9%</b>
Derivative Assets			119,753	0.5%
Derivative Liabilities			(4,166)	0.0%
Other assets, less liabilities			1,522,111	6.6%
<b>TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES</b>			<b>23,213,607</b>	<b>100.0%</b>

# NCM Core Global

## Schedule of Derivative Investments - Forward Foreign Currency Contracts

As at September 30, 2018

Counterparty	Credit Rating	Settlement Date	Currency to be Delivered	Fair Value in Cdn Dollars	Currency to be Received	Contract Price	Unrealized Gain
Toronto-Dominion Bank (The)	A-1+	December 14, 2018	228,600 CHF	304,185	307,854CAD	1.3467	3,669
Toronto-Dominion Bank (The)	A-1+	December 14, 2018	10,564,900 DKK	2,137,814	2,150,931CAD	0.2036	13,117
Toronto-Dominion Bank (The)	A-1+	December 14, 2018	1,142,800 EUR	1,723,713	1,735,650CAD	1.5188	11,937
Toronto-Dominion Bank (The)	A-1+	December 14, 2018	362,000 GBP	611,393	615,074CAD	1.6991	3,681
Toronto-Dominion Bank (The)	A-1+	December 14, 2018	56,318,900 JPY	643,713	661,082CAD	0.0117	17,369
Toronto-Dominion Bank (The)	A-1+	October 15, 2018	10,243,000 USD	13,236,240	13,306,220CAD	1.2991	69,980
Net Unrealized Gain							119,753
Counterparty	Credit Rating	Settlement Date	Currency to be Delivered	Fair Value in Cdn Dollars	Currency to be Received	Contract Price	Unrealized Loss
Toronto-Dominion Bank (The)	A-1+	December 14, 2018	2,038,900 NOK	324,156	321,305CAD	0.1576	(2,851)
Toronto-Dominion Bank (The)	A-1+	December 14, 2018	1,972,700 SEK	288,134	286,819CAD	0.1454	(1,315)
Net Unrealized Loss							(4,166)

# NCM CORE PORTFOLIOS LTD.

Notes to Financial Statements

Eleven months ended September 30, 2018 and year ended October 31, 2017

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## 1. Reporting Entity:

On January 9, 2014, Norrep MG Fund Ltd. changed its name to Norrep Premium Portfolios Ltd. In addition, on that same date, Norrep MG Opportunity Class changed its name to Norrep Premium Growth Class. Then on February 17, 2016 Norrep Premium Portfolios Ltd. changed its name to Norrep Core Portfolios Ltd. On August 27, 2018, Norrep Core Portfolios Ltd. changed its name to NCM Core Portfolios Ltd.

NCM Core Portfolios Ltd. (the "Corporation") consists of NCM Core Canadian, and NCM Core Global (the "Funds"). NCM Core Canadian and NCM Core Global began operations on February 17, 2016. On June 29, 2017, MF Series was renamed as Series A. Additionally, Norrep Core Canadian Pool was renamed as Norrep Core Canadian and Norrep Core Global Pool was renamed as Norrep Core Global. On August 27, 2018, Norrep Premium Growth Class was renamed NCM Premium Growth Class, Norrep Core Canadian was renamed as NCM Core Canadian and Norrep Core Global was renamed as NCM Core Global.

Effective August 27, 2018, NCM Core Portfolios Ltd. changed its year end from October 31 to September 30. On October 31, 2018 NCM Premium Growth Class merged into NCM Balanced Income Portfolio and ceased to exist.

The Corporation is authorized to issue 100 Classes of special shares, each Class being issuable in series (collectively the "Special Shares") and an unlimited number of common shares. At September 30, 2018, there were 100 common shares issued as well as two Classes of Special Shares with NCM Core Canadian, NCM Core Global all issued in three series, and NCM Premium Growth Class issued in four series which ceased to exist on October 31, 2018. Each special share represents an equal undivided interest in the net assets of its Fund. CIBC Mellon Trust Company is the custodian of the Funds, Scotia Capital Inc. is the Prime Broker, and NCM Asset Management Ltd. ("NCM") (formerly, Norrep Capital Management Ltd.) is the Manager and Portfolio Manager 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"). The Fund's significant accounting policies under IFRS are presented in note 3. These policies have been applied consistently to all periods presented.

The financial statements of the Funds were approved and were authorized for issue by the Manager's Board of Directors on December 13, 2018.

### (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.

# NCM CORE PORTFOLIOS LTD.

Notes to Financial Statements

Eleven months ended September 30, 2018 and year ended October 31, 2017

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## 2. Basis of preparation (continued):

### (c) Functional and presentation currency:

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

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Significant estimates include the valuation of investments and the unrealized gains/losses from investments.

## 3. Significant accounting policies:

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

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

#### (i) Recognition and initial measurement

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

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

#### (ii) Classification

Effective November 1, 2017, the Funds adopted IFRS 9 Financial Instruments. The new 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 Funds' 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

# NCM CORE PORTFOLIOS LTD.

Notes to Financial Statements

Eleven months ended September 30, 2018 and year ended October 31, 2017

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

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

##### (ii) Classification (continued)

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

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.

Fair value of investments in the Underlying Funds is valued at the net asset value per share of each Underlying Fund as of the close of regular trading on the Toronto Stock Exchange.

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

# NCM CORE PORTFOLIOS LTD.

Notes to Financial Statements

Eleven months ended September 30, 2018 and year ended October 31, 2017

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### 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 Funds in the management of short-term commitments, other than cash collateral provided in respect of derivatives and securities borrowing transactions.

Redeemable shares

The Funds classify financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Funds have multiple classes of redeemable shares that do not have identical features and therefore, do not qualify as equity under IAS 32, *Financial Instruments: Presentation*. The redeemable shares, 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 share price based on the Fund's valuation policies at each redemption date. The shares represent the residual interest in the Fund.

The value at which mutual fund shares are issued or redeemed is determined by dividing the net assets of the Fund at fair value based on last traded price by the total number of mutual fund shares outstanding on the valuation date. Amounts received on the issuance of mutual fund shares and amounts paid on the redemption of mutual fund shares are added to, or deducted from net assets.

(b) 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.

# NCM CORE PORTFOLIOS LTD.

Notes to Financial Statements

Eleven months ended September 30, 2018 and year ended October 31, 2017

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

(c) Dividends to holders of redeemable shares:

Any dividends paid will be in proportion to the number of shares held by each shareholder.

Dividends per share to shareholders is calculated as the total amount of dividends attributable to a series divided by the number of shares of the series at the date of distribution.

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

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

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

(e) Income tax:

The Corporation is qualified as a mutual fund corporation for the purposes of the Income Tax Act (Canada) and the Alberta Corporate Tax Act.

Interest and foreign dividends received, less applicable expenses, are taxed at Federal and Provincial corporate rates less applicable credits for any foreign taxes paid.

Taxable dividends received from taxable Canadian corporations are subject to taxes that are fully refundable upon payment of sufficient taxable dividends to shareholders.

The Corporation is also subject to tax at full corporate rates on 50% of capital gains realized, less allowable capital losses claimed. This tax is generally refundable to the extent that the Corporation distributes its capital gains to shareholders by way of a capital gains dividend, or through the redemption of its shares.

Temporary differences between the tax basis of assets and liabilities and their carrying amounts may be either taxable or deductible. Taxable temporary differences give rise to deferred income tax liabilities and deductible temporary differences give rise to deferred income tax assets. When the fair value of investments is greater than the related tax basis, a deferred income tax liability arises and the deferred tax liability is offset by refundable taxes generated by future payments of capital gains dividends. When the fair value of investments is less than the related tax basis, a deferred income tax asset arises and due to the uncertainty of such deferred income tax assets ultimately being realized, a full valuation allowance is applied to offset the asset. Any unused capital and non-capital losses represent deferred tax assets to the Corporation for which a full valuation allowance has been established such that no net benefit has been recorded by the Corporation.

Income that would give rise to deferred income tax liabilities or assets are distributed out to shareholders.

# NCM CORE PORTFOLIOS LTD.

## Notes to Financial Statements

Eleven months ended September 30, 2018 and year ended October 31, 2017

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

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

Increase (decrease) in net assets attributable to shareholders per share is calculated as increase (decrease) in net assets attributable to shareholders, divided by the weighted average shares outstanding during the period.

- (g) Translation of foreign currency:

Foreign currency amounts are expressed in Canadian dollars as follows:

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

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

- (h) Derivative financial instruments:

The Funds 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.

Options are contracts entitling the holder to purchase or sell a specified item at a specified price, during a specified period or on a specified date. Options purchased are recorded as investments; options written (sold) are recorded as liabilities. Any gain or loss resulting from revaluation is included in change in unrealized gain (loss) on derivative instruments on the statements of comprehensive income. Upon closing of an option, other than by exercise, which results in a cash settlement, the difference between the premium (original option value) and the settlement proceeds is included in net realized gain (loss) on derivative instruments on the statements of comprehensive income. When securities are acquired or delivered upon exercise of an option, the acquisition cost or sale proceeds are adjusted by the amount of the premium. When an option is closed, the difference between the premium and the cost to close the position is included in net realized gain (loss) on derivatives on the statements of comprehensive income. When an option expires, the premium for options written or purchased is reflected in the statements of operations as net realized gain (loss) on derivative instruments.

The risks include the possibility there may be an illiquid options market or the inability of the counterparties to fulfill their obligations under the contract. Writing options involves, to varying degrees, elements of market risk in excess of the amount recognized in the statements of financial position.



# NCM CORE PORTFOLIOS LTD.

Notes to Financial Statements

Eleven months ended September 30, 2018 and year ended October 31, 2017

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## 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 Funds determine fair values using other valuation techniques.

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

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

- Inputs that are quoted prices (unadjusted) in active markets for identical instruments (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for instruments, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Inputs for the instruments that are not based on observable market data (unobservable inputs) (Level 3). This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on the quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The Funds recognise 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 September 30, 2018 and October 31, 2017 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.

# NCM CORE PORTFOLIOS LTD.

Notes to Financial Statements

Eleven months ended September 30, 2018 and year ended October 31, 2017

## 4. Fair value measurement (continued):

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

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
NCM Core Canadian - September 30, 2018				
Public securities				
Equities - long	15,130,002	—	—	15,130,002
Equities - short	(1,188,734)	—	—	(1,188,734)
<b>Total Investments</b>	<b>13,941,268</b>	<b>—</b>	<b>—</b>	<b>13,941,268</b>

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
NCM Core Canadian - October 31, 2017				
Public securities				
Equities - long	13,397,558	—	—	13,397,558
Equities - short	(1,154,050)	—	—	(1,154,050)
<b>Total Investments</b>	<b>12,243,508</b>	<b>—</b>	<b>—</b>	<b>12,243,508</b>

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
NCM Core Global - September 30, 2018				
Public securities				
Equities - long	21,575,909	—	—	21,575,909
Unrealized gain on derivative instruments – forward contracts	—	119,753	—	119,753
Unrealized loss on derivative instruments – forward contracts	—	(4,166)	—	(4,166)
<b>Total Investments</b>	<b>21,575,909</b>	<b>115,587</b>	<b>—</b>	<b>21,691,496</b>

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
NCM Core Global - October 31, 2017				
Public securities				
Equities - long	9,142,308	—	—	9,142,308
Unrealized gain on derivative instruments – forward contracts	—	196	—	196
Unrealized gain on derivative instruments – forward contracts	—	(226,386)	—	(226,386)
<b>Total Investments</b>	<b>9,142,308</b>	<b>(226,190)</b>	<b>—</b>	<b>8,916,118</b>

There were no transfers between Level 1, Level 2 and Level 3 during the periods presented.

(c) Financial instruments not measured at fair value

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

# NCM CORE PORTFOLIOS LTD.

Notes to Financial Statements

Eleven months ended September 30, 2018 and year ended October 31, 2017

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## 5. Financial instruments and associated risks:

The Funds' 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 Funds' overall risk management program seeks to maximize the returns for the level of risk to which the Funds are 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 Funds. The carrying amount of cash and cash equivalents and receivables also represents their maximum credit risk.

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

Substantially all of the assets of the Funds are held by CIBC Mellon Trust Company, the custodian and the Prime Broker. Bankruptcy or insolvency of the custodian may cause the Funds' rights with respect to securities held by the custodian to be delayed or limited. The Funds monitor risk by monitoring the credit quality, credit rating and financial position of the custodian the Funds use.

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

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

Other than outlined above there were no significant concentrations of credit risk to counterparties at September 30, 2018 and October 31, 2017.

### **Liquidity risk:**

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

# NCM CORE PORTFOLIOS LTD.

Notes to Financial Statements

Eleven months ended September 30, 2018 and year ended October 31, 2017

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

### Liquidity risk (continued):

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

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

The Funds' liquidity risk is managed on a daily basis by the Portfolio Manager. Minimum cash balances may be required to be maintained in each Fund at the discretion of the Portfolio Manager to allow for monies to cover redemptions. The Funds' redemption policy allows for redemptions at any time during any given month.

The Funds are subject to regulatory requirements whereby the Funds shall not purchase an illiquid asset if, immediately after the purchase, more than ten percent of the net assets of each Fund, taken at market value at the time of purchase, would consist of illiquid assets. Residual contractual maturities of financial liabilities are all due on demand.

### Market risk:

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

The Funds' strategies on the management of investment risk are driven by the Funds' investment objectives.

NCM Core Canadian is designed to achieve long-term capital appreciation by investing primarily in equity securities of large capitalization issuers. NCM Core Global will seek to achieve long-term capital appreciation by investing primarily in global equity securities.

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

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

# NCM CORE PORTFOLIOS LTD.

Notes to Financial Statements

Eleven months ended September 30, 2018 and year ended October 31, 2017

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

### Market risk (continued):

Details of the nature of the Funds' investment portfolio at September 30, 2018 are disclosed in the schedule of investment portfolio.

#### (a) Currency risk:

The Funds 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 Funds may use derivatives to hedge the foreign currency exposure. Such permitted derivatives may include exchange-traded options, futures contracts, and options on futures, over-the-counter options and forward contracts.

At September 30, 2018 and October 31, 2017, NCM Core Global had the following foreign currency exposure as a percentage of the net asset value, including the impact of outstanding derivatives.

<b>NCM Core Global</b>	<b>2018</b>	<b>2017</b>
Indonesian Rupiah	3.5%	3.5%
U.S. Dollar	2.0%	3.9%
Danish Kroner	1.0%	0.9%
Japanese Yen	0.2%	0.4%
Euro	0.1%	0.9%
Swedish Kroner	-	0.1%
British Pound	-	0.2%
Norwegian Krone	-	0.2%
Swiss Franc	-	-

#### Sensitivity Analysis:

At September 30, 2018 and October 31, 2017, had the Canadian dollar strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, including the impact of outstanding derivative instruments, net assets attributable to the holders of redeemable shares and the change in net assets attributable to holders of redeemable shares would have increased or decreased by the amounts shown below. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

# NCM CORE PORTFOLIOS LTD.

Notes to Financial Statements

Eleven months ended September 30, 2018 and year ended October 31, 2017

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

### Market risk (continued):

#### (a) Currency risk (continued):

<b>NCM Core Global</b> <i>(in Canadian dollars)</i>	2018	2017
Indonesian Rupiah	8,072	3,477
U.S. Dollar	4,639	3,796
Danish Kroner	2,269	848
Japanese Yen	535	357
Euro	166	885
Swedish Kroner	114	138
British Pound	112	236
Norwegian Krone	112	176
Swiss Franc	39	22
<b>Total</b>	<b>16,058</b>	<b>9,935</b>

#### (b) Interest rate risk:

Interest rate risk arises on interest-bearing financial instruments. The majority of the Funds' assets are non-interest-bearing. Interest-bearing financial assets mature or re-price in the short term, being no more than twelve months. There are no interest bearing financial liabilities as a result, the Funds are subject to limited exposure to the risk of fluctuations in the prevailing levels of market interest rates. High yield corporate bond prices are impacted by the credit metrics, liquidity and business fundamentals of the corporate entity with a minimal correlation to interest rates. Thus, the high yield corporate bonds held in the Underlying Funds are empirically correlated with the related stock indices for those corporate investments.

#### (c) Other price risk:

Other price risk is the risk that the value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer, or factors affecting all instruments traded in the market. All securities present a risk of loss of capital.

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

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

# NCM CORE PORTFOLIOS LTD.

Notes to Financial Statements

Eleven months ended September 30, 2018 and year ended October 31, 2017

## 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 on the following indices at September 30, 2018 and October 31, 2017, is an increase or decrease in the net assets attributable to holders of redeemable shares of approximately:

		Change in Net Assets	
		2018	2017
	Total Return Index (In Canadian dollars)		
NCM Core Canadian	S&P TSX Composite Total Return Index	139,413	122,435
NCM Core Global	MSCI World Net Total Return Index	215,759	91,423

In practice, the actual trading results may differ from this estimate and the difference could be material.

NCM Core Canadian and NCM Core Global financial assets exposed to other price risk are concentrated in the following industries at September 30, 2018 and October 31, 2017.

	2018	2017
NCM Core Canadian		
Energy	5.6%	7.1%
Materials	10.0%	2.3%
Industrials	17.4%	16.3%
Consumer Discretionary	4.7%	10.1%
Consumer Staples	3.8%	7.6%
Financials	34.5%	33.0%
Information Technology	6.9%	4.9%
Communication Services	8.0%	4.1%
Utilities	2.4%	8.8%
Real Estate	6.7%	5.8%
Total	100.0%	100.0%

	2018	2017
NCM Core Global		
Energy	4.7%	4.6%
Materials	3.7%	2.9%
Industrials	7.5%	7.1%
Consumer Discretionary	13.7%	12.6%
Consumer Staples	17.5%	20.0%
Health Care	11.4%	10.8%
Financials	24.5%	25.5%
Information Technology	13.0%	13.5%
Communication Services	4.0%	3.0%
Total	100.0%	100.0%

# NCM CORE PORTFOLIOS LTD.

## Notes to Financial Statements

Eleven months ended September 30, 2018 and year ended October 31, 2017

### 6. Net assets attributable to holders of redeemable shares:

The Corporation is authorized to issue an unlimited number of special shares of up to 100 classes with each class representing a separate fund with its own investment objective and investment portfolio (referred to collectively as the “special shares”).

Each class can be divided into 26 series, each series being comprised of an unlimited number of shares. Currently, there are three series outstanding, Series A, Series F and Series Z within NCM Core Canadian and NCM Core Global. 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. Series A Series shares are sold through the front end sales charge option. 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 shares are redeemed in the first 90 days. Series F and Series Z 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 and Series Z shares are redeemed in the first 90 days.

In addition, the Corporation is authorized to issue an unlimited number of common shares. The special shares have priority over the common shares with respect to the payment of dividends and the distribution of assets or return of capital in the event of liquidation or dissolution on winding up of the Corporation. 100 common shares were issued on incorporation for \$1.

The rights attached to the redeemable shares are as follows:

- the shares may be redeemed daily at the net asset value per share of the respective series;
- redeemable shares carry a right to receive notice of, attend and vote at meetings; and
- the holders of redeemable shares are entitled to receive all dividends 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 shares.

The analysis of movements in the number of redeemable shares was as follows:

<b>NCM Core Canadian</b>	<b>Series A</b>	<b>Series F</b>	<b>Series Z</b>
Balance, October 31, 2017	263,296	151,296	32,482
Issued for cash	29,828	22,664	54,201
Issued on reinvestment of distributions	2,905	1,603	749
Redeemed for cash	(38,552)	(25,939)	(175)
<b>Balance, September 30, 2018</b>	<b>257,477</b>	<b>149,624</b>	<b>87,257</b>



# NCM CORE PORTFOLIOS LTD.

Notes to Financial Statements

Eleven months ended September 30, 2018 and year ended October 31, 2017

## 6. Net assets attributable to holders of redeemable shares (continued):

<b>NCM Core Canadian</b>	Series A	Series F	Series Z
Balance, October 31, 2016	315,422	103,051	—
Issued for cash	20,088	61,090	32,242
Issued on reinvestment of distributions	3,835	2,046	301
Redeemed for cash	(76,049)	(14,891)	(61)
Balance, October 31, 2017	263,296	151,296	32,482

<b>NCM Core Global</b>	Series A	Series F	Series Z
Balance, October 31, 2017	44,736	203,460	76,720
Issued for cash	67,397	294,558	161,741
Redeemed for cash	(19,714)	(66,726)	(48,333)
Balance, September 30, 2018	92,419	431,292	190,128

<b>NCM Core Global</b>	Series A	Series F	Series Z
Balance, October 31, 2016	35,693	66,459	—
Issued for cash	12,636	154,239	77,371
Redeemed for cash	(3,593)	(17,238)	(651)
Balance, October 31, 2017	44,736	203,460	76,720

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

<b>NCM Core Canadian - September 30, 2018</b>	Series A	Series F	Series Z
Increase (decrease) in net assets attributable to holders of redeemable shares	\$(29,497)	\$31,425	\$24,260
Average shares outstanding during the period	262,754	158,760	63,423
Increase (decrease) in net assets attributable to holders of redeemable shares per share	\$(0.11)	\$0.20	\$0.38

<b>NCM Core Canadian - October 31, 2017</b>	Series A	Series F	Series Z
Increase (decreases) in net assets attributable to holders of redeemable shares	\$1,138,973	\$510,472	\$64,000
Average shares outstanding during the year	289,519	113,624	20,741
Increase (decrease) in net assets attributable to holders of redeemable shares per share	\$3.93	\$4.49	\$3.09

<b>NCM Core Global - September 30, 2018</b>	Series A	Series F	Series Z
Increase (decrease) in net assets attributable to holders of redeemable shares	\$141,818	\$764,844	\$417,273
Average shares outstanding during the period	74,104	350,192	185,415
Increase (decrease) in net assets attributable to holders of redeemable shares per share	\$1.91	\$2.18	\$2.25

# NCM CORE PORTFOLIOS LTD.

Notes to Financial Statements

Eleven months ended September 30, 2018 and year ended October 31, 2017

## 6. Net assets attributable to holders of redeemable shares (continued):

NCM Core Global - October 31, 2017	Series A	Series F	Series Z
Increase (decrease) in net assets attributable to holders of redeemable shares	\$152,893	\$472,247	\$69,452
Average shares outstanding during the year	36,451	85,282	37,334
Increase (decrease) in net assets attributable to holders of redeemable shares per share	\$4.19	\$5.54	\$1.86

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

### (a) Manager and management fees:

The NCM Core Canadian paid an annual management fee to the Manager of 1.75% for the Series A, of the net asset value of the series. NCM Core Global paid an annual management fee to the Manager of 1.85% for the Series A, of the net asset value of the series. The NCM Core Canadian paid an annual management fee of 0.75% for the Series F, of the net asset value the series. The NCM Core Global paid an annual management fee of 0.85% for the Series F, of the net asset value of the series. The management fee is calculated and paid monthly. No management fees were charged to Series Z; instead, the investors pay an annual flat management fee of \$1,000 per account, directly to the Manager.

Accrued expenses include management fees payable as follows:

<i>(in Canadian dollars)</i>	September 30, 2018	October 31, 2017
NCM Core Canadian	15,002	14,987
NCM Core Global	14,292	6,098

All fees and expenses applicable to the administration and operation of each series, including record keeping and communication costs, custodian fees, legal and filing fees, audit, applicable taxes and bank charges, are payable by the Funds. Brokerage costs are expensed as incurred and included in transaction costs.

### (b) Expenses:

Accrued expenses include administration services payable to Norrep as follows:

<i>(in Canadian dollars)</i>	September 30, 2018	October 31, 2017
NCM Core Canadian	1,662	1,407
NCM Core Global	2,400	743

### (c) Operating expense recoveries:

NCM has agreed to absorb certain expenses associated with some of the Funds. Such absorptions may be terminated at any time without notice.

Included in accounts receivable are the following related to these items:

# NCM CORE PORTFOLIOS LTD.

Notes to Financial Statements

Eleven months ended September 30, 2018 and year ended October 31, 2017

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## 7. Management fees, expenses and key contracts (continued):

(c) Operating expense recoveries (continued):

	September 30, 2018	October 31, 2017
NCM Core Canadian	66,700	63,800
NCM Core Global	87,200	62,100

## 8. Brokerage commissions on securities transactions:

The Funds paid brokerage commissions in connection with portfolio transactions during the periods ended September 30, 2018 and October 31, 2017 amounting to:

	September 30, 2018	October 31, 2017
NCM Core Canadian	14,448	11,568
NCM Core Global	13,509	6,470

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