

September 30, 2018

FINANCIAL STATEMENTS OF
NCM NORREP FUND





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

INDEPENDENT AUDITORS' REPORT

To the Unitholders of NCM Norrep Fund:

We have audited the accompanying financial statements of NCM Norrep Fund, which comprise the statement of financial position as at September 30, 2018 and October 31, 2017, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units 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 Norrep Fund as at September 30, 2018 and October 31, 2017, and its financial performance and its cash flows for the eleven months ended September 30, 2018 and year ended October 31, 2017, in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants
December 13, 2018
Calgary, Canada

NCM NORREP FUND

Statements of Financial Position

(in Canadian dollars, except units outstanding)

As at	September 30 2018	October 31 2017
Assets		
Cash and cash equivalents	2,690,679	2,585,294
Dividends and interest receivable	129,993	59,493
Portfolio assets sold	766,356	–
Investments, at fair value through profit or loss	53,861,369	65,340,869
Total assets	57,448,397	67,985,656
Liabilities		
Accrued expenses (note 7)	151,000	156,000
Portfolio assets purchased	137,653	–
Units redeemed	15,674	295,160
Total liabilities (excluding net assets attributable to holders of redeemable units)	304,327	451,160
Net assets attributable to holders of redeemable units	57,144,070	67,534,496
Net assets attributable to holders of redeemable units:		
Series A	54,229,755	60,538,002
Series F	2,914,315	6,996,494
Redeemable units outstanding (note 6):		
Series A	1,469,941	1,581,473
Series F	76,880	179,185
Net assets attributable to holders of redeemable units per unit:		
Series A	36.89	38.28
Series F	37.91	39.05

See accompanying notes to financial statements.

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



Alex Sasso



Keith Leslie

NCM NORREP FUND

Statements of Comprehensive Income

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

(in Canadian dollars)

	2018	2017
Dividend income	1,218,000	839,390
Interest for distribution purposes	27,468	49,993
Net gain (loss) on investments at fair value through profit or loss		
Net realized gain (loss) on investments	5,424,260	10,279,480
Net change in unrealized appreciation (depreciation) in fair value of investments	(4,169,268)	(2,237,594)
Total investment revenue (loss)	2,500,460	8,931,269
Management fees (note 7)	1,093,173	1,392,088
Administrative fees (note 7)	73,577	96,070
HST/GST	71,633	87,015
Transaction costs	65,042	143,726
Custodian and record keeping fees	35,298	41,921
Audit and tax fees	25,663	30,788
Legal and filing fees	25,490	21,220
Other	20,480	14,545
Computer services	20,056	24,586
Independent review committee	5,814	9,052
Total operating expenses	1,436,226	1,861,011
Increase (decrease) in net assets attributable to holders of redeemable units	1,064,234	7,070,258
Change in net assets attributable to holders of redeemable units (note 6):		
Series A	1,003,978	6,232,582
Series F	60,256	837,676
Change in net assets attributable to holders of redeemable units per unit (note 6):		
Series A	0.65	3.53
Series F	0.44	3.47

See accompanying notes to financial statements.

NCM NORREP FUND

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

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

(in Canadian dollars)

	All Series		Series A		Series F	
	2018	2017	2018	2017	2018	2017
Net assets attributable to holders of redeemable units, beginning of period	67,534,496	80,351,635	60,538,002	70,852,337	6,996,494	9,499,298
Increase (decrease) in net assets, attributable to holders of redeemable units	1,064,234	7,070,258	1,003,978	6,232,582	60,256	837,676
Transactions attributable to holders of redeemable units:						
Issuance of units	869,845	1,716,043	110,768	134,348	759,077	1,581,695
Reinvestment of distributions	3,328,900	1,806,475	2,986,785	1,573,952	342,115	232,523
Amounts paid on redemptions	(12,049,979)	(21,476,801)	(7,171,901)	(16,555,851)	(4,878,078)	(4,920,950)
	(7,851,234)	(17,954,283)	(4,074,348)	(14,847,551)	(3,776,886)	(3,106,732)
Distributions declared:						
From net realized gains on investments	(3,603,426)	(1,933,114)	(3,237,877)	(1,699,366)	(365,549)	(233,748)
	(3,603,426)	(1,933,114)	(3,237,877)	(1,699,366)	(365,549)	(233,748)
Net assets attributable to holders of redeemable units, end of period	57,144,070	67,534,496	54,229,755	60,538,002	2,914,315	6,996,494
Distributions per unit to holders of redeemable units:						
From net realized gain on investments			2.08	0.88	2.12	0.89

See accompanying notes to financial statements.

NCM NORREP FUND

Statements of Cash Flows

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

(in Canadian dollars)

	2018	2017
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	1,064,234	7,070,258
Adjustments for:		
Net realized (gain) loss on sale of investments at fair value through profit or loss	(5,424,260)	(10,279,480)
Net change in unrealized (appreciation) depreciation of investments at fair value through profit or loss	4,169,268	2,237,594
Purchase of investments	(10,910,727)	(21,477,321)
Proceeds from the sale of investments	23,016,719	42,566,969
Dividends and interest receivable	(70,500)	16,022
Accrued expenses	(5,000)	(32,000)
Net cash from (used in) operating activities	11,839,734	20,102,042
Cash flows from (used in) financing activities		
Proceeds from the issuance of redeemable units	869,845	1,716,043
Amounts paid on redemption of redeemable units	(12,329,465)	(21,181,801)
Distributions to holders of redeemable units, net of reinvestments	(274,526)	(126,639)
Net cash from (used in) financing activities	(11,734,146)	(19,592,397)
Net increase (decrease) in cash and cash equivalents	105,588	509,645
Effect of exchange rates on cash and cash equivalents	(203)	187
Cash and cash equivalents at beginning of period	2,585,294	2,075,462
Cash and cash equivalents at end of period	2,690,679	2,585,294
Dividends received, net of withholding tax paid	1,147,500	855,399
Interest received	27,468	50,006

See accompanying notes to financial statements.

NCM NORREP FUND

Schedule of Investment Portfolio

As at September 30, 2018

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
Aritzia Inc.	75,000	1,200,000	1,283,250	
EnerCare Inc.	61,000	1,113,375	1,765,340	
Sleep Country Canada Holdings Inc.	69,100	1,322,456	1,992,844	
		3,635,831	5,041,434	8.8%
Energy				
Baytex Energy Corp.	287,096	1,243,126	1,076,610	
Enerflex Ltd.	131,000	1,988,258	2,165,430	
Ensign Energy Services Inc.	254,100	1,579,563	1,583,043	
Kelt Exploration Ltd.	219,000	1,440,989	1,841,790	
North American Construction Group Ltd.	164,500	971,026	2,072,700	
Parex Resources Inc.	111,200	1,860,656	2,440,840	
Parkland Fuel Corp.	68,500	1,926,402	2,973,585	
Whitecap Resources Inc.	226,000	2,491,509	1,771,840	
		13,501,529	15,925,838	27.9%
Industrials				
Air Canada	49,200	454,110	1,357,920	
Badger Daylighting Ltd.	74,000	2,025,377	2,190,400	
CAE Inc.	46,600	762,222	1,221,852	
Chorus Aviation Inc.	279,100	1,756,494	2,151,861	
Russel Metals Inc.	41,000	1,023,887	1,098,800	
TFI International Inc.	40,500	1,332,124	1,898,640	
Transcontinental Inc., Class 'A'	73,000	1,507,968	1,671,700	
		8,862,182	11,591,173	20.3%
Information Technology				
Celestica Inc.	106,000	1,622,475	1,482,940	
Descartes Systems Group Inc. (The)	48,300	434,456	2,116,023	
		2,056,931	3,598,963	6.3%
Materials				
BMO Junior Gold Index ETF	130,300	1,179,617	878,222	
Canfor Corp.	20,600	544,256	496,048	
Chemtrade Logistics Income Fund	131,700	2,492,319	2,037,399	
Detour Gold Corp.	91,600	1,172,480	956,304	
Hudbay Minerals Inc.	198,700	1,681,328	1,299,498	
Intertape Polymer Group Inc.	79,000	1,083,121	1,514,430	
Lundin Mining Corp.	227,000	1,026,523	1,552,680	
Major Drilling Group International Inc.	471,500	2,819,629	2,286,775	
Stella-Jones Inc.	6,000	243,780	259,440	
Trevali Mining Corp.	1,026,900	1,183,588	749,637	
		13,426,641	12,030,433	21.1%
Real Estate				
Altus Group Ltd.	55,800	1,198,268	1,708,038	
FirstService Corp.	21,000	455,033	2,291,730	
		1,653,301	3,999,768	7.0%
Utilities				
Superior Plus Corp.	132,000	1,578,039	1,673,760	
		1,578,039	1,673,760	2.9%
TOTAL EQUITIES		44,714,454	53,861,369	94.3%
Less: Transaction costs included in average cost		(78,801)		
TOTAL INVESTMENTS		44,635,653	53,861,369	94.3%
Other assets, less liabilities			3,282,701	5.7%
TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			57,144,070	100.0%

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Notes to Financial Statements

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

1. Reporting Entity

On August 27, 2018, Norrep Fund changed its name to NCM Norrep Fund. NCM Norrep Fund (the "Fund") is an open-ended mutual fund trust established under the laws of Alberta pursuant to a Declaration of Trust dated June 3, 1997 and restated January 1, 2002 and August 16, 2011. The Fund's principal place of business is Suite 1850, 333 7th Avenue, Calgary, Alberta, T2P 2Z1.

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

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

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

2. Basis of Reporting

(a) Statement of compliance:

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

The financial statements of the Fund were approved and were authorized for issue by the Fund'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 which are measured at fair value.

(c) Functional and presentation currency:

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

(d) Use of judgements and estimates:

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

NCM NORREP FUND

Notes to Financial Statements

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

2. Basis of Reporting (continued):

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

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

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

3. Significant accounting policies:

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

(a) Financial assets and financial liabilities:

(i) Recognition and initial measurement

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

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

(ii) Classification

Effective November 1, 2017, the Fund 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 Fund's financial assets and financial liabilities that were classified as fair value through profit and loss (FVTPL) under IAS 39 continued to be categorized as fair value through profit and loss. There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9.

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

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Notes to Financial Statements

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

3. Significant accounting policies (continued):

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

(ii) Classification (continued)

change from the requirement under IAS 39 where derivatives were classified as Held for Trading.

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

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

Financial assets at fair value through profit or loss:

- All investments, including derivatives

Financial assets at amortized cost:

- Cash and cash equivalents and receivables

Financial liabilities at amortised cost:

- All liabilities other than redeemable shares

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

(iii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as ‘active’ if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at last traded price.

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

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Notes to Financial Statements

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

3. Significant accounting policies (continued):

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

(iii) Fair value measurement (continued)

fair value including observable market data, discounted cash flows and internal models that compare the investments to its peer group.

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

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

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

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

(iv) Amortized cost measurement

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at recognition, minus principal repayments (if applicable), plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount (if applicable), minus any reduction for impairment (if applicable).

(v) Specific instruments

Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments, other than cash collateral provided in respect of derivatives and securities borrowing transactions.

Redeemable units

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Fund has multiple classes of redeemable units that do not have identical features and therefore, do not qualify as equity under IAS 32, Financial Instruments: Presentation. The redeemable units, which are classified as financial liabilities and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's valuation policies at each redemption date.

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Notes to Financial Statements

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

3. Significant accounting policies (continued):

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

(v) Specific instruments (continued)

The units represent the residual interest in the Fund.

(b) Interest for distribution purposes:

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

(c) Dividend income:

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

(d) Distributions to holders of redeemable units:

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

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

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

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

(f) Income tax:

As at September 30, 2018 the Fund was a "mutual fund trust" under the Income Tax Act (Canada) and, accordingly, is not taxed on that portion of its taxable income that is paid or allocated to unitholders. The Fund pays out sufficient net income and net realized capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made in these financial statements.

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

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

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Notes to Financial Statements

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

3. Significant accounting policies (continued):

(h) Translation of foreign currency:

Foreign currency amounts are expressed in Canadian dollars as follows:

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

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

(i) Derivative financial instruments:

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

4. Fair value measurement:

(a) Investments:

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

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

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

- Inputs that are quoted prices (unadjusted) in active markets for identical instruments (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for instruments, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- 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

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Notes to Financial Statements

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

4. Fair value measurement (continued):

(a) Investments (continued):

effect on the instrument's valuation. This category includes instruments that are valued based on the quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

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

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

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
October 31, 2017				
Public securities				
Equities - long	65,340,869	—	—	65,340,869
Total Investments	65,340,869	—	—	65,340,869

There were no transfers into or out of Level 1, Level 2 and Level 3 during the periods ended September 30, 2018 and October 31, 2017 .

(c) Financial instruments not measured at fair value:

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

5. Financial instruments and associated risks:

The Fund's activities expose it to a variety of risks associated with financial instruments as follows: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to

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Notes to Financial Statements

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

5. Financial instruments and associated risks (continued):

which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments result in a risk of loss of capital.

Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The carrying amount of cash and cash equivalents and receivables represent the maximum credit risk exposure at September 30, 2018.

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

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

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

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

Liquidity risk:

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

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

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Notes to Financial Statements

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

5. Financial instruments and associated risks (continued):

Liquidity risk (continued):

securities may be limited. Consequently, in order to fund redemptions, the Fund may have to liquidate shareholdings in the more liquid large and medium-sized companies.

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

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

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

Market risk:

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

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

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

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

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

NCM NORREP FUND

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 Fund's investment portfolio at September 30, 2018 are disclosed in the schedule of investment portfolio.

(a) Currency risk:

Investment in securities denominated in a currency other than Canadian dollars will be affected by the changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. Therefore the value of securities held by the Fund may be worth more or less depending on their susceptibility to foreign exchange rates. At September 30, 2018 and October 31, 2017 the Fund did not hold any foreign currency denominated investments.

(b) Interest rate risk:

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

(c) Other price risk:

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

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

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

The investment assets held by the Fund as at September 30, 2018 and October 31, 2017 were all listed equities.

NCM NORREP FUND

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 in the BMO Small Cap Equity Only Weighted Total Return Index at September 30, 2018 is an increase or decrease in the net assets attributable to holders of redeemable units of approximately \$538,614 (October 31, 2017 - \$653,409). In practice, the actual trading results may differ from this estimate and the difference could be material.

The Fund's financial assets exposed to other price risk were concentrated in the following industries as a percentage of total investments at September 30, 2018 and October 31, 2017:

Equities	2018	2017
Materials	22.3%	22.9%
Energy	29.6%	24.9%
Industrials	21.5%	17.8%
Consumer Discretionary	9.4%	13.4%
Information Technology	6.7%	9.4%
Utilities	3.1%	3.1%
Real Estate	7.4%	8.5%
Total	100.0%	100.0%

6. Net assets attributable to unitholders of redeemable units:

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

The rights attached to the redeemable units are as follows:

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

NCM NORREP FUND

Notes to Financial Statements

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

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

The analysis of movements in the number of redeemable units and net assets attributable to holders of redeemable units during the periods ended September 30, 2018 and October 31, 2017 were as follows:

Series A	2018	2017
Balance, opening	1,581,473	1,992,542
Issued on distributions reinvested	82,807	44,821
Issued for cash	3,042	3,720
Redeemed for cash	(197,381)	(459,610)
Balance, September 30, 2018 and October 31, 2017	1,469,941	1,581,473

Series F	2018	2017
Balance, opening	179,185	263,719
Issued on distributions reinvested	9,287	6,531
Issued for cash	20,524	42,656
Redeemed for cash	(132,116)	(133,721)
Balance, September 30, 2018 and October 31, 2017	76,880	179,185

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

NCM Norrep Fund - September 30, 2018	Series A	Series F
Increase in net assets attributable to holders of redeemable units	\$1,003,978	\$60,256
Average units outstanding during the period	1,551,453	135,511
Increase in net assets attributable to holders of redeemable units per unit	\$0.65	\$0.44

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

NCM NORREP FUND

Notes to Financial Statements

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

7. Management fees, expenses and key contracts:

(a) Manager and management fees:

The Series A paid an annual management fee to the Manager of 2% of the net asset value of the series. Series F paid an annual management fee to the Manager of 1.25% of the net asset value of the series. The management fee is calculated and paid monthly. Included in accrued expenses at September 30, 2018 is \$94,257 (October 31, 2017 - \$106,705) related to these fees.

(b) Expenses:

All fees and expenses applicable to the administration and operation of the Fund, including recordkeeping and communication costs, custodian fees, legal and filing fees, audit, applicable taxes and bank charges are payable by the Fund. The Portfolio Manager has charged the Fund for administration services. Included in accrued expenses at September 30, 2018 is \$6,196 (October 31, 2017 - \$7,126) related to these fees.

8. Brokerage commissions on securities transactions:

The Fund paid brokerage commissions amounting to \$57,856 (October 31, 2017 - \$132,639) in connection with portfolio transactions during the period.

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

ncminvestments.com

1.877.431.1407