

September 30, 2019

FINANCIAL STATEMENTS OF
NCM NORREP FUND





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INDEPENDENT AUDITORS' REPORT

To the Unitholders of NCM Norrep Fund:

Opinion

We have audited the accompanying financial statements of NCM Norrep Fund, which comprise:

- the statements of financial position as at September 30, 2019 and September 30, 2018
- the statements of comprehensive income (loss) for the year ended September 30, 2019 and eleven months ended September 30, 2018
- the statements of changes in net assets attributable to holders of redeemable units for the year ended September 30, 2019 and eleven months ended September 30, 2018
- the statements of cash flows for the year ended September 30, 2019 and eleven months ended September 30, 2018
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”)

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NCM Norrep Fund as at September 30, 2019 and September 30, 2018, and its financial performance and its cash flows for the year ended September 30, 2019 and eleven months ended September 30, 2018 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “*Auditors’ Responsibilities for the Audit of the Financial Statements*” section of our auditors’ report.

We are independent of NCM Norrep Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.



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

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in Management Report of Fund Performance as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS), 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.

In preparing the financial statements, management is responsible for assessing NCM Norrep Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate NCM Norrep Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing NCM Norrep Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.



Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 NCM Norrep Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on NCM Norrep Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause NCM Norrep Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants
December 12, 2019
Calgary, Canada

NCM NORREP FUND

Statements of Financial Position

(in Canadian dollars, except units outstanding)

As at	September 30 2019	September 30 2018
Assets		
Cash and cash equivalents	6,152,413	2,690,679
Dividends receivable	113,139	129,993
Interest receivable	259	–
Portfolio assets sold	317,113	766,356
Units issued	6,998	–
Investments, at fair value through profit or loss	39,972,403	53,861,369
Total assets	46,562,325	57,448,397
Liabilities		
Accrued expenses (note 7)	122,900	151,000
Portfolio assets purchased	–	137,653
Units redeemed	154,764	15,674
Total liabilities (excluding net assets attributable to holders of redeemable units)	277,664	304,327
Net assets attributable to holders of redeemable units	46,284,661	57,144,070
Net assets attributable to holders of redeemable units:		
Series A	42,396,287	54,229,755
Series F	2,705,473	2,914,315
Series R	1,182,901	–
Redeemable units outstanding (note 6):		
Series A	1,287,507	1,469,941
Series F	79,297	76,880
Series R	34,165	–
Net assets attributable to holders of redeemable units per unit:		
Series A	32.93	36.89
Series F	34.12	37.91
Series R	34.62	–

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 (Loss)

For the year ended September 30, 2019 and eleven months ended September 30, 2018

(in Canadian dollars)

	2019	2018
Dividend income	961,832	1,218,000
Interest for distribution purposes	154,310	27,468
Securities lending income	61	–
Net gain (loss) on investments at fair value through profit or loss		
Net realized gain (loss) on investments	(986,357)	5,424,260
Net change in unrealized appreciation (depreciation) in fair value of investments	(1,202,720)	(4,169,268)
Total investment revenue (loss)	(1,072,874)	2,500,460
Management fees (note 7)	964,372	1,093,173
Administrative fees (note 7)	82,061	73,577
Transaction costs	76,404	65,042
HST/GST	64,283	71,633
Custodian and record keeping fees	39,158	35,298
Legal and filing fees	24,212	25,490
Computer services	19,400	20,056
Audit fees	16,850	10,563
Other	10,835	20,480
Independent review committee	6,957	5,814
Tax and other professional fees	6,914	15,100
Total operating expenses	1,311,446	1,436,226
Increase (decrease) in net assets attributable to holders of redeemable units	(2,384,320)	1,064,234
Change in net assets attributable to holders of redeemable units (note 6):		
Series A	(2,346,577)	1,003,978
Series F	(94,182)	60,256
Series R	56,439	–
Change in net assets attributable to holders of redeemable units per unit (note 6):		
Series A	(1.64)	0.65
Series F	(1.15)	0.44
Series R	2.27	–

See accompanying notes to financial statements.

NCM NORREP FUND

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

Year ended September 30, 2019 and eleven months ended September 30, 2018

(in Canadian dollars)

	All Series		Series A		Series F		Series R	
	2019	2018	2019	2018	2019	2018	2019	2018
Net assets attributable to holders of redeemable units, beginning of period	57,144,070	67,534,496	54,229,755	60,538,002	2,914,315	6,996,494	-	-
Increase (decrease) in net assets, attributable to holders of redeemable units	(2,384,320)	1,064,234	(2,346,577)	1,003,978	(94,182)	60,256	56,439	-
Transactions attributable to holders of redeemable units:								
Issuance of units	1,559,662	869,845	114,220	110,768	246,131	759,077	1,199,311	-
Reinvestment of distributions	3,103,697	3,328,900	2,897,159	2,986,785	159,568	342,115	46,970	-
Amounts paid on redemptions	(9,762,504)	(12,049,979)	(9,346,988)	(7,171,901)	(342,667)	(4,878,078)	(72,849)	-
	(5,099,145)	(7,851,234)	(6,335,609)	(4,074,348)	63,032	(3,776,886)	1,173,432	-
Distributions declared:								
From net realized gain on investments	(3,375,944)	(3,603,426)	(3,151,282)	(3,237,877)	(177,692)	(365,549)	(46,970)	-
	(3,375,944)	(3,603,426)	(3,151,282)	(3,237,877)	(177,692)	(365,549)	(46,970)	-
Net assets attributable to holders of redeemable units, end of period	46,284,661	57,144,070	42,396,287	54,229,755	2,705,473	2,914,315	1,182,901	-
Distributions per unit to holders of redeemable units:								
From net realized gain on investments			2.22	2.08	2.28	2.12	2.29	-

See accompanying notes to financial statements.

NCM NORREP FUND

Statements of Cash Flows

For the year ended September 30, 2019 and eleven months ended September 30, 2018

(in Canadian dollars)

	2019	2018
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	(2,384,320)	1,064,234
Adjustments for:		
Net realized (gain) loss on sale of investments at fair value through profit or loss	986,357	(5,424,260)
Net change in unrealized (appreciation) depreciation of investments at fair value through profit or loss	1,202,720	4,169,268
Purchase of investments	(10,609,419)	(10,910,727)
Proceeds from the sale of investments	22,621,037	23,016,719
Dividends receivable	16,854	(70,500)
Interest receivable	(259)	-
Accrued expenses	(28,100)	(5,000)
Net cash from (used in) operating activities	11,804,870	11,839,734
Cash flows from (used in) financing activities		
Proceeds from the issuance of redeemable units	1,552,664	869,845
Amounts paid on redemption of redeemable units	(9,623,414)	(12,329,465)
Distributions to holders of redeemable units, net of reinvestments	(272,247)	(274,526)
Net cash from (used in) financing activities	(8,342,997)	(11,734,146)
Net increase (decrease) in cash and cash equivalents	3,461,873	105,588
Effect of exchange rates on cash and cash equivalents	(139)	(203)
Cash and cash equivalents at beginning of period	2,690,679	2,585,294
Cash and cash equivalents at end of period	6,152,413	2,690,679
Dividends received	978,686	1,147,500
Interest received	154,051	27,468

See accompanying notes to financial statements.

NCM NORREP FUND

Schedule of Investment Portfolio

As at September 30, 2019

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
CANADIAN EQUITIES				
Consumer Discretionary				
Aritzia Inc.	89,000	1,443,857	1,494,310	
Canada Goose Holdings Inc.	22,200	1,181,508	1,293,150	
		2,625,365	2,787,460	6.0%
Energy				
Enerflex Ltd.	86,500	1,312,857	1,005,130	
Enerplus Corp.	79,300	952,771	782,691	
Ensign Energy Services Inc.	254,100	1,579,563	777,546	
North American Construction Group Ltd.	140,400	828,766	2,143,908	
Parex Resources Inc.	87,000	1,455,729	1,766,100	
Parkland Fuel Corp.	48,900	1,393,213	2,077,761	
		7,522,899	8,553,136	18.5%
Industrials				
Air Canada	43,000	396,885	1,858,030	
Badger Daylighting Ltd.	56,000	1,532,718	2,278,640	
Boyd Group Income Fund	8,000	1,115,082	1,404,560	
Chorus Aviation Inc.	253,800	1,597,270	1,946,646	
GDI Integrated Facility Services Inc.	27,000	747,678	783,810	
Transcontinental Inc., Class 'A'	51,000	1,008,482	789,480	
		6,398,115	9,061,166	19.6%
Information Technology				
Descartes Systems Group Inc. (The)	35,700	321,119	1,909,236	
		321,119	1,909,236	4.1%
Materials				
BMO Junior Gold Index ETF	21,716	1,179,617	1,194,597	
Chemtrade Logistics Income Fund	171,800	2,736,344	1,920,724	
Detour Gold Corp.	79,048	1,011,814	1,537,484	
Hudbay Minerals Inc.	137,500	1,101,511	657,250	
Intertape Polymer Group Inc.	100,400	1,450,636	1,731,900	
Lundin Mining Corp.	283,600	1,403,892	1,766,828	
Major Drilling Group International Inc.	471,500	2,819,629	3,017,600	
		11,703,443	11,826,383	25.6%
Real Estate				
Altus Group Ltd.	40,000	858,974	1,598,000	
FirstService Corp.	14,400	312,023	1,955,952	
		1,170,997	3,553,952	7.7%
Utilities				
Superior Plus Corp.	132,000	1,578,039	1,586,640	
		1,578,039	1,586,640	3.4%
TOTAL CANADIAN EQUITIES				
		31,319,977	39,277,973	84.9%
UNITED STATES EQUITIES				
Health Care				
Hamilton Thorne Ltd.	649,000	697,587	694,430	
		697,587	694,430	1.5%
TOTAL UNITED STATES EQUITIES				
		697,587	694,430	1.5%
TOTAL EQUITIES				
		32,017,564	39,972,403	86.4%
Less: Transaction costs included in average cost				
		(68,158)		
TOTAL INVESTMENTS				
		31,949,406	39,972,403	86.4%
Other assets, less liabilities				
			6,312,258	13.6%
TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS				
			46,284,661	100.0%

NCM NORREP FUND

Notes to Financial Statements

Year ended September 30, 2019 and eleven months ended September 30, 2018

1. Reporting Entity

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

The Fund may issue an unlimited number of units. Each unit represents an equal undivided interest in the net assets of the Fund. 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. ("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. Effective August 28, 2018 Series R was available to purchase by other NCM Funds and affiliates of the manager.

2. Basis of Reporting

(a) Statement of compliance:

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

The financial statements of the Fund's were approved and were authorized for issue by the Manager's Board of Directors on December 12, 2019.

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

(d) Use of judgements and estimates:

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

NCM NORREP FUND

Notes to Financial Statements

Year ended September 30, 2019 and eleven months ended September 30, 2018

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. Financial assets or financial liabilities not at FVTPL are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue.

(ii) Derecognition

Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire, or it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. The Fund derecognizes financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire.

(iii) Classification

Effective November 1, 2017, the Fund adopted IFRS 9 Financial Instruments. The standard requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI) based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

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

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

NCM NORREP FUND

Notes to Financial Statements

Year ended September 30, 2019 and eleven months ended September 30, 2018

3. Significant accounting policies (continued)

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

(iii) Classification (continued)

Under IFRS 9, derivatives are classified as FVTPL like other financial assets and liabilities, so there is no requirement to present separately the different component amounts on the Statement of Comprehensive Income as they fall within the same classification; this is a change from the requirement under IAS 39 where derivatives were classified as Held for Trading. However, Canadian Security Administrators (“CSA”) regulatory requirements under NI 81-106 prescribe the individual line items that are required to be disclosed which includes separate disclosure for derivatives.

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

Financial assets at fair value through profit or loss:

- All investments, including derivatives

Financial assets at amortized cost:

- Cash and cash equivalents and receivables

Financial liabilities at amortised cost:

- All liabilities other than redeemable units

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.

(iv) 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

NCM NORREP FUND

Notes to Financial Statements

Year ended September 30, 2019 and eleven months ended September 30, 2018

3. Significant accounting policies (continued)

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

(iv) Fair value measurement (continued)

ongoing basis. The Fund measures instruments quoted in an active market at last traded price.

For securities where market quotes are not available, the Fund values the initial investment at the amount paid. After initial investment, the Fund uses estimation techniques to determine fair value including observable market data, discounted cash flows and internal models that compare the investments to its peer group.

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

Fair value of investments in 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.

(v) 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).

(vi) 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

NCM NORREP FUND

Notes to Financial Statements

Year ended September 30, 2019 and eleven months ended September 30, 2018

3. Significant accounting policies (continued)

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

(vi) Specific instruments (continued):

Redeemable units (continued)

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

The units represent the residual interest in the Fund.

(b) Interest for distribution purposes:

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

(c) Dividend income:

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

(d) Distributions to holders of redeemable units:

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

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

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

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

(f) Income tax:

As at September 30, 2019 the Fund was a "mutual fund trust" under the Income Tax Act (Canada) and, accordingly, is not taxed on that portion of its taxable income that is paid or allocated to unitholders. The Fund pays out sufficient net income and net realized capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made in these financial statements.

NCM NORREP FUND

Notes to Financial Statements

Year ended September 30, 2019 and eleven months ended September 30, 2018

3. Significant accounting policies (continued)

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

The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units of a particular series of units by the total number of units of that particular series outstanding at the end of the period.

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

- (h) Translation of foreign currency:

Foreign currency amounts are expressed in Canadian dollars as follows:

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

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

- (i) Derivative financial instruments:

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

- (j) Securities lending transactions:

The Funds are permitted to enter into securities lending transactions as set out in the Fund's Simplified Prospectus. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities on a future date. Securities lending transactions are administered by The Bank of New York Mellon (collectively the "Securities Lending Agent"). The value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, sold or purchased. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is included in the Statements of Comprehensive Income as Securities lending income and recognized when earned.

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.

NCM NORREP FUND

Notes to Financial Statements

Year ended September 30, 2019 and eleven months ended September 30, 2018

4. Fair value measurement (continued)

(a) Investments (continued):

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);
- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable (Level 2);
- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (Level 3).

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, 2019				
Public securities				
Equities - long	39,972,403	—	—	39,972,403
Total Investments	39,972,403	—	—	39,972,403

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

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

(c) Financial instruments not measured at fair value:

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

NCM NORREP FUND

Notes to Financial Statements

Year ended September 30, 2019 and eleven months ended September 30, 2018

5. Financial instruments and associated risks

The Fund's activities expose it to a variety of risks associated with financial instruments as follows: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments result in a risk of loss of capital.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The carrying amount of cash and cash equivalents and receivables represent the maximum credit risk exposure at September 30, 2019.

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

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

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

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

Liquidity risk

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

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

NCM NORREP FUND

Notes to Financial Statements

Year ended September 30, 2019 and eleven months ended September 30, 2018

5. Financial instruments and associated risks (continued)

Liquidity risk (continued)

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

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

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

Market risk

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

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

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

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

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

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

Details of the nature of the Fund's investment portfolio at September 30, 2019 are disclosed in the schedule of investment portfolio.

NCM NORREP FUND

Notes to Financial Statements

Year ended September 30, 2019 and eleven months ended September 30, 2018

5. Financial instruments and associated risks (continued)

Market risk (continued)

(a) Currency risk:

Investment in securities denominated in a currency other than Canadian dollars will be affected by the changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated. Therefore the value of securities held by the Fund may be worth more or less depending on their susceptibility to foreign exchange rates. At September 30, 2019 and September 30, 2018 the Fund did not hold any foreign currency denominated investments.

(b) Interest rate risk:

Interest rate risk arises on interest bearing financial instruments. A change in general interest rates is a main factor affecting the price of a fund that invests in fixed-income securities. Fixed-income securities, like bonds, pay interest based on interest rates when the bond is issued. When interest rates fall, the value of bonds rise. This is because the interest on existing bonds will be higher than the rate on newer bonds. Conversely, when interest rates rise, the price of existing bonds drop because they pay less than newer bonds. The majority of the Fund's assets are non-interest-bearing. 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, 2019 and September 30, 2018 were all listed equities.

NCM NORREP FUND

Notes to Financial Statements

Year ended September 30, 2019 and eleven months ended September 30, 2018

5. Financial instruments and associated risks (continued)

Market risk (continued)

(c) Other price risk (continued):

Sensitivity analysis:

Management's estimate of the impact of a 1% increase or decrease in the BMO Small Cap Equity Only Weighted Total Return Index at September 30, 2019 is an increase or decrease in the net assets attributable to holders of redeemable units of approximately \$399,724 (September 30, 2018 - \$538,614). In practice, the actual trading results may differ from this estimate and the difference could be material.

The Fund's financial assets exposed to other price risk were concentrated in the following industries as a percentage of total investments at September 30, 2019 and September 30, 2018:

Equities	2019	2018
Energy	21.4%	29.6%
Materials	29.6%	22.3%
Industrials	22.6%	21.5%
Consumer Discretionary	7.0%	9.4%
Health Care	1.7%	—%
Information Technology	4.8%	6.7%
Utilities	4.0%	3.1%
Real Estate	8.9%	7.4%
Total	100.0%	100.0%

6. Net assets attributable to unitholders of redeemable units

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

The rights attached to the redeemable units are as follows:

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

NCM NORREP FUND

Notes to Financial Statements

Year ended September 30, 2019 and eleven months ended September 30, 2018

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, 2019 and 2018 were as follows:

Series A	2019	2018
Balance, opening	1,469,941	1,581,473
Issued on dividends reinvested	99,309	82,807
Issued for cash	3,572	3,042
Redeemed for cash	(285,315)	(197,381)
Balance, September 30	1,287,507	1,469,941

Series F	2019	2018
Balance, opening	76,880	179,185
Issued on dividends reinvested	5,311	9,287
Issued for cash	7,296	20,524
Redeemed for cash	(10,190)	(132,116)
Balance, September 30	79,297	76,880

Series R	2019	2018
Balance, opening	–	–
Issued on dividends reinvested	1,557	–
Issued for cash	34,768	–
Redeemed for cash	(2,160)	–
Balance, September 30	34,165	–

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, 2019	Series A	Series F	Series R
Increase (decrease) in net assets attributable to holders of redeemable units	\$(2,346,577)	\$(94,182)	\$56,439
Average units outstanding during the period	1,426,618	81,767	24,819
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$(1.64)	\$(1.15)	\$2.27

NCM Norrep Fund - September 30, 2018	Series A	Series F	Series R
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

Notes to Financial Statements

Year ended September 30, 2019 and eleven months ended September 30, 2018

7. Management fees, expenses and key contracts

(a) Manager and management fees:

The Series A paid an annual management fee to the Manager of 2% of the net asset value of the series. Series F paid an annual management fee to the Manager of 1.25% of the net asset value of the series. There are no management fees payable in respect of Series R units. The NCM Funds and other funds and accounts managed or advised by the Manager and/or its affiliates that invest in Series R units are charged a management fee for the provision of our services to them. The management fee is calculated and paid monthly. Included in accrued expenses at September 30, 2019 is \$74,095 (September 30, 2018 - \$94,257) related to these fees.

(b) Expenses:

All fees and expenses applicable to the administration and operation of the Fund, including recordkeeping and communication costs, custodian fees, legal and filing fees, audit, applicable taxes and bank charges are payable by the Fund. The Portfolio Manager has charged the Fund for administration services. Included in accrued expenses is September 30, 2019 is \$6,248 (September 30, 2018 - \$6,196) related to these fees.

8. Brokerage commissions on securities transactions

The Fund paid brokerage commissions amounting to \$66,358 (September 30, 2018 - \$57,856) in connection with portfolio transactions during the period.

9. Securities lending transactions

In August 2019, the Fund engaged in securities lending. Collateral received on securities lending may be comprised of debt obligations of the Government of Canada and other countries, Canadian provincial or territorial governments, governments of states of the United States of America, and evidence of indebtedness of financial institutions whose short-term debt is rated A-1 or R-1 or equivalent by a recognized, widely followed North American credit rating agency, corporate debt or corporate commercial paper, convertible securities or cash that is not to be invested. The table below shows a reconciliation of the gross amount generated from securities lending transactions to the securities lending income earned by the Fund for the years ended September 30, 2019 and 2018:

	2019		2018	
Gross securities lending income	\$102	100.0%	\$ –	–%
Withholding taxes	–	–%	–	–%
Agent fees	\$(41)	(40.2%)	\$ –	–%
Securities lending income	\$61	59.8%	\$ –	–%

Security Lending:	2019	2018
Value of securities loaned	\$5,386,727	\$ –
Value of collateral received	\$5,656,063	\$ –

NCM NORREP FUND

Notes to Financial Statements

Year ended September 30, 2019 and eleven months ended September 30, 2018

10. Comparative Figures:

Certain 2018 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current period.

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