



# MANAGEMENT REPORT OF FUND PERFORMANCE

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## NORREP SHORT TERM INCOME FUND

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This annual management report of fund performance contains financial highlights but does not contain the annual financial statements of the investment fund. You can get a copy of the Fund's financial statements at your request, and at no cost, by calling toll free (877) 531-9355, by writing us at Dome Tower, 1850, 333 – 7<sup>th</sup> Avenue SW in Calgary, Alberta T2P 2Z1 or by visiting our website at [www.norrep.com](http://www.norrep.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Security holders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

### **MANAGEMENT DISCUSSION OF FUND PERFORMANCE**

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#### **INVESTMENT OBJECTIVE AND STRATEGIES**

##### *Investment Objectives*

Norrep Short Term Income Fund (the "Fund") is designed to provide holders of the units with capital preservation and a highly liquid portfolio comprised primarily of government and corporate debt securities targeting a level of income consistent with investments in short-term fixed income securities. Its portfolio may consist of all types of debt obligations of issuers that may or may not be listed for trading upon the facilities of stock exchanges or other organized and regulated trading facilities. Assets of the Fund may also be invested in equity and equity-like securities or held in cash to the extent that economic, market or other conditions make it appropriate.

##### *Investment Strategies*

The Fund intends to achieve its investment objective by investing primarily in Canadian and U.S. issuers but may also, as market opportunities dictate, include global issuers.

The Fund invests in a combination of securities including, but not limited to, corporate bonds and debt obligations, government bonds, investment grade bonds, floating rate senior loans and high yield bonds.

A value investment style will be followed for government bonds by analyzing macroeconomic factors such as economic growth, inflation and monetary fiscal policy.

Corporate issues will be analyzed using a bottom-up approach to determine credit quality, risk of default, and valuation. The Fund will target corporate issuers that it believes have strong market positions, attractive and sustainable business models, high quality management teams, and significant levels of asset and/or cash flow coverage (resulting in strong principal protection).

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

Pending the selection and purchase of suitable investments, the payment of expenses or other anticipated distributions, a portion of the assets of the Fund may be held in cash. In addition, during periods in which the Portfolio Manager believes that market conditions make it advisable, the Portfolio Manager may reduce the Fund's holdings of investments and hold a portion of the Fund's assets in cash. Such cash balances will be held on deposit in cash accounts at any Canadian bank or trust company or may be invested in short term investment funds or guaranteed investment certificates.

## RISK

The Fund is suitable for low risk investors seeking capital preservation and a liquid portfolio comprised primarily of corporate debt securities. General risks of an investment in the Fund are detailed in the Simplified Prospectus and include, but are not limited to, market risk, credit / default risk, liquidity risk, foreign security risk, foreign currency risk, and interest rate risk, among others.

The risk profile of the Fund has not changed to a significant degree over the last year. The modified duration of the portfolio declined to 1.3 (versus 1.8 in the prior year), and remains low. At December 31, 2017, bonds represented 38% of the portfolio vs 54% at the end of 2016. Credit ratings of the underlying portfolio companies remained concentrated primarily in the B and BB ratings categories. The Fund increased its holdings of Investment Grade bonds, to 10.5% (versus 2.1% in 2016). The Fund's cash position increased from 12.8% in 2016 to 27.0% as of the close of 2017, as the proceeds from a large inflow late in the year had not been invested by year-end (this inflow will be invested in Q1 2018).

## RESULTS OF OPERATIONS

For the twelve-month period ended December 31, 2017, Series A and Series F of the Fund generated returns of 2.2% and 2.7%, respectively. The return for the Series I was 3.6%. The U.S. dollar denominated series, Series A (H) and Series F (H) generated returns of 2.2% and 2.7%, respectively during the same period. The Fund's benchmark, 50% FTSE TMX Short Term Bond Index plus 30% Credit Suisse Leveraged Loan Index plus 20% Merrill Lynch Canada High Yield Canadian Issuer's Index, returned 3.4% during the same period.

As at December 31, 2017, the Fund's portfolio had an internal weighted-average yield-to-maturity of 3.8% and modified duration of 1.3. The portfolio's asset mix consisted primarily of floating rate senior loans (35.4%), high yield corporate bonds (27.1%) and investment grade corporate bonds (10.5%) with the remainder in cash. The Fund tactically invests in a blend of floating rate loans, high yield and investment grade corporate bonds, and government bonds with the goal of maintaining duration below three. We believe the ability to invest in both loans and bonds allows us to manage interest rate risk accordingly. The mix of loans and bonds provides protection during periods of rising rates, but also allows for capital appreciation through the bonds during periods of flat or declining rates. We continue to focus on short duration fixed-income instruments backed by strong companies with reasonable financial leverage and covenant protection where possible. We are active in the new issue market but also participate in the secondary market to ensure adequate weightings in any given security and to take advantage of mispriced and orphaned securities.

The U.S. non-investment grade credit market, as defined by the ICE B of A Merrill Lynch U.S. High Yield Index ("H0A0") generated a return of 7.5% in 2017, which is respectable following the very strong returns generated in 2016. The high yield market's rise was reasonably uniform and consistent throughout 2017, with March, August and November the only down months. Similar to 2016, the higher beta / lower rated issuers generated moderately higher returns.

B issuers generated a 7.2% return, single B rose 6.8% and CCC or lower increased by 10.6%. The returns were driven by the high coupon, and some spread compression (high yield credit spreads decreased by approximately 65 bps in 2017 versus the levels at the end of 2016).

The Canadian high yield bond market's performance was broadly similar, and returned 8.5% (as defined by the ICE B of A Merrill Lynch Canadian High Yield Index ("HCC0"). The index's primary driver was its heavy weighting in oil and gas issuers, which benefited from rallies in those commodities and improving outlooks for 2018 and beyond.

## RESULTS OF OPERATIONS (continued)

The 2017 market's rally drivers were: (i) continued growth in the U.S. economy (however the magnitude was insufficient to stir fears of inflation and kept Federal Reserve rate hikes to a total of 75 bps); (ii) falling default rates; (iii) commodity strength (metals, and oil prices rallied – issuers in these industries comprise a reasonably significant percentage weight of the total high yield market); (iv) low rate volatility; and (v) net negative supply technicals (while new high yield bond issuance was healthy in 2017, this was more than offset by loan refinancings, and rising stars (who migrated to the investment grade category). In total the high yield bond market shrank by approximately \$58 billion in 2017.

U.S. loans, as delineated by the Credit Suisse Leverage Loan Index (“CSLLLTOT”), underperformed the U.S. high yield market, generating a 4.2% return, driven by the same factors outlined above.

In our view economic conditions in the U.S. and Canada are, on balance, likely to continue to remain positive in 2018. We forecast the “Goldilocks” scenario of strong consumption coupled with moderate inflation will remain in place, keeping the risk of a business cycle contraction low. Last year at this writing, we surmised tax reform in the U.S. could drive strong positive earnings growth in 2017 – while the timing was slower than we anticipated, the legislation has finally passed, and the U.S. economy should benefit in 2018. However, given yields and spreads have rallied significantly since mid-February 2016, we believe spreads have largely priced in the good news at this point, and spreads will not tighten by a significant degree next year. We expect default rates to remain low, with U.S. high yield issuer defaults of approximately 2.75%. We expect fund flows to continue into leveraged loans as investors seek the protection against rising interest rates that the asset class provides. Conversely, we believe funds may flow out of high yield bonds for the same reason (notably, however, high yield bonds perform reasonably well in periods of rising interest rates). On the supply side we expect issuance to be flat or slightly higher relative to 2017, with refinancings continuing to be a major use of proceeds. While overall market leverage remains elevated (just below 5x average Debt / EBITDA) it has trended sideways / modestly downwards and interest coverage metrics remain healthy for the most part.

We believe the primary threats to the asset class, at this stage of the cycle, are, in order of importance, central bank policy shift, recession, and a change in trade policy. Regarding the central bank risk, our view is that core inflation rates will moderately undershoot central bank targets in 2018 putting the Fed and ECB in less of a rush to tighten. On the recession front, as mentioned above, our view is that almost all economic indicators we track point to expansion, and that the probability of contraction over the next 12-18 months is very low. Lastly, while the impact of the disintegration of NAFTA would be significant, we believe the risk of this occurring (in 2018 at least) is low given the hurdles this course of action would have to surmount. For example, the full cancellation would need ratification by both houses, which is not guaranteed given lobby and affected states' opposition; even with its cancellation, there is a chance Canada and the U.S. could then revert to the old U.S. - Canada free trade agreement, etc.

U.S. core PCE inflation should remain benign. Factoring in 2 or 3 rate increases by the FED and our default projection of 2.5%, and the fact most high yield debt is trading at or near par, leads us to a 2017 total return forecast of 2-4%, a coupon like return with limited capital gains. However, 2018 will experience periods of heightened volatility in our view.

We believe the Fund's positioning is appropriate to withstand this volatility and potentially take advantage of any downward movement in either the high yield or loan markets. The Fund continues to hold a sizable allocation (35.4%) of floating rate senior loans, which helps in periods of rising interest rates, and keep the duration low. As mentioned above, we believe it will not be a year of capital / price appreciation, more of coupon-like returns,

## RESULTS OF OPERATIONS (continued)

however we will continue to look to opportunistically deploy capital in investments with attractive risk-return characteristics.

While we are generally constructive on the U.S. economy short-term, and momentum has been positive, we believe we are in the later stages of the credit cycle (as indicated by elevated leverage, a less accommodative Fed, and spreads that are at or slightly below long-term averages). As a result, we are positioned with a defensive bias, with a moderately higher cash balance (to take advantage of any substantive pullbacks in the market), and lower duration bonds. We favour stable and improving credit, focusing on higher quality and higher liquidity parts of the market

For the year ended December 31, 2017, the Fund earned dividend and interest income in the amount of \$362,503 and \$4,593,546, respectively. The change in unrealized depreciation in current value of investments was a decrease of \$6,161,081 and the change in unrealized gain on derivative instruments was \$2,293,275. The realized gain on investments was \$861,980 and the realized gain on derivative instruments was \$1,365,414. Management fees of \$394,253 were paid. General and administrative costs of \$416,178, related to the operation of the Fund were also incurred and a withholding tax expense of \$12,568 was also reported. As a result of the above, the increase in net assets attributable to holders of redeemable units was \$2,492,638. Net assets attributable to holders of redeemable units at the beginning of the period were \$95,268,612. Proceeds from the sale of units were \$43,751,733; reinvestment of distributions was \$3,173,976 and redemptions were \$27,624,204. Distributions declared to holders of redeemable units were \$4,151,966. By December 31, 2017, the Fund had net assets attributable to holders of redeemable units of \$112,910,789.

## RECENT DEVELOPMENTS

On June 29, 2017, the MF Series and MF Series (H) were renamed as Series A and Series A (H), respectively.

Future accounting pronouncements:

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also introduces new requirements to address the impairment of financial assets.

The mandatory effective date of IFRS 9 for the Fund is for the fiscal year beginning January 1, 2018.

Based on the initial assessment of the Manager, the standard is not expected to have a material impact on the Fund.

## RELATED PARTY TRANSACTIONS

Management fees of \$394,253 were paid to Norrep Capital Management Ltd. ("Norrep"), the Fund's Manager and Portfolio Manager. Management fees are 1.25% for Series A and Series A (H), and 0.75% for Series F and Series F (H), of the series net asset value of the Fund and are calculated and paid monthly. In addition, administrative fees of \$129,982 were paid to Norrep. Administration fees are charged by Norrep at or below cost. They relate to accounting, trading, record keeping, compliance and other administrative costs.

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund's Series A units and are intended to help you understand the Fund's financial performance for the fiscal years indicated. This information is derived from the Fund's audited year-end financial statements.

<b>Net asset value (NAV) per unit<sup>(1)</sup> – Series A</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net Asset Value, beginning of year	\$9.26	\$9.27	\$9.66	\$10.04	\$10.07
Increase (decrease) from operations:					
Total revenue	0.49	0.60	0.64	0.57	0.52
Total expenses	(0.16)	(0.17)	(0.16)	(0.16)	(0.17)
Realized gains (losses) for the year	0.23	0.24	(0.78)	(0.20)	(0.23)
Unrealized gains (losses) for the year	(0.36)	(0.24)	0.57	(0.16)	0.17
<b>Total increase (decrease) from operations</b>	<b>0.20</b>	<b>0.43</b>	<b>0.27</b>	<b>0.05</b>	<b>0.29</b>
Distributions:					
From other income	(0.38)	(0.49)	(0.52)	(0.45)	(0.41)
From dividends	Nil	Nil	Nil	Nil	Nil
From capital gains	Nil	Nil	Nil	Nil	Nil
<b>Total distributions<sup>(2)</sup></b>	<b>(0.38)</b>	<b>(0.49)</b>	<b>(0.52)</b>	<b>(0.45)</b>	<b>(0.41)</b>
<b>Net Asset Value, end of year<sup>(3)</sup></b>	<b>\$9.07</b>	<b>\$9.26</b>	<b>\$9.27</b>	<b>\$9.66</b>	<b>\$10.04</b>

(1) This information is provided as at December 31 for the years presented in accordance with International Financial Reporting Standards.

(2) Distributions, if any, are reinvested in additional units or paid in cash when requested.

(3) Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial year. Due to the different methods of calculating individual components of the table, the sum of the individual components will not necessarily equal the ending net asset value.

<b>Ratios and Supplemental Data – Series A</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net Assets (000's of \$)	16,782	17,554	25,883	31,021	26,748
Number of units outstanding	1,849,374	1,896,276	2,791,683	3,210,711	2,665,237
Management expense ratio (MER) <sup>(1)</sup>	1.77%	1.73%	1.64%	1.65%	1.75%
MER before waivers or absorptions	1.77%	1.73%	1.64%	1.65%	1.75%
Portfolio turnover rate <sup>(2)</sup>	84.68%	57.12%	67.15%	97.00%	134.12%
Trading expense ratio <sup>(3)</sup>	0.03%	0.02%	0.00%	0.00%	0.00%

(1) Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets of the year.

(2) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of a year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and performance of the Fund.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year.

## FINANCIAL HIGHLIGHTS (continued)

The following tables show selected key financial information about the Fund's Series F units and are intended to help you understand the Fund's financial performance for the fiscal years indicated. This information is derived from the Fund's audited year-end financial statements.

<b>Net asset value (NAV) per unit<sup>(1)</sup> – Series F</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net Asset Value, beginning of year	\$9.53	\$9.50	\$9.84	\$10.16	\$10.14
Increase (decrease) from operations:					
Total revenue	0.50	0.58	0.64	0.57	0.52
Total expenses	(0.12)	(0.12)	(0.11)	(0.11)	(0.12)
Realized gains (losses) for the year	0.23	0.25	(0.78)	(0.20)	(0.23)
Unrealized gains (losses) for the year	(0.35)	(0.34)	0.57	(0.16)	0.17
<b>Total increase (decrease) from operations</b>	<b>0.26</b>	<b>0.37</b>	<b>0.32</b>	<b>0.10</b>	<b>0.34</b>
Distributions:					
From other income	(0.40)	(0.50)	(0.54)	(0.45)	(0.41)
From dividends	Nil	Nil	Nil	Nil	Nil
From capital gains	Nil	Nil	Nil	Nil	Nil
<b>Total distributions<sup>(2)</sup></b>	<b>(0.40)</b>	<b>(0.50)</b>	<b>(0.54)</b>	<b>(0.45)</b>	<b>(0.41)</b>
<b>Net Asset Value, end of year<sup>(3)</sup></b>	<b>\$9.39</b>	<b>\$9.53</b>	<b>\$9.50</b>	<b>\$9.84</b>	<b>\$10.16</b>

(1) This information is provided as at December 31 for the years presented in accordance with International Financial Reporting Standards.

(2) Distributions, if any, are reinvested in additional units or paid in cash when requested.

(3) Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial year. Due to the different methods of calculating individual components of the table, the sum of the individual components will not necessarily equal the ending net asset value.

<b>Ratios and Supplemental Data – Series F</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net Assets (000's of \$)	18,943	18,980	31,453	23,956	17,720
Number of units outstanding	2,016,476	1,991,113	3,311,860	2,434,166	1,743,916
Management expense ratio (MER) <sup>(1)</sup>	1.24%	1.21%	1.10%	1.10%	1.18%
MER before waivers or absorptions	1.24%	1.21%	1.10%	1.10%	1.18%
Portfolio turnover rate <sup>(2)</sup>	84.68%	57.12%	67.15%	97.00%	134.12%
Trading expense ratio <sup>(3)</sup>	0.03%	0.02%	0.00%	0.00%	0.00%

(1) Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets of the year.

(2) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of a year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and performance of the Fund.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year.

## FINANCIAL HIGHLIGHTS (continued)

The following tables show selected key financial information about the Fund's Series I units and are intended to help you understand the Fund's financial performance for the fiscal years indicated. This information is derived from the Fund's audited year-end financial statements.

<b>Net asset value (NAV) per unit<sup>(1)</sup> – Series I</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013<sup>(4)</sup></b>
Net Asset Value, beginning of year	\$9.85	\$9.74	\$10.00	\$10.24	\$10.26
Increase (decrease) from operations:					
Total revenue	0.49	0.56	0.64	0.57	0.39
Total expenses	(0.04)	(0.04)	(0.03)	(0.04)	(0.03)
Realized gains (losses) for the year	0.22	0.24	(0.78)	(0.20)	(0.17)
Unrealized gains (losses) for the year	(0.34)	(0.11)	0.57	(0.16)	0.13
<b>Total increase (decrease) from operations</b>	<b>0.33</b>	<b>0.65</b>	<b>0.40</b>	<b>0.17</b>	<b>0.32</b>
Distributions:					
From other income	(0.41)	(0.52)	(0.55)	(0.47)	(0.32)
From dividends	Nil	Nil	Nil	Nil	Nil
From capital gains	Nil	Nil	Nil	Nil	Nil
<b>Total distributions<sup>(2)</sup></b>	<b>(0.41)</b>	<b>(0.52)</b>	<b>(0.55)</b>	<b>(0.47)</b>	<b>(0.32)</b>
<b>Net Asset Value, end of year<sup>(3)</sup></b>	<b>\$9.79</b>	<b>\$9.85</b>	<b>\$9.74</b>	<b>\$10.00</b>	<b>\$10.24</b>

(1) This information is provided as at December 31 for the years presented in accordance with International Financial Reporting Standards.

(2) Distributions, if any, are reinvested in additional units or paid in cash when requested.

(3) Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial year. Due to the different methods of calculating individual components of the table, the sum of the individual components will not necessarily equal the ending net asset value.

(4) Norrep Short Term Income Series I commenced operations on April 3, 2013.

<b>Ratios and Supplemental Data – Series I</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013<sup>(4)</sup></b>
Net Assets (000's of \$)	70,419	50,942	41,513	40,275	20,448
Number of units outstanding	7,190,725	5,169,988	4,264,327	4,026,580	1,996,128
Management expense ratio (MER) <sup>(1)</sup>	0.40%	0.36%	0.27%	0.27%	0.36%
MER before waivers or absorptions	0.40%	0.36%	0.27%	0.27%	0.36%
Portfolio turnover rate <sup>(2)</sup>	84.68%	57.12%	67.15%	97.00%	134.12%
Trading expense ratio <sup>(3)</sup>	0.03%	0.02%	0.00%	0.00%	0.00%

(1) Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets of the year.

(2) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of a year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and performance of the Fund.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year.

(4) Norrep Short Term Income Series I commenced operations on April 3, 2013.



## FINANCIAL HIGHLIGHTS (continued)

The following tables show selected key financial information about the Fund's Series O units and are intended to help you understand the Fund's financial performance for the fiscal years indicated. This information is derived from the Fund's audited year-end financial statements.

Net asset value (NAV) per unit <sup>(1)</sup> – Series O	2017	2016	2015	2014	2013 <sup>(4)</sup>
Net Asset Value, beginning of year	-	\$9.74	\$10.00	\$10.24	\$10.18
Increase (decrease) from operations:					
Total revenue	-	0.56	0.64	0.57	0.49
Total expenses	-	(0.04)	(0.03)	(0.04)	(0.04)
Realized gains (losses) for the year	-	0.24	(0.78)	(0.20)	(0.22)
Transaction costs	-	-	-	-	-
Unrealized gains (losses) for the year	-	(0.58)	0.57	(0.16)	0.16
Total increase (decrease) from operations	-	0.18	0.40	0.17	0.39
Distributions:					
From other income	-	(0.13)	(0.55)	(0.47)	(0.41)
From dividends	-	Nil	Nil	Nil	Nil
From capital gains	-	Nil	Nil	Nil	Nil
Total distributions <sup>(2)</sup>	-	(0.13)	(0.55)	(0.47)	(0.41)
Net Asset Value, end of year <sup>(3)(5)</sup>	-	-	\$9.74	\$10.00	\$10.24

(1) This information is provided as at December 31 for the years presented in accordance with International Financial Reporting Standards.

(2) Distributions, if any, are reinvested in additional units or paid in cash when requested.

(3) Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial year. Due to the different methods of calculating individual components of the table, the sum of the individual components will not necessarily equal the ending net asset value.

(4) Norrep Short Term Income Series O commenced operations on January 14, 2013.

(5) Norrep Short Term Income Series O ceased operations on May 20, 2016.

Ratios and Supplemental Data – Series O	2017	2016	2015	2014	2013 <sup>(4)</sup>
Net Assets (000's of \$) <sup>(5)</sup>	-	-	8,562	4,700	2,501
Number of units outstanding	-	-	879,512	469,875	244,183
Management expense ratio (MER) <sup>(1)</sup>	-	0.36%	0.27%	0.27%	0.36%
MER before waivers or absorptions	-	0.36%	0.27%	0.27%	0.36%
Portfolio turnover rate <sup>(2)</sup>	-	57.12%	67.15%	97.00%	134.12%
Trading expense ratio <sup>(3)</sup>	-	0.02%	0.00%	0.00%	0.00%

(1) Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets of the year.

(2) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of a year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and performance of the Fund.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year.

(4) Norrep Short Term Income Series O commenced operations on January 14, 2013.

(5) Norrep Short Term Income Series O ceased operations on May 20, 2016.

## FINANCIAL HIGHLIGHTS (continued)

The following tables show selected key financial information about the Fund's Series A (H) units and are intended to help you understand the Fund's financial performance for the fiscal years indicated. This information is derived from the Fund's audited year-end financial statements.

Net asset value (NAV) per unit <sup>(1)</sup> – Series A (H)	2017	2016	2015	2014 <sup>(4)</sup>
Net Asset Value, beginning of year	\$11.33	\$11.75	\$10.20	\$10.06
Increase (decrease) from operations:				
Total revenue	0.41	0.46	0.64	0.38
Total expenses	(0.19)	(0.19)	(0.18)	(0.11)
Realized gains (losses) for the year	0.18	0.11	(0.78)	(0.13)
Unrealized gains (losses) for the year	(0.88)	(0.26)	0.57	(0.11)
Total increase (decrease) from operations	(0.48)	0.12	0.25	0.03
Distributions:				
From other income	(0.45)	(0.59)	(0.63)	(0.34)
From dividends	Nil	Nil	Nil	Nil
From capital gains	Nil	Nil	Nil	Nil
Total distributions <sup>(2)</sup>	(0.45)	(0.59)	(0.63)	(0.34)
Net Asset Value, end of year <sup>(3)</sup>	\$10.39	\$11.33	\$11.75	\$10.20

(1) This information is provided as at December 31 for the years presented in accordance with International Financial Reporting Standards.

(2) Distributions, if any, are reinvested in additional units or paid in cash when requested.

(3) Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial year. Due to the different methods of calculating individual components of the table, the sum of the individual components will not necessarily equal the ending net asset value.

(4) Norrep Short Term Income Series A (H) commenced operations on May 2, 2014.

Ratios and Supplemental Data – Series A (H)	2017	2016	2015	2014 <sup>(4)</sup>
Net Assets (000's of \$)	990	1,248	6,734	7,045
Number of units outstanding	95,271	110,085	572,914	690,467
Management expense ratio (MER) <sup>(1)</sup>	1.71%	1.69%	1.59%	1.59%
MER before waivers or absorptions	1.71%	1.69%	1.59%	1.59%
Portfolio turnover rate <sup>(2)</sup>	84.68%	57.12%	67.15%	97.00%
Trading expense ratio <sup>(3)</sup>	0.03%	0.02%	0.00%	0.00%

(1) Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets of the year.

(2) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of a year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and performance of the Fund.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year.

(4) Norrep Short Term Income Series A (H) commenced operations on May 2, 2014.

## FINANCIAL HIGHLIGHTS (continued)

The following tables show selected key financial information about the Fund's Series F (H) units and are intended to help you understand the Fund's financial performance for the fiscal years indicated. This information is derived from the Fund's audited year-end financial statements.

<b>Net asset value (NAV) per unit<sup>(1)</sup> – Series F (H)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014<sup>(4)</sup></b>
Net Asset Value, beginning of year	\$11.72	\$12.09	\$10.44	\$10.23
Increase (decrease) from operations:				
Total revenue	0.40	0.43	0.64	0.36
Total expenses	(0.14)	(0.15)	(0.12)	(0.07)
Realized gains (losses) for the year	0.18	0.15	(0.78)	(0.13)
Unrealized gains (losses) for the year	(1.07)	0.18	0.57	(0.10)
<b>Total increase (decrease) from operations</b>	<b>(0.63)</b>	<b>0.61</b>	<b>0.31</b>	<b>0.06</b>
Distributions:				
From other income	(0.47)	(0.61)	(0.65)	(0.35)
From dividends	Nil	Nil	Nil	Nil
From capital gains	Nil	Nil	Nil	Nil
<b>Total distributions<sup>(2)</sup></b>	<b>(0.47)</b>	<b>(0.61)</b>	<b>(0.65)</b>	<b>(0.35)</b>
<b>Net Asset Value, end of year<sup>(3)</sup></b>	<b>\$10.79</b>	<b>\$11.72</b>	<b>\$12.09</b>	<b>\$10.44</b>

(1) This information is provided as at December 31 for the years presented in accordance with International Financial Reporting Standards.

(2) Distributions, if any, are reinvested in additional units or paid in cash when requested.

(3) Net asset value and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial year. Due to the different methods of calculating individual components of the table, the sum of the individual components will not necessarily equal the ending net asset value.

(4) Norrep Short Term Income Series F (H) commenced operations on May 14, 2014.

<b>Ratios and Supplemental Data – Series F (H)</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014<sup>(4)</sup></b>
Net Assets (000's of \$)	5,777	6,546	3,858	2,446
Number of units outstanding	535,399	558,574	319,060	234,233
Management expense ratio (MER) <sup>(1)</sup>	1.20%	1.18%	1.12%	1.14%
MER before waivers or absorptions	1.20%	1.18%	1.12%	1.14%
Portfolio turnover rate <sup>(2)</sup>	84.68%	57.12%	67.15%	97.00%
Trading expense ratio <sup>(3)</sup>	0.03%	0.02%	0.00%	0.00%

(1) Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets of the year.

(2) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of a year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and performance of the Fund.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the year.

(4) Norrep Short Term Income Series F (H) commenced operations on May 14, 2014.

## MANAGEMENT FEES

The Fund pays an annual management fee of 1.25% for the Series A and Series A (H), and 0.75% for the Series F and Series F (H), multiplied by the series net asset value of the Fund, to Norrep, the Fund's Manager and Portfolio Manager. The management fee is calculated and paid monthly. No management fee is charged to the Series I; instead, the investors pay a management fee directly to the Manager, in an amount determined through negotiation with the Manager. For the year ended December 31, 2017, management fees amounted to \$394,253. Norrep paid servicing commissions of \$90,466 (i.e. 22.95%) from these management fees to investment dealers. Norrep also received fees for portfolio management and administrative services with respect to all the other funds in the Norrep group.

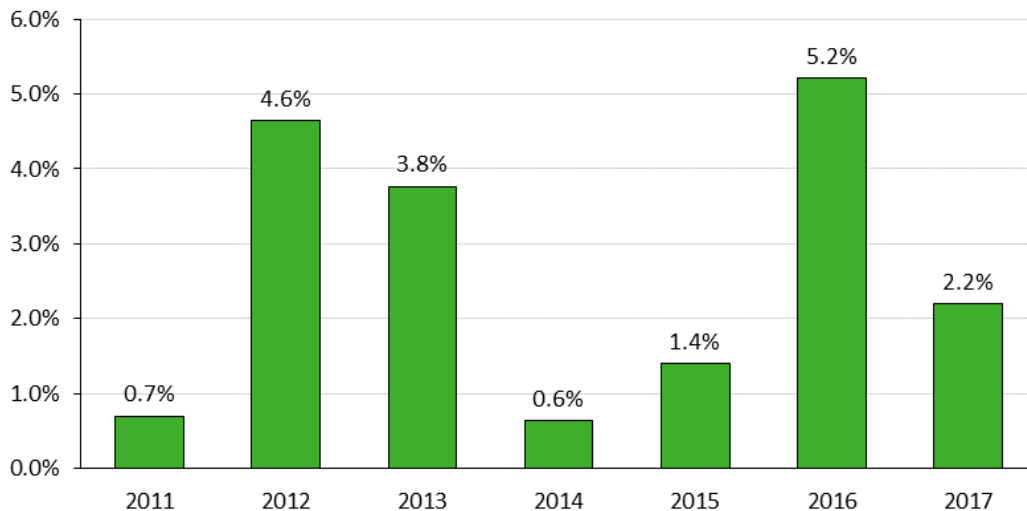
## PAST PERFORMANCE

The charts below illustrate the performance of the Fund since inception on September 16, 2011 to December 31, 2017. These charts reflect, in percentage terms, the performance you would have received if you invested in the Fund on the first day of the period through the last day of the period.

The charts assume that all distributions made by the Fund in the periods shown are reinvested in additional securities of the Fund. They do not take into account sales, redemptions, distributions or other optional charges, which would have reduced returns or performance. Each year the Fund's performance changes and past performance does not guarantee future performance.

## YEAR BY YEAR RETURNS

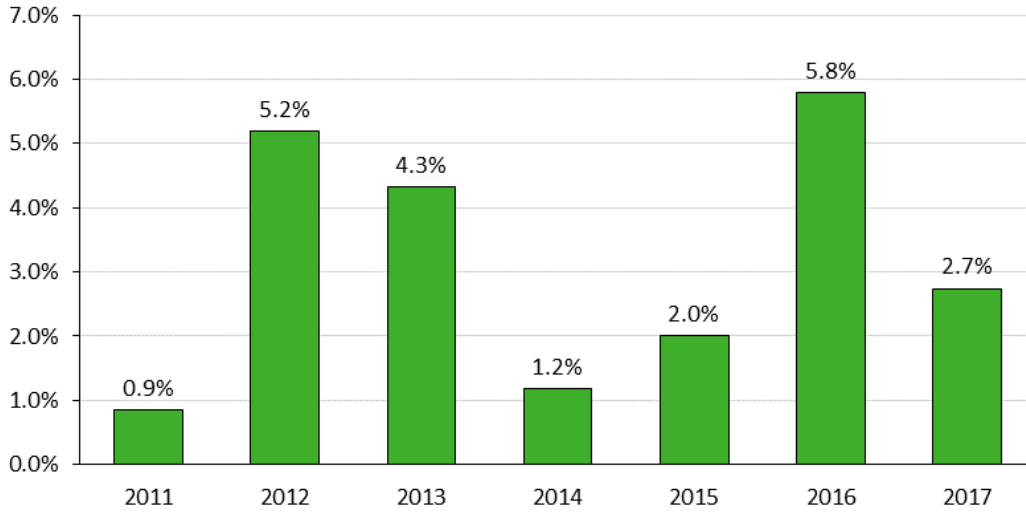
### Series A



\* September 16, 2011 to December 31, 2011 and January 1 to December 31 thereafter.

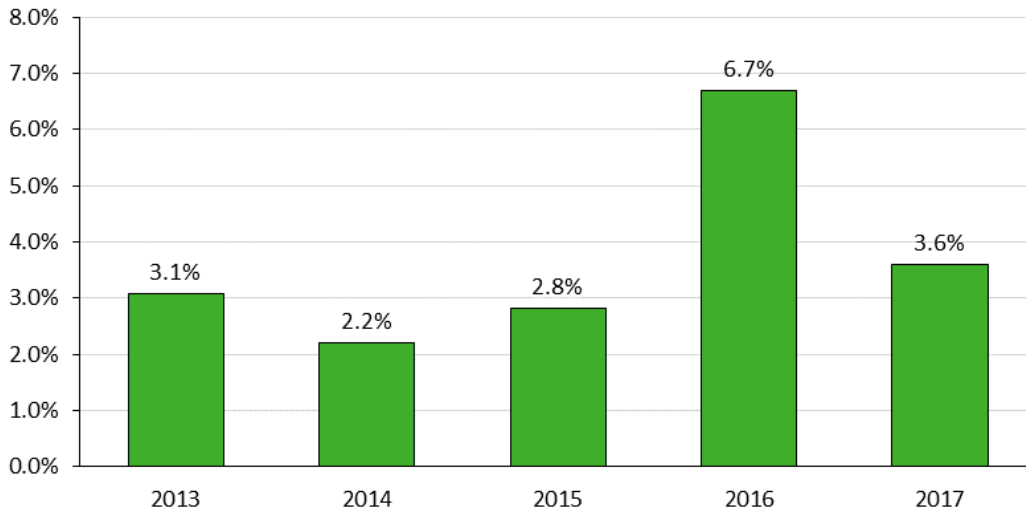
## YEAR BY YEAR RETURNS (continued)

### Series F



\* September 16, 2011 to December 31, 2011 and January 1 to December 31 thereafter.

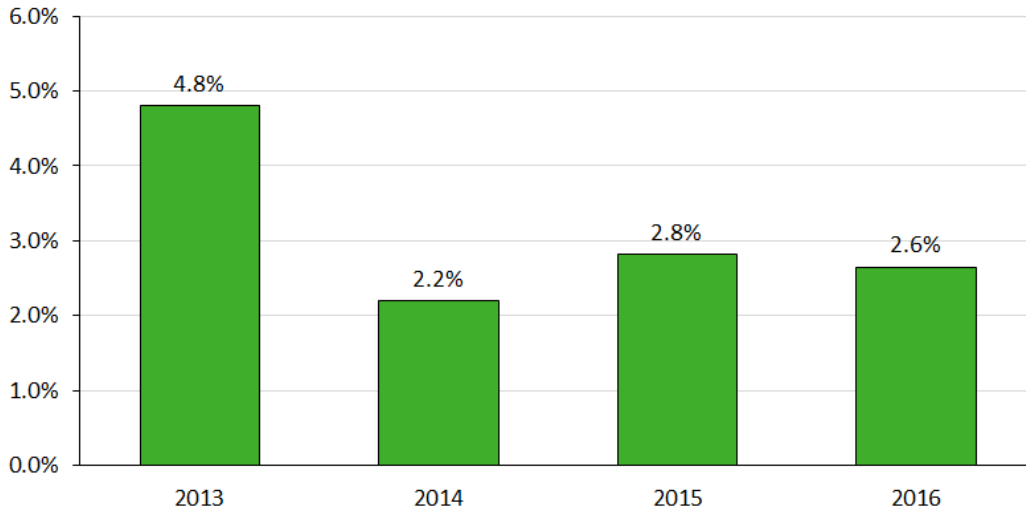
### Series I



\* April 3, 2013 to December 31, 2013 and January 1 to December 31 thereafter.

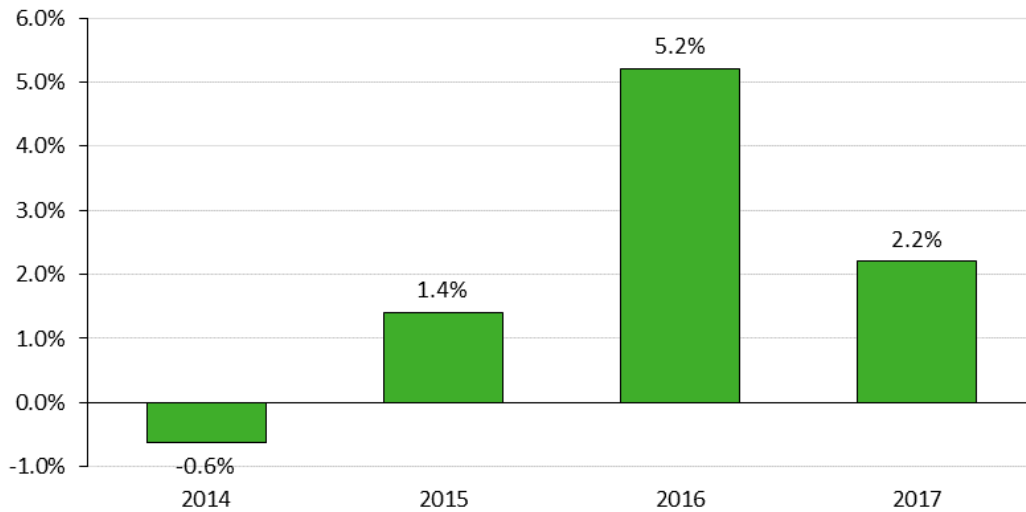
## YEAR BY YEAR RETURNS (continued)

### Series O



\* January 14, 2013 to December 31, 2013 and January 1 to December 31 thereafter, except 2016 which is January 1 to June 30.

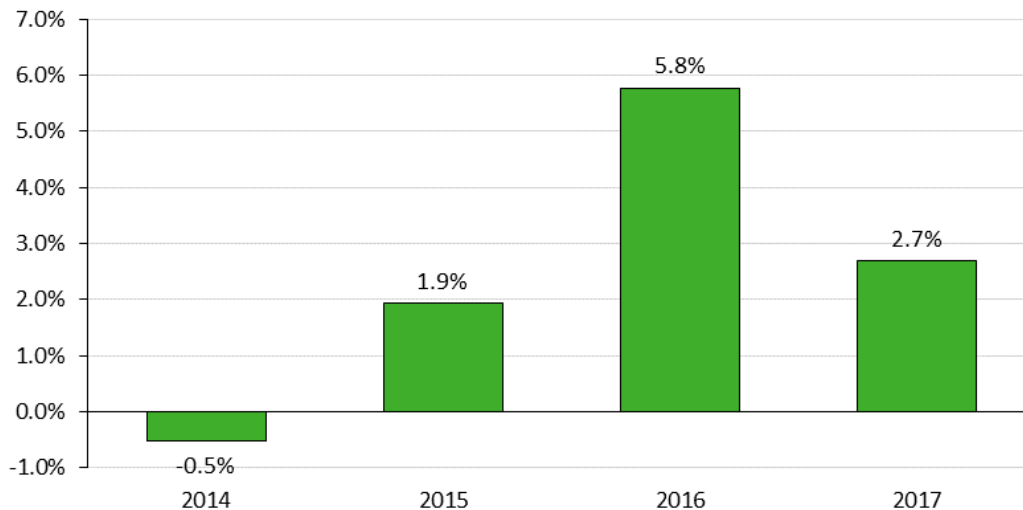
### Series A (H)



\* May 2, 2014 to December 31, 2014 and January 1 to December 31 thereafter.

## YEAR BY YEAR RETURNS (continued)

### Series F (H)



\* May 14, 2014 to December 31, 2014 and January 1 to December 31 thereafter.

## ANNUAL COMPOUND RETURNS

The following table shows the percent compounded returns to December 31, 2017 for each series of the Fund for the periods indicated. It also shows the returns for the Fund's blended benchmark index, which is 50% the FTSE TMX Short Term Bond Index, 30% Credit Suisse Leveraged Loan Index and 20% Merrill Lynch Canada High Yield Canadian Issuers Index.

	Series A	Series F	Series I	Series A (H)	Series F (H)	Index
One year	2.2%	2.7%	3.6%	2.2%	2.7%	3.4%
Three Year*	2.9%	3.5%	4.4%	2.9%	3.5%	3.7%
Five Year*	2.6%	3.2%				3.5%
Since Inception* – Series A (September 16, 2011)	2.9%					4.1%
Since Inception* – Series F (September 16, 2011)		3.5%				4.1%
Since Inception* – Series I (April 03, 2013)			3.9%			3.3%
Since Inception* – Series A (H) (May 02, 2014)				2.2%		3.1%
Since Inception* – Series F (H) (May 14, 2014)					2.7%	3.0%

\*annualized

## SUMMARY OF INVESTMENT PORTFOLIO

The following investments were held by the Fund as at December 31, 2017:

Investments	Percent of net assets
<b>Fixed Income</b>	
PowerShares Senior Loan Portfolio	3.9%
Blue Ribbon LLC, Term Loans, 5.335%, 2021/11/15	2.9%
River Cree Enterprises Ltd., Callable, 11.000%, 2021/01/20	2.9%
Great Canadian Gaming Corp., Callable, 6.625%, 2022/07/25	2.8%
DTZ US Borrower LLC, Term Loans, 4.693%, 2021/11/04	2.7%
Bob's Discount Furniture Inc., Term Loans, 6.100%, 2021/02/12	2.6%
Bluescope Steel (Finance) Ltd., Callable, 6.500%, 2021/05/15	2.3%
Canbriam Energy Inc., Callable, 9.750%, 2019/11/15 (Par Value in USD)	2.3%
Alliance Data Systems Corp., Callable, 6.375%, 2020/04/01	2.2%
Travel Leaders Group LLC, Term Loans, 5.919%, 2024/01/25	2.2%
TransDigm Inc., Term Loans, 4.346%, 2024/08/16	2.2%
Consolidated Container Co. LLC, Term Loans, 4.850%, 2024/05/22	2.2%
DHX Media Ltd., Term Loans, 5.100%, 2023/12/29	2.2%
Confie Seguros Holding II Co., Term Loans, 6.728%, 2022/04/19	2.2%
Berlin Packaging LLC, Term Loans, 4.606%, 2021/10/01	2.2%
Dean Foods Co., Callable, 6.500%, 2023/03/15	1.9%
Parkland Fuel Corp., Callable, 5.500%, 2021/05/28	1.8%
Canadian National Railway Co., Callable, 2.750%, 2021/02/18	1.8%
Bruce Power L.P., Restricted, 2.844%, 2021/06/23	1.8%
Laurentian Bank of Canada, 2.810%, 2019/06/13	1.8%
Gateway Casinos & Entertainment Ltd., Term Loans, 5.415%, 2023/02/22	1.8%
Hydro One Inc., Callable, Series '37', 1.480%, 2019/11/18	1.8%
Bell Canada, 2.000%, 2021/10/01	1.7%
McAfee LLC, Term Loans, 5.833%, 2024/09/30	1.7%
Vencore Inc., Term Loans, 6.083%, 2019/11/14	1.6%
Other Securities	17.5%
Total Securities	73.0%
<b>Other</b>	
Cash and equivalents	25.7%
Derivative assets (liabilities)	0.8%
Other assets – net of liabilities	0.5%
<b>Total net asset value</b>	<b>100.0%</b>
<b>Industry Sectors</b>	
Bonds and secured loans	73.0%
Other	27.0%
<b>Total</b>	<b>100.0%</b>

The investments held by the Fund change due to ongoing portfolio transactions. A revised summary is posted on our website at [www.norrep.com](http://www.norrep.com) no later than 60 days after each quarter end.

## OTHER MATERIAL INFORMATION

The Simplified Prospectus and all other Fund related materials can be obtained by calling us toll-free at (877) 531-9355, by writing to us at Dome Tower, 1850, 333 – 7th Avenue SW in Calgary, Alberta T2P 2Z1 or from our website at [www.norrep.com](http://www.norrep.com).





Dome Tower, TD Square  
Suite 1850, 333-7th Avenue S.W.  
Calgary, Alberta T2P 2Z1

[norrep.com](http://norrep.com)  
1.877.431.1407