

September 30, 2022

FINANCIAL STATEMENTS OF  
**NCM CONSERVATIVE  
INCOME PORTFOLIO**



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## INDEPENDENT AUDITORS' REPORT

To the Unitholders of NCM Conservative Income Portfolio:

### ***Opinion***

We have audited the accompanying financial statements of NCM Conservative Income Portfolio (the Fund), which comprise:

- the statements of financial position as at September 30, 2022 and September 30, 2021
- the statements of comprehensive income (loss) for the years then ended
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended
- the statements of cash flows for the years then ended
- 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 the Fund as at September 30, 2022 and September 30, 2021, and its financial performance and its cash flows for the years then ended 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 the 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 included in the Fund's Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.

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 Fund's Management Report of Fund Performance to be filed with the relevant Canadian Securities Commissions 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 the financial statements in accordance with 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 the 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 the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 the 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 the 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 the 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.

*KPMG LLP*

Chartered Professional Accountants

Calgary, Canada  
December 8, 2022

# NCM CONSERVATIVE INCOME PORTFOLIO

## Statements of Financial Position

(in Canadian dollars, except units outstanding)

As at September 30 2022 September 30 2021

### Assets

Cash and cash equivalents	174,121	141,054
Dividends receivable	4,500	23,662
Interest receivable	33,125	–
Due from Manager (note 7)	100,583	90,170
Investments, at fair value through profit or loss	6,941,993	12,046,581
<b>Total assets</b>	<b>7,254,322</b>	<b>12,301,467</b>

### Liabilities

Accrued expenses (note 7)	33,684	36,770
Units redeemed	3,100	6,265
<b>Total liabilities (excluding net assets attributable to holders of redeemable units)</b>	<b>36,784</b>	<b>43,035</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>7,217,538</b>	<b>12,258,432</b>

### Net assets attributable to holders of redeemable units:

Series A	3,645,082	4,970,917
Series F	3,051,622	5,624,236
Series T6	51,185	565,425
Series F6	463,545	112,472
Series M	6,104	985,382

### Redeemable units outstanding (note 6):

Series A	166,402	195,416
Series F	133,424	214,130
Series T6	2,664	24,365
Series F6	22,936	4,656
Series M	251	35,584

### Net assets attributable to holders of redeemable units per unit:

Series A	21.91	25.44
Series F	22.87	26.27
Series T6	19.21	23.21
Series F6	20.21	24.16
Series M	24.32	27.69

See accompanying notes to financial statements.

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



Alex Sasso



Keith Leslie

## Statements of Comprehensive Income (Loss)

For the years ended September 30, 2022 and 2021

(in Canadian dollars)

	2022	2021
Dividend income	134,880	119,280
Interest for distribution purposes	47,983	153,131
Net gain (loss) on investments at fair value through profit or loss		
Net realized gain (loss) on investments	(608,319)	611,760
Net change in unrealized appreciation (depreciation) in fair value of investments	(445,932)	(42,987)
<b>Total investment revenue (loss)</b>	<b>(871,388)</b>	<b>841,184</b>
Management fees (note 7)	107,435	144,534
Custodian and record keeping fees	39,712	42,381
Legal and filing fees	20,779	21,899
HST/GST	18,314	21,076
Transaction costs	15,074	11,901
Audit fees	15,050	14,620
Tax and other professional fees	8,087	8,091
Administrative fees (note 7)	5,239	5,467
Other	4,916	4,687
Computer services	2,053	467
Independent review committee	1,006	900
Operating expense recovery (note 7)	(100,583)	(90,170)
<b>Total operating expenses</b>	<b>137,082</b>	<b>185,853</b>
Increase (decrease) in net assets attributable to holders of redeemable units before tax	(1,008,470)	655,331
Withholding tax expense	3,751	982
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>(1,012,221)</b>	<b>654,349</b>
<b>Change in net assets attributable to holders of redeemable units (note 6):</b>		
Series A	(511,519)	230,514
Series F	(440,174)	329,179
Series I	–	36,225
Series T6	(23,005)	24,445
Series F6	(52,138)	6,537
Series M	14,615	27,449
<b>Change in net assets attributable to holders of redeemable units per unit (note 6):</b>		
Series A	(2.86)	1.09
Series F	(2.67)	1.42
Series I	–	0.86
Series T6	(1.88)	1.09
Series F6	(2.98)	1.32
Series M	1.67	1.16

See accompanying notes to financial statements.

# NCM CONSERVATIVE INCOME PORTFOLIO

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

For the years ended September 30, 2022 and 2021

(in Canadian dollars)

	All Series		Series A		Series F		Series I		Series T6		Series F6		Series M	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Net assets attributable to holders of redeemable units, beginning of year	12,258,432	14,392,890	4,970,917	5,564,491	5,624,236	6,936,727	-	1,192,877	565,425	542,927	112,472	137,397	985,382	18,471
Increase (decrease) in net assets, attributable to holders of redeemable units	(1,012,221)	654,349	(511,519)	230,514	(440,174)	329,179	-	36,225	(23,005)	24,445	(52,138)	6,537	14,615	27,449
Transactions attributable to holders of redeemable units:														
Issuance of units	1,722,576	2,500,345	595,260	881,865	543,970	452,326	-	-	-	199,242	583,346	15,001	-	951,911
Reinvestment of distributions	120,478	405,920	70,056	217,953	48,002	180,251	-	-	2,256	6,659	-	-	164	1,057
Amounts paid on redemptions	(5,600,742)	(4,889,351)	(1,367,473)	(1,597,526)	(2,607,844)	(1,906,812)	-	(1,160,813)	(476,880)	(172,590)	(155,345)	(39,161)	(993,200)	(12,449)
	(3,757,688)	(1,983,086)	(702,157)	(497,708)	(2,015,872)	(1,274,235)	-	(1,160,813)	(474,624)	33,311	428,001	(24,160)	(993,036)	940,519
Distributions declared	(270,985)	(805,721)	(112,159)	(326,380)	(116,568)	(367,435)	-	(68,289)	(16,611)	(35,258)	(24,790)	(7,302)	(857)	(1,057)
	(270,985)	(805,721)	(112,159)	(326,380)	(116,568)	(367,435)	-	(68,289)	(16,611)	(35,258)	(24,790)	(7,302)	(857)	(1,057)
Net assets attributable to holders of redeemable units, end of year	7,217,538	12,258,432	3,645,082	4,970,917	3,051,622	5,624,236	-	-	51,185	565,425	463,545	112,472	6,104	985,382
Distributions per unit to holders of redeemable units			0.62	1.47	0.64	1.54	-	1.58	1.37	1.57	1.42	1.49	0.67	1.58

See accompanying notes to financial statements.

# NCM CONSERVATIVE INCOME PORTFOLIO

## Statements of Cash Flows

For the years ended September 30, 2022 and 2021

(in Canadian dollars)

	2022	2021
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	(1,012,221)	654,349
Adjustments for:		
Net realized (gain) loss on sale of investments at fair value through profit or loss	608,319	(611,760)
Net change in unrealized (appreciation) depreciation of investments at fair value through profit or loss	445,932	42,987
Purchase of investments	(10,898,537)	(4,840,478)
Proceeds from the sale of investments	14,947,279	7,518,966
Dividend income	(134,880)	(119,280)
Dividends received, net of withholding tax paid	150,291	120,917
Withholding tax paid	3,751	982
Interest for distribution purposes	(47,983)	(153,131)
Interest received	14,858	153,131
Due from Manager	(10,413)	10,570
Accrued expenses	(3,086)	(1,370)
<b>Net cash from (used in) operating activities</b>	<b>4,063,310</b>	<b>2,775,883</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from the issuance of redeemable units	1,722,576	2,500,345
Amounts paid on redemption of redeemable units	(5,603,907)	(4,887,602)
Distributions to holders of redeemable units, net of reinvestments	(150,507)	(402,747)
<b>Net cash from (used in) financing activities</b>	<b>(4,031,838)</b>	<b>(2,790,004)</b>
Net increase (decrease) in cash and cash equivalents	31,472	(14,121)
Effect of exchange rates on cash and cash equivalents	1,595	234
Cash and cash equivalents at beginning of year	141,054	154,941
<b>Cash and cash equivalents at end of year</b>	<b>174,121</b>	<b>141,054</b>

See accompanying notes to financial statements.

## Schedule of Investment Portfolio

As at September 30, 2022

(in Canadian dollars)

Description	Number of Shares / Par Value	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>MUTUAL FUND SHARES</b>				
NCM Core Portfolios Ltd.				
NCM Core Global, Series 'O'	6,897	315,663	284,344	
		315,663	284,344	3.9%
<b>TOTAL MUTUAL FUND SHARES</b>		<b>315,663</b>	<b>284,344</b>	<b>3.9%</b>
<b>CANADIAN EQUITIES</b>				
Alaris Equity Partners Income	580	10,274	8,607	
Bank of Montreal	100	12,795	12,107	
Bank of Nova Scotia	220	17,185	14,454	
BCE Inc.	310	20,082	17,955	
Canadian National Railway Co.	100	16,176	14,918	
Canadian Tire Corp. Ltd., Class 'A'	90	14,617	13,234	
Capital Power Corp.	150	7,379	7,035	
Choice Properties REIT	710	10,143	8,939	
CT REIT	810	13,749	12,158	
Dexterra Group Inc.	1,080	6,732	6,210	
Dollarama Inc.	130	10,138	10,309	
Emera Inc.	120	7,289	6,707	
Enbridge Inc.	130	7,466	6,659	
Enerplus Corp.	580	10,352	11,345	
Evertz Technologies Ltd.	710	10,092	8,719	
FirstService Corp.	10	1,717	1,645	
Gibson Energy Inc.	90	2,354	1,977	
Gildan Activewear Inc.	350	13,030	13,668	
goeasy Ltd.	150	16,489	16,128	
Granite REIT	60	4,806	4,000	
Great-West Lifeco Inc. Hardwoods Distribution Inc.	400	12,506	11,928	
Jamieson Wellness Inc.	650	21,557	17,121	
Keyera Corp.	280	10,302	9,383	
Keyera Corp.	70	2,300	1,991	
Loblaws Cos. Ltd.	110	12,974	12,032	
Major Drilling Group International Inc.	850	8,115	7,063	
Martinrea International Inc.	1,380	12,925	11,799	
Mullen Group Ltd.	740	10,750	10,537	
NorthWest Healthcare Properties REIT	760	9,970	8,056	



# NCM CONSERVATIVE INCOME PORTFOLIO

Schedule of Investment Portfolio (continued)

As at September 30, 2022

(in Canadian dollars)

Description	Number of Shares / Par Value	Cost (\$)	Fair Value (\$)	% of Net Assets
Nutrien Ltd.	140	15,163	16,128	
Parkland Corp.	230	8,327	6,808	
Pet Valu Holdings Ltd.	160	5,153	5,560	
Peyto Exploration & Development Corp.	760	10,843	8,375	
Quebecor Inc., Class 'B'	660	18,888	16,810	
Richards Packaging Income Fund	210	10,598	9,293	
Royal Bank of Canada	150	18,780	18,655	
Stantec Inc.	160	10,157	9,693	
Superior Plus Corp.	700	8,157	7,014	
TC Energy Corp.	100	6,840	5,564	
Topaz Energy Corp.	680	15,137	14,158	
Toromont Industries Ltd.	50	5,349	4,808	
Toronto-Dominion Bank (The)	130	10,807	11,014	
Tourmaline Oil Corp.	210	16,599	15,076	
Whitecap Resources Inc.	410	3,954	3,583	
Winpak Ltd.	330	15,200	14,827	
<b>TOTAL CANADIAN EQUITIES</b>		<b>494,216</b>	<b>454,050</b>	<b>6.3%</b>

## EXCHANGE TRADED FUNDS

### CANADIAN EQUITIES ETFs

BMO Global Infrastructure Index ETF	3,520	136,627	147,030	
Evolve Automobile Innovation Index Fund	1,900	91,429	54,948	
Evolve Cyber Security Index Fund	1,400	67,748	47,600	
iShares Advantaged Short Duration High Income Fund	15,700	270,372	231,575	
iShares Global Agriculture Index ETF	533	25,685	35,359	
iShares Global Real Estate Index ETF	4,800	143,164	126,912	
iShares S&P Global Water Index Fund	1,600	68,036	66,320	
NCM Core Global ETF Series	19,815	529,661	490,663	

Description	Number of Shares / Par Value	Cost (\$)	Fair Value (\$)	% of Net Assets
Vanguard FTSE Developed All Cap ex North America Index ETF (CAD Hedged)	4,555	134,261	130,410	
<b>TOTAL CANADIAN EQUITIES ETFs</b>		<b>1,466,983</b>	<b>1,330,817</b>	<b>18.4%</b>
<b>UNITED STATES BOND ETFs</b>				
SPDR Bloomberg Short Term High Yield Bond ETF	19,977	678,090	652,747	
<b>TOTAL UNITED STATES BOND ETFs</b>		<b>678,090</b>	<b>652,747</b>	<b>9.1%</b>
<b>UNITED STATES EQUITIES ETFs</b>				
BMO High Yield US Corporate Bond Hedged to CAD Index ETF	13,700	182,616	143,028	
Invesco Dynamic Leisure and Entertainment ETF	900	53,830	42,850	
iShares Global Clean Energy ETF	2,500	68,964	65,576	
<b>TOTAL UNITED STATES EQUITIES ETFs</b>		<b>305,410</b>	<b>251,454</b>	<b>3.5%</b>
<b>TOTAL EXCHANGE TRADED FUNDS</b>		<b>2,450,483</b>	<b>2,235,018</b>	<b>31.0%</b>

### CANADIAN BONDS (Par Value in CAD except as otherwise stated)

#### Corporate

AltaLink L.P., Callable, 2.747%, 2026/05/29	235,000	224,848	221,450	
Bank of Montreal, Callable, 1.551%, 2026/05/28	235,000	210,372	208,369	
Bank of Nova Scotia, Variable Rate, Callable, Series '1', 3.700%, 2081/07/27	235,000	196,812	187,435	
Central 1 Credit Union, 1.323%, 2026/01/29	100,000	89,411	88,017	
Fairfax Financial Holdings Ltd., Callable, 4.250%, 2027/12/06	235,000	222,545	219,977	

# NCM CONSERVATIVE INCOME PORTFOLIO

## Schedule of Investment Portfolio (continued)

As at September 30, 2022

(in Canadian dollars)

Description	Number of Shares / Par Value	Cost (\$)	Fair Value (\$)	% of Net Assets
Manulife Bank of Canada, 2.864%, 2027/02/16	235,000	218,912	215,364	
Morguard Corp., Callable, Series 'F', 4.204%, 2024/11/27	235,000	220,312	220,348	
Parkland Corp., Callable, 6.000%, 2028/06/23	235,000	223,837	222,075	
Pembina Pipeline Corp., Callable, Series '10', 4.020%, 2028/03/27	235,000	223,885	220,802	
Royal Bank of Canada, Variable Rate, Callable, 3.650%, 2081/11/24	235,000	197,400	187,351	
Sun Life Financial Inc., Variable Rate, Callable, 2.800%, 2033/11/21	235,000	207,470	203,955	
TransCanada PipeLines Ltd., Callable, 3.390%, 2028/03/15	235,000	218,480	215,038	
Videotron Ltd., Callable, 3.625%, 2028/06/15	235,000	199,750	199,358	
		<u>2,654,034</u>	<u>2,609,539</u>	<u>36.2%</u>

### Provincial Government & Guaranteed

Province of Alberta, 2.350%, 2025/06/01	50,000	48,496	48,055	
Province of Alberta, 2.200%, 2026/06/01	50,000	47,817	47,253	
Province of Alberta, 2.550%, 2027/06/01	85,000	81,367	80,664	
Province of British Columbia, 2.850%, 2025/06/18	70,000	68,871	68,164	
Province of Ontario, 2.600%, 2023/09/08	70,000	69,346	69,056	

Description	Number of Shares / Par Value	Cost (\$)	Fair Value (\$)	% of Net Assets
Province of Ontario, 3.500%, 2024/06/02	175,000	175,284	173,606	
Province of Ontario, 2.600%, 2025/06/02	250,000	244,115	241,803	
Province of Ontario, 1.750%, 2025/09/08	155,000	147,173	145,824	
Province of Ontario, 2.400%, 2026/06/02	130,000	124,865	123,706	
Province of Quebec, 3.000%, 2023/09/01	85,000	84,606	84,202	
Province of Quebec, 3.750%, 2024/09/01	70,000	70,448	69,728	
Province of Quebec, 2.750%, 2025/09/01	130,000	127,322	125,963	
Province of Quebec, 2.500%, 2026/09/01	85,000	81,830	81,018	
		<u>1,371,540</u>	<u>1,359,042</u>	<u>18.8%</u>
<b>TOTAL BONDS</b>		<b><u>4,025,574</u></b>	<b><u>3,968,581</u></b>	<b><u>55.0%</u></b>
Less: Transaction costs included in average cost		(645)		
<b>TOTAL INVESTMENTS</b>		<b><u>7,285,291</u></b>	<b><u>6,941,993</u></b>	<b><u>96.2%</u></b>
Other assets, less liabilities			<u>275,545</u>	<u>3.8%</u>
<b>TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b><u>7,217,538</u></b>	<b><u>100.0%</u></b>

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Financial Statements

For the years ended September 30, 2022 and 2021

## 1. Reporting entity

NCM Conservative Income Portfolio (the “Fund”) is an open-ended mutual fund trust established under the laws of Alberta pursuant to a Declaration of Trust dated August 27, 2018. The Fund’s principal place of business is Suite 1850, 333 - 7<sup>th</sup> Avenue SW, Calgary, Alberta, T2P 2Z1.

The Fund may issue an unlimited number of units. Each unit represents an equal undivided interest in the net assets of the Fund; however, the value of a Trust Unit in one Class may differ from the value of a Trust Unit in another Class, depending on the Net Asset Value of that particular Class.

NCM Asset Management Ltd. is the investment fund manager and the portfolio manager (the “Manager”) of the Fund. Effective May 15, 2020 the Trustee changed to NCM Asset Management Ltd. CIBC Mellon Trust Company (“CIBC Mellon”) is the custodian of the Fund.

The Fund commenced operations on October 1, 2018. The Fund (in this context, the “Top Fund”) may invest in securities of other funds within the NCM Group of funds (in this context, each an Underlying Fund).

## 2. Basis of preparation

### (a) Statement of compliance:

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

The financial statements of the Fund were approved and were authorized for issue by the Manager’s Board of Directors on December 8, 2022.

### (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 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 (“FVTPL”) are initially recognized on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

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

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Financial Statements

For the years ended September 30, 2022 and 2021

## 3. Significant accounting policies (continued)

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

#### (i) Recognition and initial measurement (continued)

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 asset 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

The Fund follows 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 or fair value through other comprehensive income ("FVOCI") based on the entity's business model for managing financial assets or the contractual cash flow characteristics of the financial assets.

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

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.

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 Fund classifies 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 amortized cost:

- All liabilities other than redeemable units

The Fund designates 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 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

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Financial Statements

For the years ended September 30, 2022 and 2021

## 3. Significant accounting policies (continued)

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

#### (iv) Fair value measurement (continued)

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 bonds, asset-backed securities and secured loans represents a price that may fall between the last bid and ask price provided by an independent security pricing service, depending on which service provider is used.

There is no difference between pricing 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 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.

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Financial Statements

For the years ended September 30, 2022 and 2021

## 3. Significant accounting policies (continued)

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

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

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

- (f) Income tax:

As at September 30, 2022 the Fund was a “mutual fund trust” under the Income Tax Act (Canada) and, accordingly, is not taxed on that portion of its taxable income that is paid or allocated to unitholders. The Fund pays out sufficient net income and net realized capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made in these financial statements.

However, certain dividend and interest income received by the Fund is subject to withholding tax imposed in certain countries of origin. Income that is subject to such tax is recognized gross of the taxes and the corresponding withholding tax is recognized as a tax expense. The Fund incurred \$3,751 in withholding tax expense (September 30, 2021 - \$982) for the year ended September 30, 2022.

- (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 with the Fund's other instrument strategies. Derivative financial instruments are recorded at mark to market with changes in fair value recorded in the statement of comprehensive income.

## 4. Fair value measurement

- (a) Investments:

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

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

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

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Financial Statements

For the years ended September 30, 2022 and 2021

## 4. Fair value measurement (continued)

(a) Investments (continued):

- 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 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, 2022				
Public securities				
Equities	454,050	—	—	454,050
Equities – Equity and Bond ETFs	2,187,418	47,600	—	2,235,018
Bonds	—	3,968,581	—	3,968,581
Underlying Funds	—	284,344	—	284,344
<b>Total Investments</b>	<b>2,641,468</b>	<b>4,300,525</b>	<b>—</b>	<b>6,941,993</b>

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
September 30, 2021				
Public securities				
Equities – Equity and Bond ETFs	9,766,371	—	—	9,766,371
Underlying Funds	—	2,280,210	—	2,280,210
<b>Total Investments</b>	<b>9,766,371</b>	<b>2,280,210</b>	<b>—</b>	<b>12,046,581</b>

There were no transfers into or out of Level 1, Level 2 and Level 3 during the years ended September 30, 2022 and September 30, 2021.

(c) Financial instruments not measured at fair value:

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

## 5. Financial instruments and associated risks

The Fund's activities expose it to a variety of risks associated with financial instruments as follows: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. Market disruptions associated with acts of terrorism, war, natural disasters and epidemics can lead to increased market volatilities and be highly disruptive to economics, individual companies, sectors, industries, markets, currencies, interest and inflation rates, credit ratings and investor sentiment. Such disruptions can adversely affect the financial instrument risks associated with the Fund and its investments. All investments result in a risk of loss of capital.

### Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of bonds, including those in the Underlying Funds and ETFs represents credit risk exposure as at September 30, 2022. This also applies to the carrying amount of cash and cash equivalents and receivable as they have a short-term settlement.

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Financial Statements

For the years ended September 30, 2022 and 2021

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

### Credit risk (continued):

A portion of the Fund's portfolio, including Underlying Funds and ETFs, may consist of instruments that have a credit quality rated below investment grade by internationally recognized credit rating organizations or may be unrated. These securities involve significant risk exposure as there is uncertainty regarding the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligations. Low rated and unrated debt instruments generally offer a higher current yield than that available from higher grade issuers, but typically involve greater risk.

As at September 30, 2022 and September 30, 2021, the Fund was invested in debt securities with the following credit rating:

Debt Security by Credit Rating	% of Assets Under Management in each category	
	September 30, 2022	September 30, 2021
AA	5.9%	—
A	25.9%	—
BBB	14.3%	—
Below BBB	8.9%	—

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 or cash holdings to another financial institution. The Portfolio Manager analyzes credit concentration based on the counterparty, industry and geographical location of the financial assets that the Fund holds.

Other than outlined above there were no significant concentrations of credit risk to counterparties at September 30, 2022 and September 30, 2021

### 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 and its Underlying Funds are 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 Underlying Fund may have to liquidate shareholdings in the more liquid large and medium-sized companies.

To the extent that the liquidity is limited, the Fund's ability to realize profits and/or minimize losses may be limited, which could adversely affect the net asset value of the Fund. Also, the Underlying Fund's investments may include unlisted equity and debt instruments which are not traded on an organized public market and which may be



# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Financial Statements

For the years ended September 30, 2022 and 2021

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

### Liquidity risk (continued):

illiquid. As a result, the Underlying 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 their 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 each Fund, taken at market value at the time of purchase, would consist of illiquid assets. Residual contractual maturities of financial liabilities are all due on demand.

### Market risk:

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

The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The Fund is designed to provide investors with current income and the potential for capital preservation by investing, directly or indirectly through investments in Underlying Funds, in a diversified portfolio consisting primarily of fixed-income securities and to a lesser extent equity securities from anywhere in the world.

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 ETFs. 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 majority of the votes cast 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, 2022 are disclosed in the schedule of investment portfolio.

#### (a) Currency risk:

The Fund may invest in financial instruments and enter into transactions denominated in currencies other than the Canadian dollar. In addition, some of the Underlying Funds and ETFs hold investments in global currencies. Consequently, the Fund is exposed to risks that the exchange rate of the Canadian dollar to other foreign currencies may fluctuate.

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 the reporting date the Fund had 10.5% and (September 30, 2021 – 6.3%) of its net asset value in USD currency.

#### Sensitivity analysis:

At September 30, 2022 had the Canadian dollar strengthened or weakened by 1% in relation to all currencies with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased by \$7,612 (2021 - \$7,760). In practice the actual trading results may differ from this sensitivity analysis and difference could be material.

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Financial Statements

For the years ended September 30, 2022 and 2021

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

### Market risk (continued):

#### (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 the bonds rise. This is because the interest rates of 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 Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing market interest rates.

High yield corporate bond prices are impacted by the credit metrics, liquidity and business fundamentals of the corporate entity movements in underlying interest rates and inflows and outflows in and out of high yield space.

The table below summarizes the Fund's exposure to interest risks at September 30, 2022 and 2021. It includes the Fund's assets at fair values, categorized by the maturity dates.

September 30, 2022	Less than 1 year	1 to 3 years	3 to 5 years	>5 years	Total
All amounts stated in Canadian dollars					
Corporate bonds	153,259	1,093,491	1,065,840	1,655,991	3,968,581

#### (c) Other price risk:

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

Price risk is managed by the Fund's Portfolio Manager through construction of diversified portfolios. The price of a security is affected by individual company developments and by general economic and financial conditions in those countries where the issuer of the security is located, does business or where the security is listed for trading. In addition, certain securities are not listed on any prescribed stock exchange and thus a liquid market for resale may not exist. The Portfolio Manager will monitor these factors daily and make decisions regarding the portfolio based on its knowledge of the market conditions and diversify the portfolio of investments accordingly. The maximum price risk resulting from financial instruments is equivalent to their fair value.

#### Sensitivity analysis:

Management's estimate of the impact of a 1% increase or decrease on the following underlying Fund indices and in the blended index; 5% S&P 3-Month Canada Treasury Bill Index, 62.5% FTSE Canada Universe Bond Index, 12.5% S&P/TSX Composite Total Return Index, 14% Morningstar Developed Markets Target Market Exposure NR USD, 6% Morningstar Developed Markets Target Market Exposure NR EUR for the remaining securities that are contained in the portfolio at September 30, 2022 and September 30, 2021, is an increase or decrease in the net assets attributable to holders of redeemable units of approximately:

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Financial Statements

For the years ended September 30, 2022 and 2021

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

### Market risk (continued):

(c) Other price risk (continued):

Sensitivity analysis (continued):

(In Canadian dollars)	Total Return Index	Change in Net Assets (\$)	
		2022	2021
<b>Underlying Funds</b>			
NCM Core Canadian	S&P TSX Composite Total Return Index	—	2,432
	70% Morningstar Developed Markets Target Market Exposure NR USD and 30% Morningstar Developed Markets Target Market Exposure NR		
NCM Core Global	EUR	2,843	3,286
	75% S&P/TSX Composite Total Return Index and 25% FTSE TMX Canada Universe Bond Index		
NCM Income Growth Class		—	6,645
	70% FTSE Canada Universe Bond Total Return Index, 30% FTSE Canada Investments Grade 1-5 Year Laddered Corporate Bond Total Return Index		
NCM Core Income Fund		—	8,646
NCM Core International (formerly, NCM Core American)	S&P 500 Index	—	1,793
Total Underlying Funds		2,843	22,802
Total Bond		39,686	—
Total Equities		4,541	—
Total ETFs		22,350	97,664
Total		69,420	120,466

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, 2022 and September 30, 2021

Equities	2022	2021
Energy	1.2%	1.1%
Materials	0.9%	0.9%
Industrials	1.3%	1.8%
Consumer Discretionary	1.3%	0.8%
Consumer Staples	0.8%	0.5%
Health Care	0.7%	0.5%
Financials	2.0%	2.4%
Information Technology	0.8%	1.1%
Communication Services	0.8%	0.6%
Utilities	0.3%	0.2%
Real Estate	0.5%	1.1%
Preferred Shares	—	0.6%
Bonds	57.2%	61.4%
Exchange Traded Funds	32.2%	27.0%
Total	100.0%	100%

## 6. Net assets attributable to unitholders of redeemable units

### Redeemable units

The authorized capital of the Fund consists of an unlimited number of units, issuable in series. Currently, the Fund is offered in five series of units: Series A units, Series F units, Series M units, Series T6 units and Series F6 units. On May 19, 2021 Series I was no longer available to purchase. Each series ranks equally with respect to distributions and return of capital in the event of liquidation, dissolution or winding up based on their respective series' net asset values. Each series pays its own fees and expenses. The general expenses that are not series specific are allocated in proportion to the annual weighted average units of each series. Series A and Series T6 are sold under the front end sales charge option. A commission ranging from 0% to 5% is paid by the investor to the dealer with a 2% redemption fee being charged if the units are redeemed in the first 30 days.

Series F are sold to purchasers enrolled in a fee-for-service or wrap program with their dealer. A 2% redemption fee is charged if the Series F is redeemed within the first 30 days.

Series F6 are sold without commission provided the purchaser is enrolled in a fee-for-service or wrap program with the dealer. A 2% redemption fee is charged if the Series F6 is redeemed in the first 30 days.

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Financial Statements

For the years ended September 30, 2022 and 2021

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

Redeemable units (continued)

Series I units were sold without commission and were available to certain investors at the Portfolio Manager's discretion. A 2% redemption fee was charged if the units were redeemed in the first 30 days. Currently, there are no Series I units outstanding.

Series M units are not available for general public purchase.

The units may be redeemed daily at the net asset value per unit of the respective series.

The analysis of movements in the number of redeemable units and net assets attributable to holders of redeemable units during the years ended September 30, 2022 and 2021 were as follows:

Series A	2022	2021
Balance, opening	195,416	215,468
Issued on dividends reinvested	2,780	8,744
Issued for cash	25,484	34,438
Redeemed for cash	(57,278)	(63,234)
Balance, September 30	166,402	195,416

Series F	2022	2021
Balance, opening	214,130	262,745
Issued on dividends reinvested	1,840	7,061
Issued for cash	21,651	17,035
Redeemed for cash	(104,197)	(72,711)
Balance, September 30	133,424	214,130

Series I	2022	2021
Balance, opening	–	43,234
Redeemed for cash	–	(43,234)
Balance, September 30	–	–

Series T6	2022	2021
Balance, opening	24,365	22,850
Issued on dividends reinvested	100	283
Issued for cash	–	8,469
Redeemed for cash	(21,801)	(7,237)
Balance, September 30	2,664	24,365

Series F6	2022	2021
Balance, opening	4,656	5,640
Issued for cash	25,255	615
Redeemed for cash	(6,975)	(1,599)
Balance, September 30	22,936	4,656

Series M	2022	2021
Balance, opening	35,584	670
Issued on dividends reinvested	6	39
Issued for cash	–	35,339
Redeemed for cash	(35,339)	(464)
Balance, September 30	251	35,584

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.

September 30, 2022	Series A	Series F	Series I
Increase (decrease) in net assets attributable to holders of redeemable units (in 000's of \$)	(512)	(440)	–
Average units outstanding during the year (in 000's of units)	179	165	–
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$(2.86)	\$(2.67)	\$–

September 30, 2022	Series T6	Series F6	Series M
Increase (decrease) in net assets attributable to holders of redeemable units (in 000's of \$)	(23)	(52)	15
Average units outstanding during the year (in 000's of units)	12	17	9
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$(1.88)	\$(2.98)	\$1.67

September 30, 2021	Series A	Series F	Series I
Increase (decrease) in net assets attributable to holders of redeemable units (in 000's of \$)	231	329	36
Average units outstanding during the year (in 000's of units)	211	231	42
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$1.09	\$1.42	\$0.86

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Financial Statements

For the years ended September 30, 2022 and 2021

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

Redeemable units (continued)			
September 30, 2021	Series T6	Series F6	Series M
Increase (decrease) in net assets attributable to holders of redeemable units (in 000's of \$)	24	7	27
Average units outstanding during the year (in 000's of units)	22	5	24
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$1.09	\$1.32	\$1.16

## 7. Management fees, expenses and key contracts

### (a) Manager and management fees:

Series A and Series T6 paid an annual management fee to the Manager of 1.75% of the net asset value of the series. Series F and Series F6 paid an annual management fee to the Manager of 0.75% of the net asset value of the series. The management fee is calculated and paid monthly. No management fee was charged to the Series I. Instead, the investors paid a management fee directly to the Manager in an amount determined through negotiation with the Manager. Series M units are not available for general public purchase. The Manager and its affiliates offer wealth management services including fee-based and managed accounts under the Cumberland Private Wealth brand, and the Series M units are intended for such accounts. There is no management fee attached to Series M. Included in accrued expenses at September 30, 2022 is \$7,523 (September 30, 2021 - \$11,266) related to these fees.

### (b) Expenses:

All fees and expenses applicable to the administration and operation of each series, including record keeping and communication costs, custodian fees, legal and filling fees, audit, applicable taxes and bank charges, are payable by the Fund. The Portfolio manager has charged the Fund for administration services. Included in accrued expenses at September 30, 2022

is \$563 (September 30, 2021 - \$890) relating to these fees

### (c) Operating expense recoveries:

The Manager has agreed to absorb certain expenses associated with some of the Funds, such absorptions may be terminated at any time without notice. Included in Due from Manager at September 30, 2022 is \$100,583 (September 30, 2021 - \$90,170) related to these fees.

## 8. Involvement with unconsolidated structured entities

The Fund holds interests in structured entities that it does not consolidate. The purpose of the investment is to manage assets on behalf of third party investors and generate fees for the investment manager. These vehicles are financed through the issue of units to investors.

The table below sets out interests held by the Fund in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

	Number of investee funds held	Total net assets of investee funds	Carrying amount included in investments
<i>(in Canadian dollars)</i>			
September 30, 2022			
NCM Core Portfolios Ltd.:			
		\$42,761,315	\$284,344
Exchange Traded Funds	13	14,443,788,226	2,235,018
Total		\$14,486,549,541	\$2,519,362

# NCM CONSERVATIVE INCOME PORTFOLIO

Notes to Financial Statements

For the years ended September 30, 2022 and 2021

## 8. Involvement with unconsolidated structured entities (continued)

	Number of investee funds held	Total net assets of investee funds	Carrying amount included in investments
<i>(in Canadian dollars)</i>			
September 30, 2021			
NCM Core Portfolios Ltd.:			
NCM Core Canadian		\$15,606,831	\$243,244
NCM Core Global		55,948,241	328,592
Mutual Fund Trust:			
NCM Core Income Fund		15,228,334	864,613
NCM Opportunities Corp.:			
NCM Core International (formerly, NCM Core American)		11,574,249	179,285
NCM Income Growth Class		61,901,952	664,476
Exchange Traded Funds	17	18,864,183,044	9,766,371
Total		\$19,024,442,651	\$12,046,581

During the years ended September 30, 2022 and September 30, 2021, the Fund did not provide financial support to unconsolidated structured entities and had no intention of providing financial or other support.

The Fund can redeem units in the above investments Funds daily at the net asset value per unit of the respective series.

## 9. Brokerage commissions on securities transactions

The Fund paid brokerage commissions amounting to \$8,948 (September 30, 2021 - \$4,452) in connection with portfolio transactions during the year.

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