

September 30, 2023

# FINANCIAL STATEMENTS OF NCM DIVIDEND CHAMPIONS





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## INDEPENDENT AUDITOR'S REPORT

To the Unitholders of NCM Dividend Champions

### ***Opinion***

We have audited the financial statements of NCM Dividend Champions (the Fund), which comprise:

- the statements of financial position as at September 30, 2023 and September 30, 2022
- 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, 2023 and September 30, 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

### ***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 “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s 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 information included in the Fund's Management Report of Fund Performance filed with the relevant Canadian Securities Commissions as at the date of this auditor's 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 auditor's 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 International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), 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.

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

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Calgary, Canada  
December 7, 2023

# NCM DIVIDEND CHAMPIONS

## Statements of Financial Position

(in Canadian dollars, except units outstanding)

As at September 30 2023 September 30 2022

### Assets

Cash and cash equivalents	6,525,873	13,521,534
Dividends receivable	208,659	146,962
Interest receivable	29,232	1,707
Portfolio assets sold	462,577	–
Subscriptions receivable	10,726	33,098
Investments, at fair value through profit or loss	76,542,607	55,903,730
<b>Total assets</b>	<b>83,779,674</b>	<b>69,607,031</b>

### Liabilities

Accrued expenses (note 7)	163,400	133,100
Portfolio assets purchased	162,885	2,193,901
Redemptions payable	26,057	1,988
Derivative instruments	31,712	358,042
Total liabilities (excluding net assets attributable to holders of redeemable units)	384,054	2,687,031
Net assets attributable to holders of redeemable units	83,395,620	66,920,000

Net assets attributable to holders of redeemable units:		
Series A	25,273,864	38,011,826
Series F	54,726,396	28,676,732
Series AA	1,573,043	197,777
Series FF	1,822,317	33,665

Redeemable units outstanding (note 6):		
Series A	749,596	1,157,984
Series F	1,508,906	820,560
Series AA	46,529	5,942
Series FF	53,336	1,007

Net assets attributable to holders of redeemable units per unit:		
Series A	33.72	32.83
Series F	36.27	34.95
Series AA	33.81	33.28
Series FF*	34.17	33.42

\*Due to rounding, the NAV/unit presented may not calculate precisely and not reflect the absolute figure.

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, 2023 and 2022

(in Canadian dollars)

	2023	2022
Dividend income	2,106,024	1,250,814
Interest for distribution purposes	289,409	92,153
Securities lending income	10,406	8,335
Net gain (loss) on investments at fair value through profit or loss		
Net realized gain (loss) on investments	4,095,883	2,502,131
Net realized gain (loss) on derivative instruments	(481,064)	(235,687)
Net change in unrealized appreciation (depreciation) in fair value of investments	(1,470,295)	(3,716,779)
Net change in unrealized appreciation (depreciation) on derivative instruments	334,436	(301,721)
<b>Total investment revenue (loss)</b>	<b>4,884,799</b>	<b>(400,754)</b>

Management fees (note 7)	1,221,866	932,192
Transaction costs	200,201	111,936
HST/GST	101,782	70,774
Administrative fees (note 7)	95,814	60,821
Custodian and record keeping fees	57,368	38,935
Legal and filing fees	27,259	20,637
Computer services	25,073	18,081
Tax and other professional fees	19,673	13,281
Audit fees	19,314	15,000
Independent review committee	16,840	9,838
Other	10,113	7,014
<b>Total operating expenses</b>	<b>1,795,303</b>	<b>1,298,509</b>

Increase (decrease) in net assets attributable to holders of redeemable units before tax	3,089,496	(1,699,263)
Withholding tax expense	36,246	27,307
Increase (decrease) in net assets attributable to holders of redeemable units	3,053,250	(1,726,570)

Change in net assets attributable to holders of redeemable units (note 6):		
Series A	2,052,153	(392,423)
Series F	1,068,984	(1,323,812)
Series AA	(32,184)	(10,200)
Series FF	(35,703)	(135)

Change in net assets attributable to holders of redeemable units per unit (note 6):		
Series A	1.81	(0.34)
Series F	0.99	(5.22)
Series AA	(0.95)	(2.12)
Series FF	(2.35)	(3.71)

See accompanying notes to financial statements.

# NCM DIVIDEND CHAMPIONS

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

For the years ended September 30, 2023 and 2022

(in Canadian dollars)

	All Series		Series A		Series F		Series AA		Series FF	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Net assets attributable to holders of redeemable units, beginning of year	66,920,000	49,078,023	38,011,826	44,065,374	28,676,732	5,012,649	197,777	–	33,665	–
Increase (decrease) in net assets, attributable to holders of redeemable units	3,053,250	(1,726,570)	2,052,153	(392,423)	1,068,984	(1,323,812)	(32,184)	(10,200)	(35,703)	(135)
Transactions attributable to holders of redeemable units:										
Issuance of units	42,621,941	29,363,713	7,395,227	3,024,261	31,707,320	26,096,246	1,658,330	209,406	1,861,064	33,800
Reinvestment of distributions	1,252,102	6,759,125	648,171	5,970,396	591,975	788,609	6,919	112	5,037	8
Redemptions	(28,969,680)	(8,393,958)	(22,039,438)	(7,354,742)	(6,688,356)	(1,039,216)	(218,679)	–	(23,207)	–
	14,904,363	27,728,880	(13,996,040)	1,639,915	25,610,939	25,845,639	1,446,570	209,518	1,842,894	33,808
Distributions declared	(1,481,993)	(8,160,333)	(794,075)	(7,301,040)	(630,259)	(857,744)	(39,120)	(1,541)	(18,539)	(8)
	(1,481,993)	(8,160,333)	(794,075)	(7,301,040)	(630,259)	(857,744)	(39,120)	(1,541)	(18,539)	(8)
Net assets attributable to holders of redeemable units, end of year	83,395,620	66,920,000	25,273,864	38,011,826	54,726,396	28,676,732	1,573,043	197,777	1,822,317	33,665
Distributions per unit to holders of redeemable units			0.66	6.61	0.70	6.98	1.26	0.28	1.39	0.28

See accompanying notes to financial statements.

# NCM DIVIDEND CHAMPIONS

## Statements of Cash Flows

For the years ended September 30, 2023 and 2022

(in Canadian dollars)

	2023	2022
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	3,053,250	(1,726,570)
Adjustments for:		
Net realized (gain) loss on sale of investments at fair value through profit or loss	(4,095,883)	(2,502,131)
Net realized (gain) loss on sale of options	311,003	(56,022)
Net change in unrealized (appreciation) depreciation of investments at fair value through profit or loss	1,470,295	3,716,779
Net change in unrealized (appreciation) depreciation on derivative instruments	(334,436)	301,721
Purchase of investments	(157,267,641)	(67,509,586)
Purchase of derivatives	274,186	(41,942)
Proceeds from the sale and maturity of investments	136,139,187	60,046,347
Proceeds from the sale of derivatives	103,175	119,790
Dividend income	(2,106,024)	(1,250,814)
Dividends received, net of withholding tax paid	2,008,081	1,188,196
Withholding tax paid	36,246	27,307
Interest for distribution purposes	(289,409)	(92,153)
Interest received	261,884	90,446
Accrued expenses	30,300	16,900
<b>Net cash from (used in) operating activities</b>	<b>(20,405,786)</b>	<b>(7,671,732)</b>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from the issuance of redeemable units	42,644,313	29,330,615
Amounts paid on redemption of redeemable units	(28,945,611)	(8,473,085)
Distributions to holders of redeemable units, net of reinvestments	(229,891)	(1,401,208)
<b>Net cash from (used in) financing activities</b>	<b>13,468,811</b>	<b>19,456,322</b>
Net increase (decrease) in cash and cash equivalents	(6,936,975)	11,784,590
Effect of exchange rates on cash and cash equivalents	(58,686)	230,114
Cash and cash equivalents at beginning of year	13,521,534	1,506,830
<b>Cash and cash equivalents at end of year</b>	<b>6,525,873</b>	<b>13,521,534</b>

See accompanying notes to financial statements.

## Schedule of Investment Portfolio

As at September 30, 2023

(in Canadian dollars)

Description	Number of Shares / Warrants/ Par Value	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>CANADIAN EQUITIES</b>				
<b>Communication Services</b>				
BCE Inc.	49,900	2,929,832	2,587,315	
		2,929,832	2,587,315	3.1%
<b>Consumer Discretionary</b>				
Dollarama Inc.	23,300	1,928,863	2,180,414	
Gildan Activewear Inc.	73,000	2,823,667	2,779,110	
Pet Valu Holdings Ltd.	102,000	3,481,029	2,487,780	
		8,233,559	7,447,304	8.9%
<b>Consumer Staples</b>				
George Weston Ltd.	30,100	4,600,836	4,533,963	
Global Food and Ingredients Ltd., Warrants	240,000	150,000	—	
		4,750,836	4,533,963	5.4%
<b>Energy</b>				
Enbridge Inc.	72,800	3,818,684	3,279,640	
Enerplus Corp.	35,000	810,842	836,500	
Freehold Royalties Ltd.	150,500	2,148,718	2,212,350	
Keyera Corp.	51,600	1,649,375	1,645,524	
Tourmaline Oil Corp.	46,700	2,631,248	3,191,945	
		11,058,867	11,165,959	13.4%
<b>Financials</b>				
Intact Financial Corp.	11,650	2,059,399	2,306,933	
Royal Bank of Canada	22,900	2,754,617	2,718,230	
		4,814,016	5,025,163	6.1%
<b>Health Care</b>				
Andlauer Healthcare Group Inc.	75,500	3,389,329	3,120,415	
		3,389,329	3,120,415	3.7%
<b>Industrials</b>				
Badger Infrastructure Solutions Ltd.	49,700	1,696,043	1,724,093	
Calian Group Ltd.	46,900	2,754,917	2,393,307	
Canadian Pacific Kansas City Ltd.	8,800	935,713	888,448	
Cargojet Inc.	19,200	1,841,247	1,728,768	
Thomson Reuters Corp.	5,500	955,085	913,880	
Waste Connections Inc.	13,700	2,569,961	2,498,469	
		10,752,966	10,146,965	12.3%

# NCM DIVIDEND CHAMPIONS

## Schedule of Investment Portfolio (Continued)

As at September 30, 2023

(in Canadian dollars)

Description	Number of Shares / Warrants/ Par Value	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Information Technology</b>				
Constellation Software Inc.	1,260	1,835,978	1,850,689	
		1,835,978	1,850,689	2.2%
<b>Real Estate</b>				
Granite REIT	42,600	3,240,911	3,070,608	
Primaris REIT, Series 'A'	226,200	3,215,189	3,051,438	
		6,456,100	6,122,046	7.4%
<b>Utilities</b>				
Capital Power Corp.	76,500	3,242,602	2,900,880	
Fortis Inc.	27,900	1,538,065	1,439,361	
Hydro One Ltd.	38,500	1,296,579	1,331,330	
		6,077,246	5,671,571	6.8%
<b>TOTAL CANADIAN EQUITIES</b>		<b>60,298,729</b>	<b>57,671,390</b>	<b>69.3%</b>
<b>UNITED STATES EQUITIES</b>				
<b>Communication Services</b>				
Alphabet Inc., Class 'A'	13,400	2,134,303	2,370,764	
Live Nation Entertainment Inc.	10,500	1,158,850	1,178,836	
		3,293,153	3,549,600	4.2%
<b>Financials</b>				
Visa Inc., Class 'A'	6,300	1,749,074	1,959,133	
		1,749,074	1,959,133	2.3%
<b>Health Care</b>				
UnitedHealth Group Inc.	3,200	1,993,577	2,181,328	
		1,993,577	2,181,328	2.6%
<b>Industrials</b>				
Emerson Electric Co.	8,300	1,038,592	1,083,670	
Lincoln Electric Holdings Inc.	3,300	797,238	811,074	
Parker-Hannifin Corp.	4,150	1,920,346	2,185,519	
Republic Services Inc.	11,900	2,053,301	2,292,815	
U-Haul Holding Co.	11,070	35,308	784,102	
		5,844,785	7,157,180	8.5%
<b>Information Technology</b>				
Oracle Corp.	6,900	1,042,716	988,107	
		1,042,716	988,107	1.2%
<b>TOTAL UNITED STATES EQUITIES</b>		<b>13,923,305</b>	<b>15,835,348</b>	<b>18.8%</b>

Description	Number of Shares / Warrants/ Par Value	Cost (\$)	Fair Value (\$)	% of Net Assets
<b>UNITED STATES EQUITIES ETFS</b>				
SPDR Gold Shares	4,700	1,136,031	1,089,462	
		1,136,031	1,089,462	1.3%
<b>TOTAL UNITED STATES EQUITIES ETFS</b>		<b>1,136,031</b>	<b>1,089,462</b>	<b>1.3%</b>
<b>TOTAL EQUITIES</b>		<b>75,358,065</b>	<b>74,596,200</b>	<b>89.4%</b>
<b>CANADIAN BONDS (Par Value in CAD except as otherwise stated)</b>				
<b>Corporate</b>				
Dollarama Inc., Callable, 3.550%, 2023/11/06	1,000,000	992,110	998,025	
Shaw Communications Inc., Callable, 3.800%, 2023/11/02	950,000	941,707	948,382	
		1,933,817	1,946,407	2.3%
<b>TOTAL BONDS</b>		<b>1,933,817</b>	<b>1,946,407</b>	<b>2.3%</b>
Less: Transaction costs included in average cost		(44,869)		
<b>TOTAL INVESTMENTS</b>		<b>77,247,013</b>	<b>76,542,607</b>	<b>91.7%</b>
Derivative liabilities			(31,712)	0%
Other assets, less liabilities			6,884,725	8.3%
<b>TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>			<b>83,395,620</b>	<b>100.0%</b>



# NCM DIVIDEND CHAMPIONS

## Schedule of Derivative Investments - Forward Foreign Currency Contracts

As at September 30, 2023

Counterparty	Credit Rating	Settlement Date	Currency to be Delivered	Fair Value in Cdn Dollars	Currency to be Received	Contract Price	Unrealized Loss
Toronto-Dominion Bank (The)	A-1+	October 16, 2023	7,318,000 USD	9,892,103	9,861,371 CAD	1.3476	(30,732)
Net Unrealized Loss							(30,732)

## Schedule of Derivative Investments - Options

As at September 30, 2023

Security	Expiry Date	Strike Price	Number of Options	Underlying Interest on Equity Options	Proceeds (\$000s)	Fair Value (\$000s)
<b>Written Call Options</b>						
Visa Inc.	2023/10/21	\$250.00 USD	(50)	(5,000)	(29,932)	(980)
<b>Total Written Call Options</b>					<b>(29,932)</b>	<b>(980)</b>
<b>Derivative Liabilities - Options</b>					<b>(29,932)</b>	<b>(980)</b>

# NCM DIVIDEND CHAMPIONS

## Notes to Financial Statements

Years ended September 30, 2023 and 2022

### 1. Reporting entity

On August 27, 2018, Norrep Fund changed its name to NCM Norrep Fund. On May 20, 2022, NCM Norrep Fund changed its name to NCM Dividend Champions. NCM Dividend Champions (the "Fund") is an open-ended mutual fund trust established under the laws of Alberta pursuant to a Declaration of Trust dated June 3, 1997 and restated January 1, 2002 and August 16, 2011. The Fund's principal place of business is Dome Tower, Suite 1850, 333 - 7<sup>th</sup> Avenue S.W., 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.

NCM Asset Management Ltd. ("Manager and Portfolio Manager") provides investment management services and manages the day-to-day operations 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 and NCM Asset Management Ltd. is the Promoter of the Fund.

### 2. Basis of reporting

#### (a) Statement of compliance:

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

The financial statements of the Fund were approved and were authorized for issue by the Manager's Board of Directors on December 7, 2023.

#### (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.

### 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) Classification

The Fund follows IFRS 9 Financial Instruments. The standard requires assets to be initially recognized at fair value and subsequently measured 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.

# NCM DIVIDEND CHAMPIONS

## Notes to Financial Statements

Years ended September 30, 2023 and 2022

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

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

##### (i) Classification (continued)

Under IFRS 9, derivatives are classified as FVTPL.

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 amortised 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.

##### (ii) Recognition and initial measurement

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

Financial assets and financial liabilities at fair value through profit or loss ("FVTPL") are initially recognized at fair value, with transaction costs recognized in profit or loss. Financial assets or financial liabilities not at FVTPL are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue.

##### (iii) Derecognition

Financial assets are derecognized only when the contractual rights to the cash flows from the asset

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

##### (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 uses estimation techniques to determine fair value including observable market data, discounted cash flows and internal models that compare the investments to its peer group.

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

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

# NCM DIVIDEND CHAMPIONS

Notes to Financial Statements

Years ended September 30, 2023 and 2022

## 3. Significant accounting policies (continued)

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

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

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

Fair value of investments in bonds 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 fair value and accounting fair value.

#### (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.

### (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.

# NCM DIVIDEND CHAMPIONS

## Notes to Financial Statements

Years ended September 30, 2023 and 2022

### 3. Significant accounting policies (continued)

(f) Income tax:

As at September 30, 2023 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.

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 withholding tax expense of \$36,246 (2022 - \$27,307) for the year ended September 30, 2023.

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

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

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

(h) Translation of foreign currency:

Foreign currency amounts are expressed in Canadian dollars as follows:

(i) fair value of investments and accrued receivables and payables and other assets and liabilities at the rate of exchange at the end of the period; and

(ii) purchases and sales of investments and dividend and interest income at the rate of exchange prevailing on the respective dates of such transactions.

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

(i) Derivative financial instruments:

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

Options are contracts entitling the holder to purchase or sell a specified item at a specified price, during a specified period or on a specified date. Options purchased are recorded as investments; options written (sold) are recorded as liabilities. Any gain or loss resulting from revaluation is included in change in unrealized gain (loss) on derivative instruments on the statements of comprehensive income.

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

(j) Securities lending transactions:

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

# NCM DIVIDEND CHAMPIONS

Notes to Financial Statements

Years ended September 30, 2023 and 2022

## 4. Fair value measurement

### (a) Investments:

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

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

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

- Inputs that are quoted prices (unadjusted) in active markets for identical instruments (Level 1);
- Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable (Level 2);
- Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable (Level 3).

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

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

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

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
NCM Dividend Champions				
September 30, 2023				
Public securities				
Equities - long	74,596,200	—	—	74,596,200
Bonds	—	1,946,407	—	1,946,407
Derivative				
instruments	(980)	(30,732)	—	(31,712)
Total Investments				
Including Derivatives	74,595,220	1,915,675	—	76,510,895

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
NCM Dividend Champions				
September 30, 2022				
Public securities				
Equities - long	55,894,322	—	—	55,894,322
Warrants	—	9,408	—	9,408
Derivative				
instruments	(23,833)	(334,209)	—	(358,042)
Total Investments				
including	55,870,489	(324,801)	—	55,545,688

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

There were no transfers into or out of Level 1, Level 2 and Level 3 during the years ended September 30, 2023 and September 30, 2022.

### (c) Financial instruments not measured at fair value:

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

## 5. Financial instruments and associated risks

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

# NCM DIVIDEND CHAMPIONS

Notes to Financial Statements

Years ended September 30, 2023 and 2022

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

epidemics can lead to increased market volatilities and be highly disruptive to economies, 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 carrying amount of bonds as presented on the statement of investment portfolios represents credit risk exposure as at September 30, 2023. This also applies to cash and cash equivalents and receivables as they have a short-term settlement.

A portion of the Fund's portfolio 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, 2023 and 2022, the Fund was invested in debt securities with the following credit rating:

Debt Security Credit Rating	by % of Assets Under Management in each category	
	September 30, 2023	September 30, 2022
BBB	2.3	% -

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 honor its obligations to deliver cash, securities or other assets as contractually agreed. Credit risk relating to unsettled transactions is considered small due to the short

settlement period involved and the high credit quality of the brokers used.

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

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

### Liquidity risk:

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

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

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

# NCM DIVIDEND CHAMPIONS

Notes to Financial Statements

Years ended September 30, 2023 and 2022

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

### Liquidity risk: (continued)

The Fund may not be able to quickly liquidate some of its investments in these instruments at an amount close to their fair value in order to meet its liquidity requirements. The Fund believes it maintains sufficient cash and cash equivalent positions to maintain liquidity.

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

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

### Market risk:

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

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

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

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

No material change in the investment objectives, policies or restrictions of the Fund may be made without the approval of a 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, 2023 are disclosed in the schedule of investment portfolio.

### (a) Currency risk:

Investment in securities denominated in a currency other than Canadian dollars will be affected by the changes in the value of the Canadian dollar in relation to the value of the currency in which the security is denominated.

Therefore the value of securities held by the Fund may be worth more or less depending on their susceptibility to foreign exchange rates. At the reporting date the Fund had 11.9% and (September 30, 2022 – 9.8%) of its net asset value in USD currency.

### Sensitivity analysis:

At September 30, 2023 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 \$98,842 (2022 - \$65,742). In practice the actual trading results may differ from this sensitivity analysis and difference could be material.

### (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.

High yield corporate bond prices are impacted by the credit metrics, liquidity and business fundamentals of the corporate entity movements in underlying interest.



# NCM DIVIDEND CHAMPIONS

Notes to Financial Statements

Years ended September 30, 2023 and 2022

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

### Market risk (continued):

#### (b) Interest rate risk (continued):

rates and inflows and outflows in and out of high yield space. The table below summarizes the Fund's exposure to interest rate risks at September 30, 2023 and 2022. It includes the Fund's assets at fair values, categorized by the maturity dates.

	Less than 1 year	1 to 3 years	3 to 5 years	>5 years
September 30, 2023				
All amounts stated in Canadian dollars				
Corporate bonds	1,946,407	—	—	—
September 30, 2022				
All amounts stated in Canadian dollars				
Corporate bonds	—	—	—	—

#### (c) Other price risk:

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

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

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

#### Sensitivity analysis:

Management's estimate of the impact of a 1% increase or decrease in the 70% S&P/TSX Composite Total Return index, 30% S&P 500 Total Return Index in Canadian Dollars at September 30, 2023 is an increase or decrease in the net assets attributable to holders of redeemable units of approximately \$765,426 (September 30, 2022 - \$559,037). 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, 2023 and September 30, 2022:

	2023	2022
Equities		
Energy	14.6%	20.0%
Materials	—	3.9%
Industrials	22.8%	12.6%
Consumer Discretionary	9.7%	4.8%
Consumer Staples	5.8%	4.8%
Health Care	6.9%	4.9%
Financials	9.2%	19.9%
Information Technology	3.7%	10.4%
Communication Services	8.0%	11.2%
Utilities	7.4%	2.3%
Real Estate	8.0%	5.2%
Exchanged Traded Funds	1.4%	—
Bonds	2.5%	—
Total	100.0%	100.0%

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

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

# NCM DIVIDEND CHAMPIONS

Notes to Financial Statements

Years ended September 30, 2023 and 2022

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

through 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. On May 19, 2021, the low load deferred sales charge option, which was available for Series A, was closed to new purchases. Under the low load deferred sales charge option, a 2.25% commission was paid by NCM to the dealer. Redemption fees were 3.0% in the first year, 2.5% in the second year and 2.0% in the third year; however, investors could redeem up to 10% of their shares annually without paying redemption fees. As of June 1, 2022, no deferred sales charge is payable to redeem your securities purchased under this purchase option. Series F and Series FF 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 or FF are redeemed within the first 30 days.

The rights attached to the redeemable units are as follows:

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

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, 2023 and 2022 were as follows:

Series A	2023	2022
Balance, opening	1,157,984	1,105,580
Issued on distributions reinvested	18,930	171,752
Issued for cash	211,442	86,012
Redeemed for cash	(638,760)	(205,360)
Balance, September 30	749,596	1,157,984

Series F	2023	2022
Balance, opening	820,560	119,480
Issued on distributions reinvested	16,199	21,497
Issued for cash	852,085	706,591
Redeemed for cash	(179,938)	(27,008)
Balance, September 30	1,508,906	820,560

Series AA	2023	2022
Balance, opening	5,942	–
Issued on distributions reinvested	197	3
Issued for cash	46,637	5,939
Redeemed for cash	(6,247)	–
Balance, September 30	46,529	5,942

Series FF	2023	2022
Balance, opening	1,007	–
Issued on distributions reinvested	145	–
Issued for cash	52,841	1,007
Redeemed for cash	(657)	–
Balance, September 30	53,336	1,007

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

NCM Dividend Champions - September 30, 2023	Series A	Series F	Series AA	Series FF
Increase (decrease) in net assets attributable to holders of redeemable units (in 000's of \$)	2,052	1,069	(32)	(36)
Average units outstanding during the year (in 000's of units)	1,131	1,079	34	15
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$1.81	\$0.99	\$(0.95)	\$(2.35)

# NCM DIVIDEND CHAMPIONS

Notes to Financial Statements

Years ended September 30, 2023 and 2022

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

NCM Dividend Champions - September 30, 2022	Series A	Series F	Series AA	Series FF
Increase (decrease) in net assets attributable to holders of redeemable units (in 000's of \$)	(392)	(1,324)	(10)	–
Average units outstanding during the year (in 000's of units)	1,165	254	5	–
Increase (decrease) in net assets attributable to holders of redeemable units per unit	\$(0.34)	\$(5.22)	\$(2.12)	\$(3.71)

## 7. Management fees, expenses and key contracts

### (a) Manager and management fees:

Series A and Series AA paid an annual management fee to the Manager of 2% of the net asset value of the series. Series F and Series FF paid an annual management fee to the Manager of 1% of the net asset value of the series. Included in accrued expenses at September 30, 2023 is \$93,544 (September 30, 2022 - \$82,228) related to these fees.

### (b) Expenses:

All fees and expenses applicable to the administration and operation of the Fund, including recordkeeping and communication costs, custodian fees, legal and filing fees, audit, applicable taxes and bank charges are payable by the Fund. The Portfolio Manager has charged the Fund for administration services. Included in accrued expenses at September 30, 2023 is \$7,777 (September 30, 2022 - \$5,461) related to these fees.

## 8. Brokerage commissions on securities transactions

The Fund paid brokerage commissions amounting to \$177,103 (September 30, 2022 - \$99,271) in connection with portfolio transactions during the year.

## 9. Securities lending transactions

The Fund engages in securities lending. Collateral received on securities lending may be comprised of debt obligations of the Government of Canada and other countries, Canadian provincial or territorial governments,

governments of states of the United States of America, and evidence of indebtedness of financial institutions whose short-term debt is rated A-1 or R-1 or equivalent by a recognized, widely followed North American credit rating agency, corporate debt or corporate commercial paper, convertible securities or cash that is not to be invested.

The table below shows a reconciliation of the gross amount generated from securities lending transactions to the securities lending income earned by the Fund for the years ended September 30, 2023 and 2022:

(in Canadian dollars)	2023		2022	
Gross securities lending income	17,756	100.0%	14,448	100.0%
Withholding taxes	(415)	(2.3)%	(558)	(3.9)%
Agent fees	(6,935)	(39.1)%	(5,555)	(38.4)%
Securities lending income	10,406	58.6%	8,335	57.7%

### Security Lending (In Canadian dollars):

	2023	2022
Value of securities loaned	6,633,714	2,043,175
Value of collateral received	6,971,082	2,155,392



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