

March 31, 2023

INTERIM FINANCIAL STATEMENTS OF
NCM CANADIAN ENHANCED
EQUITY FUND

TO THE UNITHOLDERS OF NCM CANADIAN ENHANCED EQUITY FUND

These unaudited interim financial statements are as at March 31, 2023. The unaudited interim financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and includes the statements of financial position as at March 31, 2023 and September 30, 2022, statements of comprehensive income (loss), statements of changes in net assets attributable to holders of redeemable units, and statements of cash flows for the six months ended March 31, 2023 and 2022; and notes to the interim financial statement, comprising a summary of significant accounting policies, schedule of investment portfolio and other explanatory information.

The accompanying interim financial statements have not been reviewed by the external auditors of the Fund. The external auditors will be auditing the annual financial statements of the Fund prepared in accordance with IFRS.

We would be pleased to respond to any inquiries regarding this Fund.

NCM Canadian Enhanced Equity Fund
May 25, 2023

NCM CANADIAN ENHANCED EQUITY FUND

Interim Statements of Financial Position (unaudited)

(in Canadian dollars, except units outstanding)

As at	March 31 2023	September 30 2022
Assets		
Cash and cash equivalents	952,807	239,174
Dividends receivable	43,847	40,062
Portfolio assets sold	96,737	922,129
Investments, at fair value through profit or loss	13,129,331	12,434,224
Total assets	14,222,722	13,635,589
Liabilities		
Accrued expenses (note 7)	41,100	42,500
Distributions payable	37,467	–
Dividends payable on investments sold short	8,497	8,518
Portfolio assets purchased	278,574	413,475
Units redeemed	25,000	28,066
Investments - short, at fair value through profit or loss	3,271,428	2,977,632
Total liabilities (excluding net assets attributable to holders of redeemable units)	3,662,066	3,470,191
Net assets attributable to holders of redeemable units	10,560,656	10,165,398
Net assets attributable to holders of redeemable units:		
Series A	3,605,617	3,441,260
Series F	6,559,860	6,420,849
Series I	395,179	303,289
Redeemable units outstanding (note 6):		
Series A	355,292	350,438
Series F	593,630	603,488
Series I	32,894	26,355
Net assets attributable to holders of redeemable units per unit:		
Series A	10.15	9.82
Series F	11.05	10.64
Series I	12.01	11.51

See accompanying notes to interim financial statements.

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



Alex Sasso



Keith Leslie

Interim Statements of Comprehensive Income (Loss) (unaudited)

Six months ended March 31, 2023 and 2022

(in Canadian dollars)

	2023	2022
Dividend income	194,652	220,077
Interest for distribution purposes	17,526	12,726
Net gain (loss) on investments at fair value through profit or loss		
Net realized gain (loss) on investments	(93,539)	1,131,206
Net change in unrealized appreciation (depreciation) in fair value of investments	803,657	834,519
Total investment revenue (loss)	922,296	2,198,528
Management fees (note 7)	70,256	96,317
Dividend expense on investments sold short	28,268	14,250
Custodian and record keeping fees	17,159	17,053
Transaction costs	15,024	20,662
Risk management fees	13,214	13,286
Other	6,755	7,933
HST/GST	6,413	8,323
Administrative fees (note 7)	6,363	9,436
Audit fees	6,182	5,750
Tax and other professional fees	3,166	3,666
Computer services	1,838	2,804
Legal and filing fees	1,672	2,025
Total operating expenses	176,310	201,505
Increase (decrease) in net assets attributable to holders of redeemable units before tax	745,986	1,997,023
Withholding tax expense	–	504
Increase (decrease) in net assets attributable to holders of redeemable units	745,986	1,996,519
Change in net assets attributable to holders of redeemable units (note 6):		
Series A	240,464	539,503
Series F	479,849	1,270,007
Series I	25,673	187,009
Change in net assets attributable to holders of redeemable units per unit (note 6):		
Series A	0.68	1.32
Series F	0.81	1.49
Series I	0.81	1.58

See accompanying notes to interim financial statements.

NCM CANADIAN ENHANCED EQUITY FUND

Interim Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (unaudited)

Six months ended March 31, 2023 and 2022

(in Canadian dollars)

	All Series		Series A		Series F		Series I	
	2023	2022	2023	2022	2023	2022	2023	2022
Net assets attributable to holders of redeemable units, beginning of period	10,165,398	15,801,743	3,441,260	4,351,550	6,420,849	9,774,855	303,289	1,675,338
Increase (decrease) in net assets, attributable to holders of redeemable units	745,986	1,996,519	240,464	539,503	479,849	1,270,007	25,673	187,009
Transactions attributable to holders of redeemable units:								
Issuance of units	136,337	561,711	–	–	56,337	561,711	80,000	–
Reinvestment of distributions	179,724	93,612	102,659	48,510	77,065	29,577	–	15,525
Amounts paid on redemptions	(301,317)	(1,062,255)	(54,085)	(119,007)	(247,232)	(472,495)	–	(470,753)
	14,744	(406,932)	48,574	(70,497)	(113,830)	118,793	80,000	(455,228)
Distributions declared	(365,472)	(207,049)	(124,681)	(58,250)	(227,008)	(132,144)	(13,783)	(16,655)
	(365,472)	(207,049)	(124,681)	(58,250)	(227,008)	(132,144)	(13,783)	(16,655)
Net assets attributable to holders of redeemable units, end of period	10,560,656	17,184,281	3,605,617	4,762,306	6,559,860	11,031,511	395,179	1,390,464
Distributions per unit to holders of redeemable units			0.36	0.14	0.39	0.15	0.42	0.16

See accompanying notes to interim financial statements

NCM CANADIAN ENHANCED EQUITY FUND

Interim Statements of Cash Flows (unaudited)

Six months ended March 31, 2023 and 2022

(in Canadian dollars)

	2023	2022
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	745,986	1,996,519
Adjustments for:		
Net realized (gain) loss on sale of investments at fair value through profit or loss	93,539	(1,131,206)
Net change in unrealized (appreciation) depreciation of investments at fair value through profit or loss	(803,657)	(834,519)
Purchase of investments	(19,951,392)	(34,768,515)
Proceeds from the sale of investments	20,950,923	34,669,739
Dividend income	(194,652)	(220,077)
Dividends received, net of withholding tax paid	190,867	252,558
Withholding tax paid	—	504
Interest for distribution purposes	(17,526)	(12,726)
Interest received	17,526	12,726
Accrued expenses	(1,400)	1,100
Dividend expense on investments sold short	28,268	14,250
Dividend paid on investments sold short	(28,289)	(28,588)
Net cash from (used in) operating activities	1,030,193	(48,235)
Cash flows from (used in) financing activities		
Proceeds from the issuance of redeemable units	136,337	607,091
Amounts paid on redemption of redeemable units	(304,383)	(1,092,764)
Distributions to holders of redeemable units, net of reinvestments	(148,281)	(163,476)
Net cash from (used in) financing activities	(316,327)	(649,149)
Net increase (decrease) in cash and cash equivalents	713,866	(697,384)
Effect of exchange rates on cash and cash equivalents	(233)	(114)
Cash and cash equivalents at beginning of period	239,174	1,313,334
Cash and cash equivalents at end of period	952,807	615,836

See accompanying notes to interim financial statements

Schedule of Investment Portfolio (unaudited)

As at March 31, 2023

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
CANADIAN EQUITIES - Long				
Communication Services				
BCE Inc.	7,000	429,090	423,780	
Quebecor Inc., Class 'B'	12,900	377,366	430,989	
		806,456	854,769	8.1%
Consumer Discretionary				
BRP Inc.	2,400	241,887	253,824	
Dollarama Inc.	2,000	150,240	161,540	
Martinrea International Inc.	23,800	277,553	346,766	
Pet Valu Holdings Ltd.	7,100	246,465	267,244	
		916,145	1,029,374	9.8%
Consumer Staples				
Loblaw Cos. Ltd.	4,300	459,862	529,631	
Rogers Sugar Inc.	51,900	309,466	316,071	
		769,328	845,702	8.0%
Energy				
Enerplus Corp.	21,900	394,467	426,612	
Peyto Exploration & Development Corp.	25,900	334,249	313,649	
PHX Energy Services Corp.	44,900	342,857	305,320	
		1,071,573	1,045,581	9.9%
Financials				
AGF Management Ltd., Class 'B'	29,500	261,354	234,525	
Element Fleet Management Corp.	22,900	412,555	406,475	
goeasy Ltd.	3,600	435,016	343,764	
iA Financial Corp. Inc.	4,400	341,118	376,904	
Manulife Financial Corp.	10,300	271,186	255,440	
National Bank of Canada	3,900	387,016	377,013	
Royal Bank of Canada	6,900	799,277	891,825	
Sun Life Financial Inc.	4,100	243,846	258,874	
TMX Group Ltd.	1,600	207,563	218,400	
Toronto-Dominion Bank (The)	7,500	647,259	607,125	
		4,006,190	3,970,345	37.6%
Industrials				
AG Growth International Inc.	4,400	203,679	269,808	
Bombardier Inc., Class B	3,800	242,980	280,364	

NCM CANADIAN ENHANCED EQUITY FUND

Schedule of Investment Portfolio (continued)
(unaudited)

As at March 31, 2023

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
Canadian National Railway Co.	3,300	500,259	526,251	
Exchange Income Corp.	4,900	235,865	262,395	
Stantec Inc.	4,100	283,582	323,941	
Thomson Reuters Corp.	1,300	192,774	228,592	
		1,659,139	1,891,351	17.9%

Information Technology

Converge Technology Solutions Corp.	79,900	391,138	325,992	
Open Text Corp.	5,000	244,002	260,650	
		635,140	586,642	5.6%

Materials

Alamos Gold Inc., Class 'A'	15,900	213,197	262,350	
Hudbay Minerals Inc.	30,900	197,650	219,081	
Itafos Inc.	137,100	200,447	287,910	
Karora Resources Inc.	38,900	196,105	176,606	
Lundin Gold Inc.	16,900	255,761	266,682	
Osisko Gold Royalties Ltd.	15,000	253,913	320,400	
Stella-Jones Inc.	4,300	183,901	222,697	
Verde Agritech Ltd.	42,700	264,979	130,662	
		1,765,953	1,886,388	17.9%

Real Estate

Choice Properties REIT	21,900	310,770	317,988	
CT REIT	7,600	121,261	121,828	
Slate Grocery REIT	26,900	379,267	367,723	
		811,298	807,539	7.6%

Utilities

Hydro One Ltd.	5,500	200,964	211,640	
		200,964	211,640	2.0%

TOTAL CANADIAN EQUITIES - Long

12,642,186 13,129,331 124.4%

Description	Number of Shares	Proceeds (\$)	Fair Value (\$)	% of Net Assets
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CANADIAN EQUITIES - Short

Communication Services

TELUS Corp.	(4,100)	(112,163)	(110,003)	
		(112,163)	(110,003)	-1.1%

Consumer Discretionary

Park Lawn Corp.	(2,000)	(50,292)	(55,680)	
Sleep Country Canada Holdings Inc.	(2,200)	(49,076)	(51,876)	

Description	Number of Shares	Proceeds (\$)	Fair Value (\$)	% of Net Assets
Spin Master Corp.	(1,400)	(44,926)	(52,598)	
		(144,294)	(160,154)	-1.5%

Consumer Staples

Empire Co. Ltd., Class 'A'	(3,000)	(109,620)	(108,690)	
KP Tissue Inc.	(5,700)	(60,627)	(58,140)	
Maple Leaf Foods Inc.	(2,100)	(52,041)	(54,915)	
		(222,288)	(221,745)	-2.1%

Energy

Advantage Energy Ltd.	(3,400)	(27,931)	(26,554)	
ARC Resources Ltd.	(3,500)	(53,952)	(53,655)	
Ensign Energy Services Inc.	(8,200)	(31,344)	(24,928)	
Kelt Exploration Ltd.	(5,900)	(29,767)	(27,081)	
Keyera Corp.	(900)	(27,317)	(26,631)	
MEG Energy Corp.	(1,400)	(27,944)	(30,394)	
Vermilion Energy Inc.	(1,500)	(28,737)	(26,295)	
		(226,992)	(215,538)	-2.0%

Financials

Canadian Western Bank	(4,300)	(103,255)	(106,468)	
Definity Financial Corp.	(3,000)	(103,562)	(105,810)	
Laurentian Bank of Canada	(3,200)	(113,265)	(101,792)	
		(320,082)	(314,070)	-3.0%

Health Care

Extencare Inc.	(16,400)	(116,058)	(104,960)	
		(116,058)	(104,960)	-1.0%

Industrials

Héroux-Devtek Inc.	(4,200)	(56,949)	(54,936)	
K-Bro Linen Inc.	(900)	(25,821)	(25,092)	
Richelieu Hardware Ltd.	(700)	(26,092)	(26,138)	
SNC-Lavalin Group Inc.	(1,700)	(47,470)	(56,474)	
		(156,332)	(162,640)	-1.5%

Materials

Altius Minerals Corp.	(2,400)	(53,422)	(55,176)	
Fortuna Silver Mines Inc.	(10,800)	(53,523)	(55,620)	
Kinross Gold Corp.	(9,900)	(56,752)	(62,964)	
NovaGold Resources Inc.	(6,500)	(52,217)	(54,405)	
Nutrien Ltd.	(500)	(50,754)	(49,905)	
OceanaGold Corp.	(17,600)	(50,534)	(58,960)	
Sandstorm Gold Ltd.	(9,800)	(68,520)	(77,028)	
SSR Mining Inc.	(4,100)	(79,883)	(83,804)	
Wesdome Gold Mines Ltd.	(11,500)	(75,235)	(89,010)	
West Fraser Timber Co. Ltd.	(300)	(31,807)	(28,920)	
		(572,647)	(615,792)	-5.8%

Real Estate

Artis REIT	(5,700)	(53,337)	(43,377)	
Crombie REIT	(3,200)	(53,184)	(48,768)	

NCM CANADIAN ENHANCED EQUITY FUND

Schedule of Investment Portfolio (continued)
(unaudited)

As at March 31, 2023

(in Canadian dollars)

Description	Number of Shares	Cost (\$)	Fair Value (\$)	% of Net Assets
Dream Office REIT	(3,400)	(55,419)	(49,436)	
Dream Unlimited Corp., Class 'A'	(2,100)	(62,088)	(49,707)	
H&R REIT	(2,000)	(25,777)	(25,200)	
Minto Apartment REIT	(1,900)	(33,050)	(28,044)	
Real Matters Inc.	(4,900)	(22,304)	(23,912)	
SmartCentres REIT	(1,000)	(27,155)	(26,570)	
Tricon Residential Inc.	(4,700)	(54,032)	(49,256)	
		<u>(386,346)</u>	<u>(344,270)</u>	<u>-3.3%</u>
Utilities				
ATCO Ltd., Class 'I'	(1,300)	(55,740)	(56,316)	
Boralex Inc., Class 'A'	(1,300)	(50,305)	(53,495)	
Innergex Renewable Energy Inc.	(1,800)	(27,783)	(26,424)	
Northland Power Inc.	(800)	(30,605)	(27,104)	
		<u>(164,433)</u>	<u>(163,339)</u>	<u>-1.6%</u>
TOTAL CANADIAN EQUITIES - Short		<u>(2,421,635)</u>	<u>(2,412,511)</u>	<u>-22.9%</u>
CANADIAN EQUITIES ETFS - Short				
Exchange Traded Funds				
iShares Core S&P/TSX Capped Composite Index ETF	(26,900)	(892,344)	(858,917)	
		<u>(892,344)</u>	<u>(858,917)</u>	<u>-8.1%</u>
TOTAL CANADIAN EQUITIES ETFS - Short		<u>(892,344)</u>	<u>(858,917)</u>	<u>-8.1%</u>
TOTAL EQUITIES - Short		<u>(3,313,979)</u>	<u>(3,271,428)</u>	<u>-31.0%</u>
Less: Transaction costs included in average cost		<u>(6,497)</u>		
TOTAL INVESTMENTS		<u>9,321,710</u>	<u>9,857,903</u>	<u>93.4%</u>
Other assets, less liabilities			<u>702,753</u>	<u>6.6%</u>
TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS			<u>10,560,656</u>	<u>100.0%</u>

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2023 and 2022

1. Reporting entity

NCM Canadian Enhanced Equity Fund (the “Fund”) is an unincorporated open-ended mutual fund trust established under the laws of Ontario pursuant to a trust agreement dated January 30, 2015 as supplemented August 27, 2018. The Fund’s principal place of business is 310, 99 Yorkville Avenue, Toronto, Ontario, M5R 3K5.

The Fund may issue an unlimited number of units in an unlimited number of series. 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. (“NCM”) is the Manager and Portfolio Manager for the Fund. As Manager, it provides overall management and direction for the Fund as well as manages the day-to-day operation of the Fund. As Portfolio Manager, it provides investment management services to the Fund. Computershare Trust Company is the Trustee, Scotia Capital Inc. is the Prime Broker, CIBC Mellon Global Securities Services Company is the Custodian, Administrator, Transfer Agent and Registrar and Norrep Investment Management Group Inc. is the Sponsor of the 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.

These interim financial statements have also been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim financial reporting.

The financial statements of the Fund were approved and were authorized for issue by the Manager’s Board of Directors on May 25, 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, the unrealized gains/losses from investments and the accruals for investment income.

3. Significant accounting policies

(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 originated.

Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value, with transaction costs recognized in profit or loss. Financial assets or financial liabilities not at

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2023 and 2022

3. Significant accounting policies (continued)

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

(i) Recognition and initial measurement (continued)

FVTPL are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue.

(ii) Derecognition

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

(iii) Classification

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 and liabilities 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.

(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

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2023 and 2022

3. Significant accounting policies (continued)

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

(iv) Fair value measurement (continued)

cash flows and internal models that compare the investments to its peer group.

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. 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.

The value at which redeemable units are issued or redeemed is determined by dividing the net assets at fair value, based on last trading price, of each class by the total number of redeemable units outstanding for the Class at the Valuation Time on each business day. Amounts received on the issuance of redeemable units and amounts paid by the Class on the redemption of redeemable units are added to deducted from net assets.

(b) Dividend income and dividend expense:

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.

The Fund incurs expenses on short positions in equity securities equal to the dividends due on these securities. Such dividend expense is recognized in profit or loss as operating expense when the shareholders’ right to receive payment is established.

(c) 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.

(d) 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.

(e) Income tax:

The Fund is a “mutual fund trust” under the Income Tax Act (Canada) and, accordingly, will not be taxed

NCM CANADIAN ENHANCED EQUITY FUND

Notes to the Interim Financial Statements
(unaudited)

Six months ended March 31, 2023 and 2022

3. Significant accounting policies (continued)

(e) Income tax (continued):

on that portion of its taxable income that is paid or allocated to unitholders. The Fund expects to pay 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 withholding tax expense of \$nil (2022 - \$504) for the period ended March 31, 2023.

(f) 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 the increase (decrease) in net assets attributable to holders of redeemable units of a series for the period, divided by the weighted average units outstanding during the period.

(g) 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.

(h) Derivative financial instruments:

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

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 statement of financial position.

(i) Short selling:

The Fund may make short sales whereby a security that it does not own is sold in anticipation of a decline in the fair value of the security. Securities that are sold short are valued at the last traded price reported by the principal securities exchange on which the issue is traded on the financial statement date. To enter into a short sale, the Fund will need to borrow the security for delivery to the buyer. Also, while the transaction is open, the Fund will incur a liability for any paid dividends or interest that is due to the lender of the security.

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3. Significant accounting policies (continued)

(i) Short selling (continued):

Should the security increase in value during the shorting period, the Fund will incur a loss. There is, in theory, no upper limit to how high the price of a security may go. Another risk involved in shorting is the loss of a borrow, a situation where the lender of the security requests its return. In cases like this, the Fund must either find securities to replace those borrowed or step into the market and repurchase the securities. Depending on the liquidity of the security shorted, if there are insufficient securities available at current market prices, the Fund may have to bid up the price of the security in order to cover the short, resulting in losses to the Fund.

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
March 31, 2023				
Public securities				
Equities - long	13,129,331	—	—	13,129,331
Equities - short	(3,271,428)	—	—	(3,271,428)
Total Investments	9,857,903	—	—	9,857,903

<i>(in Canadian dollars)</i>	Level 1	Level 2	Level 3	Total
September 30, 2022				
Public securities				
Equities - long	12,434,224	—	—	12,434,224
Equities - short	(2,977,632)	—	—	(2,977,632)
Total Investments	9,456,592	—	—	9,456,592

There were no transfers into or out of Level 1, Level 2 and Level 3 during the periods ended March 31, 2023 and September 30, 2022.

(c) Financial instruments not measured at fair value:

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

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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 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. The Fund also holds short positions which are subject to certain inherent risks. The ultimate cost to the Fund to acquire these securities may exceed the liability reflected in these financial statements.

Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The carrying amount of cash and cash equivalents and receivables, represent the credit risk exposure as at March 31, 2023.

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.

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.

All of the assets of the Fund are held by Scotia Capital Inc., the Prime Broker. Bankruptcy or insolvency of the custodian or Prime Broker may cause the Fund's rights with respect to securities held by the custodian and prime broker to be delayed or limited. The Fund monitors its risk by monitoring the credit quality and credit rating and financial position of the Prime Broker. If the credit quality or the financial position deteriorates significantly then the Manager will move the cash 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. The Fund may acquire significant positions in thinly-traded and relatively illiquid investments that may cease to be traded after the Fund invests. In such cases, and in the event of extreme market volatility, the Fund may not be able to promptly liquidate its investments, if a need should arise.

Additionally, investments in small, mid-capitalization and micro-capitalization companies may involve greater risks than investments in larger, more established companies since such companies may have more limited markets and financial resources, their securities may be more sensitive to market changes, and the liquidity of their securities may be limited.

Consequently, in order to fund redemptions, the Fund may have to liquidate its 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. The Fund believes it maintains sufficient cash and cash equivalent positions to maintain liquidity.

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5. Financial instruments and associated risks (continued)

Liquidity risk (continued):

The Fund may borrow to make investments or maintain liquidity and may pledge its assets to secure the borrowings.

Market risk:

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

The Fund is an alternative investment fund that seeks long-term capital appreciation by investing primarily in a diversified portfolio of Canadian equity securities. The Fund pursues its investment objective by establishing long and short equity exposure to securities of companies, stock markets or industry sectors located, primarily, in Canada. The Fund may hold a portion of its assets in cash, money market instruments, or fixed-income securities, including bonds and other debt securities. In years of unusual market conditions, a significant portion of the Fund's assets may be held in such instruments. The Fund may also from time to time use derivatives, such as options, futures and forward contracts for hedging purposes, to gain exposure to individual securities and markets (instead of buying the securities directly) and/or to generate income.

The success of the Fund's activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Fund's investments. Unexpected volatility or illiquidity could reduce the Fund's profitability or result in losses.

No material change that would adversely affect the interest of the Unitholders of the Fund may be made without the approval of the unitholders. An approval is not required if the Manager provides the Unitholders with at least 60 days written notice of such proposed change and the right to redeem all Units prior to the effective date of the change. The Manager may alter the Fund's investment objectives,

strategies and restrictions without prior approval by Unitholders in certain circumstances.

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 March 31, 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 March 31, 2023 and September 30, 2022 the Fund did not hold any foreign currency denominated investments.

(b) Interest rate risk:

Interest rate risk arises on interest bearing financial instruments. A change in general interest rates is a main factor affecting the price of a fund that invests in fixed-income securities. Fixed-income securities, like bonds, pay interest based on interest rates when the bond is issued. When interest rates fall, the value of bonds rise. This is because the interest on existing bonds will be higher than the rate on newer bonds. Conversely, when interest rates rise, the price of existing bonds drop because they pay less than newer bonds. Changes in interest rates may also affect the value of the equity securities. The income earned by an investment fund and the interest paid by an investment fund for borrowing, is also affected by changes in interest rates.

At March 31, 2023 and September 30, 2022, there are no interest-bearing financial assets or liabilities. As a result, the Fund is subject to limited exposure to interest rate risks due to fluctuations in the prevailing levels of market interest rates.

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5. Financial instruments and associated risks (continued)

Market risk (continued):

(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. However, the Fund holds short positions that are subject to certain inherent risks. The ultimate cost to the Fund to acquire these securities may exceed the liability reflected in these financial statements.

To achieve its objective, the Fund will generally hold 100 percent net long equity market exposure by investing primarily in equity securities with an aggregate value of approximately 130 percent of its Net Asset Value and holding short positions with a market value of approximately 30 percent of its Net Asset Value.

Approximately 10% of the equity portion of the invested net assets of the Fund may be managed with “pairs” trades, meaning the Fund will match a “long” position with a “short” position of two different stocks in the sub-sector of the market with the intention of eliminating market risk. This strategy seeks to take advantage of profitable opportunities based on differences in valuation and market momentum (i.e. the perceived strength of a downward or upward movement in prices) of companies in the same line of business rather than absolute values of their returns.

The remaining equity portion of the invested net assets of the Fund will primarily be managed using the Manager’s back tested quantitative models. Earnings surprises (i.e. actual company performance in comparison to analysts’ expectations) will have a significant influence on securities selection. Other factors of importance in the long positions include low valuations, high profitability, strong earnings and price

momentum and low debt levels. The short positions tend to consist of stocks that lack momentum, growth or trade at unreasonable valuations.

Price risk is managed by the Manager by constructing a diversified portfolio of instruments. 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.

The Manager monitors these factors daily and makes decisions regarding the portfolio based on its knowledge of the market conditions and diversifies the portfolio of investments accordingly. The risk resulting from financial instruments is equivalent to their fair value.

Sensitivity analysis:

A 1% increase or decrease on the S&P/TSX Total Return Index (“Benchmark”) at March 31, 2023 would have impacted the net assets and the net increase/decrease in net assets attributable to holders of redeemable units by \$98,579 (September 30, 2022 - \$94,566).

The Fund’s financial assets exposed to other price risk were concentrated in the following industries as a percentage of net investment at March 31, 2023 and September 30, 2022:

Equities	2023	2022
Energy	8.4%	13.9%
Materials	12.9%	12.7%
Industrials	17.5%	14.4%
Consumer Discretionary	8.8%	9.5%
Consumer Staples	6.4%	11.1%
Health Care	(1.1)%	(1.3)%
Financials	37.1%	31.6%
Information Technology	6.0%	(2.3)%
Communication Services	7.6%	9.4%
Utilities	0.4%	4.2%
Real Estate	4.7%	4.8%
Exchange Traded Funds	(8.7)%	(8.0)%
Total	100.0%	100.0%

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6. Net assets attributable to holders of redeemable units

Redeemable units

The authorized capital of the Fund consists of an unlimited number of Units, each representing an equal undivided interest in the net assets of the Fund. Currently, there are three series outstanding, Series A, Series F and Series I. Each series ranks equally, on a per-series basis, 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 is sold under the front end sales charge option. A commission ranging from 0% to 2% is paid by the investor to the dealer with a 3% redemption fee being charged if the Units are redeemed in the first 30 days of investment. Series F are sold to purchasers enrolled in a fee-for-service or wrap program with their dealer. A 3% redemption fee is charged if the Series F is redeemed within the first 30 days.

Series I units are sold with commissions negotiated between the investor and the dealer and are available to certain investors at the Portfolio Manager's discretion. A 3% redemption fee is charged if the units are redeemed in the first 30 days of investment.

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 Units and net assets attributable to holders of redeemable units during the period was as follows:

Series A	2023	2022
Balance, opening	350,438	410,415
Issued on distributions reinvested	10,108	4,239
Redeemed for cash	(5,254)	(10,351)
Balance, March 31	355,292	404,303

Series F	2023	2022
Balance, opening	603,488	860,388
Issued on distributions reinvested	6,982	2,398
Issued for cash	4,919	47,208
Redeemed for cash	(21,759)	(39,995)
Balance, March 31	593,630	869,999

Series I	2023	2022
Balance, opening	26,355	137,895
Issued on distributions reinvested	–	1,175
Issued for cash	6,539	–
Redeemed for cash	–	(37,015)
Balance, March 31	32,894	102,055

March 31, 2023	Series A	Series F	Series I
Increase (decrease) in net assets attributable to holders of redeemable units (in 000's of \$)	240	480	26
Average units outstanding during the period (in 000's of units)	354	593	32
Increase in net assets attributable to holders of redeemable units per unit	\$0.68	\$0.81	\$0.81

March 31, 2022	Series A	Series F	Series I
Increase (decrease) in net assets attributable to holders of redeemable units (in 000's of \$)	540	1,270	187
Average units outstanding during the period (in 000's of units)	408	854	118
Increase in net assets attributable to holders of redeemable units per unit	\$1.32	\$1.49	\$1.58

7. Management fees, expenses and key contracts

(a) Manager and management fees:

The Series A units paid an annual management fee to the Manager of 2.0% of the net asset value of the series. Series F units paid an annual management fee to the Manager of 1.0% of the net asset value of the series. The management fee is calculated and paid monthly. Included in accrued expenses is \$11,641 (September 30, 2022 - \$11,504) related to these fees.

No management fee is charged to the Series I. Instead, the investors pay a management fee directly to the Manager in an amount determined through negotiation with the Manager.

The Fund will pay the Manager a Performance Fee if the series return of the Fund exceeds the return of a specified benchmark (the "Benchmark") during the relevant period. The Performance Fee is based on the performance of the Fund determined at the end of each calendar quarter.

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7. Management fees, expenses and key contracts (continued)

(a) Manager and management fees (continued):

If the series performance exceeds the Benchmark, 20% of this amount will be multiplied by the average series net asset value during the Performance Measurement Period, as defined. As at March 31, 2023, included in accounts payable is \$nil (September 30, 2022 - \$nil) 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 filing fees, audit, applicable taxes and bank charges are payable by the Fund. Brokerage costs are incorporated in the cost and proceeds of securities transactions. The Manager has charged the Fund for administration services. Included in accrued expenses is \$1,050 (September 30, 2022 - \$1,125) related to these fees.

8. Brokerage commissions on securities transactions

The Fund paid brokerage commissions amounting to \$15,024 (March 31, 2022 - \$20,662) in connection with portfolio transactions during the period.

9. Filing of financial statements

The Fund is relying on the exemption provided by Section 2.11 of National Instrument 81-106 and therefore does not file its financial statements with the Ontario Securities Commission.

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