PORTLAND
INVESTMENT COUNSEL®

# PORTLAND GLOBAL ARISTOCRATS PLUS FUND

## INTERIM FINANCIAL REPORT

MARCH 31, 2020

Portland Global Aristocrats Plus Fund

# Interim Financial Report

March 31, 2020

PORTFOLIO MANAGEMENT TEAM

**Christopher Wain-Lowe**
Chief Investment Officer, Executive Vice-President and Portfolio Manager

**Kyle Ostrander**
Portfolio Manager

# Portland Global Aristocrats Plus Fund

## MARCH 31, 2020

## OVERVIEW

The investment objective of the Portland Global Aristocrats Plus Fund (the Fund) is to provide income and achieve, over the long term, preservation of capital and a satisfactory return.

To achieve this investment objective, the Fund will employ the following core techniques:

1. Time in the Market: investing in a globally diversified portfolio comprising of equities and American depository receipts (ADRs) of companies focused on growing dividends, income securities, preferred shares and exchange-traded funds (ETFs); and
2. Timing the Market: accessing low cost borrowing to use leverage to purchase securities on margin. Leverage may comprise up to 70% of the total assets of the portfolio and is based the securities held in the Fund at levels approved by the prime broker.

By long term, we mean a period long enough to encompass a full stock market cycle – typically seven to nine years. We therefore believe a minimum period reasonable for measuring performance for the Fund is four to six years and as such all investors in the Fund should intend to invest for at least that period.

The Fund's approach towards investing requires the analysis of opportunities that offer both safety of principal and a satisfactory return, while recognizing that at times the Fund can borrow to acquire assets. Borrowing at tax deductible low cost should enhance investment returns, but can cut both ways, giving way to the servant rather than the master technique being deployed by the Fund.

While investors in the Fund should be able to tolerate volatility, we believe that volatility is not the same thing as risk. Higher returns should not be equated with a need to invest in more volatile investments. The Fund intends to have enough investments in lower-volatility companies, domiciled in sectors such as utilities, real estate and consumer staples where on average its holdings are less volatile than the overall market. In contrast to its holdings, when the Fund borrows to invest, its net asset value per unit might be more volatile than the overall stock markets even though the Fund's underlying investments might not be. To that extent, focusing on quality investments, combined with maintaining prudent levels of borrowing, the Fund's investment objectives should be achieved.

## RESULTS OF OPERATIONS

For the six months ended March 31, 2020, the Fund's net assets increased from about \$0.69 million to about \$0.71 million. The Fund outperformed its broad-based benchmark, the MSCI World Total Return Index (the Index), for the six months ended March 31, 2020. The Series F units of the Funds declined (5.3%), while the Index declined (8.2%). For the full period since the launch of the Fund on June 30, 2016 to March 31, 2020, the Index rose 7.6%. For the same period, the Fund's Series F units had a return of 4.1%. The performance of other units may be different than that of the Series F units due to differing fees. Since the Fund does not necessarily invest in the same securities as the Index, the performance of the Fund may not be directly comparable to the Index. In addition, the Fund's performance reflects the use of leverage or cash positions and unlike the Index, the Fund's return is after the deduction of its fees and expenses.

During the period, the performance of the Fund's preferred shares component fell (15.5%) and its equity component rose 1.1%. Some equity sectors performed poorly with the Fund's exposure to Real Estate (Brookfield Property Partners L.P.) and Consumer Discretionary (Leggett & Platt Inc.) performing the worst while Healthcare (Coloplast A/S) and Consumer Staples (The Clorox Company) fared the best.

During the period, the Fund sold nearly all of its positions in preferred shares. It reinvested some of the proceeds from these sales into large companies with attractive dividend policies. The remainder of these proceeds were left in cash and cash equivalents and a short-term provincial bond. This allowed the Fund to have 20% in cash and cash equivalents by January 31, 2020 heading into a volatile February and March of 2020.

By March 31, 2020, the Fund was long U.S. and Canadian dollars, and so had a nil leverage ratio (i.e. debt/portfolio of investments) with about net 37% of the Fund currently invested in cash and cash equivalents and a short-term provincial bond.

The equity component of the Fund (62% of the total assets of the Fund) is to comprise mostly large companies and members of the dividend aristocrats indices, exhibiting we believe, attractive dividend policies. These large companies should benefit more than others in a poor economic environment where interest rates are declining.

The preferred share component of the Fund (1% of the total assets of the fund) is all actively selected Canadian listed shares which are all investment grade rated by DBRS Limited (the rating agency formerly called Dun & Bradstreet Rating Services) and/or by Standard & Poor's rating agency and were mostly purchased via initial public offerings. All of the preferred shares feature interest rate floors built into their structure whereby investors have the comfort that the dividend rate cannot be adjusted lower than the initial offering rate, ranging from 4.90% to 6.00%.

The Fund is a mutual fund trust and therefore, it must pay out all of its net income to its unitholders at the end of the year in order for unitholders to avoid extra taxation. We attempt to minimize the amount of tax unitholders pay. Instead of paying one-time lumpy distributions at the end of the year, we have estimated the amount of net income that we expect to earn in an average year and make distribution payments monthly. In the case of Series A units, we have estimated 4% per annum based on the initial net asset value of \$50 and for series F units 5% per annum of the initial net asset value of \$50. For Series A units this is \$2 per unit per year and for Series F units this is \$2.50 per unit per year. Currently, this distribution is more than the dividends that each unit earns, however, the dividends received by holdings in the Fund in aggregate are growing year over year. This means at some point we will have to increase the monthly distribution in dollars per unit or resort to paying a special year-end lumpy distribution. As with other Portland Investment Counsel Inc. managed funds, unitholders have the option to receive distributions in cash or have them automatically reinvested.

## RECENT DEVELOPMENTS AND OUTLOOK

Effective October 1, 2019, the Fund will be managed by both Chris Wain-Lowe and Kyle Ostrander. Kyle joined Portland in 2014 and its investment team in 2016. Kyle is a Chartered Financial Analyst with a Master of Finance from the Rotman School of Management, University of Toronto.

The economic impact facing the global economy due to the COVID-19 virus is uncertain. Lockdowns and mandatory quarantines have caused certain economies to expect high unemployment rates, low inflation rates and negative gross domestic product growth rates. The U.S. Federal Reserve cut its overnight interest rate to 0.25% on March 16, 2020. This was followed by The Bank of Canada cutting its overnight interest rate to 0.25% on March 27, 2020. In addition to the monetary policy actions that were taken, many developed countries have unveiled large fiscal stimulus packages. The reduction of the overnight interest rates and the fiscal stimulus spending should help incentivize economic activity. The length of this global economic contraction will depend on many factors including how the COVID-19 virus will continue to spread. It is also unknown how long it may take corporate earnings to recover from previous highs. Based on an analysis of previous recessions, it has taken the S&P 500 2 to 3 years for earnings to recover to the level it had attained prior to the recession.

Positions in the Fund are expected to be primarily large market-capitalization dividend global aristocrat equities with some Canadian preferred shares to take advantage of higher yields and more advantageous taxation than debt. We also look to take currency exposures that match the Index so that we do not underperform the Index by missing out on currency exposures that the Index enjoys. We prefer defensive sectors such as utilities, real estate and consumer staples that will benefit from interest rate cuts in a poor economic environment. The Fund is currently well positioned to meet its investment objective for the medium to long term. We will continue to evaluate opportunities that we believe may generate income, enhance returns and/or reduce risk wherever possible.

*Notes*

*Certain statements included in this Commentary constitute forward-looking statements, including those identified by the expressions "anticipate," "believe," "plan," "estimate," "expect," "intend" and similar expressions to the extent they relate to the Fund. These forward-looking statements are not historical facts, but reflect the current expectations of the portfolio management team regarding future results or events of the Fund. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. The portfolio management team has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, except as required by securities legislation.*

*Certain research and information about specific holdings in the Fund, including any opinion, is based upon various sources believed to be reliable, but it cannot be guaranteed to be current, accurate or complete. It is for information only, and is subject to change without notice.*

# Management's Responsibility for Financial Reporting

The accompanying financial statements of Portland Global Aristocrats Plus Fund (the Fund) have been prepared by Portland Investment Counsel Inc. (the Manager) in its capacity as manager of the Fund. The Manager of the Fund is responsible for the information and representations contained in these financial statements. The Board of Directors of the Manager, in its capacity as trustee of the Fund, has approved these financial statements.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Fund are described in note 3 to the financial statements.

*"Michael Lee-Chin"*

Michael Lee-Chin
**Director**
**May 11, 2020**

*"Robert Almeida"*

Robert Almeida
**Director**
**May 11, 2020**

These financial statements have not been reviewed by an independent auditor.

## Statements of Financial Position (Unaudited)

| | As at March 31, 2020 | As at September 30, 2019 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 106,153 | $ 19,600 |
| Margin accounts (note 11) | 17,339 | 34,788 |
| Interest receivable | 998 | 17 |
| Dividends receivable | 1,465 | 1,285 |
| Investments (note 5) | 586,349 | 640,011 |
| Investments - pledged as collateral (note 5 and 11) | 4,644 | - |
| | 716,948 | 695,701 |
| **Liabilities** | | |
| **Current Liabilities** | | |
| Management fees payable | 989 | 946 |
| Expenses payable | 408 | 425 |
| Redemptions payable | 51,547 | 12,344 |
| Distributions payable | 654 | 661 |
| | 53,598 | 14,376 |
| **Non-current Liabilities** | | |
| Organization expenses payable (note 8) | 837 | 1,580 |
| | 54,435 | 15,956 |
| Net Assets Attributable to Holders of Redeemable Units | $ 662,513 | $ 679,745 |
| **Net Assets Attributable to Holders of Redeemable Units Per Series** | | |
| Series A | 276,817 | 371,808 |
| Series F | 327,160 | 245,047 |
| Series O | 58,536 | 62,890 |
| | $ 662,513 | $ 679,745 |
| **Number of Redeemable Units Outstanding (note 6)** | | |
| Series A | 5,775 | 7,170 |
| Series F | 6,770 | 4,693 |
| Series O | 1,205 | 1,205 |
| **Net Assets Attributable to Holders of Redeemable Units Per Unit** | | |
| Series A | $ 47.93 | $ 51.86 |
| Series F | $ 48.32 | $ 52.22 |
| Series O | $ 48.58 | $ 52.19 |

Approved by the Board of Directors of Portland Investment Counsel Inc.

*"Michael Lee-Chin"* *"Robert Almeida"*

Director Director

The accompanying notes are an integral part of these financial statements.

## Statements of Comprehensive Income (Unaudited)

| For the periods ended March 31, | 2020 | 2019 |
|---|---|---|
| **Income** | | |
| Net gain (loss) on investments | | |
| Dividends | $ 8,599 | $ 26,892 |
| Interest for distribution purposes | 1,719 | 921 |
| Net realized gain (loss) on investments | (50,650) | 9,017 |
| Change in unrealized appreciation (depreciation) on investments | 1,850 | (47,086) |
| | (38,482) | (10,256) |
| **Other income** | | |
| Foreign exchange gain (loss) on cash and other net assets | 6,035 | (4,228) |
| **Total income (net)** | (32,447) | (14,484) |
| **Expenses** | | |
| Securityholder reporting costs | 25,302 | 26,716 |
| Management fees (note 8) | 5,866 | 6,665 |
| Audit fees | 4,435 | 4,548 |
| Independent review committee fees | 1,379 | 1,381 |
| Interest expense and bank charges | 1,049 | 4,088 |
| Custodial fees | 843 | 44 |
| Transaction costs | 618 | 109 |
| Withholding tax expense | 454 | 1,160 |
| Legal fees | 55 | 47 |
| Organization expenses (note 8) | (743) | (894) |
| Total operating expenses | 39,258 | 43,864 |
| Less: expenses absorbed by Manager | (29,930) | (30,689) |
| Net operating expenses | 9,328 | 13,175 |
| **Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units** | $ (41,775) | $ (27,659) |
| **Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series** | | |
| Series A | $ (20,210) | $ (20,358) |
| Series F | $ (18,717) | $ (7,301) |
| Series O | $ (2,848) | $ - |
| **Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit** | | |
| Series A | $ (2.88) | $ (2.28) |
| Series F | $ (3.12) | $ (1.39) |
| Series O | $ (2.36) | $ - |

The accompanying notes are an integral part of these financial statements.

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

| For the periods ended March 31, | 2020 | 2019 |
|---|---|---|
| **Net Assets Attributable to Holders of Redeemable Units at Beginning of Period** | | |
| Series A | $ 371,808 | $ 525,829 |
| Series F | 245,047 | 288,922 |
| Series O | 62,890 | - |
| | 679,745 | 814,751 |
| **Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units** | | |
| Series A | (20,210) | (20,358) |
| Series F | (18,717) | (7,301) |
| Series O | (2,848) | - |
| | (41,775) | (27,659) |
| **Distributions to Holders of Redeemable Units** | | |
| From net investment income | | |
| Series A | (3,800) | (8,935) |
| Series F | (3,781) | (6,582) |
| Series O | (1,199) | - |
| | (8,780) | (15,517) |
| From net realized gains on investments | | |
| Series A | - | (3,819) |
| Series F | - | (2,151) |
| Series O | - | - |
| | - | (5,970) |
| From return of capital | | |
| Series A | (3,224) | - |
| Series F | (3,728) | - |
| Series O | (307) | - |
| | (7,259) | - |
| **Net Decrease from Distributions to Holders of Redeemable Units** | (16,039) | (21,487) |
| **Redeemable Unit Transactions** | | |
| Proceeds from redeemable units issued | | |
| Series A | - | - |
| Series F | 108,956 | 19,001 |
| Series O | - | - |
| | 108,956 | 19,001 |
| Reinvestments of distributions | | |
| Series A | 5,936 | 12,754 |
| Series F | 5,986 | 6,895 |
| Series O | - | - |
| | 11,922 | 19,649 |
| Redemptions of redeemable units | | |
| Series A | (73,693) | (132,011) |
| Series F | (6,603) | (15,145) |
| Series O | - | - |
| | (80,296) | (147,156) |
| **Net Increase (Decrease) from Redeemable Unit Transactions** | 40,582 | (108,506) |
| **Net Assets Attributable to Holders of Redeemable Units at End of Period** | | |
| Series A | 276,817 | 373,460 |
| Series F | 327,160 | 283,639 |
| Series O | 58,536 | - |
| | $ 662,513 | $ 657,099 |

The accompanying notes are an integral part of these financial statements.

## Statements of Cash Flows (Unaudited)

| For the periods ended March 31, | | 2020 | | 2019 |
|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | |
| Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units | $ | (41,775) | $ | (27,659) |
| Adjustments for: | | | | |
| Net realized (gain) loss on investments | | 50,650 | | (9,017) |
| Change in unrealized (appreciation) depreciation on investments | | (1,850) | | 47,086 |
| Unrealized foreign exchange (gain) loss on cash | | (74) | | 1 |
| (Increase) decrease in interest receivable | | (981) | | - |
| (Increase) decrease in dividends receivable | | (180) | | (2,411) |
| Increase (decrease) in management fees and expenses payable | | 26 | | (317) |
| Increase (decrease) in organization expenses payable | | (743) | | (894) |
| Purchase of investments | | (649,047) | | (59,495) |
| Proceeds from sale of investments | | 649,265 | | 146,240 |
| **Net Cash Generated (Used) by Operating Activities** | | 5,291 | | 93,534 |
| **Cash Flows from Financing Activities** | | | | |
| Increase (decrease) in borrowing | | - | | 14,922 |
| Change in margin cash | | 17,449 | | - |
| Distributions to holders of redeemable units, net of reinvested distributions | | (4,124) | | (1,838) |
| Proceeds from redeemable units issued (note 3) | | 108,956 | | 19,001 |
| Amount paid on redemption of redeemable units (note 3) | | (41,093) | | (116,589) |
| **Net Cash Generated (Used) by Financing Activities** | | 81,188 | | (84,504) |
| Net increase (decrease) in cash and cash equivalents | | 86,479 | | 9,030 |
| Unrealized foreign exchange gain (loss) on cash | | 74 | | (1) |
| Cash and cash equivalents - beginning of period | | 19,600 | | 480 |
| **Cash and cash equivalents - end of period** | | 106,153 | | 9,509 |
| Cash and cash equivalents comprise: | | | | |
| Cash at bank | $ | 106,153 | $ | 9,509 |
| **From operating activities:** | | | | |
| Interest received, net of withholding tax | $ | 738 | $ | 921 |
| Dividends received, net of withholding tax | $ | 7,965 | $ | 23,321 |
| **From financing activities:** | | | | |
| Interest paid | $ | (10) | $ | (4,006) |

The accompanying notes are an integral part of these financial statements.

## Schedule of Investment Portfolio (Unaudited)

As at March 31, 2020

| No. of Shares | Security Name | Average Cost | Fair Value | % of Net Assets Attributable to Holders of Redeemable Units |
|---|---|---|---|---|
| BONDS | | | | |
| Canada | | | | |
| 100,000 | Province of Ontario Bond 1.875% May 21, 2020 | $ 137,696 | $ 140,854 | 21.2% |
| | Total bonds | 137,696 | 140,854 | 21.2% |
| EQUITIES - Preferred | | | | |
| Bermuda | | | | |
| 300 | Brookfield Infrastructure Partners L.P., Preferred, Series 11, Fixed-Reset | 7,017 | 5,223 | 0.8% |
| Canada | | | | |
| 100 | Brookfield Office Properties Inc., Preferred, Series CC, Fixed-Reset | 2,682 | 2,150 | |
| 100 | Emera Incorporated, Preferred, Series H, Fixed-Reset | 2,500 | 2,270 | |
| | | 5,182 | 4,420 | 0.7% |
| | Total equities - preferred | 12,199 | 9,643 | 1.5% |
| EQUITIES - Common | | | | |
| Bermuda | | | | |
| 1,500 | Brookfield Property Partners L.P. | 41,872 | 17,040 | 2.6% |
| Canada | | | | |
| 300 | BCE Inc. | 17,036 | 17,319 | |
| 502 | Fortis, Inc. | 27,209 | 27,240 | |
| 197 | Metro Inc. | 10,818 | 11,211 | |
| 900 | TransAlta Renewables Inc. | 12,236 | 13,383 | |
| | | 67,299 | 69,153 | 10.4% |
| Denmark | | | | |
| 100 | Coloplast A/S | 15,401 | 20,511 | 3.1% |
| Ireland | | | | |
| 40 | Linde Public Limited Company | 11,115 | 9,739 | 1.5% |
| Spain | | | | |
| 460 | Red Electrica Corporacion S.A. | 11,672 | 11,684 | 1.8% |
| Switzerland | | | | |
| 83 | Nestle S.A. | 11,703 | 12,069 | |
| 150 | Roche Holding AG ADR | 5,498 | 8,564 | |
| | | 17,201 | 20,633 | 3.1% |
| United Kingdom | | | | |
| 137 | Croda International PLC | 11,825 | 10,230 | 1.5% |
| United States | | | | |
| 97 | American States Water Company | 11,164 | 11,158 | |
| 26 | American Tower Corporation | 8,145 | 7,968 | |
| 100 | Archer-Daniels-Midland Company | 5,574 | 4,951 | |
| 200 | AT&T Inc. | 8,975 | 8,205 | |
| 167 | California Water Service Group | 11,653 | 11,826 | |
| 123 | Colgate-Palmolive Company | 11,094 | 11,487 | |
| 230 | Consolidated Edison, Inc. | 26,787 | 25,247 | |
| 90 | Duke Energy Corporation | 11,904 | 10,244 | |
| 98 | Federal Realty Investment Trust | 16,509 | 10,290 | |
| 92 | Genuine Parts Company | 12,434 | 8,717 | |
| 274 | Hormel Foods Corporation | 16,151 | 17,984 | |
| 95 | Johnson & Johnson | 18,001 | 17,531 | |
| 61 | Kimberly-Clark Corporation | 11,112 | 10,977 | |
| 160 | Leggett & Platt, Incorporated | 10,770 | 6,008 | |
| 53 | McCormick & Company, Incorporated | 11,792 | 10,532 | |
| 60 | McDonald's Corporation | 15,618 | 13,962 | |
| 61 | PepsiCo, Inc. | 10,998 | 10,310 | |
| 121 | SJW Group | 11,349 | 9,837 | |
| 105 | Target Corporation | 16,527 | 13,738 | |
| 57 | The Clorox Company | 11,526 | 13,898 | |
| 155 | The Coca-Cola Company | 11,125 | 9,652 | |
| 95 | The Procter & Gamble Company | 15,364 | 14,706 | |
| 135 | The Southern Company | 12,011 | 10,286 | |
| 75 | Walmart Inc. | 8,670 | 11,992 | |
| | | 305,253 | 281,506 | 42.5% |
| | Total equities - common | 481,638 | 440,496 | 66.5% |
| | Total investment portfolio | 631,533 | 590,993 | 89.2% |
| | Transaction costs | (191) | - | - |
| | | $ 631,342 | 590,993 | 89.2% |
| | Liabilities less other assets | | 71,520 | 10.8% |
| | NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS | | $ 662,513 | 100.0% |

The accompanying notes are an integral part of these financial statements.

## 1. GENERAL INFORMATION

Portland Global Aristocrats Plus Fund (the Fund) is an open-end investment fund established under the laws of the Province of Ontario pursuant to an amended and restated master declaration of trust dated as of December 13, 2013, as amended thereafter and as may be amended from time to time. The formation date of the Fund was April 30, 2016. Inception date was June 30, 2016 for Series A and Series F and May 31, 2019 for Series O. Portland Investment Counsel Inc. (the Manager) is the Investment Fund Manager, Portfolio Manager and Trustee of the Fund. The head office of the Fund is 1375 Kerns Road, Suite 100, Burlington, Ontario L7P 4V7. These financial statements were authorized for issue by the Board of Directors of the Manager on May 11, 2020.

The Fund offers units to the public on a private placement basis under an offering memorandum. The investment objective of the Fund is to provide income and achieve, over the long term, preservation of capital and a satisfactory return. To achieve this investment objective, the Manager will employ the following core techniques: invest primarily in a globally diversified portfolio of equities, ADRs, income securities, preferred shares, options and ETFs; and leverage by purchasing securities on margin. Leverage may comprise up to 70% of the total assets of the portfolio and is based on the securities held in the Fund at levels approved by the prime broker.

The statements of financial position of the Fund are as at March 31, 2020 and September 30, 2019. The statements of comprehensive income, changes in net assets attributable to holders of redeemable units, and cash flows of the Fund are for the six month periods ended March 31, 2020 and March 31, 2019.

## 2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS).

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Financial instruments

(a) Classification

The Fund has adopted IFRS 9 in these financial statements. IFRS 9 replaced IAS 39 and provides a new framework for classification and measurement of financial assets and liabilities, as well as new standards for hedge accounting. The Fund does not have arrangements in place that meet the criteria for hedge accounting, so those aspects of the standard have not been applied in these financial statements.

The Fund classifies financial assets based on the business model used for managing such financial assets and the contractual cash flow characteristics of those financial assets. The Fund may be divided into sub-portfolios that have different business models. Where contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test), the financial asset will be classified as a financial asset at amortized cost.

The Fund recognizes financial instruments at fair value upon initial recognition, inclusive of transaction costs in the case of financial instruments not measured at fair value. Purchases and sales of financial assets are recognized as at their trade date. The Funds classify their investment in equities and fixed income securities as financial assets or financial liabilities at fair value through profit or loss (FVTPL). All other financial assets and liabilities are recognized at amortized cost and are reflected at the amount required to be paid, discounted to reflect the time value of money when appropriate.

The Fund's obligation for net assets attributable to holders of redeemable units does not meet the criteria for equity treatment and therefore is presented as a liability on the statement of financial position. The Fund has elected to classify its obligation for net assets attributable to holders of redeemable units as a financial liability at FVTPL.

The Fund's accounting policies for measuring the fair value of its investments are similar to those used in measuring its net asset value (NAV) for unitholder transactions; therefore, the NAV will be similar to the net assets attributable to holders of redeemable units for financial reporting purposes except for the treatment of organization expenses. Therefore, the NAV is higher than the net assets attributable to holders of redeemable units in these financial statements. There is a comparison of NAV per unit and net assets attributable to holders of redeemable units per unit within note 12.

Financial assets and liabilities may be offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund may enter into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy, certain events of default or termination of the contracts.

(b) Recognition, de-recognition and measurement

Purchases and sales of financial assets are recognized on their trade date - the date on which the Fund commits to purchase or sell the investment. Financial assets and liabilities are initially recognized at fair value. Transaction costs incurred to acquire financial assets at FVTPL are expensed as incurred in the statements of comprehensive income. Subsequent to initial recognition, all financial assets and liabilities at FVTPL are measured at fair value. Unrealized gains and losses arising from changes in fair value of the FVTPL category are presented in the statements of comprehensive income within 'Change in unrealized appreciation (depreciation) on investments' in the period in which they arise. Financial assets at amortized cost are subsequently measured at amortized cost, less any impairment losses. Transaction costs incurred on financial assets or liabilities at amortized cost are amortized over the life of the asset or liability.

Financial assets are de-recognized when the rights to receive cash flows have expired or the Fund has transferred substantially all the risks and rewards of ownership. Upon disposal, the difference between the amount received and the average cost to acquire the financial asset (for financial assets at FVTPL) or the amortized cost (for financial assets at amortized cost) is included within 'Net realized gain (loss) on investments' in the statements of comprehensive income.

### 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. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread and the difference is material, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. If there has been no trade, the mid-price (average bid and asking price) as of the close of the business on the reporting date is used to approximate fair value. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of bonds is based on closing bid quotations provided by independent security pricing services.

Net changes in fair value of securities at FVTPL are included in the statements of comprehensive income in 'Change in unrealized appreciation (depreciation) on investments'.

### Revenue recognition

'Interest for distribution purposes' shown on the statements of comprehensive income represents the stated rate of interest earned by the Fund on fixed income securities accounted for on an accrual basis, as applicable. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities other than zero coupon debt securities which are amortized on a straight line basis. Interest receivable is shown separately in the statements of financial position based on the debt instruments' stated rates of interest. Dividends on equity investments are recognized as income on the ex-dividend date.

### Foreign currency translation

The Fund's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the reporting date. Foreign exchange gains and losses related to assets and liabilities at amortized cost are recognized in profit and loss and are presented as 'Foreign exchange gain (loss) on cash and other net assets' on the statements of comprehensive income. Realized foreign exchange gains and losses related to investments are recognized when incurred and are presented in the statements of comprehensive income within 'Net realized gain (loss) on investments', as applicable.

Unrealized exchange gains or losses on investments are included in 'Change in unrealized appreciation (depreciation) of investments' in the statements of comprehensive income.

'Foreign exchange gain (loss) on cash and other net assets' arises from sale of foreign currencies, change in foreign currency denominated loans, currency gains or losses realized between trade and settlement dates on securities transactions, and the difference between the recorded amounts of dividend, interest and foreign withholding taxes and the Canadian dollar equivalent of the amounts actually received or paid.

### Cash and cash equivalents

The Fund considers highly liquid investments with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value to be cash equivalents. Cash is comprised of deposits with financial institutions.

### Cost of investments

The cost of investments represents the cost for each security excluding transaction costs. On the schedule of investment portfolio, transaction costs have been deducted in aggregate from the total cost of individual investments which includes transaction costs.

### Redeemable units

The Fund issues multiple series of redeemable units, which are redeemable at the holder's option and do not have identical rights. Redeemable units can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund's NAV attributable to the unit series. Units are redeemable monthly.

The redeemable units are carried at the redemption amount that is payable at the statements of financial position date if the holder exercises the right to put the units back to the Fund.

Redeemable units are issued and redeemed at the holder's option at prices based on the Fund's NAV per unit at the time of issue or redemption. The Fund's NAV per unit is calculated by dividing the net assets attributable to the holders of each series of redeemable units by the total number of outstanding redeemable units of each respective series.

The Fund's units do not meet the criteria in IAS 32 for classification as equity as the units are redeemable on demand for cash and therefore, have been classified as financial liabilities.

### Expenses

Expenses of the Fund including management fees and other operating expenses are recorded on an accrual basis.

Transaction costs associated with investment transactions for financial assets and liabilities at FVTPL, including brokerage commissions, have been expensed on the statements of comprehensive income.

### Organization expenses

Organization expenses including legal fees, time spent by the Manager to create the Fund, and registration fees associated with the formation of the Fund are recoverable from the Fund by the Manager. Such expenses are deductible from NAV at a future time to be determined by the Manager. The amount of organization expenses incurred and expensed in the statements of comprehensive income is based on the maximum amount allowed to be charged to the Fund of 0.20% per annum multiplied by the NAV, regardless of whether or not the Manager has commenced deducting the amount from the Fund's NAV for transaction purposes

### Increase (decrease) in net assets attributable to holders of redeemable units per unit

'Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit' in the statements of comprehensive income represents the Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series, divided by the weighted average units outstanding of that series during the reporting period.

### Distributions to Unitholders

Distributions will be made to unitholders only at such times and in such amounts as may be determined at the discretion of the Manager. The Fund will distribute sufficient net income and net realized capital gains to unitholders annually to ensure that the Fund is not liable for ordinary income taxes. All distributions by the Fund will be automatically reinvested in additional units of the Fund held by the investor at the NAV per unit thereof, unless the investor notifies the Manager in writing that cash distributions are preferred.

### Allocation of income and expense, and realized and unrealized gains and losses

Management fees and other costs directly attributable to a series are charged to that series. The Fund's shared operating expenses, income, and realized and unrealized gains and losses are generally allocated proportionately to each series based upon the relative NAV of each series.

### Allocation of non-cash items on the statement of cash flows

The Fund includes only the net cash flow impact and does not include non-cash switches between series of the Fund that occurred during the year in 'Proceeds from redeemable units issued' or 'Amount paid on redemption of redeemable units'. There were no non-cash switches excluded from the Fund's operation and financing activities on the statements of cash flows for the periods ending March 31, 2020 and March 31, 2019.

### Future accounting changes

*New standards, amendments and interpretations effective after January 1, 2020 and that have not been early adopted*

There are no new accounting standards effective after January 1, 2020 which affect the accounting policies of the Funds.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates the Fund has made in preparing these financial statements.

### Fair value of securities not quoted in an active market

The fair value of such securities not quoted in an active market may be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices. Such values may be indicative and not executable or binding. The Fund would exercise judgement and estimates on the quantity and quality of pricing sources used. Where no market data is available, the Fund may value positions using their own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The inputs into these models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

### Fair value of foreign securities

The Manager has procedures in place to determine the fair value of foreign securities traded in foreign markets to avoid stale prices and to take into account, among other things, any subsequent events occurring after the close of a foreign market. The Manager's fair value pricing techniques involve assigning values to the Fund's portfolio holdings that may differ from the closing prices on the foreign securities exchanges. The Manager will do this in circumstances where it has in good faith determined that to do so better reflects the market values of the securities in question.

### Classification of financial assets and liabilities

Financial assets may be classified as financial assets at amortized cost, financial assets at FVTPL or financial assets at fair value through other comprehensive income. Financial liabilities may be classified as financial liabilities at amortized cost or financial liabilities at FVTPL. In order to classify its financial assets and liabilities in accordance with IFRS 9, the Manager uses judgment to assess the business model of the Fund and the cash flows of their financial assets and liabilities. The classification of financial assets and liabilities of the Fund are outlined in note 3.

## 5. FINANCIAL INSTRUMENTS

### (a) Risk Management

The Fund's investment activities may be exposed to various financial risks, including market risk (which includes price risk, interest rate risk and currency risk), concentration risk, liquidity risk, credit risk and leverage risk. All investments result in a risk of loss of capital.

### Price risk

The Manager moderates price risk through diversification of securities and other financial instruments within the limits of the Fund's investment objectives and strategy.

If the price of investments held by the Fund on March 31, 2020 had been higher or lower by 5%, the net assets attributable to holders of redeemable units of the Fund would have been higher or lower by $29,550 (September 30, 2019: $32,001). Actual results may differ from the above sensitivity analysis and the difference could be material.

### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, asset type or industry sector. The following tables present the Fund's exposure as a percentage of the total carrying value of the investments by geographic region and by industry sector as at March 31, 2020 and September 30, 2019.

| By Geographic Region | March 31, 2020 | September 30, 2019 |
|---|---|---|
| United States | 47.5% | 12.4% |
| Canada | 36.5% | 57.0% |
| Bermuda | 3.8% | 18.1% |
| Denmark | 3.5% | - |
| Switzerland | 3.4% | 1.1% |
| Spain | 2.0% | - |
| United Kingdom | 1.7% | 5.5% |
| Ireland | 1.6% | - |
| Finland | - | 3.7% |
| France | - | 2.2% |
| **Total** | **100.0%** | **100.0%** |

| By Industry Sector | March 31, 2020 | September 30, 2019 |
|---|---|---|
| Consumer Staples | 27.0% | 3.0% |
| Government Bonds | 24.0% | - |
| Utilities | 23.5% | 25.5% |
| Consumer Discretionary | 7.2% | - |
| Real Estate | 6.3% | 15.1% |
| Health Care | 4.4% | 1.1% |
| Communication Services | 4.3% | 4.6% |
| Materials | 3.3% | 1.8% |
| Financials | - | 30.2% |
| Energy | - | 13.6% |
| Exchange Traded Funds | - | 5.1% |
| **Total** | **100.0%** | **100.0%** |

### Interest rate risk

Interest rate risk arises on interest-bearing financial instruments held by the Fund. The fair value and future cash flows of such instruments held by the Fund will fluctuate due to changes in market interest rates.

As at March 31, 2020 and March 31, 2019, the Fund had direct exposure to interest rate risk from its use of borrowing. The amount borrowed as at March 31, 2020 was $nil (March 31, 2019: $320,884) and was repayable on demand. If interest rates had doubled during the period, interest expense would have been higher and ending net assets attributable to holders of redeemable units would have been lower by $59 (March 31, 2019: $4,006).

The Fund had exposure to interest rate risk from its holdings of interest bearing financial instruments. If there had been a parallel upward shift of interest rates of 25 basis points on March 31, 2020, the net assets of the Fund would have been lower by approximately $260 (September 30, 2019: $7,508). Similarly, if there had been a parallel downward shift of interest rates of 25 basis points the net assets of the Fund would have been higher by approximately $267 (September 30, 2019: $7,641).

### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Securities included in the Fund may be valued in or have exposure to currencies other than the Canadian dollar and when measured in Canadian dollars, be affected by fluctuations in the value of such currencies relative to the Canadian dollar.

As the Fund may invest in securities traded in foreign currencies, its net assets and cash flows, when measured in Canadian dollars, will, to the extent that they have not been fully hedged, be affected by changes in the value of these currencies relative to the Canadian dollar.

During the prior period, the Fund made use of borrowings denominated in U.S. dollars, which in effect mitigated the currency risk of the Fund being invested in U.S. listed securities. The Manager may use either Canadian dollar or U.S. dollar denominated borrowings based on the interest cost differential and the Fund's currency exposure, including the revenue sensitivity of the underlying investments.

The table below indicates the foreign currencies to which the Fund had significant exposure at March 31, 2020 and September 30, 2019 in Canadian dollar terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 5% in relation to each of the other currencies, with all other variables held constant.

| | Exposure | | | Impact on net assets attributable to holders of redeemable units | | |
|---|---|---|---|---|---|---|
| March 31, 2020 | Monetary ($) | Non-monetary ($) | Total ($) | Monetary ($) | Non-monetary ($) | Total ($) |
| British Pound | (3) | 10,230 | 10,227 | - | 511 | 511 |
| Danish Krone | - | 20,511 | 20,511 | - | 1,026 | 1,026 |
| Euro | 399 | 11,684 | 12,083 | 20 | 584 | 604 |
| Swiss Franc | (2) | 12,069 | 12,067 | - | 603 | 603 |
| United States Dollar | 108,285 | 452,055 | 560,340 | 5,414 | 22,603 | 28,017 |
| **Total** | **108,679** | **506,549** | **615,228** | **5,434** | **25,327** | **30,761** |
| % of net assets attributable to holders of redeemable units | 16.4% | 76.5% | 92.9% | 0.8% | 3.8% | 4.6% |

| | Exposure | | | Impact on net assets attributable to holders of redeemable units | | |
|---|---|---|---|---|---|---|
| September 30, 2019 | Monetary ($) | Non-monetary ($) | Total ($) | Monetary ($) | Non-monetary ($) | Total ($) |
| Euro | 374 | - | 374 | 19 | - | 19 |
| Swedish Krona | - | 23,488 | 23,488 | - | 1,174 | 1,174 |
| United States Dollar | (16,266) | 135,324 | 119,058 | (813) | 6,766 | 5,953 |
| **Total** | **(15,892)** | **158,812** | **142,920** | **(794)** | **7,940** | **7,146** |
| % of net assets attributable to holders of redeemable units | (2.3%) | 23.4% | 21.1% | (0.1%) | 1.2% | 1.1% |

### Liquidity risk

The Fund is exposed to liquidity risk on its obligations associated with financial liabilities. The liquidity risk associated with issued redeemable units is managed by investing in a portfolio of highly liquid equity securities.

The main concentration of liquidity risk arises from the Fund's borrowing activities. Borrowings are repayable on demand and are partially covered by collateral held on account at the broker with whom the borrowings are made, except for organization expenses.

The tables below present the Fund's financial liabilities in relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

| March 31, 2020 | < 6 months ($) | > 6 months ($) | Total ($) |
|---|---|---|---|
| Net assets attributable to holders of redeemable units | 662,513 | - | 662,513 |
| Management fees and expenses payable | 1,397 | - | 1,397 |
| Redemptions payable | 51,547 | - | 51,547 |
| Distributions payable | 654 | - | 654 |
| Organization expenses payable | - | 837 | 837 |

| September 30, 2019 | < 6 months ($) | > 6 months ($) | Total ($) |
|---|---|---|---|
| Net assets attributable to holders of redeemable units | 679,745 | - | 679,745 |
| Management fees and expenses payable | 1,371 | - | 1,371 |
| Redemptions payable | 12,344 | - | 12,344 |
| Distributions payable | 661 | - | 661 |
| Organization expenses payable | - | 1,580 | 1,580 |

### Credit risk

Credit risk is the risk that a party to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The table below shows preferred shares as a percentage of net assets held under each credit rating. Credit ratings are obtained from Standard & Poor's.

| | Percentage of Net Assets | |
|---|---|---|
| Portfolio by Rating Category | As at March 31, 2020 | As at September 30, 2019 |
| P-1 | - | - |
| P-2 | 1.5% | 43.4% |
| P-3 | - | 12.6% |
| N/R | - | - |

### Leverage risk

The Fund may generally borrow up to 70% of its total assets. The Fund pledges securities as collateral and is able to borrow up to limits imposed by the broker it has pledged the collateral to. The amount of borrowing allowed by the broker depends on the nature of the securities pledged. The Fund pays interest on the amounts borrowed. Interest is accrued daily and paid monthly.

As at March 31, 2020 and September 30, 2019 the Fund was not subject to leverage risk as the borrowing amount was $nil. Interest expense for the period ended March 31, 2020 was $59 (March 31, 2019: $4,006).

### (b) Fair value of financial instruments

Financial instruments measured at fair value are classified according to a fair value hierarchy that reflects the importance of the inputs used to perform each valuation. The fair value hierarchy is made up of the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3 - inputs are unobservable for the asset or liability.

The fair value hierarchy requires the use of observable market data each time such data exists. A financial instrument is classified at the lowest level of the hierarchy for which significant input has been considered in measuring fair value.

The following tables illustrate the classification of the Fund's financial instruments within the fair value hierarchy as at March 31, 2020 and September 30, 2019:

| | Assets (Liabilities) | | | |
|---|---|---|---|---|
| As at March 31, 2020 | Level 1 ($) | Level 2 ($) | Level 3 ($) | Total ($) |
| Bonds - Long | 440,496 | - | - | 440,496 |
| Equities - Long | - | 140,854 | - | 140,854 |
| **Total** | **440,496** | **140,854** | **-** | **590,993** |

| | Assets (Liabilities) | | | |
|---|---|---|---|---|
| As at September 30, 2019 | Level 1 ($) | Level 2 ($) | Level 3 ($) | Total ($) |
| Equities - Long | 640,011 | - | - | 640,011 |
| **Total** | **640,011** | **-** | **-** | **640,011** |

### (c) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:

i) restricted activities;

ii) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors;

iii) insufficient equity to permit the structured entity to finance its activities without subordinate financial support; and

iv) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Fund's investments in ETFs are susceptible to market price risk arising from uncertainties about future values. The Manager makes investment decisions after its due diligence on the strategy and overall quality of the ETFs manager. The Fund did not have any invesments in structured entities as of March 31, 2020. The Fund's investments in ETFs as at September 30, 2019 is summarized below:

| September 30, 2019 | Fair Value of Funds Investments ($) | Net Asset Value of ETF ($) | % of ETFs Net Assets |
|---|---|---|---|
| iShares MSCI World ETF | 6,080 | 899,801,024 | - |
| SPDR S&P Global Dividend ETF | 26,836 | 366,760,875 | - |

## 6. REDEEMABLE UNITS

The Fund is permitted to issue an unlimited number of redeemable units issuable in Series A, Series F or Series O, having such terms and conditions as the Manager may determine. Additional series may be offered in the future on different terms, including different fee and dealer compensation terms and different minimum subscription levels. Each unit of a series represents an undivided ownership interest in the net assets of the Fund attributable to that series of units.

The Fund endeavors to invest capital in appropriate investments in conjunction with its investment objectives. The Fund may borrow or dispose of investments, where necessary, to fund redemptions.

The principal difference between the series of units relates to the management fee payable to the Manager, compensation paid to dealers and distributions by the series. Units of each Fund are entitled to participate in its liquidation of assets on a series basis. Units are issued as fully paid and non-assessable and are redeemable at the NAV per unit of the applicable series of units of the applicable Fund being redeemed, determined at the close of business on the redemption date, as outlined in the applicable offering memorandum.

Series A Units are available to all investors who meet eligibility requirements and invest a minimum of $2,500.

Series F Units are available to investors who meet eligibility requirements and invest a minimum of $2,500, who participate in fee-based programs through their dealer and whose dealer has signed a Series F Agreement with the Manager, investors for whom the Fund does not incur distribution costs, or individual investors approved by the Manager.

Series O Units are available to certain institutional or other investors.

The number of units issued and outstanding for the periods ended March 31, 2020 and March 31, 2019 was as follows:

| March 31, 2020 | Balance, Beginning of Period | Units Issued Including Switches from other Series | Units Reinvested | Units Redeemed Including Switches from other Series | Balance, End of Period | Weighted Average Number of Units |
|---|---|---|---|---|---|---|
| Series A Units | 7,170 | - | 116 | 1,511 | 5,775 | 7,021 |
| Series F Units | 4,693 | 2,086 | 117 | 126 | 6,770 | 6,003 |
| Series O Units | 1,205 | - | - | - | 1,205 | 1,205 |

| March 31, 2019 | Balance, Beginning of Period | Units Issued Including Switches from other Series | Units Reinvested | Units Redeemed Including Switches from other Series | Balance, End of Period | Weighted Average Number of Units |
|---|---|---|---|---|---|---|
| Series A Units | 9,581 | - | 386 | 2,797 | 7,170 | 8,062 |
| Series F Units | 5,238 | 396 | 230 | 1,171 | 4,693 | 5,156 |

## 7. TAXATION

The Fund qualifies as a mutual fund trust within the meaning of the Income Tax Act (Canada) (the Tax Act). The Fund calculates taxable and net capital gains/(losses) in accordance with the Tax Act and intends to distribute sufficient net income and net realized capital gains, if any, to ensure it does not pay ordinary income tax. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses, if any, has not been reflected in the statements of financial position as a deferred income tax asset.

The taxation year end of the Fund is December 31.

As at December 31, 2019, the Fund had unused gross capital loss carry-forwards of $7,831 (December 31, 2018: $nil).

## 8. FEES AND EXPENSES

Pursuant to the Fund's offering memorandum, the Fund agrees to pay management fees to the Manager, calculated and accrued on each Valuation Date. The annual management fees rate of the respective series of units are as follows:

Series A Units 2.00%

Series F Units 1.00%

Management fees on Series O Units are negotiated with the Manager. Such fees are paid directly to the Manager and are not deducted from the NAV of Series O.

The Manager is reimbursed for any operating expenses it incurs on behalf of the Fund, including regulatory filing fees, custodian fees, legal and audit fees, costs associated with the independent review committee, bank charges, the cost of financial reporting, expenses related to conducting unitholder meetings, costs associated with providing Fundserv access for registered dealers and all related sales taxes. The Manager also provides key management personnel to the Fund. The Manager may charge the Fund for actual time spent by its personnel (or those of its affiliates) in overseeing the day-to-day business affairs of the Fund. The amount charged for time spent by personnel is determined based on fully allocated costs and does not include a mark-up or administration fee. The Manager may waive or absorb management fees and operating expenses at its discretion but is under no obligation to do so.

The Fund is also responsible for all costs associated with its creation and organization of the Fund including but not limited to legal and audit costs, registration and regulatory filing fees, costs associated with due diligence by registered dealers, printing costs, postage and courier costs and time spent by personnel of the Manager at fully allocated costs. The Manager has paid the costs associated with the formation and creation of the Fund and the offering of units and is entitled to reimbursement from the Fund for such costs.

All management fees, operating expenses and organization expenses payable by the Fund to the Manager are subject to GST and/or HST as applicable and will be deducted as an expense of the applicable series of units in the calculation of the NAV of such series of units.

## 9. SOFT DOLLARS

Allocation of business to brokers of the Fund is made on the basis of coverage, trading ability and fundamental research expertise. The Manager may choose to execute portfolio transactions with dealers who provide research, statistical and other similar services to the Fund or to the Manager at prices which reflect such services (termed proprietary research). The dealers do not provide the Manager with an estimate of the cost of the research, statistical and other similar services (referred to as soft dollars).

The Manager may use third party proprietary research, which is generally also available on a subscription basis, the value of which will be used to approximate the value of research and other similar services received from third parties through commission sharing arrangements with executing brokers. The ascertainable value of the third party soft dollar arrangements in connection with portfolio transactions for the periods ended March 31, 2020 and March 31, 2019 are $145 and $24, respectively.

## 10. RELATED PARTY TRANSACTIONS

The following tables outline the management fees, operating expenses and organization expenses that were paid to the Manager by the Fund during the periods ended March 31, 2020 and March 31, 2019. The table includes the amount of operating expense reimbursement that was paid to affiliates of the Manager. All of the dollar amounts in the tables below exclude applicable GST or HST.

| Period ended | Management Fees ($) | Operating Expense Reimbursement ($) | Absorbed Operating Expenses ($) | Operating Expenses Reimbursed to Affiliates of the Manager ($) | Organizational Expense Payments ($) |
|---|---|---|---|---|---|
| March 31, 2020 | 5,197 | 1,847 | 26,520 | 885 | - |
| March 31, 2019 | 5,900 | 1,812 | 27,170 | 427 | - |

The Funds owed the following amounts to the Manager excluding applicable GST or HST:

| As at | Management Fees ($) | Operating Expenses Reimbursement ($) | Organization Expenses Payable ($) |
|---|---|---|---|
| March 31, 2020 | 876 | 318 | 741 |
| September 30, 2019 | 837 | 290 | 1,399 |

The Manager and/or its affiliates and key management personnel of the Manager and their family (collectively referred to as Related Parties) may invest in units of the Fund from time to time in the normal course of business. The following tables present the number of shares of each of the Funds held by the Manager and Related Parties on each reporting date.

| As at | Manager | Related Parties |
|---|---|---|
| March 31, 2020 | - | 515 |
| March 31, 2019 | - | 337 |

## 11. BORROWING

The Fund has a Settlement Services Agreement with a Canadian broker for margin borrowing. The rate of interest payable on borrowed money in Canadian dollars is the Canadian Dealer Offered Rate + 50bps and in U.S. dollars is the LIBOR (London Interbank Offered Rate) + 50bps and the facility is repayable on demand. The Fund has placed securities on account with the dealer as collateral for borrowing. Such non-cash collateral has been classified separately within the statements of financial position from other assets and is identified as 'Investments - pledged as collateral'. As at March 31, 2020 and September 30, 2019, the Fund did not have any borrowing.

The minimum and maximum amounts borrowed and the amount of interest paid during the period ended March 31, 2020 and March 31, 2019 are presented below:

| | Minimum Amount Borrowed ($) | Maximum Amount Borrowed ($) | Interest Paid ($) |
|---|---|---|---|
| March 31, 2020 | - | 24,205 | 59 |
| March 31, 2019 | 199,400 | 320,271 | 4,006 |

## 12. RECONCILIATION OF NAV PER UNIT AND NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The following tables provide a comparison of NAV per unit and net assets attributable to holders of redeemable units of the Fund as at March 31, 2020 and September 30, 2019.

| March 31, 2020 | NAV per Unit ($) | Net assets attributable to holders of redeemable units per unit ($) |
|---|---|---|
| Series A | 48.00 | 47.93 |
| Series F | 48.38 | 48.32 |
| Series O | 46.64 | 48.58 |

| September 30, 2019 | NAV per Unit ($) | Net assets attributable to holders of redeemable units per unit ($) |
|---|---|---|
| Series A | 51.98 | 51.86 |
| Series F | 52.33 | 52.22 |
| Series O | 52.32 | 52.19 |

## 13. SUBSEQUENT EVENTS

While the precise impact of the recent novel coronavirus: COVID-19 outbreak remains unknown, it has introduced uncertainty and volatility in global markets and economies. This is a developing situation and might impact the Fund's ability to generate income and charge related parties for reimbursement of expenses. Currently, it is unknown as to the impact on the Fund's receivables and investments if COVID-19 persists for an extended period. The Fund may incur reductions in revenue relating to such events outside of their control, which could have a material adverse impact on the Fund's business, operating results, revenues and financial condition. The Manager is in the process of assessing the impact of COVID-19, however, given the fluidity and significant volatility of the situation, it is not possible to quantify the impact at this stage. A sustained period of market declines and reduced revenues could become a triggering event requiring a write down of these assets. No adjustments have been reflected in the financial statements at this time.

## 14. EXEMPTION FROM FILING

The Fund is relying on the exemption contained within National Instrument 81-106, Part 2.11 to not file its financial statements with the applicable securities regulatory authorities.

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