



**Brand Leaders Plus Income ETF**

**Annual Financial Statements**

**December 31, 2017**

# Brand Leaders Plus Income ETF

## MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by Harvest Portfolios Group Inc. in its capacity as Manager of the Fund and approved by the Board of Directors of the Manager. The Fund's Manager is responsible for the information and representation contained in 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 made by the Manager. The significant accounting policies, which the Manager believes are appropriate, are described in Note 3 to the financial statements.

PricewaterhouseCoopers LLP is the external auditor of the Fund. They have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is included as an integral part of the financial statements.

On behalf of Harvest Portfolios Group Inc.,

*Signed* "Michael Kovacs"

*Signed* "Daniel Lazzar"

Michael Kovacs  
President and Chief Executive Officer

Daniel Lazzar  
Chief Financial Officer

Oakville, Canada  
March 26, 2018



March 26, 2018

## **Independent Auditor's Report**

### **To the Unitholders of Brand Leaders Plus Income ETF ("the Fund")**

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016 and the statements of comprehensive income (loss), changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2017 and December 31, 2016, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years ended December 31, 2017 and December 31, 2016 in accordance with International Financial Reporting Standards.

**(Signed) "PricewaterhouseCoopers LLP"**

**Chartered Professional Accountants, Licensed Public Accountants**

Toronto, Ontario

## Brand Leaders Plus Income ETF

| <b>STATEMENTS OF FINANCIAL POSITION</b>                                |             |                   |                      |
|--|-------------|-------------------|----------------------|
| <b>As at December 31,</b>  | <b>2017</b> |                   | <b>2016</b>          |
| <b>Assets</b>  |             |                   |                      |
| <b>Current assets</b>  |             |                   |                      |
| Investments  | \$          | 67,444,350        | \$ 32,391,912        |
| Cash   |             | 3,525,255         | 806,533              |
| Dividends receivable   |             | 113,923           | 90,729               |
| Subscriptions receivable   |             | 710,895           | -                    |
| Unrealized appreciation on foreign currency forward contracts (Note 6) |             | 1,335,770         | -                    |
|  |             | <b>73,130,193</b> | <b>33,289,174</b>    |
| <b>Liabilities</b>   |             |                   |                      |
| <b>Current liabilities</b>   |             |                   |                      |
| Payable for investments purchased                                      |             | 1,192,664         | -                    |
| Distributions payable (Note 4)   |             | 405,584           | 205,356              |
| Payable for options contracts written                                  |             | -                 | 70,437               |
| Unrealized depreciation on foreign currency forward contracts (Note 6) |             | -                 | 641,994              |
|  |             | <b>1,598,248</b>  | <b>917,787</b>       |
| <b>Net assets attributable to holders of redeemable units</b>          | <b>\$</b>   | <b>71,531,945</b> | <b>\$ 32,371,387</b> |
| <b>Net assets attributable to holders of redeemable units</b>          |             |                   |                      |
| Series A   | \$          | 64,392,746        | \$ 30,481,665        |
| Series U (CAD)   |             | 7,139,199         | 1,889,722            |
| Series U (USD)   |             | 5,697,912         | 1,409,136            |
| <b>Number of redeemable units outstanding (Note 4)</b>                 |             |                   |                      |
| Series A   |             | 6,819,039         | 3,569,039            |
| Series U   |             | 586,950           | 161,950              |
| <b>Net assets attributable to holders of redeemable units per unit</b> |             |                   |                      |
| Series A   | \$          | 9.44              | \$ 8.54              |
| Series U (CAD)   |             | 12.16             | 11.67                |
| Series U (USD)   |             | 9.71              | 8.70                 |

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

## Brand Leaders Plus Income ETF

| <b>STATEMENTS OF COMPREHENSIVE INCOME (LOSS)</b>  |                     |                     |
|---|---------------------|---------------------|
| <b>For the year ended December 31,</b>  | <b>2017</b>         | <b>2016</b>         |
| <b>Income</b>   |                     |                     |
| Net gain (loss) on investments  |                     |                     |
| Dividends   | \$ 883,100          | \$ 943,308          |
| Net realized gain (loss) on sale of investments   | 3,127,996           | 4,277,303           |
| Net change in unrealized appreciation (depreciation) of investments   | 3,670,772           | (2,810,929)         |
| Net gain (loss) on investments  | 7,681,868           | 2,409,682           |
| Net gain (loss) on derivatives  |                     |                     |
| Net realized gain (loss) on options written   | (685,011)           | (316,381)           |
| Net realized gain (loss) on foreign exchange  | 66,818              | 590,834             |
| Net change in unrealized appreciation (depreciation) of options written   | (47,640)            | 47,640              |
| Net change in unrealized appreciation (depreciation) of foreign exchange  | 1,948,473           | (68,235)            |
| Net gain (loss) on derivatives  | 1,282,640           | 253,858             |
| <b>Total income (net)</b>   | <b>\$ 8,964,508</b> | <b>\$ 2,663,540</b> |
| <b>Expenses (Note 5)</b>  |                     |                     |
| Management fees   | 368,088             | 270,043             |
| Withholding taxes   | 134,749             | 118,447             |
| Unitholder reporting costs  | 86,413              | 82,426              |
| Audit fees  | 33,856              | 29,767              |
| Transfer agency fees  | 18,666              | 19,262              |
| Custodian fees and bank charges   | 96,828              | 52,953              |
| Independent Review Committee fees   | 6,252               | 5,923               |
| Filing fees   | 22,696              | 24,706              |
| Legal fees  | 19,961              | 16,219              |
| Transaction costs (Note 8)  | 61,093              | 47,162              |
| <b>Total expenses</b>   | <b>\$ 848,602</b>   | <b>\$ 666,908</b>   |
| Expenses absorbed by manager (Note 5)   | (51,804)            | -                   |
| <b>Total expenses (net)</b>   | <b>796,798</b>      | <b>666,908</b>      |
| <b>Increase (decrease) in net assets attributable to holders of redeemable units</b>                              | <b>\$ 8,167,710</b> | <b>\$ 1,996,632</b> |
| Increase (decrease) in net assets attributable to holders of redeemable units - <b>Series A</b>                   | \$ 7,690,710        | \$ 1,954,240        |
| Increase (decrease) in net assets attributable to holders of redeemable units - <b>Series U</b>                   | 477,000             | 42,392              |
| Increase (decrease) in net assets attributable to holders of redeemable units per unit - <b>Series A (Note 4)</b> | \$ 1.72             | \$ 0.54             |
| Increase (decrease) in net assets attributable to holders of redeemable units per unit - <b>Series U (Note 4)</b> | 1.63                | 0.28                |

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

## Brand Leaders Plus Income ETF

| <b>STATEMENTS OF CHANGES IN NET ASSETS<br/>ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS<br/>ALL SERIES</b> |             |                    |                       |
|---|-------------|--------------------|-----------------------|
| <b>For the year ended December 31,</b>  | <b>2017</b> |                    | <b>2016</b>           |
| Net assets attributable to holders of redeemable units beginning of year                                  | \$          | 32,371,387         | \$ 41,903,302         |
| Increase (decrease) in net assets attributable to holders of redeemable units                             | \$          | 8,167,710          | \$ 1,996,632          |
| <b>Redeemable unit transactions</b>   |             |                    |                       |
| Proceeds from issue of redeemable units   |             | 36,085,100         | 1,775,802             |
| Reinvestment of distributions to holders of redeemable units  |             | -                  | 25                    |
| Cancellation of redeemable units  |             | -                  | (23,778)              |
| Redemption of redeemable units  |             | (1,842,533)        | (10,832,537)          |
| Payment to redeemable unitholders on fractional units on transfer from Series U to Series A               |             | -                  | (9)                   |
| <b>Net unitholders' transactions</b>  | <b>\$</b>   | <b>34,242,567</b>  | <b>\$ (9,080,497)</b> |
| <b>Distributions to holders of redeemable units</b>   |             |                    |                       |
| Return of capital   |             | (3,249,719)        | (2,448,050)           |
| <b>Total distributions to holders of redeemable units</b>   | <b>\$</b>   | <b>(3,249,719)</b> | <b>\$ (2,448,050)</b> |
| <b>Net assets attributable to holders of redeemable units end of year</b>                                 | <b>\$</b>   | <b>71,531,945</b>  | <b>\$ 32,371,387</b>  |

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

## Brand Leaders Plus Income ETF

| <b>STATEMENTS OF CHANGES IN NET ASSETS<br/>ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS<br/>SERIES A</b> |             |                    |                       |
|---|-------------|--------------------|-----------------------|
| <b>For the year ended December 31,</b>  | <b>2017</b> |                    | <b>2016</b>           |
| Net assets attributable to holders of redeemable units beginning of year                                | \$          | 30,481,665         | \$ 39,562,092         |
| Increase (decrease) in net assets attributable to holders of redeemable units                           | \$          | 7,690,710          | \$ 1,954,240          |
| <b>Redeemable unit transactions</b>   |             |                    |                       |
| Proceeds from issue of redeemable units   |             | 30,764,137         | 1,482,745             |
| Reinvestment of distributions to holders of redeemable units  |             | -                  | 25                    |
| Cancellation of redeemable units  |             | -                  | (23,778)              |
| Redemption of redeemable units  |             | (1,554,468)        | (10,566,833)          |
| Transfer of redeemable units from Series U  |             | -                  | 386,828               |
| <b>Net unitholders' transactions</b>  | <b>\$</b>   | <b>29,209,669</b>  | <b>\$ (8,721,013)</b> |
| <b>Distributions to holders of redeemable units</b>   |             |                    |                       |
| Return of capital   |             | (2,989,298)        | (2,313,654)           |
| <b>Total distributions to holders of redeemable units</b>   | <b>\$</b>   | <b>(2,989,298)</b> | <b>\$ (2,313,654)</b> |
| <b>Net assets attributable to holders of redeemable units end of year</b>                               | <b>\$</b>   | <b>64,392,746</b>  | <b>\$ 30,481,665</b>  |

| <b>STATEMENTS OF CHANGES IN NET ASSETS<br/>ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS<br/>SERIES U</b> |             |                  |                     |
|---|-------------|------------------|---------------------|
| <b>For the year ended December 31,</b>  | <b>2017</b> |                  | <b>2016</b>         |
| Net assets attributable to holders of redeemable units beginning of year                                | \$          | 1,889,722        | \$ 2,341,210        |
| Increase (decrease) in net assets attributable to holders of redeemable units                           | \$          | 477,000          | \$ 42,392           |
| <b>Redeemable unit transactions</b>   |             |                  |                     |
| Proceeds from issue of redeemable units   |             | 5,320,963        | 293,057             |
| Redemption of redeemable units  |             | (288,065)        | (265,704)           |
| Transfer of redeemable units to Series A  |             | -                | (386,837)           |
| <b>Net unitholders' transactions</b>  | <b>\$</b>   | <b>5,032,898</b> | <b>\$ (359,484)</b> |
| <b>Distributions to holders of redeemable units</b>   |             |                  |                     |
| Return of capital   |             | (260,421)        | (134,396)           |
| <b>Total distributions to holders of redeemable units</b>   | <b>\$</b>   | <b>(260,421)</b> | <b>\$ (134,396)</b> |
| <b>Net assets attributable to holders of redeemable units end of year</b>                               | <b>\$</b>   | <b>7,139,199</b> | <b>\$ 1,889,722</b> |

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



## Brand Leaders Plus Income ETF

### STATEMENTS OF CASH FLOWS

| For the year ended December 31  | 2017                  | 2016                   |
|---|-----------------------|------------------------|
| <b>Operating activities</b>   |                       |                        |
| Increase (decrease) in net assets attributable to holders of redeemable units               | \$ 8,167,710          | \$ 1,996,632           |
| <b>Add (deduct) items not affecting cash</b>  |                       |                        |
| Realized (gain) loss on sale of investments   | (3,127,996)           | (4,277,303)            |
| Realized (gain) loss on options written   | 685,011               | 316,381                |
| Change in unrealized (appreciation) depreciation of investments                             | (3,670,772)           | 2,810,929              |
| Change in unrealized (appreciation) depreciation of options written                         | 47,640                | (47,640)               |
| Change in unrealized (appreciation) depreciation of foreign exchange                        | (1,948,473)           | 68,235                 |
| Proceeds from sale of investments**   | 25,357,574            | 28,483,620             |
| Purchases of investments**  | (29,452,806)          | (16,373,464)           |
| Net change in non-cash assets and liabilities   | (52,485)              | (1,222)                |
| <b>Net cash flow provided by (used in) operating activities</b>                             | <b>\$ (3,994,597)</b> | <b>\$ 12,976,168</b>   |
| <b>Financing activities**</b>   |                       |                        |
| Proceeds from redeemable units issued   | 9,762,810             | -                      |
| Payment to redeemable unitholders on fractional units on transfer from Series U to Series A | -                     | (9)                    |
| Redemption and cancellation of redeemable units   | -                     | (9,794,497)            |
| Distributions paid to holders of redeemable units (net of reinvested distributions)         | (3,049,491)           | (2,511,366)            |
| <b>Net cash flow provided by (used in) financing activities</b>                             | <b>\$ 6,713,319</b>   | <b>\$ (12,305,873)</b> |
| Net increase (decrease) in cash during the year   | 2,718,722             | 670,295                |
| Cash, beginning of the year   | 806,533               | 136,238                |
| <b>Cash, end of the year</b>  | <b>\$ 3,525,255</b>   | <b>\$ 806,533</b>      |
| <b>Supplemental disclosure of cash flow information</b>                                     |                       |                        |
| Dividends received, net of withholding taxes*   | \$ 720,130            | \$ 824,153             |

\*included in operating activities

\*\*net cash inflows (outflows) excludes trades that were not settled in cash (in-kind trades).

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

## Brand Leaders Plus Income ETF

### SCHEDULE OF INVESTMENTS

As at December 31, 2017

| Number of Shares  | Security                            | Average Cost (\$) | Carrying Value (\$) | % of Net Assets |
|---|-------------------------------------|-------------------|---------------------|-----------------|
| <b>EQUITIES</b>   |                                     |                   |                     |                 |
| <b>Consumer Discretionary Issuers</b>                         |                                     |                   |                     |                 |
| 15,557  | McDonald's Corporation              | 2,498,929         | 3,354,988           | 4.7             |
| 42,803  | Nike Inc. Class B                   | 2,999,124         | 3,354,558           | 4.7             |
| 46,574  | Starbucks Corporation               | 3,308,423         | 3,351,321           | 4.7             |
| 25,003  | The Walt Disney Company             | 3,298,204         | 3,368,020           | 4.7             |
|   |                                     | 12,104,680        | 13,428,887          | 18.8            |
| <b>Consumer Staples Issuers</b>                               |                                     |                   |                     |                 |
| 22,425  | Kimberly-Clark Corporation          | 3,197,904         | 3,390,233           | 4.7             |
| 22,766  | PepsiCo, Inc.                       | 2,943,215         | 3,420,677           | 4.8             |
|   |                                     | 6,141,119         | 6,810,910           | 9.5             |
| <b>Energy Issuers</b>   |                                     |                   |                     |                 |
| 41,506  | Royal Dutch Shell PLC ADR           | 3,113,002         | 3,469,250           | 4.8             |
|   |                                     | 3,113,002         | 3,469,250           | 4.8             |
| <b>Financials Issuers</b>                                     |                                     |                   |                     |                 |
| 36,018  | Citigroup Inc.                      | 2,657,065         | 3,358,030           | 4.7             |
| 25,500  | JPMorgan Chase & Co.                | 2,457,632         | 3,416,757           | 4.8             |
| 50,917  | Morgan Stanley                      | 2,965,086         | 3,347,400           | 4.7             |
|   |                                     | 8,079,783         | 10,122,187          | 14.2            |
| <b>Health Care Issuers</b>                                    |                                     |                   |                     |                 |
| 19,120  | Johnson & Johnson                   | 2,816,759         | 3,347,189           | 4.7             |
|   |                                     | 2,816,759         | 3,347,189           | 4.7             |
| <b>Industrials Issuers</b>                                    |                                     |                   |                     |                 |
| 11,424  | 3M Co.                              | 3,005,587         | 3,369,016           | 4.7             |
| 17,029  | Deere & Company                     | 2,219,347         | 3,339,373           | 4.7             |
| 22,664  | United Parcel Service, Inc. Class B | 3,275,446         | 3,383,486           | 4.7             |
|   |                                     | 8,500,380         | 10,091,875          | 14.1            |
| <b>Information Technology Issuers</b>                         |                                     |                   |                     |                 |
| 2,520   | Alphabet Inc. Class A               | 2,916,677         | 3,326,041           | 4.7             |
| 15,362  | Apple Inc.                          | 2,834,375         | 3,257,308           | 4.6             |
| 69,605  | Cisco Systems, Inc.                 | 2,915,993         | 3,340,204           | 4.7             |
| 59,974  | Intel Corporation                   | 2,913,045         | 3,468,667           | 4.8             |
| 31,574  | Microsoft Corporation               | 2,790,668         | 3,384,017           | 4.7             |
| 23,784  | Visa Inc. Class A                   | 3,014,277         | 3,397,815           | 4.7             |
|   |                                     | 17,385,035        | 20,174,052          | 28.2            |
| <b>Total investments</b>                                      |                                     | <b>58,140,758</b> | <b>67,444,350</b>   | <b>94.3</b>     |
| <b>Foreign currency forward contract (Note 6)</b>             |                                     |                   | <b>1,335,770</b>    | <b>1.9</b>      |
| <b>Other assets less liabilities</b>                          |                                     |                   | <b>2,751,825</b>    | <b>3.8</b>      |
| <b>Net assets attributable to holders of redeemable units</b> |                                     |                   | <b>71,531,945</b>   | <b>100.0</b>    |

# Brand Leaders Plus Income ETF

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

December 31, 2017

### 1. GENERAL INFORMATION

Brand Leaders Plus Income ETF (the “Fund”) is an investment fund established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated June 26, 2014 and as amended and restated, being the inception date. There was no significant activity in the Fund from the date of inception to commencement of operations on July 24, 2014. On July 24, 2014, the Fund completed an initial public offering of 4,467,950 Series A units at \$10.00 per unit for gross proceeds of \$44,679,500 and 332,050 Series U units at \$10.00 USD per unit for gross proceeds of \$3,320,500 USD (\$3,568,376 CAD). On August 12, 2014, an over-allotment option was exercised for an additional 215,000 Series A units at a price of \$10.00 per unit for gross proceeds of \$2,150,000. The address of the Fund’s registered office is 710 Dorval Drive, Oakville, Ontario L6K 3V7.

The Fund’s investment objectives are to provide unitholders with monthly cash distributions, the opportunity for capital appreciation and lower overall volatility of Portfolio returns than would otherwise be experienced by owning Equity Securities of the Brand Leaders directly. As part of the investment strategy, the Fund will invest in an equally-weighted portfolio of equity securities of 20 Brand Leaders from the Brand Leaders Investable Universe that have a market capitalization of at least US\$10 billion at the time of investment.

On September 19, 2016, unitholders approved the conversion of the Series A and Series U units of the Fund into an Exchange Traded Fund (“ETF”) effective October 24, 2016 and the name of the Fund changed to Brand Leaders Plus Income ETF. The Series A units began trading as an ETF under the symbol HBF and the Series U units began trading under the symbol HBF.U. The Series U units are designed for investors who want to make their investment in U.S. dollars and were not traded prior to conversion.

### 2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These financial statements were authorized for issue by Harvest Portfolios Group Inc. (the “Manager”) on March 26, 2018.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit or loss (FVTPL). Transaction costs on financial assets and liabilities at FVTPL are expensed as incurred. Regular way purchases and sales of financial assets are recognized at their trade date. The Fund’s investments and derivative assets and liabilities are measured at fair value through profit or loss (FVTPL), including investments which have been designated at FVTPL. Derivative assets and liabilities are classified as held-for-trading (HFT). The Fund’s obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract’s effective interest rate. Carrying values of other financial assets and liabilities at amortized cost approximate their fair values due to the short term to maturity. The Fund’s accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its net asset value (NAV) for transactions with unitholders. As at December 31, 2017 and December 31, 2016, there were no differences between the Fund’s NAV per security and its net assets per security calculated in accordance with IFRS.

#### Fair value of investments and derivatives

Investments and derivatives that are traded in an active market are valued at their closing prices through recognized public stock exchanges or through recognized investment dealers on the valuation date. The Fund uses the last traded market price that falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances.

Investments held are represented by equities. Derivatives held include options and foreign currency forward contracts. Investments and derivatives held that are not traded in an active market are valued using valuation techniques, on such basis and in such a manner established by the Manager. The value of any security for which, in the opinion of the Manager, the published market quotations are not readily available shall be the fair value as determined by the Manager. The fair values of certain securities may be determined using valuation models that are based, in part, on assumptions that are not supported by

## Brand Leaders Plus Income ETF

observable market inputs. These methods and procedures may include, but are not limited to, performing comparisons with prices of comparable or similar securities, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indication of value. These values are independently assessed internally to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for the aforementioned securities and interests may be materially different from the values that would be used had a ready market for the security existed. The fair values of such securities are affected by the perceived credit risks of the issuer, predictability of cash flows and length of time to maturity.

### Classification of redeemable units

Under IFRS, IAS 32 Financial Instruments – Presentation requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as a financial liability unless certain criteria are met. The Fund's units included different redemption rights and in some instances are at 95% of market value of the units on the exchange. As a result, the Fund's units contain multiple contractual obligations and are presented as financial liabilities as they do not meet the criteria for classification as equity.

### Cash

Cash is comprised of cash on deposit.

### Investment transactions and income recognition

Net realized gain (loss) on investments and net change in unrealized appreciation (depreciation) on investments are determined on an average cost basis. Dividend income is accounted for on the ex-dividend date.

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

Management fees directly attributable to a series are charged to that series. The Fund's shared operating expenses, income, and realized and unrealized capital gains and losses are generally allocated proportionately to each series based upon the relative net assets attributable to holders of redeemable units of each series. Realized and unrealized gains and losses from foreign currency forward contracts are allocated to Series A only.

### Foreign currency translation

The Fund's subscriptions and redemptions are predominately denominated in Canadian dollars which is also the Fund's functional and presentation currency. Purchases and sales of investments denominated in foreign currencies and foreign currency dividend and interest income are translated into Canadian dollars at the rate of exchange prevailing at the time of the transactions. Realized and unrealized foreign currency gains or (losses) on investments are included in the Statements of Comprehensive Income (Loss) in "Net realized gain (loss) on sale of investments" and "Net change in unrealized appreciation (depreciation) of investments", respectively. Realized and unrealized foreign currency gains or losses on assets, liabilities, and income, other than investments denominated in foreign currencies, are included in the Statements of Comprehensive Income (Loss) in "Net realized gain (loss) on foreign exchange" and "Net change in unrealized appreciation (depreciation) of foreign exchange", respectively. Foreign currency assets and liabilities in the Statements of Financial Position are translated into Canadian dollars on the statement date.

### Foreign currency forward contracts

The Fund will enter into foreign currency forward contracts to hedge against exposure to foreign currency fluctuations. The fair value of these contracts is based on the difference between the contract rate and current forward market rate for the underlying currency at the measurement date applied to the contract's notional amount and adjusted for counterparty risk. Upon closing of a contract, the gain or loss is recorded as a net realized gain or loss on foreign exchange.

### Offsetting financial instruments

Financial assets and financial liabilities are 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 realize the asset and settle the liability simultaneously.

### Redeemable units valuation

The NAV of each series on a particular date will be equal to each series' proportionate share of the assets of the Fund less each series' proportionate share of the liabilities of the Fund except for the forwards which are only attributed to Series A, expressed in Canadian dollars at the applicable exchange rate on such date. The NAV and NAV per unit will be calculated on each Business Day. "Business Day" means any day on which the TSX is open for trading.

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### Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a pre-determined price. The seller receives a premium from the purchaser in consideration for the assumption of a future securities price.

The premium received upon writing an option is recorded at cost as “Payable for option contracts written” in the Statements of Financial Position. As long as the position of the written option is maintained, the liability for written options is revalued at an amount equal to the current market value of the option. Any gain or loss resulting from revaluation is reflected in the Statements of Comprehensive Income (Loss) in “Net changes in unrealized appreciation (depreciation) of options written”.

The gain or loss on sale or expiry of options is reflected in the Statements of Comprehensive Income (Loss) in “Net realized gain (loss) on sale of options written”.

### 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 (Loss) represents the increase (decrease) in net assets attributable to holders of redeemable units per series, divided by the weighted average units outstanding for the financial period for the respective series.

### Income and other taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). For tax purposes, the Fund has a December 31 year end. All of the Fund’s net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. 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 has not been reflected in the statement of financial position as a deferred income tax asset. Capital losses may be carried forward indefinitely to reduce future realized capital gains. Non-capital losses may be carried forward for 20 years and applied against future taxable income. As at the last taxation year end, the Fund had \$710,776 of non-capital losses and \$6,516,568 of net capital losses available to be carried forward for income tax purposes.

The Fund may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense.

As the Manager is a resident of Ontario, the expenses paid by the Fund generally include HST of 13%. HST is calculated using the residency of unitholders in the Fund as at specific times, rather than the physical location of the Manager. A blended rate refund is filed with the Canada Revenue Agency on behalf of the Fund, in arrears, using each province’s HST rate or GST rate in the case of non-participating provinces.

### 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 that the Fund has made in preparing the financial statements:

- a) Fair value measurement of derivatives and securities not quoted in an active market

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Refer to Note 7 for further information about the fair value measurement of the Fund’s financial instruments.

- b) Classification and measurement of investment and application of the fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments – Recognition and Measurement (IAS 39). The most significant judgments made include the determination that certain investments are held-for trading and that the fair value option can be applied to those which are not.

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## Accounting standards issued but not yet adopted

### *IFRS 9, Financial Instruments*

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments – Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however, is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Manager does not expect any change in the measurement of the financial assets and liabilities of the Fund.

## 4. REDEEMABLE UNITS

The authorized capital of the Fund consists of an unlimited number of transferable, units of each series, each of which represents an equal, undivided interest in their respective series’ net assets of the Fund. Except as provided in the Declaration of Trust, all units have equal rights and privileges. Each unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally in any and all distributions made by the Fund. Series A units and Series U units trade on the TSX under the symbol HBF and HBF.U respectively. Prior to conversion to an ETF, the Series U units did not trade. As at December 31, 2017, the closing price for Series A and Series U units was \$9.45 and \$9.82 USD per unit respectively (December 31, 2016 – Series A \$8.59; Series U \$8.84 USD).

Upon conversion to an ETF, the Fund cancelled its normal course issuer bid program. Prior to conversion, the Fund was allowed to purchase up to 456,508 Series A units of the Fund for cancellation by way of a normal course issuer bid through the facilities of the Toronto Stock Exchange and other Canadian markets. During the year ended December 31, 2016, 3,200 Series A units were purchased for cancellation for \$23,778.

### Subscriptions and Redemptions

On any trading day, a designated broker or underwriter may place a subscription or redemption order for an integral multiple of the prescribed number of units of the ETF. A trading day is each day on which the TSX is opened for business.

If the subscription or redemption order is accepted, the ETF will issue or redeem units to/from the designated broker or underwriter by no later than the second trading day after the date on which the subscription or redemption order is accepted. For each prescribed number of units issued or redeemed, a designated broker or underwriter must deliver or receive payment consisting of:

- (a) A basket of applicable securities and cash in an amount sufficient so that the value of the securities, and the cash received is equal to the NAV of the units redeemed; or
- (b) Cash in the amount equal to the NAV of the units redeemed.

On any trading day, unitholders may redeem units for cash or exchange units for baskets of securities and cash. Units redeemed for cash may be redeemed at a redemption price per unit equal to 95% of the closing price for the units on the TSX on the effective day of the redemption, subject to a maximum redemption price per unit equal to NAV. Units exchanged for baskets of securities will be exchanged at a price equal to the NAV of the units on the effective date of the exchange request, payable by delivery of baskets of securities and cash. The units will be redeemed in the exchange.

Prior to conversion to an ETF, unitholders had the option to surrender, prior to 5:00 p.m. (Toronto time) on the 10th business day before the last business day of the applicable month by the holders for monthly redemption. Upon receipt by the Fund of the redemption notice, the holder of a unit was entitled to receive a price per unit equal to the lesser of:

- (a) 95% of the “market price” of the units on the principal market on which the units are quoted for trading during the 20 trading day period ending immediately before the monthly redemption date; and
- (b) 100% of the “closing market price” on the principal market on which the units are quoted for trading on the monthly redemption date.



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Also, prior to conversion, Series U units could be redeemed or converted to Series A units on a monthly basis on the same terms as the Series A units. During the year ended December 31, 2016, 46,700 Series A units and 13,900 Series U units were redeemed and cancelled for \$339,897 and \$135,660 respectively and 35,650 Series U units were converted into 48,339 Series A units for \$386,828.

Prior to conversion and in accordance with the Fund prospectus, in addition to the monthly redemption rights, on an annual basis, commencing in January 2016, units could be surrendered for redemption at the Fund's NAV per unit, subject to the required redemption notice period, for the second last business day of January and the unitholder will receive payment on or before the 15th business day of the following month. On January 29, 2016, 1,112,571 Series A units were redeemed and cancelled for \$8,755,044 and 11,650 Series U units were redeemed and cancelled for \$130,044.

The following units were issued, redeemed and/or cancelled during the year:

|  | Series A         | Series U       |
|--|------------------|----------------|
| <b>Total outstanding as at January 1, 2016</b>               | <b>4,683,168</b> | <b>198,150</b> |
| Redeemable units issued                                      | 175,000          | 25,000         |
| Reinvestment of distributions to holders of redeemable units | 3                | -              |
| Redeemable units redeemed                                    | (1,334,271)      | (25,550)       |
| Cancellation of redeemable units                             | (3,200)          | -              |
| Transfer between Series                                      | 48,339           | (35,650)       |
| <b>Total outstanding as at December 31, 2016</b>             | <b>3,569,039</b> | <b>161,950</b> |
| Redeemable units issued                                      | 3,425,000        | 450,000        |
| Redeemable units redeemed                                    | (175,000)        | (25,000)       |
| <b>Total outstanding as at December 31, 2017</b>             | <b>6,819,039</b> | <b>586,950</b> |

The weighted average number of units outstanding during the year ended December 31, 2017 was 4,474,176 units for Series A (2016 – 3,640,250 units) and 292,155 for Series U (2016 – 154,145 units).

### Distributions

The Fund intends to make monthly cash distributions to unitholders of record on the last business day of each month and pay such cash distributions on or before the 15th day of the following month. Beginning in August 2015, the Fund will annually determine and announce the distribution amount for the following year based upon the prevailing market conditions. The total distribution amount was \$3,249,719 (Series A \$2,989,298 and Series U \$260,421) for the year ended December 31, 2017 (2016 – Series A \$2,313,654; Series U \$134,396).

Prior to conversion, the Fund made available to unitholders the opportunity to reinvest monthly distributions from the Fund in additional Series A units and/or Series U units, as applicable, by participating in a distribution reinvestment plan which would provide that cash distributions made by the Fund, at the election of a unitholder, be automatically reinvested in additional Series A units or Series U units, as applicable, on such unitholder's behalf in accordance with the terms of the plan. Reinvestment of distributions for Series A occurred either through market purchases or units issued from treasury depending on whether the trading price of the Series A units is above or below NAV and if units are available for purchase on the market. Reinvestment of distributions for Series U units occurred through units issued from treasury at NAV. During the year ended December 31, 2017, no reinvested Series A units (2016 – 3) were issued from treasury and all other reinvestments were from market purchases. No Series U units were enrolled in the reinvestment plan. Upon conversion, the distribution reinvestment plan was discontinued. On July 5, 2017, a new distribution reinvestment plan was established by the Fund where reinvestments of distributions occur through market purchases only.

## 5. RELATED PARTY TRANSACTIONS AND OTHER EXPENSES

### Management fees

Harvest Portfolios Group Inc. is the Manager of the Fund and is responsible for managing the Fund's overall business and operations and provides key management personnel to the Fund. The Manager retained Highstreet Asset Management Inc. ("Highstreet" or the "Investment Manager") to provide investment management services to the Fund up until termination on March 31, 2016. Highstreet was paid a fee for its portfolio advisory service, from the management fee received from the Fund, calculated on the basis of the Fund's net assets. The Manager is entitled to a fee of 0.75% of the average daily NAV, plus

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applicable taxes, per annum of the Fund payable monthly in arrears. Prior to conversion, the calculation was based on the average weekly NAV.

### Operating expenses

The Fund is responsible for operating expenses relating to the carrying on of its business, including custodial services, interest, taxes, legal, audit fees, transfer agency services relating to the issue and redemption of units, and the cost of financial and other reports, costs and expenses for the Fund's Independent Review Committee ("IRC"), including fees and expenses of the IRC members and compliance with applicable laws, regulations and policies. The Manager pays for such expenses on behalf of the Fund, except for certain expenses such as interest, and is then reimbursed by the Fund.

The Manager may, in some cases, absorb a portion of the Fund's operating expenses. The amount of absorption for the year ended December 31, 2017 was \$51,804 (2016 - \$nil). The Manager may cease doing so at any time without notice to unitholders.

### Other expenses

The Manager will be reimbursed by the Fund for all reasonable costs, expenses and liabilities incurred by the Manager for performance of services on behalf of the Fund in connection with the discharge by the Manager of its duties hereunder. Such costs and expenses may include, without limitation: mailing and printing expenses for reports to unitholders and other unitholder communications; a reasonable allocation of salaries, benefits and consulting fees; independent directors of the Manager and other administrative expenses and costs incurred in connection with the Fund's continuous public offering and other obligations. These expenses are allocated by the Manager on a reasonable basis, across all of the Harvest Portfolios Group Inc. funds, and series of each applicable fund. These expenses were \$70,575 for the year ended December 31, 2017 (2016 - \$71,389) and are included in the unitholder reporting costs on the Statement of Comprehensive Income (Loss).

## 6. FOREIGN CURRENCY FORWARD CONTRACTS

The Fund enters into foreign currency forward contracts to hedge assets and liabilities denominated in foreign currencies of Series A only. Foreign currency forward contracts entered into by the Fund represent a firm commitment to buy or sell a currency at a specified value and point in time based upon an agreed or contracted quantity. The value of the foreign currency forward contract is the difference between the contract rate and the current forward rate at the measurement date applied to the contract's notional amount and adjusted for counterparty risk. The unrealized gains or losses on the forward contract are reported as part of the change in unrealized appreciation or depreciation of foreign exchange in the Statement of Comprehensive Income (Loss) and allocated to Series A only until it is closed out or partially settled.

At December 31, 2017 and December 31, 2016, the Fund had entered into the following foreign currency forward contracts:

| As at December 31, 2017                             |                   |                         |                         |                        |                |
|---|-------------------|-------------------------|-------------------------|------------------------|----------------|
| Counterparty  | Settlement Date   | Purchased currency      | Sold currency           | Unrealized gain (loss) | Contract Price |
| National Bank of Canada credit rating A             | January 18, 2018  | CAD \$14,474,745        | USD \$11,345,000        | \$263,672              | 0.7838         |
| Royal Bank of Canada, credit rating AA-             | January 18, 2018  | CAD \$14,476,617        | USD \$11,345,000        | \$265,544              | 0.7837         |
| Canadian Imperial Bank of Commerce credit rating A+ | February 14, 2018 | CAD \$32,749,993        | USD \$25,510,000        | \$806,554              | 0.7789         |
| <b>Total</b>  |                   | <b>CAD \$61,701,355</b> | <b>USD \$48,200,000</b> | <b>\$1,335,770</b>     |                |



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| As at December 31, 2016                 |                  |                         |                         |                        |                |
|---|------------------|-------------------------|-------------------------|------------------------|----------------|
| Counterparty                            | Settlement Date  | Purchased currency      | Sold currency           | Unrealized gain (loss) | Contract Price |
| National Bank credit rating A           | January 20, 2017 | CAD \$14,489,865        | USD \$11,050,000        | (\$325,505)            | 0.7626         |
| Royal Bank of Canada, credit rating AA- | January 20, 2017 | CAD \$14,488,263        | USD \$11,050,000        | (\$327,107)            | 0.7627         |
| Royal Bank of Canada credit rating AA-  | January 20, 2017 | CAD \$1,083,224         | USD \$800,000           | \$10,618               | 0.7385         |
| <b>Total</b>                            |                  | <b>CAD \$30,061,352</b> | <b>USD \$22,900,000</b> | <b>(\$641,994)</b>     |                |

### Offsetting of foreign currency forward contracts

In 2017, the Fund had foreign exchange settlements for its foreign currency forward contracts that do not meet the criteria for offsetting in the Statements of Financial Position. In 2016, the Fund had foreign exchange settlements for its foreign currency forward contracts that meet the criteria for offsetting in the Statements of Financial Position. The following table presents the recognized financial instruments that were not offset, as at December 31, 2017 and those offset in December 31, 2016.

| December 31, 2017                |                            |                             |                    |
|----------------------------------|----------------------------|-----------------------------|--------------------|
| Financial assets and liabilities | Gross assets (liabilities) | Amounts eligible for offset | Net offset amounts |
| Derivative assets                | \$1,335,770                | -                           | \$1,335,770        |
| Derivative liabilities           | -                          | -                           | -                  |

| December 31, 2016                |                            |                             |                    |
|----------------------------------|----------------------------|-----------------------------|--------------------|
| Financial assets and liabilities | Gross assets (liabilities) | Amounts eligible for offset | Net offset amounts |
| Derivative assets                | \$10,618                   | (\$10,618)                  | -                  |
| Derivative liabilities           | (\$652,612)                | \$10,618                    | (\$641,994)        |

## 7. FINANCIAL RISK MANAGEMENT

Investment activities of the Fund expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). The Manager seeks to minimize these risks by employing experienced portfolio managers that will manage the security portfolios of the Fund on a daily basis according to market events and the investment objectives of the Fund. To assist in managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

### Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The value of securities in the Fund's portfolio may be affected by the stock market conditions rather than each company's performance. Developments in the market are affected by general economic and financial conditions. Political, social and environmental factors can also affect the value of any investment.

As at December 31, 2017, 94.3% (December 31, 2016 – 100.0%) of the Fund's net assets attributable to holders of redeemable units were traded on public stock exchanges. If equity prices on these exchanges had increased or decreased by 5%, as at period end, with all other factors remaining constant, net assets attributable to holders of redeemable units would have increased or decreased by approximately \$3,372,218 (December 31, 2016 - \$1,619,596).

In practice, the actual trading results may differ and the difference could be material.

### Currency risk

Currency risk is the risk that the value of investments denominated in currencies other than the functional currency of the Fund will fluctuate as a result of changes in foreign exchange rates. When a Fund buys an investment priced in a foreign currency and the exchange rate between the Canadian dollar and the foreign currency changes unfavorably, it could reduce the value of the Fund's investment.

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The table below summarizes the Fund's net exposure to currency risk. Amounts shown are based on the carrying value of monetary and non-monetary net assets (including derivatives and the underlying principal (notional) amount of forward currency contracts, if any).

| As at December 31, 2017 |                    |                    |                        |                      |
|-------------------------|--------------------|--------------------|------------------------|----------------------|
| Currency                | Currency exposure* | Forward contracts* | Net currency exposure* | As a % of net assets |
| U.S. Dollars            | \$68,746,735       | \$60,365,585       | \$8,381,150            | 11.7                 |

\*In Canadian dollars

| As at December 31, 2016 |                    |                    |                        |                      |
|-------------------------|--------------------|--------------------|------------------------|----------------------|
| Currency                | Currency exposure* | Forward contracts* | Net currency exposure* | As a % of net assets |
| U.S. Dollars            | \$32,520,546       | \$30,703,346       | \$1,817,200            | 5.6                  |

\*In Canadian dollars

The non-monetary currency exposure is \$67,444,350 (December 31, 2016 - \$32,321,475) and the monetary currency exposure is \$1,302,385 (December 31, 2016 - \$199,071).

As at December 31, 2017, if the Canadian dollar had strengthened or weakened by 5% in relation to U.S. dollars, with all other variables held constant, the Fund's net assets attributable to holders of redeemable units would have increased or decreased, respectively, by approximately \$419,057 (December 31, 2016 - \$90,860) or 0.6 % (December 31, 2016 - 0.3%) based on the net currency exposure. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

The Fund enters into a forward currency contract on substantially all of the value of the proportionate share of Series A portfolio investments back to the Canadian dollar at all times.

### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair value of financial instruments. Interest rate risk arises when the Fund invests in interest-bearing financial instruments. The Fund does not hold any bonds or money market instruments; therefore, the Fund has no significant exposure to interest rate risk.

### Liquidity risk

Liquidity risk is defined as the risk that a fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to redemption of units as described in Note 4. Since the settlement of redemptions is primarily by delivery of securities, the ETF is not exposed to any significant liquidity risk. Therefore, in order to maintain sufficient liquidity, the Fund primarily invests in securities that are actively traded in public markets and can be readily disposed of to raise liquidity. In addition, the ETF retains sufficient cash and cash equivalent positions to maintain liquidity.

As at December 31, 2017 and December 31, 2016, all of the Fund's financial liabilities, had maturities of less than three months.

### 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.

All transactions executed by the Fund in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Fund enters into foreign currency forward contracts which are exposed to credit risk. The maximum credit risk exposure is the unrealized gain (loss) on the forward contracts.

As at December 31, 2017 and December 31, 2016, the Fund did not have significant credit risk exposure. All cash held by the fund is held with a reputable and regulated financial institution.

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### Fair value of financial instruments

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

**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 (i.e. as prices) or indirectly (i.e. derived from prices); and

**Level 3:** Inputs for the asset or liability that are not based on observable market data.

The table below summarizes the fair value of the Fund's financial instruments using the following fair value hierarchy:

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

Securities classification:

| Investments at fair value as at December 31, 2017 |                   |                  |              |                   |
|---|-------------------|------------------|--------------|-------------------|
|   | Level 1 (\$)      | Level 2 (\$)     | Level 3 (\$) | Totals (\$)       |
| <b>Financial Assets</b>                           |                   |                  |              |                   |
| <b>Equities</b>                                   |                   |                  |              |                   |
| Common Stock                                      | 63,975,100        | -                | -            | 63,975,100        |
| ADR   | 3,469,250         | -                | -            | 3,469,250         |
| <b>Derivatives</b>                                |                   |                  |              |                   |
| Foreign currency forward contract                 | -                 | 1,335,770        | -            | 1,335,770         |
| <b>Total Financial Assets</b>                     | <b>67,444,350</b> | <b>1,335,770</b> | <b>-</b>     | <b>68,780,120</b> |

| Investments at fair value as at December 31, 2016 |                   |                  |              |                   |
|---|-------------------|------------------|--------------|-------------------|
|   | Level 1 (\$)      | Level 2 (\$)     | Level 3 (\$) | Totals (\$)       |
| <b>Financial Assets</b>                           |                   |                  |              |                   |
| <b>Equities</b>                                   |                   |                  |              |                   |
| Common Stock                                      | 27,759,121        | -                | -            | 27,759,121        |
| ADR   | 4,632,791         | -                | -            | 4,632,791         |
| <b>Total Financial Assets</b>                     | <b>32,391,912</b> | <b>-</b>         | <b>-</b>     | <b>32,391,912</b> |
| <b>Financial Liabilities</b>                      |                   |                  |              |                   |
| <b>Derivatives</b>                                |                   |                  |              |                   |
| Options   | (70,437)          | -                | -            | (70,437)          |
| Foreign currency forward contract                 | -                 | (641,994)        | -            | (641,994)         |
| <b>Total Financial Liabilities</b>                | <b>(70,437)</b>   | <b>(641,994)</b> | <b>-</b>     | <b>(712,431)</b>  |

There were no Level 3 securities held by the Fund as at December 31, 2017 and December 31, 2016, and there were no significant transfers between Level 1 and Level 2 for the year ended December 31, 2017 or for the year ended December 31, 2016.

The value of the equities and options is based on quoted prices. The value of the foreign currency forward contract is determined as the difference between the contract rate and the current forward rate at the measurement date applied to the contract's notional amount and adjusted for counterparty risk.

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### Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry, sector or counterparty type. The following is a summary of the Fund's concentration risk by geography and segment.

Geography:

| As at                    | December 31, 2017 |                 | December 31, 2016 |                 |
|--------------------------|-------------------|-----------------|-------------------|-----------------|
|                          | \$*               | % of net assets | \$*               | % of net assets |
| United States of America | 67,444,350        | 94.3            | 32,321,475        | 99.8            |
| <b>Totals</b>            | <b>67,444,350</b> | <b>94.3</b>     | <b>32,321,475</b> | <b>99.8</b>     |

\*Stated in Canadian dollars

Market Segment (percentage of net assets attributable to holders of redeemable units):

|                                | December 31, 2017 | December 31, 2016 |
|--------------------------------|-------------------|-------------------|
|                                | % of net assets   | % of net assets   |
| <b>EQUITIES</b>                |                   |                   |
| Information Technology Issuers | 28.2              | 29.6              |
| Consumer Discretionary Issuers | 18.8              | 15.2              |
| Financials Issuers             | 14.2              | 15.9              |
| Industrial Issuers             | 14.1              | 15.9              |
| Consumer Staples Issuers       | 9.5               | 13.4              |
| Energy Issuers                 | 4.8               | 5.2               |
| Healthcare Issuers             | 4.7               | 4.8               |
| <b>OPTIONS</b>                 |                   |                   |
| Financials Issuers             | -                 | (0.1)             |
| Industrial Issuers             | -                 | (0.1)             |
| <b>Total</b>                   | <b>94.3</b>       | <b>99.8</b>       |

### 8. SOFT DOLLAR COMMISSIONS

Brokerage commissions paid to certain brokers may, in addition to paying for the cost of brokerage services in respect of security transactions, also provide for the cost of investment research services provided to the investment manager. The value of such research services included in commissions paid to brokers for the year ended December 31, 2017 and 2016 amounted to \$nil.

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This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest and the risks detailed from time to time in the Fund's prospectus or offering memorandum. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Fund does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.