



INTERIM FINANCIAL STATEMENTS
(Unaudited)

Brand Leaders Income Fund

June 30, 2019



Brand Leaders Income Fund

STATEMENTS OF FINANCIAL POSITION			
(Unaudited)			
As at		June 30, 2019	December 31, 2018
Assets			
Current assets			
Investments	\$	4,273,281	\$ 4,576,983
Cash		32,062	40,851
Dividends receivable		12,786	7,921
Unrealized appreciation on foreign currency forward contracts (Note 6)		107,630	-
		4,425,759	4,625,755
Liabilities			
Current liabilities			
Distributions payable (Note 4)		25,846	28,148
Payable for options contracts written		14,532	-
Unrealized depreciation on foreign currency forward contracts (Note 6)		-	194,433
		40,378	222,581
Net assets attributable to holders of redeemable units	\$	4,385,381	\$ 4,403,174
Number of redeemable units outstanding (Note 4)		397,638	433,051
Net assets attributable to holders of redeemable units per unit	\$	11.03	\$ 10.17

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

Brand Leaders Income Fund

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)			
(Unaudited)			
For the period ended June 30,	2019		2018
Income			
Net gain (loss) on investments			
Dividends	\$	50,307	\$ 53,027
Net realized gain (loss) on sale of investments		189,871	968,546
Net change in unrealized appreciation (depreciation) of investments		241,312	(710,738)
Net gain (loss) on investments		481,490	310,835
Net gain (loss) on derivatives			
Net realized gain (loss) on options written		(46,635)	(31,263)
Net realized gain (loss) on foreign exchange		(138,064)	103,961
Net change in unrealized appreciation (depreciation) of options written		731	4,332
Net change in unrealized appreciation (depreciation) of foreign exchange		303,231	(292,077)
Net gain (loss) on derivatives		119,263	(215,047)
Total income (net)	\$	600,753	\$ 95,788
Expenses (Note 5)			
Management fees	\$	21,977	\$ 28,013
Service fees		9,423	11,594
Withholding taxes		-	21,900
Unitholder reporting costs		3,134	6,406
Audit fees		4,861	2,543
Transfer agency fees		3,831	4,432
Custodian fees and bank charges		21,171	22,831
Independent Review Committee fees		184	267
Filing fees		26,022	26,644
Legal fees		4,124	7,309
Transaction costs (Note 9)		2,315	4,060
Total expenses	\$	97,042	\$ 135,999
Increase (decrease) in net assets attributable to holders of redeemable units	\$	503,711	\$ (40,211)
Increase (decrease) in net assets attributable to holders of redeemable units per unit (Note 4)	\$	1.25	\$ (0.08)

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Brand Leaders Income Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (Unaudited)			
For the period ended June 30,	2019		2018
Net assets attributable to holders of redeemable units beginning of period	\$	4,403,174	\$ 8,478,952
Increase (decrease) in net assets attributable to holders of redeemable units	\$	503,711	\$ (40,211)
Redeemable unit transactions			
Redemption of redeemable units		(366,425)	(3,586,105)
Net unitholders' transactions	\$	(366,425)	\$ (3,586,105)
Distributions to holders of redeemable units			
Net investment income		(155,079)	(168,890)
Total distributions to holders of redeemable units	\$	(155,079)	\$ (168,890)
Net assets attributable to holders of redeemable units end of period	\$	4,385,381	\$ 4,683,746

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

Brand Leaders Income Fund

STATEMENTS OF CASH FLOWS			
(Unaudited)			
For the period ended June 30,	2019		2018
Operating activities			
Increase (decrease) in net assets attributable to holders of redeemable units	\$	503,711	\$ (40,211)
Add (deduct) items not affecting cash			
Realized (gain) loss on sale of investments		(189,871)	(968,546)
Realized (gain) loss on options written		46,635	31,263
Change in unrealized (appreciation) depreciation of investments		(241,312)	710,738
Change in unrealized (appreciation) depreciation of options written		(731)	(4,332)
Change in unrealized (appreciation) depreciation of foreign exchange		(303,231)	292,077
Proceeds from sale of investments		1,107,561	4,301,431
Purchases of investments		(404,048)	(479,506)
Net change in non-cash assets and liabilities		(3,697)	27,952
Net cash flow provided by (used in) operating activities	\$	515,017	\$ 3,870,866
Financing activities			
Redemption and cancellation of redeemable units		(366,425)	(3,586,105)
Distributions paid to holders of redeemable units		(157,381)	(188,360)
Net cash flow provided by (used in) financing activities	\$	(523,806)	\$ (3,774,465)
Net increase (decrease) in cash during the period		(8,789)	96,401
Cash, beginning of the period		40,851	65,431
Cash, end of the period	\$	32,062	\$ 161,832
Supplemental disclosure of cash flow information			
Dividends received, net of withholding taxes*	\$	45,442	\$ 56,079

*included in operating activities

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

Brand Leaders Income Fund

SCHEDULE OF INVESTMENTS				
(Unaudited)				
As at June 30, 2019				
Number of Shares	Security	Average Cost (\$)	Carrying Value (\$)	% of Net Assets
EQUITIES				
Consumer Discretionary				
1,150	McDonald's Corporation	255,827	312,732	7.1
1,780	The Walt Disney Company	159,159	325,501	7.4
		414,986	638,233	14.5
Consumer Staples				
1,620	Kimberly-Clark Corporation	247,066	282,749	6.4
1,770	PepsiCo, Inc.	241,279	303,947	6.9
		488,345	586,696	13.3
Energy				
3,480	Royal Dutch Shell plc	261,287	296,539	6.8
		261,287	296,539	6.8
Financials				
1,980	JPMorgan Chase & Co.	223,112	289,887	6.6
4,860	Morgan Stanley	310,798	278,825	6.4
		533,910	568,712	13.0
Health Care				
1,580	Johnson & Johnson	235,541	288,183	6.6
		235,541	288,183	6.6
Industrials				
1,280	Caterpillar Inc.	208,631	228,453	5.2
1,650	United Parcel Service, Inc., Class B	218,923	223,141	5.1
		427,554	451,594	10.3
Information Technology				
190	Alphabet Inc., Class A	205,412	269,416	6.1
1,180	Apple Inc.	182,280	305,840	7.0
4,370	Intel Corporation	183,919	273,947	6.3
1,560	Microsoft Corporation	135,390	273,667	6.2
1,410	Visa Inc., Class A	218,352	320,454	7.3
		925,353	1,443,324	32.9
Total equities		3,286,976	4,273,281	97.4

Brand Leaders Income Fund

SCHEDULE OF INVESTMENTS (continued)				
(Unaudited)				
As at June 30, 2019				
Number of Shares	Security	Average Cost (\$)	Carrying Value (\$)	% of Net Assets
OPTIONS				
Consumer Discretionary				
(200)	McDonald's Corporation - Jul 2019 @ USD \$205	(657)	(1,167)	-
(400)	The Walt Disney Company - Jul 2019 @ USD \$140	(1,197)	(1,152)	-
		(1,854)	(2,319)	-
Consumer Staples				
(400)	Kimberly-Clark Corporation - Jul 2019 @ USD \$138	(1,213)	(445)	-
(400)	PepsiCo, Inc. - Jul 2019 @ USD \$135	(1,064)	(419)	-
		(2,277)	(864)	-
Energy				
(800)	Royal Dutch Shell PLC - Jul 2019 @ USD \$66	(1,159)	(576)	-
		(1,159)	(576)	-
Financials				
(400)	JPMorgan Chase & Co. - Jul 2019 @ USD \$110	(938)	(1,571)	(0.1)
(1,200)	Morgan Stanley - Jul 2019 @ USD \$43.5	(1,947)	(2,766)	(0.1)
		(2,885)	(4,337)	(0.2)
Health Care				
(300)	Johnson & Johnson - Jul 2019 @ USD \$144	(812)	(251)	-
		(812)	(251)	-
Industrials				
(300)	Caterpillar Inc. - Jul 2019 @ USD \$135	(1,250)	(1,583)	(0.1)
(400)	United Parcel Service, Inc. - Jul 2019 @ USD \$102	(859)	(1,388)	-
		(2,109)	(2,971)	(0.1)
Information Technology				
(200)	Apple Inc. - Jul 2019 @ USD \$200	(1,228)	(1,090)	-
(1,000)	Intel Corporation - Jul 2019 @ USD \$49	(922)	(969)	-
(300)	Microsoft Corporation - Jul 2019 @ USD \$139	(985)	(428)	-
(300)	Visa Inc. - Jul 2019 @ USD \$175	(1,032)	(727)	-
		(4,167)	(3,214)	-
Total options		(15,263)	(14,532)	(0.3)
Total investments		3,271,713	4,258,749	97.1
Foreign currency forward contracts (Note 6)			107,630	2.5
Other assets less liabilities			19,002	0.4
Net assets attributable to holders of redeemable units			4,385,381	100.0

Brand Leaders Income Fund

NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)

June 30, 2019

1. GENERAL INFORMATION

Brand Leaders Income Fund (the "Fund") is an investment fund established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated June 29, 2011 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 19, 2011. On July 19, 2011, the Fund completed an initial public offering of 2,500,000 units at \$12.00 per unit for gross proceeds of \$30,000,000. On August 3, 2011, an overallotment option was exercised for an additional 101,378 units at a price of \$12.00 per unit for gross proceeds of \$1,216,536. 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 Securities¹ of the Brand Leaders¹ directly. As part of the investment strategy, the Fund will invest in an equally weighted portfolio of equity securities of 15 Brand Leaders from the Brand Leaders Investable Universe¹ that have a market capitalization of at least US\$10 billion at the time of investment.

2. BASIS OF ACCOUNTING

These interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting. These interim financial statements were authorized for issue by Harvest Portfolios Group Inc. (the "Manager") on August 16, 2019.

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 FVTPL based on its business model. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount, which approximates fair value. 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. 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 June 30, 2019 and December 31, 2018, there were no differences between the Fund's NAV per security and its net assets per security calculated in accordance with IFRS 9.

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 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.

¹ As defined in the Fund's prospectus dated June 29, 2011.

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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. In addition to the annual redemption at 100% of NAV, the Fund's units are redeemable at 95% of their market price monthly. As a result, the Fund's units contain multiple contractual obligations and are presented as financial liabilities on transition to IFRS 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. The cost of investments is determined by using the average cost method.

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 options are included in the Statements of Comprehensive Income (Loss) in "Net realized gain (loss) on options written" and "net change in unrealized appreciation (depreciation) of options written", respectively. Realized and unrealized foreign currency gains or losses on assets and liabilities, other than investments and options, 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 included in the Statements of Comprehensive Income (Loss) in "Net realized gain (loss) on foreign exchange". The unrealized gains or losses on forward contracts are included in the Statements of Comprehensive Income (Loss) in "Net change in unrealized appreciation (depreciation) of 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 on a particular date will be equal to the aggregate value of the assets of the Fund less the aggregate value of the liabilities of the Fund, expressed in Canadian dollars at the applicable exchange rate on such date. The NAV and NAV per unit will be calculated on each Thursday during the year (or, if a Thursday is not a Business Day, the Business Day following such Thursday) and on the last Business Day of each month, and any other time as may be determined by the Manager from time to time. "Business Day" means any day on which the Toronto Stock Exchange ("TSX") is open for trading.

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".

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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, divided by the weighted average units outstanding for the financial period.

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 investments and derivatives under IFRS 9

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about the business model in which the portfolio of investments and derivatives is held. The Manager has determined that the Fund’s business model is one in which its portfolio is managed and performance evaluated on a fair value basis under IFRS 9.

4. REDEEMABLE UNITS

The authorized capital of the Fund consists of an unlimited number of transferable units of one class representing an equal, undivided interest in the 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. The units trade on the TSX under the symbol HBL.UN. As at June 30, 2019, the closing price of the units was \$10.72 per unit (December 31, 2018 - \$9.88 per unit).

Redemptions

Units may be surrendered 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 shall be 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.

Notwithstanding the monthly redemption price formula above, at no time will the Fund pay out redemption proceeds greater than the NAV per Unit as determined on the monthly redemption date for each Unit being redeemed.

In accordance with the Fund prospectus, in addition to the monthly redemption rights, on an annual basis, units may 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 31, 2019, 35,413 (January 31, 2018 – 299,531) units were redeemed and cancelled for \$366,425 (January 31, 2018 - \$3,586,105).

The following units were redeemed during the period:

	Units outstanding
Total outstanding as at January 1, 2018	732,582
Redeemable units redeemed	(299,531)
Total outstanding as at June 30, 2018	433,051
Total outstanding as at January 1, 2019	433,051
Redeemable units redeemed	(35,413)
Total outstanding as at June 30, 2019	397,638

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The weighted average number of units outstanding during the period ended June 30, 2019 was 403,508 units (2018 – 482,697 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. The Fund will annually determine and announce the distribution amount for the following year based upon the prevailing market conditions. The distribution amount was \$155,079 for the period ended June 30, 2019 (2018 - \$168,890).

5. RELATED PARTY TRANSACTIONS AND OTHER EXPENSES

Management and service fees

The Fund pays the Manager a management fee calculated based on the average weekly net asset value (“NAV”) and paid monthly in arrears, based on an annual rate of 0.90%, plus applicable taxes, of the NAV of the Fund. The Fund also pays service fees to registered dealers at the rate on 0.40% of the average weekly NAV, plus applicable taxes, per annum of the Fund. Service fees are accrued daily and paid monthly to the Manager, who in turn pays the dealers quarterly.

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.

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, and benefits; 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 \$1,868 for the period ended June 30, 2019 (2018 - \$3,349) and are included in the unitholder reporting costs on the Statements of Comprehensive Income (Loss).

Waivers and absorptions

At its sole discretion, the Manager may waive management fees or absorb expenses of the Fund. There were no management fee waivers or expense absorptions for the period ended June 30, 2019 or 2018. The Manager may cease doing so at any time without notice to unitholders.

6. FOREIGN CURRENCY FORWARD CONTRACTS

The Fund enters into foreign currency forward contracts to hedge assets and liabilities denominated in foreign currencies. 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.

At June 30, 2019 and December 31, 2018, the Fund had entered into the following foreign currency forward contracts:

As at June 30, 2019					
Counterparty	Settlement date	Purchased currency	Sold currency	Unrealized gain (loss)	Contract price
National Bank of Canada credit rating A	July 17, 2019	CAD \$4,296,675	USD \$3,200,000	\$107,630	0.7448
Total				\$107,630	

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As at December 31, 2018					
Counterparty	Settlement date	Purchased currency	Sold currency	Unrealized gain (loss)	Contract price
National Bank of Canada credit rating A	January 11, 2019	USD \$100,000	CAD \$134,211	\$2,275	0.7451
National Bank of Canada credit rating A	January 11, 2019	CAD \$4,845,483	USD \$3,700,000	(\$204,510)	0.7636
National Bank of Canada credit rating A	January 11, 2019	USD \$190,000	CAD \$251,552	\$7,802	0.7554
Total				(\$194,433)	

Offsetting of foreign currency forward contracts

As at June 30, 2019, the Fund did not have any foreign exchange settlements for its foreign currency forward contracts that met the criteria for offsetting in the Statements of Financial Position. As at December 31, 2018 the Fund had foreign exchange settlements for its foreign currency forward contracts that met the offsetting criteria. The following tables present the recognized financial instruments that were not offset as at June 30, 2019 and that were offset as at December 31, 2018. There would be no further offsetting in the event of bankruptcy of the counterparty.

June 30, 2019			
Financial assets and liabilities	Gross assets (liabilities)	Amounts eligible for offset	Net offset amounts
Derivative assets	\$107,630	-	\$107,630
Derivative liabilities	-	-	-

December 31, 2018			
Financial assets and liabilities	Gross assets (liabilities)	Amounts eligible for offset	Net offset amounts
Derivative assets	\$10,077	(\$10,077)	-
Derivative liabilities	(\$204,510)	\$10,077	(\$194,433)

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 June 30, 2019, 97.4% (December 31, 2018 – 103.9%) 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 \$213,664 (December 31, 2018 - \$228,849).

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 tables below summarize 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 June 30, 2019				
Currency	Currency exposure*	Forward contracts*	Net currency exposure*	As a % of net assets
U.S. Dollars	\$4,290,412	\$4,189,045	\$101,367	2.3

*In Canadian dollars

As at December 31, 2018				
Currency	Currency exposure*	Forward contracts*	Net currency exposure*	As a % of net assets
U.S. Dollars	\$4,615,915	\$4,654,153	(\$38,238)	(0.9)

*In Canadian dollars

The non-monetary currency exposure was \$4,258,749 (December 31, 2018 – \$4,576,983) and the monetary currency exposure was \$31,663 (December 31, 2018 – \$38,932).

As at June 30, 2019, 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 decreased or increased, respectively, by approximately \$5,068 (December 31, 2018 - \$1,192) or 0.1% (December 31, 2018 - 0.0%) based on the net currency exposure. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

As all of the securities in the portfolio investments are denominated in U.S. dollars and related dividends and premiums from call options received are in U.S. dollars, the Fund enters into a forward currency contract on substantially all of the value of the 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. As at June 30, 2019 and December 31, 2018, the Fund did not hold any bonds or money market instruments; therefore, the Fund had 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. However, the Manager does not expect that the contractual maturity will be representative of the actual cash outflows as holders of those units typically retain them for a longer period. 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.

As at June 30, 2019 and December 31, 2018, all the Fund's financial liabilities have 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 also enters into foreign currency forward contracts which are exposed to credit risk. The maximum credit risk exposure is the unrealized gain on the forward contracts.

As at June 30, 2019 and December 31, 2018, the Fund did not have significant credit risk exposure. All cash held by the fund is held with a reputable and regulated financial institution.

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:

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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 June 30, 2019				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Financial Assets				
Equities				
Common Stock	3,976,742	-	-	3,976,742
ADR	296,539	-	-	296,539
Foreign currency forward contracts	-	107,630	-	107,630
Total Financial Assets	4,273,281	107,630	-	4,380,911
Financial Liabilities				
Derivatives				
Options	(14,532)	-	-	(14,532)
Total Financial Liabilities	(14,532)	-	-	(14,532)

Investments at fair value as at December 31, 2018				
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Totals (\$)
Financial Assets				
Equities				
Common Stock	4,276,283	-	-	4,276,283
ADR	300,700	-	-	300,700
Total Financial Assets	4,576,983	-	-	4,576,983
Financial Liabilities				
Derivatives				
Foreign currency forward contracts	-	(194,433)	-	(194,433)
Total Financial Liabilities	-	(194,433)	-	(194,433)

There were no Level 3 securities held by the Fund as at June 30, 2019 and December 31, 2018, and there were no significant transfers between Level 1 and Level 2 for the period ended June 30, 2019 and 2018.

The value of the equities and written 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.

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 country and industry in which the companies held in the portfolio operate. The prior year presentation has been updated to conform to the current year methodology of presenting the concentration risk based on the country of risk.

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Geography:

As at	June 30, 2019	December 31, 2018
	% of net assets	% of net assets
United States	90.6	97.1
Netherlands	6.8	6.8
Foreign currency forward contracts	2.5	(4.4)
Cash and other assets and liabilities	0.4	0.5
Options	(0.3)	-
Totals	100.0	100.0

Market Segment:

As at	June 30, 2019	December 31, 2018
	% of net assets	% of net assets
Information Technology	32.9	33.7
Consumer Staples	13.3	14.8
Consumer Discretionary	14.5	14.4
Financials	13.0	13.2
Industrials	10.3	14.2
Energy	6.8	6.8
Health Care	6.6	6.8
Foreign currency forward contracts	2.5	(4.4)
Cash and other assets and liabilities	0.4	0.5
Options	(0.3)	-
Total	100.0	100.0

8. TAXATION

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). For tax purposes, the Fund will elect in 2019 to have a December 15 year end. In previous years, the Fund had a December 31 year end. All 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 Statements 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 no capital losses, which could be carried forward indefinitely and applied against future capital gains. Non-capital losses are available to offset against income in future years and have been carried forward as follows:

Year of Expiry	Amount (\$)
2033	167,899
2034	115,149
2035	315,465

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 in the Statements of Comprehensive Income (Loss).

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.

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9. 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 periods ended June 30, 2019 and 2018 amounted to \$nil.



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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

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.