

Interim Financial Statements (unaudited)
For the six month periods ended June 30, 2018 and 2017

Lysander-Canso Balanced Fund



Lysander-Canso Balanced Fund

Interim Financial Statements Six-Month Period Ended June 30, 2018 (unaudited)

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Lysander-Canso Balanced Fund

Interim Statements of Financial Position (unaudited)

As at	30-Jun-18	31-Dec-17
Assets		
Financial assets at fair value through profit or loss*	\$ 40,753,824	\$ 41,083,430
Cash and cash equivalents	400,073	86,291
Accrued interest	99,140	115,789
Receivable from forward exchange contracts	15,446	39,095
Dividends receivable	7,897	7,108
Total assets	\$ 41,276,380	\$ 41,331,713
Liabilities		
Due to investment dealers	\$ 480,000	\$ -
Accrued expenses	57,060	58,768
Redemptions payable	5,800	46,643
Total liabilities	\$ 542,860	\$ 105,411
Net assets attributable to holders of redeemable units	\$ 40,733,520	\$ 41,226,302
Net assets attributable to holders of redeemable units, per series		
Series A	\$ 18,985,213	\$ 20,649,347
Series F	21,748,307	20,576,955
Total net assets	\$ 40,733,520	\$ 41,226,302
Number of redeemable units outstanding		
Series A	1,105,482	1,253,517
Series F	1,128,492	1,112,771
Net assets attributable to holders of redeemable units per unit		
Series A	\$ 17.17	\$ 16.47
Series F	19.27	18.49
* Financial assets at fair value through profit or loss at cost	\$ 41,080,751	\$ 40,789,472

Interim Statements of Comprehensive Income (unaudited)

For the periods ended	30-Jun-18	30-Jun-17
Income		
Interest for distribution purposes	\$ 233,421	\$ 262,067
Dividend income	202,986	239,473
Other income	1,464	1,000
Realized and unrealized gain (loss) on investments		
Net realized gain on investments sold	2,301,321	1,794,849
Net realized (loss) gain on foreign currency	(26,690)	15,848
Change in (depreciation) unrealized on foreign currency	(68)	(990)
Change in (depreciation) appreciation unrealized on forward contracts	(23,649)	45,092
Change in (depreciation) unrealized on investments	(591,524)	(259,566)
Total operating income	\$ 2,097,261	\$ 2,097,773
Expenses		
Management fees	\$ 251,826	\$ 314,228
Transaction costs	29,361	35,901
Fund administration fees	13,507	17,488
Blended HST expense	9,695	-
Filing fees	6,451	6,451
Custodial fees	5,951	5,951
Audit fees	4,359	7,486
Unitholder reporting expense	1,789	1,376
Regulatory fees expense	1,037	-
Independent review committee fees	608	608
Bank charges	457	2,515
Total operating expenses	\$ 325,041	\$ 392,004
Withholding tax	\$ 15,654	\$ 15,757
Total net operating expenses	\$ 340,695	\$ 407,761
Change in net assets attributable to holders of redeemable units from operations	\$ 1,756,566	\$ 1,690,012
Change in net assets attributable to holders of redeemable units from operations, per series		
Series A	\$ 817,453	\$ 888,030
Series F	939,113	801,982
Change in total net assets	\$ 1,756,566	\$ 1,690,012
Change in net assets attributable to holders of redeemable units from operations per unit		
Series A	\$ 0.70	\$ 0.49
Series F	0.86	0.64

Lysander-Canso Balanced Fund

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

All Series

For the periods ended	30-Jun-18	30-Jun-17
Net assets attributable to holders of redeemable units, beginning of period	\$ 41,226,302	\$ 55,330,541
Change in net assets attributable to holders of redeemable units from operations	1,756,566	1,690,012
Distributions to unitholders of redeemable units		
From net investment income	\$ (101,692)	\$ (113,984)
From management fee rebate income	(1,464)	(1,000)
	\$ (103,156)	\$ (114,984)
Redeemable unit transactions		
Proceeds from redeemable units issued		
Series A	\$ 723,017	\$ 247,462
Series F	3,033,169	2,238,947
Total proceeds	\$ 3,756,186	\$ 2,486,409
Cost of units redeemed		
Series A	\$ (3,204,604)	\$ (9,497,144)
Series F	(2,791,949)	(8,141,615)
Total cost	\$ (5,996,553)	\$ (17,638,759)
Reinvested distributions		
Series A	\$ 1,035	\$ 22,775
Series F	93,140	85,409
Total reinvested	\$ 94,175	\$ 108,184
Change in net assets attributable to holders of redeemable units for the period	\$ (492,782)	\$ (13,469,138)
Net assets attributable to holders of redeemable units, end of period	\$ 40,733,520	\$ 41,861,403

Series A

For the periods ended	30-Jun-18	30-Jun-17
Net assets attributable to holders of redeemable units, beginning of period	\$ 20,649,347	\$ 31,893,689
Change in net assets attributable to holders of redeemable units from operations	817,453	888,030
Distributions to unitholders of redeemable units		
From net investment income	\$ 0	\$ (24,197)
From management fee rebate income	(1,035)	(550)
Total distributions	\$ (1,035)	\$ (24,747)
Redeemable unit transactions		
Proceeds from redeemable units issued		
	\$ 723,017	\$ 247,462
Cost of units redeemed	(3,204,604)	(9,497,144)
Reinvested distributions	1,035	22,775
Total redeemable	\$ (2,480,552)	\$ (9,226,907)
Change in net assets attributable to holders of redeemable units for the period	\$ (1,664,134)	\$ (8,363,624)
Net assets attributable to holders of redeemable units, end of period	\$ 18,985,213	\$ 23,530,065

Series F

For the periods ended	30-Jun-18	30-Jun-17
Net assets attributable to holders of redeemable units, beginning of period	\$ 20,576,955	\$ 23,436,852
Change in net assets attributable to holders of redeemable units from operations	939,113	801,982
Distributions to unitholders of redeemable units		
From net investment income	\$ (101,692)	\$ (89,787)
From management fee rebate income	(429)	(450)
Total distributions	\$ (102,121)	\$ (90,237)
Redeemable unit transactions		
Proceeds from redeemable units issued		
	\$ 3,033,169	\$ 2,238,947
Cost of units redeemed	(2,791,949)	(8,141,615)
Reinvested distributions	93,140	85,409
Total redeemable	\$ 334,360	\$ (5,817,259)
Change in net assets attributable to holders of redeemable units for the period	\$ 1,171,352	\$ (5,105,514)
Net assets attributable to holders of redeemable units, end of period	\$ 21,748,307	\$ 18,331,338

Lysander-Canso Balanced Fund

Interim Statements of Cash Flows (unaudited)

For the periods ended	30-Jun-18	30-Jun-17
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units from operations	\$ 1,756,566	\$ 1,690,012
Adjustments for:		
Foreign exchange loss on cash and cash equivalents	2	1
Net realized (gain) on sales of investments	(2,301,321)	(1,794,849)
Change in unrealized depreciation on investments	620,885	295,467
Change in unrealized depreciation on foreign currency	68	990
Purchases of investments	(8,849,717)	(2,952,759)
Proceeds from sale and maturity of investments	10,859,759	17,905,801
Due to investment dealers	480,000	-
Receivable from forward exchange contracts	23,649	(35,830)
Accrued interest	16,649	50,360
Dividends receivable	(789)	(4,587)
Accrued expenses	(1,708)	(15,493)
Redemptions payable	(40,843)	75,838
Due from investment dealers	0	(179,343)
Payable on forward exchange contracts	0	(9,262)
Subscriptions receivables	0	(350)
Net cash from (used in) operating activities	\$ 2,563,200	\$ 15,025,996
Cash flows from (used in) financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	\$ (8,981)	\$ (6,800)
Proceeds from issuances of redeemable units	3,756,186	2,486,409
Amounts paid on redemption of redeemable units	(5,996,553)	(17,638,759)
Net cash from (used in) financing activities	\$ (2,249,348)	\$ (15,159,150)
Foreign exchange (loss) on cash and cash equivalents	\$ (70)	\$ (991)
Increase (Decrease) in cash and cash equivalents during the period	313,852	(133,154)
Balance of cash and cash equivalents, beginning of period	86,291	576
Cash and cash equivalents/(Bank indebtedness) at the end of period	\$ 400,073	\$ (133,569)
Supplementary disclosures on cash flow from operating activities		
Interest received	\$ 250,067	\$ 312,141
Dividends received	202,198	234,886
Withholding tax	15,654	15,757
Interest paid	457	2,515

Interim Schedule of Investment Portfolio as at June 30, 2018 (unaudited)

Par Value/Number of Shares	Average Cost (\$)	Fair Value (\$)
Asian Equities (3.2%)		
2,983 Nintendo Co Ltd	\$ 412,483	\$ 1,282,317
Total	\$ 412,483	\$ 1,282,317
Canadian Equities (37.2%)		
267,100 Bombardier Inc.	\$ 573,376	\$ 1,388,920
41,900 Canfor Pulp Products Inc.	442,845	1,056,718
3,455,958 Clearstream Energy Services Inc.	1,210,380	224,637
180,333 Clearwater Seafoods Inc.	762,030	912,485
41,600 Empire Co Ltd Class A	712,424	1,097,824
34,722 Manulife Financial Corp.	730,267	820,133
28,300 Maxar Technologies Ltd.	1,641,117	1,867,800
15,290 Nutrien Ltd.	814,568	1,093,541
630,000 Second Cup Ltd.	2,396,353	1,644,300
415,852 Torstar Corp.	1,888,129	540,607
2,703 Xplornet Comm Inc. Warrants Series A Dec 20, 2018 144A	147,675	256,929
963 Xplornet Comm Inc. Warrants Series B Dec 20, 2018 144A	21,176	36,606
1,421 Xplornet Comm Inc. Warrants Series C Oct 25, 2023 Restricted	547,319	670,623
585 Xplornet Comm Inc. Warrants Series D Oct 25, 2023	119,398	296,591
360,310 Yellow Pages Limited	5,075,608	3,253,599
Total	\$ 17,082,665	\$ 15,161,313
Canadian Fixed Income (21.6%)		
1,510,000 BMO CB FRN Feb 1, 2023 (3M CDOR + 19)	\$ 1,510,000	\$ 1,505,847
96,700 ClearStream Energy Services Inc. 8% Mar 23, 2026	96,700	93,799
43,000 Cogeco Cable Inc. 4.175% May 26, 2023	44,659	44,496
154,224 CP Rail (amort) 6.91% Oct 1, 2024	187,707	174,222
86,000 Enbridge Inc. 4.24% Aug 27, 2042	80,037	82,509

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Interim Schedule of Investment Portfolio as at June 30, 2018 (unaudited)

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
Canadian Fixed Income (21.6%)							
<i>Cont'd</i>							
45,000	Enbridge Inc. 4.57% Mar 11, 2044	43,981	45,304	300,000	TD CB FRN Jun 28, 2023 (3M CDOR + 31)	300,000	300,000
243,000	Enbridge Inc. FRN May 24, 2019 (Q CDOR +59)	243,785	243,625	155,000	Teck Resources Ltd. 6.25% Jul 15, 2041 (USD)	192,048	203,733
190,000	GE Capital Canada FRN Feb 15, 2022 (Q CDOR +35)	186,614	188,978	92,000	TransCanada Pipelines 8.05% Feb 17, 2039	143,831	140,454
19,379	Hwy 407 (amort) 6.75% Jul 27, 2039	25,708	25,472	257,000	TransCanada Pipelines FRN May 15, 2067 (3M LIBOR+221) (USD)	270,819	317,500
109,000	Hwy 407 Jr Secured 7.125% 26 Jul 2040	167,942	166,222	10,000	Videotron Ltee 5.75% Jan 15, 2026	10,513	10,420
75,000	Kraft Canada Inc. FRN July 6, 2020 (Q CDOR +105)	75,971	75,846	46,000	Videotron Ltee Sr Notes 5.625% Jun 15, 2025	49,026	48,349
146,000	Metro Inc. 4.27% Dec 4, 2047	146,062	145,737	40,756	Yellow Pages Digital & Media Solutions Ltd 8.0% Nov 30, 2022	36,452	40,369
84,149	Nav Canada (amort) 7.56% Mar 1, 2027	108,873	100,717	98,535	Yellow Pages Digital & Media Solutions Ltd. 10% Nov 1, 2022	97,768	101,245
65,000	Pembina Pipeline Corp 4.02% Mar 27, 2028	64,995	65,826	Total		\$ 8,720,770	\$ 8,808,534
53,000	Pembina Pipeline Corp 4.75% Mar 26, 2048	52,966	53,964	European Equities (7.5%)			
200,853	Postmedia Network Inc. 8.25% Jul 15, 2021	204,763	188,802	73,660	Commerzbank AG - ORD	\$ 1,147,076	\$ 935,279
590,000	RBC CB FRN Mar 23, 2020 (3M CDOR + 36)	591,947	592,408	249,150	Royal Bank of Scotland Group PLC - London	1,577,892	1,114,344
925,000	RBC FRN Feb 11, 2020 (3M CDOR + 54)	934,250	931,434	44,453	Unicredit SPA	1,281,477	981,164
40,000	RBC FRN June 29, 2085(USD)(Q LIMEAN+25)	32,206	43,336	Total		\$ 4,006,445	\$ 3,030,787
436,000	Shaw Communications Inc. 6.75% Nov 9, 2039	522,634	549,266	Foreign Fixed Income (9.7%)			
118,000	SNC Lavalin FRN Mar 2, 2021 (Q CDOR + 54)	118,000	118,097	986,000	Apple Inc. 2.513% Aug 19, 2024	\$ 984,991	\$ 961,280
32,000	Sobeys Inc. 4.7% Aug 8, 2023	33,360	33,284	282,000	AT&T Inc. 4.85% May 25, 2047	281,148	279,432
9,000	Sobeys Inc. 5.79% Oct 6, 2036	9,659	9,811	170,000	Caisse Francaise de Financement Local 5.0% Mar 9, 2020	191,648	178,527
101,000	Sobeys Inc. 6.06% Oct 29, 2035	100,739	110,991	254,000	Eurofima 4.55% Mar 30, 2027	284,442	284,332
137,000	Sobeys Inc. 6.64% Jun 7, 2040	142,193	163,017	33,000	Heathrow Funding Limited 3.0% Jun 17, 2021/23	33,755	33,241
301,000	TD Bank CB 1.68% Jun 8, 2021	294,555	293,590	157,000	KFW 5.05% Feb 4, 2025	178,561	179,276
1,600,000	TD Bank FRN Jul 31, 2019 (Q CDOR +5)	1,600,007	1,599,864	480,000	Lloyds Bank PLC FRN Jul 11, 2023 (3M CDOR + 55)	480,000	480,000
				41,000	Navient Corp 5.5% Jan 25, 2023(USD)	43,855	53,150

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Interim Schedule of Investment Portfolio as at June 30, 2018 (unaudited)

Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
Foreign Fixed Income (9.7%)							
<i>Cont'd</i>							
8,000	Navient Corp 5.625% Aug 1, 2033 (USD)	7,003	8,938	25,183	KS SP LP (Scotia Plaza) (amort) 3.21% Jun 15, 2019	25,291	25,239
99,000	Neder Waterschapsbank 4.55% Mar 16, 2029	105,170	110,912	71,337	N.B. Highway (amort) 6.47% Nov 30, 2027	88,362	83,131
42,000	Neder Waterschapsbank 5.20% Mar 31, 2025	47,907	47,682	67,440	ORNGE Issuer Trust (amort) 5.727% Jun 11, 2034	74,037	77,626
177,000	PepsiCo Inc. 2.15% May 6, 2024	176,628	169,496	80,206	St.Clair Holding ULC (amort) 4.881% Aug 31, 2031	85,179	84,519
251,000	Purch 3% May 22, 2022	306,245	329,916	271,656	Strait Crossing Dev. Inc. (amort) 6.17% Sep 15, 2031	293,544	299,868
112,000	Tennessee Gas Pipeline 8.375% Jun 15, 2032 (USD)	161,879	183,356	295,000	WTH Car Rental ULC (AVIS) 2.542% Aug 20, 2019	295,000	295,443
102,000	Teva Pharmaceuticals 3.15% Oct 1, 2026 (USD)	105,831	107,943	Total		\$ 1,395,623	\$ 1,401,406
557,000	The Walt Disney Co. 2.758% Oct 7, 2024	556,509	549,261	US Equities (10.3%)			
Total		\$ 3,945,572	\$ 3,956,742	5,416	Apple Inc.	\$ 535,062	\$ 1,317,765
Mortgage Backed Securities (1.2%)							
478,816	MCAP Service NHA MBS FRN (98001252) July 1, 2020 (M CDOR+35)	\$ 478,653	\$ 480,749	53,800	Enbridge Energy Partners LP	693,033	772,915
Total		\$ 478,653	\$ 480,749	69,300	SLM Corp	686,762	1,042,962
Preferreds (5.9%)							
410	Clearstream Preferred	\$ 410,000	\$ 410,000	9,600	Walmart Inc.	877,800	1,080,757
59,400	M Split Corp. 7.50% Dec 1, 2019 Series C	131,274	130,977	Total		\$ 2,792,657	\$ 4,214,399
309,700	Purch Series C Preferred Share	1,704,609	1,876,600	Total investment portfolio (100.0%)			
Total		\$ 2,245,883	\$ 2,417,577		Cash and cash equivalents (1.0%)	\$	\$ 400,073
Private Placements (3.4%)							
247,763	Arrow Lakes Power Corp (amort) 5.516% Apr 5, 2041 Series B	\$ 286,582	\$ 293,218		Other assets less liabilities (-1.0%)		(420,377)
113,993	Bankers Hall LP (amort) 4.377% November 20, 2023	124,832	115,050	Net assets		\$	\$ 40,733,520
17,340	Green Timbers LP (amort) 6.838% Jun 30, 2037	21,432	21,713				
101,000	Inpower BC GP (amort) 4.471% Mar 31, 2033	101,364	105,599				

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Foreign Exchange Contracts

CounterParty	Settlement Date	Buy	Par Value	Sell	Par Value	Forward Rate	Current Rate	Unrealized Appreciation (Depreciation)
Canadian Imperial Bank of Commerce ¹	2018-09-19	CAD \$	1,282,282	USD \$	965,000	0.753	0.762	\$ 15,446

Notes

¹ Credit rating of counterparty is A+

Lysander-Canso Balanced Fund

Notes to the interim financial statements for the six-month period ended June 30, 2018 (unaudited)

1. Formation of Fund

The address of the Fund's registered office is 100 York Boulevard, Suite 501, Richmond Hill, Ontario.

Lysander Funds Limited (the "Manager") is the manager and trustee of the Fund and is responsible for providing or arranging the provision of all general management and administrative services required by the Fund in its day-to-day operations, including but not limited to, calculating and reporting the net asset value of the Fund and its series, preparing all offering documents, unitholder recordkeeping and other administrative services.

The Lysander-Canso Balanced Fund (the "Fund"), is an open-end fund formed under the laws of the Province of Ontario by a declaration of trust dated March 27, 2009. The Fund commenced operations on March 31, 2009 and distributed units under a prospectus exemption. The Fund became a reporting issuer on December 23, 2011.

The Fund's objective is to provide above average, long-term total returns consisting of both income and capital gains by investing primarily in a portfolio of fixed income securities and equities.

The portfolio manager of the Fund is Canso Investment Counsel, ("Portfolio Manager"), a company under common control.

2. Basis of Presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). These interim financial statements have been prepared in accordance with IAS 34-Interim Financial Reporting and do not include all of the information and disclosures required in the annual financial statements. These financial statements should be read in conjunction with the Fund's annual financial statements and accompanying note disclosures.

The Fund has adopted the following standards, interpretations and amendments for the first time for the period beginning on January 1, 2018:

IFRS 9 Financial Instruments ("IFRS 9")

The adoption of IFRS 9 has been applied retrospectively by the Fund. IFRS 9 requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit and loss or other comprehensive income, based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Upon adoption of IFRS 9, the Fund's financial assets and liabilities previously classified as at fair value through profit or

loss ("FVTPL") and amortized cost under IAS 39 "Financial Instruments: Recognition and Measurement", continued to be classified at FVTPL and amortized cost.

The financial statements were authorized for issue by Lysander's board of directors on August 20, 2018.

3. Significant Accounting Policies

The significant accounting policies of the Fund are as follows:

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term investments in an active market with original maturities of three months or less, bank overdrafts and money market funds with daily liquidity and all highly liquid financial instruments that mature within three months of being purchased.

Financial instruments

The Fund accounts for its financial instruments in accordance with IFRS 9, which include cash and cash equivalents, investments at fair value through profit or loss, accrued interest, reimbursement receivable, subscriptions receivable, redemption payable, due to/from investment dealer, receivable/payable from forward exchange contracts and accrued expenses.

Financial assets and financial liabilities at fair value through profit or loss:

Assets

The Fund classifies its investments in debt and equity securities and investment funds based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales. Further, an option to irrevocably designate any equity securities at fair value through other comprehensive income ("FVOCI") has not been taken.

Consequently, these financial assets are mandatorily measured at FVTPL.

Liabilities

The Fund makes short sales in which a borrowed security is sold in anticipation of a future decline in its market value, or used as an arbitrage strategy.

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition on initial

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recognition they are a part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short term profit-taking.

All derivatives and short positions are included in this category and mandatorily measured at FVTPL.

The Fund does not apply general hedge accounting to any of its derivatives positions.

Financial assets and financial liabilities at amortized cost:

The financial assets and liabilities measured at amortized cost include cash collateral posted on derivative positions, accrued income, due to and from brokers and other short term receivables and payables.

IFRS 9 replaced the incurred loss model in IAS 39 with the expected credit loss model (“ECL”), as the new impairment model for financial assets carried at amortized cost. The Fund’s financial assets measured at amortized cost consist of trade receivables with no financing component and which have maturities of less than 12 months, as such, it has chosen to apply the simplified ECL approach, whereby any loss allowance is recognized based on the lifetime ECLs. Given the short-term nature of the trade receivables, this amendment has not had a material impact on the financial statements and these trade receivables are not considered impaired.

The Fund classifies financial instruments carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified as Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is reclassified as Level 3. The Manager assesses transfers at the time of an event that may cause reason for re-assessment of levelling. The classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the

significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability. The determination of what constitutes observable requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources. The classification of the Fund’s financial instruments within the fair value hierarchy as at June 30, 2018 and December 31, 2017, as applicable, is disclosed in the notes to the financial statements of the Fund. Significant transfers between levels are also disclosed in the notes to the financial statements of the Fund, where applicable. The reconciliation of level 3 fair value measurements for the periods ended June 30, 2018 and December 31, 2017, if applicable, are included in the notes to the financial statements of the Fund.

Recognition/Derecognition

At initial recognition, financial assets and liabilities are measured at fair value. Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed as incurred in the statement of comprehensive income.

Subsequent to initial recognition, financial assets and liabilities at fair value through profit or loss are measured at fair value.

Gains and losses arising from changes in their fair value are included in the statement of comprehensive income for the period in which they arise. Dividend or interest income earned on financial assets at fair value through profit or loss and dividend or interest expense on the financial liabilities at fair value through profit or loss are disclosed in a separate line item in the statement of comprehensive income.

Financial assets are derecognized when the contractual rights to the cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the disposition of investments, and unrealized appreciation and depreciation of investments, are determined on an average cost basis and are included in the statement of comprehensive income.

Realized gains and losses related to options are included in net realized gain/(loss) on options at fair value through profit or loss. Realized gains and losses relating to written options may arise from expiration of written options whereby realized gains are equivalent to the premium received and from the exercise of written covered call options in addition to the realized gain or

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losses from disposition of the related investments at the exercise price of the option.

Fair value measurements

The securities in the Fund's Portfolio are measured at Fair Value Through Profit or Loss ("FVTPL"). The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the year-end date. The quoted market price used for financial assets and financial liabilities of the Fund is the last traded price provided such price is within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the points within the bid-ask spread that are most representative of the fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques commonly used by market participants making the maximum use of observable inputs and relying as little as possible on unobservable inputs. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Where available, valuation techniques use market observable assumptions and inputs. If such data is not available, inputs may be derived by reference to similar assets in active markets, from recent prices for comparable transactions or from other observable market data. When measuring fair value, the Fund selects the non-market-observable inputs to be used in its valuation techniques, based on a combination of historical experience, derivation of input levels based on similar products with observable price levels and knowledge of current market conditions and valuation approaches. Unobservable Inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk. Unlisted debt securities are valued based

on observable inputs such as the prices provided by an independent reputable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data and using standard market convention practices. Unlisted debt securities for which current quotations are not readily available are valued using another valuation technique as described below.

The Fund uses widely recognized valuation techniques for determining the fair value of financial instruments that are not actively traded and quoted. The most frequently applied valuation techniques include: i) discounted value of expected cash flows, ii) relative value, iii) option pricing methodologies, iv) private placement financing technique v) internally developed models and vi) market activity. In some cases, it may be reasonable and appropriate to value at cost, where there has been no material subsequent event affecting value. Discounted value of expected cash flows is a valuation technique that measures fair value using estimated expected future cash flows from assets or liabilities and then discounts these cash flows using a discount rate or discount margin that reflects the credit and/or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a present value. When using such valuation techniques, expected future cash flows are estimated using an observed or implied market price for the future cash flows or by using industry standard cash flow projection models. The discount factors within the calculation are generated using industry standard yield curve modeling techniques and models. Relative value models measure fair value based on the market prices of equivalent or comparable assets or liabilities, making adjustments for differences between the characteristics of the observed instrument and the instrument being valued. Option pricing models incorporate assumptions regarding the behavior of future price movements of an underlying referenced asset or assets to generate a probability-weighted future expected payoff for the option. The resulting probability-weighted expected payoff is then discounted using discount factors generated from industry standard yield curve modeling techniques and models. The option pricing model may be implemented using a closed form analytical formula or other mathematical techniques (e.g., binomial tree or Monte Carlo simulation). For more complex instruments and instruments for which there is no active market, fair values may be estimated using a combination of observed transaction prices, if any, consensus pricing services and relevant broker quotes. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided by consensus pricing services. Private placement financings are instances where a company raises capital through an offering of additional securities in the private markets. Pertinent details of such offering, including the terms of such offering, the issue

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price, and total capital raised are considered when assessing the reasonability that the issue price of such offering approximates fair value. In contrast to public offerings on a recognized exchange, private placement financings are not available to the general public. The Fund also uses internally developed models, which are typically based on valuation methods and techniques recognized as standard within the industry. Assumptions and inputs used in valuation techniques include benchmark interest rate curves, credit and funding spreads used in estimating discount rates, bond and equity prices, equity index prices, foreign exchange rates, levels of market volatility and correlation. In situations where there is limited market activity for the asset or liability near the measurement date, the most recent transaction price may be used.

Income recognition

Dividend income is recognized when the Fund's right to receive the payment has been established, normally being the ex-dividend date. Dividend income is recognized gross of withholding tax, if any.

The interest income for distribution purposes shown on the statement of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. The interest income for distribution purposes is the tax basis of calculating the interest received and which is subject to tax.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Accounting estimates

In the application of the Fund's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. The most significant estimates relate to the valuation of investments. Actual results could differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Net assets attributable to holders of redeemable units

Units issued and outstanding represent the capital of the Fund, with units in each series representing an equal and rateable share in the assets allocated to each series. The management fee rates are different for each of the series. Please refer to Note 6 for discussion of management fee rates. The redeemable units are classified as financial liabilities and are measured at the redemption amounts.

Units of the Fund may be purchased or redeemed at a price per unit equal to the net asset value ("NAV") of a unit of the applicable series of the Fund on each valuation date.

Net asset value per unit

The net asset value per unit of each series of units of the Fund is computed by dividing the NAV of a series of units by the total number of units of the series outstanding at the time. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its NAV for transactions with holders of redeemable units.

Foreign currency translation

Foreign currency amounts are translated into the Fund's functional currency as follows: fair value of investments, forward currency contracts and other financial assets and liabilities, at the closing rate of exchange on each business day; income and expenses, and purchases, sales and settlements of investments, at the rate of exchange prevailing on the respective dates of such transactions.

Foreign currency forward contracts

The value of the foreign currency forward contracts is the gain or loss that would be realized if the position in the forward contract was closed out in accordance with its terms. The unrealized gains or losses on the forward contract are reported as part of the change in unrealized appreciation or depreciation on forwards in the statement of comprehensive income. Foreign currency forward contracts manage exposure to foreign currency gains and losses arising from short and long-term investments denominated in foreign currencies.

Taxation

The Fund is a mutual fund trust within the meaning of the Income Tax Act (Canada) (the "Act"). The Fund is subject to tax on its net taxable income, including net realized capital gains, for the calendar year which is not paid or payable to its unitholders as of the end of the calendar year. It is the intention of the Fund to pay all of its net taxable income and net realized capital gains so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable. Therefore, no provision for income taxes has been made in these financial statements.

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As at December 31, 2017, the Fund had no net capital losses (December 31, 2016 - Nil) and no non-capital losses (December 31, 2016 - Nil)

Distributions

The Fund makes distributions of net income quarterly or monthly, please refer to the Fund's Simplified Prospectus, and any net realized capital gains annually. These are recognized in the statement of changes in net assets attributable to holders of redeemable units.

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:

Determination of Functional Currency

'Functional currency' is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then management uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events, and conditions. The Fund's subscriptions and redemptions are denominated in Canadian Dollars ("CAD"). Accordingly, management has determined that the functional currency of the Fund is CAD unless noted otherwise.

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 as disclosed in Fair Value Measurement section in Note 3.

Future changes in accounting standards

As of June 30, 2018, there are no future standards that could have a material impact on the Fund.

4. Expenses

The Fund is responsible for the payment of all expenses related to its operations, including but not limited to audit fees, Independent Review Committee fees, fund administration fees, filing fees, redeemable unitholder reporting and custodian fees plus harmonized sales tax. At their discretion, the Manager or the Portfolio Manager may pay certain of the expenses of the Fund but any such payments shall not oblige the Manager or the Portfolio Manager to make similar future payments. All expenses are recognized in the statement of comprehensive income on the accrual basis.

Service fees may be paid by the Manager from the management fees it receives from the Fund. Service fees may be paid to brokers and dealers to compensate them for providing ongoing services to redeemable unitholders holding Series A units, if applicable.

The maximum service fee is 0.75% on the Series A units, exclusive of any applicable taxes.

5. Issuance and Redemption of Units

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal undivided interest in the net assets of the Fund. Each unit entitles the holder to the same rights and obligations as a holder of any other unit and no holder of units is entitled to any privilege, priority or preference in relation to any other holder of units. Each holder of units is entitled to one vote for each whole unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, if any. On termination or liquidation of the Fund, the holders of outstanding units of record are entitled to receive on a pro rata basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. The units of the Fund are issued and redeemed at their Net Asset Value.

During the periods ended June 30, 2018 and 2017, the number of units issued, redeemed and outstanding were as follows:

Series A

For the periods ended	30-Jun-18	30-Jun-17
Units outstanding at beginning of period	1,253,517	2,189,164
Redeemable units issued	42,829	16,842
Redeemable units redeemed	(190,925)	(648,254)
Redeemable units issued on reinvestments	61	1,558
Units outstanding at end of period	1,105,482	1,559,310

Series F

For the periods ended	30-Jun-18	30-Jun-17
Units outstanding at beginning of period	1,112,771	1,434,467
Redeemable units issued	159,142	135,665
Redeemable units redeemed	(148,264)	(492,850)
Redeemable units issued on reinvestments	4,843	5,193
Units outstanding at end of period	1,128,492	1,082,475

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6. Related Party Transactions

The Manager is responsible for the day-to-day management of the Fund and its investment portfolio in compliance with the Fund's constating documents. The Manager pays for the investment management services and provides all administrative services required by the Fund. As compensation for its services the Manager is entitled to receive a management fee.

The Manager may offer a reduced management fee to selected investors who (among other considerations) hold large investments in the Fund. This is achieved by reducing the management fee charged to the Fund based on the assets held by such investors and the Fund distributing the amount of the reduction in additional units of the same series of the Fund to the investor.

At June 30, 2018, the shareholders of the Manager and Portfolio Manager, together with certain immediate family members and employees of such shareholders had an ownership interest in the Fund amounting to 12.9% (December 31, 2017 - 11.9%).

The Manager is entitled to receive from the Fund a management fee which is calculated daily and payable monthly at an annualized rate of up to 1.50% on Series A units and up to 0.75% on Series F units, exclusive of applicable taxes, based on the net asset value of each respective series.

During the period ended June 30, 2018, the Manager paid the Portfolio Manager, an affiliate of the Manager, \$75,011 (June 30, 2017 - \$88,866) for managing the portfolio of the Fund. As at June 30, 2018 the amount payable to the Portfolio Manager was \$12,627 (December 31, 2017 - \$13,238).

7. Fair Value Hierarchy

The following fair value hierarchy table presents information about the Fund's assets measured at fair value, as described in Note 3, as at June 30, 2018 and December 31, 2017.

As at June 30, 2018	Level 1		Level 2		Level 3		Total
Investments							
Equities	\$	22,559,044	\$	–	\$	3,547,349	\$ 26,106,393
Fixed income		40,369		14,277,146		329,916	14,647,431
Total	\$	22,599,413	\$	14,277,146	\$	3,877,265	\$ 40,753,824

As at December 31, 2017	Level 1		Level 2		Level 3		Total
Investments							
Equities	\$	26,155,519	\$	–	\$	3,047,893	\$ 29,203,412
Fixed income		15,165		11,550,664		314,189	11,880,018
Total	\$	26,170,684	\$	11,550,664	\$	3,362,082	\$ 41,083,430

As at	30-Jun-18		31-Dec-17	
Level 3 reconciliation				
Balance, beginning of period	\$	3,362,082	\$	2,255,407
Purchases		–		168,851
Sales		–		–
Transfers In		410,000		666,716
Transfers Out		–		–
Realized gains and losses		–		–
Change in unrealized appreciation/depreciation		105,183		271,108
Balance, end of period	\$	3,877,265	\$	3,362,082

The Portfolio Manager's internal valuation team is comprised of individuals from across the functional areas of the firm (Trading, Settlements, Research, Portfolio Management, Compliance, and Fund Administration) who have broad and deep experience in the fair value techniques for debt and equity investments. The team reports to the Chief Investment Officer of the Portfolio Manager and the internal valuation team's valuation processes and results are reviewed by management on an ongoing basis. Security

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valuations are discussed on a case-by-case basis with a view to establish the most suitable valuation method. There were transfers of \$410,000 from level 2 to level 3.

The following sections provides information regarding Level 3 securities. It includes a summary of the valuation techniques used and the sensitivity of the fair value of these securities to changes in input values.

Clearstream Preferred

Price: \$1,000.00

Valuation Technique: The private placement financing technique.

Unobservable Inputs: The last transacted price unless there is a material subsequent event that warrants a review. The preferred shares were issued on January 16, 2018 at \$1,000. There have been no subsequent material events affecting value.

Change in input values: A reasonably possible change to the value of the next private placement financing could result in an increase or decrease of 30%, or an increase or decrease in the security price of \$300.00

Purch 3% May 22, 2022

Price: \$100.00 USD

Valuation Technique: Internal Model which uses a combination of three techniques: 1) discounted value of expected cash flows, 2) relative value and 3) option pricing methodologies. The output of the model is compared to recent private placement funding rounds to confirm its reasonability.

Unobservable Inputs: The primary unobservable inputs for this security include audited financial statement data, recent private offering valuation multiples of competitors, and liquidation preference rights.

Change in input values: A reasonably possible change in the key inputs to the model could result in an increase or decrease of 9%, or an increase or decrease in the security price of \$9.00.

Purch Series C Preferred Share

Price: \$4.61 USD

Valuation Technique: Internal Model which uses a combination of three techniques: 1) discounted value of expected cash flows, 2) relative value and 3) option pricing methodologies. The output of the model is compared to recent private placement funding rounds to confirm its reasonability.

Unobservable Inputs: The primary unobservable inputs for this security include audited financial statement data, recent private offering valuation multiples of competitors, and liquidation preference rights.

Change in input values: A reasonably possible change in the key inputs to the model could result in an increase or decrease of 12%, or an increase or decrease in the security price of \$0.57.

Xplornet Comm Inc. Warrants Series A Dec 20, 2018 144A

Price: \$95.05

Valuation Technique: The private placement financing technique.

Unobservable Inputs: The primary unobservable input for this security is the last price where the company raised capital in a private offering of additional securities and the exchange ratio of warrants for shares.

Change in input values: A reasonably possible change to the value of the next private placement financing could result in an increase or decrease of 30%, or an increase or decrease in the security price of \$28.51

Xplornet Comm Inc. Warrants Series B Dec 20, 2018 144A

Price: \$38.01

Valuation Technique: The private placement financing technique.

Unobservable Inputs: The primary unobservable input for this security is the last price where the company raised capital in a private offering of additional securities and the exchange ratio of warrants for shares.

Change in input values: A reasonably possible change to the value of the next private placement financing could result in an increase or decrease of 30%, or an increase or decrease in the security price of \$11.40

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Xplornet Comm Inc. Warrants Series C Oct 25, 2023 Restricted

Price: \$471.94

Valuation Technique: The private placement financing technique.

Unobservable Inputs: The primary unobservable input for this security is the last price where the company raised capital in a private offering of additional securities and the exchange ratio of warrants for shares.

Change in input values: A reasonably possible change to the value of the next private placement financing could result in an increase or decrease of 30%, or an increase or decrease in the security price of \$141.58

Xplornet Comm Inc. Warrants Series D Oct 25, 2023

Price: \$506.99

Valuation Technique: The private placement financing technique.

Unobservable Inputs: The primary unobservable input for this security is the last price where the company raised capital in a private offering of additional securities and the exchange ratio of warrants for shares.

Change in input values: A reasonably possible change to the value of the next private placement financing could result in an increase or decrease of 30%, or an increase or decrease in the security price of \$152.10

8. Risk Management

The Fund's activities expose it to a variety of financial risks in the normal course of operations. These include credit risk, liquidity risk, and market risk. The value of the investments in the Fund's portfolio can fluctuate as a result of changes in interest rates, general economic conditions, supply and demand conditions relating to specific securities, or news relating to a specific issuer. In order to manage risk, the Portfolio Manager will diversify the portfolio based on industry and credit rating category. Significant risks that are relevant to the Fund are discussed below.

Credit risk

Credit risk is the risk of financial loss that could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The Fund's main exposure to credit risk consists of investments in debt instruments, such as bonds. The Fund is also exposed to counterparty risk from other assets, such as amounts due from investment dealer or subscriptions receivable. To manage this risk, the Portfolio Manager monitors the Fund's credit exposure and counterparty ratings.

The Fund measures credit risk and lifetime ECLs related to these trade receivables using historical analysis and forward looking information in determining the ECL.

As at June 30, 2018 and December 31, 2017, the Fund had directly invested in debt instruments with the following credit ratings:

As a % of net assets		30-Jun-18	31-Dec-17
Credit exposure			
AAA	%	9.3	4.6
AA		10.0	7.4
A		6.2	6.3
BBB		6.7	5.9
BB		1.8	1.7
B		0.7	1.1
CCC		0.1	–
Not Rated		7.0	6.1

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations, including any redemption of units for cash. The Fund is exposed to possible daily redemptions at the then current NAV per unit. Liquidity risk is managed by investing a significant portion of the Fund's assets in investments that are traded in an active market and that can be readily sold. All liabilities of the Fund are due within one year.

The following table presents the Fund's liabilities according to their maturity date as at June 30, 2018 and December 31, 2017:

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As at 30-Jun-2018	Less Than One Month		1-3 Months		3 Months – 1 Year	
Liquidity risk						
Redemption Payable	\$	5,800	\$	-	\$	-
Due to investment dealers		480,000		-		-
Accrued expenses		-		57,060		-
Liquidity exposure						
Redemption Payable	\$	46,643	\$	-	\$	-
Accrued expenses		-		58,768		-

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a fund asset will fluctuate because of changes in market interest rates. To manage interest rate risk, the Portfolio Manager monitors exposures and maintains the portfolio duration within the limits specified in the investment policies and objectives of the Fund. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

The table below summarizes the Fund's exposure to interest rate risks based on the remaining term to maturity of the investments.

	Less than 1 year		1-5 years		More than 5 years	
Interest rate exposure						
June 30, 2018	\$	268,864	\$	7,352,002	\$	7,026,565
December 31, 2017		808,671		4,198,512		6,872,835

If interest rates had increased or decreased by 1% at June 30, 2018, with all other variables remaining constant, net assets of the fund would have decreased or increased by approximately \$564,389 (December 31, 2017 - \$593,659).

Currency risk

Currency risk arises when the value of investments denominated in currencies other than CAD fluctuate due to changes in exchange rates. The currency risk will typically be hedged by entering into foreign currency forward contracts if required, however some moderate currency exposure may be assumed if deemed to be beneficial to the Fund. In practice, actual results could differ from this sensitivity analysis and the difference could be material.

	30-Jun-18		31-Dec-17	
Currency exposure				
US Dollars	%	18	%	20
Other		11		17

As at June 30, 2018, if the CAD had strengthened or weakened by 1% in relation to the above currencies, with all other factors remaining constant, the Fund's net assets would have decreased or increased by 0.3% (December 31, 2017 - 0.4%).

Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment. This risk is managed through a careful selection of securities and other financial instruments within the parameters of the investment strategy and by maintaining a well-diversified portfolio. Exposure to price risk arises from investments in equity securities. In practice, actual results will differ from this sensitivity analysis and the difference could be material.

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As at June 30, 2018, approximately 64.1% (December 31, 2017 - 70.8%) of the Fund's net assets were invested in equity securities. If prices of these investments had increased or decreased by 5% as at June 30, 2018 with all other factors remaining constant, net assets would have increased or decreased, by approximately \$1,305,320 (December 31, 2017 - \$1,460,171).



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