

Financial Statements of

## **KIPLING FUNDS LTD.**

Consisting of:

Kipling Global Enhanced Dividend Pool (formerly Kipling North American Enhanced Dividend Pool)

Kipling US Enhanced Equity Pool (formerly Kipling US Enhanced Growth and Income Pool)

Kipling Monthly Income Pool

Kipling Canadian Enhanced Dividend Pool (formerly Kipling Canadian Enhanced Income Pool)

For the year ended March 31, 2017



KPMG LLP  
205 5th Avenue SW  
Suite 3100  
Calgary AB  
T2P 4B9  
Telephone (403) 691-8000  
Fax (403) 691-8008  
[www.kpmg.ca](http://www.kpmg.ca)

## **INDEPENDENT AUDITORS' REPORT**

### **To the Shareholders of Kipling Funds Ltd. (the "Funds") being:**

Kipling Global Enhanced Dividend Pool (formerly Kipling North American Enhanced Dividend Pool)

Kipling US Enhanced Equity Pool (formerly US Enhanced Growth and Income Pool)

Kipling Monthly Income Pool

Kipling Canadian Enhanced Dividend Pool (formerly Kipling Canadian Enhanced Income Pool)

We have audited the accompanying financial statements of the Funds, which comprise the statements of financial position as at March 31, 2017, the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the year ended March 31, 2017, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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



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

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

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Funds as at March 31, 2017, and their financial performance and their cash flows for the year ended March 31, 2017 in accordance with International Financial Reporting Standards.

*KPMG LLP*

Chartered Professional Accountants

June 27, 2017  
Calgary, Canada

## KIPLING GLOBAL ENHANCED DIVIDEND POOL

Statements of Financial Position  
 March 31, 2017, with comparative information for 2016  
 Expressed in Canadian Dollars

	2017	2016
<b>Assets</b>		
Investments, at fair value	\$ 27,578,462	\$ 29,995,976
Cash	2,517,236	504,636
Dividends receivable	75,892	92,832
Receivable for investments sold	-	423,319
Subscription receivable	-	65
Other receivables	-	1,077
Derivative assets	-	108,056
	<b>\$ 30,171,590</b>	<b>\$ 31,125,961</b>
<b>Liabilities</b>		
Investments sold short, at fair value	\$ 7,113,613	\$ 7,421,882
Management fee payable	580	2,568
Payable for investments purchased	-	356,325
Accrued liabilities	46,904	35,544
Income taxes payable	5,000	98,769
Distributions payable to holders of redeemable shares	14,557	28,019
Derivative liabilities	117,181	49,282
	<b>\$ 7,297,835</b>	<b>\$ 7,992,389</b>
<b>Net assets attributable to holders of redeemable shares per series:</b>		
Series A	\$ 7,254,161	\$ 8,767,102
Series M	15,619,594	14,366,470
	<b>\$ 22,873,755</b>	<b>\$ 23,133,572</b>
<b>Number of redeemable shares outstanding (note 4):</b>		
Series A	671,600	849,889
Series M	1,385,923	1,358,224
<b>Net assets attributable to holders of redeemable shares per share:</b>		
Series A	\$ 10.80	\$ 10.32
Series M	11.27	10.58

On behalf of Kipling Funds Ltd.:



Director

## KIPLING GLOBAL ENHANCED DIVIDEND POOL

Statements of Comprehensive Income

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

	2017	2016
Income:		
Dividends	\$ 667,822	\$ 900,843
Net realized gain (loss) on sale of investments	(939,476)	674,589
Net realized gain on currency contracts	51,377	-
Unrealized appreciation (depreciation) in value of investments and foreign exchange	2,637,411	(162,988)
	2,417,134	1,412,444
Expenses:		
Management fees	120,956	108,093
Dividends paid on investments sold short	87,327	74,700
Operating expenses	62,845	50,902
Withholding taxes	50,310	81,513
Transaction costs	43,711	48,398
Custodian fees	7,050	6,834
Audit fees	5,238	19,351
HST expenses	135	-
Interest expense	-	61,557
Income tax expense (recovery)	(20,427)	98,769
	357,145	550,117
Increase in net assets attributable to holders of redeemable shares	\$ 2,059,989	\$ 862,327
Increase in net assets attributable to holders of redeemable shares per series:		
Series A	\$ 580,675	\$ 205,825
Series M	1,479,314	656,502
	\$ 2,059,989	\$ 862,327
Increase in net assets attributable to holders of redeemable shares per share:		
Series A	\$ 0.77	\$ 0.32
Series M	1.06	0.48

See accompanying notes to financial statements.

## KIPLING GLOBAL ENHANCED DIVIDEND POOL

Statements of Changes In Net Assets Attributable to Holders of redeemable shares

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

2017										
	Net Assets attributable to holders of redeemable shares, beginning of year	Proceeds from redeemable shares issued	Distributions to shareholders (Investment Income)	Distributions to shareholders (Capital Gains)	Redemption of redeemable shares	Reinvestments of redeemable shares distributed	Increase in net assets attributable to holders of redeemable shares	Net assets attributable to holders of redeemable shares, end of year		
Series A	\$ 8,767,102	\$ 1,016,609	\$ (256,816)	\$ -	\$ (3,089,701)	\$ 236,292	\$ 580,675	\$ 7,254,161		
Series M	14,366,470	4,498,164	(473,525)	-	(4,692,881)	442,052	1,479,314	15,619,594		
	\$ 23,133,572	\$ 5,514,773	\$ (730,341)	\$ -	\$ (7,782,582)	\$ 678,344	\$ 2,059,989	\$ 22,873,755		
2016										
	Net Assets attributable to holders of redeemable shares, beginning of year	Proceeds from redeemable shares issued	Distributions to shareholders (Investment Income)	Distributions to shareholders (Capital Gains)	Redemption of redeemable shares	Reinvestments of redeemable shares distributed	Increase in net assets attributable to holders of redeemable shares	Net assets attributable to holders of redeemable shares, end of year		
Series A	\$ 3,328,058	\$ 5,424,830	\$ (266,951)	\$ (206,104)	\$ (143,078)	\$ 424,522	\$ 205,825	\$ 8,767,102		
Series M	10,366,132	6,674,200	(559,645)	(337,593)	(3,221,610)	788,484	656,502	14,366,470		
	\$ 13,694,190	\$ 12,099,030	\$ (826,596)	\$ (543,697)	\$ (3,364,688)	\$ 1,213,006	\$ 862,327	\$ 23,133,572		

See accompanying notes to financial statements.

## KIPLING GLOBAL ENHANCED DIVIDEND POOL

### Statements of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

	2017	2016
Cash provided by (used in):		
Operations:		
Increase in net assets attributable to holders of redeemable shares	\$ 2,059,989	\$ 862,327
Adjustments for non-cash items:		
Net realized (gain) loss on sale of investments	939,476	(674,589)
Net realized (gain) on currency contracts	(51,377)	-
Unrealized (appreciation) depreciation in value of investments and foreign exchange	(2,637,411)	162,988
	310,677	350,726
Change in non-cash balances:		
(Increase) decrease in dividends receivable	16,940	(39,702)
Increase (decrease) in management fees payable	(1,988)	1,992
Increase (decrease) in performance fee payable	-	(25,988)
Increase in accrued liabilities	11,360	15,502
(Increase) decrease in other receivables	1,077	(1,077)
Increase (decrease) in income tax payable	(93,769)	98,769
Proceeds from the sale of investments net of amount paid to cover investments sold short	9,186,323	17,218,823
Purchase of investments net of amount received for the investments sold short	(5,194,038)	(26,384,658)
	4,236,582	(8,765,613)
Financing:		
Proceeds from issuances of redeemable shares	5,514,838	12,148,312
Distributions of redeemable shares net of reinvestment of redeemable shares distributed	(65,459)	(128,615)
Amount paid on redemption of redeemable shares	(7,782,582)	(3,364,688)
	(2,333,203)	8,655,009
Increase (decrease) in cash during the year	1,903,379	(110,604)
Foreign exchange gain on cash	109,221	79,380
Cash, beginning of year	504,636	535,860
Cash, end of year	\$ 2,517,236	\$ 504,636
Supplemental information:		
Dividends received, net of withholding taxes	\$ 634,452	\$ 779,628
Dividends paid on investments sold short	87,327	74,700

See accompanying notes to financial statements.

# KIPLING GLOBAL ENHANCED DIVIDEND POOL

Schedule of Investment Portfolio

March 31, 2017

Expressed in Canadian Dollars

Investments held long	Number of shares	Average cost	Fair value
<b>Canadian equities (37.5%)</b>			
Bank of Nova Scotia	12,425	\$ 714,827	\$ 966,665
Cameco Corp.	50,300	773,951	740,416
Canadian National Railway Co.	4,850	374,156	476,076
Chartwell Retirement Residences	22,600	342,090	352,334
Cineplex Inc.	13,100	628,811	661,550
Emera Inc.	10,025	419,896	470,975
Enbridge Inc.	12,400	690,621	690,804
Granite REIT, Stapled Units	5,200	229,228	241,904
Great-West Lifeco Inc.	18,225	614,340	671,591
Pembina Pipeline Corp.	11,950	479,076	503,573
Royal Bank of Canada	10,325	804,255	1,000,389
Suncor Energy Inc.	15,825	610,664	646,135
TELUS Corp.	19,225	802,499	829,943
Toronto-Dominion Bank (The)	14,475	782,437	964,180
Vermilion Energy Inc.	13,050	662,276	650,804
Waste Connections Inc.	3,950	367,150	463,809
<b>Total Canadian equities</b>		9,296,277	10,331,147
<b>European equity (3.4%)</b>			
Hal Trust	3,675	822,193	950,382
<b>Total European equities</b>		822,193	950,382
<b>U.S. equities (59.1%)</b>			
3M Co.	1,475	319,004	376,372
AbbVie Inc.	6,100	526,260	530,094
Amgen Inc.	2,725	551,470	596,263
Anheuser-Busch InBev NV, ADR	4,925	699,044	720,929
Automatic Data Processing Inc.	6,075	714,480	829,556
Bank of America Corp.	14,050	448,275	442,024
BHP Billiton Ltd.	8,825	447,296	427,467
Boeing Co. (The)	1,950	360,578	459,945
Broadcom Ltd.	3,000	561,748	876,048
Diageo PLC, ADR	2,975	438,634	458,576
Dow Chemical Co. (The)	8,175	527,509	692,750
Ecolab Inc.	2,975	455,841	497,300
Ferrari NV	10,500	701,028	1,041,287
First Republic Bank	5,400	519,519	675,592
Johnson & Johnson	3,550	540,516	589,677
Kimberly-Clark Corp.	2,520	408,506	442,382
Lockheed Martin Corp.	1,250	376,467	446,106
MasterCard Inc., Class 'A'	6,675	851,352	1,001,221
Microsoft Corp.	12,675	819,467	1,113,298
Nestlé SA, ADR, Registered	4,650	444,734	476,893
PepsiCo Inc.	3,150	411,272	469,924
Philip Morris International Inc.	3,700	403,867	557,106
Schlumberger Ltd.	6,175	626,986	643,176
UnitedHealth Group Inc.	1,625	340,340	355,439
Vulcan Materials Co.	2,625	399,490	421,780
Wells Fargo & Co.	8,850	567,336	656,944
Williams-Sonoma Inc.	6,975	499,775	498,784
<b>Total U.S. equities</b>		13,960,794	16,296,933
<b>Total investments owned</b>		\$ 24,079,264	\$ 27,578,462



# KIPLING GLOBAL ENHANCED DIVIDEND POOL

Schedule of Investment Portfolio (continued)

March 31, 2017

Expressed in Canadian Dollars

Investments sold short	Number of shares	Proceeds from short sales	Fair Value
<b>Canadian equities (30.0%)</b>			
AGF Management Ltd., Class 'B'	(10,000)	\$ (50,205)	\$ (61,600)
Equitable Group Inc.	(1,800)	(97,287)	(124,866)
Hudson's Bay Co.	(9,700)	(113,337)	(104,857)
Husky Energy Inc.	(14,100)	(211,139)	(211,641)
Hydro One Ltd.	(9,625)	(241,150)	(233,406)
iShares S&P/TSX 60 Index ETF	(54,475)	(1,233,154)	(1,254,015)
RioCan REIT	(2,600)	(65,876)	(68,120)
Ritchie Bros. Auctioneers Inc.	(1,700)	(70,896)	(74,409)
<b>Total Canadian equities</b>		(2,083,044)	(2,132,914)
<b>U.S. equities (70.0%)</b>			
Avis Budget Group Inc.	(1,550)	(70,797)	(61,147)
Bank of the Ozarks Inc.	(3,225)	(182,843)	(223,696)
Bed Bath & Beyond Inc.	(2,200)	(112,230)	(115,777)
Brown-Forman Corp., Class 'B'	(1,800)	(113,653)	(110,858)
Capital Senior Living Corp.	(7,800)	(170,908)	(146,259)
Cheniere Energy Inc.	(3,800)	(229,519)	(239,558)
Cigna Corp.	(650)	(115,666)	(126,988)
Coca-Cola Co. (The)	(2,200)	(116,621)	(124,520)
Dollar Tree Inc.	(1,150)	(112,504)	(120,334)
GCP Applied Technologies Inc.	(3,250)	(113,631)	(141,517)
Global Payments Inc.	(1,575)	(150,177)	(169,468)
iShares MSCI EAFE ETF	(9,050)	(710,795)	(751,811)
Martin Marietta Materials Inc.	(425)	(124,085)	(123,704)
Masco Corp.	(2,200)	(89,137)	(99,728)
Post Holdings Inc.	(1,050)	(113,933)	(122,557)
Premier Inc., Class 'A'	(2,750)	(119,552)	(116,738)
Sealed Air Corp.	(2,150)	(136,358)	(124,959)
Sotheby's Holdings Inc., Class 'A'	(1,100)	(68,092)	(66,720)
Southwestern Energy Co.	(6,650)	(75,672)	(72,458)
SPDR S&P 500 ETF Trust	(4,225)	(1,268,879)	(1,328,317)
Symantec Corp.	(2,240)	(92,077)	(91,653)
Tesla Motors Inc.	(400)	(118,813)	(148,462)
W.W. Grainger Inc.	(280)	(92,262)	(86,918)
Whole Foods Market Inc.	(6,725)	(256,503)	(266,553)
<b>Total U.S. equities</b>		(4,754,707)	(4,980,699)
<b>Total investments sold short</b>		(6,837,751)	(7,113,613)
<b>Transaction costs</b>		(31,541)	–
<b>Net investments owned</b>		<b>\$ 17,209,972</b>	<b>\$ 20,464,849</b>

## KIPLING GLOBAL ENHANCED DIVIDEND POOL

Schedule of Derivative Instruments

March 31, 2017

Options	Number of shares	Proceeds from short sales	Fair Value
Bank of the Ozarks Inc. May 2017, \$50.00	(3,200)	(6,625)	\$ (5,975)
Cameco Corp. July 2017, \$13.00	(13,300)	(7,847)	(5,653)
Cheniere Energy Inc. June 2017, \$42.50	(3,800)	(7,670)	(4,865)
Enbridge Inc. July 2017, \$50.00	(6,000)	(4,525)	(3,090)
Husky Energy Inc. July 2017, \$15.00	(14,100)	(7,614)	(11,703)
Kimberly-Clark Corp. May 2017, \$125.00	(1,200)	(2,046)	(1,840)
Post Holdings Inc. April 2017, \$80.00	(1,000)	(1,791)	(167)
Schlumberger Ltd. April 2017, \$77.00	(2,200)	(2,135)	(2,318)
Southwestern Energy Co. April 2017, \$7.00	(6,600)	(2,700)	(352)
Tesla Motors Inc. June 2017, \$240.00	(400)	(5,290)	(3,142)
UnitedHealth Group Inc. June 2017, \$150.00	(1,000)	(1,722)	(1,907)
Waste Connections Inc. July 2017, \$98.00	(4,000)	(6,599)	(1,520)
Williams-Sonoma Inc. May 2017, \$45.00	(3,000)	(9,160)	(1,000)
<b>Total written put options</b>		(65,724)	(43,532)
Amgen Inc. April 2017, \$175.00	(1,000)	(3,010)	(40)
Anheuser-Busch InBev NV, ADR April 2017, \$110.00	(1,500)	(4,095)	(3,301)
Automatic Data Processing Inc. April 2017, \$105.00	(1,100)	(2,011)	(440)
Bank of Nova Scotia July 2017, \$84.00	(2,800)	(2,338)	(560)
Boeing Co. (The) May 2017, \$185.00	(700)	(2,069)	(1,596)
Broadcom Ltd. April 2017, \$210.00	(1,200)	(11,133)	(16,644)
Dow Chemical Co. (The) June 2017, \$67.50	(2,800)	(4,292)	(2,390)
Ferrari NV May 2017, \$60.00	(2,000)	(10,446)	(38,943)
MasterCard Inc., Class 'A' May 2017, \$115.00	(1,500)	(2,697)	(3,301)
Microsoft Corp. April 2017, \$65.00	(3,400)	(4,196)	(5,895)
Toronto-Dominion Bank (The) July 2017, \$72.00	(3,000)	(3,105)	(540)
<b>Total written call options</b>		(49,392)	(73,649)
<b>Derivative Assets and Liabilities - Options</b>			<b>\$ (117,181)</b>

## KIPLING US ENHANCED EQUITY POOL

Statements of Financial Position

March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

	2017	2016
<b>Assets</b>		
Investments, at fair value	\$ 28,678,856	\$ 44,747,743
Cash	2,656,668	1,680,061
Margin	189,001	-
Dividends receivable	17,945	54,957
Receivable for investments sold	-	533,188
Derivative assets	7,233	129,668
	<b>\$ 31,549,703</b>	<b>\$ 47,145,617</b>
<b>Liabilities</b>		
Investments sold short, at fair value	\$ 7,769,047	\$ 9,707,851
Accrued liabilities	40,320	21,071
Derivative liabilities	106,654	59,139
Distributions payable to holders of redeemable shares	7,598	18,327
Income tax payable	5,000	189,949
Management fee payable	827	1,121
Payable for investments purchased	-	598,152
Payable for units redeemed	-	10
	<b>\$ 7,929,446</b>	<b>\$ 10,595,620</b>
<b>Net assets attributable to holders of redeemable shares per series:</b>		
Series A	\$ 2,435,848	\$ 2,199,432
Series M	2,431,053	2,843,005
Series A USD	1,272,242	1,545,517
Series M USD	17,481,114	29,962,043
	<b>\$ 23,620,257</b>	<b>\$ 36,549,997</b>
<b>Number of redeemable shares outstanding (note 4):</b>		
Series A	204,292	205,256
Series M	196,374	258,981
Series A USD	107,580	145,399
Series M USD	1,424,996	2,761,772
<b>Net assets attributable to holders of redeemable shares per share:</b>		
Series A	\$ 11.92	\$ 10.72
Series M	12.38	10.98
Series A USD	11.83	10.63
Series M USD	12.27	10.85

On behalf of Kipling Funds Ltd.:



Director

See accompanying notes to financial statements.

## KIPLING US ENHANCED EQUITY POOL

### Statements of Comprehensive Income

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

	2017	2016
Income:		
Dividends	\$ 799,592	\$ 1,092,143
Net realized (loss) on sale of investments	245,875	(1,231,090)
Net realized gain on currency contracts	329,406	-
Unrealized appreciation (depreciation) in value of investments and foreign exchange	2,893,822	(821,363)
	4,268,695	(960,310)
Expenses:		
Dividends paid on investments sold short	135,490	31,266
Withholding taxes	116,680	170,634
Transaction costs	84,485	98,220
Operating expenses	67,475	46,871
Management fees	58,797	54,234
Income tax expense	30,286	189,949
Audit fees	5,238	21,001
Custodian fees	1,885	5,420
Interest fees	-	1,123
	500,336	618,718
Increase (decrease) in net assets attributable to holders of redeemable shares	\$ 3,768,359	\$ (1,579,028)
Increase (decrease) in net assets attributable to holders of redeemable shares per series:		
Series A	\$ 284,074	\$ (130,225)
Series M	233,296	698,609
Series A USD	184,630	(67,178)
Series M USD	3,066,359	(2,080,234)
	\$ 3,768,359	\$ (1,579,028)
Increase (decrease) in net assets attributable to holders of redeemable shares per share:		
Series A	\$ 1.39	\$ (0.63)
Series M	1.19	2.11
Series A USD	1.37	(0.65)
Series M USD	1.42	(0.78)

See accompanying notes to financial statements.

## KIPLING US ENHANCED EQUITY POOL

Statements of Changes In Net Assets Attributable to Holders of Redeemable Shares

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

2017										
	Net Assets attributable to holders of redeemable shares, beginning of year	Proceeds from redeemable shares issued	Distributions to shareholders (Investment Income)	Distributions to shareholders (Capital Gains)	Redemption of redeemable shares	Reinvestments of redeemable shares distributed	Increase in net assets attributable to holders of redeemable shares	Net assets attributable to holders of redeemable shares, end of year		
Series A	\$ 2,199,432	\$ 20,002	\$ (40,603)	\$ -	\$ (67,491)	\$ 40,434	\$ 284,074	\$ 2,435,848		
Series M	2,843,005	1,863,787	(39,997)	-	(2,507,488)	38,450	233,296	2,431,053		
Series A USD	1,545,517	6	(26,338)	-	(440,331)	8,758	184,630	1,272,242		
Series M USD	29,962,043	199,998	(402,768)	-	(15,728,785)	384,267	3,066,359	17,481,114		
	\$ 36,549,997	\$ 2,083,793	\$ (509,706)	\$ -	\$ (18,744,095)	\$ 471,909	\$ 3,768,359	\$ 23,620,257		
2016										
	Net Assets attributable to holders of redeemable shares, beginning of year	Proceeds from redeemable shares issued	Distributions to shareholders (Investment Income)	Distributions to shareholders (Capital Gains)	Redemption of redeemable shares	Reinvestments of redeemable shares distributed	Decrease in net assets attributable to holders of redeemable shares	Net assets attributable to holders of redeemable shares, end of year		
Series A	\$ 2,424,459	\$ 256,542	\$ (64,160)	\$ (11,109)	\$ (327,695)	\$ 51,620	\$ (130,225)	\$ 2,199,432		
Series M	3,951,317	449,740	(970,386)	(14,354)	(1,345,343)	73,422	698,609	2,843,005		
Series A USD	319,145	1,351,251	(14,491)	(7,849)	(46,619)	11,258	(67,178)	1,545,517		
Series M USD	32,788,631	6,731,978	(277,560)	(151,326)	(7,723,318)	673,872	(2,080,234)	29,962,043		
	\$ 39,483,552	\$ 8,789,511	\$ (1,326,597)	\$ (184,638)	\$ (9,442,975)	\$ 810,172	\$ (1,579,028)	\$ 36,549,997		

See accompanying notes to financial statements.

## KIPLING US ENHANCED EQUITY POOL

### Statements of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

	2017	2016
Cash provided by (used in):		
Operations:		
Increase (decrease) in net assets attributable to holders of redeemable shares	\$ 3,768,359	\$ (1,579,028)
Adjustments for non-cash items:		
Net realized loss on sale of investments	(245,875)	1,231,090
Net realized (gain) on currency contracts	(329,406)	-
Unrealized (appreciation) depreciation in value of investments and foreign exchange	(2,893,822)	821,363
	299,256	473,425
Change in non-cash balances:		
Decrease (increase) in dividends receivable	37,012	(665)
Increase (decrease) in management fees payable	(294)	641
Decrease in performance fee payable	-	(14,436)
Increase (decrease) in accrued liabilities	19,249	(1,195)
Increase (decrease) in income tax payable	(184,949)	189,949
Proceeds from the sale of investments net of amount paid to cover investments sold short	13,392,900	67,455,600
Purchase of investments net of amount received for the investments sold short	4,359,044	(66,276,079)
	17,922,218	1,827,240
Financing:		
Change in margin	(189,001)	-
Proceeds from issuances of redeemable shares	2,083,793	8,902,511
Distributions of redeemable shares net of reinvestment of redeemable shares distributed	(48,526)	(682,726)
Amount paid on redemption of redeemable shares	(18,744,105)	(9,442,975)
	(16,897,839)	(1,223,190)
Increase in cash during the year	1,024,379	604,050
Foreign exchange gain (loss) on cash	(47,772)	161,886
Cash, beginning of year	1,680,061	914,125
Cash, end of year	\$ 2,656,668	\$ 1,680,061
Supplemental information:		
Dividends received, net of withholding taxes	\$ 719,924	\$ 920,844
Dividends paid on Investments sold short	135,490	31,266

See accompanying notes to financial statements.

## KIPLING US ENHANCED EQUITY POOL

Schedule of Investment Portfolio

March 31, 2017

Expressed in Canadian Dollars

Investments held long	Number of shares		Average cost	Fair value
<b>U.S. equities (100.0%)</b>				
3M Co.	5,000	\$	1,102,649	\$ 1,275,836
Accenture PLC, Class 'A'	4,000		569,595	639,512
Amazon.com Inc.	500		533,097	591,167
Amgen Inc.	3,000		630,427	656,436
AT&T Inc.	6,000		274,485	332,479
Bank of America Corp.	15,000		495,642	471,912
Berkshire Hathaway Inc., Class 'B'	6,000		1,084,616	1,333,757
Broadcom Ltd.	4,500		766,335	1,314,072
C.H. Robinson Worldwide Inc.	9,000		861,643	927,700
Cimarex Energy Co.	2,000		344,083	318,716
Citigroup Inc.	7,500		576,974	598,342
Colgate-Palmolive Co.	5,000		444,001	488,049
Compass Minerals International Inc.	2,600		255,378	235,269
ConocoPhillips	7,000		393,271	465,564
Dow Chemical Co. (The)	5,000		380,721	423,701
Dr. Pepper Snapple Group Inc.	6,000		653,659	783,546
Expedia Inc.	2,000		290,130	336,533
Exxon Mobil Corp.	4,000		428,968	437,491
Fastenal Co.	12,000		708,104	824,196
Freeport-McMoRan Inc., Class 'B'	45,000		787,089	801,790
Goldman Sachs Group Inc. (The)	3,500		717,655	1,072,281
Helix Energy Solutions Group Inc.	30,000		311,258	310,874
Home Depot Inc.	5,050		857,070	988,890
Infinera Corp.	40,000		526,827	545,730
Johnson & Johnson	3,500		529,102	581,371
Kroger Co. (The)	13,000		587,683	511,281
Lockheed Martin Corp.	3,200		828,180	1,142,031
Marriott International Inc., Class 'A'	10,350		979,579	1,299,993
McDonald's Corp.	3,000		501,519	518,563
Microsoft Corp.	15,000		849,369	1,317,513
Nutanix Inc., Class 'A'	10,000		291,942	250,326
Paychex Inc.	8,000		541,800	628,416
Pfizer Inc.	14,500		630,611	661,550
Schlumberger Ltd.	6,000		578,187	624,948
U.S. Bancorp	21,600		1,164,566	1,483,552
United States Steel Corp.	8,000		384,874	360,726
UnitedHealth Group Inc.	6,000		1,097,783	1,312,392
Verizon Communications Inc.	6,000		389,045	390,093
Visa Inc., Class 'A'	12,000		1,260,912	1,422,258
<b>Total U.S. equities</b>			24,608,829	28,678,856
<b>Total investments owned</b>		\$	24,608,829	\$ 28,678,856

# KIPLING US ENHANCED EQUITY POOL

Schedule of Investment Portfolio (continued)

March 31, 2017

Expressed in Canadian Dollars

Investments sold short	Number of shares	Proceeds from short sales	Fair Value
<b>U.S. equities (100.0%)</b>			
AAR Corp.	(1,200)	\$ (58,577)	\$ (53,821)
Applied Optoelectronics Inc.	(1,900)	(124,126)	(142,280)
Bank of the Ozarks Inc.	(4,000)	(279,176)	(277,453)
Capital One Financial Corp.	(2,200)	(270,281)	(254,263)
Cheniere Energy Inc.	(2,000)	(119,806)	(126,083)
Cogent Communications Holdings Inc.	(5,500)	(304,465)	(315,775)
Comerica Inc.	(2,450)	(202,261)	(224,081)
Consumer Discretionary Select Sector SPDR Fund	(2,500)	(283,741)	(293,236)
Deere & Co.	(1,750)	(249,987)	(254,067)
Facebook Inc., Class 'A'	(1,000)	(186,810)	(189,445)
FedEx Corp.	(700)	(180,626)	(182,183)
Graco Inc.	(2,200)	(263,639)	(276,210)
HCA Holdings Inc.	(2,250)	(264,453)	(267,033)
IMAX Corp.	(2,500)	(110,554)	(113,360)
KapStone Paper and Packaging Corp.	(8,100)	(240,826)	(249,539)
Mattel Inc.	(5,000)	(168,260)	(170,774)
MGP Ingredients Inc.	(3,600)	(240,209)	(260,366)
NVIDIA Corp.	(1,000)	(143,525)	(145,274)
PerkinElmer Inc.	(3,800)	(268,580)	(294,241)
PowerShares QQQ Trust, Series '1'	(2,550)	(409,806)	(450,199)
PTC Inc.	(3,000)	(213,300)	(210,250)
Royal Caribbean Cruises Ltd.	(1,400)	(181,747)	(183,182)
Skyworks Solutions Inc.	(1,000)	(126,918)	(130,671)
SPDR S&P 500 ETF Trust	(5,000)	(1,478,194)	(1,571,973)
Technology Select Sector SPDR Fund	(4,500)	(282,013)	(319,936)
Tesla Motors Inc.	(300)	(101,062)	(111,346)
TransDigm Group Inc.	(450)	(137,570)	(132,127)
United Natural Foods Inc.	(2,000)	(115,211)	(115,307)
United Rentals Inc.	(1,000)	(163,111)	(166,773)
Vail Resorts Inc.	(700)	(174,278)	(179,149)
W.W. Grainger Inc.	(350)	(112,544)	(108,647)
<b>Total U.S. equities</b>		(7,455,656)	(7,769,047)
<b>Total investments sold short</b>		\$ (7,455,656)	\$ (7,769,047)
<b>Transaction costs</b>		132,166	-
<b>Net investments owned</b>		<b>\$ 17,285,339</b>	<b>\$ 20,909,809</b>



## KIPLING US ENHANCED EQUITY POOL

Schedule of Derivative Instruments

March 31, 2017

Counterparty	Credit Rating for Counterparty*	Settlement Date	Currency Buys	Par Value	Currency Sells	Par Value	Forward Rate	Current Rate	Unrealized Gain (Loss)
Morgan Stanley, New York	A-1	2017/04/28	CAD	5,000,000	USD	3,770,203	0.754	0.750	\$ (26,412)
Morgan Stanley, New York	A-1	2017/04/28	CAD	10,000,000	USD	7,495,359	0.750	0.750	7,233
Morgan Stanley, New York	A-1	2017/04/28	USD	3,748,402	CAD	5,000,000	1.334	1.333	(2,653)
<b>Derivative Assets and Liabilities - Forwards</b>									<b>\$ (21,832)</b>
					Number of shares	Proceeds from short sales		Fair Value	
<b>Options</b>									
3M Co. May 2017, \$195.00					(1,500)	(5,851)		\$	(4,681)
Amazon.com Inc. May 2017, \$900.00					(500)	(14,545)			(17,037)
Broadcom Ltd. April 2017, \$230.00					(2,300)	(8,496)			(2,147)
Colgate-Palmolive Co. May 2017, \$77.50					(1,500)	(3,562)			(2,040)
Dow Chemical Co. (The) April 2017, \$65.00					(1,300)	(1,702)			(676)
Lockheed Martin Corp. April 2017, \$275.00					(1,600)	(6,192)			(2,262)
Marriott International Inc., Class 'A' April 2017, \$90.00					(5,000)	(10,801)			(32,341)
Microsoft Corp. April 2017, \$65.00					(7,500)	(9,188)			(13,003)
UnitedHealth Group Inc. April 2017, \$170.00					(3,000)	(9,913)			(3,401)
<b>Derivative Liabilities - Options</b>									<b>\$ (77,589)</b>

## KIPLING MONTHLY INCOME POOL

Statements of Financial Position  
March 31, 2017, with comparative information 2016  
*Expressed in Canadian Dollars*

	2017	2016
<b>Assets</b>		
Investments, at fair value	\$ 33,640,907	\$ 13,573,147
Cash	1,088,978	450,553
Interest receivable	97,219	51,656
Dividends receivable	79,875	23,510
Other receivables	12,514	13,026
Derivative assets	-	30,256
	\$ 34,919,493	\$ 14,142,148
<b>Liabilities</b>		
Accrued liabilities	\$ 33,891	\$ 38,155
Distributions payable to holders of redeemable shares	2,374	915
Management fee payable	1,449	848
Payable for investments purchased	-	228,750
Derivative liabilities	-	13,799
	\$ 37,714	\$ 282,467
<b>Net assets attributable to holders of redeemable shares per series:</b>		
Series A	\$ 8,604,223	\$ 2,814,651
Series M	26,277,556	11,045,030
	\$ 34,881,779	\$ 13,859,681
<b>Number of redeemable shares outstanding (note 4):</b>		
Series A	727,653	265,948
Series M	2,153,433	1,028,110
<b>Net assets attributable to holders of redeemable shares per share:</b>		
Series A	\$ 11.82	\$ 10.58
Series M	12.20	10.74

On behalf of Kipling Funds Ltd.:



Director

## KIPLING MONTHLY INCOME POOL

### Statements of Comprehensive Income

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

	2017	2016*
Income:		
Dividends	\$ 558,366	\$ 149,769
Interest for income distribution purposes	453,554	111,244
Net realized gain on sale of investments	304,577	21,608
Net realized gain on currency contracts	13,953	-
Unrealized appreciation in value of investments and foreign exchange	2,260,040	235,315
	<u>3,590,490</u>	<u>517,936</u>
Expenses:		
Management fees	91,934	27,859
Operating expenses (recovery)	46,957	(6,915)
Income tax expense	11,120	18,608
Withholding taxes	10,234	5,429
Custodian fees	7,526	4,453
Unitholder reporting costs	5,283	2,539
Audit fees	5,240	11,891
Transaction costs	2,349	3,990
	<u>180,643</u>	<u>67,854</u>
Increase in net assets attributable to holders of redeemable shares	<u>\$ 3,409,847</u>	<u>\$ 450,082</u>
Increase in net assets attributable to holders of redeemable shares per series:		
Series A	\$ 740,574	\$ 72,005
Series M	2,669,273	378,077
	<u>\$ 3,409,847</u>	<u>\$ 450,082</u>
Increase in net assets attributable to holders of redeemable shares per share:		
Series A	\$ 1.44	\$ 0.38
Series M	1.70	0.66

\*For the period from commencement of operations on May 13, 2015 to March 31, 2016



## KIPLING MONTHLY INCOME POOL

### Statements of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

	2017	2016*
Cash provided by (used in):		
Operations:		
Increase in net assets attributable to holders of redeemable shares	\$ 3,409,847	\$ 450,082
Adjustments for non-cash items:		
Net realized (gain) on sale of investments	(304,577)	(21,608)
Net realized (gain) on currency contracts	(13,953)	-
Unrealized (appreciation) in value of investments and foreign exchange	(2,260,040)	(235,315)
	831,277	193,159
Change in non-cash balances:		
Increase in dividends receivable	(56,365)	(23,510)
Increase in management fees payable	601	848
Increase (decrease) in performance fee payable	-	-
Increase (decrease) in accrued liabilities	9,344	19,547
Decrease (increase) in other receivables	512	(13,026)
Increase (decrease) in income tax payable	(13,608)	18,608
Increase in interest receivable	(45,563)	(51,656)
Increase in other assets	-	-
Increase in expense reimbursement receivable	-	-
Purchase of investments	(38,799,047)	(16,939,698)
Proceeds from the sale of investments	21,103,904	3,812,796
	(16,968,945)	(12,982,932)
Financing:		
Proceeds from issuances of redeemable shares	18,261,110	14,176,431
Distributions of redeemable shares net of reinvestment of redeemable shares distributed	(14,751)	(5,698)
Amount paid on redemption of redeemable shares	(632,649)	(760,219)
	17,613,710	13,410,514
Increase in cash	644,765	427,582
Foreign exchange gain (loss) on cash	(6,340)	22,971
Cash, beginning of year	450,553	-
Cash, end of year	\$ 1,088,978	\$ 450,553
Supplemental information:		
Interest received	\$ 407,991	\$ 59,342
Dividends received, net of withholding taxes	491,767	121,076
Dividends paid on Investments sold short	-	-

\*For the period from commencement of operations on October 1, 2015 to March 31, 2016

## KIPLING MONTHLY INCOME POOL

Schedule of Investment Portfolio

March 31, 2017

Expressed in Canadian Dollars

Investments owned	Number of shares	Average cost	Fair value
<b>Canadian equities (52.7%)</b>			
Aecon Group Inc.	5,000	\$ 65,600	\$ 85,850
AltaGas Ltd.	18,500	555,000	569,800
AltaGas Ltd.	70,000	2,170,000	2,097,200
AltaGas Ltd., Preferred, Series 'I', Variable Rate, Perpetual	5,000	125,000	128,500
American Hotel Income Properties REIT L.P.	10,000	98,735	107,500
Black Diamond Group Ltd.	375,000	1,406,250	1,451,250
Brookfield Asset Management Inc., Preferred, Series '44', Variable Rate, Perpetual	3,500	87,500	93,695
Brookfield Asset Management Inc., Preferred, Series '46', Variable Rate, Perpetual	5,000	125,000	129,500
Brookfield Renewable Partners L.P.	5,000	195,050	197,000
Cathedral Energy Services Ltd.	40,000	44,800	41,600
CCL Industries Inc., Class 'B'	1,600	382,386	464,224
Chemtrade Logistics Income Fund	55,000	1,009,250	1,020,250
Crescent Point Energy Corp.	20,000	386,000	287,400
Distinct Infrastructure Group Inc.	300,000	405,000	486,000
Enbridge Inc.	25,000	1,363,987	1,392,750
Fortis Inc.	4,500	168,885	198,315
GDI Integrated Facility Services Inc.	5,000	80,000	84,000
George Weston Ltd.	2,600	282,060	301,678
Great-West Lifeco Inc.	4,900	170,276	180,565
Hardwoods Distribution Inc.	40,000	580,000	653,600
Just Energy Group Inc., Preferred, Series 'A', Variable Rate, Perpetual	25,000	814,844	834,198
Laurentian Bank of Canada	10,000	478,500	585,700
Manulife Financial Corp.	18,400	392,858	434,056
Pembina Pipeline Corp.	14,250	444,500	600,495
Pembina Pipeline Corp., Preferred, Series '11', Variable Rate, Perpetual	8,000	200,000	210,800
Peyto Exploration & Development Corp.	4,500	127,140	123,075
Pure Industrial Real Estate Trust	70,000	342,828	426,300
Sleep Country Canada Holdings Inc.	26,700	460,883	865,347
Stingray Digital Group Inc.	10,000	62,500	84,300
TELUS Corp.	6,800	289,749	293,556
Toronto-Dominion Bank (The)	4,600	256,956	306,406
TransAlta Renewables Inc.	36,200	352,950	570,150
TransCanada Corp.	29,500	1,540,875	1,810,415
TransCanada Corp., Preferred, Series '13', Variable Rate, Perpetual	10,000	250,000	267,100
Tricon Capital Group Inc., Subscription Receipts	5,000	49,500	54,100
Westcoast Energy Inc., Preferred, Series '10', Variable Rate, Perpetual	7,000	175,000	183,470
ZCL Composites Inc.	6,700	48,463	92,125
<b>Total Canadian equities</b>		<b>15,988,325</b>	<b>17,712,270</b>
<b>Canadian fixed income</b>			
AGT Food and Ingredients Inc., Callable, 5.88%, 2021/12/21	341,000	341,000	349,241
Chip Mortgage Trust, Series '16-1', Extendible, 2.98%, 2041/11/15	125,000	125,000	125,045
Crew Energy Inc., Callable, Restricted, 6.50%, 2024/03/14	680,000	680,000	674,758
EnerCare Solutions Inc., Series '17-1', Callable, 3.38%, 2022/02/21	930,000	929,833	948,021
EnerCare Solutions Inc., Series '17-2', Callable, 3.99%, 2024/02/21	1,040,000	1,039,813	1,070,919
Gibson Energy Inc., Convertible, Callable, 5.25%, 2021/07/15	200,000	200,000	213,750
Mattamy Group Corp., Callable, 6.88%, 2020/11/15	500,000	517,500	511,458
MCAP Commercial L.P., Callable, 3.96%, 2019/03/11	3,400,000	3,410,031	3,433,079
Morguard Corp., Series 'B', 4.01%, 2020/11/18	644,000	651,925	663,254
NorthWest Healthcare Properties Real Estate Investment Trust, 5.25%, 2021/07/31	247,000	247,000	255,336
Parkland Fuel Corp., Callable, 5.50%, 2021/05/28	250,000	256,250	259,531
Student Transportation, Inc., 5.25%, 2021/09/30	150,000	150,000	155,670
TransAlta Corp., Callable, 6.40%, 2019/11/18	600,000	593,105	645,165
TransAlta Corp., Zero Coupon, Callable, 10000%, 2019/11/18	429,000	356,966	392,055
<b>Total Canadian fixed income</b>		<b>9,498,423</b>	<b>9,697,282</b>

## KIPLING MONTHLY INCOME POOL

Schedule of Investment Portfolio (continued)

March 31, 2017

Expressed in Canadian Dollars

Investments owned	Number of shares	Average cost	Fair value
<b>U.S. equities (13.2%)</b>			
Altria Group Inc.	9,000	\$ 710,039	\$ 857,244
Boeing Co. (The)	1,394	251,783	328,802
Brookfield Infrastructure Partners L.P., Preferred, Series '7', Variable Rate, Perpetual	20,000	500,000	506,000
Brookfield Renewable Partners L.P., Preferred, Series '11', Variable Rate, Perpetual	13,000	325,000	323,700
Charles Schwab Corp. (The)	7,000	286,559	380,984
Citigroup Inc.	3,700	234,887	295,182
Costco Wholesale Corp.	1,700	341,326	380,188
CVS Health Corp.	2,216	280,502	231,996
FedEx Corp.	1,000	206,232	260,262
Johnson & Johnson	1,000	130,365	166,106
MasterCard Inc., Class 'A'	2,700	344,974	404,988
PowerShares Senior Loan Portfolio	877	26,784	27,205
Union Pacific Corp.	2,000	237,887	282,520
<b>Total U.S. equities</b>		3,876,338	4,445,177
<b>U.S. fixed income (5.3%)</b>			
Great-West Lifeco Finance (Delaware) L.P., Variable Rate, Callable, 5.69%, 2067/06/21	1,787,000	1,782,513	1,786,178
<b>Total U.S. fixed income</b>		1,782,513	1,786,178
<b>Total investments owned</b>		\$ 31,145,599	\$ 33,640,907
<b>Transaction costs</b>		(46)	—
<b>Net investments owned</b>		<b>\$ 31,145,553</b>	<b>\$ 33,640,907</b>

## KIPLING CANADIAN ENHANCED DIVIDEND POOL

Statements of Financial Position  
 March 31, 2017, with comparative information 2016  
 Expressed in Canadian Dollars

	2017	2016
<b>Assets</b>		
Investments, at fair value	\$ 17,919,819	\$ 15,165,995
Cash	1,406,414	3,248,308
Interest receivable	4,409	3,284
Dividends receivable	79,604	39,067
	<b>\$ 19,410,246</b>	<b>\$ 18,456,654</b>
<b>Liabilities</b>		
Accrued liabilities	\$ 23,985	\$ 16,979
Income tax payable	5,000	6,707
Management fee payable	1,868	2,296
Investments sold short, at fair value	-	1,357,753
Payable for investments purchased	-	39,245
	<b>\$ 30,853</b>	<b>\$ 1,422,980</b>
<b>Net assets attributable to holders of redeemable shares per series:</b>		
Series A	483,759	377,559
Series M	18,895,634	16,656,115
	<b>\$ 19,379,393</b>	<b>\$ 17,033,674</b>
<b>Number of redeemable shares outstanding (note 4):</b>		
Series A	44,197	37,617
Series M	1,692,965	1,645,918
<b>Net assets attributable to holders of redeemable shares per share:</b>		
Series A	\$ 10.95	\$ 10.04
Series M	11.16	10.12

On behalf of Kipling Funds Ltd.:



Director



## KIPLING CANADIAN ENHANCED DIVIDEND POOL

Statements of Comprehensive Income  
 Year ended March 31, 2017, with comparative information for 2016  
 Expressed in Canadian Dollars

	2017	2016*
Income:		
Dividends	\$ 629,207	\$ 259,076
Interest for income distribution purposes	55,456	37,185
Net realized gain (loss) on sale of investments	164,067	(281,132)
Unrealized appreciation in value of investments and foreign exchange	1,710,031	353,873
	<u>2,558,761</u>	<u>369,002</u>
Expenses:		
Management fees	147,926	23,815
Operating expenses	48,325	12,215
Transaction costs	41,113	14,399
Dividends paid on investments sold short	26,750	24,800
Custodian fees	5,664	2,273
Audit fees	5,238	10,434
Income tax expense	-	6,707
	<u>275,016</u>	<u>94,643</u>
Increase in net assets attributable to holders of redeemable shares	<u>\$ 2,283,745</u>	<u>\$ 274,359</u>
Increase (decrease) in net assets attributable to holders of redeemable shares per series:		
Series A	\$ 36,709	\$ (1,841)
Series M	<u>2,247,036</u>	<u>276,200</u>
	<u>\$ 2,283,745</u>	<u>\$ 274,359</u>
Increase (decrease) in net assets attributable to holders of redeemable shares per share:		
Series A	\$ 1.16	\$ (0.06)
Series M	<u>1.34</u>	<u>0.19</u>

\*For the period from commencement of operations on October 1, 2015 to March 31, 2016

## KIPLING CANADIAN ENHANCED DIVIDEND POOL

Statements of Changes In Net Assets Attributable to Holders of Redeemable Shares

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

2017									
	Net Assets attributable to holders of redeemable shares, beginning of year	Proceeds from redeemable shares issued	Distributions to shareholders (Investment Income)	Distributions to shareholders (Capital Gains)	Redemption of redeemable shares	Reinvestments of redeemable shares distributed	Increase in net assets attributable to holders of redeemable shares	Net assets attributable to holders of redeemable shares, end of year	
Series A	\$ 377,559	\$ 262,600	\$ (9,544)	\$ -	\$ (193,109)	\$ 9,544	\$ 36,709	\$ 483,759	
Series M	16,656,115	514,996	(500,781)	-	(522,518)	500,786	2,247,036	18,895,634	
	\$ 17,033,674	\$ 777,596	\$ (510,325)	\$ -	\$ (715,627)	\$ 510,330	\$ 2,283,745	\$ 19,379,393	

2016*									
	Net Assets attributable to holders of redeemable shares, beginning of period	Proceeds from redeemable shares issued	Distributions to shareholders (Investment Income)	Distributions to shareholders (Capital Gains)	Redemption of redeemable shares	Reinvestments of redeemable shares distributed	Increase in net assets attributable to holders of redeemable shares	Net assets attributable to holders of redeemable shares, end of period	
Series A	\$ -	\$ 379,400	\$ (4,667)	\$ -	\$ -	\$ 4,667	\$ (1,841)	\$ 377,559	
Series M	-	16,379,915	(194,562)	-	-	194,562	276,200	16,656,115	
	\$ -	\$ 16,759,315	\$ (199,229)	\$ -	\$ -	\$ 199,229	\$ 274,359	\$ 17,033,674	

\*For the period from commencement of operations on October 1, 2015 to March 31, 2016

See accompanying notes to financial statements.

## KIPLING CANADIAN ENHANCED DIVIDEND POOL

### Statements of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

	2017	2016*
Cash provided by (used in)		
Operations:		
Increase in net assets attributable to holders of redeemable shares	\$ 2,283,745	\$ 274,359
Adjustments for non-cash items:		
Net realized (gain) loss on sale of investments	(164,067)	281,132
Unrealized appreciation in value of investments and foreign exchange	(1,710,031)	(353,873)
	409,647	201,618
Change in non-cash balances:		
Increase in dividends receivable	(40,537)	(39,067)
Increase in interest receivable	(1,125)	(3,284)
(Decrease) increase in management fees payable	(428)	2,296
Increase in accrued liabilities	7,006	16,979
(Decrease) increase in income tax payable	(1,707)	6,707
Proceeds from the sale of investments	7,764,393	(137,860)
Purchase of investments	(10,041,133)	(13,558,283)
	(1,903,884)	(13,510,894)
Financing:		
Proceeds from issuances of redeemable shares	777,596	16,759,315
Amount paid on redemption of redeemable shares	(715,626)	-
	61,970	16,759,315
Increase (decrease) in cash	(1,841,914)	3,248,421
Foreign exchange gain (loss) on cash	20	(113)
Cash, beginning of year	3,248,308	-
Cash, end of year	\$ 1,406,414	\$ 3,248,308
Supplemental information:		
Interest received	\$ 54,331	\$ 33,901
Dividends received, net of withholding taxes	588,670	220,009
Dividends paid on Investments sold short	5,238	24,800

\*For the period from commencement of operations on October 1, 2015 to March 31, 2016

See accompanying notes to financial statements.

## KIPLING CANADIAN ENHANCED DIVIDEND POOL

Schedule of Investment Portfolio

March 31, 2017

Expressed in Canadian Dollars

Investments held long	Number of shares	Average cost	Fair value
<b>Canadian equities (85.1%)</b>			
Altus Group Ltd.	17,800	\$ 376,428	\$ 517,980
ATCO Ltd., Class 'I'	11,000	493,795	568,810
Bank of Montreal	6,100	445,932	605,913
BCE Inc.	8,800	484,076	518,144
CAE Inc.	28,200	412,983	573,024
Canadian Imperial Bank of Commerce	5,200	499,394	596,284
Canadian National Railway Co.	5,800	445,608	569,328
Chemtrade Logistics Income Fund	39,400	675,336	730,870
Chorus Aviation Inc.	93,000	590,413	697,500
Ensign Energy Services Inc.	64,200	444,835	511,674
Gibson Energy Inc.	30,000	494,806	573,000
Gildan Activewear Inc.	10,500	407,476	377,265
Hardwoods Distribution Inc.	31,000	511,242	506,540
Intertape Polymer Group Inc.	20,000	316,726	467,600
Labrador Iron Ore Royalty Corp.	21,000	371,634	391,440
Lundin Mining Corp.	32,500	285,344	243,425
MacDonald, Dettwiler and Associates Ltd.	6,000	402,060	421,500
Parkland Fuel Corp.	20,000	472,185	592,000
PFB Corp.	30,000	239,263	279,300
Pollard Banknote Ltd.	50,000	477,000	503,000
Suncor Energy Inc.	16,700	601,305	681,861
Teck Resources Ltd., Class 'B'	13,000	353,470	378,040
Thomson Reuters Corp.	8,500	455,349	488,835
Toromont Industries Ltd.	13,000	513,724	604,890
Toronto-Dominion Bank (The)	9,400	495,410	626,134
Uni-Select Inc.	17,000	522,006	601,290
Vermilion Energy Inc.	11,000	582,414	548,570
WSP Global Inc.	9,000	385,505	422,730
ZCL Composites Inc.	47,400	373,697	651,750
<b>Total Canadian equities</b>		13,129,416	15,248,697
<b>Canadian investment fund</b>			
Norrep High Yield	156,537	1,369,632	1,312,066
Norrep Short Term Income Fund, Series 'I/O'	137,757	1,379,615	1,359,056
<b>Total Canadian investment fund</b>		2,749,247	2,671,122
<b>Total investments owned</b>		\$ 15,878,663	\$ 17,919,819
<b>Transaction costs</b>		(22,747)	–
<b>Net investments owned</b>		<b>\$ 15,855,916</b>	<b>\$ 17,919,819</b>

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 1

Year ended March 31, 2017, with comparative information for 2016

*Expressed in Canadian Dollars*

---

## 1. The Corporation:

Kipling Funds Ltd. (the "Corporation") is an open ended mutual fund incorporated on September 15, 2014 under the laws of Alberta.

The Corporation is authorized to issue an unlimited number of shares ("Shares"), in the Kipling Global Enhanced Dividend Pool (formerly Kipling North American Enhanced Dividend Pool), Kipling US Enhanced Equity Pool (formerly Kipling US Enhanced Growth & Income Pool), Kipling Monthly Income Pool and Kipling Canadian Enhanced Dividend Pool (formerly Kipling Canadian Enhanced Income Pool), collectively the "Funds". The Kipling Global Enhanced Dividend Pool commenced operations on October 16, 2014. The Kipling US Enhanced Equity Pool commenced operations on September 24, 2014. The Kipling Monthly Income Pool commenced operations on May 13, 2015. The Kipling Canadian Enhanced Dividend Pool commenced operations on October 1, 2015. The Corporation may create additional Series of Shares in the future.

Perron & Partners Wealth Management Corp. (the "Manager" or "PPWM") is the investment fund manager of the Funds and is responsible for the day-to-day administration and operation of the Funds. PPWM also serves as portfolio manager for certain of the Funds, and may, in its discretion, retain other portfolio managers to provide portfolio management services to the Funds. CIBC Mellon is the administrator of the Corporation. The registered office of the Funds is located at 1500, 606-4th Street SW, Calgary, AB T2P 1T1.

These financial statements were approved for issuance by the Manager on June 27, 2017.

Effective April 1, 2017 Kipling Funds Ltd. converted to Kipling Fund, an open-ended mutual fund trust. All existing portfolios within Kipling Funds Ltd. were transferred to the Kipling Fund on a tax deferred basis and shares of the mutual fund corporation were exchanged for units of the mutual fund trust. This conversion was approved at a special meeting of shareholders on March 13, 2017.

## 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 financial statements have been prepared on a historical cost basis, except for investments which are carried at fair value.

The Funds' functional currency is the Canadian dollar which is the currency of the primary economic environment in which the funds operate. The Funds' performance is evaluated and its liquidity is managed in Canadian dollars. Therefore, the Canadian dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Funds' presentation currency is also the Canadian dollar.

These financial statements include estimates and assumptions made by management that affect the application of accounting policies and the reported amounts of assets, liabilities, income and

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 2

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

---

## 2. Basis of presentation (continued):

expenses, and gains and losses during the reporting year. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the estimates are recognized prospectively.

## 3. Significant accounting policies:

The following new standards and amendments to existing standards were issued by the International Accounting Standards Board ("IASB") that will impact future financial statements of the Funds:

### IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. IFRS 9 also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual years beginning on or after January 1, 2018, with early adoption permitted. The Corporation is in the process of assessing the impact of IFRS 9.

The following summarizes the significant accounting policies of the Funds:

#### (a) Financial assets and financial liabilities

##### (i) Recognition and initial measurement:

Financial assets and financial liabilities at fair value through profit or loss ("FVTPL") are initially recognized on the trade date, which is the date on which the Funds become a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial assets and liabilities at FVTPL are initially recognized and measured at fair value, with transaction costs recognized in profit or loss. Financial assets or financial liabilities not at FVTPL are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue.

##### (ii) Derecognition:

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

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 3

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

---

## 3. Significant accounting policies (continued):

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

#### (iii) Classification and measurement:

The Funds classify financial assets and financial liabilities into the following categories.

Financial assets at FVTPL:

- Held for trading: derivative financial instruments.
- Designated at FVTPL: debt securities and equity investments.

Financial assets at amortized cost:

- Loans and receivables: cash, dividends receivable, receivable for investments sold, subscription receivable and other receivables.

Financial liabilities at FVTPL:

- Held for trading: securities sold short and derivative financial instruments.

Financial liabilities at amortized cost:

- Other liabilities: management fee payable, performance fee payable, payable for investments purchased, and distributions payable.

A financial instrument is classified as held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio that is managed together and for which there is evidence of a recent pattern of short-term profit taking; or
- it is a derivative, other than a designated and effective hedging instrument.

The Funds designate all debt and equity investments at FVTPL on initial recognition because they manage these securities on a fair value basis in accordance with their documented investment strategy. Internal reporting and performance measurement of these securities are on a fair value basis. Gains and losses arising from changes in fair value are recognized in the Statements of Comprehensive Income.

A non-derivative financial asset with fixed or determinable payments may be classified as a loan and receivable unless it is quoted in an active market or is an asset for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 4

Year ended March 31, 2017, with comparative information for 2016

*Expressed in Canadian Dollars*

---

## 3. Significant accounting policies (continued):

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

#### (iv) Fair value measurement:

“Fair value” is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Funds have access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Funds measure the fair value of an instrument using the quoted price in an active market for the instrument. A market is regarded as “active” if the transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Funds measure instruments quoted in an active market at the closing trading price at the reporting date, because this price provides a reasonable approximation of the exit price.

### (b) Income and expense recognition:

Interest income is accrued daily and dividend income is recognized on the ex-dividend date.

The interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Funds accounted for on an accrual basis. The Funds do 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.

Realized gain/loss on sale of investments and unrealized appreciation/depreciation in investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds.

Expenses are recorded on an accrual basis as they are incurred.

### (c) Foreign exchange:

The fair value of foreign investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the reporting date. Purchases and sales of foreign securities denominated in foreign currencies and the related income are translated into Canadian dollars at rates of exchange prevailing on the respective dates of such transactions.

### (d) Redeemable shares:

Redeemable shares are classified as financial liabilities and are redeemable at the shareholder's option at prices based on the Fund's net asset value per share at the time of redemption. Shares are issued and redeemed on a continuous basis at the net asset value per share, which is determined for each Series of Shares of each Fund.



# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 5

Year ended March 31, 2017, with comparative information for 2016

*Expressed in Canadian Dollars*

---

### 3. Significant accounting policies (continued):

- (e) Net assets attributable to holders of redeemable shares per share:

The net assets attributable to holders of redeemable shares per share is calculated by dividing the net assets attributable to holders of redeemable shares of a particular class of shares by the total number of shares of that particular series outstanding at the end of the year.

Increase in net assets attributable to holders of redeemable shares per share is based on the increase in net assets attributable to holders of redeemable shares attributed to each series of shares, divided by the weighted average number of shares outstanding of that series during the year.

- (f) Taxation:

The Corporation qualifies as a mutual fund corporation under the Income Tax Act (Canada) and the Alberta Corporate Tax Act. Interest and foreign dividends received, less applicable expenses, are taxed at Federal and Provincial corporate rates less applicable credits for any foreign taxes paid. Taxable dividends received from taxable Canadian corporations are subject to taxes that are fully refundable upon payment of sufficient taxable dividends to shareholders.

The Corporation is also subject to tax at full corporate rates on 50% of capital gains realized, less allowable capital losses claimed. This tax is generally refundable to the extent that the Corporation distributes its capital gains to shareholders by way of a capital gains dividend, or through the redemption of its shares.

Temporary differences between the tax basis of assets and liabilities and their carrying amounts may be either taxable or deductible. Taxable temporary differences give rise to deferred income tax liabilities and deductible temporary differences give rise to deferred income tax assets. When the fair value of investments is greater than the related tax basis, a deferred income tax liability arises and the deferred tax liability is offset by refundable taxes generated by future payments of capital gains dividends. When the fair value of investments is less than the related tax basis, a deferred income tax asset arises and due to the uncertainty of such deferred income tax assets ultimately being realized, the temporary differences are not recognized. Any unused capital and non-capital losses represent deferred tax assets to the Corporation for which the temporary differences are not recognized as it is uncertain if they will be realized in the future.

As at March 31, 2017, the Funds had no capital or non-capital loss carryforwards.

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 6

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 4. Capital:

The capital of a Fund is represented by the issued and outstanding shares and the net asset value attributable to participating shareholders. The Manager utilizes the capital of the Funds in accordance with each Fund's investment objectives, strategies and restrictions, as outlined in the Funds' Offering Memorandum, while maintaining sufficient liquidity to meet normal redemptions and pay expenses. The Funds do not have any externally imposed capital requirements.

The Corporation has authorized an unlimited number of common shares and one common share has been issued to the Manager.

The Funds may issue an unlimited number of shares of each Series of Shares.

Changes in outstanding shares of the Global Enhanced Dividend Pool for the years ended March 31, 2017 and 2016 were as follows:

2017	Redeemable shares, beginning of year	Subscriptions	Redemptions	Reinvestments	Redeemable shares, end of year
Series A	849,889	98,464	(300,010)	23,257	671,600
Series M	1,358,224	423,138	(436,566)	41,127	1,385,923

  

2016	Redeemable shares, beginning of year	Subscriptions	Redemptions	Reinvestments	Redeemable shares, end of year
Series A	313,809	555,343	(60,579)	41,316	849,889
Series M	969,189	721,345	(406,636)	74,326	1,358,224

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 7

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 4. Capital (continued):

Changes in outstanding shares of the US Enhanced Equity Pool for the years ended March 31, 2017 and 2016 were as follows:

	Redeemable shares, beginning of year	Subscriptions	Redemptions	Reinvestments	Redeemable shares, end of year
2017					
Series A	205,256	1,642	(6,214)	3,608	204,292
Series M	258,981	159,533	(225,485)	3,345	196,374
Series A USD	145,399	–	(38,608)	789	107,580
Series M USD	2,761,772	16,836	(1,387,489)	33,877	1,424,996
2016					
Series A	210,309	22,016	(31,761)	4,692	205,256
Series M	339,986	101,481	(189,021)	6,535	258,981
Series A USD	27,869	120,816	(4,313)	1,027	145,399
Series M USD	2,854,552	543,033	(696,446)	60,633	2,761,772

Changes in outstanding shares of the Monthly Income Pool for the periods ended March 31, 2017 and 2016 were as follows:

	Redeemable shares, beginning of year	Subscriptions	Redemptions	Reinvestments	Redeemable shares, end of year
2017					
Series A	265,948	483,373	(38,061)	16,393	727,653
Series M	1,028,110	1,093,503	(15,876)	47,696	2,153,433
2016					
Series A	–	337,813	(77,388)	5,523	265,948
Series M	–	1,050,077	(38,470)	16,503	1,028,110

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 8

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 4. Capital (continued):

Changes in outstanding shares of the Canadian Enhanced Dividend Pool for the periods ended March 31, 2017 and 2016 was as follows:

	Redeemable shares, beginning of year	Subscriptions	Redemptions	Reinvestments	Redeemable shares, end of year
2017					
Series A	37,617	24,602	(18,932)	910	44,197
Series M	1,645,918	47,972	(48,012)	47,087	1,692,965
2016					
Series A	–	37,149	–	468	37,617
Series M	–	1,705,146	(78,681)	19,453	1,645,918

## 5. Fees, expenses and related party transactions:

### (a) Management fee:

The Manager is entitled to receive a fee for investment management services from the Corporation for each Series of Shares based on the Series' net asset value, calculated on each valuation date. The management fee is different for each Fund and is unique to each Series of Shares in each Fund.

Prior to February 1, 2016, all holders of Series M Shares did not pay a management fee directly to the Manager in respect of their Series M Shares. Rather, those investors paid a management fee to PPWM that is established in their managed account agreement. Effective February 1, 2016 a management fee of 0.80% per annum will be charged to the Canadian Enhanced Dividend Pool in respect of Series M Shares.

Series A shares are available for sale to advisory clients of PPWM. Series A shares incur a management fee of 1.50% per annum.

### (b) Operating expenses:

The expenses which each Fund is responsible for include, but are not limited to, the expenses relating to auditing, legal, tax, accounting and other professional advisory fees (other than investment management fees) and other charges or costs associated with portfolio transactions. Operating expenses will be allocated among the series of each Fund in a fair and equitable manner, as determined by the Manager.

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 9

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 6. Commission and other transaction costs:

The Funds paid the following amounts in brokerage commissions and other transaction costs for portfolio transactions during the year.

	2017	2016
Global Enhanced Dividend Pool	\$ 43,711	\$ 48,398
US Enhanced Equity Pool	84,485	98,220
Monthly Income Pool	2,349	3,990
Canadian Enhanced Dividend Pool	41,113	14,399

The Funds incurred soft dollar commissions during the year as follows;

	2017	2016
Global Enhanced Dividend Pool	\$ 11,451	\$ 7,354
US Enhanced Equity Pool	12,497	13,443
Monthly Income Pool	213	-
Canadian Enhanced Dividend Pool	-	-

## 7. Financial risk management:

Each Fund is exposed to various types of risks associated with its investment strategies, financial instruments, and markets in which it invests. These risks include market risk (which includes currency risk, interest rate risk and other market risk), credit risk and liquidity risk.

The value of investments within a portfolio can fluctuate daily as a result of changes in interest rates, corporate developments, changes in the level of inflation, and other political and economic developments. The level of risk depends on investment objectives and the type of securities held. These risks are discussed below.

### (a) Currency risk:

The Funds may, from time to time, hold assets denominated in currencies other than the Canadian dollar, which is the Funds' functional currency. When it does so, it is exposed to currency risk, as the value of the assets denominated in other currencies will fluctuate due to changes in exchange rates.

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 10

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 7. Financial risk management (continued):

### (a) Currency risk (continued):

The tables below summarize in Canadian dollars the currency risk that each Fund had as at March 31, 2017 and March 31, 2016:

March 31, 2017	Global Enhanced Dividend Pool	
	Exposure	5% Impact of net assets attributable to holders of redeemable shares
Currency	Total	Total
Euro	\$ 950,411	\$ 47,520
United States Dollar	\$13,098,582	\$ 654,929
% of net assets attributable to holders of redeemable shares	61.42	3.07

March 31, 2016	Global Enhanced Dividend Pool	
	Exposure	5% Impact of net assets attributable to holders of redeemable shares
Currency	Total	Total
Euro	\$ 1,042,156	\$ 52,108
United States Dollar	\$ 13,354,204	\$ 667,710
% of net assets attributable to holders of redeemable shares	62.23	3.11

March 31, 2017	US Enhanced Equity Pool	
	Exposure	5% Impact of net assets attributable to holders of redeemable shares
Currency	Total	Total
United States Dollar	\$13,473,992	\$ 673,699
% of net assets attributable to holders of redeemable shares	99.38	3.23

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 11

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 7. Financial risk management (continued):

### (a) Currency risk (continued):

March 31, 2016	US Enhanced Equity Pool	
	Exposure	5% Impact of net assets attributable to holders of redeemable shares
Currency	Total	Total
United States Dollar	\$36,675,487	\$1,833,774
% of net assets attributable to holders of redeemable shares	100.34	5.01

March 31, 2017	Monthly Income Pool	
	Exposure	5% Impact of net assets attributable to holders of redeemable shares
Currency	Total	Total
United States Dollar	\$ 4,474,072	\$ 223,704
% of net assets attributable to holders of redeemable shares	12.83	0.64

March 31, 2016	Monthly Income Pool	
	Exposure	5% Impact of net assets attributable to holders of redeemable shares
Currency	Total	Total
United States Dollar	\$ 3,594,650	\$ 179,732
% of net assets attributable to holders of redeemable shares	25.94	1.30

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 12

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 7. Financial risk management (continued):

### (a) Currency risk (continued):

March 31, 2017	Canadian Enhanced Dividend Pool	
	Exposure	5% Impact of net assets attributable to holders of redeemable shares
Currency	Total	Total
United States Dollar	\$ 1,309	\$ 65
% of net assets attributable to holders of redeemable shares	-	-

March 31, 2016	Canadian Enhanced Dividend Pool	
	Exposure	5% Impact of net assets attributable to holders of redeemable shares
Currency	Total	Total
United States Dollar	\$ 1,836	\$ 92
% of net assets attributable to holders of redeemable shares	-	-

In practice, actual trading results may significantly differ from this sensitivity analysis.

### (b) Interest rate risk:

A change in general interest rates is a main factor affecting the price of funds that invest in fixed-income securities. Fixed-income securities like bonds pay interest based on interest rates when the bond is issued. When interest rates fall, the value of bonds rise. This is because the interest rate on existing bonds will be higher than the rate on newer bonds. Conversely, when interest rates rise, the price of existing bonds drop because they pay less than newer bonds.

As at March 31, 2017, the Monthly Income Pool had 32.9% (March 31, 2016 – 29.7%) of its net assets attributable to holders of redeemable shares invested in fixed income securities. With all other variables held constant, had interest rates increased or decreased by 1%, the net assets attributable to holders of redeemable shares of the Monthly Income Pool may have increased or decreased by \$645,381 (March 31, 2016 – \$118,633). Remaining interest rate exposure in the Canadian Enhanced Dividend Pool, the US Enhanced Equity Pool, and the Global Enhanced Dividend Pool was short-term in nature and therefore interest rate risk is not significant.



# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 13

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 7. Financial risk management (continued):

### (c) 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 investments of the Funds are subject to normal market fluctuations and the risks inherent in investments in financial markets. The maximum risk resulting from financial instruments held by each Fund is determined by the fair value of the financial instruments.

The value of investments in foreign and emerging markets can be affected by political, social and economic instability, diplomatic developments, and imposition of taxes, expropriation of assets, and the ability to invest in, and withdraw assets from these markets. The Manager moderates this risk through a careful selection of securities. In addition, other price risk is managed through diversification of the investment portfolio. The Manager monitors overall market positions and ensures positions are maintained within established ranges.

As at March 31, 2017, the majority of equity investments for each Fund were traded on stock exchanges. If equity prices on stock exchanges had increased or decreased by 10% at the year end, with all other factors remaining constant, net assets attributable to holders of redeemable shares may have increased or decreased by the following:

- Global Enhanced Dividend Pool - \$2,034,767 (March 31, 2016 - \$2,257,409)
- US Enhanced Equity Pool - \$2,083,223 (March 31, 2016 - \$3,503,989)
- Monthly Income Pool - \$2,215,745 (March 31, 2016 - \$945,257)
- Canadian Enhanced Dividend Pool - \$1,524,870 (March 31, 2016 - \$1,188,124)

The Funds' financial assets exposed to other price risk were concentrated in the following industries at March 31, 2017 and March 31, 2016:

	March 31, 2017	March 31, 2016
Global Enhanced Dividend Pool		
Energy	12.83%	10.88%
Materials	11.74%	3.57%
Industrials	9.34%	8.38%
Consumer Discretionary	8.21%	7.76%
Consumer Staples	12.17%	11.75%
Healthcare	8.26%	10.39%
Financials	15.29%	23.76%
Information Technology	17.49%	16.63%
Telecommunications	4.08%	4.93%
Utilities	1.17%	1.95%
Options	(0.58)%	0.00%
Total	100.00%	100.00%

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 14

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 7. Financial risk management (continued):

	March 31, 2017	March 31, 2016
US Enhanced Equity Pool		
Energy	9.75%	3.53%
Materials	7.55%	6.72%
Industrials	14.38%	8.35%
Consumer Discretionary	13.42%	9.52%
Consumer Staples	6.22%	10.35%
Healthcare	12.72%	16.34%
Financials	15.76%	12.51%
Information Technology	18.62%	26.76%
Telecommunications	1.95%	3.75%
Utilities	0.00%	2.17%
Options	(0.37)%	0.00%
Total	100.00%	100.00%
Monthly Income Pool		
Energy	17.21%	10.19%
Materials	4.41%	0.00%
Industrials	7.41%	5.50%
Consumer Discretionary	4.77%	4.36%
Consumer Staples	5.26%	6.10%
Healthcare	0.49%	2.46%
Financials	10.43%	29.65%
Information Technology	1.20%	2.43%
Telecommunications	0.87%	2.12%
Utilities	13.81%	6.83%
Bonds	34.14%	30.36%
Total	100.00%	100.00%

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 15

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 7. Financial risk management (continued):

Canadian Enhanced Dividend Pool	March 31, 2017	March 31, 2016
Energy	19.86%	10.50%
Materials	10.16%	18.32%
Industrials	17.56%	11.01%
Consumer Discretionary	13.82%	10.15%
Consumer Staples	0.00%	4.47%
Financials	30.19%	34.43%
Information Technology	2.35%	6.06%
Telecommunications	2.89%	5.06%
Utilities	3.17%	0.00%
Total	100.00%	100.00%

### (d) Portfolio concentration risk:

Concentration indicates the relative sensitivity of the Funds' performance to developments affecting a particular industry or geographical location. Concentrations of risk also arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The portfolio management team manages concentration risk through diversification and a thorough understanding of each investment in the portfolio.

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 16

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

---

## 7. Financial risk management (continued):

### (e) Credit risk:

All transactions in investments 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 purchases once the securities have been received by the broker.

The trade will fail if either party fails to meet its obligation. The Funds may invest in a mix of Canadian, US and international fixed-income securities. A fixed-income security, like a bond, is essentially a promise to pay interest and repay a specified amount at a later time. There is the probability that the issuer will fail to honor that promise. This is called credit risk. Credit rating agencies give mutual funds and other investors an idea of how much credit risk an issuer represents. If a company or government has a high credit rating, the credit risk tends to be low. A lower credit rating means more credit risk. It is possible that issuers of fixed-income securities will fail to honor their promises. Below are the credit ratings of the Funds' fixed-income security investments as at March 31, 2017.

The Global Enhanced Dividend Pool did not hold fixed-income securities (March 31, 2016 - NA).

The US Enhanced Equity Pool did not hold fixed-income securities (March 31, 2016 - NA).

The Monthly Income Pool had 32.9% (March 31, 2016 - 29.7%) of its net assets attributable to holders of redeemable shares invested in fixed-income securities which were rated as follows:

### Debt Instruments by Credit Rating\*

	<u>2017</u>	<u>2016</u>
AAA rating	0.36%	-
AA rating	-	0.30%
A rating	5.12%	1.36%
BBB rating	20.50%	28.07%
Below BBB rating	5.76%	-
Unrated	<u>1.18%</u>	<u>-</u>
	<u>32.92%</u>	<u>29.73%</u>

The Canadian Enhanced Dividend Pool did not hold fixed income securities (March 31, 2016 - NA).

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 17

Year ended March 31, 2017, with comparative information for 2016

*Expressed in Canadian Dollars*

---

## **7. Financial risk management (continued):**

### (f) Liquidity risk:

Each Fund is exposed to monthly cash redemptions of redeemable shares. At the option of the shareholder, the shares of a Fund are redeemed at the current net asset value per share. Liquidity risk is the possibility that investments in a Fund cannot be readily converted into cash when required. Liquidity risk is managed by both monitoring cash flows and investing the majority of assets in investments that are traded in an active market. Each Fund endeavors to retain sufficient cash positions to maintain liquidity. Each Fund may, from time to time, hold securities that are not traded in an active market and may be illiquid. All liabilities of the Funds are short-term in nature and payable within a period of three months or less.

## **8. Fair value of financial instruments:**

Investments are carried at fair value in the Statements of Financial Position. Dividends receivable and other receivables are designated as loans and receivables and recorded at amortized cost. Similarly, fees payable and other liabilities are designated as financial liabilities and reported at amortized cost. Amortized cost approximates fair value for these assets and liabilities due to their short-term nature.

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgment, considering factors specific to the asset or liability. The following shows financial instruments recognized at fair value, categorized between those which fair value is based on:

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 18

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 8. Fair value of financial instruments (continued):

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting year.

Fair values of financial instruments are classified as Level 1 when the related security is actively traded and a quoted price is available. 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 into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

The following fair value hierarchy table presents information about the Funds' investments measured at fair value as of March 31, 2017 and March 31, 2016.

### Global Enhanced Dividend Pool

As at March 31, 2017	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Common stocks	\$ 27,578,462	\$ -	\$ -	\$ 27,578,462
Derivative Assets	-	-	-	-
	\$ 27,578,462	\$ -	\$ -	\$ 27,578,462
<b>Liabilities</b>				
Common stocks	\$ (7,113,613)	\$ -	\$ -	\$ (7,113,613)
Derivative Liabilities	(53,099)	(64,082)	-	(117,181)
	\$ (7,166,712)	\$ (64,082)	\$ -	\$ (7,230,794)

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 19

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 8. Fair value of financial instruments (continued):

### Global Enhanced Dividend Pool

As at March 31, 2016	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Common stocks	\$ 29,995,976	\$ -	\$ -	\$ 29,995,976
Derivative Assets	-	108,056	-	108,056
	\$ 29,995,976	\$ 108,056	\$ -	\$ 30,104,032
<b>Liabilities</b>				
Common stocks	\$ (7,421,882)	\$ -	\$ -	\$ (7,421,882)
Derivative Liabilities	-	(49,282)	-	(49,282)
	\$ (7,421,882)	\$ (49,292)	\$ -	\$ (7,471,164)

### US Enhanced Equity Pool

As at March 31, 2017	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Common stocks	\$ 28,678,856	\$ -	\$ -	\$ 28,678,856
Derivative Assets	-	7,233	-	7,233
	\$ 28,678,856	\$ 7,233	\$ -	\$ 28,686,089
<b>Liabilities</b>				
Common stocks	\$ (7,769,047)	\$ -	\$ -	\$ (7,769,047)
Derivative Liabilities	(72,907)	(33,747)	-	(106,654)
	\$ (7,841,954)	\$ (33,747)	\$ -	\$ (7,875,701)

### US Enhanced Equity Pool

As at March 31, 2016	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Common stocks	\$ 44,747,743	\$ -	\$ -	\$ 44,747,743
Derivative Assets	-	129,668	-	129,668
	\$ 44,747,743	\$ 129,668	\$ -	\$ 44,877,411
<b>Liabilities</b>				
Common stocks	\$ (9,707,851)	\$ -	\$ -	\$ (9,707,851)
Derivative Liabilities	-	(59,139)	-	(59,139)
	\$ (9,707,851)	\$ (59,139)	\$ -	\$ (9,766,990)

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 20

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 8. Fair value of financial instruments (continued):

### Monthly Income Pool

As at March 31, 2017	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Common stocks	\$ 22,157,447	\$ -	\$ -	\$ 22,157,447
Fixed income securities	-	11,483,460	-	11,483,460
Derivative Assets	-	-	-	-
	\$ 22,157,447	\$ 11,483,460	\$ -	\$ 33,640,907
<b>Liabilities</b>				
Derivative Liabilities	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -

### Monthly Income Pool

As at March 31, 2016	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Common stocks	\$ 9,223,816	\$ 228,750	\$ -	\$ 9,452,566
Fixed income securities	-	4,120,581	-	4,120,581
Derivative Assets	-	30,256	-	30,256
	\$ 9,223,816	\$ 4,379,587	\$ -	\$ 13,603,403
<b>Liabilities</b>				
Derivative Liabilities	\$ -	\$ (13,799)	\$ -	\$ (13,799)

### Canadian Enhanced Dividend Pool

As at March 31, 2017	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Common stocks	\$ 15,248,697	\$ -	\$ -	\$ 15,248,697
Mutual funds	2,671,122	-	-	2,671,122
	\$ 17,919,819	\$ -	\$ -	\$ 17,919,819
<b>Liabilities</b>				
Common stocks	\$ -	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -



# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 21

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 8. Fair value of financial instruments (continued):

### Canadian Enhanced Dividend Pool

As at March 31, 2016	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Common stocks	\$ 13,238,995	\$ -	\$ -	\$13,238,995
Mutual funds	1,927,000	-	-	1,927,000
	\$ 15,165,995	\$ -	\$ -	\$ 15,165,995
<b>Liabilities</b>				
Common stocks	\$ (1,357,753)	\$ -	\$ -	\$ (1,357,753)

During the periods ended March 31, 2017 and 2016, there were no securities transferred between levels.

## 9. Involvement with unconsolidated structured entities:

The table below describes the structured entity that the Fund does not consolidate but in which it holds an interest. During the year ended March 31, 2017 and 2016, the Fund did not provide financial support to this structured entity and it has no intention of providing financial or other support.

### Canadian Enhanced Dividend Pool

March 31, 2017	Number of Investee Funds	Net Asset Value of Investee Fund	Investment fair value	% of Net Asset Value of Investee
Norrep High Yield Fund	1	\$ 43,800,000	\$ 1,312,066	3.00%
Norrep Short Term Income Fund	1	\$ 88,900,000	\$ 1,359,056	1.53%

### Canadian Enhanced Dividend Pool

March 31, 2016	Number of Investee Funds	Net Asset Value of Investee Fund	Investment fair value	% of Net Asset Value of Investee
Norrep High Yield Fund	1	\$ 62,800,000	\$ 948,890	1.51%
Norrep Short Term Income Fund	1	\$ 100,800,000	\$ 978,110	0.97%

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 22

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 10. Increase (decrease) in net assets attributable to holders of redeemable shares per share:

The increase in net assets attributable to holders of redeemable shares per share for the year ended March 31, 2017 and 2016 is calculated as follows:

### Global Enhanced Dividend Pool

2017	Increase in net assets attributable to holder of redeemable shares	Weighted average of shares outstanding during the year	Increase in net assets attributable to holders of redeemable shares per share
Series A	\$ 580,675	757,336	\$ 0.77
Series M	1,479,314	1,396,140	1.06
2016	Increase in net assets attributable to holder of redeemable shares	Weighted average of shares outstanding during the year	Increase in net assets attributable to holders of redeemable shares per share
Series A	\$ 205,825	643,159	\$ 0.32
Series M	656,502	1,353,618	0.48

### US Enhanced Equity Pool

2017	Increase in net assets attributable to holder of redeemable shares	Weighted average of shares outstanding during the year	Increase in net assets attributable to holders of redeemable shares per share
Series A	\$ 284,074	203,740	\$ 1.39
Series M	233,296	195,616	1.19
Series A USD	184,630	134,383	1.37
Series M USD	3,066,359	2,158,711	1.42
2016	Increase in net assets attributable to holder of redeemable shares	Weighted average of shares outstanding during the year	Increase in net assets attributable to holders of redeemable shares per share
Series A	\$ (130,225)	204,747	\$ (0.63)
Series M	698,609	331,437	2.11
Series A USD	(67,178)	103,129	(0.65)
Series M USD	(2,080,234)	2,727,586	(0.78)

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 23

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 10. Increase (decrease) in net assets attributable to holders of redeemable shares per share (continued):

Monthly Income Pool			
2017	Increase in net assets attributable to holder of redeemable shares	Weighted average of shares outstanding during the year	Increase in net assets attributable to holders of redeemable shares per share
Series A	\$ 740,574	514,717	\$ 1.44
Series M	2,669,273	1,573,336	1.70
2016	Increase in net assets attributable to holder of redeemable shares	Weighted average of shares outstanding during the year	Increase in net assets attributable to holders of redeemable shares per share
Series A	\$ 72,005	188,161	\$ 0.38
Series M	378,077	576,312	0.66
Canadian Enhanced Dividend Pool			
2017	Increase in net assets attributable to holder of redeemable shares	Weighted average of shares outstanding during the year	Increase in net assets attributable to holders of redeemable shares per share
Series A	\$ 36,709	31,686	\$ 1.16
Series M	2,247,036	1,670,935	1.34
2016	Increase in net assets attributable to holder of redeemable shares	Weighted average of shares outstanding during the year	Increase in net assets attributable to holders of redeemable shares per share
Series A	\$ (1,841)	29,099	\$ (0.06)
Series M	276,200	1,440,523	0.19

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 24

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 11. Net gain (loss) from financial assets and liabilities by category:

### Global Enhanced Dividend Pool

	March 31, 2017	March 31, 2016
Net realized gain (loss) on financial assets and liabilities (excluding foreign exchange):		
Held for trading	\$ 7,659	\$ –
Designated at fair value through profit and loss	(1,056,356)	595,209
	(1,048,697)	595,209
Net change in unrealized gain on financial assets and liabilities:		
Held for trading	(1,333)	58,775
Designated at fair value through profit and loss	2,638,744	(221,763)
	2,637,411	(162,988)
	<u>\$ 1,588,714</u>	<u>\$ 432,221</u>

### US Enhanced Equity Pool

	March 31, 2017	March 31, 2016
Net realized gain (loss) on financial assets and liabilities (excluding foreign exchange):		
Held for trading	\$ 24,398	\$ –
Designated at fair value through profit and loss	269,249	(1,392,974)
	293,647	(1,392,974)
Net change in unrealized gain on financial assets and liabilities:		
Held for trading	(92,361)	70,529
Designated at fair value through profit and loss	2,986,183	(891,892)
	2,893,822	(821,363)
	<u>\$ 3,187,469</u>	<u>\$(2,214,337)</u>

# KIPLING PRIVATE INVESTMENT FUNDS

Notes to Financial Statements, page 25

Year ended March 31, 2017, with comparative information for 2016

Expressed in Canadian Dollars

## 11. Net gain (loss) from financial assets and liabilities by category (continued):

Monthly Income Pool		
	March 31, 2017	March 31, 2016
Net realized gain (loss) on financial assets and liabilities (excluding foreign exchange):		
Held for trading	\$ 1,418	\$ 8,299
Designated at fair value through profit and loss	309,499	(9,663)
	310,917	(1,364)
Net change in unrealized gain on financial assets and liabilities:		
Held for trading	-	16,456
Designated at fair value through profit and loss	2,260,040	218,859
	2,260,040	235,315
	<u>\$ 2,570,957</u>	<u>\$ 233,951</u>
Canadian Enhanced Dividend Pool		
	March 31, 2017	March 31, 2016
Net realized gain (loss) on financial assets and liabilities (excluding foreign exchange):		
Held for trading	\$ -	\$ -
Designated at fair value through profit and loss	164,051	(281,019)
	164,051	(281,019)
Net change in unrealized gain on financial assets and liabilities:		
Held for trading	-	-
Designated at fair value through profit and loss	1,710,031	353,873
	1,710,031	353,873
	<u>\$ 1,874,082</u>	<u>\$ 72,854</u>