

Financial Statements of

## **KIPLING FUNDS LTD.**

Consisting of:

Kipling North American Enhanced Dividend Pool (formerly Kipling North American Alpha Fund)

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

Kipling Monthly Income Pool

Kipling Canadian Enhanced Income Pool

For the period ended March 31, 2016



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## **INDEPENDENT AUDITORS' REPORT**

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

Kipling North American Enhanced Dividend Pool (formerly Kipling North American Alpha Fund)

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

Kipling Monthly Income Pool

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, 2016, the statements of comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the period ended March 31, 2016, 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.

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### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Funds as at March 31, 2016, and their financial performance and their cash flows for the period ended March 31, 2016 in accordance with International Financial Reporting Standards.

*KPMG LLP*

Chartered Professional Accountants

June 30, 2016  
Calgary, Canada

# KIPLING NORTH AMERICAN ENHANCED DIVIDEND POOL

Statement of Financial Position

*Expressed in Canadian Dollars*

March 31, 2016, with comparative information for 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Investments, at fair value	\$ 29,995,976	\$ 17,105,279
Cash	504,636	535,860
Dividends receivable	92,832	53,130
Receivable for investments sold	423,319	751,763
Subscription receivable	65	50,000
Other receivables	1,077	-
Derivative assets	108,056	-
	<b>\$ 31,125,961</b>	<b>\$ 18,496,032</b>
<b>Liabilities</b>		
Current liabilities:		
Investments sold short, at fair value	\$ 7,421,882	\$ 3,508,838
Management fee payable (note 5)	2,568	576
Performance fee payable (note 5)	-	25,988
Payable for investments purchased	356,325	1,246,398
Accrued liabilities	35,544	20,042
Income taxes payable	98,769	-
Distributions payable to holders of redeemable shares	28,019	-
Derivative liabilities	49,282	-
	<b>\$ 7,992,389</b>	<b>\$ 4,801,842</b>
Net assets attributable to holders of redeemable shares per series:		
Series A	\$ 8,767,102	\$ 3,328,058
Series M	14,366,470	10,366,132
	<b>\$ 23,133,572</b>	<b>\$ 13,694,190</b>
Number of redeemable shares outstanding (note 4):		
Series A	849,889	313,809
Series M	1,358,224	969,189
Net assets attributable to holders of redeemable shares per share:		
Series A	\$ 10.32	\$ 10.61
Series M	10.58	10.70

See accompanying notes to financial statements

On behalf of Kipling Funds Ltd.:

\_\_\_\_\_ Director

# KIPLING NORTH AMERICAN ENHANCED DIVIDEND POOL

Statement of Comprehensive Income

*Expressed in Canadian Dollars*

Year ended March 31, 2016, with comparative information for the period from commencement of operations on October 16, 2014 to March 31, 2015

	2016	2015
Income:		
Dividends	\$ 900,843	\$ 181,245
Interest income for distribution purposes	-	11,802
Net realized gain (loss) on sale of investments	674,589	(194,079)
Unrealized appreciation (depreciation) in value of investments and foreign exchange	(162,988)	766,338
	<u>1,412,444</u>	<u>765,306</u>
Expenses:		
Management fees (note 5)	108,093	15,595
Income tax expense	98,769	-
Withholding taxes	81,513	23,276
Dividends paid on investments sold short	74,700	394
Interest expense	61,557	-
Operating expenses	50,902	48,149
Transaction costs	48,398	39,269
Audit fees	19,351	-
Custodian fees	6,834	3,149
Performance fees (note 5)	-	76,551
Legal fees	-	1,853
	<u>550,117</u>	<u>208,236</u>
Increase in net assets attributable to holders of redeemable shares	<u>\$ 862,327</u>	<u>\$ 557,070</u>
Increase in net assets attributable to holders of redeemable shares per series:		
Series A	\$ 205,825	\$ 81,564
Series M	656,502	475,506
	<u>\$ 862,327</u>	<u>\$ 557,070</u>
Increase in net assets attributable to holders of redeemable shares per share:		
Series A	\$ 0.32	\$ 0.41
Series M	0.48	0.78

See accompanying notes to financial statements

# KIPLING NORTH AMERICAN ENHANCED DIVIDEND POOL

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares

*Expressed in Canadian Dollars*

Year ended March 31, 2016, with comparative information for the period from commencement of operations on October 16, 2014 to March 31, 2015

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	Reinvestment of distributions	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

2015	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	Reinvestment of distributions	Increase in net assets attributable to holders of redeemable shares	Net assets attributable to holders of redeemable shares, end of period
Series A	\$ –	\$ 3,787,708	\$ (24,580)	\$ –	\$ (541,092)	\$ 24,458	\$ 81,564	\$ 3,328,058
Series M	–	9,894,126	(75,996)	–	(3,500)	75,996	475,506	10,366,132
	\$ –	\$ 13,681,834	\$ (100,576)	\$ –	\$ (544,592)	\$ 100,454	\$ 557,070	\$ 13,694,190

See accompanying notes to financial statements

# KIPLING NORTH AMERICAN ENHANCED DIVIDEND POOL

Statement of Cash Flows

*Expressed in Canadian Dollars*

Year ended March 31, 2016, with comparative information for the period from commencement of operations on October 16, 2014 to March 31, 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Increase in net assets attributable to holders of redeemable shares, for the period	\$ 862,327	\$ 557,070
Adjustments for non-cash items:		
Net realized (gain) loss on sale of investments	(674,589)	194,079
Unrealized appreciation (depreciation) in value of investments and foreign exchange	162,988	(766,338)
	350,726	(15,189)
Change in non-cash balances:		
Increase in dividends receivable	(39,702)	(53,130)
Increase in other receivables	(1,077)	-
Increase in management fees payable	1,992	576
Increase (decrease) in performance fee payable	(25,988)	25,988
Increase in accrued liabilities	15,502	20,042
Increase in income taxes payable	98,769	-
Proceeds from sale of investments	17,218,823	12,201,263
Purchase of investments	(26,384,658)	(24,751,791)
	(8,765,613)	(12,572,241)
Financing:		
Proceeds from issuances of redeemable shares	12,148,312	13,631,834
Cash distributions	(128,615)	(122)
Amount paid on redemption of redeemable shares	(3,364,688)	(544,592)
	8,655,009	13,087,120
Increase (decrease) in cash during the period	(110,604)	514,879
Foreign exchange gain on cash	79,380	20,981
Cash, beginning of period	535,860	-
Cash, end of period	\$ 504,636	\$ 535,860
Supplemental information:		
Interest paid	\$ -	\$ 16,642
Interest received	-	13,284
Dividends received, net of withholding taxes	779,628	104,839
Dividends paid on investments sold short	74,700	394

See accompanying notes to financial statements

# KIPLING NORTH AMERICAN ENHANCED DIVIDEND POOL

Schedule of Investment Portfolio  
Expressed in Canadian Dollars  
March 31, 2016

Investments held long	Number of shares	Average cost	Fair value
Canadian equities (38.6%):			
Bank of Nova Scotia	13,350	\$ 686,851	\$ 847,325
Cameco Corp.	21,000	356,326	350,070
Canadian National Railway Co.	12,250	945,033	994,210
CI Financial Corp.	36,200	1,246,346	1,038,940
Cineplex Inc.	18,400	870,278	930,488
Emera Inc.	12,300	505,501	584,742
Enbridge Inc.	14,700	802,332	743,232
Great-West Lifeco Inc.	21,600	682,023	771,984
Manulife Financial Corp.	32,950	816,022	605,621
Pembina Pipeline Corp.	20,400	817,836	716,244
Royal Bank of Canada	14,325	1,103,828	1,071,940
Suncor Energy Inc.	13,600	490,665	491,912
TELUS Corp.	31,950	1,333,672	1,350,846
Toronto-Dominion Bank (The)	19,225	954,484	1,077,753
Total Canadian equities		11,611,197	11,575,307
European equity (3.5%):			
Hal Trust	4,050	901,222	1,042,156
Total European equities		901,222	1,042,156
U.S. equities (57.9%):			
Amgen Inc.	2,500	532,378	484,817
Anheuser-Busch inBev NV, ADR	3,300	457,022	532,097
Boeing Co. (The)	4,150	677,432	681,391
Broadcom Ltd.	3,700	578,027	739,401
Cisco Systems Inc.	19,275	681,818	709,793
CVS Health Corp.	7,100	917,529	952,604
Dow Chemical Co. (The)	11,150	637,700	733,501
Eaton Corp. PLC	6,075	484,669	491,578
International Business Machines Corp.	4,775	968,001	935,388
Johnson & Johnson	5,250	639,452	734,744
Lockheed Martin Corp.	1,200	347,919	343,799
MasterCard Inc., Class 'A'	9,650	1,190,327	1,179,528
McDonald's Corp.	2,875	455,857	467,362
Medtronic PLC	4,675	400,383	453,516
Microsoft Corp.	13,200	798,135	942,972
Nestlé SA, ADR, Registered	4,650	444,734	448,745
Novartis AG, ADR	6,200	763,211	580,925
PepsiCo Inc.	5,250	682,083	695,902
Phillip Morris International Inc.	7,400	802,035	939,063
Praxair Inc.	3,200	444,865	473,713
Roche Holding AG, ADR	20,400	890,086	808,083
Schlumberger Ltd.	7,000	717,808	667,744
Total SA, ADR	7,600	491,651	446,489
Walt Disney Co. (The)	3,000	467,212	385,358
Wells Fargo & Co.	13,800	919,989	863,207
Williams Sonoma Inc.	9,700	696,693	686,793
Total U.S. equities		17,087,016	17,378,513
Total investments - long		\$ 29,599,435	\$ 29,995,976



# KIPLING NORTH AMERICAN ENHANCED DIVIDEND POOL

Schedule of Investment Portfolio (continued)  
Expressed in Canadian Dollars  
March 31, 2016

Investments sold short	Number of shares	Proceeds from short sales	Fair value
Canadian equities (42.0%):			
Air Canada	(23,950)	\$ (287,158)	\$ (214,592)
BlackBerry Ltd.	(22,500)	(260,249)	(237,150)
Canadian Utilities Ltd., Class 'A'	(4,000)	(129,664)	(145,400)
Cenovus Energy Inc.	(13,450)	(261,737)	(227,305)
Dream Unlimited Corp., Class 'A'	(34,000)	(240,135)	(279,480)
Element Financial Corp.	(21,600)	(346,465)	(302,400)
Encana Corp.	(33,000)	(174,362)	(261,360)
First Quantum Minerals Ltd.	(17,000)	(119,099)	(116,280)
Industrial Alliance Insurance and Financial Services Inc.	(9,350)	(379,957)	(366,520)
Laurentian Bank of Canada	(7,325)	(357,396)	(348,670)
Magna International Inc., Class 'A'	(4,400)	(246,491)	(245,652)
Mitel Networks Corp.	(24,000)	(255,334)	(255,120)
SNC-Lavalin Group Inc.	(2,500)	(115,150)	(118,625)
Total Canadian equities		(3,173,197)	(3,118,554)
U.S equities (58.0%):			
Aetna Inc.	(1,825)	(252,838)	(265,207)
Affiliated Managers Group Inc.	(600)	(121,286)	(126,034)
Biogen Inc.	(625)	(257,535)	(210,444)
Capital One Financial Corp.	(3,000)	(307,433)	(268,947)
Cheniere Energy Inc.	(5,475)	(386,083)	(239,572)
Eastman Chemical Co.	(3,050)	(247,395)	(284,949)
Edgewell Personal Care Co.	(2,400)	(234,970)	(249,988)
Express Scripts Holding Co.	(2,700)	(260,677)	(239,887)
Marathon Oil Corp.	(16,000)	(239,878)	(230,545)
Monster Beverage Corp.	(2,250)	(407,712)	(388,171)
NCR Corp.	(6,750)	(239,873)	(261,312)
Signet Jewelers Ltd.	(1,425)	(230,526)	(228,608)
T-Mobile US Inc.	(4,800)	(235,116)	(237,788)
Under Armour Inc., Class 'A'	(2,225)	(215,361)	(244,134)
Wabtec Corp.	(2,800)	(245,480)	(287,161)
Western Union Co.	(10,500)	(248,233)	(261,982)
WhiteWave Foods Co., Class 'A'	(5,300)	(246,724)	(278,599)
Total U.S equities		(4,377,120)	(4,303,328)
Total investments sold short		(7,550,317)	(7,421,882)
Transaction costs		(19,604)	-
Net investments owned		\$ 22,029,514	\$ 22,574,094

# KIPLING NORTH AMERICAN ENHANCED DIVIDEND POOL

Schedule of Derivative Instruments

March 31, 2016

Counterparty	Credit Rating for Counterparty	Settlement Date	Currency Buys	Par Value	Currency Sells	Par Value	Contract Rate	Current Rate	Unrealized Gain (Loss)
Morgan Stanley, New York	A-2	2016/06/01	USD	1,894,801	CAD	2,500,000	1.319	1.293	\$ (49,282)
Morgan Stanley, New York	A-2	2016/06/01	CAD	2,500,000	USD	1,849,359	0.740	0.773	108,056

# KIPLING US ENHANCED GROWTH AND INCOME POOL

Statement of Financial Position

*Expressed in Canadian Dollars*

March 31, 2016, with comparative information for 2015

	2016	2015
<b>Assets</b>		
Current assets:		
Investments, at fair value	\$ 44,747,743	\$ 38,993,011
Cash	1,680,061	914,125
Dividends receivable	54,957	54,292
Subscription receivable	-	113,000
Derivative assets	129,668	-
Receivables for investments sold	533,188	-
	<b>\$ 47,145,617</b>	<b>\$ 40,074,428</b>
<b>Liabilities</b>		
Current liabilities:		
Investments sold short, at fair value	\$ 9,707,851	\$ -
Management fee payable (note 5)	1,121	480
Performance fee payable (note 5)	-	14,436
Payable for investments purchased	598,152	553,694
Accrued liabilities	21,071	22,266
Income taxes payable	189,949	-
Distributions payable to holders of redeemed shares	18,327	-
Derivative liabilities	59,139	-
Payable for units redeemed	10	-
	<b>\$ 10,595,620</b>	<b>\$ 590,876</b>
Net assets attributable to holders of redeemable shares per series:		
Series A	\$ 2,199,432	\$ 2,424,459
Series M	2,843,005	3,951,317
Series A USD	1,545,517	319,145
Series M USD	29,962,043	32,788,631
	<b>\$ 36,549,997</b>	<b>\$ 39,483,552</b>
Number of redeemable shares outstanding (note 4):		
Series A	205,256	210,309
Series M	258,981	339,986
Series A USD	145,399	27,869
Series M USD	2,761,772	2,854,552
Net assets attributable to holders of redeemable shares per share:		
Series A	\$ 10.72	\$ 11.53
Series M	10.98	11.62
Series A USD	10.63	11.45
Series M USD	10.85	11.49

See accompanying notes to financial statements

On behalf of Kipling Funds Ltd.:

\_\_\_\_\_  
Director

# KIPLING US ENHANCED GROWTH AND INCOME POOL

Statement of Comprehensive Income

*Expressed in Canadian Dollars*

Year ended March 31, 2016, with comparative information for the period from commencement of operations on September 24, 2014 to March 31, 2015

	2016	2015
Income:		
Dividends	\$ 1,092,143	\$ 200,084
Net realized gain (loss) on sale of investments	(1,231,090)	1,634,339
Unrealized appreciation (depreciation) in value of investments and foreign exchange	(821,363)	1,548,736
	<u>(960,310)</u>	<u>3,383,159</u>
Expenses:		
Income tax expense	189,949	-
Withholding taxes	170,634	27,855
Transaction costs	98,220	59,963
Management fees (note 5)	54,234	15,574
Operating expenses	46,871	31,710
Dividends paid on investments sold short	31,266	-
Audit fees	21,001	-
Custodian fees	5,420	5,144
Interest expense	1,123	-
Performance fees (note 5)	-	245,753
Legal fees	-	1,853
	<u>618,718</u>	<u>387,852</u>
Increase (decrease) in net assets attributable to holders of redeemable shares	<u>\$ (1,579,028)</u>	<u>\$ 2,995,307</u>
Increase (decrease) in net assets attributable to holders of redeemable shares per series:		
Series A	\$ (130,225)	\$ 279,778
Series M	698,609	534,756
Series A USD	(67,178)	2,084
Series M USD	(2,080,234)	2,178,689
	<u>\$ (1,579,028)</u>	<u>\$ 2,995,307</u>
Increase (decrease) in net assets attributable to holders of redeemable shares per share:		
Series A	\$ (0.63)	\$ 1.58
Series M	2.11	1.88
Series A USD	(0.65)	0.09
Series M USD	(0.78)	1.43

See accompanying notes to financial statements

# KIPLING US ENHANCED GROWTH AND INCOME POOL

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares

Expressed in Canadian Dollars

Year ended March 31, 2016, with comparative information for the period from commencement of operations on September 24, 2014 to March 31, 2015

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	Reinvestment of distributions	Increase (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

2015	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	Reinvestment of distributions	Increase in net assets attributable to holders of redeemable shares	Net assets attributable to holders of redeemable shares, end of period
Series A	\$ –	\$ 2,203,790	\$ (10,470)	\$ –	\$ (59,039)	\$ 10,400	\$ 279,778	\$ 2,424,459
Series M	–	3,476,538	(16,710)	–	(59,977)	16,710	534,756	3,951,317
Series A USD	–	317,061	(3,225)	–	–	3,225	2,084	319,145
Series M USD	–	30,613,770	(616,609)	–	(3,830)	616,611	2,178,689	32,788,631
	\$ –	\$ 36,611,159	\$ (647,014)	\$ –	\$ (122,846)	\$ 646,946	\$ 2,995,307	\$ 39,483,552

See accompanying notes to financial statements

# KIPLING US ENHANCED GROWTH AND INCOME POOL

Statement of Cash Flows

*Expressed in Canadian Dollars*

Year ended March 31, 2016, with comparative information for the period from commencement of operations on September 24, 2014 to March 31, 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Increase in net assets attributable to holders of redeemable shares	\$ (1,579,028)	\$ 2,995,307
Adjustments for non-cash items:		
Net realized loss (gain) on sale of investments	1,231,090	(1,634,339)
Unrealized depreciation (appreciation) in value of investments and foreign exchange	821,363	(1,548,736)
	473,425	(187,768)
Change in non-cash balances:		
Increase in dividends receivable	(665)	(54,292)
Increase in management fees payable	641	480
Increase (decrease) in performance fee payable	(14,436)	14,436
Increase (decrease) in accrued liabilities	(1,195)	22,266
Increase in income taxes payable	189,949	-
Proceeds from sale of investments	67,455,600	25,430,857
Purchase of investments	(66,276,079)	(61,043,219)
	1,827,240	(35,817,240)
Financing:		
Proceeds from issuances of redeemable shares	8,902,511	36,498,159
Cash distributions	(682,726)	(68)
Amount paid on redemption of redeemable shares	(9,442,975)	(122,846)
	(1,223,190)	36,375,245
Increase in cash during the period	604,050	558,005
Foreign exchange gain on cash	161,886	356,120
Cash, beginning of period	914,125	-
<b>Cash, end of period</b>	<b>\$ 1,680,061</b>	<b>\$ 914,125</b>
Supplemental information:		
Dividends received, net of withholding taxes	\$ 920,844	\$ 117,937
Dividends paid on investments sold short	31,266	-

See accompanying notes to financial statements

# KIPLING US ENHANCED GROWTH AND INCOME POOL

Schedule of Investment Portfolio  
Expressed in Canadian Dollars  
March 31, 2016

Investments held long	Number of shares	Average cost	Fair value
U.S equities (100.0%):			
3M Co.	7,800	\$ 1,607,048	\$ 1,681,115
Accenture PLC, Class 'A'	8,950	1,174,737	1,335,914
American Financial Group Inc.	7,975	610,307	725,885
AmerisourceBergen Corp.	13,970	1,857,288	1,563,915
Amgen Inc.	7,720	1,622,300	1,497,116
Anthem Inc.	3,950	696,309	710,118
Apple Inc.	10,855	1,551,406	1,530,263
AT&T Inc.	16,700	763,982	846,096
Berkshire Hathaway Inc., Class 'B'	8,325	1,504,904	1,527,760
Boeing Co. (The)	8,045	1,415,969	1,320,913
Broadcom Ltd.	10,305	1,754,906	2,059,331
Cisco Systems Inc.	47,350	1,688,991	1,743,641
Dr. Pepper Snapple Group Inc.	16,375	1,783,944	1,893,937
Exxon Mobil Corp.	7,650	818,618	827,114
Home Depot Inc.	12,120	2,042,599	2,091,731
Kimberly-Clark Corp.	8,200	1,158,101	1,426,652
Kroger Co. (The)	25,200	1,316,876	1,246,756
Lazard Ltd., Class 'A'	14,625	815,156	733,968
Lockheed Martin Corp.	5,825	1,507,547	1,668,858
Marriott International Inc., Class 'A'	15,800	1,495,396	1,454,671
McDonald's Corp.	5,950	994,678	967,237
Medtronic PLC	18,250	1,729,600	1,770,410
Merck & Co. Inc.	9,700	697,557	663,833
Microsoft Corp.	15,000	849,369	1,071,559
Packaging Corp. of America	15,050	1,302,484	1,175,772
Paychex Inc.	11,200	749,837	782,423
Pfizer Inc.	16,375	707,988	627,782
Prudential Financial Inc.	9,550	1,012,313	892,094
Reynolds American Inc.	12,875	816,307	837,821
Sealed Air Corp.	29,250	1,740,039	1,816,382
Suburban Propane Partners L.P.	19,700	736,416	761,626
U.S. Bancorp	29,250	1,609,570	1,535,658
Valero Energy Corp.	15,200	1,270,114	1,261,021
Verizon Communications Inc.	13,000	816,189	909,347
Visa Inc., Class 'A'	18,085	1,900,300	1,789,024
Total U.S. equities		44,119,145	44,747,743
Total investments - long		\$ 44,119,145	\$ 44,747,743

# KIPLING US ENHANCED GROWTH AND INCOME POOL

Schedule of Investment Portfolio (continued)  
Expressed in Canadian Dollars  
March 31, 2016

Investments sold short	Number of shares	Proceeds from short sales	Fair value
U.S. equities (100.0%):			
Aetna Inc.	(2,500)	\$ (341,491)	\$ (363,298)
American Airlines Group Inc.	(8,400)	(475,602)	(445,573)
Caterpillar Inc.	(5,000)	(457,559)	(495,003)
Cheniere Energy Inc.	(7,750)	(373,107)	(339,120)
Chevron Corp.	(4,150)	(485,867)	(512,090)
Deere & Co.	(3,950)	(410,323)	(393,352)
Dollar Tree Stores Inc.	(2,850)	(317,069)	(303,975)
Eastman Chemical Co.	(4,000)	(336,714)	(373,704)
Edgewell Personal Care Co.	(4,750)	(482,924)	(494,767)
Express Scripts Holdings Co.	(3,800)	(378,958)	(337,619)
International Flavors and Fragrances Inc.	(1,800)	(281,497)	(264,880)
iShares Nasdaq Biotechnology Index Fund	(1,200)	(430,668)	(404,814)
Lear Corp.	(2,100)	(291,039)	(301,965)
Monster Beverage Corp.	(3,200)	(585,639)	(552,065)
NCR Corp.	(9,500)	(338,933)	(367,773)
Sotheby's Holdings Inc., Class 'A'	(5,800)	(187,735)	(200,529)
SPDR S&P 500 ETF Trust	(2,000)	(533,188)	(531,763)
Target Corp.	(3,500)	(349,231)	(372,488)
Telefonaktiebolaget LM Ericsson, ADR, Class 'B'	(32,000)	(412,430)	(415,146)
T-Mobile US Inc.	(8,900)	(446,594)	(440,898)
Tower Semiconductor Ltd.	(10,000)	(165,506)	(156,766)
Wabtec Corp.	(4,000)	(372,256)	(410,231)
Western Union Co.	(20,000)	(484,341)	(499,013)
WhiteWave Foods Co., Class 'A'	(7,400)	(380,825)	(388,987)
Whole Foods Market Inc.	(8,500)	(368,659)	(342,032)
Total U.S. equities		(9,688,155)	(9,707,851)
Total investment sold short		(9,688,155)	(9,707,851)
Transaction costs		(20,181)	-
Net investments owned		\$ 34,410,809	\$ 35,039,892



# KIPLING US ENHANCED GROWTH AND INCOME POOL

Schedule of Derivative Instruments

March 31, 2016

Counterparty	Credit Rating for Counterparty	Settlement Date	Currency Buys	Par Value	Currency Sells	Par Value	Contract Rate	Current Rate	Unrealized Gain (Loss)
Morgan Stanley, New York	A-2	2016/06/01	USD	2,273,761	CAD	3,000,000	1.319	1.293	\$ (59,139)
Morgan Stanley, New York	A-2	2016/06/01	CAD	3,000,000	USD	2,219,230	0.740	0.773	129,668

# KIPLING MONTHLY INCOME POOL

Statement of Financial Position  
Expressed in Canadian Dollars  
March 31, 2016

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2016

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## Assets

### Current assets:

Investments, at fair value	\$ 13,573,147
Cash	450,553
Interest receivable	51,656
Dividends receivable	23,510
Other receivables	13,026
Derivative assets	30,256

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\$ 14,142,148

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## Liabilities

### Current liabilities:

Payable for investments purchased	\$ 228,750
Accrued liabilities	38,155
Derivative liabilities	13,799
Distributions payable to holders of redeemable units	915
Management fee payable (note 5)	848

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\$ 282,467

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### Net assets attributable to holders of redeemable shares per series:

Series A	\$ 2,814,651
Series M	11,045,030

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\$ 13,859,681

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### Number of redeemable shares outstanding (note 4):

Series A	265,948
Series M	1,028,110

### Net assets attributable to holders of redeemable shares per share:

Series A	\$ 10.58
Series M	10.74

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See accompanying notes to financial statements

On behalf of Kipling Funds Ltd.:

\_\_\_\_\_  
Director

# KIPLING MONTHLY INCOME POOL

Statement of Comprehensive Income

*Expressed in Canadian Dollars*

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

	2016
Income:	
Unrealized appreciation in value of investments and foreign exchange	\$ 235,315
Dividends	149,769
Interest income for distribution purposes	111,244
Net realized gain on sale of investments	21,608
	<u>517,936</u>
Expenses:	
Management fees (note 5)	27,859
Income tax expense	18,608
Audit fees	11,891
Withholding taxes	5,429
Custodian fees	4,453
Transaction costs	3,990
Unitholder reporting costs	2,539
Operating expense (recovery)	(6,915)
	<u>67,854</u>
Increase in net assets attributable to holders of redeemable shares	<u>\$ 450,082</u>
Increase in net assets attributable to holders of redeemable shares per series:	
Series A	\$ 72,005
Series M	378,077
	<u>\$ 450,082</u>
Increase in net assets attributable to holders of redeemable shares per share:	
Series A	\$ 0.38
Series M	0.66

See accompanying notes to financial statements

## KIPLING MONTHLY INCOME POOL

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares

*Expressed in Canadian Dollars*

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

2016	Net assets attributable to holders of redeemable shares, beginning of period	Proceeds from redeemable shares issued	Distributions to shareholders (investment income)	Redemption of redeemable shares	Reinvestment of distributions	Increase in net assets attributable to holders of redeemable shares	Net assets attributable to holders of redeemable shares, end of period
Series A	\$ -	\$ 3,502,996	\$ (57,863)	\$ (760,219)	\$ 57,732	\$ 72,005	\$ 2,814,651
Series M	-	10,673,435	(180,664)	-	174,182	378,077	11,045,030
	\$ -	\$ 14,176,431	\$ (238,527)	\$ (760,219)	\$ 231,914	\$ 450,082	\$ 13,859,681

See accompanying notes to financial statements

# KIPLING MONTHLY INCOME POOL

Statement of Cash Flows

*Expressed in Canadian Dollars*

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

	2016
Cash provided by (used in):	
Operations:	
Increase in net assets attributable to holders of redeemable shares, for the period	\$ 450,082
Adjustments for non-cash items:	
Net realized gain on sale of investments	(21,608)
Unrealized appreciation in value of investments and foreign exchange	(235,315)
	193,159
Change in non-cash balances:	
Increase in dividends receivable	(23,510)
Increase in other receivables	(13,026)
Increase in interest receivable	(51,656)
Increase in management fees payable	848
Increase in accrued liabilities	19,547
Increase in income taxes	18,608
Proceeds from sale of investments	3,812,796
Purchase of investments	(16,939,698)
	(12,982,932)
Financing:	
Proceeds from issuances of redeemable shares	14,176,431
Cash distributions	(5,698)
Amount paid on redemption of redeemable shares	(760,219)
	13,410,514
Increase in cash during the period	427,582
Foreign exchange gain on cash	22,971
Cash, beginning of period	-
Cash, end of period	\$ 450,553
Supplemental information:	
Interest received	\$ 59,342
Dividends received, net of withholding taxes	121,076

See accompanying notes to financial statements

# KIPLING MONTHLY INCOME POOL

Schedule of Investment Portfolio

*Expressed in Canadian Dollars*

March 31, 2016

Investments held long	Number of shares	Average cost	Fair value
Canadian equities (45.9%):			
AltaGas Ltd., Preferred, Series 'I', Variable Rate, Perpetual	5,000	\$ 125,000	\$ 123,700
American Hotel Income Properties REIT L.P.	10,000	97,941	105,400
Brookfield Asset Management Inc., Preferred, Series '44' Variable Rate, Perpetual	3,500	87,500	89,600
Canadian Imperial Bank of Commerce	625	56,144	60,638
Canadian Western Bank	2,000	46,431	48,300
Enbridge Inc.	2,500	101,750	126,400
Fortis Inc.	4,500	168,885	183,195
GDI Integrated Facility Services Inc.	5,000	80,000	51,500
George Weston Ltd.	3,000	325,454	348,840
Great-West Lifeco Inc.	4,900	170,276	175,126
Hydro One Ltd.	4,500	92,250	109,395
Manulife Financial Corp.	18,400	392,858	338,192
Pembina Pipeline Corp.	14,250	444,500	500,318
Pembina Pipeline Corp., Preferred Series '11', Variable Rate, Perpetual	8,000	200,000	201,520
Peyto Exploration & Development Corp.	4,500	127,140	130,005
Pure Industrial Real Estate Trust	20,000	88,429	95,200
RioCan REIT, Preferred, Series 'A' Variable Rate, Convertible, Perpetual	54,126	1,361,956	1,352,609
Sleep Country Canada Holdings Inc.	26,700	460,883	520,917
Stingray Digital Group Inc.	10,000	62,500	70,500
Sun Life Financial Inc.	9,000	385,120	377,100
Tamarack Valley Energy Ltd.	4,500	13,140	17,415
TELUS Corp.	6,800	289,749	287,504
TransAlta Renewables Inc.	36,200	352,950	457,930
TransCanada Corp.	5,000	228,750	228,750
Westcoast Energy Inc., Preferred, Series '10' Variable Rate, Perpetual	7,000	175,000	176,400
ZCL Composites Inc.	6,700	48,463	55,141
<b>Total Canadian equities</b>		<b>\$ 5,983,069</b>	<b>\$ 6,231,595</b>

# KIPLING MONTHLY INCOME POOL

Schedule of Investment Portfolio (continued)

Expressed in Canadian Dollars

March 31, 2016

Investments held long	Number of shares	Average cost	Fair value
Canadian fixed income (30.4%):			
Aimia Inc., 4.35%, 2018/01/22	300,000	\$ 306,180	\$ 300,372
Aimia Inc., Callable, 6.95%, 2017/01/26	250,000	261,150	257,060
Bank of Montreal, Zero Coupon, Callable, 2016/04/21	41,500	41,466	41,475
Canadian Imperial Bank of Commerce Variable Rate, Callable, 3.42%, 2026/01/26	500,000	502,630	507,407
Emera Inc., Convertible, 4.00%, 2025/09/29	1,000,000	333,000	443,500
Enbridge Inc., Callable, 5.17%, 2016/05/19	203,000	208,883	203,880
Enbridge Inc., Callable, 5.00%, 2016/08/09	150,000	154,121	151,790
Enbridge Pipelines Inc., Zero Coupon, 2016/12/11	48,000	47,455	47,534
Home Capital Group Inc., Callable, 5.20%, 2016/05/04	443,000	448,093	443,918
Home Trust Co. (The), 2.35%, 2017/05/24	349,000	346,375	346,995
Korea Gas Corp., Callable, 4.58%, 2016/05/12	170,000	173,253	170,582
Manitoba Telecom Services Inc., Series '7', 6.65%, 2016/05/11	155,000	161,082	155,787
Manitoba Telecom Services Inc., Zero Coupon, 2016/05/11	56,000	55,417	55,918
Molson Coors International L.P., Series '1', 2.25%, 2018/09/18	55,000	54,721	54,747
Sun Life Financial Inc., Zero Coupon, 2016/06/01	18,000	17,951	17,931
TransAlta Corp., Callable, 6.40%, 2019/11/18	600,000	593,105	590,465
Transalta Corp., Zero Coupon, Callable 2019/11/18	429,000	332,950	331,220
Total Canadian fixed income		4,037,832	4,120,581
U.S. equities (22.3%):			
Altria Group Inc.	4,000	293,672	324,190
Boeing Co. (The)	1,700	307,052	279,124
Canadian Imperial Bank of Commerce	4,250	397,101	410,693
Charles Schwab Corp. (The)	7,000	286,559	253,697
Citigroup Inc.	2,200	147,876	118,803
Costco Wholesale Corp.	700	153,588	142,675
CVS Health Corp.	90	12,201	12,075
FedEx Corp.	1,000	206,232	210,470
Guggenheim Enhanced Short Duration ETF	2,000	130,802	129,009
Johnson & Johnson	1,000	130,365	139,951
MasterCard Inc., Class 'A'	2,700	344,974	330,024
PowerShares Senior Loan Portfolio	12,100	373,143	355,272
SPDR Barclays High Yield Bond ETF	2,600	125,697	115,182
Union Pacific Corp.	2,000	237,887	205,788
Total U.S. equities		3,147,149	3,026,953
European equity (1.4%)			
Medtronic PLC	2,000	188,538	194,018
Total European equities	2,000	188,538	194,018
Total investments owned		13,356,588	13,573,147
Transaction costs		(2,299)	-
Net investments owned		\$ 13,354,289	\$ 13,573,147

# KIPLING MONTHLY INCOME POOL

Schedule of Derivative Instruments

March 31, 2016

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-2	2016/06/01	USD	530,544	CAD	700,000	1.319	1.293	\$ (13,799)
Morgan Stanley, New York	A-2	2016/06/01	CAD	700,000	USD	517,820	0.740	0.773	30,256



# KIPLING CANADIAN ENHANCED INCOME POOL

Statement of Financial Position

*Expressed in Canadian Dollars*

As at March 31, 2016

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2016

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## Assets

### Current assets:

Investments, at fair value	\$ 15,165,995
Cash and cash equivalents	3,248,308
Interest receivable	3,284
Dividends receivable	39,067

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\$ 18,456,654

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## Liabilities

### Current liabilities:

Investments sold short, at fair value	\$ 1,357,753
Management fee payable	2,296
Payable for investments purchased	39,245
Accrued liabilities	16,979
Income taxes payable	6,707

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\$ 1,422,980

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### Net assets attributable to holders of redeemable shares per series:

Series A	377,559
Series M	16,656,115

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\$ 17,033,674

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### Number of redeemable shares outstanding (note 4):

Series A	37,617
Series M	1,645,918

### Net assets attributable to holders of redeemable shares per share:

Series A	\$ 10.04
Series M	10.12

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See accompanying notes to financial statements

On behalf of Kipling Funds Ltd.:

\_\_\_\_\_  
Director

# KIPLING CANADIAN ENHANCED INCOME POOL

Statement of Comprehensive Income

*Expressed in Canadian Dollars*

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

	2016
Income:	
Dividends	\$ 259,076
Interest income for distribution purposes	37,185
Net realized loss on sale of investments	(281,132)
Unrealized appreciation in value of investments and foreign exchange	353,873
	<u>369,002</u>
Expenses:	
Dividends paid on investments sold short	24,800
Management fees (note 5)	23,815
Transaction costs	14,399
Operating expenses	12,215
Audit fees	10,434
Income tax expense	6,707
Custodian fees	2,273
	<u>94,643</u>
Increase in net assets attributable to holders of redeemable shares	<u>\$ 274,359</u>
Increase (decrease) in net assets attributable to holders of redeemable shares per series:	
Series A	\$ (1,841)
Series M	276,200
	<u>\$ 274,359</u>
Increase (decrease) in net assets attributable to holders of redeemable shares per share:	
Series A	\$ (0.06)
Series M	0.19

See accompanying notes to financial statements

# KIPLING CANADIAN ENHANCED INCOME POOL

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares

*Expressed in Canadian Dollars*

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

2016	Net assets attributable to holders of redeemable shares, beginning of period	Proceeds from redeemable shares issued	Distributions to shareholders (investment income)	Redemption of redeemable shares	Reinvestment of distributions	Increase (decrease) 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

See accompanying notes to financial statements

# KIPLING CANADIAN ENHANCED INCOME POOL

Statement of Cash Flows

*Expressed in Canadian Dollars*

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

	2016
Cash provided by (used in):	
Operations:	
Increase in net assets attributable to holders of redeemable shares, for the period	\$ 274,359
Adjustments for non-cash items:	
Net realized loss on sale of investments	281,132
Unrealized appreciation in value of investments and foreign exchange	(353,873)
	201,618
Change in non-cash balances:	
Increase in dividends receivable	(39,067)
Increase in interest receivable	(3,284)
Increase in management fees payable	2,296
Increase in accrued liabilities	16,979
Increase in income taxes payable	6,707
Proceeds from sale of investments	(137,860)
Purchase of investments	(13,558,283)
	(13,510,894)
Financing:	
Proceeds from issuances of redeemable shares	16,759,315
Increase in cash during the period	3,248,421
Foreign exchange loss on cash	(113)
Cash, beginning of period	-
Cash, end of period	\$ 3,248,308
Supplemental information:	
Interest received	\$ 33,901
Dividends received	220,009
Dividends paid on investments sold short	24,800

See accompanying notes to financial statements

# KIPLING CANADIAN ENHANCED INCOME POOL

Schedule of Investment Portfolio

Expressed in Canadian Dollars

March 31, 2016

Investments held long	Number of shares	Average cost	Fair value
Canadian Equities (87.3%):			
Altus Group Ltd.	9,000	\$ 180,090	\$ 186,930
Bank of Montreal	8,100	599,930	638,847
BCE Inc.	11,800	646,901	698,442
CAE Inc.	37,100	544,005	557,242
Canadian Imperial Bank of Commerce	6,200	595,007	601,524
Canadian National Railway Co.	7,300	560,847	592,468
Canam Group Inc., Class 'A'	42,200	562,548	541,426
Chemtrade Logistics Income Fund	46,400	795,029	824,528
Computer Modelling Group Ltd.	35,400	311,772	358,956
DH Corp.	13,000	453,570	502,190
Ensign Energy Services Inc.	35,000	208,942	209,300
Gildan Activewear inc.	18,200	711,233	720,720
Hardwoods Distribution Inc.	22,700	374,982	409,054
Intertape Polymer Group Inc.	30,500	464,141	567,605
Manulife Financial Corp.	36,900	746,727	678,222
Metro Inc., Class 'A'	13,700	507,576	617,322
Parkland Fuel Corp.	15,800	359,036	337,962
PFB Corp.	21,000	168,210	165,900
Sun Life Financial Inc.	13,900	597,512	582,410
Suncor Energy Inc.	14,700	529,866	531,699
Superior Plus Corp.	37,800	405,298	349,272
Thomson Reuters Corp.	11,700	621,868	615,654
Toronto-Dominion Bank (The)	11,400	603,805	639,084
Western Forest Products Inc.	258,100	500,119	596,211
WSP Global Inc.	9,000	401,823	346,500
ZCL Composites Inc.	44,900	346,579	369,527
Total Canadian equities		12,797,416	13,238,995
Canadian investment fund (12.7%):			
Norrep High Yield Fund, Class 'I'	114,296	1,009,632	948,890
Norrep Short Term Income Fund, Series 'I/O'	101,672	1,019,615	978,110
Total Canadian investment fund		2,029,247	1,927,000
<b>Total investments - long</b>		<b>\$ 14,826,663</b>	<b>\$ 15,165,995</b>

# KIPLING CANADIAN ENHANCED INCOME POOL

Schedule of Investment Portfolio (continued)

Expressed in Canadian Dollars

March 31, 2016

Investments sold short	Number of shares	Proceeds from short sales	Fair value
Canadian Equities (100.0%):			
Cervus Equipment Corp.	(14,200)	\$ (181,887)	\$ (156,200)
Holloway Lodging Corp.	(29,400)	(142,465)	(139,650)
Information Services Corp., Class 'A'	(1,700)	(23,920)	(24,225)
iShares 1-5 Year Laddered Corporate Bond Index Fund	(26,000)	(500,374)	(498,160)
K-Bro Linen Inc.	(3,800)	(163,362)	(168,530)
Rocky Mountain Dealerships Inc.	(28,500)	(166,574)	(167,010)
Second Cup Ltd. (The)	(12,900)	(32,349)	(40,893)
Shaw Communications Inc., Class 'B'	(6,500)	(154,310)	(163,085)
Total Canadian equities		(1,365,241)	(1,357,753)
Total investments sold short		(1,365,241)	(1,357,753)
Transaction costs		(7,053)	-
Net investments owned		\$ 13,454,369	\$ 13,808,242

# KIPLING FUNDS LTD.

Notes to Financial Statements

*Expressed in Canadian Dollars*

Period ended March 31, 2016, with comparative information for 2015

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## 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 North American Enhanced Dividend Pool (formerly Kipling North American Alpha Fund), Kipling US Enhanced Growth and Income Pool (formerly Kipling US Equity Investment Fund), Kipling Monthly Income Pool and Kipling Canadian Enhanced Income Pool (each, a "Fund"). The Kipling North American Enhanced Dividend Pool commenced operations on October 16, 2014. The Kipling US Enhanced Growth and Income Pool commenced operations on September 24, 2014. The Kipling Monthly Income Pool commenced operations on May 13, 2015. The Kipling Canadian Enhanced Income Pool commenced operations on October 1, 2015. For each Fund, the Corporation is authorized to issue Shares in Series A and M (each and collectively, "Series of Shares"). 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 30, 2016.

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

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

# KIPLING FUNDS LTD.

Notes to Financial Statements, page 2

*Expressed in Canadian Dollars*

Period ended March 31, 2016, with comparative information for 2015

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### 3. Significant accounting policies:

The following new standards and amendments to existing standards were issued by the International Accounting Standards Board IASB:

#### 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 IAS 39 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 periods 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 FUNDS LTD.

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*Expressed in Canadian Dollars*

Period ended March 31, 2016, with comparative information for 2015

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## 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 and subscription receivable.

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 and payable for investments purchased.

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 FUNDS LTD.

Notes to Financial Statements, page 4

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### 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 Class.

# KIPLING FUNDS LTD.

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*Expressed in Canadian Dollars*

Period ended March 31, 2016, with comparative information for 2015

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### 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 class outstanding at the end of the period.

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 class of shares, divided by the weighted average number of shares outstanding of that class during the period.

- (f) Taxation:

As at March 31, 2016 the Corporation was a mutual fund corporation under the Income Tax Act (Canada) and, accordingly, is not taxed on that portion of its taxable income that is paid or allocated to shareholders.

However, certain dividend and interest income and capital gains received by the Fund are subject to withholding tax imposed in certain countries of origin. Income that is subject to such tax is recognized on a gross basis and the related withholding taxes are shown separately in the Statements of Comprehensive Income for each Fund, if applicable.

### 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 Funds' 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.

# KIPLING FUNDS LTD.

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## 4. Capital (continued):

Changes in outstanding shares of the North American Enhanced Dividend Pool for the year ended March 31, 2016 and the period from commencement of operations on October 16, 2014 to March 31, 2015 were as follows:

2016	Redeemable shares, beginning of period	Subscriptions	Redemptions	Reinvestments	Redeemable shares, end of period
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

2015	Redeemable shares, beginning of period	Subscriptions	Redemptions	Reinvestments	Redeemable shares, end of period
Series A	–	364,254	(52,755)	2,310	313,809
Series M	–	962,400	(330)	7,119	969,189

Changes in outstanding shares of the US Enhanced Growth and Income Pool for the year ended March 31, 2016 and the period from commencement of operations on September 24, 2014 to March 31, 2015 were as follows:

2016	Redeemable shares, beginning of period	Subscriptions	Redemptions	Reinvestments	Redeemable shares, end of period
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

2015	Redeemable shares, beginning of period	Subscriptions	Redemptions	Reinvestments	Redeemable shares, end of period
Series A	–	214,531	(5,127)	905	210,309
Series M	–	343,718	(5,175)	1,443	339,986
Series A USD	–	27,588	–	281	27,869
Series M USD	–	2,801,340	(337)	53,549	2,854,552

# KIPLING FUNDS LTD.

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## 4. Capital (continued):

Changes in outstanding shares of the Monthly Income Pool for the period from commencement of operations on May 13, 2015 to March 31, 2016 were as follows:

2016	Redeemable shares, beginning of period	Subscriptions	Redemptions	Reinvestments	Redeemable shares, end of period
Series A	–	337,813	(77,388)	5,523	265,948
Series M	–	1,050,077	(38,470)	16,503	1,028,110

Changes in outstanding shares of the Canadian Enhanced Income Pool for the period from commencement of operations on October 1, 2015 to March 31, 2016 were as follows:

2016	Redeemable shares, beginning of period	Subscriptions	Redemptions	Reinvestments	Redeemable shares, end of period
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 Funds 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 Kipling Canadian Enhanced Income 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 1.5% per annum.

### (b) Performance fee:

The Funds are subject to an annual performance fee ("Performance Fee") equal to 20% of the amount by which the return of the applicable Fund exceeds an 8% annual return, subject to certain conditions, calculated and payable quarterly. The Performance Fee will be paid in whole or in part to PPWM or to external portfolio managers, as the case may be.

The Performance Fee is calculated over a "Performance Measurement Period", which is a calendar quarter. Generally, if the series performance exceeds 8% (2% quarterly), 20% of this amount will be multiplied by the average series net asset value during the Performance Measurement Period (the "Outperformance Amount"), and the resulting amount constitutes the Performance Fee.

# KIPLING FUNDS LTD.

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Expressed in Canadian Dollars

Period ended March 31, 2016, with comparative information for 2015

## 5. Fees, expenses and related party transactions (continued):

### (c) 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.

## 6. Commission and other transaction costs:

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

	2016	2015
North American Enhanced Dividend Pool	\$ 48,398	\$ 39,269
US Enhanced Growth and Income Pool	98,220	59,963
Monthly Income Pool	3,990	-
Canadian Enhanced Income Pool	14,399	-

The Funds incurred soft dollar commissions during the period as follows:

	2016	2015
North American Enhanced Dividend Pool	\$ 7,354	\$ -
US Enhanced Growth and Income Pool	13,443	3,254
Monthly Income Pool	-	-
Canadian Enhanced Income 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.

# KIPLING FUNDS LTD.

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## 7. Financial risk management (continued):

### (a) Currency risk

The Funds may, from time to time, hold assets valued 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 valued in other currencies will fluctuate due to changes in exchange rates.

The tables below summarize in Canadian dollars the currency risk that each Fund had as at March 31, 2016 and 2015; and the impact on net assets attributable to holders of redeemable shares, had the Canadian dollar strengthened or weakened by 5% in relation to the foreign currency, with all other variables held constant:

2016	North American Enhanced Dividend Pool					
	Exposure			Impact of 5% change on net assets attributable to holders of redeemable shares		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency						
Euro	\$ -	\$ 1,042,156	\$ 1,042,156	\$ -	\$ 52,108	\$ 52,108
United States Dollar	\$ 220,244	\$ 13,133,960	\$ 13,354,204	\$ 11,012	\$ 656,698	\$ 667,710
% of net assets attributable to holders of redeemable shares	0.95	61.28	62.23	0.05	3.06	3.11

2015	North American Enhanced Dividend Pool					
	Exposure			Impact of 5% change on net assets attributable to holders of redeemable shares		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency						
United States Dollar	\$ 105,872	\$ 9,545,021	\$ 9,650,893	\$ 5,294	\$ 477,251	\$ 482,545
% of net assets attributable to holders of redeemable shares	0.77	69.70	70.47	0.04	3.49	3.52

2016	US Enhanced Growth and Income Pool					
	Exposure			Impact of 5% change on net assets attributable to holders of redeemable shares		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency						
United States Dollar	\$ 1,565,066	\$ 35,110,421	\$ 36,675,487	\$ 78,253	\$ 1,755,521	\$ 1,833,774
% of net assets attributable to holders of redeemable shares	4.28	96.06	100.34	0.21	4.80	5.01

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Expressed in Canadian Dollars

Period ended March 31, 2016, with comparative information for 2015

## 7. Financial risk management (continued):

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

2015	US Enhanced Growth and Income Pool					
	Exposure			5% Impact of net assets attributable to holders of redeemable shares		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency						
United States Dollar	\$ 3,638	\$ 38,993,011	\$38,996,649	\$ 182	\$ 1,949,651	\$ 1,949,833
% of net assets attributable to holders of redeemable shares	0.01	98.76	98.77	0.00	4.94	4.94

2016	Monthly Income Pool					
	Exposure			5% Impact of net assets attributable to holders of redeemable shares		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
Currency						
United States Dollar	\$ 357,222	\$ 3,237,428	\$ 3,594,650	\$ 17,861	\$ 161,871	\$ 179,732
% of net assets attributable to holders of redeemable shares	2.58	23.36	25.94	0.13	1.17	1.30

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

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



# KIPLING FUNDS LTD.

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*Expressed in Canadian Dollars*

Period ended March 31, 2016, with comparative information for 2015

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## 7. Financial risk management (continued):

### (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, 2016, the North American Enhanced Dividend Pool had nil (2015- 3.8%) and Monthly Income Pool had 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 North American Enhanced Dividend Pool may have increased or decreased by \$nil (2015 - \$5,147) and Monthly Income Pool may have increased or decreased by \$118,633. Interest rate exposure in the Canadian Enhanced Income Pool and exposure in the US Enhanced Growth and Income Pool was short-term in nature and therefore interest rate risk is not significant.

### (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.

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## 7. Financial risk management (continued):

### (c) Other price risk (continued):

As at March 31, 2016, 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 period end, with all other factors remaining constant, net assets attributable to holders of redeemable shares may have increased or decreased as follows:

- North American Enhanced Dividend Pool - \$2,257,409 (2015 - \$1,359,644)
- US Enhanced Growth and Income Pool - \$3,503,989 (2015 - \$3,899,301)
- Monthly Income Pool - \$945,257
- Canadian Enhanced Income Pool - \$1,188,124

The Funds' financial assets exposed to other price risk were concentrated in the following industries at March 31, 2016 and March 31, 2015:

North American Enhanced Dividend Pool	2016	2015
Energy	10.88%	6.07%
Materials	3.57%	5.06%
Industrials	8.38%	6.31%
Consumer Discretionary	7.76%	13.11%
Consumer Staples	11.75%	13.14%
Healthcare	10.39%	10.25%
Financials	23.76%	19.31%
Information Technology	16.63%	7.33%
Telecommunications	4.93%	15.06%
Utilities	1.95%	4.44%
Bonds	0.00%	-3.79%
Investment fund	0.00%	3.71%
	100.00%	100.00%

# KIPLING FUNDS LTD.

Notes to Financial Statements, page 13

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Period ended March 31, 2016, with comparative information for 2015

## 7. Financial risk management (continued):

(c) Other price risk (continued):

US Enhanced Growth and Income Pool	2016	2015
Energy	3.53%	7.05%
Materials	6.72%	3.52%
Industrials	8.35%	9.20%
Consumer Discretionary	9.52%	12.45%
Consumer Staples	10.35%	13.16%
Healthcare	16.34%	11.67%
Financials	12.51%	14.74%
Information Technology	26.76%	16.11%
Telecommunications	3.75%	9.52%
Utilities	2.17%	2.58%
	100.00%	100.00%

Kipling Monthly Income Pool	2016
Energy	10.19%
Industrials	5.50%
Consumer Discretionary	4.36%
Consumer Staples	6.10%
Healthcare	2.46%
Financials	29.65%
Information Technology	2.43%
Telecommunications	2.12%
Utilities	6.83%
Bonds	30.36%
	100.00%

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Period ended March 31, 2016, with comparative information for 2015

## 7. Financial risk management (continued):

### (c) Other price risk (continued):

Canadian Enhanced Income Pool	2016
Energy	10.50%
Materials	18.32%
Industrials	11.01%
Consumer Discretionary	10.15%
Consumer Staples	4.47%
Financials	34.43%
Information Technology	6.06%
Telecommunications	5.06%
	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.

### (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.

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Period ended March 31, 2016, with comparative information for 2015

## 7. Financial risk management (continued):

### (e) Credit risk (continued):

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 of March 31, 2016.

The North American Enhanced Dividend Pool had nil (2015 - 3.8%) of its net assets attributable to holders of redeemable shares invested in fixed-income securities which were AAA rated in 2015.

The US Enhanced Growth and Income Pool did not hold fixed-income securities (2015 – nil).

The Monthly Income Pool had 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	% of net assets attributable to holders of redeemable units
AA rating	0.3%
A rating	1.3%
BBB rating	28.1%
	29.7%

The Canadian Enhanced Income Pool did not hold fixed income securities.

### (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.

# KIPLING FUNDS LTD.

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Period ended March 31, 2016, with comparative information for 2015

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## **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:

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 period.

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.

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

The following fair value hierarchy table presents information about the Funds' investments measured at fair value as of March 31, 2016 and 2015.

### North American 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)	\$ (49,282)	\$ -	\$ (7,471,164)

### North American Enhanced Dividend Pool

As at March 31, 2015	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Common stocks	\$ 16,601,276	\$ -	\$ -	\$ 16,601,276
Investment funds	-	504,003	-	504,003
	\$ 16,601,276	\$ 504,003	\$ -	\$ 17,105,279
<b>Liabilities</b>				
Common stocks	\$ (2,994,104)	\$ -	\$ -	\$ (2,994,104)
Fixed income securities	-	(514,734)	-	(514,734)
	\$ (2,994,104)	\$ (514,734)	\$ -	\$ (3,508,838)

# KIPLING FUNDS LTD.

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Period ended March 31, 2016, with comparative information for 2015

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

### US Enhanced Growth and Income 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)

### US Enhanced Growth and Income Pool

As at March 31, 2015	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Common stocks	\$ 38,993,011	\$ -	\$ -	\$ 38,993,011

### 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 Income 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, 2016 and 2015, there were no securities transferred between levels.



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## 9. Involvement with unconsolidated structured entities:

The table below describes the structured entities that the Funds do not consolidate but in which they hold an interest. During the periods ended March 31, 2016 and 2015, the Funds did not provide financial support to these structured entities and they have no intention of providing financial or other support.

### North American Enhanced Dividend Pool

March 31, 2016				
Strategy	Number of Investee Funds	Net Asset Value of Investee Fund	Investment fair value	% of Net Asset Value of Investee
Norrep High Yield Fund	N/A	\$ N/A	\$ N/A	N/A

### North American Enhanced Dividend Pool

March 31, 2015				
Strategy	Number of Investee Funds	Net Asset Value of Investee Fund	Investment fair value	% of Net Asset Value of Investee
Norrep High Yield Fund	1	\$ 119,500,000	\$ 504,003	0.42%

### Canadian Enhanced Income Pool

March 31, 2016				
Strategy	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%

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

The increase (decrease) in net assets attributable to holders of redeemable shares per share for the periods ended March 31, 2016 and 2015 is calculated as follows:

### North American Enhanced Dividend Pool

2016	Increase in net assets attributable to holders of redeemable shares	Weighted average of shares outstanding during the period	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

### North American Enhanced Dividend Pool

2015	Increase in net assets attributable to holders of redeemable shares	Weighted average of shares outstanding during the period	Increase in net assets attributable to holders of redeemable shares per share
Series A	\$ 81,564	199,515	\$ 0.41
Series M	475,506	607,471	0.78

### US Enhanced Growth and Income Pool

2016	Increase in net assets attributable to holders of redeemable shares	Weighted average of shares outstanding during the period	Increase (decrease) 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)

### US Enhanced Growth and Income Pool

2015	Increase in net assets attributable to holders of redeemable shares	Weighted average of shares outstanding during the period	Increase in net assets attributable to holders of redeemable shares per share
Series A	\$ 279,778	177,382	\$ 1.58
Series M	534,756	285,062	1.88
Series A USD	2,084	22,832	0.09
Series M USD	2,178,689	1,527,751	1.43

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

### Monthly Income Pool

2016	Increase in net assets attributable to holders of redeemable shares	Weighted average of shares outstanding during the period	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 Income Pool

2016	Increase in net assets attributable to holders of redeemable shares	Weighted average of shares outstanding during the period	Increase (decrease) 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

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

### North American Enhanced Dividend Pool

	2016	2015
Net realized gain (loss) on financial assets and liabilities (excluding foreign exchange):		
Held for trading	\$ -	\$ (374,196)
Designated at fair value through profit and loss	595,209	159,136
	595,209	(215,060)
Net change in unrealized gain on financial assets and liabilities:		
Held for trading	58,775	(23,604)
Designated at fair value through profit and loss	(221,763)	789,942
	(162,988)	766,338
	\$ 432,221	\$ 551,278

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

US Enhanced Growth & Income Pool		2016	2015
Net realized gain (loss) on financial assets and liabilities (excluding foreign exchange):			
Held for trading	\$	-	\$ -
Designated at fair value through profit and loss		(1,392,974)	1,278,219
		<u>(1,392,974)</u>	<u>1,278,219</u>
Net change in unrealized gain on financial assets and liabilities:			
Held for trading		70,529	-
Designated at fair value through profit and loss		(891,892)	1,548,736
		<u>(821,363)</u>	<u>1,548,736</u>
		<u>\$ (2,214,337)</u>	<u>\$ 2,826,955</u>
Monthly Income Pool			2016
Net realized gain (loss) on financial assets and liabilities (excluding foreign exchange):			
Held for trading			\$ 8,299
Designated at fair value through profit and loss			(9,663)
			<u>(1,364)</u>
Net change in unrealized gain on financial assets and liabilities:			
Held for trading			16,456
Designated at fair value through profit and loss			218,859
			<u>235,315</u>
			<u>\$ 233,951</u>
Canadian Enhanced Income Pool			2016
Net realized gain (loss) on financial assets and liabilities (excluding foreign exchange):			
Held for trading	\$	-	\$ -
Designated at fair value through profit and loss		(281,019)	(281,019)
		<u>(281,019)</u>	<u>(281,019)</u>
Net change in unrealized gain on financial assets and liabilities:			
Held for trading			-
Designated at fair value through profit and loss			353,873
			<u>353,873</u>
			<u>\$ 72,854</u>