

Financial Statements of

KIPLING STRATEGIC INCOME FUND

For the period ended March 31, 2017



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Kipling Strategic Income Fund:

We have audited the accompanying financial statements of Kipling Strategic Income Fund, which comprise the statement of financial position as at March 31, 2017, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the period from commencement of operations on August 5, 2016 to 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 Kipling Strategic Income Fund as at March 31, 2017, and their financial performance and their cash flows for the period from commencement of operations on August 5, 2016 to March 31, 2017 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants

June 27, 2017
Calgary, Canada

KIPLING STRATEGIC INCOME FUND

Statement of Financial Position

As at March 31, 2017

Expressed in Canadian Dollars

2017

Assets

Investments, at fair value	\$	36,869,375
Cash		252,891
Interest receivable		353,564
Other receivables		15,783
	\$	37,491,613

Liabilities

Bank overdraft	\$	525,714
Payable for units redeemed		250,000
Accrued liabilities		20,536
Distributions payable to holders of redeemable units		6,439
	\$	802,689

Net assets attributable to holders of redeemable units per series:

Series A	\$	13,752,880
Series M		22,936,044
	\$	36,688,924

Number of redeemable units outstanding (note 4):

Series A	1,346,459
Series M	2,232,389

Net assets attributable to holders of redeemable units per series unit:

Series A	\$	10.21
Series M		10.27

On behalf of Kipling Funds Ltd.:



Director

See accompanying notes to financial statements.

KIPLING STRATEGIC INCOME FUND

Statement of Comprehensive Income

For the period from commencement of operations on August 5, 2016 to March 31, 2017

Expressed in Canadian Dollars

	2017
Income:	
Dividends	\$ 18,818
Interest for income distribution purposes	723,308
Net realized gain on sale of investments	280,240
Unrealized appreciation in value of investments and foreign exchange	360,288
	<u>1,382,654</u>
Expenses:	
Operating expenses	44,482
Management fees	39,085
Audit fees	5,269
Custodial fees	5,110
Transaction costs	1,794
	<u>95,740</u>
Increase in net assets attributable to holders of redeemable units	<u>\$ 1,286,914</u>
Increase in net assets attributable to holders of redeemable units per series:	
Series A	\$ 435,660
Series M	851,254
	<u>1,286,914</u>
Increase in net assets attributable to holders of redeemable units per series unit:	
Series A	\$ 0.46
Series M	0.52

See accompanying notes to financial statements.

KIPLING STRATEGIC INCOME FUND

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

For the period from commencement of operations on August 5, 2016 to March 31, 2017

Expressed in Canadian Dollars

2017		Net Assets attributable to holders of redeemable units, beginning of period	Proceeds from redeemable units issued	Distributions to shareholders (Investment Income)	Distributions to shareholders (Capital Gains)	Redemption of redeemable units	Reinvestments of redeemable units distributed	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
Series A	\$	-	\$ 13,576,647	\$ (237,083)	\$ (47,672)	\$ (256,111)	\$ 281,439	\$ 435,660	\$ 13,752,880
Series M		-	25,196,048	(345,837)	(60,783)	(3,062,375)	357,737	851,254	22,936,044
	\$	-	\$ 38,772,695	\$ (582,920)	\$ (108,455)	\$ (3,318,486)	\$ 639,176	\$ 1,286,914	\$ 36,688,924

See accompanying notes to financial statements.

KIPLING STRATEGIC INCOME FUND

Statement of Cash Flows

For the period from commencement of operations on August 5, 2016 to March 31, 2017

Expressed in Canadian Dollars

	2017
Cash provided by (used in):	
Operations:	
Increase in net assets attributable to holders of redeemable units	\$ 1,286,914
Adjustments for non-cash items:	
Net realized gain on sale of investments	(280,240)
Unrealized appreciation in value of investments and foreign exchange	(360,288)
Change in non-cash balances:	
Increase in accrued liabilities	20,536
Increase in other receivables	(15,783)
Increase in interest receivable	(353,564)
Purchase of investments	(118,131,658)
Proceeds from the sale of investments	81,902,811
	(35,931,272)
Financing:	
Bank overdraft	525,714
Proceeds from issuances of redeemable units	38,772,695
Distributions of redeemable units net of reinvestment of redeemable units distributed	(45,760)
Amount paid on redemption of redeemable units	(3,068,486)
	36,184,163
Increase in cash	252,891
Cash, beginning of period	-
Cash, end of period	\$ 252,891
Supplemental information:	
Interest received	\$ 369,744
Dividends received, net of withholding taxes	18,818

See accompanying notes to financial statements.

KIPLING STRATEGIC INCOME FUND

Schedule of Investment Portfolio
 March 31, 2017
 Expressed in Canadian Dollars

Investments held long	Number of shares	Average cost	Fair value
Canadian equities (2.9%)			
Bank of Montreal, Preferred, Class 'B', Series '40', Variable Rate, Perpetual	2,000	\$ 50,000	\$ 50,800
Brookfield Asset Management Inc., Preferred, Series '46', Variable Rate, Perpetual	5,000	125,000	129,500
Brookfield Infrastructure Partners L.P., Preferred, Series '7', Variable Rate, Perpetual	15,000	375,000	379,500
Brookfield Renewable Partners L.P., Preferred, Series '11', Variable Rate, Perpetual	4,000	100,000	99,600
Enbridge Inc., Preferred, Series '17', Variable Rate, Perpetual	5,000	125,000	130,000
TransCanada Corp., Preferred, Series '13', Variable Rate, Perpetual	10,000	267,396	267,100
Total Canadian equities		1,042,396	1,056,500
Canadian fixed income (97.1%)			
AGT Food and Ingredients Inc., Callable, 5.88%, 2021/12/21	700,000	709,900	716,917
Aimia Inc., 4.35%, 2018/01/22	1,100,000	1,114,664	1,112,844
Aimia Inc., Callable, 5.60%, 2019/05/17	500,000	513,200	517,253
Bank of America Corp., Variable Rate, Callable, 0.00%, 2023/03/15	250,000	250,000	251,775
Bank of Montreal, Variable Rate, 10.00%, 2024/09/19	500,000	506,600	512,719
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 10.00%, 2024/10/28	1,000,000	1,009,300	1,023,042
Canadian Natural Resources Ltd., Series '1', Callable, 3.05%, 2019/06/19	500,000	506,700	513,193
Capital Power Corp., 5.28%, 2020/11/16	1,000,000	1,058,625	1,082,777
Cargojet Inc., Convertible, Callable, 4.65%, 2021/12/31	200,000	200,000	214,500
Chip Mortgage Trust, Callable, 2.33%, 2020/04/29	500,000	494,750	499,636
Chip Mortgage Trust, Callable, 3.66%, 2038/09/25	500,000	512,100	512,765
Chip Mortgage Trust, Series '16-1', Extendible, 2.98%, 2041/11/15	200,000	200,000	200,072
Crew Energy Inc., Callable, Restricted, 6.50%, 2024/03/14	810,000	810,000	803,756
Crombie REIT, 3.99%, 2018/10/31	1,600,000	1,650,080	1,638,074
Empire Life Insurance Co., Variable Rate, Callable, 3.38%, 2026/12/16	500,000	502,350	509,542
Empire Life Insurance Co., Variable Rate, Restricted, Callable, 10.00%, 2023/05/31	1,500,000	1,500,400	1,508,483
EnerCare Solutions Inc., Series '17-1', Callable, 3.38%, 2022/02/21	870,000	869,844	886,859
EnerCare Solutions Inc., Series '17-2', Callable, 3.99%, 2024/02/21	960,000	959,827	988,540
First National Financial Corp., Callable, 4.01%, 2020/04/09	1,500,000	1,523,935	1,523,611
Gibson Energy Inc., Restricted, Callable, 5.38%, 2022/07/15	732,000	742,980	741,455
Granite REIT Holdings L.P., Series '3', Callable, 3.87%, 2023/11/30	1,000,000	1,000,020	1,030,406
Great-West Lifeco Finance (Delaware) L.P., Variable Rate, Callable, 5.69%, 2067/06/21	1,500,000	1,493,600	1,499,310
H&R REIT, Callable, 3.37%, 2024/01/30	500,000	500,340	504,352
HSBC Holdings PLC, 3.20%, 2023/12/05	1,000,000	1,000,000	1,019,660
Iron Mountain Canada Operations ULC, Callable, 6.12%, 2021/08/15	250,000	261,875	258,958
Mattamy Group Corp., Callable, 6.88%, 2020/11/15	825,000	847,781	843,906
MCAP Commercial L.P., Callable, 3.96%, 2019/03/11	3,500,000	3,494,750	3,534,052
Morgan Stanley, Restricted, 3.00%, 2024/02/07	1,000,000	999,810	1,010,437
Morguard Corp., Series 'A', 4.10%, 2018/12/10	1,000,000	1,032,040	1,029,121
Morguard Corp., Series 'B', 4.01%, 2020/11/18	1,700,000	1,723,458	1,750,825
Nissan Canada Financial Services, Inc., Series 'C', Restricted, 1.75%, 2020/04/09	175,000	174,998	175,653
NorthWest Healthcare Properties Real Estate Investment Trust, 5.25%, 2021/07/31	250,000	252,438	258,438
Parkland Fuel Corp., Callable, 5.50%, 2021/05/28	750,000	765,625	778,594
Reliance L.P., Restricted, Callable, 3.81%, 2020/09/15	1,000,000	1,016,400	1,025,165
Sun Life Financial Inc., Variable Rate, Callable, 10.00%, 2028/09/19	1,700,000	1,701,092	1,743,094
Toronto-Dominion Bank (The), Variable Rate, Callable, 10.00%, 2025/06/24	1,500,000	1,511,350	1,522,535
TransAlta Corp., Callable, 6.40%, 2019/11/18	500,000	536,650	537,637
Transcontinental Inc., Callable, 3.90%, 2019/05/13	750,000	766,800	769,658
Veresen Inc., Callable, 3.43%, 2021/11/10	750,000	752,533	763,265
Total Canadian fixed income		35,466,815	35,812,875
Total investments owned		\$ 36,509,211	\$ 36,869,375
Transaction costs		(124)	—
Net investments owned		<u>\$ 36,509,087</u>	<u>\$ 36,869,375</u>

KIPLING STRATEGIC INCOME FUND

Notes to Financial Statements, page 1
Period ended March 31, 2017
Expressed in Canadian Dollars

1. The Fund:

The Kipling Strategic Income (the “Fund”) is an open ended mutual fund trust established on August 5, 2016 under the laws of Alberta and is governed by a Trust Agreement (“Trust Agreement”), as amended from time to time.

The Fund is authorized to issue an unlimited number of units and series of Units. The Fund is authorized to issue Units in Series A and M (each and collectively, “series of Units”). The Fund may create additional series of Units in the future.

Perron & Partners Wealth Management Corp. (the “Manager” or “PPWM”) is the investment fund manager of the Fund and is responsible for the day-to-day administration and operation of the Fund. PPWM may, in its discretion, retain other portfolio managers to provide portfolio management services to the Fund. Computershare Trust Company of Canada is the Trustee of the Fund. CIBC Mellon is the administrator of the Fund. The registered office of the Fund 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.

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 Fund’s functional currency is the Canadian dollar which is the currency of the primary economic environment in which the Fund operates. The Fund’s 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 Fund’s 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 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.

KIPLING STRATEGIC INCOME FUND

Notes to Financial Statements, page 2
Period ended March 31, 2017
Expressed in Canadian Dollars

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 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 Fund is in the process of assessing the impact of IFRS 9.

The following summarizes the significant accounting policies of the Fund:

(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 Fund becomes 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 Fund derecognizes financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire.

KIPLING STRATEGIC INCOME FUND

Notes to Financial Statements, page 3
Period ended March 31, 2017
Expressed in Canadian Dollars

3. Significant accounting policies (continued):

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

(iii) Classification and measurement:

The Fund classifies 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, interest and 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: bank overdraft, management fee payable, performance fee payable, payable for investments purchased, payable for units redeemed, 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 Fund designates 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 Statement 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 STRATEGIC INCOME FUND

Notes to Financial Statements, page 4
Period ended March 31, 2017
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 Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures 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 Fund measures 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 Statement of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds, which are amortized on a straight line basis.

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 units:

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

KIPLING STRATEGIC INCOME FUND

Notes to Financial Statements, page 5
Period ended March 31, 2017
Expressed in Canadian Dollars

3. Significant accounting policies (continued):

(e) Net assets attributable to holders of redeemable units per unit:

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

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

(f) Taxation:

As at March 31, 2017, the Fund qualified as a mutual fund trust under the Income Tax Act (Canada) and, accordingly, is not taxed on that portion of its taxable income that is paid or allocated to unitholders. The Fund pays out sufficient net income and net realized capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made in these financial statements.

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 Statement of Comprehensive Income, if applicable.

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

4. Capital:

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

The Fund may issue an unlimited number of units of each series of Units.

KIPLING STRATEGIC INCOME FUND

Notes to Financial Statements, page 6
Period ended March 31, 2017
Expressed in Canadian Dollars

4. Capital (continued):

Changes in outstanding units of the Strategic Income Fund for the period ended March 31, 2017 were as follows:

March 31, 2017	Redeemable units, beginning of period	Subscriptions	Redemptions	Reinvestments	Redeemable units, end of period
Series A	-	1,343,762	(25,079)	27,776	1,346,459
Series M	-	2,498,970	(301,727)	35,146	2,232,389

5. Fees, expenses and related party transactions:

(a) Management fee:

The Manager is entitled to receive a fee for investment management services from the Fund for each series of Units based on the series' net asset value, calculated on each valuation date. The management fee is unique to each series of Units. Series A Units incur a management fee of 0.58% per annum. Series M Units are not subject to a management fee that is payable by the Fund to PPWM. Rather these Unitholders pay a management fee to PPWM directly that is established in the Unitholder's managed account agreement.

(b) Operating expenses:

The expenses for which the Fund is responsible for include, but are not limited to, 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 to each series of Units of the Fund in a fair and equitable manner, as determined by the Manager.

6. Commission and other transaction costs:

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

	March 31, 2017
Strategic Income Fund	1,794

For the period ended March 31, 2017, the soft dollar commissions for Strategic Income Fund amounted to \$nil.

KIPLING STRATEGIC INCOME FUND

Notes to Financial Statements, page 7
Period ended March 31, 2017
Expressed in Canadian Dollars

7. Financial risk management:

The 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 Fund may, from time to time, hold assets valued in currencies other than the Canadian dollar, which is the Fund's 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. As at March 31, 2017 the Fund was not subject to currency risk.

(c) Interest rate risk:

A change in general interest rates is a main factor affecting the price of a fund that invests 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 Fund had 97.13% of its net assets attributable to holders of redeemable units 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 units of the Fund may have increased or decreased by \$1,793,988.

(d) 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 Fund 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.

KIPLING STRATEGIC INCOME FUND

Notes to Financial Statements, page 8
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Expressed in Canadian Dollars

7. Financial risk management (continued):

(d) Other price risk (continued):

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 the 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 units may have increased or decreased by \$105,650.

(e) Portfolio concentration risk:

Concentration indicates the relative sensitivity of the Fund's 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 STRATEGIC INCOME FUND

Notes to Financial Statements, page 9
Period ended March 31, 2017
Expressed in Canadian Dollars

7. Financial risk management (continued):

(f) 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 Fund 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 Fund's fixed-income security investments as at March 31, 2017:

Debt Instruments by Credit Rating	% of net assets attributable to holders of redeemable units
AAA	3.30%
AA	0.00%
A	21.75%
BBB	59.98%
Below BBB	11.29%
Unrated	1.29%
	97.61%

(g) Liquidity risk:

Each Fund is exposed to monthly cash redemptions of redeemable units. At the option of the unitholder, the units of a Fund are redeemed at the current net asset value per unit. 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 Fund are short-term in nature and payable within a year of three months or less.

KIPLING STRATEGIC INCOME FUND

Notes to Financial Statements, page 10
Period ended March 31, 2017
Expressed in Canadian Dollars

8. Fair value of financial instruments:

Investments are carried at fair value in the Statement 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 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 Fund's investments measured at fair value as at March 31, 2017:

Strategic Income Fund						
As at March 31, 2017	Level 1		Level 2		Level 3	Total
Assets						
Common stocks	\$	1,056,500	\$	-	\$	\$ 1,056,500
Fixed income securities		-		35,812,875		35,812,875
	\$	1,056,500	\$	35,812,875	\$	\$ 36,869,375

During the period ended March 31, 2017, there were no securities transferred between levels.

KIPLING STRATEGIC INCOME FUND

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Period ended March 31, 2017

Expressed in Canadian Dollars

9. Increase in net assets attributable to holders of redeemable units per unit:

The increase in net assets attributable to holders of redeemable units per unit for the period ended March 31, 2017 is as follows:

Strategic Income Fund			
2017	Increase in net assets attributable to holder of redeemable units	Weighted average of units outstanding during the period	Increase in net assets attributable to holders of redeemable units per unit
Series A	\$435,660	948,317	\$ 0.46
Series M	851,254	1,625,707	0.52

10. Net gain from financial assets and liabilities by category:

Strategic Income Fund		March 31, 2017
Net realized gain on financial assets and liabilities (excluding foreign exchange):		
Held for trading		\$ -
Designated at fair value through profit and loss		280,240
		<u>280,240</u>
Net change in unrealized gain on financial assets and liabilities:		
Held for trading		-
Designated at fair value through profit and loss		360,288
		<u>360,288</u>
		<u>\$ 640,528</u>