

**Clearpoint Short Term  
Income Fund  
Financial Statements**

**For the period from the commencement of operations,  
April 5, 2017 to December 31, 2017**

# Clearpoint Short Term Income Fund

From the commencement of operations, April 5, 2017 to December 31, 2017

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## Independent Auditor's Report

To the Unitholders of:  
Clearpoint Short Term Income Fund

We have audited the accompanying financial statements of Short Term Income Fund, which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in net assets attributable to holders of redeemable units and statements of cash flows for the period from the commencement of operations, April 5, 2017 to December 31, 2017, and 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.

### Auditor's 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 the auditor's 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, the auditor considers internal control relevant to the entity's 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 entity's 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 Clearpoint Short Term Income Fund as at December 31, 2017, and its financial performance and its cash flows for the period from the commencement of operations, April 5, 2017 to December 31, 2017 in accordance with International Financial Reporting Standards.

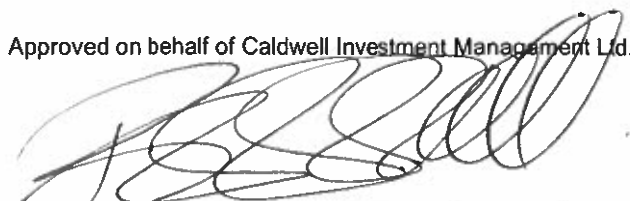


# Clearpoint Short Term Income Fund

## Statement of Financial Position As at December 31, 2017

	December 31, 2017
<b>ASSETS</b>	
<b>Current assets</b>	
Investment designated at fair value through profit or loss (Note 9)	\$ 8,543,434
Cash	200,363
Foreign currencies	35,060
Due from Manager	19,308
Forward contracts (Note 9)	180,344
Interest receivable	131,925
	<u>9,110,434</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accrued expenses	85,361
Management fees payable (Note 6)	9,948
	<u>95,309</u>
<b>Net Assets Attributable to Holders of Redeemable Units</b>	<b>\$ 9,015,125</b>
<b>Net Assets Attributable to Holders of Redeemable Units per Series</b>	
Series A	\$ 4,560,015
Series F	4,455,110
	<u>\$ 9,015,125</u>
<b>Number of Redeemable Units Outstanding (Note 5)</b>	
Series A	468,818
Series F	455,942
<b>Net Assets Attributable to Holders of Redeemable Units per Unit</b>	
Series A	\$ 9.73
Series F	9.77

Approved on behalf of Caldwell Investment Management Ltd., Manager and Trustee of the Fund

  
Brendan T.N. Caldwell, President

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

# Clearpoint Short Term Income Fund

## Statement of Comprehensive Income

From the commencement of operations, April 5, 2017 to December 31, 2017

	2017
<b>Income</b>	
Interest income for distribution purposes	\$ 295,246
Change in unrealized appreciation on investments and foreign currency	63,739
Realized loss on investments	(205,887)
Realized gain on forward contracts	31,976
	<u>185,074</u>
<b>Expenses</b>	
Management fee (Note 6)	67,909
Administrative fee	57,017
Audit fee	26,555
Custodial fee	19,211
Independent review committee fee	15,821
Legal fee	13,075
Securityholder reporting costs	10,171
Filing fee	7,119
Transaction costs (Note 10)	198
	<u>217,076</u>
Deduct: Expenses absorbed by Manager (Note 6)	<u>13,172</u>
Net expenses	203,904
<b>Decrease in Net Assets Attributable to Holders of Redeemable Units</b>	<b>\$ (18,830)</b>
<b>(Decrease) Increase in Net Assets Attributable to Holders of Redeemable Units per Series (Note 11)</b>	
Series A	\$ (20,851)
Series F	<u>2,021</u>
	<b>\$ (18,830)</b>
<b>Weighted Average of Redeemable Units Outstanding During the Period</b>	
Series A	376,680
Series F	344,831
<b>(Decrease) Increase in Net Assets Attributable to Holders of Redeemable Units per Unit</b>	
Series A	\$ (0.06)
Series F	0.01

## Clearpoint Short Term Income Fund

### Statement of Changes in Net Assets Attributable to Holders of Redeemable Units From the commencement of operations, April 5, 2017 to December 31, 2017

	Net assets attributable to holders of redeemable units, beginning of period	Decrease in net assets attributable to holders of redeemable units	Proceeds from redeemable units issued	Redemption of redeemable units	Distribution to unitholders	Reinvestments of distributions to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
December 31, 2017							
Series A	\$ -	(20,851) \$	4,768,641 \$	(164,963) \$	(73,798) \$	50,986 \$	4,560,015
Series F	-	2,021	4,886,956	(398,386)	(71,305)	35,824	4,455,110
	\$ -	(18,830) \$	9,655,597 \$	(563,349) \$	(145,103) \$	86,810 \$	9,015,125

# Clearpoint Short Term Income Fund

## Statement of Cash Flows

From the commencement of operations, April 5, 2017 to December 31, 2017

	2017
<b>Cash provided by (used in):</b>	
<b>Operating Activities</b>	
Decrease in Net Assets Attributable to Holders of Redeemable Units	\$ (18,830)
Adjustments for non-cash items	
Transaction costs	198
Realized gain on forward contracts	(31,976)
Realized loss on investments	205,887
Change in unrealized appreciation on investments and foreign currency	(63,739)
Change in non-cash balances	
Increase in due from Manager	(19,308)
Increase in Interest and dividends receivable	(131,925)
Increase in management fee payable	9,948
Increase in accrued expenses	85,361
Proceeds from sale of investments	3,582,267
Purchase of investments	(12,404,300)
Cash used in operating activities	<u>(8,786,417)</u>
<b>Financing Activities</b>	
Proceeds from issuance of redeemable units	9,506,520
Amount paid on redemption of redeemable units	(414,272)
Distribution paid	(58,293)
Cash provided by financing activities	<u>9,033,955</u>
Increase in cash during the period	247,538
Foreign exchange loss on cash	(12,115)
Cash (including foreign currency) beginning of period	<u>—</u>
<b>Cash (including foreign currency), end of period</b>	<b>\$ <u>235,423</u></b>
<b>Supplemental information*</b>	
Interest paid	\$ 7,230
Interest received	163,321

\*Included as a part of cash flows from operating activities

# Clearpoint Short Term Income Fund

## Schedule of Investment Portfolio As at December 31, 2017

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
	<b>Canadian fixed income</b>			
150,000	Air Canada 4.75% 06OCT23	\$ 150,375	\$ 156,095	1.73
150,000	Russel Metals Inc. 6% 19APR22	153,938	154,595	1.71
150,000	Temple Hotels Inc. 7.25% 30SEP20	145,688	150,711	1.67
		<u>450,001</u>	<u>461,401</u>	<u>5.11</u>
	<b>U.S. fixed income</b>			
500,000	AMAG Pharmaceuticals Inc. 7.875% 01SEP23	620,180	612,078	6.79
500,000	Avon International Operations Inc. 7.875% 15AUG22	646,779	636,561	7.06
500,000	CenturyLink Inc. 6.75% 01DEC23	623,316	616,792	6.84
500,000	Consolidated Communications Inc. 6.50% 01OCT22	600,810	566,104	6.28
400,000	Credit Acceptance Corp. 6.125% 15FEB21	543,582	510,786	5.67
500,000	Dean Foods Co. 6.50% 15MAR23	636,174	627,659	6.96
500,000	Lee Enterprises Inc. 9.50% 15MAR22	675,790	651,272	7.22
350,000	Mattamy Group Corp. 6.875% 15DEC23	484,508	465,250	5.16
500,000	NGL Energy Partners LP / NGL Energy Finance Corp. 6.875% 15OCT21	617,450	638,651	7.08
500,000	PBF Logistics LP / PBF Logistics Finance Corp. 6.875% 15MAY23	630,139	646,727	7.17
500,000	Rackspace Hosting Inc. 8.625% 15NOV24	704,175	671,366	7.45
125,000	RegionalCare Hospital Partners Holdings Inc. 8.25% 01MAY23	179,767	165,954	1.84
500,000	Resolute Forest Products Inc. 5.875% 15MAY23	662,137	648,686	7.20
500,000	SUPERVALU Inc. 7.75% 15NOV22	585,369	624,147	6.92
		<u>8,210,176</u>	<u>8,082,033</u>	<u>89.64</u>
	<b>Total investments owned</b>	8,660,177	8,543,434	94.75
	Commissions and other portfolio transaction costs	(138)	-	-
	<b>Net investments owned</b>	<u>\$ 8,660,039</u>	8,543,434	94.75
	Unrealized gain, foreign exchange forward contracts (schedule 1)		180,344	2.00
	<b>Other assets, net</b>		<u>291,347</u>	<u>3.25</u>
	<b>Net Assets Attributable to Holders of Redeemable Units</b>		<u>\$ 9,015,125</u>	<u>100.00</u>



# Clearpoint Short Term Income Fund

## Schedule of Investment Portfolio (Cont'd)

As at December 31, 2017

### Schedule 1 - Foreign Exchange Forward Contracts

Settlement Date	Currency Bought/Sold	Currency Bought/Sold	Counterparty	Forward Rates	Contract Price	Fair Value	Unrealized Gain
January 16, 2018	USD	CAD	BNY Mellon	1.285700	(123,065)	(119,812)	\$ 3,253
January 16, 2018	USD	CAD	BNY Mellon	1.272350	(2,099,820)	(2,065,772)	34,048
March 15, 2018	USD	CAD	BNY Mellon	1.280550	(6,165,165)	(6,022,122)	143,043
							180,344
Total unrealized gain on foreign exchange forward contracts							\$ 180,344

# Clearpoint Short Term Income Fund

## Notes to the Financial Statements

From the commencement of operations, April 5, 2017 to December 31, 2017

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### 1. The Fund

Clearpoint Short Term Income Fund (the "Fund") is an open-ended mutual fund trust formed under the laws of the Province of Ontario by Declarations of Trust, executed by the Trustee of the Fund October 17, 2016.

Caldwell Investment Management Ltd. (the "Manager") is the manager and the Trustee of the Fund. The Manager is incorporated under the laws of Ontario. The address of the Fund's registered office is 150 King Street West, Suite 1702, P.O. Box 47, Toronto, ON M5H 1J9. The Fund commenced active operations on April 5, 2017.

The Fund's investment objective is to obtain superior investment returns, while preserving capital and maintaining liquidity, by investing in corporate debt securities. The Fund invests principally in a diverse portfolio of North American debt securities.

### 2. Basis of presentation

These annual financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS").

The accounting policies applied in these annual financial statements are based on IFRS issued and outstanding as of March 29, 2018, which is the date on which the annual financial statements were authorized for issue by the Trustee.

### 3. Significant accounting policies

#### a) New Standards, Amendments and Interpretations Issued but Not Yet Effective

##### IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 issued in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. It is effective for annual periods beginning on or after January 1, 2018. The fund plans to adopt the new standard the date it becomes effective.

##### Classification and measurement of financial assets and financial liabilities

Under IFRS 9, classification and measurement of financial assets will be driven by the Fund's business model for managing them and their contractual cash flows. Classification and measurement categories under IFRS 9 are amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

IFRS 9 largely retains the existing requirements for classification and measurement of financial liabilities. However, unlike IAS 39 where all fair value changes of liabilities designated at fair value through profit or loss are recognized in profit or loss, under IFRS 9, fair value changes related to changes in the issuer's own credit risk will be presented in other comprehensive income.

Based on the Fund's initial assessment, IFRS 9 is not expected to have a material impact on classification and measurement of financial instruments, since the Fund makes decisions based on the assets' fair values and manages the assets to realize those fair values. As such the majority of the Fund's financial assets will continue to be measured at FVTPL. In addition, derivatives will continue to be measured at FVTPL.

##### Impairment of financial assets

IFRS 9 also introduces the expected credit loss ("ECL") model for impairment of financial assets measured at amortized cost and debt instruments measured at FVOCI. The ECL impairment model will not have a material impact to the Fund's financial assets given that the majority of the Fund's financial assets will continue to be measured at FVTPL.

# Clearpoint Short Term Income Fund

## Notes to the Financial Statements

From the commencement of operations, April 5, 2017 to December 31, 2017

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### 3. Significant accounting policies (continued)

#### Hedge accounting

The Fund does not apply hedge accounting, therefore, IFRS 9 hedge accounting related changes do not have an impact on the Fund's financial statements.

Based on the Fund's initial assessment, IFRS 9 is not expected to have a material impact to the Fund's financial statements.

#### b) Valuation of investments

The fair value of financial assets and financial liabilities traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices. In accordance with the provisions of the Fund's offering documents, investment positions are valued based on the last traded market price for the purpose of determining the net asset per unit for subscriptions and redemptions. For financial reporting purposes, the Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

The fair value of financial assets and financial liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each Statement of Financial Position date. Valuation techniques used include the use of comparable recent arm's-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

#### c) Classification

The Fund classifies its investments in debt and equity securities and derivatives as financial assets and financial liabilities at fair value through profit or loss ("FVTPL").

This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

##### (i) Financial assets and financial liabilities held for trading

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are classified as held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

##### (ii) Financial assets and financial liabilities designated at fair value through profit or loss at inception

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund classifies all other investments as designated at fair value through profit or loss.

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular purchases and sales of financial assets are recognized at their trade date. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and financial liabilities are measured at amortized cost. Under this method, financial assets and financial liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Fund's accounting policies for measuring its net asset value ("NAV") for transactions with unitholders is the same as the accounting policies used to measure the fair value of its investments and derivatives.

# Clearpoint Short Term Income Fund

## Notes to the Financial Statements

From the commencement of operations, April 5, 2017 to December 31, 2017

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### 3. Significant accounting policies (continued)

Other assets and liabilities – including: interest receivable and due from manager are classified as loans and receivables and recorded at cost or amortized cost. Similarly, accrued expenses, management fee payable are classified as financial liabilities and reported at amortized cost. Financial liabilities are generally settled within three months of issuance. Other assets and liabilities are short-term in nature, and are carried at amortized cost which approximates fair value.

#### d) *Recognition/derecognition*

The Fund recognizes financial assets and liabilities at fair value through profit and loss when the Fund becomes party to the contractual provisions of the instrument. Recognition takes place on the trade date – the date it commits to purchase or sell short the instruments. From this date any gains and losses arising from changes in fair value of the assets or liabilities are recognized in the Statement of Comprehensive Income.

Other 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.

#### e) *Offsetting Financial Instruments*

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or termination of the contracts.

#### f) *Transaction costs*

Transaction costs are expenses and are included in "transaction costs" in the Statement of Comprehensive Income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commission paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. The cost of investments for each security is determined on an average cost basis.

#### g) *Unit valuation and valuation date*

Units are issued and redeemed on a continuing basis at the Transactional NAV per unit which is determined for each series of units of the Fund on each day that the Toronto Stock Exchange is open for business. The value of each unit of a series of units of the Fund is determined by dividing the aggregate net assets value of that series of units of the Fund, calculated in accordance with the Fund's offering documents, by the total number of units of that series of units of the Fund outstanding at the close of business on the valuation day.

#### h) *Revenue recognition*

Investment transactions are accounted for on the trade date. Interest income is accrued daily and dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated on an average cost basis.

The interest on debt securities at fair value through profit and loss is accrued on a time-proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable.

Realized loss on sale of investments and unrealized appreciation 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.

# Clearpoint Short Term Income Fund

## Notes to the Financial Statements

From the commencement of operations, April 5, 2017 to December 31, 2017

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### 3. Significant accounting policies (continued)

#### *i) Foreign currency translation*

The monetary assets and liabilities of the Fund are translated into Canadian dollars, the Fund's functional currency, at exchange rates in effect at the date of the Statement of Financial Position. Non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Foreign exchange losses are included in the Statement of Comprehensive Income for the period. Purchases and sales of investments, investment income and expenses are calculated at the exchange rates prevailing on the dates of the transactions.

#### *j) 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 period.

#### *k) Decrease in net assets attributable to holders of redeemable units per unit*

Decrease in net assets attributable to holders of redeemable units per unit is based on the decrease 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 period. Refer to Note 12 for the calculation.

#### *l) Cash*

Cash consists of cash held at a bank or custodian. Cash is carried at cost plus accrued interest, which approximates fair value.

### 4. Critical accounting estimates and judgments

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

#### *Classification and measurement of investments and application of the fair value option*

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39. The most significant judgments made include the determination that certain investments are held-for-trading and that the fair value option can be applied to those which are not.

#### *Functional and presentation currency*

The Fund considers its functional and presentation currency to be the Canadian dollar. The Fund's performance is evaluated and its liquidity is managed in Canadian dollars.

# Clearpoint Short Term Income Fund

## Notes to the Financial Statements

From the commencement of operations, April 5, 2017 to December 31, 2017

### 5. Redeemable units of the fund

Redeemable units of the Fund are issued or redeemed on a daily basis at the net asset value per unit.

The following is a summary of the changes in outstanding units of the Fund during the period:

	Redeemable Units, beginning of period	Redeemable Units Issued	Redemption of Redeemable Units	Reinvestments of Units	Redeemable Units, end of period
<b>December 31, 2017</b>					
Series A	–	480,310	(16,713)	5,221	468,818
Series F	–	492,764	(40,475)	3,653	455,942

### 6. Expenses

#### *Management fees*

The Manager is responsible for managing the business and affairs of the Fund pursuant to management agreements or trust indentures.

The Manager receives management fees which are calculated daily and paid on a monthly basis. The management fee is based on the weighted Transactional NAV at a prescribed rate according to the Fund's offering documents. The annual percentage rates of the Fund's management fees are as follows:

Series A	1.40%
Series F	0.90%

The management fees for Series I are negotiable between individual investor and the Manager, and payable by the individual investors, not the Fund. Subject to all applicable taxes, the maximum management fees charged in respect of Series I units will not exceed 0.90% of the average net assets of the Series I units held by the investor.

The management fee is calculated and accrued daily based on the weighted average net asset value per series of units and is paid on the last day of each month. During the period the Fund incurred management fees of \$67,909. As at December 31, 2017, \$9,948 of management fees are payable to the Manager.

#### *Performance fees*

The Manager is entitled to receive a performance fee in respect of each series of the Fund. The performance fee is equal to 10% of any growth of each series' net asset value per unit in excess of the DEX Canada High Yield Bond plus 1% ("Benchmark Hurdle Return") for each calendar year, providing that for the first calendar year in which a series comes into existence, the Performance Fee for the series will be based on the growth and Benchmark Hurdle Return from the date the series first comes into existence to the first performance fee calculation date. During the period the Fund incurred performance fees of \$nil. As at December 31, 2017, \$nil of performance fees are payable to the Manager.

#### *Administrative fees and expenses*

All fees and expenses applicable to the administration and operation of the Fund, including legal, audit fees, interest, expenses of financial and other reports, and expenses relating to regulatory compliance are the responsibility of the Fund. Brokerage commissions are also paid by the Fund.

The Manager has the discretion, from time to time, to waive or absorb expenses associated with the Fund. The amounts of the absorbed or waived expenses are reported in the Statement of Comprehensive Income.

# Clearpoint Short Term Income Fund

## Notes to the Financial Statements

From the commencement of operations, April 5, 2017 to December 31, 2017

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### 7. Income taxes and distributions

#### *Taxation of open-ended mutual fund trusts*

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). The Fund has a December 31 year-end for income tax purposes. The financial statements of the Fund do not include a provision for income taxes because any net investment income, including capital gains, is distributed throughout the year to unitholders or is distributable to unitholders and is taxable in their hands. Income tax on capital gains not paid to unitholders is recoverable pursuant to a formula based upon redemption of units of the Fund. Any tax losses are not deductible by the unitholders but may be carried forward by the Fund as permitted by the Income Tax Act (Canada). Withholding taxes on foreign dividend income are deducted at source.

As at December 31, 2017, the Fund had non-capital losses of \$Nil. Gross capital losses as at December 31, 2017 is \$173,081.

### 8. Financial risk management

The Fund's financial instruments consist of cash and investments. As a result, the Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments, and markets in which it invests. These risks include market risk, currency risk, interest rate risk, credit risk and liquidity risk. The value of investments within the Fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, and market and company news related to specific securities within the Fund. The level of risk depends on the Fund's investment objectives and the type of securities in which it invests. These risks and related risk management practices employed by the Fund are discussed below:

#### *a) Market risk*

Market 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 investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities within specified limits and the Fund's market price risk is managed through diversification of the Fund's investments. The Investment Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges.

The Fund's market risk is affected by three main components: changes in actual market prices, changes in interest rates and foreign currency movements. As at December 31, 2017, the Fund does not have significant exposure to the market risk.

# Clearpoint Short Term Income Fund

## Notes to the Financial Statements

From the commencement of operations, April 5, 2017 to December 31, 2017

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### 8. Financial risk management (continued)

#### b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Fund invests in interest-bearing financial instruments. The Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. The Fund's assets and liabilities are short-term in nature and/or non-interest bearing.

The table below summarizes the Fund's exposure to interest rate risk, categorized by earlier of contractual re-pricing or maturity dates.

	0-3 Years (\$)	3-5 Years (\$)	More than 5 Years (\$)	Total (\$)
<b>Interest Rate exposure (December 31, 2017)</b>	<b>150,711</b>	<b>3,782,116</b>	<b>4,610,607</b>	<b>8,543,434</b>

At December 31, 2017, should interest rates have increased or decreased by 0.25%, with all other variables remaining constant, net asset value would have decreased or increased respectively, by approximately \$66,175. Actual results may differ from this sensitivity analysis and the difference could be material.

#### c) Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. The Schedule of Investment Portfolio identifies all investments denominated in foreign currencies. Equities in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund's functional currency, the Canadian dollar, in determining fair value.

The potential impact to the Fund's net assets attributable to holders of redeemable units, all other variables held constant, as a result of a 5% increase/decrease in net income in the currencies in the table below, relative to the Canadian dollar, will result in the decrease/increase to net assets attributable to holders of redeemable units \$4,531. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

The following table illustrates the Fund's exposure to foreign currencies:

	<b>December 31, 2017</b>
	\$
United States Dollar	<b>(90,613)</b>
Total	<b>(90,613)</b>

#### d) Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable units. The units of the Fund are redeemed on demand, at the option of the unitholder, at the current Transactional NAV per unit. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. Accrued liabilities are generally due within 90 days.



# Clearpoint Short Term Income Fund

## Notes to the Financial Statements

From the commencement of operations, April 5, 2017 to December 31, 2017

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### 8. Financial risk management (continued)

#### e) Credit risk

Credit risk represents the potential loss that the Fund would incur if the counterparties failed to perform in accordance with the terms of their obligations to the Fund. The Fund maintains all of its cash and cash equivalents at its custodian or in overnight deposits with a Canadian chartered bank. All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The Fund may invest in financial assets that are private placements and as such, are not rated by Dominion Bond Rating Services, S&P Global and Moody's. Ratings for securities that subject the portfolio to credit risk at December 31, 2017 is noted below:

#### Portfolio by rating category

	<b>December 31, 2017</b>
	<b>As a % of net assets attributable to holders of redeemable units</b>
<b>Rating</b>	
<b>B1</b>	<b>29 %</b>
<b>B</b>	<b>23 %</b>
<b>BB</b>	<b>9 %</b>
<b>B-</b>	<b>21 %</b>
<b>BB-</b>	<b>11 %</b>
<b>Not rated</b>	<b>2 %</b>
<b>Total</b>	<b>95 %</b>

All transactions in listed securities are settled upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. The Fund's maximum credit risk exposure is represented by its investments in fixed income.

# Clearpoint Short Term Income Fund

## Notes to the Financial Statements

From the commencement of operations, April 5, 2017 to December 31, 2017

### 8. Financial risk management (continued)

#### f) Investment concentration risk

The following table classifies the Fund's investments by economic sector concentrations as a percent of net assets as at December 31, 2017.

	December 31, 2017	
	Percent of net assets	Fair value
	%	CAD\$
Consumer Staples	22.7	2,042,252
Consumer Discretionary	17.6	1,582,225
Telecommunications	20.6	1,854,262
Industrials	12.3	1,111,977
Materials	8.9	803,281
Utilities	7.1	638,651
Financials	5.6	510,786
Total investments	94.8	8,543,434
Other assets less liabilities	5.2	471,691
Total net assets value	100.0	9,015,125

### 9. Fair value hierarchy

#### Financial instrument disclosures

The Fund uses a three-level hierarchy that reflects the significance of the input used when assessing the fair value of financial assets and liabilities and is presented below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the Fund's financial instruments as of December 31, 2017, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Fixed Income	\$ -	\$ 8,543,434	\$ -	\$ 8,543,434
Forward contracts	-	180,344	-	180,344
	\$ -	\$ 8,723,778	\$ -	\$ 8,723,778

There were no transfers between levels during the period.

# Clearpoint Short Term Income Fund

## Notes to the Financial Statements

From the commencement of operations, April 5, 2017 to December 31, 2017

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### 9. Fair value hierarchy (continued)

#### Financial instruments not measured at fair value

The financial instruments not measured at fair value through profit or loss are short-term financial assets and financial liabilities carried at amortized cost whose carrying amounts approximate fair value.

### 10. Commissions and related party transactions

The Manager and Caldwell Securities Ltd., ("CSL") a broker, are both wholly-owned subsidiaries of Caldwell Financial Ltd. The following brokerage equity commissions, included in 'Transaction costs' in the Statement of Comprehensive Income were paid to CSL for the period ended December 31, 2017:

	<u>2017</u>
	\$
<b>Clearpoint Short Term Credit Income Fund</b>	-

Neither the Manager nor the Fund has received any soft dollar commissions from brokers to pay for third-party research services.

### 11. (Decrease) Increase in net assets attributable to holders of redeemable units per unit

The (decrease) increase in net assets attributable to holders of redeemable units per unit for the period ended December 31, is calculated as follows:

	(Decrease) Increase in Net Assets Attributable to Holders of Redeemable Units per Series	Weighted Average of Redeemable Units Outstanding During the Period	(Decrease) Increase in Net Assets Attributable to Holders of Redeemable Units per Unit
<b>December 31, 2017</b>			
Series A	\$ (20,851)	376,680	\$ (0.06)
Series F	2,021	344,831	0.01

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# Clearpoint Short Term Income Fund

## Notes to the Financial Statements

From the commencement of operations, April 5, 2017 to December 31, 2017

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### 12. Net loss from financial assets at fair value through profit or loss

	2017
<hr/>	
Net realized loss on financial assets and liabilities	
Held for trading	\$ 31,976
Designated at fair value through profit and loss	(193,772)
	<hr/>
	\$ (161,796)
<hr/>	
Net change in unrealized gain on financial assets and liabilities	
Held for trading	\$ 180,344
Designated at fair value through profit and loss	(116,605)
	<hr/>
	\$ 63,739
<hr/>	
<b>Net loss</b>	<b>\$ (98,057)</b>

The realized loss from financial assets at fair value through profit or loss represents the difference between the carrying amount of the financial asset at the beginning of the reporting period, or the transaction price if it was purchased during the reporting period, and its sale or settlement price.

The unrealized gain represents the difference between the carrying amount of a financial asset at the beginning of the reporting period, or the transaction price if it was purchased during the reporting period, and its carrying amount at the end of the reporting period.

### 13. Events after Statement of Financial Position date

There have been no significant events after the Statement of Financial Position date and the date of authorization of these financial statements which requires additional disclosure in the financial statements.

### 14. Approval of financial statements

The financial statement were approved by the Manager and Trustee, and authorized for issue on March 29, 2018.