



**AlphaDelta Canadian Prosperity Class**

**Financial Statements  
December 31, 2015**



March 29, 2016

## **Independent Auditor's Report**

**To the Shareholders of  
Qwest Funds Corp.  
AlphaDelta Canadian Prosperity Class (the "Fund")**

We have audited the accompanying financial statements of the Fund, which comprise the statement of financial position as at December 31, 2015 and the statements of comprehensive loss, changes in net assets attributable to holders of redeemable shares and cash flows for the period from commencement of operations on March 2, 2015 to December 31, 2015, and the related notes, which comprise 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.

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2015 and its financial performance and its cash flows for the period from commencement of operations on March 2, 2015 to December 31, 2015 in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

**Chartered Professional Accountants**

# AlphaDelta Canadian Prosperity Class

## Statement of Financial Position

As at December 31, 2015

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	\$
<b>Assets</b>	
Cash	112,907
Dividends receivable	13,838
Subscriptions receivable	6,940
Due from related parties (note 8)	22,186
Investments - at fair value (note 10)	5,197,985
Prepaid expenses	<u>15,662</u>
	<u>5,369,518</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	41,198
Management fees payable (notes 7 and 8)	<u>7,709</u>
	<u>48,907</u>
Net assets attributable to holders of redeemable shares	<u>5,320,611</u>
<b>Series net assets attributable to holders of redeemable shares</b>	
Series A	1,097,434
Series F	<u>4,223,177</u>
	<u>5,320,611</u>
<b>Shares outstanding (note 3)</b>	
Series A	122,947
Series F	469,612
<b>Net assets attributable to holders of redeemable shares per share (note 2)</b>	
Series A	8.93
Series F	8.99

Approved on behalf of the by the Board of Directors of Qwest Funds Corp.



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Maurice Levesque  
Director



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Chris Harison  
Director

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

# AlphaDelta Canadian Prosperity Class

## Statement of Comprehensive Loss

For the period from commencement of operations on March 2, 2015 to December 31, 2015

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	\$
<b>Income</b>	
Interest income	3,764
Early redemption fees	1,688
Other changes in fair value of investments	
Dividend income	133,514
Change in unrealized depreciation of investments	(343,202)
Net realized loss on sale of investments	<u>(465,919)</u>
Total income - net	<u>(670,155)</u>
<b>Expenses</b>	
Management fee	83,268
Shareholder recordkeeping and fund accounting fees	48,853
Audit	29,686
Transaction costs	24,713
Custodial fees	11,557
Independent review committee fees	8,768
Translation fee	5,988
Tax review	2,047
Legal	1,500
Bank charges	1,059
Filing fees	520
Securityholder reports	500
Expenses reimbursements (note 8)	<u>(98,453)</u>
	<u>120,006</u>
<b>Decrease in net assets attributable to holders of redeemable shares from operations</b>	<u>(790,161)</u>
<b>Decrease in net assets attributable to holders of redeemable shares from operations - Series A shares</b> (note 13)	(99,136)
<b>Decrease in net assets attributable to holders of redeemable shares from operations - Series F shares</b> (note 13)	(691,025)
<b>Decrease in net assets attributable to holders of redeemable shares from operations per Series A share</b> (note 13)	(1.12)
<b>Decrease in net assets attributable to holders of redeemable shares from operations per Series F share</b> (note 13)	(1.33)

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

# AlphaDelta Canadian Prosperity Class

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

For the period from commencement of operations on March 2, 2015 to December 31, 2015

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	\$
<b>Net assets attributable to holders of redeemable shares -Beginning of period</b>	
Series A shares	-
Series F shares	-
	<hr/>
	-
	<hr/>
<b>Distribution to investors</b>	
From net investment income - Series A shares	(23,815)
From net investment income - Series F shares	(96,913)
	<hr/>
	(120,728)
	<hr/>
<b>Decrease in net assets attributable to holders of redeemable shares from operations</b>	
Series A shares	(99,136)
Series F shares	(691,025)
	<hr/>
	(790,161)
	<hr/>
<b>Share transactions</b> (note 3)	
Shares issued on reinvestment of distributions - Series A shares	23,016
Shares issued on reinvestment of distributions - Series F shares	96,913
Proceeds from issuance of Series A shares	1,220,591
Proceeds from issuance of Series F shares	7,407,580
Payment for Series A shares redeemed	(23,222)
Payment for Series F shares redeemed	(2,493,378)
	<hr/>
	6,231,500
	<hr/>
<b>Net increase in net assets attributable to holders of redeemable shares</b>	5,320,611
	<hr/>
<b>Net assets attributable to holders of redeemable shares - End of period</b>	5,320,611
	<hr/>
<b>Net assets attributable to holders of redeemable shares - End of period Series A shares</b>	1,097,434
	<hr/>
<b>Net assets attributable to holders of redeemable shares - End of period Series F shares</b>	4,223,177

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

# AlphaDelta Canadian Prosperity Class

## Statement of Cash Flows

For the period from commencement of operations on March 2, 2015 to December 31, 2015

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	\$
<b>Cash flows from operating activities</b>	
Decrease in net assets attributable to holders of redeemable shares from operations	(790,161)
Adjustments to determine net cash used in operating activities	
Change in unrealized depreciation of investments	343,202
Net realized loss on sale of investments	465,919
Accounts payable and accrued liabilities	41,198
Management fees payable	7,709
Due from related parties	(22,186)
Prepaid expenses	(15,662)
Subscriptions receivable	(6,940)
Dividends receivable	(13,838)
Purchase of investment securities	(9,737,246)
Proceeds from sale of investment securities	3,729,341
	<u>(5,998,664)</u>
<b>Cash flows from financing activities</b>	
Proceeds from issuance of series A shares	1,220,591
Proceeds from issuance of series F shares	7,407,580
Payment for Series A shares redeemed	(23,222)
Payment for Series F shares redeemed	(2,493,378)
	<u>6,111,571</u>
<b>Increase in cash</b>	112,907
<b>Cash - Beginning of period</b>	<u>-</u>
<b>Cash - End of period</b>	<u>112,907</u>
Dividends received	119,676

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

# AlphaDelta Canadian Prosperity Class

## Schedule of Investment Portfolio

Ast at December 31, 2015

	Number of shares	Average cost \$	Fair value \$	Net assets %
<b>Canadian equities</b>				
<b>Consumer, Cyclical</b>				
Dorel Industries Inc.	5,940	205,586	186,096	3.50
Performance Sports Group Ltd.	11,490	182,609	153,277	2.88
Richelieu Hardware Ltd.	2,050	127,852	139,113	2.61
Leon's Furniture Ltd.	9,770	154,146	137,562	2.59
		<hr/>	<hr/>	
		670,193	616,048	11.58
		<hr/>	<hr/>	
<b>Consumer, Non-cyclical</b>				
Premium Brands Holdings Corp.	5,310	157,253	202,789	3.81
High Liner Foods Inc.	11,660	240,632	181,313	3.41
Altus Group Ltd.	8,230	166,028	159,580	3.00
Lassonde Industries Inc.	760	104,042	123,120	2.31
K-Bro Linen Inc.	1,630	82,936	83,049	1.56
		<hr/>	<hr/>	
		750,891	749,851	14.09
		<hr/>	<hr/>	
<b>Energy</b>				
Pason Systems Inc.	8,270	183,241	160,355	3.01
Raging River Exploration Inc.	18,540	164,783	155,180	2.92
ShawCor Ltd.	5,310	197,244	149,052	2.80
Canadian Energy Services & Technology Corp.	34,390	216,254	133,433	2.51
Spartan Energy Corp.	32,740	81,018	77,266	1.45
McCoy Global Inc.	22,190	92,814	47,043	0.88
		<hr/>	<hr/>	
		935,354	722,329	13.57
		<hr/>	<hr/>	
<b>Financial</b>				
Canadian Western Bank	12,600	366,883	294,588	5.54
E-L Financial Corp Ltd.	240	154,953	171,120	3.22
Guardian Capital Group Ltd. - Class A	9,270	160,742	168,807	3.17
Equitable Group Inc.	2,690	160,320	138,535	2.60
First National Financial Corp.	5,990	131,974	134,356	2.53
Pure Multi-Family REIT LP	11,200	82,415	80,416	1.51
Agellan Commercial Real Estate Investment Trust	8,540	77,232	75,494	1.42
		<hr/>	<hr/>	
		1,134,519	1,063,316	19.99
		<hr/>	<hr/>	

# AlphaDelta Canadian Prosperity Class

Schedule of Investment Portfolio...

Ast at December 31, 2015

	Number of shares	Average cost \$	Fair value \$	Net assets %
<b>Industrial</b>				
Ag Growth International Inc.	5,990	258,273	199,168	3.74
Badger Daylighting Ltd.	7,960	222,602	194,383	3.65
Martinrea International Inc.	17,670	216,125	185,712	3.49
Intertape Polymer Group Inc.	9,450	135,635	176,621	3.32
Stella-Jones Inc.	3,300	140,849	173,283	3.26
WSP Global Inc.	3,940	163,659	167,489	3.15
Winpak Ltd.	3,610	141,007	164,472	3.09
Exco Technologies Ltd.	9,350	142,126	158,202	2.97
ATS Automation Tooling Systems Inc.	13,170	164,030	149,875	2.82
		<u>1,584,306</u>	<u>1,569,205</u>	<u>29.49</u>
<b>Technology</b>				
Enghouse Systems Ltd.	3,030	154,243	225,250	4.23
Computer Modelling Group Ltd.	14,500	190,214	130,210	2.45
Sandvine Corp.	34,400	121,468	121,776	2.29
		<u>465,925</u>	<u>477,236</u>	<u>8.97</u>
<b>Total portfolio of investments</b>		<u>5,541,188</u>	<u>5,197,985</u>	<u>97.69</u>
Cash			112,907	2.12
Other net assets			<u>9,719</u>	<u>0.19</u>
<b>Net assets attributable to holders of redeemable shares</b>			<u>5,320,611</u>	<u>100.00</u>

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

# AlphaDelta Canadian Prosperity Class

## Notes to Financial Statements

December 31, 2015

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### 1 General

Qwest Funds Corp. (the "Corporation") is a mutual fund corporation incorporated under the laws of Canada on March 8, 2006. The address of the Corporation's registered office is Suite 802, 750 West Pender Street, Vancouver, British Columbia, V6C 2T8. The authorized capital of the Corporation consists of an unlimited number of Class A shares, Class B shares and special shares. Currently, there are three classes of special shares that are in issue - the AlphaDelta Canadian Prosperity Class (the "Fund"), AlphaDelta Growth of Dividend Income Class (the "ADGDI" Class) and Qwest Energy Canadian Resource Class (the "QECRC" Class); however, the Corporation may offer additional classes of special shares in the future. The Fund currently only offers Series A, Series F and Series I shares. The Corporation's ultimate controlling party is Qwest Investment Management Corp. ("QIM") which owns 51% of Class A voting shares and 100% of Class B voting shares of the Corporation. The Fund commenced operations on March 2, 2015.

Switching shares of one series to shares of another series of a Fund, or switching shares of one Class for the other Class, is not considered a disposition for tax purposes.

The Corporation appointed Qwest Investment Fund Management Ltd. (the "Manager"), whose ultimate parent is QIM, as the manager of the Fund. The Manager is responsible for providing portfolio management services to the Funds, and the Manager is authorized to delegate its investment advisory duties to sub-advisors. The manager is also responsible for providing or arranging the provision of administrative services required by the Fund. The Manager has entered into an agreement with AlphaDelta Management Corp. ("ADM"), pursuant to which ADM will assist the Manager in identifying, screening and selecting sub-advisors.

The fundamental investment objective of the Fund is to provide long-term capital appreciation by investing primarily in equity securities of Canadian companies with market capitalization of up to \$3 billion as of the date of investment.

The financial statements were authorized for issue by the Board of Directors of the Corporation, on March 17, 2016.

### 2 Summary of significant accounting policies

#### Basis of preparation

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB").

# AlphaDelta Canadian Prosperity Class

## Notes to Financial Statements

December 31, 2015

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The following is a summary of significant accounting policies used by the Fund:

### **Financial instruments**

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit or loss ("FVTPL"). The Fund's investments have been designated at FVTPL, except for derivatives which are FVTPL because they are held for trading. The Fund's obligation for net assets attributable to holders of redeemable shares is presented as a liability at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount expected to be received or required to be paid, discounted, when appropriate, at the contract's original effective interest rate. The calculation includes all fees and amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Dividend income is recognized at the ex-dividend date. Realized gains and losses on disposal of investments and derivatives and unrealized gains and losses in the value of investments and derivatives are reflected in the statement of comprehensive loss and calculated on an average cost basis, where applicable. Upon disposal of an investment, previously recognized unrealized gains and losses are reversed so as to recognize the full realized gain or loss in the period of disposition. Interest is recorded on an accrual basis. All costs directly attributable to operating activities are expensed as incurred.

Regular way purchases and sales of financial assets are accounted for on a trade date basis.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is 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.

### **Allocation of income and expenses, and realized and unrealized capital gains and losses**

Income and expenses incurred in connection with the Funds operations and realized and unrealized gains or losses that are not directly attributable to a particular series of shares are allocated between Series A, Series F and Series I using the weighted average NAV of Series A, F and I shares.

### **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.

# AlphaDelta Canadian Prosperity Class

## Notes to Financial Statements

December 31, 2015

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The Fund's policy is to recognize transfer within, into and out of the fair value hierarchy as the beginning of the period of the transfer.

### *Investments in publicly traded equity securities*

The fair value of equity securities that are traded in an active market is measured using the last traded price at the period-end date where such price falls within the 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 which is most representative of fair value based on specific facts and circumstances. When current prices or quotations are not readily available, valuations are established based upon a valuation technique in order to estimate what that fair value would be in an arm's length transaction motivated by normal business considerations. These valuations may include use of the most recent publicly traded price or a price established by the Manager in accordance with its valuation policy.

The amounts at which publicly traded investments could be disposed of currently may differ from the carrying value based on the last traded price, as the value at which significant ownership positions are sold is often different than the quoted price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity.

### **Cash**

Cash consists of cash and deposits with original maturities of three months or less and is held with a Canadian chartered bank.

### **Taxation**

The Corporation qualifies as a mutual fund corporation as defined in the Income Tax Act (Canada). A mutual fund corporation is subject to a special 33-1/3% tax on taxable dividends received from corporations resident in Canada and to tax at a normal corporate rate on other income and net taxable realized capital gains for the year. The special 33-1/3% tax is refundable at the rate of \$1 for every \$3 of ordinary dividends paid. All the tax on net taxable realized capital gains is refundable on a formula basis when shares are redeemed or capital gains dividends are paid. As a result of these refund mechanisms, the Fund is in effect not taxable with respect to dividends received from corporations resident in Canada and net taxable realized capital gains. The Fund is not taxable as all the Fund's net income for tax purposes and sufficient net capital gains realized in the period, will be distributed to shareholders such that no income tax is payable by the Fund with respect to taxable realized capital gains and dividends received from corporations resident in Canada. Therefore the Fund does not recognize current or deferred income taxes with respect to these types of income.

### **Foreign currency translation**

The functional and presentation currency of the Fund is the Canadian dollar. The fair value of foreign investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at 12:00pm Eastern Standard Time (the "noon rate") on each valuation day. Purchases and sales of foreign securities denominated in foreign currencies and the related income are translated into Canadian dollars at rates of exchange prevailing at the respective dates of such transactions.

# AlphaDelta Canadian Prosperity Class

## Notes to Financial Statements

December 31, 2015

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### **Decrease in net assets attributable to holders of redeemable shares from operations per share**

Decrease in net assets attributable to holders of redeemable shares from operations per share is determined by dividing the decrease in net assets attributable to holders of redeemable shares from operations by the weighted average number of shares outstanding during the reporting period (see note 13).

### **Critical accounting estimates and judgments**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting period. Actual results could differ from those reported and the differences could be material. The following paragraphs discuss the most significant accounting estimates and judgments that the Fund has made in preparing its 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 International Accounting Standards (“IAS”) 39, *Financial Instruments - Recognition and Measurement* (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.

#### *Financial statements reporting entity*

If the Corporation cannot pay the expenses attributable to one class using the proportionate share of the Corporation’s assets attributable to that class, the Corporation would be required to pay those expenses out of the Fund’s proportionate share of the Corporation’s assets. The most significant judgment made in preparing the financial statements is the determination by management that the risk of such cross class liability is remote and therefore each class may be considered a separate reporting entity.

### **Future accounting changes**

#### *IFRS 9 - Financial Instruments*

The final version of IFRS 9, *Financial Instruments*, was issued by the IASB in July 2014 and will replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking ‘expected loss’ impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity’s own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund has determined that it will not early adopt this standard.

# AlphaDelta Canadian Prosperity Class

## Notes to Financial Statements

December 31, 2015

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### 3 Shareholder transactions

The Fund is divided into Series A, F and I and the number of shares of each series that may be issued is unlimited and they are offered in all provinces and territories in Canada. Series A shares are available to all investors and may be purchased, switched or redeemed through authorized dealers. Series F shares are available to investors who have fee-based accounts with their dealers for investment advice and other services. Series F shares may only be purchased, switched or redeemed through authorized dealers, and not directly through the Manager. Series I shares are available to institutional or other high net worth investors who negotiate and pay management fees directly to the Manager. Series I shares may only be purchased, switched or redeemed through authorized dealers, and not directly through the Manager.

Shares may be redeemed at their NAV per share on any valuation day. If the shares are redeemed or switched within 90 days of purchase, the shareholder may be charged a short-term trading fee of 2% of the value of the shares redeemed.

The number of Series A and F shares issued and redeemed at NAV is summarized as follows:

	<b>Period from commencement of operations on March 2, 2015 to December 31, 2015</b>
<b>Series A</b>	
Share issued and outstanding - Beginning of period	-
Shares issued during the period	122,907
Shares issued on reinvestment of distributions	2,556
Shares redeemed during the period	<u>(2,516)</u>
Shares issued and outstanding - End of period	<u>122,947</u>
<b>Series F</b>	
Share issued and outstanding - Beginning of period	-
Shares issued during the period	732,663
Shares issued on reinvestments of distributions	10,684
Shares redeemed during the period	<u>(273,735)</u>
Shares issued and outstanding - End of period	<u>469,612</u>

As at December 31, 2015, there were no Series I shares issued and outstanding.

#### Classification of shares

IAS 32 requires that units or shares of an entity would include a contractual obligation for the issuer to repurchase them for cash or another financial asset be classified as a liability. The Class A shares of the Corporation are not redeemable and holders are entitled to receive the remaining property of the Corporation upon liquidation, dissolution, winding-up or other distribution of assets. As a result, the Class A shares are subordinate to all other classes of shares of the Corporation, including the Fund, and thus the condition in paragraph IAS 32.16A(b) is not met. The special shares of the Fund are redeemable on demand and include a requirement to make distributions to shareholders. As such the shares of the Fund are classified as financial liabilities. The Class A shares of the Corporation are not presented in the financial statements of the Fund.

# AlphaDelta Canadian Prosperity Class

## Notes to Financial Statements

December 31, 2015

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### 4 Distribution

The Fund may pay annually to shareholders ordinary dividends and capital gains dividends. Ordinary dividends will generally be paid in December and capital gain dividends will generally be paid in February. Dividends and distributions may be paid at other times as determined by the Manager. In line with the terms of the prospectus, distributions are automatically reinvested in the Fund unless otherwise determined by the Manager.

### 5 Income taxes

As at December 31, 2015, the Corporation has unrecognized non-capital losses of approximately \$2,722,775 available for utilization against taxable income in future years. The Corporation has unrecognized capital losses available at December 31, 2015 of approximately \$8,309,968. The non-capital losses expire as follows:

	\$
Expiry date	
2035	524,234
2034	389,415
2033	722,898
2032	<u>1,086,228</u>
	<u>2,722,775</u>

### 6 Expenses

The Fund is responsible for all charges and expenses incurred in connection with its operations, including regulatory, printing, legal and audit expenses.

Brokerage commissions paid by the Fund with respect to security transactions for the period ended December 31, 2015 are \$24,713. For the period ended December 31, 2015, there were no soft dollar amounts paid.

### 7 Management fee

The management fee is calculated at 2.5% per annum of the daily net asset value of Series A shares and 1.5% per annum of the daily net asset value of Series F shares, plus applicable sales taxes, and is paid monthly. The fees are payable to the Manager (notes 1 and 8).

# AlphaDelta Canadian Prosperity Class

## Notes to Financial Statements

December 31, 2015

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### 8 Related party balances and transactions

Balances and transactions are as follows:

	<b>Period from commencement of operations on March 2, 2015 to December 31 2015 \$</b>
Qwest Funds Corp., Qwest Energy Canadian Resource Class (“QECRC”) Reimbursement for expenses paid by QECRC	5,026
Qwest Investment Fund Management Ltd. Management fee	83,268
Management fee payable	7,709
AlphaDelta Management Corp. (note 1) Reimbursement of fund expenses to be borne by ADM	98,453
Accounts receivable	22,186

All amounts payable are due on demand and non-interest bearing.

Included within Accounts payable and accrued liabilities is an amount of \$671 in respect of sales tax payable which is to be remitted to the tax authorities through QIFM.

The terms of transactions with the Manager are disclosed in note 7. QECRC is another class of special shares of the Corporation. During the period ADM has reimbursed the Fund for certain operating expenses incurred. This reimbursement is at the discretion of ADM and is calculated daily based on a set % of NAV.

### 9 Shareholder recordkeeping and fund accounting fees

The Fund has engaged the services of SGGG Fund Services Inc. (“SGGG”) and FundSERV Inc. to provide shareholder recordkeeping and fund accounting services. Shareholder recordkeeping and fund accounting fees incurred by the Fund for the period ended December 31, 2015 are \$48,853.

### 10 Fair Value measurement

The following table illustrates the classification of the Fund’s financial instruments within the fair value hierarchy as at December 31, 2015. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

# AlphaDelta Canadian Prosperity Class

## Notes to Financial Statements

December 31, 2015

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	Financial assets at fair value at December 31, 2015			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Equities	5,026,865	171,120	-	5,197,985

All fair value measurements above are recurring. The carrying values of other financial instruments approximate their fair values due to their short-term nature.

The Manager is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements. The Manager has engaged SGGG to value the net assets of the Fund on a daily basis. SGGG obtains pricing from a third party pricing vendor. The Fund's overall market positions are monitored on a daily basis by the Manager and are reviewed on a quarterly basis by the Board of Directors. The manager ensures the accuracy of the calculation of NAV prepared by SGGG by reviewing the NAV calculation on a monthly basis.

The Fund's equity positions are classified as Level 1 when the security is actively traded and reliable price is observable. Certain of the Fund's equities do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3. There were no financial instruments that were transferred into or out of Level 1 or 2 during the period from commencement of operations on March 2, 2015 to December 31, 2015.

## 11 Financial instruments risk management

The Fund's activities expose it to a variety of financial instrument risks: market risk (including price risk, interest rate risk and currency risk), credit risk, concentration risk and liquidity risk.

The fundamental investment objective of the Fund is to provide long-term capital appreciation by investing primarily in equity securities of Canadian companies with market capitalizations of up to \$3 billion as of the date of investment.

The Fund will not use derivatives. The Fund may hold a portion of its assets in cash or short-term money market securities while seeking investment opportunities or for defensive purposes to reflect adverse market, economic, political or other conditions.

### Market risk

#### a) Price risk

The Fund's investments are exposed to market price risk due to changing market conditions for equities as well as any changes to the tax environment in which the investee entities operate. All investments in equity securities have inherent risk of a loss of capital. The maximum risk resulting from financial instrument investments is determined by the fair value of the financial instruments. The Manager seeks to manage market risks by setting thresholds on individual investments to mitigate the risk of exposure to any one investment. The Fund's overall market positions are monitored on a daily basis by the Manager and are reviewed on a quarterly basis by the Board of Directors.

# AlphaDelta Canadian Prosperity Class

## Notes to Financial Statements

December 31, 2015

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At December 31, 2015, the Fund's market risk is impacted directly by changes in equity prices. The immediate impact on net assets of a 5% increase or decrease in the fair value of investments assuming all other variables remain constant would be approximately \$260,000.

b) Interest rate risk

The Fund's interest bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rate on its financial position and cash flows. The substantial majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

c) Currency risk

The monetary financial assets and liabilities of the Fund are all denominated in Canadian dollars. Consequently, the Fund has no significant direct exposure to currency risk.

### **Credit risk**

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

Credit risk associated with cash is minimized by ensuring that these balances are held by high-quality financial institutions.

When the Fund trades in listed or unlisted securities that are settled upon delivery using approved brokers, the risk of default is considered minimal since delivery of securities 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 Fund only transacts with reputable brokers with a high credit rating.

The Manager monitors the Fund's credit position regularly, and the Board of Directors reviews it on a periodic basis. The Fund has not identified any past due assets or receivables as at December 31, 2015.

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### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The below table shows the concentration of investments by sector:

	<b>At December 31, 2015 % of net assets</b>
<b>Sector/subgroup</b>	
Industrial	29.49
Financial	19.99
Consumer, Non-cyclical	14.09
Energy	13.57
Consumer, Cyclical	11.58
Technology	8.97
Cash	2.12
Other net assets	0.19
	<hr/>
	100.00
	<hr/>

### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities. The Fund is exposed to daily cash redemptions of redeemable shares and liabilities when they become due. Liquidity risk is managed by holding cash balances and investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed of when liabilities come due.

All liabilities are due within 30 days of the statement of financial position date, except for net assets attributable to holders of redeemable shares which are due on demand.

## 12 Capital management

Shares of the Fund issued and outstanding represent the capital of the Fund. The Manager manages the capital of the Fund in accordance with the investment objectives of the Fund. There are no externally imposed restrictions on the Fund's capital other than certain minimum subscription requirements. The minimum initial investment is \$1,000.

# AlphaDelta Canadian Prosperity Class

Notes to Financial Statements

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## 13 Decrease in net assets attributable to redeemable shares per share

Decrease in net assets attributable to redeemable shares per share for the period from commencement of operations on March 2, 2015 to December 31, 2015 are calculated as follows:

	\$
<b>Series A</b>	
Decrease in net assets attributable to holders of redeemable shares from operations	(99,136)
Weighted average units outstanding during the period	88,332
Decrease in net assets attributable to holders of redeemable shares per share	(1.12)
<b>Series F</b>	
Decrease in net assets attributable to holders of redeemable shares from operations	(691,025)
Weighted average units outstanding during the period	519,198
Decrease in net assets attributable to holders of redeemable shares per share	(1.33)