



**AlphaDelta Growth of Dividend Income Class**

**Financial Statements  
December 31, 2015**



March 29, 2016

## **Independent Auditor's Report**

**To the Shareholders of  
Qwest Funds Corp.  
AlphaDelta Growth of Dividend Income 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 February 19, 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 February 19, 2015 to December 31, 2015 in accordance with International Financial Reporting Standards.

(Signed) "PricewaterhouseCoopers LLP"

**Chartered Professional Accountants**

# AlphaDelta Growth of Dividend Income Class

Statement of Financial Position

As at December 31, 2015

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	\$
<b>Assets</b>	
Cash	54,188
Dividends receivable	2,327
Subscriptions receivable	125
Unrealized appreciation of forward contracts - at fair value	182
Due from related parties (note 8)	1,320
Investments - at fair value (note 10)	1,314,256
Prepaid expenses	15,662
	<u>1,388,060</u>
<b>Liabilities</b>	
Accounts payable and accrued liabilities	40,720
Redemptions payable	9,238
Management fees payable (notes 7 and 8)	1,261
	<u>51,219</u>
<b>Net assets attributable to holders of redeemable shares</b>	<u>1,336,841</u>
<b>Series net assets attributable to holders of redeemable shares</b>	
Series A	557,066
Series F	762,646
Series I	17,129
	<u>1,336,841</u>
<b>Shares outstanding</b> (note 3)	
Series A	64,246
Series F	87,527
Series I	1,812
<b>Net assets attributable to holders of redeemable shares per share</b> (note 2)	
Series A	8.67
Series F	8.71
Series I	9.45

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

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Maurice Levesque  
Director

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Chris Harrison  
Director

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

# AlphaDelta Growth of Dividend Income Class

## Statement of Comprehensive Loss

For the period from commencement of operations on February 19, 2015 to December 31, 2015

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	\$
<b>Income</b>	
Early redemption fee	303
Foreign exchange gain (loss) on cash	(8,330)
Changes in fair value of investments	
Dividend income	34,141
Net realized loss on sale of investments	(37,880)
Net realized loss on forward contracts	(97,326)
Change in unrealized depreciation of investments	(17,025)
Change in unrealized appreciation of forward contracts	182
	<hr/>
Total income - net	(125,935)
<b>Expenses</b>	
Shareholder recordkeeping and fund accounting fees	38,000
Audit	29,929
Custodial fees	19,306
Management fee (notes 7 and 8)	10,063
Translation fee	6,028
Foreign withholding taxes	3,683
Independent review committee fees	1,816
Tax review	1,584
Legal	615
Filing fees	548
Securityholder reports	500
Bank charges	301
Transaction costs	274
Expenses reimbursement (note 8)	(96,768)
	<hr/>
	15,879
<b>Decrease in net assets attributable to holders of redeemable shares from operations</b>	<hr/> <b>(141,814)</b>
<b>Decrease in net assets attributable to holders of redeemable shares from operations - Series A shares (note 13)</b>	<b>(56,867)</b>
<b>Decrease in net assets attributable to holders of redeemable shares from operation - Series F shares (note 13)</b>	<b>(84,076)</b>
<b>Decrease in net assets attributable to holders of redeemable shares from operation - Series I shares (note 13)</b>	<b>(871)</b>
<b>Decrease in net assets attributable to holders of redeemable shares from operations per Series A shares (note 13)</b>	<b>(1.43)</b>
<b>Decrease in net assets attributable to holders of redeemable shares from operations per Series F shares (note 13)</b>	<b>(1.14)</b>
<b>Decrease in net assets attributable to holders of redeemable shares from operations per Series I shares (note 13)</b>	<b>(0.48)</b>

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

## AlphaDelta Growth of Dividend Income Class

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

For the period from commencement of operations on February 19, 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	-
Series I shares	-
	<hr/>
	-
<b>Distributions to investors</b>	
From net investment income - Series A shares	(11,284)
From net investment income - Series F shares	(18,769)
From net investment income - Series I shares	(114)
	<hr/>
	(30,167)
<b>Decrease in net assets attributable to holders of redeemable shares from operations</b>	
Series A shares	(56,867)
Series F shares	(84,076)
Series I shares	(871)
	<hr/>
	(141,814)
<b>Shareholder transactions</b> (note 3)	
Shares issued on reinvestment of distributions - Series A	10,102
Shares issued on reinvestment of distributions - Series F	9,007
Shares issued on reinvestment of distributions - Series I	114
Proceeds from issuance of securities - Series A	643,461
Proceeds from issuance of securities - Series F	869,864
Proceeds from issuance of securities - Series I	18,000
Payment for Series A shares redeemed	(28,346)
Payment for Series F shares redeemed	(13,380)
	<hr/>
	1,508,822
<b>Net increase in net assets attributable to holders of redeemable shares</b>	<hr/>
	1,336,841
<b>Net assets attributable to holders of redeemable shares - End of period</b>	<hr/>
	1,336,841
<b>Net assets attributable to holders of redeemable shares - End of period Series A shares</b>	557,066
<b>Net assets attributable to holders of redeemable shares - End of period Series F shares</b>	762,646
<b>Net assets attributable to holders of redeemable shares - End of period Series I shares</b>	17,129

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

# AlphaDelta Growth of Dividend Income Class

## Statement of Cash Flows

For the period from commencement of operations on February 19, 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	(141,814)
Adjustments to determine net cash used in operating activities	
Change in unrealized depreciation of investments	17,025
Unrealized depreciation of forward contracts	(182)
Net realized loss on sale of investments	37,880
Net loss on foreign exchange	8,330
Accounts payable and accrued liabilities	40,720
Redemptions payable	9,238
Management fees payable	1,261
Due from related parties	(1,320)
Subscriptions receivable	(125)
Prepaid expenses	(15,662)
Dividends receivable	(2,327)
Purchase of investment securities	(1,569,267)
Proceeds from sale of investment securities	200,107
	<hr/>
<b>Net cash from operating activities</b>	<b>(1,416,136)</b>
<b>Cash flows from financing activities</b>	
Distribution paid in cash - Series A shares	(1,182)
Distribution paid in cash - Series F shares	(9,763)
Payment for Series A shares redeemed	(28,346)
Payment for Series F shares redeemed	(13,380)
Proceeds from issuance of securities - Series A	643,461
Proceeds from issuance of securities - Series F	869,864
Proceeds from issuance of securities - Series I	18,000
	<hr/>
<b>Net cash from financing activities</b>	<b>1,478,654</b>
<b>Foreign exchange gain (loss) on cash</b>	<b>(8,330)</b>
	<hr/>
<b>Increase in cash</b>	<b>54,188</b>
<b>Cash - Beginning of period</b>	<b>-</b>
	<hr/>
<b>Cash - End of period</b>	<b>54,188</b>
	<hr/>
Dividends received - net of withholding taxes	31,814

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

# AlphaDelta Growth of Dividend Income Class

Schedule of Investment Portfolio

As at December 31, 2015

	Number of shares	Average cost \$	Fair value \$	Net assets %
<b>Canadian equities</b>				
<b>Communications</b>				
BCE Inc.	330	17,545	17,641	1.32
Corus Entertainment Inc.	600	10,997	6,480	0.48
Shaw Communications Inc.	650	18,271	15,470	1.16
TELUS Corp.	570	24,002	21,808	1.63
		<hr/>	<hr/>	<hr/>
		70,815	61,399	4.59
<b>Energy</b>				
AltaGas Ltd.	170	5,708	5,253	0.39
Enbridge Inc.	400	23,308	18,400	1.38
Enbridge Income Fund Holdings Inc.	400	11,411	11,212	0.84
Gibson Energy Inc.	900	22,215	12,438	0.93
Inter Pipeline Ltd.	970	28,723	21,544	1.61
		<hr/>	<hr/>	<hr/>
		91,365	68,847	5.15
<b>Financial</b>				
CI Financial Corp.	1,000	34,348	30,600	2.29
The Toronto-Dominion Bank	230	12,295	12,475	0.93
		<hr/>	<hr/>	<hr/>
		46,643	43,075	3.22
<b>US equities</b>				
<b>Basic Materials</b>				
BHP Billiton PLC	140	7,674	4,389	0.33
International Paper Co.	530	32,521	27,654	2.07
LyondellBasell Industries NV	30	3,427	3,608	0.27
Monsanto Co.	200	24,508	27,270	2.04
Reliance Steel & Aluminum Co.	220	16,140	17,632	1.32
The Dow Chemical Co.	270	15,935	19,237	1.44
		<hr/>	<hr/>	<hr/>
		100,205	99,790	7.47
<b>Communications</b>				
Cisco Systems Inc.	720	24,475	27,059	2.02
Time Warner Inc.	150	14,069	13,425	1.00
Viacom Inc.	450	29,718	25,634	1.92
		<hr/>	<hr/>	<hr/>
		68,262	66,118	4.94



# AlphaDelta Growth of Dividend Income Class

Schedule of Investment Portfolio...continued

As at December 31, 2015

	Number of shares	Average cost \$	Fair value \$	Net assets %
<b>Consumer, Cyclical</b>				
Best Buy Co Inc.	720	31,334	30,343	2.27
Brinker International Inc.	370	23,961	24,554	1.84
DineEquity Inc.	50	6,416	5,859	0.44
Dunkin' Brands Group Inc.	270	16,322	15,915	1.19
General Motors Co.	650	28,804	30,595	2.29
Las Vegas Sands Corp.	240	15,951	14,562	1.09
Macy's Inc.	230	12,180	11,135	0.83
The Gap Inc.	150	5,622	5,128	0.38
Whirlpool Corp.	130	26,781	26,425	1.98
		<hr/>	<hr/>	<hr/>
		167,371	164,516	12.31
<b>Consumer, Non-cyclical</b>				
AbbVie Inc.	180	13,059	14,758	1.10
Amgen Inc.	45	8,220	10,110	0.76
Diageo PLC	190	27,063	28,681	2.15
Gilead Sciences Inc.	140	20,833	19,607	1.47
Johnson & Johnson	280	35,313	39,806	2.98
PepsiCo Inc.	85	9,934	11,755	0.88
Pfizer Inc.	490	21,006	21,891	1.64
The Coca-Cola Co.	410	20,648	24,377	1.82
The Procter & Gamble Co.	250	25,737	27,476	2.06
		<hr/>	<hr/>	<hr/>
		181,813	198,461	14.86
<b>Energy</b>				
Royal Dutch Shell PLC	250	19,638	15,930	1.19
The Williams Cos Inc.	240	14,029	8,537	0.64
		<hr/>	<hr/>	<hr/>
		33,667	24,467	1.83
<b>Financial</b>				
Crown Castle International Corp.	130	13,987	15,554	1.16
DuPont Fabros Technology Inc.	480	19,056	21,119	1.58
Invesco Ltd.	650	32,033	30,119	2.25
JPMorgan Chase & Co.	250	19,892	22,846	1.71
MetLife Inc.	420	27,795	28,024	2.10
National Health Investors Inc.	220	18,124	18,534	1.39
Omega Healthcare Investors Inc.	360	17,379	17,428	1.30
Principal Financial Group Inc.	330	21,084	20,543	1.54
Prudential Financial Inc.	260	27,435	29,295	2.19
Simon Property Group Inc.	40	9,405	10,764	0.81
T. Rowe Price Group Inc.	280	28,183	27,704	2.07
Ventas Inc.	140	9,958	10,934	0.82
		<hr/>	<hr/>	<hr/>
		244,331	252,864	18.92

# AlphaDelta Growth of Dividend Income Class

Schedule of Investment Portfolio...continued

As at December 31, 2015

	Number of shares	Average cost \$	Fair value \$	Net assets %
<b>Industrial</b>				
3M Co.	50	10,048	10,424	0.78
Cummins Inc.	150	25,997	18,271	1.37
Eaton Corp PLC	300	25,103	21,607	1.62
General Electric Co.	710	22,487	30,609	2.29
Honeywell International Inc.	180	23,333	25,801	1.93
The Boeing Co.	175	31,546	35,020	2.62
Union Pacific Corp.	200	24,309	21,646	1.62
United Parcel Service Inc.	190	23,505	25,305	1.89
		186,328	188,683	14.12
<b>Technology</b>				
Analog Devices Inc.	300	23,249	22,969	1.72
KLA-Tencor Corp.	100	7,274	9,598	0.72
Microsoft Corp.	450	23,156	34,553	2.58
QUALCOMM Inc.	400	33,859	27,672	2.07
Seagate Technology PLC	600	36,564	30,442	2.28
Xilinx Inc.	320	16,377	20,802	1.56
		140,479	146,036	10.93
<b>Total portfolio of investments</b>		1,331,279	1,314,256	98.34
Unrealized gain on foreign exchange forward contract			182	0.01
Cash			54,188	4.05
Other net liabilities			(31,785)	(2.40)
<b>Net assets attributable to holders of redeemable shares</b>			1,336,841	100.00

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

# AlphaDelta Growth of Dividend Income 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 "ADCP" Class), AlphaDelta Growth of Dividend Income Class (the "Fund") 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 February 19, 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 dividend paying securities of companies around the world.

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").

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

# AlphaDelta Growth of Dividend Income Class

## Notes to Financial Statements

December 31, 2015

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### **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 or derivative, 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 Net Asset Value (“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.

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

# AlphaDelta Growth of Dividend Income Class

## Notes to Financial Statements

December 31, 2015

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### *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.

### *Forward contracts*

The Fund may enter into forward contracts to manage its exposure to US dollar exchange fluctuations. Forward contracts are valued based on the difference between the US dollar close price and the forward contract price. The Fund does not utilize forward contracts for trading or speculative purposes.

### **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 net capital gains realized in the period, will be distributed to shareholders such that no income tax is payable 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.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the statement of comprehensive loss.

# AlphaDelta Growth of Dividend Income Class

## Notes to Financial Statements

December 31, 2015

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### **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. Foreign exchange gains and losses relating to cash are presented as ‘Foreign exchange gain (loss) on cash’ and those relating to other financial assets and liabilities are presented within ‘net realised loss on sale of investments’ and ‘Change in unrealised depreciation of investments’ in the statement of comprehensive loss.

### **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.

#### *Fair value measurement of derivatives and securities not quoted in an active market*

The Fund holds financial instruments that are not quoted in active markets, including forward contracts. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry.

# AlphaDelta Growth of Dividend Income Class

## Notes to Financial Statements

December 31, 2015

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### *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 could 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.

### **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.

# AlphaDelta Growth of Dividend Income Class

## Notes to Financial Statements

December 31, 2015

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

	<b>Period from commencement of operations on February 19, 2015 to December 31 2015</b>
<b>Series A</b>	
Share issued and outstanding - Beginning of period	-
Shares issued during the period	66,359
Shares issued on reinvestment of distributions	1,102
Shares redeemed during the period	<u>(3,215)</u>
Shares issued and outstanding - End of period	<u>64,246</u>
<b>Series F</b>	
Share issued and outstanding - Beginning of period	-
Shares issued during the period	88,036
Shares issued on reinvestment of distributions	968
Shares redeemed during the period	<u>(1,477)</u>
Shares issued and outstanding - End of period	<u>87,527</u>
<b>Series I</b>	
Share issued and outstanding - Beginning of period	-
Shares issued during the period	1,800
Shares issued on reinvestment of distributions	12
Shares redeemed during the period	<u>-</u>
Shares issued and outstanding - End of period	<u>1,812</u>

### 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 Growth of Dividend Income Class

## Notes to Financial Statements

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### 4 Distributions

The Fund intends to make monthly distributions from Canadian and foreign dividend payments received and certain derivative income received by the Fund in a particular month. In addition, the Fund may pay annually to shareholders capital gains dividends. Monthly distributions will generally be paid on the last day of each month and capital gains dividends will generally be paid in February. Dividends and distributions may be paid at other times as determined by the Manager. Shareholders may elect to receive distributions from the Fund in cash, or to have them automatically reinvested in additional shares of the Fund.

### 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 commission paid by the Fund with respect to security transactions for the period ended December 31, 2015 are \$274. For the period ended December 31, 2015, there were no soft dollar amounts paid.

### 7 Management fee

The management fee is calculated at 1.3% per annum of the daily NAV of Series A shares and 0.8% per annum of the daily NAV of Series F shares, plus applicable sales taxes, and is paid monthly. The management fee charged for Series I shares is negotiated directly with each investor. The fees are payable to the Manager (notes 1 and 8).

# AlphaDelta Growth of Dividend Income Class

Notes to Financial Statements

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## 8 Related party balances and transactions

Balances and transactions are as follows:

	<b>Period from commencement of operations on February 19, 2015 to December 31 2015 \$</b>
Qwest Funds Corp., Qwest Energy Canadian Resource Class ("QECRC")	
Reimbursement for expenses paid by QECRC	898
Qwest Investment Fund Management Ltd.	
Management fee	10,063
Management fee payable	1,261
AlphaDelta Management Corp. (note 1)	
Reimbursement of Fund expenses to be borne by ADM	96,768
Accounts receivable	1,320

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

Included within Accounts payable and accrued liabilities is an amount of \$3,433 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 \$38,000.

## 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 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 Growth of Dividend Income Class

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	Financial instruments at fair value at December 31, 2015			
	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities	1,314,256	-	-	1,314,256
Forward contracts	-	182	-	182
	1,314,256	182	-	1,314,438

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 February 19, 2015 to December 31, 2015.

The Fund enters into foreign exchange forward contracts to reduce its foreign currency exposure. The forward contracts are measured at fair value based on the difference between the US dollar close price and the forward contract price.

Settlement date	Foreign exchange forward contracts					
	Currency to be delivered		Currency to be received		Contract price \$	Appreciation CAD\$
	Face value US\$	Fair value as at December 31, 2015 CAD\$	Face value CAD\$	Fair value as at December 31, 2015 CAD\$		
January 28, 2016	(820,000)	(1,134,821)	1,135,003	1,135,003	1.3842	182

The following are the Fund's investments which are classified as held for trading and FVTPL:

	\$
Held for trading	182
Fair value through profit or loss	1,314,256

# AlphaDelta Growth of Dividend Income Class

## Notes to Financial Statements

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The following table presents the net loss on the fair value of investments by category for the period from commencement of operations on February 19, 2015 to December 31, 2015:

	\$
<b>Category</b>	
Financial assets at FVTPL	
Held for trading	(97,144)
Fair value through profit or loss	<u>(20,764)</u>
	<u>(117,908)</u>

### 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 Fund's investment objective is to provide shareholders of the Fund with income and longer-term capital appreciation by investing primarily in dividend paying equity securities of companies around the world. The Fund invests primarily in larger capitalization, global, dividend paying equity securities (including securities of unit trusts, real estate investment trusts and depository receipts) and their derivatives.

The Fund may take small positions in other securities, such as convertible securities, high-yield debt securities and derivative instruments, and invest in foreign resource companies listed on major stock exchanges. The Fund will use derivatives for hedging purposes only. 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 over 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.

At December 31, 2015, the Fund's market risk is impacted directly by changes in equity prices. The immediate impact on equity of a 5% increase or decrease in the fair value of investments assuming all other variables remain constant would be approximately \$66,000.

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## Notes to Financial Statements

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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

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 value of investments denominated in a currency other than Canadian dollars is affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the investment is denominated.

When the value of the Canadian dollar falls in relation to foreign currencies, the value in Canadian dollars of investments denominated in other currencies increases.

The Fund's currency risk is impacted directly by changes in foreign exchange rates. The immediate impact on the assets of a 1% increase or decrease in the foreign exchange rate which the Fund had exposure to, and the notional amounts of foreign exchange forward contracts, assuming all other variables remain constant is detailed in the table below. Currencies to which the Fund had exposure as at December 31, 2015 are as follows. The Fund enters into foreign exchange forward contracts to reduce its foreign currency exposure.

Currency	As at December 31, 2015					
	Exposure			Impact on net assets attributable to holders of redeemable shares		
	Monetary \$	Non- monetary \$	Total \$	Monetary \$	Non- monetary \$	Total \$
United States Dollar	(1,115,690) *	1,140,935	25,245	(11,157)	11,409	252
% of net assets attributable to holders of redeemable shares	(83.5)	85.3	1.9	(0.8)	0.9	0.0

\*Net of notional value of the forward contract at the December 31, 2015 spot rate less the CA\$ value of the US\$ cash balance at December 31, 2015.

At December 31, 2015, the Fund had outstanding currency contracts to sell US\$820,000 prior to January 28, 2016 at a rate of CA\$1.3842 per US\$.

# AlphaDelta Growth of Dividend Income Class

## Notes to Financial Statements

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### Credit risk

The Fund has exposure 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.

The Fund is also exposed to counterparty credit risk on forward contracts. The counterparty credit risk for forwards contracts is managed by using counterparties with a minimum credit rating from S&P of A. The credit rating of the counterparty to the Fund's forward contracts was A-1 as at December 31, 2015.

### 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:

	% of net assets
	\$
<b>Sector/subgroup</b>	
Financial	22.14
Consumer, Non-cyclical	14.86
Industrial	14.12
Consumer, Cyclical	12.31
Technology	10.93
Communications	9.53
Basic Materials	7.47
Energy	6.98
Cash	4.05
Other liabilities net of assets	(2.39)
	<hr/>
	100.00
	<hr/>

# AlphaDelta Growth of Dividend Income Class

## Notes to Financial Statements

December 31, 2015

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### 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.

### 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 February 19, 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	(56,867)
Weighted average units outstanding during the period	39,901
Decrease in net assets attributable to holders of redeemable shares per share	(1.43)
<b>Series F</b>	
Decrease in net assets attributable to holders of redeemable shares from operations	(84,076)
Weighted average units outstanding during the period	73,941
Decrease in net assets attributable to holders of redeemable shares per share	(1.14)
<b>Series I</b>	
Decrease in net assets attributable to holders of redeemable shares from operations	(871)
Weighted average units outstanding during the period	1,803
Decrease in net assets attributable to holders of redeemable shares per share	(0.48)