



**AlphaDelta Growth of Dividend Income Class**

2016 Semi-Annual Financial Statements  
(Unaudited)  
**June 30, 2016**

# AlphaDelta Growth of Dividend Income Class

## Statement of Financial Position

(Unaudited)

As at

	June 30, 2016 \$	December 31, 2015 \$
<b>Assets</b>		
Cash	44,958	54,188
Dividends receivable	3,017	2,327
Subscriptions receivable	125	125
Due from related parties (note 8)	16,554	1,320
Investments - at fair value (note 10)	1,600,475	1,314,256
Unrealized appreciation of forward contracts - at fair value	-	182
Prepaid expenses	18,363	15,662
	<u>1,683,492</u>	<u>1,388,060</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	32,307	40,720
Unrealized depreciation of forward contracts - at fair value	13,151	-
Distribution payable	1,244	-
Redemptions payable	-	9,238
Management fees payable (notes 7 and 8)	1,374	1,261
	<u>48,076</u>	<u>51,219</u>
<b>Net assets attributable to holders of redeemable shares</b>	<u>1,635,416</u>	<u>1,336,841</u>
<b>Series net assets attributable to holders of redeemable shares</b>		
Series A	582,791	557,066
Series F	954,187	762,646
Series I	98,438	17,129
	<u>1,635,416</u>	<u>1,336,841</u>
<b>Shares outstanding</b> (note 3)		
Series A	66,704	64,246
Series F	108,370	87,527
Series I	10,254	1,812
<b>Net assets attributable to holders of redeemable shares per share</b> (note 2)		
Series A	8.74	8.67
Series F	8.80	8.71
Series I	9.60	9.45

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



Maurice Levesque  
Director



John Loeprich  
Director

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

# AlphaDelta Growth of Dividend Income Class

## Statement of Comprehensive Income (Unaudited)

	Six-month period ended June 30, 2016 \$	Period from February 19, 2015 to June 30, 2015 \$
<b>Income</b>		
Foreign exchange loss on cash	(208)	(8,725)
Changes in fair value of investments		
Dividend income	25,690	9,838
Net realized (loss) gain on sale of investments	(10,191)	1,023
Net realized gain on forward contracts	81,043	10,636
Change in unrealized depreciation of investments	(38,487)	(25,828)
Change in unrealized appreciation of forward contracts	(13,333)	(3,954)
Total income - net	44,514	(17,010)
<b>Expenses</b>		
Shareholder recordkeeping and fund accounting fees (note 9)	27,223	11,435
Audit	17,512	21,050
Custodial fees	12,636	11,517
Legal	10,307	1,000
Filing fees	10,046	1,328
Management fee (notes 7 and 8)	7,489	2,832
Translation fee	3,146	1,200
Foreign withholding taxes	2,888	1,164
Independent review committee fees	1,478	457
Securityholder reports	1,009	840
Tax review	904	1,200
Bank charges	625	236
Transaction costs	185	153
Expenses reimbursement (note 8)	(82,157)	(49,668)
Total expenses	13,291	4,744
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations</b>	31,223	(21,754)
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations - Series A shares</b>	11,800	(7,558)
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operation - Series F shares</b>	17,065	(14,196)
<b>Increase in net assets attributable to holders of redeemable shares from operation - Series I shares</b>	2,358	-
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations per Series A shares (note 13)</b>	0.19	(0.43)
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations per Series F shares (note 13)</b>	0.19	(0.22)
<b>Increase in net assets attributable to holders of redeemable shares from operations per Series I shares (note 13)</b>	0.33	-

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  
(Unaudited)

	Six-month period ended June 30, 2016 \$	Period from February 19, 2015 to June 30, 2015 \$
<b>Net assets attributable to holders of redeemable shares - Beginning of period</b>		
Series A shares	557,066	-
Series F shares	762,646	-
Series I shares	17,129	-
	1,336,841	-
<b>Distributions to investors</b>		
From net investment income - Series A shares	(8,597)	(2,289)
From net investment income - Series F shares	(13,037)	(6,383)
From net investment income - Series I shares	(1,162)	-
	(22,796)	(8,672)
<b>Increase (decrease) in net assets attributable to holders of redeemable shares from operations</b>		
Series A shares	11,800	(7,558)
Series F shares	17,065	(14,196)
Series I shares	2,358	-
	31,223	(21,754)
<b>Shareholder transactions</b> (note 3)		
Shares issued on reinvestment of distributions - Series A	7,548	2,137
Shares issued on reinvestment of distributions - Series F	6,936	2,957
Shares issued on reinvestment of distributions - Series I	1,162	-
Payment for Series A shares redeemed	(28,227)	-
Payment for Series F shares redeemed	(4,572)	-
Payment for Series I shares redeemed	(17,000)	-
Proceeds from issuance of securities - Series A	43,201	318,945
Proceeds from issuance of securities - Series F	185,149	781,537
Proceeds from issuance of securities - Series I	95,951	-
	290,148	1,105,576
<b>Net increase in net assets attributable to holders of redeemable shares</b>	298,575	1,075,150
<b>Net assets attributable to holders of redeemable shares - End of period</b>	1,635,416	1,075,150
<b>Net assets attributable to holders of redeemable shares - End of period Series A shares</b>	582,791	311,235
<b>Net assets attributable to holders of redeemable shares - End of period Series F shares</b>	954,187	763,915
<b>Net assets attributable to holders of redeemable shares - End of period Series I shares</b>	98,438	-

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# AlphaDelta Growth of Dividend Income Class

## Statement of Cash Flows (Unaudited)

	<b>Six-month period ended June 30, 2016 \$</b>	<b>Period from February 19, 2015 to June 30, 2015 \$</b>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	31,223	(21,754)
Adjustments to determine net cash used in operating activities		
Change in unrealized depreciation of investments	38,487	25,828
Change in unrealized depreciation of forward contracts	13,333	3,954
Net realized loss (gain) on sale of investments	10,191	(1,023)
Foreign exchange loss on cash	208	8,725
Management fees payable	113	830
Dividends receivable	(690)	(2,208)
Prepaid expenses	(2,701)	(357)
Accounts payable and accrued liabilities	(8,413)	38,454
Due from related parties	(15,234)	(12,485)
Purchase of investment securities	(688,920)	(1,034,446)
Proceeds from sale of investment securities	354,022	29,898
Net cash used in operating activities	<u>(268,381)</u>	<u>(964,584)</u>
<b>Cash flows from financing activities</b>		
Distribution paid in cash - Series A shares	(869)	(152)
Distribution paid in cash - Series F shares	(5,036)	(3,426)
Proceeds from issuance of securities - Series A	43,201	307,645
Proceeds from issuance of securities - Series F	185,149	760,295
Proceeds from issuance of securities - Series I	95,951	-
Payment for Series A shares redeemed	(37,465)	-
Payment for Series F shares redeemed	(4,572)	-
Payment for Series I shares redeemed	(17,000)	-
Net cash from financing activities	<u>259,359</u>	<u>1,064,362</u>
<b>Foreign exchange loss on cash</b>	<u>(208)</u>	<u>(8,725)</u>
<b>(Decrease) increase in cash</b>	(9,230)	91,053
<b>Cash - Beginning of period</b>	<u>54,188</u>	-
<b>Cash - End of period</b>	<u>44,958</u>	<u>91,053</u>
Dividends received - net of withholding taxes	22,623	6,542

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

# AlphaDelta Growth of Dividend Income Class

Schedule of Investment Portfolio

(Unaudited)

As at June 30, 2016

	Number of shares	Average cost \$	Fair value \$	Net assets %
<b>Canadian equities</b>				
<b>Communications</b>				
BCE Inc.	330	17,545	20,176	1.24
Cogeco Communications Inc.	150	10,218	10,170	0.62
TELUS Corp.	570	24,002	23,712	1.45
		<hr/>	<hr/>	<hr/>
		51,765	54,058	3.31
<b>Consumer, Cyclical</b>				
Magna International Inc.	630	30,381	28,571	1.75
<b>Energy</b>				
AltaGas Ltd.	170	5,708	5,338	0.33
Enbridge Inc.	550	31,109	30,102	1.84
Enbridge Income Fund Holdings Inc.	750	21,106	24,045	1.47
Gibson Energy Inc.	900	22,215	13,491	0.82
Inter Pipeline Ltd.	800	23,689	21,920	1.34
		<hr/>	<hr/>	<hr/>
		103,827	94,896	5.80
<b>Financial</b>				
CI Financial Corp.	1,170	36,889	31,532	1.93
Manulife Financial Corp.	1,700	30,310	30,039	1.84
Power Financial Corp.	100	3,118	2,965	0.18
The Toronto-Dominion Bank	130	6,949	7,212	0.44
		<hr/>	<hr/>	<hr/>
		77,266	71,748	4.39
<b>US equities</b>				
<b>Basic Materials</b>				
International Paper Co.	530	32,521	29,013	1.77
LyondellBasell Industries NV	100	10,922	9,613	0.59
Monsanto Co.	125	15,318	16,697	1.02
The Dow Chemical Co.	320	18,825	20,547	1.26
		<hr/>	<hr/>	<hr/>
		77,586	75,870	4.64
<b>Communications</b>				
Cisco Systems Inc.	810	27,430	30,018	1.84
j2 Global Inc.	110	9,653	8,976	0.55
Time Warner Inc.	150	14,069	14,249	0.87
Viacom Inc.	400	23,454	21,427	1.31
		<hr/>	<hr/>	<hr/>
		74,606	74,670	4.57

# AlphaDelta Growth of Dividend Income Class

Schedule of Investment Portfolio...continued

(Unaudited)

As at June 30, 2016

	Number of shares	Average cost \$	Fair value \$	Net assets %
<b>Consumer, Cyclical</b>				
Best Buy Co Inc.	700	29,794	27,668	1.68
Brinker International Inc.	480	30,535	28,229	1.73
Foot Locker Inc.	270	19,479	19,133	1.17
GameStop Corp.	300	11,584	10,300	0.63
General Motors Co.	900	38,528	32,900	2.01
Harman International Industries Inc.	285	28,505	26,439	1.62
Johnson Controls Inc.	500	25,328	28,585	1.75
Las Vegas Sands Corp.	190	12,628	10,673	0.65
Macy's Inc.	630	29,578	27,351	1.67
Polaris Industries Inc.	100	11,101	10,561	0.65
Royal Caribbean Cruises Ltd.	280	27,093	24,287	1.49
Whirlpool Corp.	175	36,801	37,669	2.30
Wyndham Worldwide Corp.	300	27,434	27,602	1.69
		<hr/>	<hr/>	<hr/>
		328,388	311,397	19.04
<b>Consumer, Non-cyclical</b>				
AbbVie Inc.	430	32,113	34,387	2.10
AmerisourceBergen Corp.	120	11,602	12,295	0.75
Amgen Inc.	100	19,630	19,653	1.20
Bunge Ltd.	240	16,802	18,337	1.12
Cardinal Health Inc.	110	11,279	11,084	0.68
Diageo PLC	150	21,366	21,871	1.34
Gilead Sciences Inc.	70	10,417	7,543	0.46
Johnson & Johnson	220	27,746	34,470	2.11
Macquarie Infrastructure Corp.	220	19,670	21,043	1.29
ManpowerGroup Inc.	110	10,938	9,142	0.56
PepsiCo Inc.	55	6,428	7,526	0.46
Pfizer Inc.	630	26,740	28,653	1.75
The Coca-Cola Co.	180	9,065	10,539	0.64
		<hr/>	<hr/>	<hr/>
		223,796	236,543	14.46
<b>Energy</b>				
Royal Dutch Shell PLC	250	19,638	18,084	1.10
Valero Energy Corp.	240	16,907	13,175	0.81
		<hr/>	<hr/>	<hr/>
		36,545	31,259	1.91

# AlphaDelta Growth of Dividend Income Class

Schedule of Investment Portfolio...continued

(Unaudited)

As at June 30, 2016

	Number of shares	Average cost \$	Fair value \$	Net assets %
<b>Financial</b>				
Ameriprise Financial Inc.	160	19,208	18,569	1.15
AmTrust Financial Services Inc.	500	16,518	15,823	0.97
Crown Castle International Corp.	130	13,987	17,032	1.04
Discover Financial Services	260	16,590	17,998	1.10
DuPont Fabros Technology Inc.	400	15,880	24,563	1.50
Invesco Ltd.	830	38,476	27,382	1.67
JPMorgan Chase & Co.	280	22,046	22,475	1.37
Legg Mason Inc.	700	29,940	26,665	1.63
Lincoln National Corp.	195	11,242	9,765	0.60
MetLife Inc.	535	34,047	27,525	1.68
Morgan Stanley	610	21,009	20,471	1.25
National Health Investors Inc.	220	18,124	21,339	1.30
Omega Healthcare Investors Inc.	460	21,553	20,172	1.23
Principal Financial Group Inc.	200	12,778	10,620	0.65
Prudential Financial Inc.	290	30,220	26,723	1.63
Simon Property Group Inc.	40	9,405	11,207	0.69
T Rowe Price Group Inc.	150	15,098	14,138	0.86
		346,121	332,467	20.32
<b>Industrial</b>				
3M Co.	35	7,033	7,917	0.49
Cummins Inc.	100	17,332	14,524	0.89
Eaton Corp PLC	180	15,062	13,888	0.85
General Electric Co.	190	6,018	7,726	0.47
Honeywell International Inc.	180	23,650	27,045	1.65
The Boeing Co.	210	37,373	35,228	2.15
Union Pacific Corp.	140	17,016	15,778	0.96
United Parcel Service Inc.	190	23,505	26,437	1.62
		146,989	148,543	9.08
<b>Technology</b>				
Analog Devices Inc.	300	23,249	21,949	1.34
Broadcom Ltd.	20	4,033	4,015	0.25
Lam Research Corp.	170	17,780	18,459	1.13
Microsoft Corp.	290	14,923	19,168	1.17
QUALCOMM Inc.	490	40,086	33,906	2.07
Seagate Technology PLC	430	26,204	13,530	0.83
Skyworks Solutions Inc.	360	32,438	29,426	1.80
		158,713	140,453	8.59
<b>Total portfolio of investments</b>		1,655,983	1,600,475	97.86
Unrealized depreciation of forward contract			(13,151)	(0.80)
Cash			44,958	2.75
Other assets net of liabilities			3,134	0.19
<b>Net assets attributable to holders of redeemable shares</b>			1,635,416	100.00

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



# AlphaDelta Growth of Dividend Income Class

## Notes to Financial Statements

(Unaudited)

June 30, 2016

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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. The authorized capital of the Corporation consists of an unlimited number of Class A shares, Class B shares and special shares. Currently, there are four classes of special shares that are in issue - the AlphaDelta Canadian Prosperity Class (the “ADCP” Class), AlphaDelta Growth of Dividend Income Class (the “Fund”), AlphaDelta Tactical Growth Class (formerly, AlphaDelta Global Value Class) (the “ADTG” 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, Series G, 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.

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 Fund, and the Manager is authorized to delegate its investment advisory duties to sub-advisors. 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. ADM shares common directors with the Manager. The sub-advisors for this fund is SciVest Capital Management Inc.

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 August 26, 2016.

### 2 Summary of significant accounting policies

#### Basis of preparation

These interim financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”), as applicable to the preparation of interim financial statements including International Accounting Standards (“IAS”) 34, Interim Financial Statements.

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

# AlphaDelta Growth of Dividend Income Class

## Notes to Financial Statements

(Unaudited)

June 30, 2016

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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 income 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 statements 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 Fund’s 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, Series G and Series I using the net asset value (“NAV”) of Series A, F, G 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 at the beginning of the period of the transfer.

# AlphaDelta Growth of Dividend Income Class

## Notes to Financial Statements

(Unaudited)

June 30, 2016

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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 period. 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.

On March 22, 2016, the federal budget announced proposals to amend the Income Tax Act (Canada) so that conversions of shares between two classes of a mutual fund corporation (including Qwest Funds Corp.) will be treated as a disposition of shares at their fair market value if the conversion occurs after September 2016. On July 29, 2016, the Department of Finance released draft legislation for consultation that implements this measure and which extends the effective date of this measure from October 1, 2016 to January 1, 2017. Until the proposed amendments become effective, conversions between the Portfolio and other classes within Qwest Funds Corp. will continue to occur on a tax deferred basis.

# AlphaDelta Growth of Dividend Income Class

## Notes to Financial Statements

(Unaudited)

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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 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 is translated into Canadian dollars at the exchange rates prevailing at 12:00 pm 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 realized (loss) gain on financial investments’ and ‘Change in unrealized depreciation of investments’ in the statement of comprehensive income.

### **Increase (decrease) in net assets attributable to holders of redeemable shares from operations per share**

Increase (decrease) in net assets attributable to holders of redeemable shares from operations per share is determined by dividing the increase (decrease) in net assets attributable to holders of redeemable shares from operations of each series by the weighted average number of shares outstanding of that series 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. 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

(Unaudited)

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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. A 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. The Fund has determined that it will not early adopt this standard. And is in the process of assessing the impact to the Fund's financial statements.

## **3 Shareholder transactions**

The Fund is divided into Series A, F and I shares 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 and Series G shares are available to investors who have fee-based accounts with their dealers for investment advice and other services. Series F shares and Series G shares may only be purchased, switched or redeemed through authorized dealers, and not directly through the Manager. Series G shares are only available to investors with accounts with investment advisors that have invested at least \$1,000,000 of client assets in Shares G of the fund. 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

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The number of Series A, F shares and I shares issued and redeemed at net asset value for the period ended June 30, 2016 and period from commencement of operations on February 19, 2015 to June 30, 2015 at NAV is summarized as follows:

	<b>Six-month period ended June 30, 2016 \$</b>	<b>Period from February 19, 2015 to June 30, 2015 \$</b>
<b>Series A</b>		
Share issued and outstanding - Beginning of period	64,246	-
Shares issued during the period	4,954	31,762
Shares issued on reinvestment of distributions	866	215
Shares redeemed during the period	(3,362)	-
	<hr/>	<hr/>
Shares issued and outstanding - End of period	66,704	31,977
	<hr/>	<hr/>
<b>Series F</b>		
Share issued and outstanding - Beginning of period	87,527	-
Shares issued during the period	20,609	78,040
Shares issued on reinvestment of distributions	788	297
Shares redeemed during the period	(554)	-
	<hr/>	<hr/>
Shares issued and outstanding - End of period	108,370	78,337
	<hr/>	<hr/>
<b>Series I</b>		
Share issued and outstanding - Beginning of period	1,812	-
Shares issued during the period	10,087	-
Shares issued on reinvestment of distributions	120	-
Shares redeemed during the period	(1,765)	-
	<hr/>	<hr/>
Shares issued and outstanding - End of period	10,254	-
	<hr/>	<hr/>

### Classification of shares

IAS 32, Financial Instruments: Presentation 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, 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

The Corporation's available tax losses, both capital and non-capital, are determined at the Corporate and not the individual class level. 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 (note 8).

Brokerage commissions paid by the Fund with respect to security transactions for the period ended June 30, 2016 are \$185 (June 30, 2015 - \$153). For the periods ended June 30, 2016 and 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, 0.8% per annum of the daily NAV of Series F shares, and 0.4% per annum of the daily NAV of Series G shares, 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>Six-month period ended June 30, 2016 \$</b>	<b>Period from February 19, 2015 to June 30, 2015 \$</b>
Qwest Funds Corp., Qwest Energy Canadian Resource Class Reimbursement for QECRC expensed paid by the Fund	1,307	272
Qwest Investment Fund Management Ltd. (“QIFM”) Management fee	7,489	2,832
AlphaDelta Management Corp. (note 1) Voluntary reimbursement of Fund expenses	82,157	49,668
<b>As of</b>	<b>June 30, 2016 \$</b>	<b>December 31, 2015 \$</b>
Qwest Investment Fund Management Ltd. Management fee	1,374	1,261
AlphaDelta Management Corp. (note 1) Accounts receivable	16,554	1,320

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

Included within accounts payable and accrued liabilities is an amount of \$3,570 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 % 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 June 30, 2016 are \$27,223 (June 30, 2015 - \$11,435).



# AlphaDelta Growth of Dividend Income Class

## Notes to Financial Statements

(Unaudited)

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### 10 Fair value measurement

The following table illustrates the classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2016. 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.

	<b>Financial instruments at fair value at June 30, 2016</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Equities	1,600,475	-	-	1,600,475
Forward contracts	-	(13,151)	-	(13,151)
	<b>1,600,475</b>	<b>(13,151)</b>	<b>-</b>	<b>1,587,324</b>

  

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

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 ended June 30, 2016 or period ended December 31, 2015.

# AlphaDelta Growth of Dividend Income Class

## Notes to Financial Statements

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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.

<b>Foreign exchange forward contracts at June 30, 2016</b>						
	<b>Currency to be delivered</b>		<b>Currency to be received</b>		<b>Contract price</b>	<b>Depreciation</b>
	<b>Face value</b>	<b>Fair value as at</b>	<b>Face value</b>	<b>Fair value as at</b>		
<b>Settlement date</b>	<b>US\$</b>	<b>June 30, 2016 CA\$</b>	<b>CA\$</b>	<b>June 30, 2016 CA\$</b>	<b>\$</b>	<b>CA\$</b>
July 25, 2016	(1,040,000)	(1,343,160)	1,330,160	1,330,160	1.2790	(13,151)

  

<b>Foreign exchange forward contracts at December 31, 2015</b>						
	<b>Currency to be delivered</b>		<b>Currency to be received</b>		<b>Contract price</b>	<b>Appreciation</b>
	<b>Face value</b>	<b>Fair value as at</b>	<b>Face value</b>	<b>Fair value as at</b>		
<b>Settlement date</b>	<b>US\$</b>	<b>December 31, 2015 CA\$</b>	<b>CA\$</b>	<b>December 31, 2015 CA\$</b>	<b>\$</b>	<b>CA\$</b>
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:

	<b>June 30, 2016</b>	<b>December 31, 2015</b>
	<b>\$</b>	<b>\$</b>
Held for trading	(13,151)	182
Fair value through profit or loss	1,600,475	1,314,256

The following table presents the net gain (loss) on the fair value of investments by category for the period ended June 30, 2016 and period from commencement of operations on February 19, 2015 to June 30, 2015:

	<b>June 30, 2016</b>	<b>June 30, 2015</b>
	<b>\$</b>	<b>\$</b>
<b>Category</b>		
Financial assets at FVTPL		
Held for trading	67,710	6,682
Fair value through profit or loss	(22,988)	(14,967)
	<u>44,722</u>	<u>(8,285)</u>

# AlphaDelta Growth of Dividend Income Class

Notes to Financial Statements

(Unaudited)

June 30, 2016

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## 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 June 30, 2016, 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 \$80,000 (December 31, 2015 - \$66,000).

#### 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.

# AlphaDelta Growth of Dividend Income Class

## Notes to Financial Statements

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June 30, 2016

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. The Fund enters into foreign exchange forward contracts to reduce its foreign currency exposure.

Currency	As at June 30, 2016					
	Exposure			Impact on net assets attributable to holders of redeemable shares		
	Monetary \$	Non- monetary \$	Total \$	Monetary \$	Non- monetary \$	Total \$
United States dollar	(1,338,937) *	1,351,202	12,265	(13,389)	13,512	123
% of net assets attributable to holders of redeemable shares	(81.9)	82.6	0.7	(0.8)	0.8	0.0
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 period or year-end spot rate less the CA\$ value of the US\$ cash balance at the period or year-end, as applicable.

# AlphaDelta Growth of Dividend Income Class

## Notes to Financial Statements

(Unaudited)

June 30, 2016

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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 review it on a periodic basis. The Fund has not identified any past due assets or receivables as at June 30, 2016 and December 31, 2015. The Fund is also exposed to counterparty credit risk on forward contracts. The counterparty credit risk for forward 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 June 30, 2016 and 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 table below shows concentration risk by industry sector.

	% of net assets	
	June 30, 2016 \$	December 31, 2015 \$
<b>Sector/subgroup</b>		
Financial	24.71	22.14
Consumer, Cyclical	20.79	12.31
Consumer, Non-cyclical	14.46	14.86
Industrial	9.08	14.12
Technology	8.59	10.93
Communication	7.88	9.53
Energy	7.71	6.98
Basic Materials	4.64	7.47
Cash	2.75	4.05
Other assets net of liabilities	0.19	(2.39)
Unrealized depreciation of forward contract	(0.80)	-
	<hr/>	<hr/>
	100.0	100.0

# AlphaDelta Growth of Dividend Income Class

## Notes to Financial Statements

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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 Increase (decrease) in net assets attributable to redeemable shares per share

Increase (decrease) in net assets attributable to redeemable shares per share for the period ended June 30, 2016 and period from commencement of operations on February 19, 2015 to June 30, 2015 are calculated as follows:

	<b>Six-month period ended June 30, 2016 \$</b>	<b>Period from February 19, 2015 to June 30, 2015 \$</b>
<b>Series A</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	11,800	(7,558)
Weighted average units outstanding during the period	63,517	17,712
Increase (decrease) in net assets attributable to holders of redeemable shares per share	0.19	(0.43)
<b>Series F</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	17,065	(14,196)
Weighted average units outstanding during the period	91,374	64,488
Increase (decrease) in net assets attributable to holders of redeemable shares per share	0.19	(0.22)
<b>Series I</b>		
Increase in net assets attributable to holders of redeemable shares from operations	2,358	-
Weighted average units outstanding during the period	7,081	-
Increase in net assets attributable to holders of redeemable shares per share	0.33	-