

**Celernus Equity Neutral Fund**  
**Financial Statements**  
For the year ended December 31, 2015

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**Financial Statements**  
For the year ended December 31, 2015

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## Independent Auditor's Report

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### To the Unitholders of Celernus Equity Neutral Fund

We have audited the accompanying financial statements of Celernus Equity Neutral Fund (the "Fund"), which comprise the statement of financial position as at December 31, 2015, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund'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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2015, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Burlington, Ontario  
March 29, 2016

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## Celernus Equity Neutral Fund Statement of Financial Position

**December 31, 2015**

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### Assets

#### Current assets

Cash	\$ 7,975,743
Investments at fair value	6,454,834
Subscriptions receivable	<u>36,600</u>

Total assets	<u>14,467,177</u>
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### Liabilities

#### Current liabilities

Investments sold short at fair value	6,210,630
Accounts payable and accrued liabilities	14,302
Dividends payable	<u>5,492</u>

Total liabilities (excluding net assets attributable to holders of redeemable units)	<u>6,230,424</u>
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<b>Net assets attributable to holders of redeemable units</b>	<b>\$ 8,236,753</b>
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<b>Number of redeemable units outstanding (Note 4)</b>	<b>796,369</b>
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<b>Net assets attributable to holders of redeemable units per unit</b>	<b>\$ 10.34</b>
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On behalf of the Fund, by the manager,  
Celernus Investment Partners Inc.

\_\_\_\_\_ Director

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## Celernus Equity Neutral Fund Statement of Comprehensive Income

**For the year ended December 31, 2015**

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**Income**

Dividends	\$ 41,567
Net realized loss on sale of investments	(54,627)
Net change in unrealized appreciation of investments	<u>532,438</u>
	<u>519,378</u>

**Expenses**

Dividends	80,023
Interest	25,735
Management fees (Note 5)	56,380
Fund Administration	31,207
Performance fees (Note 5)	144,215
Transaction costs	<u>16,265</u>
	<u>353,825</u>

**Increase in net assets attributable to holders of  
redeemable units** **\$ 165,553**

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**Increase in net assets attributable to holders of  
redeemable units per unit (Note 8)** **\$ 0.26**

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

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**Celernus Equity Neutral Fund**  
**Statement of Changes in Net Assets Attributable**  
**to Holders of Redeemable Units**

**For the year ended December 31, 2015**

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<b>Increase in net assets attributable to holders of redeemable units</b>	<b>\$ 165,553</b>
<b>Redeemable unit transactions</b>	
Proceeds from redeemable units issued	8,206,743
Amounts paid on redemption of redeemable units	<u>(135,543)</u>
	<u>8,071,200</u>
<b>Net increase in net assets and net assets attributable to holders of redeemable units, end of year</b>	<b>\$ 8,236,753</b>

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

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## Celernus Equity Neutral Fund Statement of Cash Flows

**For the year ended December 31, 2015**

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### **Cash flows from operating activities**

Increase in net assets attributable to holders of redeemable units	\$ 165,553
Adjustments to reconcile to increase in net assets attributable to holders of redeemable units to cash provided by operating activities	
Net realized loss on sale of investments	54,627
Net change in unrealized appreciation of investments	(532,438)
Purchase of investments	(55,913,289)
Proceeds on disposal of investments	56,146,896
Changes in operating assets and liabilities	
Subscriptions receivable	(36,600)
Accounts payable and accrued liabilities	14,302
Dividends payable	5,492
	<hr/>
	(95,457)
	<hr/>

### **Cash flows from financing activities**

Proceeds from issuance of redeemable units	8,206,743
Amounts paid on redemption of redeemable units	(135,543)
	<hr/>
	8,071,200
	<hr/>

**Net increase in cash during the year  
and cash end of year**

**\$ 7,975,743**

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## Celernus Equity Neutral Fund Schedule of Investment Portfolio

**December 31, 2015**

No. of Units/Shares	Name	Avg. Cost (\$)	Fair Value (\$)	% of Net Asset Value
<b>United States Equities Owned</b>				
3,180	Activision Blizzard Inc.	156,171	170,910	2.07
3,560	Air Lease Corp. Class A	160,707	165,482	2.01
180	Amazon.com, Inc.	158,226	168,966	2.05
1,160	Amerisourcebergen Corp.	148,587	167,030	2.03
1,630	Arista Networks Inc.	161,473	176,160	2.14
1,780	Autonation Inc.	152,258	147,441	1.79
790	Boeing Company	156,468	158,592	1.93
1,310	Cardinal Health Inc.	148,269	162,365	1.97
2,460	CDW Corp.	133,394	143,587	1.74
1,420	Cintas Corp.	164,498	179,509	2.18
3,670	D.R. Horton Inc	156,138	163,207	1.98
3,930	E*Trade Financial Corp.	143,835	161,729	1.96
2,180	Fortune Brands Home and Security Inc.	148,627	167,983	2.04
4,740	Genpact Ltd.	161,116	164,394	2.00
900	Home Depot Inc.	123,568	165,255	2.01
920	Huntington Ingalls Industries	161,656	162,030	1.97
4,700	Jabil Circuit Inc.	136,519	151,979	1.85
3,550	Juniper Networks Inc.	148,016	136,036	1.65
470	LinkedIn Corp. Class A	156,390	146,876	1.78
1,540	Lowes Companies Inc.	139,732	162,585	1.97
1,010	McDonald's Corp.	149,318	165,667	2.01
2,370	NASDAQ OMX Group Inc.	164,467	191,410	2.32
2,900	Nike Inc. Class B	196,575	251,649	3.06
3,600	NVidia Corp	148,912	164,743	2.00
410	O'Reilly Automotive	131,797	144,259	1.75
660	Palo Alto Networks Inc.	160,218	161,406	1.96
1,930	Resmed Inc.	148,970	143,869	1.75
2,270	Ross Stores Inc.	160,891	169,592	2.06
2,540	RPM International Inc (DEL)	161,322	155,380	1.89
3,326	Servicemaster Global Holdings	149,685	181,204	2.20
1,360	Servicenow Inc.	149,472	163,445	1.98
765	Signature Bank	122,165	162,899	1.98
3,930	Suntrust Banks Inc.	215,133	233,754	2.84
1,960	Texas Instruments Inc.	148,799	149,153	1.81
510	Transdigm Group Inc.	137,862	161,763	1.96
2,240	Vantiv Inc. Class A	132,916	147,478	1.79
12,100	Wendy's Company (The)	149,123	180,933	2.20
2,370	Xilinx Inc.	148,868	154,556	1.88
1,050	Zimmer Holdins Inc.	148,905	149,558	1.82
<b>Total United States Equities Owned</b>		<b>5,941,046</b>	<b>6,454,834</b>	

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



## Celernus Equity Neutral Fund Schedule of Investment Portfolio

**December 31, 2015**

No. of Units/Shares	Name	Avg. Cost (\$)	Fair Value (\$)	% of Net Asset Value
<b>United States Equities Sold, but Not Yet Purchased</b>				
(1,250)	Adobe Systems Inc.	(132,737)	(163,034)	(1.98)
(1,810)	Akamai Technologies	(170,300)	(132,260)	(1.61)
(1,890)	Cerner Corp.	(148,776)	(157,891)	(1.92)
(2,660)	CF Industries Holdings	(160,603)	(150,718)	(1.83)
(2,290)	Choice Hotels International	(156,368)	(160,276)	(1.95)
(4,330)	Cree Inc.	(139,121)	(160,335)	(1.95)
(1,070)	Cummins Inc.	(148,503)	(130,747)	(1.59)
(10,670)	Cypress Semiconductor Corp.	(148,678)	(145,328)	(1.76)
(1,750)	Electronic Arts Inc.	(160,512)	(166,970)	(2.03)
(1,020)	F5 Networks Inc.	(149,284)	(137,312)	(1.67)
(4,040)	Gap Inc.	(148,685)	(138,546)	(1.68)
(2,610)	Hartford Financial Services Grp.	(158,964)	(157,488)	(1.91)
(1,790)	HCA Holdings Inc.	(155,916)	(168,077)	(2.04)
(700)	Humana Inc.	(161,169)	(173,491)	(2.11)
(4,050)	IMS Health Holdings Inc.	(154,421)	(143,219)	(1.74)
(800)	International Business Machines	(148,968)	(152,858)	(1.86)
(1,150)	Intuit Inc.	(149,380)	(154,078)	(1.87)
(1,240)	L Brands Inc.	(159,396)	(164,966)	(2.00)
(1,950)	MSC Industrial Direct Inc.	(156,210)	(152,345)	(1.85)
(2,120)	Nordstrom Inc.	(160,675)	(146,612)	(1.78)
(9,820)	ON Semiconductor	(148,538)	(133,615)	(1.62)
(640)	Panera Bread Company	(148,328)	(173,078)	(2.10)
(1,090)	Parker-Hannifin Corp.	(148,703)	(146,766)	(1.78)
(1,200)	Pepsico Inc.	(154,512)	(166,476)	(2.02)
(1,590)	Procter & Gamble Co.	(149,092)	(175,303)	(2.13)
(1,230)	PVH Corp.	(154,622)	(125,775)	(1.53)
(2,430)	Qualcomm Inc.	(156,363)	(168,641)	(2.05)
(1,805)	Ryder System Inc.	(168,542)	(142,420)	(1.73)
(1,470)	Sandisk Corp.	(148,917)	(155,092)	(1.88)
(5,890)	Symantec Corp.	(156,224)	(171,732)	(2.08)
(1,700)	TJX Companies Inc.	(160,599)	(167,368)	(2.03)
(1,310)	Tractor Supply Co.	(159,122)	(155,509)	(1.89)
(1,190)	Under Armour Inc. Class A	(149,381)	(133,184)	(1.62)
(600)	W W Grainger Inc.	(161,506)	(168,766)	(2.05)
(2,040)	Wal-Mart Stores Inc.	(175,684)	(173,623)	(2.11)
(2,530)	Wesco International Inc.	(156,223)	(153,433)	(1.86)

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

## Celernus Equity Neutral Fund Schedule of Investment Portfolio

**December 31, 2015**

No. of Units/Shares	Avg. Cost (\$)	Fair Value (\$)	% of Net Asset Value
<b>United States Equities Sold, but Not Yet Purchased (Continued)</b>			
(1,650) Western Digital Corp.	(148,753)	(137,567)	(1.67)
(4,020) Whole Foods Market Inc.	(200,057)	(186,977)	(2.27)
(1,650) Wynn Resorts Ltd.	(148,336)	(158,505)	(1.92)
(1,050) Yum! Brands Inc.	(150,847)	(160,249)	(1.95)
<b>Total United States Equities Sold, but Not Yet Purchased</b>	<b>(6,213,015)</b>	<b>(6,210,630)</b>	
<b>Total United States Equities</b>	<b>(271,969)</b>	<b>244,204</b>	2.96
Transaction costs	(16,265)	-	-
Total investments	(288,234)	244,204	2.96
Other net assets		7,992,549	97.04
Net Assets Attributable to Holders of Redeemable Units		<b>8,236,753</b>	<b>100.00</b>

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

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# Celernus Equity Neutral Fund

## Notes to Financial Statements

December 31, 2015

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### 1. The Fund

Celernus Equity Neutral Fund (the "Fund") is a unit trust which was established on December 31, 2014 by a Trust Indenture under the laws of the Province of Ontario and commenced trading operations February 6, 2015. The principal address of the Fund is 1300 Cornwall Road, Suite 204, Oakville, Ontario, L6J 7W5. The Fund is offered pursuant to prospectus exemptions to qualified investors in Canada and offshore. In Canada, investors must be "accredited investors", or purchase a sufficient amount of the Funds to qualify for a prospectus exemption. The minimum purchase amount for accredited investors or other exempt investors is \$25,000.

The Fund is a market neutral, long/short equity fund. Security selection is guided by an empirical model that identifies and measures key quantitative relationships. The Fund seeks to maintain a concentrated portfolio of long positions in stocks that exhibit the highest levels of these key quantitative relationships. Similarly, the Fund will maintain short positions in stocks exhibiting the lowest quantitative readings.

Celernus Investment Partners Inc. (the "Manager") is the manager, portfolio adviser and trustee of the Fund.

The Fund is not a reporting issuer under securities legislation and therefore is relying on Part 2.11 of National Instrument 81-106 ("NI 81-106") for exemption from the requirement to file financial statements with the applicable securities regulatory authorities.

These financial statements for the year ended December 31, 2015 were authorized for issue by the Manager on March 29, 2016.

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### 2. Significant Accounting Policies

The principal accounting policies applied in the presentation of these financial statements are set out below:

#### **Basis of Presentation**

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

#### **Basis of Measurement**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, and are presented in Canadian dollars, which is the Fund's functional and presentation currency.

#### **Valuation of Investments**

Investments in securities and securities sold, but not yet purchased are measured at fair value. The fair value of financial assets and financial liabilities traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices. In accordance with the provisions of the Fund's Offering Memorandum, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions. For financial reporting purposes, the Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

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# Celernus Equity Neutral Fund

## Notes to Financial Statements

December 31, 2015

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### 2. Significant Accounting Policies

#### Classification

The Fund classifies its investments as financial assets at fair value through profit or loss.

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

#### *(i) Financial assets held for trading*

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Derivatives are also categorized as held for trading.

#### *(ii) Financial assets designated at fair value through profit or loss at inception*

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

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Purchases and sales of financial assets are recognized at their trade date. The Fund's investments have been designated at fair value through profit or loss (FVTPL). The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount.

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss. There is an element of market risk in that, if the securities increase in value, it will be necessary to purchase the securities at a cost in excess of the price reflected in the Statement of Financial Position.

Cash, subscriptions receivable, accounts payable and accrued liabilities and dividends payable are measured at amortized cost. Under this method, the amount required to be received or paid, is discounted, when appropriate, at the contract's effective interest rate. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its net asset value (Trading NAV) for transactions with unitholders.

#### Fair Value Measurements

The Fund's investments held are each classified into one of three fair value levels.

The hierarchy of inputs is summarized below:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Fund's investments at fair value were classified as Level 1 as at December 31, 2015.

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# Celernus Equity Neutral Fund

## Notes to Financial Statements

December 31, 2015

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### 2. Significant Accounting Policies (Continued)

#### Investment Transactions and Income Recognition

Investment transactions are accounted for on the trade date and any unsettled sales or purchases of investments are reflected as receivable for investment securities sold or payable for investment securities purchased. Interest income is accrued daily. Dividend income and expense are recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated as the difference between the proceeds and average cost of the investments. The unrealized appreciation (depreciation) of investments is calculated as the difference between the fair value and average cost of the investments.

#### Offsetting Financial Instruments

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

#### Recognition/derecognition

The Fund recognizes financial assets or financial liabilities designated as trading securities on the trade date, the date it commits to purchase or sell short the instruments. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognized in the Statement of Comprehensive Income.

Other financial assets are derecognized only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Fund derecognizes financial liabilities when the Fund's obligations are discharged, cancelled or they expire. Financial liabilities arising from the redeemable units issued by the Fund are presented at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

#### Related Parties

For the purpose of these financial statements, a party is considered related to the Fund if such party or the Fund has the ability to, directly or indirectly, control or exercise significant influence over the other entity's financial and operating decisions, or if the Fund and such party are subject to common significant influence. Related parties may be individuals or other entities.

#### Impairment of Financial Assets

The Fund assesses at each reporting date whether a financial asset or group of financial assets measured at amortized cost is impaired. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's amortized cost and the present value of estimated future cash flows discounted using the asset's original effective interest rate. Impairment losses on assets measured at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

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# Celernus Equity Neutral Fund

## Notes to Financial Statements

December 31, 2015

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### 2. Significant Accounting Policies (Continued)

#### Translation of Foreign Currencies

Transactions in currencies other than the Canadian dollar are translated at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in currencies other than the Canadian dollar are translated at the applicable exchange rates prevailing at the reporting date. Resulting exchange differences are recognized in the Statement of Comprehensive Income.

#### Valuation of Redeemable Units

The Fund's units are issued and redeemed at the net asset value per unit, which is determined on a weekly basis as of the close of business of the last business day of each week. The net asset value per unit of the Fund is determined by dividing the total market value of the Fund's net assets by the number of units outstanding.

Net asset value per unit for each class is calculated at 4:00 p.m. (Eastern time) each business week by dividing the net assets of each class by its outstanding units. The net assets of each class is computed by calculating the value of that class's proportionate share of the Fund's assets less that class's proportionate share of the Fund's common liabilities, and less class specific liabilities. Expenses directly attributable to a class are charged to that class while common fund expenses are allocated to each class in a reasonable manner as determined by the Manager. Other income, and realized and unrealized gains and losses, are allocated to each class of the Fund based on that class's pro rata share of total net assets value of the Fund.

For each unit sold, the Fund receives an amount equal to the net asset value per unit on the date of sale, which is included in unitholders' equity. Units are redeemable at the option of the unitholders at their net asset value on the redemption date. For each unit redeemed, the number of issued and outstanding units is reduced and the equity in the Fund is reduced by the related net asset value on the date of redemption.

#### Net Assets Attributable to Holders of Redeemable Units per Unit

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

#### Increase in Net Assets Attributable to Holders of Redeemable Units per Unit

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

#### Income Taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and sufficient capital gains realized in any period are required to be distributed to unitholders such that no tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the statement of financial position as a deferred income tax asset.

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# Celernus Equity Neutral Fund

## Notes to Financial Statements

December 31, 2015

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### 2. Significant Accounting Policies (Continued)

#### Critical Estimates and Judgments

In the application of the Fund's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### New Standards, Interpretations and Amendments not yet Adopted

The following new standards and amendments to existing standards were issued by the International Accounting Standards Board ("IASB"):

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, 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 is in the process of assessing the impact of IFRS 9 and has not yet determined when it will adopt the new standard.

The amendments to IAS 1 are a part of a major initiative to improve disclosure requirements in IFRS financial statements. The amendments clarify the application of materiality to note disclosure and the presentation of line items in the primary statements provide options on the ordering of financial statements and additional guidance on the presentation of other comprehensive income related to equity accounted investments. The effective date for these amendments is January 1, 2016. The Fund is currently evaluating the impact of IAS 1 on its financial statements.

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### 3. Related Party Transactions

As at December 31, 2015, 141,457 units of the Fund were held by directors or immediate family members of the Manager. The market value of these units is approximately \$1,464,125.

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## Celernus Equity Neutral Fund Notes to Financial Statements

**December 31, 2015**

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#### 4. Redeemable Units

The Fund may issue an unlimited number of Class A and B units. The Units of the Fund shall be issued without nominal or par value and shall be issued as fully paid and non-assessable and voting. Each Unit of the Fund shall represent an undivided beneficial interest in the assets of the Fund, Units are non-transferable, no Unit shall have any conversion, exchange or preemptive right. Each Unit shall entitle the holder thereof to participate equally with respect to all payments made to Unitholders of the Fund whether by way of interest, dividend or capital and, on liquidation, to participate equally in the net assets of the Fund remaining after satisfaction of all outstanding liabilities.

Each Unitholder of the Fund shall be entitled at any time and from time to time, to require the Fund to redeem all or any of his or her Units by giving written notice to the Manager. Such notice shall contain a clear request that a specified number or dollar amount of Units be redeemed, shall be irrevocable and the signature thereon shall be guaranteed by a Canadian chartered bank, a trust company or an investment dealer if required by the Manager. The redemption of Units in respect of which a duly completed redemption request has been received by the Manager at least five (5) days prior to a Valuation Day will be redeemed on such Valuation Day and, in all other cases, will be redeemed on the second Valuation Day following the day on which such redemption request was received by the Manager. The Manager may, in its sole discretion, waive the foregoing five (5) day notice requirement in respect of any redemption request. There are 796,369 Class A units issued and outstanding as of December 31, 2015. There are no Class B units issued.

The Manager may instruct the Trustee to suspend the right of Unitholders to require the Fund to redeem Units and the obligation of the Trustee to make payment; therefore, during a designated period in which normal trading is suspended on any exchange on which any security owned or held by the Fund is traded, provided that such right shall not be suspended unless securities owned by the Fund and representing, in the aggregate, more than 50% by value of the total assets of the Fund without allowance for liabilities are listed or traded on any such exchange and are not traded on any exchange on which normal trading is not suspended, or during any period in which the Manager determines that conditions exist which render impractical the sale of the assets of the Fund or impair the ability of the Manager to determine the value of the assets held by the Fund. The Manager has a general discretion to instruct the Trustee to suspend the right of Unitholders to require the Fund to redeem Units and the obligation of the Trustee to make payment therefore in any event where the Manager determines that processing such redemption(s) will have a material negative effect on the Fund. The Trustee shall, at the direction of the Manager, apply the suspension to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect.

All Unitholders making such requests shall (unless the suspension lasts for less than 48 hours) be given notice by the Manager advising of the suspension, that redemptions will be effected on the basis of the Net Asset Value Per Unit determined on the first Valuation Day following the termination of the suspension and that they have the right to withdraw their requests for redemption prior to the termination of the suspension. Any declaration of suspension or termination of suspension made by the Manager shall be final and conclusive. Notwithstanding the foregoing, the suspension shall terminate in any event on the first Business Day after the circumstances which gave rise to the suspension cease to exist.



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## Celernus Equity Neutral Fund Notes to Financial Statements

**December 31, 2015**

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#### 4. Redeemable Units (Continued)

The Manager reserves the right to instruct the Trustee to withhold the amount of four per cent (4%) from redemption proceeds payable to a Unitholder in the event the redemption request is made during the first 12 months after acquisition of the Units being redeemed.

Units issued and outstanding represent the capital of the Fund. The Fund does not have any specific capital requirements on the subscription and redemption of units, other than minimum subscription requirements. Changes in the Fund's capital during the period are reflected in the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units.

The Manager is responsible for managing the capital of the Fund in accordance with their investment objectives and in managing their liquidity in order to meet redemption requests.

There are no differences between the NAV per unit of the Fund and Net Assets Attributable to Holders of Redeemable Units per Unit of the Fund.

#### **Summary of sales and redemptions of redeemable units for the year ended December 31, 2015:**

Redeemable units outstanding, beginning of year	-
Redeemable units issued	809,366
Redeemable units redeemed	<u>(12,997)</u>
Redeemable units outstanding, end of year	<u>796,369</u>

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#### 5. Management Fees and Expenses

The Fund pays the Manager an annual management fee of 0.85% of the NAV of the Fund, which is calculated and charged to the Fund monthly. The Fund is responsible for the payment of all fees and expenses relating to its operations, including record keeping, audit, accounting and administrative costs, legal fees, custody and safekeeping charges, bank charges and interest expenses, brokerage commissions and other fees relating to the purchase and sale of assets of the Fund. Management fees were \$56,380 during the year.

The Manager is also entitled to receive a performance fee of 20% of the change in NAV of the Fund between a new high-water mark and the previous high-water mark for which a performance fee was earned by the Manager and charged to the Fund. A performance fee will only be earned at such time as the compound annual return of the Fund is greater or equal to 6%. Performance fees of \$144,215 were earned during the year.

# Celernus Equity Neutral Fund

## Notes to Financial Statements

**December 31, 2015**

### 6. Financial Instruments and Risk Management

#### Financial Risk Factors

The Fund may be exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk, and other price risk). The level of risk depends on the Fund's investment objectives and the type of securities it invests in. The Schedule of Investment Portfolio presents the investments held by the Fund as at December 31, 2015, and group the investments by asset type, geographic region and/or market segment.

The following is a summary of the Fund's main risks:

#### Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with a fund. The risk of default on transactions in listed securities is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase when the securities have been received by the broker.

#### Liquidity Risk

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to weekly cash redemptions of redeemable units.

The Units of the Fund are issued and redeemed on demand at the then current Trading NAV per unit at the option of the Unitholder. All liabilities are payable within a year. The Fund's assets are invested in securities that are traded in an active market and can be readily disposed of as liquidity needs arise.

#### **December 31, 2015**

Financial liabilities	On Demand	< 3 months	Total
Accounts payable and accrued liabilities	\$ -	\$ 14,302	\$ 14,302
Dividends payable	5,492	-	5,492
Investments sold short at fair value	6,210,630	-	6,210,630
Redeemable units	8,236,753	-	8,236,753
	<b>\$ 14,452,875</b>	<b>\$ 14,302</b>	<b>\$ 14,467,177</b>

#### Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The objective of the Fund's interest rate management activities is to minimize the volatility of the Fund's earnings.

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## Celernus Equity Neutral Fund Notes to Financial Statements

**December 31, 2015**

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### 6. Financial Instruments and Risk Management (Continued)

#### Currency Risk

Currency risk arises from financial instruments (including cash) that are denominated in a currency other than Canadian dollars. Exposures to foreign currencies as at December 31, 2015 are summarized in the table below:

Currency	Monetary	Non-Monetary	Total Exposure	% of Net Assets Attributable to Holders of Redeemable Units
<b>December 31, 2015</b>				
U.S. Dollar	\$ 159,039	\$ 244,204	\$ 403,243	4.90%

If the exchange rate with the Canadian dollar increased or decreased by 5%, with all variables held constant, net assets attributable to holders of redeemable units would have increased or decreased, respectively, by approximately \$20,162. Actual results may differ from this sensitivity analysis and the difference could be material.

#### Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market. All investments present a risk of loss of capital. The Manager manages the Fund's market risk on a daily basis in accordance with the Fund's investment objective and policies. The maximum risk resulting from financial instruments is equivalent to their fair value.

The impact on net assets attributable to holders of redeemable units of the Fund due to a 5% change in market value as at December 31, 2015, with all other variables held constant, is \$12,210. In practice, the actual results may differ and the difference could be material.

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### 7. Capital Management

The capital of the Fund is represented by issued redeemable units with no par value. The Unitholders are entitled to distributions, if any, and to payment of a proportionate unit of the Fund's net asset value per unit upon redemption. The relevant movements of Fund units are shown on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with its investment objectives and strategies and the risk management practices outlined in Note 6, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments where necessary.

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## Celernus Equity Neutral Fund Notes to Financial Statements

**December 31, 2015**

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**8. Increase in Net Assets Attributable to Holders of Redeemable Units per Unit**

The increase in net assets attributable to holders of redeemable units per unit for the year ended December 31, 2015 is calculated as follows:

	Increase in net assets attributable to holders of redeemable units	Weighted average number of redeemable units outstanding during the year	Increase in net assets attributable to holders of redeemable units per unit
<b>2015</b>	<b>\$ 165,553</b>	<b>629,920</b>	<b>\$ 0.26</b>