

Celernus Equity Neutral Fund
Financial Statements
For the year ended December 31, 2017

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Independent Auditor's Report

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, 2017, 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, 2017, 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 28, 2018

Celernus Equity Neutral Fund Statement of Financial Position

December 31 **2017** **2016**

Assets

Current assets

Cash	\$ 2,581,133	\$ 4,766,726
Investments at fair value	8,078,342	9,139,133
Dividends receivable	6,441	11,666
	10,665,916	13,917,525

Liabilities

Current liabilities

Investments sold short at fair value	4,841,891	6,160,571
Accounts payable and accrued liabilities	97,349	20,313
	4,939,240	6,180,884

Net assets attributable to holders of redeemable units

\$ 5,726,676 **\$ 7,736,641**

Number of redeemable units outstanding (Note 4)

577,293 **789,773**

Net assets attributable to holders of redeemable units per unit

\$ 9.92 **\$ 9.80**

On behalf of the Fund, by the manager,
Celernus Investment Partners Inc.

Director

Celernus Equity Neutral Fund Statement of Comprehensive Income

For the year ended December 31	2017	2016
Income		
Dividends	\$ 130,027	\$ 146,355
Net realized gain on sale of investments	204,800	126,229
Net change in unrealized depreciation of investments	(162,144)	(347,003)
Unrealized appreciation (depreciation) on foreign currency	203,499	(93,581)
	376,182	(168,000)
Expenses		
Dividends	75,804	96,567
Interest	106,544	59,298
Management fees (Note 5)	64,930	81,596
Fund administration	55,032	46,180
Transaction costs	10,688	15,206
	312,998	298,847
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 63,184	\$ (466,847)
Increase (decrease) in net assets attributable to holders of redeemable units per unit (Note 8)	\$ 0.09	\$ (0.55)

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

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

For the year ended December 31	2017	2016
Net assets attributable to holders of redeemable units, beginning of year	\$ 7,736,641	\$ 8,236,753
Increase (decrease) in net assets attributable to holders of redeemable units	63,184	(466,847)
Redeemable unit transactions		
Proceeds from redeemable units issued	207,825	1,733,163
Amounts paid on redemption of redeemable units	(2,280,974)	(1,766,428)
	(2,073,149)	(33,265)
Net decrease in net assets attributable to holders of redeemable units for the year	(2,009,965)	(500,112)
Net assets attributable to holders of redeemable units, end of year	\$ 5,726,676	\$ 7,736,641

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

Celernus Equity Neutral Fund Statement of Cash Flows

For the year ended December 31	2017	2016
Cash flows from operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 63,184	\$ (466,847)
Adjustments to reconcile to increase (decrease) in net assets attributable to holders of redeemable units to cash provided by operating activities		
Net realized gain on sale of investments	(204,800)	(126,229)
Net change in unrealized depreciation of investments	162,144	347,003
Purchase of investments	(29,433,950)	(47,683,253)
Proceeds on disposal of investments	29,218,717	44,728,121
Changes in operating assets and liabilities		
Dividends receivable	5,225	(11,666)
Subscriptions receivable	-	36,600
Accounts payable and accrued liabilities	77,036	6,011
Dividends payable	-	(5,492)
	(112,444)	(3,175,752)
Cash flows from financing activities		
Proceeds from issuance of redeemable units	207,825	1,733,163
Amounts paid on redemption of redeemable units	(2,280,974)	(1,766,428)
	(2,073,149)	(33,265)
Net decrease in cash during the year	(2,185,593)	(3,209,017)
Cash, beginning of year	4,766,726	7,975,743
Cash, end of year	\$ 2,581,133	\$ 4,766,726

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

Celernus Equity Neutral Fund Schedule of Investment Portfolio

December 31, 2017

No. of Shares	Name	Avg. Cost (\$)	Fair Value (\$)	% of Net Asset Value
United States Equities Owned				
1,670	Aflac Inc.	169,129	183,498	3.20
6,110	AGNC Investment Corporation	168,718	154,417	2.70
1,740	Altria Group Inc.	168,828	155,534	2.72
10,830	Annaly Capital Management Inc.	168,885	161,186	2.81
5,160	Axalta Coating Systems Ltd.	186,474	209,015	3.65
2,160	Baxter International Inc.	168,979	174,773	3.05
760	Berkshire Hathaway Class B	167,606	188,573	3.29
2,810	Berry Plastics Group Inc.	187,161	206,367	3.60
3,890	Booz Allen Hamilton Holding Class A	186,692	185,667	3.24
2,710	CDW Corporation Com	186,794	235,727	4.12
3,760	Commscope Holding Company Inc.	186,269	178,050	3.11
4,420	CSRA Inc. Com	186,540	165,540	2.89
1,540	Danaher Corporation	168,804	178,929	3.12
1,430	Dr Pepper Snapple Group Inc.	169,388	173,738	3.03
1,600	Exxon Mobil Corp.	168,172	167,515	2.93
4,030	Godaddy Inc. Class A	186,792	253,641	4.43
2,050	W.R Grace & Company	186,275	179,960	3.14
1,390	Harris Corporation	186,028	246,462	4.30
980	Honeywell Intl Inc.	168,920	188,129	3.29
1,100	J.M. Smucker Company	169,032	171,069	2.99
980	Johnson & Johnson	169,489	171,397	2.99
1,000	Kimberly Clark Corp.	168,041	151,036	2.64
1,350	Estee Lauder Companies Inc.	168,026	215,019	3.75
2,490	Leggett & Platt Inc.	168,704	148,768	2.60
460	Lockheed Martin Corp.	165,407	184,863	3.23
4,760	Match Group Inc.	114,592	186,556	3.26
850	McDonalds Corp.	168,826	183,134	3.20
1,810	Nasdaq OMX Group Inc.	168,549	174,072	3.04
1,560	Omnicom Group Inc.	169,410	142,218	2.48
1,126	PepsiCo Inc.	168,892	169,024	2.95
3,850	Pfizer Inc.	168,740	174,553	3.05
1,100	Philip Morris International Inc.	168,014	145,472	2.54
560	Roper Industries Inc.	168,309	181,554	3.17
1,490	Scotts Miracle Group Company	185,257	199,548	3.48
2,960	Sealed Air Corp.	186,468	182,666	3.19
3,910	Service Corporation International	168,760	182,657	3.19

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

Celernus Equity Neutral Fund Schedule of Investment Portfolio

December 31, 2017

No. of Shares	Name	Avg. Cost (\$)	Fair Value (\$)	% of Net Asset Value
United States Equities Owned (Continued)				
2,600	SPDR Gold Trust ETF	440,682	402,426	7.03
930	Stanley Black & Decker Inc.	168,673	197,541	3.45
2,510	U.S. Bancorp	168,852	168,343	2.94
1,070	UTD Technologies Corp.	168,692	170,864	2.98
1,550	Verisk Analytics Inc. Class A	168,296	186,261	3.25
1,710	Wal-Mart Stores Inc.	168,476	211,374	3.69
1,770	Waste Management Inc.	168,379	191,206	3.34
Total United States Equities Owned		7,663,020	8,078,342	
Canadian Equities Sold, but Not Yet Purchased				
(1,860)	Thomson Reuters Corp.	(112,194)	(101,909)	(1.78)
Total Canadian Equities Sold, but Not Yet Purchased		(112,194)	(101,909)	
United States Equities Sold, but Not Yet Purchased				
(420)	3M Company	(113,783)	(123,743)	(2.16)
(870)	American Financial Group Inc.	(112,617)	(118,203)	(2.06)
(650)	Aon PLC Class A	(112,476)	(109,028)	(1.90)
(980)	Avery Dennison Corporation	(112,410)	(140,901)	(2.46)
(137)	Becton Dickinson & Company	(32,398)	(36,709)	(0.64)
(380)	Bio-Rad Laboratories Inc.	(110,850)	(113,527)	(1.98)
(1,750)	Brown-Forman Corporation Class A	(112,660)	(147,294)	(2.57)
(950)	Cboe Holdings Inc.	(111,628)	(148,158)	(2.59)
(700)	Cintas Corporation	(113,219)	(136,542)	(2.38)
(1,150)	Colgate Palmolive Company	(111,060)	(108,611)	(1.90)
(470)	Constellation Brands Class A	(118,122)	(134,473)	(2.35)
(2,760)	Copart Inc.	(112,112)	(149,214)	(2.61)
(550)	Costco Wholesale Corp.	(113,438)	(128,137)	(2.24)
(2,420)	Douglas Emmett Inc.	(117,463)	(124,381)	(2.17)
(1,010)	Equity Lifestyle Properties Inc.	(112,382)	(112,545)	(1.97)
(340)	Everest Re Group, Ltd.	(112,881)	94,167	(1.64)
(1,930)	First American Financial Corp.	(112,242)	(135,386)	(2.36)
(810)	Hershey Company	(112,334)	(115,090)	(2.01)
(6,310)	HP Inc.	(121,690)	(165,949)	(2.90)
(770)	IDEX Corp.	(111,761)	(127,199)	(2.22)
(2,530)	Life Storage Inc.	(277,754)	(282,079)	(4.93)
(10,300)	MFA Financial Inc.	(112,295)	(102,113)	(1.78)
(710)	Moody's Corp.	(112,058)	(131,188)	(2.29)
(830)	MSCI Inc. Class A	(112,249)	(131,469)	(2.30)
(190)	Newmarket Corp.	(112,999)	94,512	(1.65)
(2,510)	Parsley Energy Inc. Class A	(120,056)	92,498	(1.62)

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

Celernus Equity Neutral Fund Schedule of Investment Portfolio

December 31, 2017

No. of Shares	Name	Avg. Cost (\$)	Fair Value (\$)	% of Net Asset Value
United States Equities Sold, but Not Yet Purchased (Continued)				
(1,450)	Pinnacle Foods Inc.	(113,016)	(107,940)	(1.88)
(1,960)	Progressive Corp. Ohio	(112,383)	(138,178)	(2.41)
(780)	Quest Diagnostics Inc.	(112,046)	(96,162)	(1.68)
(830)	Rockwell Collins Inc.	(112,284)	(140,903)	(2.46)
(2,310)	Rollins Inc.	(112,110)	(124,060)	(2.17)
(870)	SBA Communications Class A	(121,401)	(177,903)	(3.10)
(3,600)	Store Capital Corporation	(119,570)	(117,344)	(2.05)
(620)	Stryker Corporation	(111,792)	(120,169)	(2.10)
(840)	Varian Medical System Inc.	(112,029)	(116,871)	(2.04)
(1,140)	Verisign Inc.	(121,508)	(163,306)	(2.85)
(1,570)	Xylem Inc.	(112,431)	(134,030)	(2.34)
Total United States Equities Sold, but Not Yet Purchased		(4,295,507)	(4,739,982)	
Total Equities Sold, but Not Yet Purchased		(4,407,701)	(4,841,891)	
Total Equities		3,255,319	3,236,451	56.51
Transaction costs		(10,688)		
Total investments		3,244,631	3,236,451	56.51
Other net assets			2,490,225	43.49
Net Assets Attributable to Holders of Redeemable Units			5,726,676	100.00

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

Celernus Equity Neutral Fund

Notes to Financial Statements

December 31, 2017

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, 2017 were authorized for issue by the Manager on March 28, 2018.

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 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 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.

Celernus Equity Neutral Fund

Notes to Financial Statements

December 31, 2017

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

The Fund does not classify any financial assets 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 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. 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.

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Cash, dividends receivable and accounts payable and accrued liabilities 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 obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. The Fund's accounting policies for measuring the fair value of its investments 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, 2017.

Investment Transactions and Income Recognition

Investment transactions are accounted for on the trade date. 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.

Celernus Equity Neutral Fund

Notes to Financial Statements

December 31, 2017

2. Significant Accounting Policies (Continued)

Recognition

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.

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.

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

Net asset value per unit for each class is calculated at 4:00 p.m. (Eastern time) on each business week by dividing the net assets attributable to holders of redeemable units 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, realized gains and losses and unrealized appreciation and depreciation, are allocated to each class of the Fund based on that class's pro rata share of total net assets value of the Fund.

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 (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

Increase (decrease) in net assets attributable to holders of redeemable units per unit is based on the increase (decrease) 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.

Celernus Equity Neutral Fund

Notes to Financial Statements

December 31, 2017

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"):

IFRS 9 - Financial Instruments

IFRS 9 Financial Instruments amends the requirements for classification and measurement of financial assets, impairment, and hedge accounting. IFRS 9 introduces an expected loss model of impairment and retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. The basis of classification depends on the Fund's business model and the contractual cash flow characteristics of the financial asset. The effective date for IFRS 9 is January 1, 2018. The Fund is in the process of evaluating the impact of the new standard.

3. Related Party Transactions

As at December 31, 2017, 90,789 (2016 - 135,391) units of the Fund were held by directors or immediate family members of the Manager. The market value of these units is approximately \$900,616 (2016 - \$1,326,502).

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, are non-transferable and shall not 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.

Celernus Equity Neutral Fund Notes to Financial Statements

December 31, 2017

4. Redeemable Units (Continued)

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.

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.

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 year 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.

Celernus Equity Neutral Fund Notes to Financial Statements

December 31, 2017

4. Redeemable Units (Continued)

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, 2017:

	<u>2017</u>	<u>2016</u>
Redeemable units outstanding, beginning of year	789,773	796,369
Redeemable units issued	21,216	172,921
Redeemable units redeemed	<u>(233,696)</u>	<u>(179,517)</u>
Redeemable units outstanding, end of year	<u>577,293</u>	<u>789,773</u>

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 \$64,930 during the year (2016 - \$81,596).

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%. No performance fees have been earned for the years ended December 31, 2017 and 2016.

Celernus Equity Neutral Fund Notes to Financial Statements

December 31, 2017

6. Financial Instruments and Risk Management

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 other liabilities are payable within three years. 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, 2017				
Financial liabilities	On Demand	< 3 months	Total	
Accounts payable and accrued liabilities	\$ -	\$ 97,349	\$ 97,349	
Investments sold short at fair value	4,841,891	-	4,841,891	
Redeemable units	5,726,676	-	5,726,676	
	\$ 10,568,567	\$ 97,349	\$ 10,665,916	
December 31, 2016				
Financial liabilities	On demand	< 3 months	Total	
Accounts payable and accrued liabilities	\$ -	\$ 20,313	\$ 20,313	
Investments sold short at fair value	6,160,571	-	6,160,571	
Redeemable units	7,736,641	-	7,736,641	
	\$ 13,897,212	\$ 20,313	\$ 13,917,525	

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, 2017 are summarized in the table below:

Currency	Monetary	Non-Monetary	Total Exposure	% of Net Assets Attributable to Holders of Redeemable Units
December 31, 2017				
U.S. Dollar	\$ (2,955,559)	\$ 3,338,360	\$ 382,801	6.68%
December 31, 2016				
U.S. Dollar	\$ (2,939,442)	\$ 2,978,562	\$ 39,120	0.51%

As at December 31, 2017, 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 \$19,140 (2016 - \$1,956). Actual results may differ from this sensitivity analysis and the difference could be material.

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6. Financial Instruments and Risk Management (Continued)

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, 2017, with all other variables held constant, is \$161,823 (2016 - \$148,928). In practice, the actual results may differ and the difference could be material.

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.

8. Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the year ended December 31, 2017 and 2016 is calculated as follows:

	Increase (decrease) in net assets attributable to holders of redeemable units	Weighted average number of redeemable units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit
2017	\$ 63,184	690,615	\$ 0.09
2016	(466,847)	849,613	(0.55)