

Financial Statements of

# **EHP GUARDIAN ALTERNATIVE FUND**

Period from August 10, 2018 (commencement of  
operations) to December 31, 2018



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## INDEPENDENT AUDITORS' REPORT

To the Unitholders of EHP Guardian Alternative Fund (the "Fund")

### **Opinion**

We have audited the financial statements of the Fund, which comprise the statement of financial position as at December 31, 2018, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the period from August 10, 2018 (commencement of operations) to December 31, 2018, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2018, and its financial performance and its cash flows for the period from August 10, 2018 (commencement of operations) to December 31, 2018 in accordance with International Financial Reporting Standards.

### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### **Other Information**

Management is responsible for the other information. Other information comprises:

- the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.



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We obtained the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

March 29, 2019

# EHP GUARDIAN ALTERNATIVE FUND

## Statement of Financial Position

December 31, 2018

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### Assets

Cash and cash equivalents	\$ 19,361,232
Financial assets at fair value through profit or loss (cost - \$22,272,043) (note 6)	22,303,228
Receivable for investments sold (note 2)	3,019,397
Dividends receivable	51,314
Interest receivable	16,120
Subscriptions receivable (note 12)	349,244
Other financial assets (note 4)	151,644
Expenses paid in advance	1,146
	<hr/>
	45,253,325

### Liabilities

Financial liabilities at fair value through profit and loss (proceeds - \$9,825,668) (note 6)	9,259,669
Payable for investments purchased (note 2)	2,640,922
Management fees payable (note 9)	16,305
Performance fees payable (note 9)	48,486
Accounts payable and accrued liabilities	54,298
Dividends payable on investments sold short	11,835
Interest and borrowing fees payable	5,767
Redemptions payable (note 13)	45,892
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	12,083,174

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Net assets attributable to holders of redeemable units	\$ 33,170,151
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Net assets attributable to holders of redeemable units per class	
Class A	\$ 3,289,088
Class F	23,475,261
Class I	258,799
Class UF	6,147,003
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	\$ 33,170,151

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Net assets redeemable units outstanding (note 7):	
Class A	\$ 322,068
Class F	2,289,057
Class I	25,080
Class UF	443,906

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Net assets attributable to holders of redeemable units per units:	
Class A	\$ 10.21
Class F	10.26
Class I	10.32
Class UF	13.85
Class UF (in U.S. dollars)	10.14

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See accompanying notes to financial statements.

Approved by EHP Funds Inc., Investment Manager,  
on behalf of the Fund:

"Darryl DeMers" \_\_\_\_\_ Chief Financial Officer

# EHP GUARDIAN ALTERNATIVE FUND

## Statement of Comprehensive Income

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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Income:		
Dividend	\$	137,331
Interest for distribution purposes		76,236
Net foreign currency losses		(32,271)
Net realized losses on financial assets and liabilities at fair value through profit or loss		(100,424)
Net change in unrealized appreciation on financial assets and liabilities at fair value through profit or loss		762,670
		<hr/> 843,542
Operating expenses:		
Management fees (note 9)		65,289
Performance fees (note 9)		56,605
Commissions and other portfolio transaction costs		32,260
Administration fee		31,711
Audit fee		27,890
Dividend expense on investments sold short		24,047
Interest and stock loan fees		23,838
Other operating fees		11,812
Professional fees		11,436
Withholding taxes		11,225
		<hr/> 296,113
Expenses absorbed by the Investment Manager (note 9)		<hr/> (8,237)
		287,876
Increase in net assets attributable to holders of redeemable units	\$	<hr/> 555,666
Increase in net assets attributable to holders of redeemable units per class:		
Class A	\$	16,029
Class F		185,889
Class I		8,799
Class UF		344,949
		<hr/> \$ 555,666
Increase in net assets attributable to holders of redeemable units per unit (note 8):		
Class A	\$	0.13
Class F		0.16
Class I		0.35
Class UF		1.10

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See accompanying notes to financial statements.

# EHP GUARDIAN ALTERNATIVE FUND

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

Period from August 10, 2018 (commencement of operations) to December 31, 2018

	Net assets attributable to holders of redeemable units, beginning of period	Proceeds from redeemable units issued	Redemption of redeemable units	Distributions to holders of redeemable units	Reinvestment of distributions to holders of redeemable units	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
Class A	\$ 1,000	\$ 3,345,293	\$ (73,234)	\$ (1,837)	\$ 1,837	\$ 16,029	\$ 3,289,088
Class F	1,000	23,465,388	(177,016)	(7,175)	7,175	185,889	23,475,261
Class I	250,000	—	—	(819)	819	8,799	258,799
Class UF	—	5,802,054	—	(23,857)	23,857	344,949	6,147,003
	\$ 252,000	\$ 32,612,735	\$ (250,250)	\$ (33,688)	\$ 33,688	\$ 555,666	\$ 33,170,151

See accompanying notes to financial statements.

# EHP GUARDIAN ALTERNATIVE FUND

## Statement of Cash Flows

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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Cash flows provided by (used in):

Operating activities:

Increase in net assets attributable to holders of redeemable units	\$	555,666
Adjustments for non-cash items:		
Commissions and other portfolio transaction costs		32,260
Net foreign currency losses		32,271
Net realized losses on financial assets and liabilities at fair value through profit or loss		100,424
Net change in unrealized appreciation on financial assets and liabilities at fair value through profit or loss		(762,670)
		(42,049)

Change in non-cash balances:

Increase in dividends receivable	(51,314)
Increase in interest receivable	(16,120)
Increase in expenses paid in advance	(1,146)
Increase in management fees payable	16,305
Increase in performance fees payable	48,486
Increase in accounts payable and accrued liabilities	54,298
Increase in dividends payable on investments sold short	11,835
Increase in interest and borrowing fees payable	5,767
Proceeds from sale of investments	35,882,372
Purchase of investments	(48,826,064)
Net cash used in operating activities	(12,917,630)

Financing activities:

Proceeds from issuance of redeemable units	32,263,491
Payment on redemption of redeemable units	(204,358)
Net cash provided by financing activities	32,059,133

Increase in cash and cash equivalents	19,141,503
Foreign exchange loss on cash	(32,271)
Cash and cash equivalents, beginning of period	252,000
Cash and cash equivalents, end of period	\$ 19,361,232

Supplemental cash flow information\*:

Interest paid	\$	1,782
Interest received		48,901
Dividends paid		6,799
Dividends received, net of withholding taxes		67,701

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\*Included as part of cash flows from operating activities.

See accompanying notes to financial statements.



# EHP GUARDIAN ALTERNATIVE FUND

## Schedule of Investments

December 31, 2018

Number of shares/ par value	Description	Proceeds/ cost	Fair value	% of net asset value
<b>Investments owned</b>				
Canadian equities:				
62,800	Agellan Commercial Real Estate Investment Trust	\$ 891,347	\$ 886,108	2.67
20,900	Aimia Inc. Preferred Shares 4.50%	452,313	512,050	1.54
1,580	Badger Daylighting Ltd.	49,791	50,954	0.15
1,700	Bank of Montreal	169,088	151,623	0.46
930	BCE Inc.	49,932	50,155	0.15
4,350	Brookfield Renewable Energy Partners LP	160,867	153,772	0.46
3,540	Canadian Apartment Properties REIT	163,420	156,822	0.47
2,200	Canadian Imperial Bank of Commerce	249,634	223,696	0.67
2,280	Canadian National Railway Co.	251,724	230,531	0.69
1,120	Canadian Tire Corp Ltd.	168,092	159,869	0.48
6,600	Capital Power Corp.	182,037	175,494	0.53
640	CGI Group Inc.	50,928	53,440	0.16
20,320	Chorus Aviation Inc.	136,393	114,605	0.35
60	Constellation Software Inc.	52,426	52,432	0.16
2,190	Domtar Corp.	130,055	104,900	0.32
13,130	Dream Global Real Estate Investment Trust	176,245	156,247	0.47
302,200	ECN Capital Corp.	1,051,289	1,042,590	3.14
2,280	Enghouse Systems Ltd.	165,337	151,415	0.46
21,640	Extendicare Inc.	156,264	137,414	0.41
6,510	Genworth MI Canada Inc.	272,348	261,702	0.79
570	George Weston Ltd.	54,161	51,329	0.15
9,980	Gibson Energy Inc.	207,152	186,426	0.56
1,240	Gildan Activewear Inc.	50,555	51,386	0.15
3,280	Granite Real Estate Investment Trust	178,604	174,529	0.53
5,450	Great-West Lifeco Inc.	155,796	153,581	0.46
7,270	H&R Real Estate Investment Trust	152,144	150,126	0.45
9,330	Inter Pipeline Ltd.	203,159	180,442	0.54
7,220	Labrador Iron Ore Royalty Corp.	198,287	175,013	0.53
2,300	Magna International Inc.	149,259	142,531	0.43
9,180	Maxar Technologies Ltd.	150,226	149,726	0.45
16,730	Medical Facilities Corp.	250,380	251,619	0.76
1,390	Methanex Corp.	115,639	91,267	0.28
4,490	Metro Inc.	208,270	212,557	0.64
1,660	MTY Food Group Inc.	107,723	100,662	0.30
3,300	National Bank of Canada	199,948	184,965	0.56
4,840	Norbord Inc.	182,304	175,692	0.53
1,990	Northview Apartment Real Estate Investment Trust	50,474	48,715	0.15
3,540	Open Text Corp.	159,652	157,530	0.47
5,420	Pembina Pipeline Corp.	235,545	219,564	0.66
14,540	Sienna Senior Living Inc.	241,533	228,860	0.69
27,540	Summit Industrial Income REIT	250,693	263,282	0.79
1,200	Suncor Energy Inc.	53,354	45,756	0.14
36,930	Surge Energy Inc.	50,036	54,287	0.16
2,730	TELUS Corp.	125,715	123,533	0.37
6,140	The North West Co Inc.	179,613	192,919	0.58
3,550	TransCanada Corp.	184,323	173,063	0.52
12,390	Whitecap Resources Inc.	52,265	53,897	0.16
		9,126,340	8,819,076	26.54

# EHP GUARDIAN ALTERNATIVE FUND

Schedule of Investments (continued)

December 31, 2018

Number of shares/ par value	Description	Proceeds/ cost	Fair value	% of net asset value
	Canadian fixed income:			
1,121,600	Hydro One Ltd. 4% 30Sep27	282,864	358,351	1.08
	Canadian option (note 4):			
60,500	MEG Energy Corp. Call \$8 18Jan19	64,735	41,140	0.12
	Canadian warrants (note 4):			
190,300	Alignvest Acquisition II Corp. \$11.50 04Jul22	77,457	76,120	0.23
64,800	Cannabis Strategies Acquisition Corp. \$11.50 21Dec25	229,135	243,000	0.73
	Total Canadian warrants	306,592	319,120	0.96
	U.S. equities:			
650	Accenture PLC	136,311	125,125	0.38
2,070	Aflac Inc.	122,593	128,746	0.39
490	Air Products & Chemicals Inc.	102,942	107,061	0.32
1,030	American Financial Group Inc/OH	138,935	127,295	0.38
520	Amgen Inc.	134,633	138,192	0.42
370	Anthem Inc.	132,818	132,656	0.40
580	Apple Inc.	148,635	124,896	0.38
760	Automatic Data Processing Inc.	140,770	136,039	0.41
6,500	Avista Corp.	381,502	376,945	1.14
1,120	Bank OZK	35,544	34,906	0.11
970	Broadridge Financial Solutions Inc.	145,124	127,454	0.38
2,560	CenterPoint Energy Inc.	93,873	98,658	0.30
320	Chemed Corp.	128,721	123,750	0.37
660	Chevron Corp.	100,715	98,020	0.30
340	Cincinnati Financial Corp.	33,911	35,935	0.11
2,350	Cisco Systems Inc.	141,591	139,007	0.42
600	Cracker Barrel Old Country Store Inc.	126,079	130,940	0.39
3,630	Duke Realty Corp.	132,377	128,347	0.39
1,250	Eastman Chemical Co.	137,081	124,758	0.38
1,500	Eaton Corp PLC	148,919	140,597	0.42
920	Eli Lilly & Co.	134,619	145,337	0.44
1,400	Encompass Health Corp.	132,640	117,922	0.36
2,150	Exelon Corp.	125,607	132,372	0.40
950	Exxon Mobil Corp.	98,690	88,435	0.27
1,640	First American Financial Corp.	104,289	99,942	0.30
5,800	Ford Motor Co.	67,665	60,572	0.18
1,520	Garmin Ltd.	130,329	131,391	0.40
3,690	General Electric Co.	38,019	38,132	0.11
1,430	HollyFrontier Corp.	114,984	99,795	0.30
600	Hormel Foods Corp.	33,914	34,959	0.11
320	Humana Inc.	134,645	125,148	0.38
810	International Business Machines Corp.	137,998	125,693	0.38
35,000	iShares 20+ Year Treasury Bond ETF	5,305,789	5,805,778	17.50
610	Johnson & Johnson	111,567	107,465	0.32

# EHP GUARDIAN ALTERNATIVE FUND

Schedule of Investments (continued)

December 31, 2018

Number of shares/ par value	Description	Proceeds/ cost	Fair value	% of net asset value
360	Lamar Advertising Co.	35,083	33,999	0.10
770	Life Storage Inc.	95,566	97,748	0.29
1,100	LyondellBasell Industries NV	137,717	124,878	0.38
1,190	Marathon Petroleum Corp.	110,153	95,863	0.29
1,620	Medical Properties Trust Inc.	34,520	35,562	0.11
890	Motorola Solutions Inc.	145,114	139,772	0.42
390	NextEra Energy Inc.	89,619	92,543	0.28
1,160	Occidental Petroleum Corp.	108,178	97,200	0.29
640	OGE Energy Corp.	33,300	34,240	0.10
1,260	Old Republic International Corp.	34,361	35,382	0.11
740	Omega Healthcare Investors Inc.	34,580	35,509	0.11
1,030	Omnicom Group Inc.	98,657	102,983	0.31
1,560	ONEOK Inc.	129,398	114,894	0.35
1,480	Paychex Inc.	133,720	131,630	0.40
2,230	Pfizer Inc.	128,217	132,882	0.40
1,190	Phillips 66	154,903	139,953	0.42
980	Public Service Enterprise Group Inc.	69,230	69,635	0.21
1,210	Quest Diagnostics Inc.	150,291	137,548	0.41
750	Rayonier Inc.	30,716	28,351	0.09
360	Republic Services Inc.	34,278	35,429	0.11
1,680	Signet Jewelers Ltd.	70,052	72,863	0.22
300	Simon Property Group Inc.	71,558	68,799	0.21
3,830	Tailored Brands Inc.	71,779	71,317	0.22
1,340	TE Connectivity Ltd.	140,951	138,350	0.42
1,990	The Chemours Co.	73,001	76,664	0.23
5,530	The Western Union Co.	131,481	128,791	0.39
740	Union Pacific Corp.	144,775	139,641	0.42
380	UnitedHealth Group Inc.	131,827	129,233	0.39
1,780	Verizon Communications Inc.	131,498	136,613	0.41
1,090	Waste Management Inc.	128,541	132,418	0.40
700	Watsco Inc.	143,115	132,963	0.40
1,110	Zoetis Inc.	131,504	129,620	0.39
	Total U.S. equities	12,491,512	12,765,541	38.52
<b>Total investments owned</b>		<b>\$ 22,272,043</b>	<b>\$ 22,303,228</b>	<b>67.22</b>

# EHP GUARDIAN ALTERNATIVE FUND

Schedule of Investments (continued)

December 31, 2018

Number of shares/ par value	Description	Proceeds/ cost	Fair value	% of net asset value
<b>Investments sold short</b>				
Canadian equities:				
(4,200)	AltaGas Ltd.	\$ (64,828)	\$ (58,380)	(0.18)
(5,480)	Altus Group Ltd.	(147,483)	(129,712)	(0.39)
(1,720)	Atco Ltd.	(66,076)	(66,409)	(0.20)
(7,980)	ATS Automation Tooling Systems Inc.	(131,738)	(114,832)	(0.35)
(13,320)	BlackBerry Ltd.	(157,108)	(129,337)	(0.39)
(3,450)	Boardwalk Real Estate Investment Trust	(157,512)	(130,445)	(0.39)
(57,740)	Bombardier Inc.	(160,884)	(117,212)	(0.35)
(8,880)	Boralex Inc.	(156,172)	(149,539)	(0.45)
(2,370)	Brookfield Asset Management Inc.	(131,172)	(123,998)	(0.37)
(4,460)	Brookfield Property Partners LP	(109,304)	(98,209)	(0.30)
(1,620)	BRP Inc.	(64,998)	(57,251)	(0.17)
(5,270)	Canadian Western Bank	(159,814)	(137,231)	(0.41)
(5,930)	CI Financial Corp.	(114,815)	(102,470)	(0.31)
(1,030)	Cogeco Communications Inc.	(65,820)	(67,753)	(0.20)
(910)	Colliers International Group Inc.	(71,535)	(68,514)	(0.21)
(2,090)	Cott Corp.	(40,606)	(39,731)	(0.12)
(3,250)	Dollarama Inc.	(120,904)	(105,528)	(0.32)
(5,680)	Dream Office Real Estate Investment Trust	(133,709)	(126,607)	(0.38)
(15,040)	Element Fleet Management Corp.	(99,780)	(103,926)	(0.31)
(2,680)	Empire Co., Ltd.	(65,772)	(77,264)	(0.23)
(230)	Fairfax Financial Holdings Ltd.	(146,784)	(138,225)	(0.42)
(3,810)	Finning International Inc.	(98,902)	(90,678)	(0.27)
(5,210)	First Capital Realty Inc.	(101,111)	(98,209)	(0.30)
(3,190)	First Quantum Minerals Ltd.	(40,681)	(35,218)	(0.11)
(7,810)	Husky Energy Inc.	(142,865)	(110,199)	(0.33)
(11,530)	Innergex Renewable Energy Inc.	(144,230)	(144,586)	(0.44)
(6,950)	Kelt Exploration Ltd.	(32,649)	(32,248)	(0.10)
(2,050)	Kinaxis Inc.	(135,773)	(135,095)	(0.41)
(1,540)	Linamar Corp.	(75,233)	(69,762)	(0.21)
(550)	Loblaw Cos Ltd.	(34,023)	(33,611)	(0.10)
(6,210)	Lundin Mining Corp.	(38,250)	(35,024)	(0.11)
(3,070)	Martinrea International Inc.	(32,110)	(33,340)	(0.10)
(1,640)	Onex Corp.	(136,881)	(121,934)	(0.37)
(13,870)	Paramount Resources Ltd.	(124,817)	(99,587)	(0.30)
(1,980)	PrairieSky Royalty Ltd.	(35,350)	(34,987)	(0.11)
(1,840)	Premium Brands Holdings Corp.	(146,886)	(137,742)	(0.42)
(10,810)	Savaria Corp.	(135,566)	(141,179)	(0.43)
(12,280)	Seven Generations Energy Ltd.	(161,295)	(136,799)	(0.41)
(2,850)	Shaw Communications Inc.	(70,421)	(70,424)	(0.21)
(6,970)	Sierra Wireless Inc.	(133,913)	(127,760)	(0.39)
(1,520)	Sleep Country Canada Holdings Inc.	(33,019)	(30,354)	(0.09)
(3,260)	SNC-Lavalin Group Inc.	(154,631)	(149,699)	(0.45)
(3,370)	Spin Master Corp.	(152,304)	(129,374)	(0.39)
(3,590)	Stantec Inc.	(112,276)	(107,377)	(0.32)
(20,270)	TransAlta Corp.	(130,599)	(113,309)	(0.34)
(14,950)	Tricon Capital Group Inc.	(155,432)	(144,866)	(0.44)
	Total Canadian equities	(4,926,031)	(4,505,934)	(13.60)
Canadian option (note 4):				
(60,500)	MEG Energy Corp. Put \$8 18Jan19	(36,300)	(36,300)	(0.11)

# EHP GUARDIAN ALTERNATIVE FUND

Schedule of Investments (continued)

December 31, 2018

Number of shares/ par value	Description	Proceeds/ cost	Fair value	% of net asset value
U.S. equities:				
(380)	Activision Blizzard Inc.	(24,195)	(24,159)	(0.07)
(1,930)	AECOM	(77,572)	(69,821)	(0.21)
(340)	Alarm.com Holdings Inc.	(20,984)	(24,076)	(0.07)
(840)	Albemarle Corp.	(102,964)	(88,378)	(0.27)
(1,410)	Allegheny Technologies Inc.	(47,991)	(41,904)	(0.13)
(3,580)	Allscripts Healthcare Solutions Inc.	(48,177)	(47,113)	(0.14)
(1,560)	American Axle & Manufacturing Holdings Inc.	(22,458)	(23,639)	(0.07)
(500)	Aqua America Inc.	(22,174)	(23,337)	(0.07)
(3,720)	Arconic Inc.	(98,353)	(85,620)	(0.26)
(1,220)	Avis Budget Group Inc.	(46,646)	(37,439)	(0.11)
(1,570)	Belden Inc.	(110,588)	(89,525)	(0.27)
(2,110)	Brighthouse Financial Inc.	(105,566)	(87,797)	(0.26)
(1,220)	C&J Energy Services Inc.	(24,036)	(22,484)	(0.07)
(200)	Cboe Global Markets Inc.	(28,519)	(26,711)	(0.08)
(490)	Coherent Inc.	(73,207)	(70,712)	(0.21)
(5,320)	Corcept Therapeutics Inc.	(93,449)	(97,028)	(0.29)
(3,560)	Darling Ingredients Inc.	(91,944)	(93,505)	(0.28)
(1,210)	Diplomat Pharmacy Inc.	(23,794)	(22,234)	(0.07)
(2,480)	DISH Network Corp.	(99,192)	(84,538)	(0.25)
(420)	DR Horton Inc.	(19,952)	(19,873)	(0.06)
(270)	Dycom Industries Inc.	(24,027)	(19,919)	(0.06)
(1,720)	Edgewell Personal Care Co.	(95,464)	(87,700)	(0.26)
(3,510)	Exelixis Inc.	(95,413)	(94,252)	(0.28)
(1,640)	First Solar Inc.	(96,602)	(95,050)	(0.29)
(730)	Flowserve Corp.	(44,884)	(37,889)	(0.11)
(300)	Fox Factory Holding Corp.	(24,387)	(24,110)	(0.07)
(410)	Granite Construction Inc.	(26,344)	(22,545)	(0.07)
(6,100)	Gulfport Energy Corp.	(72,785)	(54,545)	(0.16)
(1,730)	Healthcare Services Group Inc.	(95,138)	(94,893)	(0.29)
(1,100)	Ichor Holdings Ltd.	(24,608)	(24,477)	(0.07)
(2,020)	II-VI Inc.	(98,881)	(89,512)	(0.27)
(1,220)	Incyte Corp.	(103,558)	(105,908)	(0.32)
(220)	Ingevity Corp.	(26,284)	(25,135)	(0.08)
(650)	Interactive Brokers Group Inc.	(48,324)	(48,494)	(0.15)
(430)	iRobot Corp.	(50,930)	(49,157)	(0.15)
(1,240)	iShares 1-3 Year Treasury Bond ETF	(135,335)	(141,551)	(0.43)
(240)	John Bean Technologies Corp.	(22,199)	(23,528)	(0.07)
(310)	LendingTree Inc.	(96,714)	(92,921)	(0.28)
(1,720)	LGI Homes Inc.	(99,625)	(106,179)	(0.32)
(670)	LKQ Corp.	(21,972)	(21,705)	(0.07)
(4,250)	Mattel Inc.	(74,285)	(57,961)	(0.17)
(4,030)	MaxLinear Inc.	(101,258)	(96,827)	(0.29)
(1,130)	Mercury Systems Inc.	(70,955)	(72,950)	(0.22)
(680)	Monster Beverage Corp.	(49,650)	(45,691)	(0.14)
(620)	Mylan Inc/PA	(22,616)	(23,191)	(0.07)
(580)	Myriad Genetics Inc.	(22,982)	(23,017)	(0.07)
(990)	Nektar Therapeutics	(49,104)	(44,424)	(0.13)
(720)	NetScout Systems Inc.	(25,550)	(23,226)	(0.07)
(5,830)	NOW Inc.	(105,299)	(92,641)	(0.28)
(1,590)	NRG Energy Inc.	(78,690)	(85,955)	(0.26)

# EHP GUARDIAN ALTERNATIVE FUND

Schedule of Investments (continued)

December 31, 2018

Number of shares/ par value	Description	Proceeds/ cost	Fair value	% of net asset value
(4,210)	Patterson-UTI Energy Inc.	(75,215)	(59,484)	(0.18)
(820)	Penn National Gaming Inc.	(23,482)	(21,079)	(0.06)
(2,170)	PG&E Corp.	(62,754)	(70,356)	(0.21)
(1,080)	Pinnacle Financial Partners Inc.	(76,068)	(67,968)	(0.20)
(350)	PNM Resources Inc.	(19,604)	(19,633)	(0.06)
(2,150)	Prestige Consumer Healthcare Inc.	(102,043)	(90,635)	(0.27)
(7,230)	QEP Resources Inc.	(81,797)	(55,568)	(0.17)
(1,080)	Realogy Holdings Corp.	(22,591)	(21,644)	(0.07)
(40)	Regeneron Pharmaceuticals Inc.	(18,032)	(20,395)	(0.06)
(170)	Rogers Corp.	(23,258)	(22,989)	(0.07)
(950)	Sally Beauty Holdings Inc.	(22,590)	(22,112)	(0.07)
(90)	SBA Communications Corp.	(19,860)	(19,890)	(0.06)
(740)	Skechers U.S.A. Inc.	(22,759)	(23,124)	(0.07)
(7,580)	SLM Corp.	(99,902)	(85,991)	(0.26)
(2,880)	Spectrum Pharmaceuticals Inc.	(47,244)	(34,402)	(0.10)
(630)	Sprouts Farmers Market Inc.	(22,159)	(20,220)	(0.06)
(1,190)	Stericycle Inc.	(74,801)	(59,604)	(0.18)
(3,780)	Sterling Bancorp	(93,866)	(85,196)	(0.26)
(410)	Stifel Financial Corp.	(25,639)	(23,183)	(0.07)
(1,550)	Synaptics Inc.	(77,110)	(78,736)	(0.24)
(240)	Tabula Rasa HealthCare Inc.	(21,019)	(20,890)	(0.06)
(1,220)	Tempur Sealy International Inc.	(75,902)	(68,951)	(0.21)
(200)	The Goldman Sachs Group Inc.	(44,295)	(45,610)	(0.14)
(2,840)	The Hain Celestial Group Inc.	(82,010)	(61,490)	(0.19)
(790)	The Medicines Co.	(24,535)	(20,642)	(0.06)
(670)	Tivity Health Inc.	(28,928)	(22,692)	(0.07)
(1,220)	TreeHouse Foods Inc.	(78,209)	(84,457)	(0.25)
(540)	Trimble Navigation Ltd.	(25,253)	(24,261)	(0.07)
(310)	TripAdvisor Inc.	(21,258)	(22,827)	(0.07)
(3,870)	Triumph Group Inc.	(77,059)	(60,756)	(0.18)
(1,770)	Under Armour Inc.	(41,665)	(39,072)	(0.12)
(170)	United Rentals Inc.	(22,754)	(23,795)	(0.07)
(960)	US Concrete Inc.	(48,162)	(46,236)	(0.14)
(1,190)	ViaSat Inc.	(99,428)	(95,766)	(0.29)
(2,230)	World Fuel Services Corp.	(76,462)	(65,178)	(0.20)
	Total U.S. equities	(4,863,337)	(4,510,078)	(13.58)
Total investments sold short		\$ (9,825,668)	\$ (9,052,312)	(27.29)
Total investments owned		\$ 22,272,043	\$ 22,303,228	67.32
Total investments sold short		(9,825,668)	(9,052,312)	(27.29)
Commissions and other portfolio transaction costs		(11,787)	—	—
Net investments owned		<u>\$ 12,434,588</u>	13,250,916	39.93
Unrealized loss, foreign exchange forward contracts			(207,357)	(0.63)
Other assets, net			20,126,592	60.70
Net assets attributable to holders of redeemable units			<u>\$ 33,170,151</u>	100.00

See accompanying notes to financial statements.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 1. General information:

The EHP Guardian Alternative Fund (the "Fund") is an open-ended mutual fund trust established under the laws of the Province of Ontario pursuant to a declaration of trust made as of June 20, 2018 and amended and restated as of August 10, 2018 (the "Trust Agreement"). The Fund is considered a reporting issuer and is subject to National Instrument 81-102 Investment Funds. The Fund commenced active operations on August 10, 2018. The registered office of the Fund is 45 Hazelton Ave., Suite B, Toronto, Ontario, Canada M5R 2E3.

EdgeHill Partners, a general partnership formed under the laws of the Province of Ontario, is the Investment Manager, manager and portfolio manager of the Fund (the "Investment Manager"). The Investment Manager performs management functions for the Fund, including investment management of the Fund's portfolio.

The Fund's investment objective is to provide a positive total return, regardless of market conditions or general market direction, with low correlation to North American equity markets. The Fund will use alternative investment strategies including equity long/short, equity market neutral and credit long/short, by investing in North American equities, fixed income ETFs, equity ETFs and treasury futures derivative contracts as a part of implementing these strategies. The Fund may invest up to 100% or more of its net assets in foreign securities.

Fund is subject to certain restrictions and practices contained in securities legislation, including National Instrument 81-102 ("NI 81-102"), which are designed, in part, to ensure that the investments of mutual funds are diversified and relatively liquid and to ensure the proper administration of mutual funds. We intend to manage the Fund in accordance with these restrictions and practices or to obtain relief from the securities regulatory authorities before implementing any variations. The following provides a description of the exemptions that the Fund has obtained from the provisions of NI 81-102, and/or a description of the general investment activity.

### *Alternative Fund Investment Relief*

The Fund has obtained the following exemptions from NI 81-102:

- (a) subsection 2.1(1), to permit the Fund to invest more than 10% of its net asset value in the securities of a single issuer;
- (b) to permit the Fund to purchase, sell or use specified derivatives and/or debt like securities other than in compliance with subsections 2.7(1), (2) and (3), and sections 2.8 and 2.11;

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

---

## 1. General information:

- (c) section 2.6 to permit the Fund to borrow cash to use for investment purposes in excess of the limits set out in subsection 2.6(a) and to grant a security interest of its assets in connection therewith;
- (d) subsections 2.6.1(1)(c) and 2.6.1(2) and (3) to permit the Fund to borrow securities from a borrowing agent to sell securities short within prescribed limitations;
- (e) section 6.8, to permit the Fund to deposit with its lender, assets over which it has granted a security interest in connection with borrowing cash above; and
- (f) subsection 7.1, to permit the Fund to pay, or enter into arrangements that would require it to pay, a fee that is determined by the performance of the Fund that is based on the cumulative total return of the Fund for the period that began immediately after the last period for which such fee was paid.

## 2. Significant accounting policies:

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

### (a) Basis of presentation:

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB"). In the preparation of these financial statements, the Fund has consistently applied these standards.

These financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss ("FVTPL"), which are presented at fair value.

### (b) Approval of the financial statements:

The financial statements were approved by the Investment Manager and authorized for issue on March 29, 2019.



# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 2. Significant accounting policies (continued):

### (c) Functional currency and foreign currency translation:

The measurement and functional currency of the Fund is the Canadian dollar ("CAD") and the financial statements are presented in CAD. Investment transactions and income and expenses in foreign currencies have been translated to CAD at the rate of exchange prevailing at the time of the transaction.

Foreign currency assets and liabilities have been translated into the functional currency, using the rate of exchange prevailing at the statement of financial position date.

Foreign exchange gains and losses relating to cash are presented in the statement of comprehensive income within net foreign currency losses.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at FVTPL are presented in the statement of comprehensive income within net realized losses on financial assets and liabilities at FVTPL or within net change in unrealized appreciation on financial assets and liabilities at fair value through profit or loss.

### (d) Recent accounting standard:

#### IFRS 9, Financial Instruments ("IFRS 9"):

IFRS 9 was issued by the IASB in November 2009 and has replaced International Accounting Standard ("IAS") 39, Financial Instruments - Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. In July 2014, the IASB issued the final version of IFRS 9. The revised standard adds guidance on the classification and measurement of financial liabilities.

IFRS 9 is effective for fiscal years beginning on or after January 1, 2018 and has been adopted by the Fund since it commenced operations on August 10, 2018.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 2. Significant accounting policies (continued):

### (e) Financial assets and financial liabilities:

#### (i) Classification

The Fund classifies its investments in debt and equity securities, and derivatives, as financial assets or financial liabilities at FVTPL. The Fund classifies its investments at FVTPL based on the Fund's business model for managing those financial assets in accordance with the Fund's documented investment strategy. The portfolio of investments is managed and performance is evaluated on a fair value basis and the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

All other financial assets and liabilities, excluding redeemable units, are classified and measured at amortized cost. These other financial assets and liabilities are recognized on the date on which they are originated and are measured at amortized cost. Redeemable units are measured at the present value of the redemption amount and are considered a residual.

#### (ii) Recognition, derecognition and measurement

Financial assets and financial liabilities are initially recognized on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, with transaction costs recognized in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value. Net realized and changes in unrealized gains and losses arising from changes in the fair value of the financial assets or financial liabilities at FVTPL category are presented in the statement of comprehensive income within net realized losses on financial assets and liabilities at FVTPL and net change in unrealized appreciation on financial assets and liabilities at FVTPL in the period in which they arise.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 2. Significant accounting policies (continued):

The Fund derecognizes a financial asset when the contractual rights to the cash flows on the financial asset in the transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

When the Fund purchases an option or warrant, an amount equal to fair value which is based on the premium paid is recorded as an asset. When the Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. When options and warrants are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a realized gain or loss and is presented in the statement of comprehensive income within net realized losses on financial assets and liabilities at FVTPL.

Dividend income from financial assets at FVTPL is recognized in the statement of comprehensive income within dividend income, gross of withholding taxes, when the Fund's right to receive payments is established. Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date. Amounts not yet received or paid are included in the statement of financial position in dividends receivable and dividends payable on securities sold short, respectively. Interest for distribution purposes earned on debt securities at FVTPL is recognized in the statement of comprehensive income on an accrual basis.

### (iii) 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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 2. Significant accounting policies (continued):

When available, the Fund measures the fair value of an instrument, including warrants, using the quoted price in an active market for that instrument. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at last sale or close price, where the close price falls within the day's bid-ask spread. In circumstances where the close price is not within the day's bid-ask spread, management determines the point within bid-ask spread that is most representative of fair value based on specific facts and circumstances.

The fair value of foreign currency forward contracts is determined using quoted forward exchange rates at the reporting date as obtained from an independent source.

The fair value used for financial reporting is consistent with the fair value used for unitholder and related transactions.

### (f) Cost of investments:

The cost of investments, represents the amount paid for each security and is determined on an average cost basis, excluding commissions and other transaction costs. Realized gains and losses on disposition are determined based on the average cost of investments. Gains and losses arising from changes in the fair value of the investments are included in the statement of comprehensive income for the period in which they arise.

### (g) Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Fund currently has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realized the asset and settle the liability simultaneously. Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL.

### (h) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit and short-term deposits with terms to maturity of less than three months at acquisition.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 2. Significant accounting policies (continued):

- (i) Payable for investments purchased/receivable for investments sold:

Amounts receivable for investments sold and amounts payable for investments purchased that have been contracted are recorded on the statement of financial position at the amount to be received or delivered.

- (j) Redeemable units and net assets attributable to holders of redeemable units:

The Fund issues multiple classes of redeemable units, which are redeemable at the holder's option and do not have identical features and, therefore, are classified as financial liabilities. For each Fund unit sold, the Fund receives an amount equal to the net asset value per unit at the date of sale, which amount is included in net assets attributable to holders of redeemable units. For each unit redeemed, net assets attributable to holders of redeemable units is reduced by the net asset value of the unit at the date of redemption. The redeemable shares are measured at the current value of the Fund's net assets and are considered a residual amount of the net assets attributable to holders of redeemable units. There is no difference in the method net asset value and net assets attributable to holders of redeemable units is computed.

- (k) Income allocation:

Income, expenses (other than management fees, performance fees) and realized and unrealized capital gains (losses) (other than from forward contracts used to hedge Class UF units), are distributed among the different classes of units in proportion to the amount invested in them. The realized and unrealized gains (losses) attributable to the forward contracts used to hedge the United States Dollar exposure attributable to Class UF units are allocated to the holders of such Class UF units. For management fees and performance fees, please refer to note 9.

- (l) 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 numbers of units of that particular class or series outstanding at the end of the period.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 2. Significant accounting policies (continued):

### (m) 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 is calculated by dividing the increase in net assets attributable to holders of redeemable units by the weighted average number of units outstanding during the period for each class. Refer to Note 8 for further detail.

### (n) Taxation:

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) (the "Tax Act") and, accordingly, is not subject to tax on its net taxable income for the tax year which ends in December, including net realized capital gains, which is paid or payable to its unitholders as at the end of the tax year. However, such part of the Fund's net income and net realized capital gains that is not so paid or payable, is subject to income tax. Income tax on net realized capital gains not paid or payable is generally recoverable by virtue of refunding provisions contained in tax legislation, as redemptions occur. It is the intention of the Fund to distribute all of its income and sufficient net realized capital gains so that the Fund will not be subject to income tax.

The Fund is subject to withholding taxes on foreign income. In general, the Fund treats withholding tax as a charge against income for tax purposes.

As at December 31, 2018, the Fund had no capital loss carry-forwards and non-capital loss carry-forwards balances.

### (o) Commissions and other portfolio transaction costs:

Commissions and other portfolio transaction costs are costs incurred to acquire financial assets or liabilities at FVTPL. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognized in the statement of comprehensive income as an expense.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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### 3. Critical accounting estimates and judgments:

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

### 4. Derivative financial instruments:

The Fund holds the following derivative instruments:

Warrants:

A warrant is a contractual arrangement under which the issuer grants the holder the right, but not the obligation, either to buy at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price directly from the issuer of the underlying securities. The Fund is exposed to credit risk on purchased warrants only to the extent of their carrying amount, which is their fair value.

The following table detail the Fund's investments in warrants as at December 31, 2018:

Description	Maturity date	Strike price	Notional amount
Alignvest Acquisition II Corp.	July 4, 2022	\$ 11.50	\$ 2,188,450
Cannabis Strategies Acquisition Corp.	December 21, 2025	11.50	745,200

Forward contracts:

The Fund may enter into various forward contracts as part of its investment strategy. Generally, a forward contract is a customized contract between two parties to purchase or sell an asset at a specified price on a future date. The Fund may use forward contracts to gain exposure to, or hedge against, changes in the value of equities, commodities, interest rates or foreign currencies. If market conditions move unexpectedly, the anticipated benefits of forward contracts may not be achieved and a loss may be realized. The use of forward contracts involves the risk of imperfect correlation in movements in the price of forward contracts and the underlying instruments or commodities.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

## 4. Derivative financial instruments (continued):

Forward contracts are offset and the net amount presented in the statement 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.

The following tables detail the Fund's investments in forward contracts as at December 31, 2018 related to the hedging of the U.S. dollar exposure for the Class UF units:

Settlement date	Currency	Counterparty	Forward rates	Contract price	Notional amount	Unrealized gain (loss)
February 28, 2019	USD	Bank of Nova Scotia	1.3633	\$ 6,127,208	\$ 5,975,564	\$ 151,644

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the statement of financial position, but they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and do not, therefore, indicate the Fund's exposure to credit or market price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The following tables detail the Fund's investments in forward contracts as at December 31, 2018 related to portfolio hedges:

Settlement date	Currency	Counterparty	Forward rates	Contract price	Notional amount	Unrealized gain (loss)
February 27, 2019	USD	Bank of Nova Scotia	1.3633	\$ (8,059,967)	\$ (7,852,611)	\$ (207,357)



# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

## 4. Derivative financial instruments (continued):

Offsetting of Financial Instruments:

In the normal course of business, the Fund may enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. The following table shows financial instruments that may be eligible for offset, if such conditions were to arise, as at December 31, 2018. The "Net amounts" column displays what the net impact would be on the Fund's statements of financial position if all amounts were set-off.

Financial assets as at December 31, 2018	Amounts offset			Amounts not offset		
	Gross amounts of recognized financial assets	Gross amounts of recognized financial liabilities	Net amounts of financial assets presented in the statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amounts
Forwards, gross	\$ 151,644	\$ -	\$ 151,644	\$ (151,644)	\$ -	\$ -

Financial assets as at December 31, 2018	Amounts offset			Amounts not offset		
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets	Net amounts of financial liabilities presented in the statement of financial position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amounts
Forwards, gross	\$ (207,357)	\$ -	\$ (207,357)	\$ 151,644	\$ -	\$ (55,713)

Options:

An option is the right to buy (a call option) or to sell (a put option) a specified amount or value of a particular underlying interest (e.g. equity securities, stock indices, government debt securities, commodity or foreign currencies) at a fixed exercise price by exercising the option before its expiration date. The option may also be settled in cash, based on the difference between the exercise settlement value and the fixed exercise price.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

## 4. Derivative financial instruments (continued):

The following table details the Fund's investments in options as at December 31, 2018:

Description	Maturity date	Strike price	Notional amount
MEG Energy Corp. Call \$8	January 18, 2019	\$ 8.00	\$ 484,000
MEG Energy Corp. Put \$8	January 18, 2019	8.00	(484,000)

## 5. Financial risk management:

### (a) Financial risk factors:

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

The Fund is also exposed to operational risks, such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that reduces the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Fund to transfer securities might be temporarily impaired.

The value of investments within the Fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, the market and company news related to specific securities within the Fund. The level of risk depends on the Fund's investment objective and the types of securities it invests in. The Investment Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisors, by daily monitoring of the Fund's positions and market events, and may use derivatives to hedge certain risk exposures. To assist in managing risks, the Investment Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategies, internal guidelines and securities regulations.

The Fund's investment policy allows it to invest in a variety of financial instruments and utilize various investment strategies in order to meet its objectives. As part of the Fund's risk management practices, investment activities of the Fund are subject to investment restrictions, as prescribed in the Fund's simplified prospectus.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 5. Financial risk management (continued):

The Fund typically purchases securities through normal market facilities. Purchases of securities under other circumstances will only be permitted where the purchase price for such securities approximates the prevailing market price or is negotiated or established on an arm's-length basis.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below:

(i) 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 the Fund. The carrying amount of the Fund's assets represents the maximum credit risk exposure.

The Fund's investments in debt instruments and related derivatives represent the main concentration of credit risk. The fair value of these financial instruments includes consideration of the creditworthiness of the issuer. As at December 31, 2018, the Fund had no significant investments in debt instruments. For derivatives, refer to note 4.

All transactions executed by the Fund in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold 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 trade will fail if either party fails to meet its obligation.

The majority of the cash and cash equivalents and investments of the Fund are held by CIBC, with a portion of the Fund's cash and cash equivalents and investments also held by the Bank of Nova Scotia (collectively, the "Prime Brokers"). Bankruptcy or insolvency of the Prime Brokers may cause the Fund's rights with respect to cash and cash equivalents held by the Prime Brokers to be delayed or limited. The Fund monitors its risk by monitoring the credit quality and financial position of the Prime Brokers. At the date of the approval of the financial statements, the credit rating for the Bank of Nova Scotia was A+ and for CIBC, it was A+.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 5. Financial risk management (continued):

The Fund has provided the Prime Brokers with a general lien over the financial assets held in custody as security for the Prime Brokers' exposures relating to provision of custody services to the Fund. The terms under which the general lien is provided are usual and customary services to the Fund. The terms under which the general lien is provided are usual and customary for Prime Brokers agreements. As at December 31, 2018, the fair value of financial assets subject to the general lien is \$45,100,535. The Fund's cash investments are held by highly creditworthy financial institutions.

As at December 31, 2018, the Fund invested in debt instruments with the following credit ratings per Standard and Poor's:

Debt instruments* by credit rating	Percentage of net assets value
A-	1.1

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\*Excludes cash and cash equivalents.

### (ii) Liquidity risk:

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

The Fund could be exposed to daily cash redemptions of redeemable units. The Fund manages its liquidity risk by primarily investing in marketable securities and other financial instruments which are traded in active markets and can be readily disposed of under normal market conditions. In addition, the Fund generally retains sufficient cash and cash equivalent positions to maintain liquidity.

Under extraordinary circumstances, the Fund also has the ability to suspend redemptions if this is deemed to be in the best interest of all unitholders. The Fund did not withhold any redemptions or implement any suspension during 2018.

It is the Fund's policy that the Investment Manager monitors the Fund's liquidity position on a daily basis.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 5. Financial risk management (continued):

The Fund's liabilities are generally expected to be due and paid within 90 days, with the exception of net assets attributable to holders of redeemable units. Redeemable units are redeemable on demand at the holder's option; however, it does not represent significant liquidity risk as holders of these instruments typically retain them for the medium to long term.

### (iii) Market risk:

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables, such as interest rates, foreign exchange rates and market prices. The following sensitivity analysis shows how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

#### (a) Price risk:

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Fund is primarily exposed to price risk from its investments in equity securities.

All investments represent a risk of loss of capital. The Investment Manager aims to moderate this risk through careful selection and diversification of securities and other financial instruments in accordance with the Fund's investment objectives and strategy. Except for securities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from securities sold short can be unlimited. The Fund's overall market positions are monitored on a regular basis by the Investment Manager.

The Fund is primarily exposed to price risk from its investments in equity securities and related derivatives. As at December 31, 2018, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased by approximately \$1,289,257.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

## 5. Financial risk management (continued):

The Fund is also exposed to price risk through the concentration of its investment portfolio, and manages this risk through daily monitoring of the portfolio to comply with the investment strategies outlined in the Fund's simplified prospectus.

### (b) Foreign exchange risk:

The Fund holds both monetary and non-monetary assets denominated or traded in currencies other than the CAD, the Fund's functional currency. Foreign currency risk arises as the value of future transactions, assets and liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates.

The tables below summarize the foreign currencies to which the Fund had significant exposure at December 31, 2018 in CAD. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if CAD had strengthened or weakened by 5% in relation to the listed currencies, with all other variables held constant.

Currency	Currency exposure (excluding the Hedge attributable to Class UF)			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Net exposure	Hedge	Total	Net exposure	Hedge	Total
U. S. Dollar	\$ (8,246,967)	\$ 8,255,463	\$ 8,496	\$ (412,348)	\$ 412,773	\$ 425
% of net assets attributable to holders of redeemable units	(24.9)	24.9	–	(1.2)	1.2	–

The analysis above is based on the assumptions that the relevant foreign exchange rate increased/decreased by 5%, with all other variables held constant. This represents management's best estimate of a reasonably possible shift in the foreign exchange rates.

The Fund also holds various forward contracts to hedge against changes in the value of US Dollar with regards to Class UF units. The profits and loss from such currency hedge is allocated to Class UF unitholders only.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 5. Financial risk management (continued):

As of December 31 2018, the U.S. dollar ("USD") value of Class UF units was US\$4,502,804 and the USD par value of forward contracts was US\$4,494,477. Please refer to Note 4 for further details on forward contracts.

### (c) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in prevailing market interest rates.

The majority of the Fund's investments are non-interest bearing and, as such, are not subject to a significant amount of risk arising from fluctuations in interest rates.

### (b) Capital risk management:

The capital of the Fund is represented by the net assets attributable to holders of redeemable units. The units are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's net asset value per unit upon redemption. The relevant movements are shown on the statement of changes in net assets attributable to holders of redeemable units. There is no external regulatory requirement to maintain a minimum capital amount.

### (c) Leverage risk:

When the Fund makes investments in derivatives, borrows cash for investment purposes, or uses physical short sales on equities, fixed income securities or other portfolio assets, leverage may be introduced into the Fund. Leverage occurs when the Fund's aggregate gross exposure to underlying assets is greater than the amount invested. Leverage may increase volatility, may impair the Fund's liquidity and may cause the Fund to liquidate positions at unfavourable times.

In accordance with the *Alternative Fund Investment Relief* obtained by the Fund, as described in Note 1, the aggregate gross exposure of the Fund, to be calculated as the sum of the following, must not exceed three times the Fund's net asset value: (i) the aggregate market value of the Fund's long positions; (ii) the aggregate market value of physical short sales on equities, fixed income securities or other portfolio assets; and (iii) the aggregate notional value of the Fund's specified derivatives positions excluding any specified derivatives used for hedging purposes.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 5. Financial risk management (continued):

During the period from the Fund's inception to December 31, 2018, the Fund's lowest and highest aggregate gross exposure was 45.3% and 119.9% of the Fund's NAV respectively. The primary source of leverage was short positions in equity securities. The low and high end of the range, are as a result of our investing activities, and timing of subscriptions and/or redemptions. The Fund's strategy is outlined in the Simplified Prospectus.

The Investment Manager monitors, on a daily basis, that the Fund's aggregate gross exposure is less than three times the Fund's net asset value.

## 6. Fair value measurement:

The fair value of financial assets and financial liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year-end date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If a significant movement in fair value occurs subsequent to the close of trading up to midnight on the year-end date, valuation techniques will be applied to determine the fair value.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each year-end date. Valuation techniques used for non-standardized financial instruments include the use of comparable recent arm's-length transactions, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.



# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 6. Fair value measurement (continued):

The fair value hierarchy has the following levels:

- Level 1 - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs are unobservable inputs for the asset or liability.

The determination of what constitutes "observable" requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

If an asset or liability classified as Level 1 subsequently ceases to be actively traded, it is transferred into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs; in which case, it is reclassified to Level 3. All transfers are recorded at fair value at the beginning of the year of the transfer.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

## 6. Fair value measurement (continued):

All investments held by the Fund are classified as followed:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	\$ 21,584,617	\$ –	\$ –	\$ 21,584,617
Fixed income securities	–	358,351	–	358,351
Option	41,140	–	–	41,140
Warrants	243,000	76,120	–	319,120
	<u>\$ 21,868,757</u>	<u>\$ 434,471</u>	<u>\$ –</u>	<u>\$ 22,303,228</u>
<b>Liabilities</b>				
Equities	\$ 9,016,012	\$ –	\$ –	\$ 9,016,012
Forward contracts	–	207,357	–	207,357
Option	36,300	–	–	36,300
	<u>\$ 9,052,312</u>	<u>\$ 207,357</u>	<u>\$ –</u>	<u>\$ 9,259,669</u>

There were no transfers between Level 1, Level 2 and Level 3 in the period from August 10, 2018 (commencement of operations) to December 31, 2018.

The forward contracts used to hedge Class UF units is also considered a Level 2 security.

## 7. Net assets attributable to redeemable units:

Redeemable units:

The Fund is authorized to issue an unlimited number of classes of units and an unlimited number of units in each such class. Each unit of a class represents an undivided ownership interest in the net asset value of the Fund attributable to that class of units. Each unit of a class has equal rights to each other unit of the same class with respect to all matters, including voting, receipt of distributions from the Fund, liquidation and other events in connection with the Fund, subject to the terms and conditions of the Trust Agreement.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 7. Net assets attributable to redeemable units (continued):

The following classes of units are currently being offered by the Fund:

Class A units: Available to all investors.

Class F units: Available to investors who are enrolled in a dealer sponsored fee for service or wrap program and who are subject to an annual asset-based fee rather than commissions on each transaction or, at the discretion of the Investment Manager, any other investor for whom the Investment Manager does not incur distribution costs.

Class I units: Available to institutional investors or to other investors on a case-by-case basis, all at the discretion of the Investment Manager. Also available to certain employees and employees of affiliated entities of the Investment Manager and, at the Investment Manager's discretion, to former employees and to relatives of current and former employees of the Investment Manager.

Class UF units: Denominated in U.S. dollars and available to investors who are enrolled in a dealer sponsored fee for service or wrap program and who are subject to an annual asset-based fee rather than commissions on each transaction or, at the discretion of the Investment Manager, any other investor for whom the Investment Manager does not incur distribution costs.

The minimum initial investment in Class A and Class F units of the Fund is \$2,000, while the minimum initial investment in Class I units is \$500,000. The minimum initial investment in Class UF units of the Fund is US\$2,000. The minimum subsequent investment in the Fund is \$500 or US\$500, as applicable, unless the units are bought through a pre-authorized contribution plan, in which case, the minimum subsequent investment is \$50 or US\$50, as applicable. These minimum investment amounts may be adjusted or waived in the discretion of the Investment Manager

Subscriptions are accepted on a daily basis, subject to applicable law and the Investment Manager's discretion to refuse a subscription in whole or in part. If an order is delivered by a registered broker or dealer by 4:00 p.m. (Eastern Time) on a day the Toronto Stock Exchange is open (a "Valuation Day"), and such subscription is accepted, the units subscribed for will be issued that day at the unit price calculated later that day. Otherwise, the subscription order will be processed at the unit price calculated on the next Valuation Day.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 7. Net assets attributable to redeemable units (continued):

Units may be redeemed on any Valuation Day, except in extraordinary circumstances. If a redemption request is sent by the unitholder's registered broker or dealer and is received by the Investment Manager before 4:00 p.m. (Eastern Time) on a Valuation Day, then redemption shall be processed at the unit price calculated later that day. Otherwise, the redemption request will be processed at the unit price calculated on the next Valuation Day. The amount payable to a unitholder for each unit redeemed will be an amount equal to the class net asset value per unit on the Valuation Day, together with the proportionate share attributable to such units of any distribution which has been declared and not paid, less (a) any short-term trading fees payable, and (b) any withholding or other taxes required to be deducted. The redemption proceeds will typically be paid to the unitholder on or before the three business days following the redemption of units.

Under exceptional circumstances the Fund may be unable to process redemption orders. This would most likely occur if market trading has been suspended on stock exchanges, options exchanges or futures exchanges on which more than 50% by value of a Fund's assets are listed and if a Fund's portfolio securities cannot be traded on any other exchange that represents a reasonably practical alternative. During these periods, units will also not be issued, switched or reclassified.

If an investor redeems units of the Fund within 90 days of purchasing such units, the Fund may deduct and retain, 2% of the net asset value of the units of the particular class of the Fund being redeemed.

Unitholders may switch all or part of their investment in a class of units of the Fund to units of the same class of another fund managed by the Investment Manager. Unitholders may also reclassify all or part of their investment from one class of units to another class of units of the same Fund, as long as the unitholder is eligible to hold that class of units. If the Investment Manager receives any switch or reclassification order before 4:00 p.m. (Eastern Time) on any Valuation Day, then the order will be processed at the unit price calculated later that day. Otherwise, the order shall be processed at the unit price calculated on the next Valuation Day.

The Class UF units of the Fund are denominated in USD, and the returns of the Class UF units are generally hedged back to CAD. Holders of Class UF units who exchange those units for units of another class will do so at the prevailing Canadian/U.S. dollar exchange rate.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

## 7. Net assets attributable to redeemable units (continued):

During the period from August 10, 2018 (commencement of operations) to December 31, 2018, the number of units issued, redeemed and outstanding was as follows:

	Redeemable units, beginning period	Redeemable units issued	Redemption of redeemable units	Reinvestments of units	Redeemable units, end of period
Class A	100	328,953	(7,166)	181	322,068
Class F	100	2,305,568	(17,314)	703	2,289,057
Class I	25,000	–	–	80	25,080
Class UF	–	442,164	–	1,742	443,906

## Distributions

The Investment Manager shall declare and credit as due and payable as of each taxation year-end all of the net income of the Fund for such taxation year and a sufficient amount of the net capital gains of the Fund for the taxation year ending in such calendar year so that the Fund will not have any obligation to pay tax under Part I of the Tax Act after taking into account any entitlement to a capital gains refund under the Tax Act.

## 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 period from August 10, 2018 (commencement of operations) to December 31, 2018 is calculated as follows:

	Increase in net assets attributable to holders of redeemable units per class	Weighted average of redeemable units outstanding during the period	Increase in net assets attributable to holders of redeemable units per unit
Class A	\$ 16,029	122,816	\$ 0.13
Class F	185,889	1,132,476	0.16
Class I	8,799	25,006	0.35
Class UF	344,949	313,915	1.10

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 9. Related party transactions:

### (a) Management fees:

The Investment Manager receives a management fee payable by the Fund for providing its services to the Fund. The management fee varies for each class of units. The management fee is calculated and accrued daily based on a percentage of the net asset value of the class of units, plus applicable taxes, and is payable on the last day of each calendar month.

- Class A units: 1.90% per annum
- Class F units: 0.90% per annum
- Class UF units: 0.90% per annum
- Class I units: Negotiated by the unitholder and paid directly by the unitholder to the Investment Manager. The management fee rate would not exceed the management fee payable on Class A units of the Fund.

### (b) Performance fees:

The Investment Manager receives a performance fee in respect of each class of units of the Fund. The Fund shall pay the Investment Manager a performance fee each calendar quarter (a "Performance Fee Determination Period") equal to 15% of the Net Profit (as defined below) of each of the applicable class units subject to the High Watermark (as defined below). The performance fee will be calculated and accrued for each class on a daily basis during each Performance Fee Determination Period and, with respect to an intra-quarter redemption of units of a class, on the relevant redemption date.

Net Profit means, in respect of any class of units of a Fund for any Performance Fee Determination Period, the amount calculated by deducting the initial Net Asset Value per unit of the class for that Performance Fee Determination Period from the closing Net Asset Value per unit of such class for that Performance Fee Determination Period and multiplying the resulting amount by the total number of the units of such class outstanding at the close of business on the last business day in that Performance Fee Determination Period (and, with respect to an intra-quarter redemption, on the relevant redemption date).

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 9. Related party transactions (continued):

No performance fee shall be paid in respect of a class unless the class Net Asset Value per unit exceeds the highest Net Asset Value per unit in respect of which a performance fee has been previously paid for that class (the "High Watermark") and, in such circumstances, a performance fee shall only be paid on that portion of the Net Profit that exceeds the High Watermark. Unitholders in Class I units may negotiate a performance fee to be paid by the unitholder that is different than the one described above or no performance fee at all.

### (c) Other expenses:

The Fund is responsible for all of its operating expenses, including legal, audit and all other expenses incurred in the ordinary course of operations. The Investment Manager has elected to absorb certain of the expenses of the Fund in 2018. For the year ended December 31, 2018, the Investment Manager absorbed \$2,465 in audit fees and \$5,772 in other fees.

### (d) Related party shareholdings:

The Investment Manager, its officers and directors invest in units of the Fund from time to time in the normal course of business. All transactions with the Investment Manager are measured at the exchange amounts. As at December 31, 2018, 600.1769 of Class A units, 100.0314 of Class F units, and 25,079.8744 of Class I units, were owned by the Investment Manager or unitholders related to the Investment Manager

## 10. Soft dollar commissions:

In allocating brokerage business, consideration may be given by the Investment Manager of the Fund to dealers to furnish research, statistical and other services to the Investment Manager through soft dollar arrangements (the amount ascertained to have been paid for goods and services other than order execution). The total brokerage commission paid to dealers in connection with investment portfolio transactions and amounts of soft dollar commission for the period from August 10, 2018 (commencement of operations) to December 31, 2018 is approximately \$2,425.

# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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## 11. Interests in unconsolidated structured entities:

The Fund may invest in units of ETFs as part of its investment strategies. The nature and purpose of these ETFs generally, is to manage assets on behalf of third-party investors in accordance with their investment objectives, and are financed through the issue of units to investors.

In determining whether the Fund has control or significant influence over an ETF, the Fund assesses voting rights, the exposure to variable returns, and its ability to use the voting rights to affect the amount of the returns. In instances where the Fund has control over an ETF, the Fund qualifies as an investment entity under IFRS 10, Consolidated Financial Statements, and therefore, accounts for investments it controls at FVTPL. The Fund's primary purpose is defined by its investment objectives and uses the investment strategies available to it, as defined in the Fund's simplified prospectus to meet those objectives. The Fund also measures and evaluates the performance of any ETFs on a fair value basis.

Investments in ETFs are susceptible to market price risk arising from uncertainty about future values of those ETFs. The maximum exposure to loss from interests in ETFs is equal to the total fair value of the investment in those respective ETFs at any given point in time. The Fund did not have control or any significant influence on these ETF's. The following meet the definition of unconsolidated structure entities:

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	Place of business	Fair value amounts	Proportion of interest owned
iShares 20+ Year Treasury Bond ETF	United States	\$ 5,805,778	0.048%

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The Fund may invest in or hold a short position of units of ETFs as part of its investment strategies. The nature and purpose of these ETFs generally, is to manage assets on behalf of third-party investors in accordance with their investment objectives, and are financed through the issue of units to investors. The maximum exposure to loss from interests in short positions can be unlimited.

As of December 31, 2018, the Fund sold short units of certain ETFs, as disclosed in the schedule of investments. The Fund does not control or have significant influence in these ETFs.

The fair value of these ETFs, if any, are disclosed in investments in the statement of financial position and listed in the schedule of investments



# EHP GUARDIAN ALTERNATIVE FUND

Notes to Financial Statements (continued)

Period from August 10, 2018 (commencement of operations) to December 31, 2018

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**12. Subscriptions receivable:**

Subscriptions receivable relate to the issuance of Fund units in advance of cash received.

**13. Redemptions payable:**

Redemptions payable consist of Fund units redeemed during the period which have not been paid out until subsequent to the period end.

**14. Subsequent events:**

Effective for January 1, 2019, EdgeHill Partners filed with, and received approval from, the regulator to change the Investment Manager, manager and portfolio manager of the Fund to EHP Funds Inc., an affiliate of the Investment Manager. The Investment Manager also filed to offer Class UA units of the Fund. The Class UA units of the Fund are denominated in USD, and the returns of the Class UA units are generally hedged back to the CAD.

The Fund has evaluated the effect of subsequent events on the Fund's financial statements through March 29, 2019, which is the date the financial statements were available to be issued. For the period from January 1, 2019 to March 25, 2019, the Fund had subscriptions of \$35,372,406 and redemptions of \$2,443,154.