

Financial Statements of

EHP SELECT FUND

Year ended December 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of EHP Select Fund

We have audited the accompanying financial statements of EHP Select Fund, which comprise the statement of financial position as at December 31, 2015, schedule of investments as at December 31, 2015, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Comparative Information

The financial statements of EHP Select Fund as at and for the year ended December 31, 2014 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 27, 2015.

Chartered Professional Accountants, Licensed Public Accountants

March 29, 2016
Toronto, Canada

EHP SELECT FUND

Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Cash	\$ 3,344,958	\$ 601,429
Financial assets at fair value through profit or loss (cost - \$9,052,902; 2014 - \$1,363,962) (note 3)	8,975,353	1,397,375
Dividends receivable	20,047	4,873
Interest receivable	772	325
Receivable for investments sold	1,758,738	—
Subscription receivable	50,000	—
	<u>14,149,868</u>	<u>2,004,002</u>
Liabilities		
Financial liabilities at fair value through profit or loss (cost - \$4,027,960; 2014 - \$590,929) (note 3)	4,078,623	579,736
Payable for investments purchased	1,627,053	34,785
Performance fee payable (note 7)	3,154	59
Accounts payable and accrued liabilities	31,366	5,432
Management fee payable (note 7)	17,598	6
Dividends payable	5,205	2,641
Interest payable	37	22
Subscriptions received in advance	—	100,000
	<u>5,763,036</u>	<u>722,681</u>
Net liabilities attributable to holders of redeemable units (note 6)	<u>\$ 8,386,832</u>	<u>\$ 1,281,321</u>
Net assets attributable to holders of redeemable units per class and series:		
Class A - Initial Series	\$ 1,234	\$ 1,100
Class A - 2015 Series 8	24,704	—
Class A - 2015 Series 11	35,203	—
Class A - 2015 Series 12	63,991	—
Class E - Initial Series	4,010,065	1,279,119
Class F - Initial Series	1,247	1,102
Class F - 2015 Series 7	10,000	—
Class F - 2015 Series 11	92,430	—
Founder Class - Initial Series	1,320,674	—
Founder Class - 2015 Series 6	1,381,194	—
Founder Class - 2015 Series 7	98,783	—
Founder Class - 2015 Series 8	741,297	—
Founder Class - 2015 Series 9	257,131	—
Founder Class - 2015 Series 10	197,777	—
Founder Class - 2015 Series 11	100,733	—
Founder Class - 2015 Series 12	50,369	—
Total net assets attributable to holders of redeemable units	<u>\$ 8,386,832</u>	<u>\$ 1,281,321</u>

EHP SELECT FUND

Statement of Financial Position (continued)

December 31, 2015, with comparative information for 2014

	2015	2014
Net assets attributable to holders of redeemable units per units:		
Class A - Initial Series	\$ 12.34	\$ 11.00
Class A - 2015 Series 8	9.88	—
Class A - 2015 Series 11	10.06	—
Class A - 2015 Series 12	10.19	—
Class E - Initial Series	13.43	11.33
Class F - Initial Series	12.47	11.02
Class F - 2015 Series 7	10.00	—
Class F - 2015 Series 11	9.96	—
Founder Class - Initial Series	10.44	—
Founder Class - 2015 Series 6	10.07	—
Founder Class - 2015 Series 7	9.88	—
Founder Class - 2015 Series 8	9.83	—
Founder Class - 2015 Series 9	10.29	—
Founder Class - 2015 Series 10	9.89	—
Founder Class - 2015 Series 11	10.07	—
Founder Class - 2015 Series 12	10.07	—

See accompanying notes to financial statements.

Approved on behalf of the Fund:

EHP SELECT FUND

Statement of Comprehensive Income

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Income:		
Dividend	\$ 167,877	\$ 7,634
Interest for distribution purposes	5,892	580
Net foreign currency losses	(11,935)	(1,287)
Net gains (losses) on financial assets and liabilities at fair value through profit or loss:		
Net realized gains on financial assets and liabilities at fair value through profit or loss	633,166	94,203
Net change in unrealized appreciation (depreciation) on financial assets and liabilities at fair value through profit or loss	(172,818)	44,605
	622,182	145,735
Operating expenses:		
Commissions and other portfolio transaction costs	120,404	5,857
Dividend expense on investments sold short	71,769	4,155
Administration fee	41,810	8,475
Management fees	40,530	6
Interest and stock loan fees	37,709	2,330
Audit fee	16,950	6,000
Legal fee	9,227	-
Performance fee	4,828	59
Trustee fee	4,368	565
Other fees	1,695	-
Withholding taxes	1,362	52
	350,652	27,499
Expenses absorbed by the Investment Manager (note 7)	(5,750)	(11,085)
Increase in net assets attributable to holders of redeemable units	\$ 277,290	\$ 129,321
Increase in net assets attributable to holders of redeemable units per class and series:		
Class A - Initial Series	\$ 134	\$ 100
Class A - 2015 Series 8	(296)	-
Class A - 2015 Series 11	203	-
Class A - 2015 Series 12	991	-
Class E - Initial Series	280,946	129,119
Class F - Initial Series	145	102
Class F - 2015 Series 11	449	-
Founder Class - Initial Series	20,194	-
Founder Class - 2015 Series 5	1,092	-
Founder Class - 2015 Series 6	(22,658)	-
Founder Class - 2015 Series 7	(1,217)	-
Founder Class - 2015 Series 8	(8,703)	-
Founder Class - 2015 Series 9	7,131	-
Founder Class - 2015 Series 10	(2,223)	-
Founder Class - 2015 Series 11	733	-
Founder Class - 2015 Series 12	369	-
Total net assets attributable to holders of redeemable units	\$ 277,290	\$ 129,321

EHP SELECT FUND

Statement of Comprehensive Income (continued)

Year ended December 31, 2015, with comparative information for 2014

Weighted average units outstanding per class:

Class A - Initial Series	100	100
Class A - 2015 Series 8	2,500	—
Class A - 2015 Series 11	3,500	—
Class A - 2015 Series 12	5,355	—
Class E - Initial Series	190,731	129,119
Class F - Initial Series	100	102
Class F - 2015 Series 11	5,989	—
Founder Class - Initial Series	119,745	—
Founder Class - 2015 Series 5	102,439	—
Founder Class - 2015 Series 6	167,244	—
Founder Class - 2015 Series 7	10,000	—
Founder Class - 2015 Series 8	73,086	—
Founder Class - 2015 Series 9	25,000	—
Founder Class - 2015 Series 10	20,000	—
Founder Class - 2015 Series 11	10,000	—
Founder Class - 2015 Series 12	5,000	—

Increase in net assets attributable to holders of
redeemable units per unit:

Class A - Initial Series	\$ 1.34	\$ 1.00
Class A - 2015 Series 8	(0.12)	—
Class A - 2015 Series 11	0.06	—
Class A - 2015 Series 12	0.19	—
Class E - Initial Series	1.47	1.35
Class F - Initial Series	1.45	1.02
Class F - 2015 Series 11	0.07	—
Found Class - Initial Series	0.17	—
Founder Class - 2015 Series 5	0.01	—
Founder Class - 2015 Series 6	(0.14)	—
Founder Class - 2015 Series 7	(0.12)	—
Founder Class - 2015 Series 8	(0.12)	—
Founder Class - 2015 Series 9	0.29	—
Founder Class - 2015 Series 10	(0.11)	—
Founder Class - 2015 Series 11	0.07	—
Founder Class - 2015 Series 12	0.07	—

See accompanying notes to financial statements.

EHP SELECT FUND

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

Year ended December 31, 2015, with comparative information for 2014

	Net assets attributable to holders of redeemable units, beginning of year	Increase (decrease) in net assets attributable to holders of redeemable units	Unit transactions				Distributions to holders of redeemable shares		Net assets attributable to holders of redeemable units, end of year
			Proceeds from redeemable units issued	Reinvestment of distributions to holders of redeemable shares	Redemption of redeemable units	Redesignation of redeemable units	Net investment income	Capital gains	
2015									
Class A - Initial Series	\$ 1,100	\$ 134	\$ -	\$ 191	\$ -	\$ -	\$ (78)	\$ (113)	\$ 1,234
Class A - 2015 Series 8	-	(296)	25,000	-	-	-	-	-	24,704
Class A - 2015 Series 11	-	203	35,000	290	-	-	(118)	(172)	35,203
Class A - 2015 Series 12	-	991	63,000	1,415	-	-	(576)	(839)	63,991
Class E - Initial Series	1,279,119	280,946	2,450,000	401,293	-	-	(163,248)	(238,045)	4,010,065
Class F - Initial Series	1,102	145	-	207	-	-	(84)	(123)	1,247
Class F - 2015 Series 7	-	-	10,000	-	-	-	-	-	10,000
Class F - 2015 Series 11	-	449	91,981	683	-	-	(278)	(405)	92,430
Found Class - Initial Series	-	20,194	275,000	28,831	-	1,025,480	(11,729)	(17,102)	1,320,674
Found Class - 2015 Series 5	-	1,092	1,024,388	1,560	-	(1,025,480)	(635)	(925)	-
Found Class - 2015 Series 6	-	(22,658)	2,538,621	11,484	(1,134,769)	-	(4,672)	(6,812)	1,381,194
Found Class - 2015 Series 7	-	(1,217)	100,000	-	-	-	-	-	98,783
Found Class - 2015 Series 8	-	(8,703)	750,000	-	-	-	-	-	741,297
Found Class - 2015 Series 9	-	7,131	250,000	10,181	-	-	(4,142)	(6,039)	257,131
Found Class - 2015 Series 10	-	(2,223)	200,000	-	-	-	-	-	197,777
Found Class - 2015 Series 11	-	733	100,000	1,045	-	-	(425)	(620)	100,733
Found Class - 2015 Series 12	-	369	50,000	527	-	-	(214)	(313)	50,369
	\$ 1,281,321	\$ 277,290	\$ 7,962,990	\$ 457,707	\$ (1,134,769)	\$ -	\$ (186,199)	\$ (271,508)	\$ 8,386,832

	Net assets attributable to holders of redeemable units, beginning of year	Increase in net assets attributable to holders of redeemable units	Unit transactions				Distributions to holders of redeemable shares		Net assets attributable to holders of redeemable units, end of year
			Proceeds from redeemable units issued	Reinvestment of distributions to holders of redeemable shares	Redemption of redeemable units	Redesignation of redeemable units	Net investment income	Capital gains	
2014									
Class A - Initial Series	\$ -	\$ 100	\$ 1,000	\$ 81	\$ -	\$ -	\$ -	\$ (81)	\$ 1,100
Class E - Initial Series	-	129,119	1,150,000	104,871	-	-	-	(104,871)	1,279,119
Class F - Initial Series	-	102	1,000	83	-	-	-	(83)	1,102
	\$ -	\$ 129,321	\$ 1,152,000	\$ 105,035	\$ -	\$ -	\$ -	\$ (105,035)	\$ 1,281,321

See accompanying notes to financial statements.

EHP SELECT FUND

Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash flows from operating activities:		
Increase in net assets attributable to holders of redeemable units	\$ 277,290	\$ 129,321
Adjustments for:		
Net realized gains on financial assets and liabilities at fair value through profit or loss	(633,166)	(94,203)
Net change in unrealized depreciation (appreciation) on financial assets and liabilities at fair value through profit or loss	172,818	(44,605)
	(183,058)	(9,487)
Change in non-cash balances:		
Purchases of investments	(60,313,744)	(3,053,118)
Cost of investments purchased to cover short positions	(42,627,886)	(1,294,296)
Proceeds from sale of investments	53,575,077	1,768,386
Proceeds from investments sold short	45,581,340	1,934,982
Net increase in dividends receivable	(15,174)	(4,873)
Net increase in interest receivable	(447)	(325)
Net increase in subscription receivable	(50,000)	–
Net increase in performance fee payable	3,095	59
Net increase in accounts payable and accrued liabilities	25,934	5,432
Net increase in management fee payable	17,592	6
Net increase in dividends payable	2,564	2,641
Net increase in interest payable	15	22
Net cash used in operating activities	(3,984,692)	(650,571)
Cash flows from financing activities:		
Proceeds from issuance of redeemable units	7,862,990	1,252,000
Payment on redemption of redeemable units	(1,134,769)	–
Net cash provided by financing activities	6,728,221	1,252,000
Net increase in cash	2,743,529	601,429
Cash, beginning of year	601,429	–
Cash, end of year	\$ 3,344,958	\$ 601,429
Supplemental cash flow information:		
Interest paid	\$ 550	\$ 9
Interest received	5,445	255
Dividends received, net of withholding taxes	151,351	2,709

See accompanying notes to financial statements.

EHP SELECT FUND

Schedule of Investments

December 31, 2015

Number of shares/ par value	Description	Cost	Carrying value	% of net assets
Investments - long				
Canadian equities:				
26,100	Air Canada Inc.	\$ 267,243	\$ 266,481	3.17
5,000	Alimentation Couche-Tard Inc., Class B	300,179	304,550	3.63
289,100	Bankers Petroleum Ltd.	273,228	294,882	3.52
27,900	Bird Construction Inc.	324,060	362,700	4.32
10,700	BRP Inc.	289,020	212,716	2.54
4,200	Callidus Capital Corp.	30,658	36,960	0.44
4,400	Canadian National Railway Co.	321,819	340,340	4.06
47,053	Canadian Oil Sands Ltd.	398,079	389,128	4.64
18,700	Canfor Pulp Products Inc.	262,425	253,011	3.02
23,500	Cascades Inc.	190,572	298,685	3.56
2,000	CCL Industries Inc., Class B	327,332	448,740	5.35
4,000	Dollarama Inc.	321,550	319,760	3.81
9,600	Genworth MI Canada Inc.	312,273	255,360	3.04
41,000	Granite Oil Corp.	292,703	331,280	3.95
34,000	Infor Acquisition Corp., Class A	332,578	334,220	3.99
25,000	iShares Canadian S&P/TSX Capped Energy Index ETF	281,750	256,250	3.06
3,800	Linamar Corp.	287,905	283,974	3.39
18,700	Medical Facilities Corp.	277,306	269,093	3.21
17,300	Mitel Networks Corp.	199,960	184,591	2.20
40,000	Nevsun Resources Ltd.	177,423	150,000	1.79
9,800	Power Corporation of Canada	292,715	283,612	3.38
158,000	Quantum International Income Corp., Subscription Receipts	—	—	—
8,200	Quebecor Inc.	275,546	277,816	3.31
8,800	Ritchie Bros Auctioneers Inc.	314,682	293,392	3.50
5,100	Rogers Communications Inc., Class B	262,275	243,372	2.90
21,600	Torstar Corp., Class B	99,245	60,048	0.72
39,900	Transalta Corp., Preferred Shares	382,206	395,010	4.71
15,800	Transcontinental Inc., Class A	302,033	272,708	3.25
11,000	Transforce Inc.	268,083	259,710	3.10
4,900	Uni-Select Inc.	293,914	335,699	4.00
121,100	Western Forest Products Inc.	263,481	273,686	3.26
11,300	Westjet Airlines Ltd.	261,953	230,068	2.74
126,500	Wi-Lan Inc.	317,112	234,025	2.79
	Total Canadian equities - long	8,801,308	8,751,867	104.35
Canadian warrants:				
33,500	Quantum International Income Corp. \$0.65 28JUL17	—	—	—
200,000	Western Lithium USA Corp. \$0.90 10JUN17	—	—	—
	Total Canadian warrants	—	—	—

EHP SELECT FUND

Schedule of Investments (continued)

December 31, 2015

Number of shares/ par value	Description	Cost	Carrying value	% of net assets
	United States equities:		8,751,867	
7,000	Enbridge Energy Partners LP	251,594	223,486	2.66
	Total United States equities - long	251,594	223,486	2.66
Total investments - long		\$ 9,052,902	\$ 8,975,353	107.01
Investments - short				
Canadian equities:				
(17,300)	Absolute Software Corp.	\$ (139,571)	\$ (128,885)	(1.54)
(19,800)	Advantage Oil & Gas Ltd.	(143,484)	(139,194)	(1.66)
(14,500)	Aimia Inc.	(138,862)	(136,445)	(1.63)
(14,700)	Altius Minerals Corp.	(163,777)	(148,911)	(1.78)
(8,800)	Arc Resources Ltd.	(138,373)	(146,960)	(1.75)
(10,200)	Boralex Inc., Class A	(129,804)	(147,492)	(1.76)
(2,700)	Brookfield Infrastructure Partners LP	(136,455)	(141,426)	(1.69)
(4,300)	Brookfield Renewable Energy Partners LP	(146,012)	(155,961)	(1.86)
(8,800)	Cameco Corp.	(144,009)	(150,216)	(1.79)
(62,700)	Canacol Energy Ltd.	(180,671)	(173,679)	(2.07)
(39,800)	Crew Energy Inc.	(167,126)	(161,190)	(1.92)
(36,800)	CRH Medical Corp.	(119,979)	(150,880)	(1.80)
(8,300)	Element Financial Corp.	(144,819)	(138,610)	(1.65)
(3,400)	Enbridge Inc.	(138,091)	(156,400)	(1.86)
(8,100)	Hudson's Bay Co.	(181,389)	(146,610)	(1.75)
(11,800)	Interfor Corp.	(140,091)	(165,672)	(1.98)
(31,300)	Major Drilling Group International Inc.	(133,687)	(137,094)	(1.63)
(5,800)	Norbord Inc.	(148,030)	(156,310)	(1.86)
(8,500)	Northview Apartment REIT	(162,269)	(149,260)	(1.78)
(45,300)	Prometic Life Sciences Inc.	(103,667)	(152,208)	(1.81)
(48,600)	Redknee Solutions Inc.	(139,370)	(144,342)	(1.72)
(5,500)	Riocan REIT	(144,076)	(130,295)	(1.55)
(6,200)	Sierra Wireless Inc.	(141,979)	(134,974)	(1.61)
(40,000)	Storm Resources Ltd.	(132,448)	(143,600)	(1.71)
(11,800)	Suncor Energy Inc.	(423,714)	(421,378)	(5.02)
(13,300)	Whitecap Resources Inc.	(146,207)	(120,631)	(1.44)
	Total Canadian equities - short	(4,027,960)	(4,078,623)	(48.62)
Total investments - short		\$ (4,027,960)	\$ (4,078,623)	(48.62)
Total investments - long		\$ 9,052,902	\$ 8,975,353	107.01
Total investments - short		(4,027,960)	(4,078,623)	(48.62)
Total investments owned		<u>\$ 5,024,942</u>	4,896,730	58.39
Other assets, net			3,490,102	41.61
Net assets			\$ 8,386,832	100.00

See accompanying notes to financial statements.

EHP SELECT FUND

Notes to Financial Statements

Year ended December 31, 2015

1. General information:

The EHP Select Fund (the "Fund") is an open-ended investment trust established under the laws of the Province of Ontario pursuant to a trust agreement (the "Trust Agreement") made as of October 14, 2014 and amended and restated as of June 1, 2015 between Caledon Trust Company as Trustee (the "Trustee") and EdgeHill Partners. The registered office of the Fund is 2 Bloor Street East, Suite 2102, Toronto, Ontario, Canada, M4W 1A8.

EdgeHill Partners, a general partnership formed under the laws of the Province of Ontario, is the manager and investment advisor 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 generate superior risk-adjusted investment returns over the long term by utilizing a long/short equity strategy consisting of diversified qualitative, quantitative and systematic investment strategies. The Fund will also seek to preserve capital and mitigate risk through the application of both portfolio and risk management tools. In order to achieve its objective, the Fund will invest by employing diversified strategies.

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").

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, 2016.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

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 gains (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 gains (losses) in fair value on financial assets and liabilities at FVTPL.

(d) Financial assets and liabilities:

(i) Classification:

The Fund classifies its investments in debt and equity securities, and derivatives, as financial assets or financial liabilities at FVTPL.

This category has two sub-categories: financial assets and financial liabilities held for trading; and those designated at FVTPL at inception.

(a) Financial assets and liabilities held for trading:

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

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

2. Significant accounting policies (continued):

(b) Financial assets and liabilities designated at FVTPL at inception:

Financial assets and financial liabilities designated at FVTPL 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. Investments in long listed equities and Exchanged Traded Funds ("ETFs") have been categorized as designated at FVTPL.

All other financial assets and liabilities are classified as loans and receivables and other financial liabilities. Loans and receivables and other financial liabilities are measured at amortized cost.

(ii) Recognition, derecognition and measurement:

Financial assets and financial liabilities at FVTPL 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. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial assets and financial liabilities at FVTPL are initially recognized at fair value, with transaction costs recognized in the statement of comprehensive income. Financial assets or financial liabilities not at FVTPL are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

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 gains (losses) on financial assets at FVTPL.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

2. Significant accounting policies (continued):

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 gains (losses) on financial assets and liabilities at FVTPL and net change in unrealized appreciation (depreciation) on financial assets and liabilities at FVTPL in the period in which they arise.

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.

When available, the Fund measures the fair value of an instrument 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 used for financial reporting is consistent with the fair value used for unitholder and related transactions.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

2. Significant accounting policies (continued):

(e) 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.

(f) 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 off-set 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.

(g) Cash and cash equivalents:

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

(h) 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.

(i) 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.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

2. Significant accounting policies (continued):

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units by the weighted average number of units outstanding during the year for each class/series respectively. Refer to note 6 for further detail.

(j) Income allocation:

Income, expenses other than management fees, and realized and unrealized capital gains (losses) are distributed amongst the different classes of units in proportion to the amount invested in them. For management fees please refer to note 7.

(k) 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 outstanding at the end of the year.

(l) 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 profit or loss as an expense.

(m) Taxation:

The Fund qualifies as a unit trust under the provisions of the Income Tax Act (Canada) (the "Tax Act") and, accordingly, is subject to tax on its income, including net realized capital gains, for the fiscal year which is not paid or payable to its unitholders as at the end of the fiscal year. It is the intention of the Manager that sufficient net taxable investment income and net taxable capital gains realized will be distributed to unitholders on a calendar year basis such that Canadian income taxes payable by the Fund under present legislation will be minimized.

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.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

2. Significant accounting policies (continued):

(n) Critical accounting estimates and assumptions:

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. Actual results may differ from these estimates.

(o) Future accounting standards:

Financial instruments:

IFRS 9, Financial Instruments ("IFRS 9"), is part of the International Accounting Standards Board's wider project to replace International Accounting Standard 39, Financial Instruments - Recognition and Measurement. IFRS 9 retains, but simplifies the mixed measurements model and establishes two primary measurement categories for financial assets: amortized cost and fair value. IFRS 9 also introduces a forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The basis of classification of financial assets depends on the entities' business model and the contractual cash flow characteristics of the financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however early adoption is permitted. The Fund is in the process of evaluating the impact of the new standard.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

3. Financial assets at fair value through profit or loss:

The Fund's classification of financial assets and liabilities at FVTPL is described in note 2. The following table presents the net gains (losses) on financial assets and liabilities at FVTPL for the year ended December 31:

2015	Held-for-trading	Designated at fair value through profit or loss	Total
Financial assets at FVTPL:			
Net realized gains (losses)	\$ 5,543	\$ (647,539)	\$ (641,996)
Net change in unrealized losses	–	(110,962)	(110,962)
	5,543	(758,501)	(752,958)
Financial liabilities at FVTPL:			
Net realized gains	1,275,162	–	1,275,162
Net change in unrealized losses	(61,856)	–	(61,856)
	1,213,306	–	1,213,306
Total	\$ 1,218,849	\$ (758,501)	\$ 460,348

2014	Held-for-trading	Designated at fair value through profit or loss	Total
Financial assets at FVTPL:			
Net realized gains	\$ –	\$ 19,138	\$ 19,138
Net change in unrealized gains	–	33,412	33,412
	–	52,550	52,550
Financial liabilities at FVTPL:			
Net realized gains	75,065	–	75,065
Net change in unrealized gains	11,193	–	11,193
	86,258	–	86,258
Total	\$ 86,258	\$ 52,550	\$ 138,808

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

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 details the Fund's investments in warrants as at December 31, 2015.

	Maturity date	Strike price	Notional amount	Fair value in financial assets (liabilities)
Warrants:				
Quantum International Income Corp.	July 28, 2017	\$ 0.65	\$ 21,775	\$ –
Western Lithium USA Corp.	June 10, 2017	0.90	180,000	–

As at December 31, 2014, the Fund did not hold any derivative instruments.

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 other 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.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

5. Financial risk management (continued):

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 against or obtain exposure to 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 the following investment restrictions as prescribed in the Offering Memorandum:

(i) Purchasing securities:

The Fund will typically purchase 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.

(ii) Foreign investment proposals:

The Fund will not invest in (a) an interest in a trust (or partnership which holds such interest) which would require the Fund (or the partnership) to report income in connection with such interest pursuant to proposed section 94.2 of the Income Tax Act (Canada) (the "Tax Act") or (b) the securities of any non-resident corporation, trust or other non-resident entity if the Fund would be required to include an amount in income pursuant to section 94.1 of the Tax Act as amended by, or set forth in, the amendments to the Tax Act released on October 24, 2012 (or amendments to such proposals or provisions as enacted into law or successor provisions thereto).

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

5. Financial risk management (continued):

(iii) Commodities:

The Fund will not purchase or sell commodities if the intention is to take physical delivery of the commodity.

(iv) Unit fund status:

The Fund will comply with the requirements set out in the Tax Act in order to cause the Fund to have "unit trust" status.

The Fund's use of leverage and borrowings can increase the Fund's exposure to these risks, which in turn can also increase the potential returns the Fund can achieve.

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, 2015 and 2014, the Fund had no significant investments in debt instruments and/or derivatives.

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.

As at December 31, 2015 and 2014, the Fund had no significant investments in debt instruments and/or derivatives.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

5. Financial risk management (continued):

The majority of the cash and cash equivalents and investments of the Fund are held by BMO Capital Markets (the "Prime Broker"). Bankruptcy or insolvency of the Prime Broker may cause the Funds' rights with respect to cash and cash equivalents held by the Prime Broker to be delayed or limited. The Fund monitors its risk by monitoring the credit quality and financial position of the Prime Broker. At the date of the approval of the financial statements, the credit rating for BMO Capital Markets was A-1.

The Fund has provided the Prime Brokers with a general lien over the financial assets held in custody as security for the Prime Broker 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 Broker agreements. As at December 31, 2015, the fair value of financial assets subject to the general lien is \$14,149,868 (2014 - \$2,004,002). The Fund's cash investments are held by highly credit worthy financial institutions.

(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 monthly 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 shareholders. The Fund did not withhold any redemptions or implement any suspension during 2015 and 2014.

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

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

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 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 include sensitivity analyses that show 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 other price risk through 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 other price risk through from its investments in equity securities and related derivatives. As at December 31, 2015, 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 \$489,673 (2014 - \$81,764).

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

5. Financial risk management (continued):

The Fund is also exposed to other 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 Offering Memorandum.

(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 table below summarizes the foreign currencies to which the Fund had significant exposure at December 31, 2015 in CAD terms. 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.

December 31, 2015:

United States dollar	Exposure	Impact on net assets attributable to holders of redeemable units
Cash and other receivables	\$ 8,591	\$ 430
Net investments at FVTPL	223,486	11,174
Total	\$ 232,007	\$ 11,604
% of net assets attributable to holders of redeemable units	2.8%	0.1%

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

5. Financial risk management (continued):

December 31, 2014:

United States dollar	Exposure	Impact on net assets attributable to holders of redeemable units
Cash and other receivables	\$ (51,588)	\$ (2,579)
Net investments at FVTPL	44,654	2,233
Total	\$ (6,934)	\$ (346)
% of net assets attributable to holders of redeemable units	(0.5)%	(0.0)%

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

(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.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

5. Financial risk management (continued):

(c) Fair value measurement:

The fair value of financial assets and 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 period-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 period-end date, valuation techniques will be applied to determine the fair value.

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 period of the transfer.

All investments held by the Fund are classified as Level 1.

There were no transfers between Levels 1, 2, and 3 in the periods presented.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

6. Net assets attributable to redeemable units:

Redeemable units:

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

Subscriptions are accepted on a weekly basis, subject to applicable law and the Investment Manager's discretion to refuse a subscription in whole or in part. If a fully completed subscription agreement and subscription proceeds in cleared funds are delivered last business day of a week, a valuation date, and such subscription is accepted, the units subscribed for will be issued on the first business day of the next week. Units will be issued in series each month at an opening pricing net asset value for each new series of \$10.

Units may be redeemed as of the last business day of each week (a "Redemption Date"), except in extraordinary circumstances. A request in writing (including, for greater certainty, requests sent by email) with the Unitholder's signature, to the satisfaction of the Investment Manager and the Trustee, must be received by the Investment Manager at least six calendar days prior to the Redemption Date or such other period as permitted by the Investment Manager and the Trustee in their sole discretion. The amount payable to a unitholder for each unit redeemed will be an amount equal to the class net asset value per unit of the relevant series on the Redemption Date, together with the proportionate share attributable to such units of any distribution which has been declared and not paid, less (i) any redemption charges payable, and (ii) any withholding or other taxes required to be deducted. The redemption proceeds will typically be paid to the Unitholder on or before the fourth business day following the Redemption Date.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

6. Net assets attributable to redeemable units (continued):

During the year ended December 31, 2015, the number of units issued, redeemed and outstanding was as follows:

December 31, 2015:

	Units, beginning of year	Sale of units	Redemption of units	Redesignation of units	Units, end of year
Class A - Initial Series	100	—	—	—	100
Class A - 2015 Series 8	—	2,500	—	—	2,500
Class A - 2015 Series 11	—	3,500	—	—	3,500
Class A - 2015 Series 12	—	6,281	—	—	6,281
Class E - Initial Series	112,861	185,767	—	—	298,628
Class F - Initial Series	100	—	—	—	100
Class F - 2015 Series 7	—	1,000	—	—	1,000
Class F - 2015 Series 11	—	9,284	—	—	9,284
Found Class - Initial Series	—	27,500	—	99,026	126,526
Found Class - 2015 Series 5	—	102,439	—	(102,439)	—
Found Class - 2015 Series 6	—	252,656	(115,473)	—	137,183
Found Class - 2015 Series 7	—	10,000	—	—	10,000
Found Class - 2015 Series 8	—	75,413	—	—	75,413
Found Class - 2015 Series 9	—	25,000	—	—	25,000
Found Class - 2015 Series 10	—	20,000	—	—	20,000
Found Class - 2015 Series 11	—	10,000	—	—	10,000
Found Class - 2015 Series 12	—	5,000	—	—	5,000

December 31, 2014:

	Units, beginning of year	Sale of units	Redemption of units	Redesignation of units	Units, end of year
Class A - Initial Series	—	100	—	—	100
Class E - Initial Series	—	112,681	—	—	112,681
Class F - Initial Series	—	100	—	—	100

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

7. Related party transactions:

(a) Management fees:

As consideration for the services provided by the Investment Manager, the Fund pays the Investment Manager a management fee, monthly in arrears, calculated as:

- 1/12 of 2.0% of the aggregate of the net asset value of the Class A and/or Class I units on the last business day of the preceding month;
- 1/12 of 1.0% of the aggregate of the net asset value of the Class F units on the last business day of the preceding month; and
- 1/12 of 1.5% of the aggregate of the net asset value of the Founder units on the last business day of the preceding month.

(b) Performance fee:

The Investment Manager is entitled to a quarterly performance fee equal to:

- 20% of the amount by which the performance of each Class A series, Class F series, and/or Class I series exceeds the previous high water mark; and
- 10% of the amount by which the performance of each Founder series exceeds the previous high water mark.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

7. Related party transactions (continued):

No performance fee shall be paid in respect of a particular series of the class of units unless the class net asset value per unit of the class of units of that series exceeds the highest net asset value per unit of the class of units of that series in respect of which a performance fee has been previously paid (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. Because the performance fee is calculated on a series-by-series basis, if a new investor purchases units of the class or an existing unitholder purchases additional units of the class, the starting point for the measurement of net profit with respect to that new or additional investment will be the applicable subscription date for such class of units. The previous highest class net asset value per unit of the class of units of any series achieved prior to the purchase of the new units of the class will not be considered in determining whether a performance fee is payable with respect to any such newly issued series of units of the class. As a result, different series of units of the class may have different performance fees payable at the end of the same calculation period, based on the level of net profit relating to each such series during the period during which it was outstanding, and a unitholder may be subject to a performance fee payment with respect to its units of the class in one series even if it incurs a net loss with respect to the aggregate number of units of the class it owns in all series.

(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 expenses of the Fund. For the year ended December 31, 2015, the Investment Manager absorbed nil (2014 - \$6,000) in audit fees, \$1,382 (2014 - nil) in legal fees, \$4,368 (2014 - \$565) in trustee fees and nil (2014 - \$4,520) in administration fee.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

7. Related party transactions (continued):

(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 in the normal course of business and are measured at the exchange amounts. As at December 31, 2015, 100.0000 of Class A units and 100.0000 of Class F units were held by the Investment Manager and 298,627.4604 of Class E units and 38,030.2014 of Founder units (2014 - 100, 100, 112,861 and nil, respectively) were owned by unitholders related to the Investment Manager.

8. Interests in subsidiaries, associates and unconsolidated structured entities:

The Fund may invest in units of 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 prospectus to meet those objectives. The Fund also measures and evaluates the performance of any ETFs on a fair value basis.

ETFs over which the Fund has control or significant influence are categorized as subsidiaries and associates, respectively. All other ETFs are categorized as unconsolidated structured entities.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2015

8. Interests in subsidiaries, associates and unconsolidated structured entities (continued):

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 fair value of, if any, are disclosed in investments in the statements of financial position and listed in the schedule of investments. The Fund did not have control or any significant influence on these ETF's. The following meet the definition of unconsolidated structures entities:

As at	ETF	Place of business	Carrying amounts
December 31, 2015	iShares S&P/TSX Capped Energy Index ETF	Canada	\$ 256,250

9. Filing exemption:

The Fund is relying on the exemption contained in Section 2.11(d) of National Instrument 81-106 not to file its financial statements with the Ontario Securities Commission on SEDAR.