

Financial Statements of

# **EHP GUARDIAN FUND**

June 30, 2016

## **Manager's comments on unaudited interim financial statements**

These interim financial statements of EHP Guardian Fund for the period ended June 30, 2016 have been prepared by the Manager. These interim financial statements have not been audited by KPMG LLP, the independent external auditors of the Fund.

# EHP GUARDIAN FUND

## Statements of Financial Position

As at June 30, 2016 and December 31, 2015 (unaudited)

	2016	2015
<b>Assets</b>		
Cash	\$ 21,991,586	\$ 3,243,092
Financial assets at fair value through profit or loss (cost - \$25,460,350; December 31, 2015 - \$3,908,969) (note 2)	26,258,219	3,909,572
Receivable for investments sold	4,869,025	-
Dividends receivable	58,984	7,428
Interest receivable	5,082	882
Subscription receivable	-	465,000
Prepaid expenses	2,038	-
	<b>53,184,934</b>	<b>7,625,974</b>
<b>Liabilities</b>		
Financial liabilities at fair value through profit and loss (proceeds - \$15,962,168; December 31, 2015 - \$2,220,723) (note 2)	15,998,455	2,257,416
Payable for investments purchased (note 2)	6,376,975	3,954
Performance fees payable (note 7)	150,646	7,721
Management fees payable (note 7)	29,309	8,571
Accounts payable and accrued liabilities	23,038	7,067
Interest payable	2,672	221
Dividends payable	2,397	523
Distribution payable	1,822	-
	<b>22,585,314</b>	<b>2,285,473</b>
<b>Net assets attributable to holders of redeemable units (note 6)</b>	<b>\$ 30,599,620</b>	<b>\$ 5,340,501</b>

# EHP GUARDIAN FUND

## Statements of Financial Position (continued)

As at June 30, 2016 and December 31, 2015 (unaudited)

	2016	2015
Net assets attributable to holders of redeemable units per class and series:		
Class A - Initial Series	\$ 1,412,718	\$ 1,071
Class A - 2015 Series 11	-	490,340
Class A - 2015 Series 12	-	14,986
Class A - 2016 Series 4	280,660	-
Class A - 2016 Series 5	1,144,142	-
Class A - 2016 Series 6	1,220,631	-
Class E - Initial Series	3,422,241	2,408,129
Class F - Initial Series	9,263,084	208,141
Class F - 2015 Series 10	-	105,736
Class F - 2015 Series 11	-	233,846
Class F - 2015 Series 12	-	40,247
Class F - 2016 Series 4	3,613,571	-
Class F - 2016 Series 5	3,778,986	-
Class F - 2016 Series 6	2,086,747	-
Founder Class - Initial Series	3,203,372	246,444
Founder Class - 2015 Series 10	-	387,375
Founder Class - 2015 Series 11	-	754,567
Founder Class - 2015 Series 12	-	449,619
Founder Class - 2016 Series 4	666,334	-
Founder Class - 2016 Series 5	507,134	-
<b>Total net assets attributable to holders of redeemable units</b>	<b>\$ 30,599,620</b>	<b>\$ 5,340,501</b>
Net assets attributable to holders of redeemable units per unit:		
Class A - Initial Series	\$ 10.82	\$ 10.40
Class A - 2015 Series 11	-	9.97
Class A - 2015 Series 12	-	9.99
Class A - 2016 Series 4	10.13	-
Class A - 2016 Series 5	10.10	-
Class A - 2016 Series 6	10.13	-
Class E - Initial Series	11.55	10.79
Class F - Initial Series	10.94	10.47
Class F - 2015 Series 10	-	10.13
Class F - 2015 Series 11	-	9.99
Class F - 2015 Series 12	-	10.07
Class F - 2016 Series 4	10.15	-
Class F - 2016 Series 5	10.12	-
Class F - 2016 Series 6	10.14	-
Founder Class - Initial Series	11.23	10.68
Founder Class - 2015 Series 10	-	10.15
Founder Class - 2015 Series 11	-	10.02
Founder Class - 2015 Series 12	-	9.99
Founder Class - 2016 Series 4	10.18	-
Founder Class - 2016 Series 5	10.14	-

See accompanying notes to financial statements.

Signed on behalf of the Manager, Edgehill Partners

Chief Financial Officer

# EHP GUARDIAN FUND

## Statements of Comprehensive Income

For the six months period ended June 30, 2016 and period from April 1, 2015 (commencement of operations) to June 30, 2015 (unaudited)

	2016	2015
Income:		
Dividend income	\$ 298,551	\$ 23,389
Interest for distribution purposes	18,266	633
Net foreign currency gains	65,125	9,000
Net gains (losses) on financial assets and liabilities at fair value through profit or loss:		
Net realized gains (note 3)	584,506	48,802
Net change in unrealized appreciation (depreciation) (note 3)	797,672	(27,277)
	<u>1,764,120</u>	<u>54,547</u>
Operating expenses:		
Performance fee (note 7)	225,401	429
Management fee (note 7)	98,857	670
Commissions and other portfolio transaction	94,367	17,745
Dividend expense on investments sold short	72,520	4,067
Interest and stock loan fees	51,330	3,431
Administration fee	32,865	7,910
Withholding taxes	21,626	1,021
Other operating expenses	15,778	-
Audit fee	9,104	-
	<u>621,848</u>	<u>35,273</u>
Finance costs and taxes:		
Distributions to holders of redeemable shares	-	15,346
	-	<u>15,346</u>
Expenses absorbed by the Investment Manager (note 7)	<u>(14,564)</u>	-
	<u>607,284</u>	<u>50,619</u>
Increase in net assets attributable to holders of redeemable units (note 6)	<u>\$ 1,156,836</u>	<u>\$ 3,928</u>

# EHP GUARDIAN FUND

## Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

For the six months period ended June 30, 2016 and period from April 1, 2015 (commencement of operations) to June 30, 2015 (unaudited)

2016	Unit Transactions							Net assets attributable to holders of redeemable units, end of period
	Net assets attributable to holders of redeemable units, beginning of period	Increase in net assets attributable to holders of redeemable units	Proceeds from redeemable units issued	Reinvestment of Distributions to holders of redeemable shares	Redemption of redeemable units	Re-designation of redeemable units	Distributions of redeemable shares	
Class A - Initial Series	\$ 1,071	\$ 46,854	\$ -	\$ 16,454	\$ -	\$ 1,364,793	\$ (16,454)	\$ 1,412,718
Class A - 2015 Series 11	490,340	-	-	370	-	(490,340)	(370)	-
Class A - 2015 Series 12	14,986	550	-	162	-	(15,536)	(162)	-
Class A - 2016 Series 1	-	3,586	98,564	912	-	(102,150)	(912)	-
Class A - 2016 Series 2	-	2,991	160,973	747	-	(163,964)	(747)	-
Class A - 2016 Series 3	-	7,803	685,000	1,591	-	(692,803)	(1,591)	-
Class A - 2016 Series 4	-	5,382	300,500	2,096	-	(25,222)	(2,096)	280,660
Class A - 2016 Series 5	-	16,285	1,131,100	1,836	-	-	(5,079)	1,144,142
Class A - 2016 Series 6	-	17,389	1,204,168	680	-	-	(1,606)	1,220,631
Class E - Initial Series	2,408,129	264,112	750,000	55,238	-	-	(55,238)	3,422,241
Class F - Initial Series	208,141	245,170	-	82,289	(145,370)	8,957,986	(85,132)	9,263,084
Class F - 2015 Series 10	105,736	-	-	79	-	(105,736)	(79)	-
Class F - 2015 Series 11	233,846	-	-	176	-	(233,846)	(176)	-
Class F - 2015 Series 12	40,247	-	-	30	-	(40,247)	(30)	-
Class F - 2016 Series 1	-	43,159	1,030,339	9,322	-	(1,073,498)	(9,322)	-
Class F - 2016 Series 2	-	87,089	4,494,381	20,483	-	(4,581,470)	(20,483)	-
Class F - 2016 Series 3	-	27,950	2,895,239	6,174	-	(2,923,189)	(6,174)	-
Class F - 2016 Series 4	-	83,872	3,546,710	15,705	(3,983)	-	(28,733)	3,613,571
Class F - 2016 Series 5	-	62,238	3,698,206	10,872	-	25,222	(17,552)	3,778,986
Class F - 2016 Series 6	-	28,457	2,059,350	2,539	-	-	(3,599)	2,086,747
Founder Class - Initial Series	246,444	143,717	-	38,199	(326)	2,815,071	(39,733)	3,203,372
Founder Class - 2015 Series 10	387,375	-	-	287	-	(387,375)	(287)	-
Founder Class - 2015 Series 11	754,567	-	-	566	-	(754,567)	(566)	-
Founder Class - 2015 Series 12	449,619	19,434	-	4,862	-	(469,053)	(4,862)	-
Founder Class - 2016 Series 1	-	11,670	300,000	2,298	-	(311,670)	(2,298)	-
Founder Class - 2016 Series 2	-	11,570	480,000	2,340	-	(491,570)	(2,340)	-
Founder Class - 2016 Series 3	-	836	300,000	226	-	(300,836)	(226)	-
Founder Class - 2016 Series 4	-	17,717	650,000	3,776	-	-	(5,159)	666,334
Founder Class - 2016 Series 5	-	9,005	500,000	-	-	-	(1,871)	507,134
	\$ 5,340,501	\$ 1,156,836	\$ 24,284,530	\$ 280,309	\$ (149,679)	\$ -	\$ (312,877)	\$ 30,599,620

# EHP GUARDIAN FUND

## Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (continued)

For the six months period ended June 30, 2016 and period from April 1, 2015 (commencement of operations) to June 30, 2015 (unaudited)

	Unit Transactions									Net assets attributable to holders of redeemable units, end of period
	Net assets attributable to holders of redeemable units, beginning of period	Increase (decrease) in net assets attributable to holders of redeemable units	Proceeds from redeemable units issued	Reinvestment of Distributions to holders of redeemable shares	Redemption of redeemable units	Resignation of redeemable units	Distributions of redeemable shares			
2015										
Class A - Initial Series	\$ -	\$ (6)	\$ 1,010	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,004
Class E - Initial Series	-	2,144	1,398,152	-	-	-	-	-	-	1,400,296
Class F - Initial Series	-	(4)	1,010	-	-	-	-	-	-	1,006
Founder Class - Initial Series	-	1,794	226,453	-	-	-	-	-	-	228,247
	\$ -	\$ 3,928	\$ 1,626,625	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,630,553

See accompanying notes to financial statements.

# EHP GUARDIAN FUND

## Statements of Cash Flows

For the six months period ended June 30, 2016 and period from April 1, 2015 (commencement of operations) to June 30, 2015 (unaudited)

	2016	2015
Cash flow from operating activities:		
Increase in net assets attributable to holders of redeemable units	\$ 1,156,836	\$ 3,928
Adjustments for:		
Net realized gains on financial assets and liabilities at fair value through profit or loss (note 3)	(584,506)	(48,802)
Net change in unrealized (appreciation) depreciation on financial assets and liabilities at fair value through profit or loss (note 3)	(797,672)	27,277
	(225,342)	(17,597)
Change in non-cash balances:		
Purchases of investments	(64,912,452)	(10,196,886)
Cost of investments purchased to cover short positions	(43,369,111)	(4,805,190)
Proceeds from sale of investments	43,945,775	8,725,466
Proceeds from investments sold short	57,110,358	5,677,212
Net increase in receivable for investments sold	(4,869,025)	(1,106,348)
Net decrease in subscription receivable	465,000	-
Net increase in dividends receivable	(51,556)	(6,730)
Net increase in interest receivable	(4,200)	(323)
Net increase in prepaid expenses	(2,038)	-
Net increase in payable for investments purchased	6,373,021	1,107,161
Net increase in performance fee payable (note 7)	142,925	429
Net increase in management fee payable (note 7)	20,738	670
Net increase in accounts payable and accrued liabilities	15,971	5,485
Net increase in interest payable	2,451	-
Net increase in dividends payable	1,874	464
Net increase in distribution payable	1,822	723
Net cash used in operating activities	(5,353,789)	(615,464)
Cash flows from financing activities:		
Proceeds from issuance of redeemable units (note 6)	24,284,530	1,626,625
Payment on redemption of redeemable units (note 6)	(149,679)	-
Distributions to holders of redeemable units	(32,568)	-
Net cash provided by financing activities	24,102,283	1,626,625
Net increase in cash	18,748,494	1,011,161
Cash, beginning of period	3,243,092	-
Cash, end of period	<b>\$ 21,991,586</b>	<b>\$ 1,011,161</b>
Supplemental cash flow information:		
Interest paid	\$ 5,282	\$ -
Interest received	14,066	309
Dividends received, net of withholding taxes	225,369	15,638
Dividends paid	70,646	3,603



# EHP GUARDIAN FUND

## Schedule of Investments

As at June 30, 2016 (unaudited)

Number of shares/par value	Description	Cost	Carrying Value	% of net assets
<b>Investments - long</b>				
Canadian equities:				
4,240	BCE Inc.	\$ 255,054	\$ 259,234	0.80
139,700	Birchcliff Energy Ltd., Subscription Receipts	873,125	961,136	3.10
17,630	Chartwell Retirement Residences REIT	239,556	278,025	0.90
15,100	Chemtrade Logistics Income Fund	264,976	269,384	0.90
18,230	Choice Properties REIT	230,165	258,866	0.80
39,700	Chorus Aviation Inc.	242,392	238,200	0.80
20,350	Corus Entertainment Inc., Class B	258,551	271,062	0.90
15,920	Crombie REIT	233,639	244,372	0.80
84,570	Diversified Royalty Corp.	193,561	184,363	0.60
22,790	Dream Global REIT	198,056	213,770	0.70
14,730	EnerCare Inc.	230,419	251,883	0.80
35,690	Ensign Energy Services Inc.	255,219	258,753	0.80
6,690	Exchange Income Corp.	186,019	208,862	0.70
26,180	Extencare Inc.	236,004	213,105	0.70
19,480	Innergex Renewable Energy Inc.	250,663	282,265	0.90
7,340	Inter Pipeline Ltd.	187,800	201,116	0.70
11,920	Intertape Polymer Group Inc.	217,167	251,274	0.80
28,200	Laurentian Bank of Canada, Subscription Receipts	1,349,370	1,360,369	4.40
12,840	Medical Facilities Corp.	205,717	243,703	0.80
13,770	Milestone Apartments REIT	233,545	260,115	0.90
52,900	Nevsun Resources Ltd.	226,597	200,491	0.70
46,700	Northern Blizzard Resources Inc.	198,570	221,358	0.70
22,830	Northwest Healthcare Properties REIT	213,140	228,985	0.70
6,650	Pembina Pipeline Corp.	256,035	261,079	0.90
5,230	Premium Brands Holdings Corp.	252,256	284,512	0.90
45,750	Pure Industrial REIT, Class A	216,764	235,613	0.80
26,500	Quantum International Inc., Subscription Receipts	-	-	-
42,780	Rogers Sugar Inc.	224,481	252,830	0.80
66,710	Sandvine Corp.	193,508	177,449	0.60
7,810	Shaw Communications Inc., Class B	191,255	193,688	0.60
33,340	Student Transportation of America Inc.	216,910	221,378	0.70
23,330	Superior Plus Corp.	257,350	248,698	0.80
69,190	Surge Energy Inc.	168,115	176,435	0.60
13,800	Tamarack Valley Energy Ltd., Subscription Receipts	50,508	50,646	0.20
7,600	The North West Company Inc.	227,703	223,896	0.70
73,140	Transalta Corp	480,410	491,501	1.60
51,200	Transalta Corp., Preferred Shares	457,800	487,936	1.60
17,620	Transalta Renewables Corp.	210,324	235,403	0.80
3,980	TransCanada Corp.	202,462	232,671	0.80
50,000	Turquoise Hill Resources Ltd.	204,865	218,500	0.70
10,640	Valener Inc.	214,102	233,229	0.80
110,760	Western Forest Products Inc.	238,178	225,950	0.70
	<b>Total Canadian equities</b>	<b>11,242,331</b>	<b>11,812,105</b>	<b>38.50</b>
Canadian warrants				
11,500	Quantum International Income Corp., Warrants \$0.65 28JU	-	-	-
	<b>Total Canadian warrants</b>	<b>-</b>	<b>-</b>	<b>-</b>
United States equities:				
1,940	AFLAC Inc.	162,894	180,924	0.60
1,920	Altria Group Inc.	156,691	171,118	0.60
1,700	American Financial Group Inc.	158,234	162,430	0.50
3,120	AT&T Inc.	156,904	174,235	0.60
1,390	Automatic Data Processing Inc.	159,366	165,039	0.50
950	Boeing Co.	161,630	159,452	0.50
2,130	Broadridge Financial Solutions Inc.	163,120	179,483	0.60
1,280	Chevron Corp.	157,439	173,417	0.60

# EHP GUARDIAN FUND

## Schedule of Investments (continued)

As at June 30, 2016 (unaudited)

Number of shares/par value	Description	Cost	Carrying Value	% of net assets
1,840	Cincinnati Financial Corp.	156,893	178,090	0.60
4,330	Cisco Systems Inc.	156,710	160,552	0.50
960	Clorex Co.	161,023	171,701	0.60
1,600	Consolidated Edison Inc.	153,188	166,337	0.50
830	Cracker Barrel Old Country Store Inc.	161,619	183,935	0.60
760	Everest Re Group Ltd.	186,163	179,423	0.60
1,450	Exxon Mobil Corp.	158,943	175,667	0.60
8,990	Ford Motor Co.	157,274	146,047	0.50
4,050	General Motors Co.	167,110	148,128	0.50
1,540	Hasbro Inc.	160,735	167,165	0.50
5,130	HollyFrontier Corp.	218,043	157,595	0.50
1,120	Honeywell International Inc.	160,713	168,372	0.60
3,810	Intel Corp.	156,960	161,509	0.50
840	International Business Machines Corp.	157,313	164,775	0.50
28,160	iShares iBoxx High Yield Corp Bond ETF	3,046,137	3,082,570	10.10
1,120	Johnson & Johnson	160,472	175,580	0.60
910	Kaiser Aluminum Corp., Rights	-	-	-
2,020	Lamar Advertising Co., Class A	160,338	173,086	0.60
570	Lockheed Martin Corp.	167,874	182,819	0.60
3,950	Marathon Petroleum Corp.	198,229	193,785	0.60
970	McDonald's Corp.	155,967	150,862	0.50
1,980	Motorola Solutions Inc.	177,981	168,814	0.60
6,700	Old Republic International Corp.	161,852	167,034	0.50
1,510	Omnicom Group Inc.	158,750	159,030	0.50
3,380	Owens & Minor Inc.	154,198	163,288	0.50
2,250	Paychex Inc.	156,589	173,020	0.60
3,980	Pfizer Inc.	166,680	181,112	0.60
1,720	Phillips 66	187,533	176,367	0.60
3,610	Progressive Corp.	155,099	156,296	0.50
1,110	Praxair Inc.	160,186	161,231	0.50
990	Raytheon Co.	163,885	173,945	0.60
2,550	Republic Services Inc.	157,002	169,098	0.60
1,900	RLI Corp.	163,405	168,893	0.60
2,620	Sonoco Products Co.	156,864	168,153	0.50
2,400	Southern Co.	155,692	166,347	0.50
66,800	SPDR Barclays High Yield Bond ETF	3,036,776	3,081,201	10.10
1,920	Spire Inc.	165,841	175,783	0.60
1,990	Target Corp.	195,538	179,568	0.60
1,190	United Parcel Service Inc., Class B	158,860	165,669	0.50
2,510	Valero Energy Corp.	198,562	165,440	0.50
2,300	Verizon Communications Inc.	153,470	165,986	0.50
2,030	Waste Management Inc.	153,322	173,864	0.60
6,460	Western Refining Inc.	217,602	172,238	0.60
6,260	Western Union Co.	157,384	155,174	0.50
	Total United States equities	14,191,053	14,441,647	47.30
	United States options			
72	Monsato Co., CALL \$115 15JUL16	26,966	4,467	-
Total investments - long		\$ 25,460,350	\$ 26,258,219	85.80

# EHP GUARDIAN FUND

## Schedule of Investments (continued)

As at June 30, 2016 (unaudited)

Number of shares/par value	Description	Cost	Carrying Value	% of net assets
<b>Investments - short</b>				
Canadian equities:				
(9,150)	Advantage Oil & Gas Ltd.	(64,747)	(66,063)	(0.20)
(1,730)	AGT Food and Ingredients Inc.	(61,828)	(61,398)	(0.20)
(7,500)	Air Canada Inc.	(65,945)	(66,675)	(0.20)
(3,540)	AirBoss of America Corp.	(58,713)	(49,843)	(0.20)
(6,210)	Altius Minerals Corp.	(65,699)	(67,068)	(0.20)
(6,020)	ATS Automation Tooling System Inc.	(64,837)	(58,514)	(0.20)
(4,340)	Avigilon Corp.	(61,285)	(57,592)	(0.20)
(2,330)	Badger Daylighting Ltd.	(54,133)	(52,425)	(0.20)
(139,900)	Birchcliff Energy Ltd.	(922,067)	(962,512)	(3.10)
(5,910)	Blackberry Ltd.	(57,558)	(51,240)	(0.20)
(400)	Canadian Pacific Railway Ltd.	(68,693)	(66,532)	(0.20)
(3,850)	Canfor Corp.	(58,750)	(50,243)	(0.20)
(1,310)	Colliers International Group Inc.	(65,653)	(57,797)	(0.20)
(90)	Concordia International Corp.	(2,431)	(2,505)	-
(8,770)	DHX Media Ltd.	(63,511)	(57,882)	(0.20)
(11,540)	Dirtt Environment Solutions Ltd.	(65,051)	(62,085)	(0.20)
(7,700)	Dream Unlimited Corp.	(59,154)	(61,446)	(0.20)
(9,980)	Dundee Corp., Class A	(67,873)	(76,147)	(0.20)
(4,040)	Element Financial Corp.	(61,073)	(55,348)	(0.20)
(2,380)	Empire Company Ltd., Class A	(56,381)	(45,720)	(0.10)
(5,910)	Encana Corp.	(47,515)	(59,396)	(0.20)
(1,190)	Equitable Group Inc.	(63,149)	(66,628)	(0.20)
(70)	Fairfax Financial Holdings Ltd.	(48,631)	(48,708)	(0.20)
(3,670)	Great Canadian Gaming Corp.	(66,012)	(65,950)	(0.20)
(3,670)	Hudson's Bay Co.	(64,568)	(57,215)	(0.20)
(4,410)	Husky Energy Inc.	(67,167)	(69,546)	(0.20)
(5,210)	Interfor Corp.	(67,213)	(57,675)	(0.20)
(83,600)	iShares S&P TSX 60 Index ETF	(1,707,776)	(1,722,160)	(5.60)
(27,000)	Laurentian Bank of Canada	(1,299,231)	(1,302,480)	(4.30)
(6,180)	Martinrea International Inc.	(58,248)	(49,440)	(0.20)
(7,460)	Mitel Networks Corp.	(64,286)	(60,501)	(0.20)
(2,270)	Norbord Inc.	(58,688)	(57,340)	(0.20)
(1,270)	Restaurant Brands International Ltd.	(64,303)	(68,301)	(0.20)
(3,370)	Sierra Wireless Inc.	(72,397)	(73,769)	(0.97)
(13,800)	Tamarack Valley Energy Ltd.	(50,508)	(50,646)	(0.20)
(6,690)	The Intertain Group Ltd.	(70,613)	(69,911)	(0.20)
(1,340)	West Fraser Timber Co. Ltd.	(55,016)	(50,612)	(0.20)
	<b>Total Candian equities</b>	<b>(5,970,703)</b>	<b>(5,959,313)</b>	<b>(20.27)</b>
United States equities:				
(2,020)	3D Systems Corp.	(36,338)	(35,740)	(0.10)
(1,230)	Actuant Corp., Class A	(40,055)	(35,942)	(0.10)
(2,610)	AES Corp.	(38,464)	(42,097)	(0.10)
(1,230)	Akorn Inc.	(46,320)	(45,281)	(0.10)
(3,000)	Alcoa Inc.	(36,811)	(35,942)	(0.10)
(1,190)	AMAG Pharmaceuticals Inc.	(37,138)	(36,788)	(0.10)
(1,810)	American Equity Investment Life Holding Co.	(38,081)	(33,334)	(0.10)
(4,890)	Ascena Retail Group Inc.	(54,028)	(44,176)	(0.10)
(740)	Baxter International Inc.	(39,822)	(43,247)	(0.10)
(510)	Belden Inc.	(36,339)	(39,791)	(0.10)
(4,370)	Century Aluminum Co.	(40,200)	(35,751)	(0.10)
(1,030)	Charles Schwab Corp.	(38,521)	(33,692)	(0.10)
(2,460)	Consol Energy Inc.	(35,303)	(51,155)	(0.20)
(2,440)	Darling International Inc.	(37,776)	(46,986)	(0.20)
(510)	Deckers Outdoor Corp.	(36,480)	(37,913)	(0.10)
(360)	Edgewell Personal Care Inc.	(37,681)	(39,273)	(0.10)
(460)	Esterline Technologies Corp.	(40,051)	(36,883)	(0.10)
(990)	Financial Engines Inc.	(36,953)	(33,100)	(0.10)
(2,920)	Freeport-McMoroRan Inc.	(42,579)	(42,040)	(0.10)
(4,570)	Iconix Brand Group Inc.	(46,128)	(39,926)	(0.10)

# EHP GUARDIAN FUND

## Schedule of Investments (continued)

As at June 30, 2016 (unaudited)

Number of shares/par value	Description	Cost	Carrying Value	% of net assets
(44,180)	iShares Barclays 1-3 Year Treasury ETF	(4,940,779)	(4,871,621)	(15.90)
(21,410)	iShares Barclays 7-10 Year Bond ETF	(3,072,571)	(3,125,422)	(10.20)
(710)	Jacobs Engineering Group Inc.	(40,768)	(45,706)	(0.10)
(350)	Kansas City Southern	(39,652)	(40,751)	(0.10)
(1,220)	Kate Spade & Co.	(34,249)	(32,496)	(0.10)
(2,190)	KB Home	(37,063)	(43,050)	(0.10)
(1,870)	Leucadia National Corp.	(40,672)	(41,883)	(0.10)
(310)	Ligand Pharmaceuticals Inc.	(43,784)	(47,785)	(0.20)
(2,540)	Lumber Liquidators Holdings Inc.	(43,770)	(50,619)	(0.20)
(810)	Meritage Homes Corp.	(36,733)	(39,299)	(0.10)
(2,610)	Micron Technology Inc.	(40,812)	(46,415)	(0.20)
(250)	Monster Beverage Corp.	(45,971)	(51,925)	(0.20)
(1,270)	NiSource Inc.	(37,358)	(43,529)	(0.10)
(1,600)	Now Inc.	(35,057)	(37,511)	(0.10)
(2,110)	NRG Energy Inc.	(40,085)	(40,877)	(0.10)
(590)	Qorvo Inc.	(37,518)	(42,137)	(0.10)
(1,280)	Quanta Services Inc.	(36,560)	(38,247)	(0.10)
(4,790)	SLM Corp.	(40,374)	(38,258)	(0.10)
(1,160)	Sotheby's	(41,152)	(41,078)	(0.10)
(930)	Stifel Financial Inc.	(41,288)	(37,801)	(0.10)
(5,070)	Supervalu Inc.	(35,686)	(30,928)	(0.10)
(310)	SVB Financial Group	(41,211)	(38,125)	(0.10)
(1,050)	Tenet Healthcare Corp.	(39,709)	(37,508)	(0.10)
(1,190)	Trimble Navigation Ltd.	(37,109)	(37,465)	(0.10)
(940)	Triumph Group Inc.	(40,326)	(43,127)	(0.10)
(1,390)	U.S. Silica Holdings Inc.	(41,858)	(61,923)	(0.20)
(2,530)	Unit Corp.	(45,691)	(50,878)	(0.20)
(760)	United Natural Foods Inc.	(36,673)	(45,968)	(0.20)
(480)	United Rentals Inc.	(37,797)	(41,626)	(0.10)
(1,900)	United States Steel Corp.	(40,839)	(41,401)	(0.10)
(860)	Whole Foods Market Inc.	(36,423)	(35,589)	(0.10)
(450)	Zebra Technologies Corp., Class A	(36,859)	(29,137)	(0.10)
	Total United States equities	(9,991,465)	(10,039,142)	(32.00)
Total investments - short		\$ (15,962,168)	\$ (15,998,455)	(52.27)
Total investments - long		\$ 25,460,350	\$ 26,258,219	85.80
Total investments - short		(15,962,168)	(15,998,455)	(52.27)
Total investments owned		<u>\$ 9,498,182</u>	10,259,764	33.53
Other assets, net			20,339,856	66.47
Net assets			<u>\$ 30,599,620</u>	100.00

See accompanying notes to financial statements.

# EHP GUARDIAN FUND

Notes to Financial Statements

June 30, 2016 (unaudited)

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## 1. General information:

The EHP Guardian Fund (the "Fund") is an open-ended investment trust established under the laws of the Province of Ontario pursuant to a trust agreement made as of March 19, 2015 and amended and restated as of June 25, 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 adviser 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, consisting of interest and dividend income and capital gain appreciation and to provide unitholders with monthly distributions. The Investment Manager plans to generate these returns by utilizing predominantly 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 the above stated objectives, 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 August 26, 2016.

# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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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 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 financial 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 GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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## 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 exchange-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 gains or loss and is presented in the statement of comprehensive income within net realized gains on financial assets at FVTPL.

# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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## 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 on financial assets and liabilities at FVTPL and net change in unrealized 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 GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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## 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 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.

### (g) 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.

### (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 GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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## 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 period 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 period.

(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. Refer to note 8 for further detail on soft dollar arrangements.

(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 GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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## 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 release 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. The basis of classification 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.

## 3. Financial assets and financial liabilities at FVTPL:

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 periods ended June 30, 2016 and period from April 1, 2015 (commencement of operations) to June 30, 2015:

# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

### 3. Financial assets and financial liabilities at FVTPL (continued):

2016	Held-for-trading	Designated at FVTPL	Total
Financial assets at FVTPL			
Net realized gains	\$ 14,933	\$ 569,765	\$ 584,698
Net change in unrealized gains (losses)	(22,499)	819,765	797,266
	(7,566)	1,389,530	1,381,964
Financial liabilities at FVTPL			
Net realized losses	(192)	-	(192)
Net change in unrealized gains	406	-	406
	214	-	214
Total	\$ (7,352)	\$ 1,389,530	\$ 1,382,178

2015	Held-for-trading	Designated at FVTPL	Total
Financial assets at FVTPL			
Net realized gains	\$ -	\$ 55,132	\$ 55,132
Net change in unrealized losses	-	(49,621)	(49,621)
	-	5,511	5,511
Financial liabilities at FVTPL			
Net realized losses	(6,330)	-	(6,330)
Net change in unrealized gains	22,344	-	22,344
	16,014	-	16,014
Total	\$ 16,014	\$ 5,511	\$ 21,525

# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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## 4. Derivative financial instruments:

The Fund holds the following derivative instruments:

Options:

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price. The Fund is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

The following table details the Fund's investments in options as at June 30, 2016:

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Description	Maturity date	Strike price	Notional amount	Fair value in financial assets (liabilities)
Options:				
Monsanto Co.	July 15, 2016	115.00	\$ 828,000	\$ 4,467

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The Fund did not hold options as at December 31, 2015.

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.

# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

## 4. Derivative financial instruments (continued):

The following table details the Fund's investments in warrants as at June 30, 2016 and December 31, 2015:

2016:

Description	Maturity date	Strike price	Notional amount	Fair value in financial assets (liabilities)
Warrants:				
Quantum International Income Corp.	July 28, 2017	0.65	\$ 7,475	\$ -

2015:

Description	Maturity date	Strike price	Notional amount	Fair value in financial assets (liabilities)
Warrants:				
Quantum International Income Corp.	July 28, 2017	0.65	\$ 7,475	\$ -
Western Lithium USA Corps	June 10, 2017	0.90	67,500	-

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.

# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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## 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 the following investment restrictions, as prescribed in the Offering Memorandum:

# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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## 5. Financial risk management (continued):

### (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 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).

### (iii) Commodities:

The Fund may 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.



# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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## 5. Financial risk management (continued):

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 June 30, 2016 and December 31, 2015, 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.

The majority of the cash and cash equivalents and investments of the Fund are held by the Bank of Nova Scotia (the "Prime Broker"). Bankruptcy or insolvency of the Prime Broker may cause the Fund's 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 the Prime Broker was A+.

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 June 30, 2016, the fair value of financial assets subject to the general lien is \$53,184,934. The Fund's cash investments are held by highly credit worthy financial institutions.

# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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## 5. Financial risk management (continued):

### (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 weekly 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 2016 or 2015.

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

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 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.

# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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## 5. Financial risk management (continued):

### (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 June 30, 2016, 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 \$1,025,976 (December 31, 2015 - \$165,216).

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 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.

# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

## 5. Financial risk management (continued):

The table below summarizes the foreign currencies to which the Fund had significant exposure at June 30, 2016 and 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.

2016:

United States dollar	Exposure	Impact on net assets attributable to holders of redeemable units
Cash and other receivables	\$ (4,089,901)	\$ (204,495)
Investments at FVTPL	4,406,972	220,349
<b>Total</b>	<b>\$ 317,071</b>	<b>\$ 15,854</b>
% of net assets attributable to holders of redeemable units	1.0%	0.1%

2015:

United States dollar	Exposure	Impact on net assets attributable to holders of redeemable units
Cash and other receivables	\$ (931,828)	\$ (46,591)
Investments at FVTPL	995,365	49,768
<b>Total</b>	<b>\$ 63,537</b>	<b>\$ 3,177</b>
% of net assets attributable to holders of redeemable units	1.2%	0.1%

# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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## 5. Financial risk management (continued):

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.

### (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) 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 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.

# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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## 5. Financial risk management (continued):

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 period-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.

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 Level 1, Level 2 and Level 3 in the periods presented.

# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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## 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 by the 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 6 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 forth business day following the Redemption Date.

# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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

During the period ended June 30, 2016 and period from April 1, 2015 (commencement of operations) to June 30, 2015, the number of units issued, redeemed and outstanding was as follows:

June 30, 2016:

	Units, beginning of period	Sale of units	Redemption of units	Distribution reinvestment	Redesignation of units	Units, end of period
Class A - Initial Series	103	-	-	1,548	128,958	130,609
Class A - 2015 Series 11	49,178	-	-	37	(49,215)	-
Class A - 2015 Series 12	1,500	-	-	16	(1,516)	-
Class A - 2016 Series 1	-	9,863	-	90	(9,953)	-
Class A - 2016 Series 2	-	16,084	-	74	(16,158)	-
Class A - 2016 Series 3	-	68,315	-	158	(68,473)	-
Class A - 2016 Series 4	-	30,016	-	210	(2,519)	27,707
Class A - 2016 Series 5	-	113,056	-	184	-	113,240
Class A - 2016 Series 6	-	120,473	-	68	-	120,541
Class E - Initial Series	223,087	68,238	-	4,951	-	296,276
Class F - Initial Series	19,875	-	(13,539)	7,640	832,840	846,816
Class F - 2015 Series 10	10,440	-	-	8	(10,448)	-
Class F - 2015 Series 11	23,411	-	-	18	(23,429)	-
Class F - 2015 Series 12	3,996	-	-	3	(3,999)	-
Class F - 2016 Series 1	-	102,982	-	915	(103,897)	-
Class F - 2016 Series 2	-	446,510	-	2,018	(448,528)	-
Class F - 2016 Series 3	-	288,112	-	611	(288,723)	-
Class F - 2016 Series 4	-	354,746	(397)	1,568	-	355,917
Class F - 2016 Series 5	-	369,765	-	1,089	2,523	373,377
Class F - 2016 Series 6	-	205,629	-	255	-	205,884
Founder Class - Initial Series	23,069	-	(30)	3,480	258,617	285,136
Founder Class - 2015 Series 10	38,169	-	-	28	(38,197)	-
Founder Class - 2015 Series 11	75,278	-	-	57	(75,335)	-
Founder Class - 2015 Series 12	45,000	-	-	480	(45,480)	-
Founder Class - 2016 Series 1	-	30,000	-	226	(30,226)	-
Founder Class - 2016 Series 2	-	47,864	-	231	(48,095)	-
Founder Class - 2016 Series 3	-	30,000	-	23	(30,023)	-
Founder Class - 2016 Series 4	-	65,100	-	377	-	65,477
Founder Class - 2016 Series 5	-	50,000	-	-	-	50,000



# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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

June 30, 2015:

	Units, beginning of period	Sale of units	Redemption of units	Distribution reinvestment	Redesignation of units	Units, end of period
Class A - Initial Series	-	101	-	-	-	101
Class E - Initial Series	-	139,991	-	-	-	139,991
Class F - Initial Series	-	101	-	-	-	101
Fonder Class - Initial Series	-	22,644	-	-	-	22,644

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the period ended June 30, 2016 and period from April 1, 2015 (commencement of operations) to June 30, 2015 is calculated as follows:

Series	Increase per series	2016	Increase per unit	Increase (decrease) per series	2015	Increase (decrease) per unit
		Weighted average units outstanding			Weighted average units outstanding	
Class A - Initial Series	46,854	132,354	0.35	(6)	100	(0.06)
Class A - 2015 Series 12	550	1,512	0.36	-	-	-
Class A - 2016 Series 1	3,586	9,547	0.38	-	-	-
Class A - 2016 Series 2	2,991	15,480	0.19	-	-	-
Class A - 2016 Series 3	7,803	65,133	0.12	-	-	-
Class A - 2016 Series 4	5,382	23,036	0.23	-	-	-
Class A - 2016 Series 5	16,285	86,540	0.19	-	-	-
Class A - 2016 Series 6	17,389	77,100	0.23	-	-	-
Class E - Initial Series	264,112	276,861	0.95	2,144	134,658	0.02
Class F - Initial Series	245,170	851,512	0.29	(4)	100	(0.04)
Class F - 2016 Series 1	43,159	102,970	0.42	-	-	-
Class F - 2016 Series 2	87,089	388,415	0.22	-	-	-
Class F - 2016 Series 3	27,950	270,836	0.10	-	-	-
Class F - 2016 Series 4	83,872	314,099	0.27	-	-	-
Class F - 2016 Series 5	62,238	297,179	0.21	-	-	-
Class F - 2016 Series 6	28,457	162,467	0.18	-	-	-
Founder Class - Initial Series	143,717	283,105	0.51	1,794	22,551	0.08
Founder Class - 2015 Series 12	19,434	45,356	0.43	-	-	-
Founder Class - 2016 Series 1	11,670	30,173	0.39	-	-	-
Founder Class - 2016 Series 2	11,570	53,456	0.22	-	-	-
Founder Class - 2016 Series 3	836	30,022	0.03	-	-	-
Founder Class - 2016 Series 4	17,717	56,488	0.31	-	-	-
Founder Class - 2016 Series 5	9,005	50,000	0.18	-	-	-

# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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## 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:

- (i) 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;
- (ii) 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
- (iii) 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:

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

# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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## 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 in 2016 and 2015. For the period ended June 30, 2016, the Investment Manager absorbed \$9,104 in audit fees and \$5,460 in administration fees, while for the period ended December 31, 2015, the Investment Manager absorbed \$6,631 in legal fees and \$2,846 in trustee 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 June 30, 2016, 104.8963 of Class A Units and 104.8687 of Class F Units were held by the Investment Manager and 296,276.0580 of Class E Units and 23,496.6593 of Founder Units (December 31, 2015 – 102.9231, 102.9129, 223,086.9779 and 23,068.9606, respectively) were owned by unitholders related to the Investment Manager.

# EHP GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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**8. 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 ended June 30, 2016 is approximately \$12,575.

**9. 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 GUARDIAN FUND

Notes to Financial Statements (continued)

June 30, 2016 (unaudited)

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## 9. 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 long position in ETFs is equal to the total fair value of the investment in those respective ETFs at any given point in time; however, is unlimited for short positions. The Fund also has short position and, hence, an interest in ETFs shown below. The fair value of, if any, are disclosed in investments in the statement of financial position and listed in the schedule of investments. The Fund did not have control or any significant influence on these ETFs and, the following, meet the definition of unconsolidated structures entities:

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As at	ETF	Place of business	Carrying amounts
June 30, 2016	iShares iBoxx High Yield Corp Bond ETF	United States	3,082,570
June 30, 2016	SPDR Barclays High Yield Bond ETF	United States	3,081,201
June 30, 2016	iShares S&P TSX 60 Index ETF	Canada	(1,722,160)
June 30, 2016	iShares Barclays 1-3 Year Treasury ETF	United States	(4,871,621)
June 30, 2016	iShares Barclays 7-10 Year Bond ETF	United States	(3,125,422)
December 31, 2015	iShares Barclays 20+ Year Treasury Bond ETF	United States	1,168,094
December 31, 2015	iShares Barclays 1-3 Year Bond ETF	United States	(615,250)
December 31, 2015	iShares Barclays 7-10 Year Bond ETF	United States	(623,958)

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## 10. 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.