

Financial Statements of

EHP SELECT FUND

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of EHP Select Fund

Opinion

We have audited the financial statements of EHP Select Fund (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of comprehensive income (loss) for the year then ended
- the statement of changes in net assets attributable to holders of redeemable units for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

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

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.



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

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

March 29, 2019

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Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Cash	\$ 7,932,368	\$ 37,829
Financial assets at fair value through profit or loss (cost - \$19,839,582; 2017 - \$36,247,953) (note 4)	19,278,916	40,540,810
Receivable for investments sold (note 2)	1,922,098	4,649,686
Dividends receivable	41,506	76,203
Interest receivable	11,019	1,064
Other receivable	7,090	—
Expenses paid in advance	—	3,581
	<u>29,192,997</u>	<u>45,309,173</u>
Liabilities		
Financial liabilities at fair value through profit and loss (proceeds - \$9,598,623; 2017 - \$10,848,867) (note 4)	8,511,569	11,062,825
Bank margin	—	1,539,893
Payable for investments purchased	1,702,291	4,547,070
Performance fees payable (note 6)	—	283,413
Management fees payable (note 6)	16,528	25,537
Dividends payable	27,183	35,255
Interest payable	—	29
Accounts payable and accrued liabilities	33,513	38,658
	<u>10,291,084</u>	<u>17,532,680</u>
Net assets attributable to holders of redeemable units (note 5)	<u>\$ 18,901,913</u>	<u>\$ 27,776,493</u>
Net assets attributable to holders of redeemable units per class and series:		
Class A - Initial Series	\$ 826,558	\$ 1,016,331
Class A - 2017 Series 10	—	52,393
Class A - 2017 Series 11	—	25,647
Class E - Initial Series	5,708,397	6,438,133
Class F - Initial Series	6,014,556	7,693,671
Class F - 2017 Series 10	—	148,603
Class F - 2017 Series 11	—	4,052,895
Class F - 2017 Series 12	—	148,862
Class F - 2018 Series 1	71,920	—
Class F - 2018 Series 6	125,718	—
Class F - 2018 Series 7	36,174	—
Class F - 2018 Series 8	23,199	—
Class F - 2018 Series 9	30,208	—
Class F - 2018 Series 10	4,289	—
Class UA - Initial Series	303,470	307,620
Class UF - Initial Series	76,502	808,676
Class UF - 2017 Series 10	—	19,789
Class UF - 2017 Series 12	—	19,073
Class UF - 2018 Series 10	33,544	—
Founder Class - Initial Series	5,536,885	6,408,681
Founder Class - 2017 Series 10	—	636,119
Founder Class - 2018 Series 1	110,493	—
	<u>\$ 18,901,913</u>	<u>\$ 27,776,493</u>

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Statement of Financial Position (continued)

December 31, 2018, with comparative information for 2017

	2018	2017
Net assets attributable to holders of redeemable units per units:		
Class A - Initial Series	\$ 13.81	\$ 15.25
Class A - 2017 Series 10	-	10.48
Class A - 2017 Series 11	-	10.26
Class E - Initial Series	17.09	18.44
Class F - Initial Series	14.35	15.69
Class F - 2017 Series 10	-	10.69
Class F - 2017 Series 11	-	10.27
Class F - 2017 Series 12	-	10.05
Class F - 2018 Series 1	9.09	-
Class F - 2018 Series 6	9.03	-
Class F - 2018 Series 7	9.11	-
Class F - 2018 Series 8	9.19	-
Class F - 2018 Series 9	9.15	-
Class F - 2018 Series 10	9.95	-
Class UA - Initial Series	13.92	14.11
Class UF - Initial Series	14.80	14.89
Class UF - 2017 Series 10	-	13.19
Class UF - 2017 Series 12	-	12.72
Class UF - 2018 - Series 10	13.42	-
Founder Class - Initial Series	12.23	13.43
Founder Class - 2017 Series 10	-	10.78
Founder Class - 2018 Series 1	9.05	-

See accompanying notes to financial statements.

Approved by Edgehill Partners, Investment Manager,
on behalf of the Fund:

"Darryl DeMers" _____ Chief Financial Officer

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Statement of Comprehensive Income (Loss)

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Income:		
Dividend	\$ 747,814	\$ 571,973
Interest for distribution purposes	80,108	23,728
Net foreign currency gains (losses)	2,482	(2,768)
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	1,843,310	1,437,085
Net change in unrealized appreciation (depreciation) on financial assets and liabilities at fair value through profit or loss	(3,552,511)	2,693,693
	(878,797)	4,723,711
Operating expenses:		
Commissions and other portfolio transaction costs	354,005	354,539
Dividend expense on investments sold short	353,374	258,167
Management fees (note 6)	285,766	226,094
Interest and stock loan fees	162,168	121,198
Administration fees	60,448	63,881
Performance fees (note 6)	35,653	478,154
Other fees	21,639	23,428
Audit fees	18,201	18,208
Legal fees	5,924	12,512
Withholding taxes	409	1,081
	1,297,587	1,557,262
Increase (decrease) in net assets attributable to holders of redeemable units (note 5)	\$ (2,176,384)	\$ 3,166,449

See accompanying notes to financial statements.

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

Year ended December 31, 2018, with comparative information for 2017

	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 of redeemable shares	Capital gains	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				
2018										
Class A - Initial Series	\$ 1,016,331	\$ (96,494)	\$ -	\$ 57,545	\$ (171,319)	\$ 78,040	\$ (4,082)	\$ (53,463)	\$ 826,558	
Class A - 2017 Series 10	52,393	-	-	-	-	(52,393)	-	-	-	
Class A - 2017 Series 11	25,647	-	-	-	-	(25,647)	-	-	-	
Class E - Initial Series	6,438,133	(510,736)	531,000	384,916	(750,000)	-	(27,305)	(357,611)	5,708,397	
Class F - Initial Series	7,693,671	(858,864)	-	576,538	(6,870,054)	6,049,803	(40,898)	(535,640)	6,014,556	
Class F - 2017 Series 10	148,603	-	-	-	-	(148,603)	-	-	-	
Class F - 2017 Series 11	4,052,895	-	-	-	-	(4,052,895)	-	-	-	
Class F - 2017 Series 12	148,862	-	-	-	-	(148,862)	-	-	-	
Class F - 2018 Series 1	-	(14,066)	244,736	7,019	(158,750)	-	(498)	(6,521)	71,920	
Class F - 2018 Series 2	-	1,658	221,060	2,891	-	(222,718)	(205)	(2,686)	-	
Class F - 2018 Series 3	-	31,931	1,260,000	16,484	(19,101)	(1,272,830)	(1,169)	(15,315)	-	
Class F - 2018 Series 4	-	1,806	85,700	1,131	-	(87,506)	(80)	(1,051)	-	
Class F - 2018 Series 5	-	1,702	114,687	1,458	-	(116,389)	(103)	(1,355)	-	
Class F - 2018 Series 6	-	(16,174)	179,449	7,189	(37,557)	-	(510)	(6,679)	125,718	
Class F - 2018 Series 7	-	(108,117)	1,837,211	43,668	(1,692,920)	-	(3,098)	(40,570)	36,174	
Class F - 2018 Series 8	-	(2,380)	42,500	1,574	(16,921)	-	(112)	(1,462)	23,199	
Class F - 2018 Series 9	-	(2,792)	33,000	607	-	-	(43)	(564)	30,208	
Class F - 2018 Series 10	-	(81)	4,370	73	-	-	(5)	(68)	4,289	
Class UA - Initial Series	307,620	(4,150)	-	17,954	-	-	(1,274)	(16,680)	303,470	
Class UF - Initial Series	808,676	4,254	-	48,435	(775,290)	38,862	(3,436)	(44,999)	76,502	
Class UF - 2017 Series 10	19,789	-	-	-	-	(19,789)	-	-	-	
Class UF - 2017 Series 12	19,073	-	-	-	-	(19,073)	-	-	-	
Class UF - 2018 Series 10	-	1,168	32,376	562	-	-	(40)	(522)	33,544	
Founder Class - Initial Series	6,408,681	(583,553)	-	383,551	(924,362)	636,119	(27,208)	(356,343)	5,536,885	
Founder Class - 2017 Series 10	636,119	-	-	-	-	(636,119)	-	-	-	
Founder Class - 2018 Series 1	-	(21,496)	315,452	13,868	(183,463)	-	(984)	(12,884)	110,493	
	\$ 27,776,493	\$ (2,176,384)	\$ 4,901,541	\$ 1,565,463	\$ (11,599,737)	\$ -	\$ (111,050)	\$ (1,454,413)	\$ 18,901,913	

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

Year ended December 31, 2018, with comparative information for 2017

	Net assets attributable to holders of redeemable units, beginning of year	Increase (decrease) in net assets attributable to holders of redeemable units	Unit transactions				Net assets attributable to holders of redeemable units, end of year
			Proceeds from redeemable units issued	Redemption of redeemable units	Transfer in (transfer out)	Redesignation of redeemable units	
2017							
Class A - Initial Series	\$ 652,633	\$ 107,449	\$ -	\$ (26,641)	\$ (30,465)	\$ 313,355	\$ 1,016,331
Class A - 2016 Series 10	84,938	-	-	-	-	(84,938)	-
Class A - 2016 Series 12	59,618	2,109	-	-	-	(61,727)	-
Class A - 2017 Series 1	-	886	28,638	-	-	(29,524)	-
Class A - 2017 Series 5	-	311	111,500	-	-	(111,811)	-
Class A - 2017 Series 6	-	352	25,000	-	-	(25,352)	-
Class A - 2017 Series 10	-	2,393	50,000	-	-	-	52,393
Class A - 2017 Series 11	-	647	25,000	-	-	-	25,647
Class E - Initial Series	5,505,070	1,074,083	539,004	(680,024)	-	-	6,438,133
Class F - Initial Series	3,396,754	859,628	-	(859,859)	-	4,297,148	7,693,671
Class F - 2016 Series 10	1,180,803	-	-	-	-	(1,180,803)	-
Class F - 2016 Series 11	365,507	-	-	-	-	(365,507)	-
Class F - 2016 Series 12	175,509	5,362	-	(30,500)	-	(150,371)	-
Class F - 2017 Series 1	-	7,033	204,300	-	-	(211,333)	-
Class F - 2017 Series 2	-	8,969	396,725	-	-	(405,694)	-
Class F - 2017 Series 3	-	588	407,550	-	-	(408,138)	-
Class F - 2017 Series 4	-	326	109,000	-	-	(109,326)	-
Class F - 2017 Series 5	-	5,217	202,341	-	-	(207,558)	-
Class F - 2017 Series 6	-	5,044	1,064,000	-	-	(1,069,044)	-
Class F - 2017 Series 7	-	5,113	157,935	-	-	(163,048)	-
Class F - 2017 Series 9	-	907	25,400	-	-	(26,307)	-
Class F - 2017 Series 10	-	7,653	140,950	-	-	-	148,603
Class F - 2017 Series 11	-	101,225	3,951,670	-	-	-	4,052,895
Class F - 2017 Series 12	-	898	117,499	-	30,465	-	148,862
Class UA - Initial Series	-	8,752	-	-	-	298,868	307,620
Class UA - 2017 Series 1	-	2,977	65,570	-	-	(68,547)	-
Class UA - 2017 Series 2	-	7,909	222,411	-	-	(230,320)	-
Class UF - Initial Series	70,073	42,824	-	-	-	695,779	808,676
Class UF - 2016 Series 11	292,801	-	-	-	-	(292,801)	-
Class UF - 2017 Series 1	-	1,295	32,883	-	-	(34,178)	-
Class UF - 2017 Series 3	-	362	173,550	-	-	(173,912)	-
Class UF - 2017 Series 4	-	(6,060)	200,970	-	-	(194,910)	-
Class UF - 2017 Series 10	-	1,087	18,702	-	-	-	19,789
Class UF - 2017 Series 12	-	(226)	19,299	-	-	-	19,073
Founder Class - Initial Series	5,298,448	850,907	-	(389,009)	-	648,335	6,408,681
Founder Class - 2016 Series 12	364,026	14,736	-	-	-	(378,762)	-
Founder Class - 2017 Series 1	-	6,837	160,000	-	-	(166,837)	-
Founder Class - 2017 Series 4	-	2,737	100,000	-	-	(102,737)	-
Founder Class - 2017 Series 10	-	36,119	600,000	-	-	-	636,119
	\$ 17,446,180	\$ 3,166,449	\$ 9,149,897	\$ (1,986,033)	\$ -	\$ -	\$ 27,776,493

See accompanying notes to financial statements.

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Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash flows from operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (2,176,384)	\$ 3,166,449
Adjustments for:		
Net realized gains on financial assets and liabilities at fair value through profit or loss	(1,843,310)	(1,437,085)
Net change in unrealized depreciation (appreciation) on financial assets and liabilities at fair value through profit or loss	3,552,511	(2,693,693)
	(467,183)	(964,329)
Change in non-cash balances:		
Purchases of investments	(149,796,916)	(173,214,256)
Cost of investments purchased to cover short positions	(99,092,028)	(122,206,511)
Proceeds from sale of investments	159,089,434	160,423,550
Proceeds from investments sold short	106,683,756	125,719,985
Net decrease (increase) in dividends receivable	34,697	(23,183)
Net increase in interest receivable	(9,955)	(971)
Net decrease (increase) in other receivable	(7,090)	232,000
Net decrease (increase) in expenses paid in advance	3,581	(3,581)
Net increase (decrease) in performance fees payable (note 6)	(283,413)	226,193
Net increase (decrease) in management fees payable (note 6)	(9,009)	10,718
Net increase (decrease) in dividends payable	(8,072)	24,708
Net increase (decrease) in interest payable	(29)	(69)
Net decrease in accounts payable and accrued liabilities	(5,145)	(8,135)
Net cash provided by (used in) operating activities	16,132,628	(9,783,881)
Cash flows from financing activities:		
Proceeds from issuance of redeemable units (note 5)	4,901,541	9,149,897
Payment on redemption of redeemable units (note 5)	(11,599,737)	(1,986,033)
Net cash provided by (used in) financing activities	(6,698,196)	7,163,864
Increase (decrease) in cash	9,434,432	(2,620,017)
Cash (bank margin), beginning of year	(1,502,064)	1,117,953
Cash (bank margin), end of year	\$ 7,932,368	\$ (1,502,064)
Supplemental cash flow information:		
Interest paid	\$ 5,337	\$ (462)
Interest received	70,153	22,757
Dividends received, net of withholding taxes	782,102	547,709
Dividends paid	361,446	233,459

See accompanying notes to financial statements.

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Schedule of Investments

December 31, 2018

Number of shares/ par value/ contracts	Description	Cost	Carrying value	% of net assets
Investments - long				
Canadian bonds:				
756,200	Hydro One 4% 30SEP 27	\$ 238,771	\$ 241,227	1.28
	Total Canadian bonds	238,771	241,227	1.28
Canadian equities:				
39,600	Aecon Group Inc.	761,474	697,356	3.70
37,700	Agellan Commercial REIT	533,991	531,947	2.81
17,200	Aimia Inc. 4.50% Preferred	365,517	421,400	2.23
28,900	Air Canada Inc.	728,096	750,244	3.97
6,300	Alimentation Couche-Tard Inc., Class B	411,273	427,833	2.26
55,200	Aritzia Inc.	806,630	905,280	4.79
23,200	Badger Daylighting Ltd.	740,723	748,200	3.96
1,900	Canadian National Railway Co.	217,479	192,109	1.02
10,300	Canadian Natural Resources Ltd.	339,617	339,282	1.79
9,700	Cannabis Strategies Acq. Class A	137,946	144,239	0.76
10,300	CGI Group Inc.	675,495	860,050	4.55
23,500	CI Financial Corp.	490,017	406,080	2.15
170,400	ECN Capital Corp.	593,489	587,880	3.11
11,800	Empire Company Ltd., Class A	337,834	340,194	1.80
19,000	Genworth MI Canada Inc.	678,125	763,800	4.04
15,400	Great Canadian Gaming Corp.	792,236	737,198	3.90
82,000	HudBay Minerals Inc.	527,820	529,720	2.80
18,200	Husky Energy Inc.	373,887	256,802	1.36
13,800	Imperial Oil Ltd.	573,494	477,342	2.53
196,400	Largo Resources Ltd.	739,452	555,812	2.94
10,900	Magna International Inc., Class A	768,982	675,473	3.57
18,000	Manulife Financial Corp.	360,433	348,660	1.84
49,300	Medical Facilities Corp.	751,534	741,472	3.92
12,200	MTY Food Group Inc.	786,113	739,808	3.91
18,000	Norbord Inc.	765,743	653,400	3.46
23,400	Northland Power Inc.	519,908	507,780	2.69
158,000	Quantum International Income Corp., Subscription Receipts	—	—	—
32,700	Quebecor Inc.	785,962	939,798	4.97
12,000	Rogers Communications Inc., Class B	794,380	839,520	4.44
17,600	TFI International Inc.	811,089	621,280	3.29
13,600	Toromont Industries Ltd.	881,677	737,936	3.90
9,700	West Fraser Timber Co. Ltd.	578,199	654,168	3.46
10,800	WestJet Airlines Ltd.	201,977	194,400	1.03
	Total Canadian equities	18,830,592	18,326,463	96.95
Canadian options:				
580	MEG Energy Corp. CALL \$8.00 18JAN19	60,900	39,440	0.21
	Total Canadian options	60,900	39,440	0.21

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Schedule of Investments (continued)

December 31, 2018

Number of shares/ par value/ contracts	Description	Cost	Carrying value	% of net assets
	Canadian warrants:			
833,750	Aequus Pharmaceuticals Inc., Warrants \$0.45 13MAR19	—	—	—
127,800	Alignvest Acquisition II Corp., Warrants \$11.50 04JUL21	56,283	51,120	0.27
97,500	Cannabis Strategies Acquisition Corp. Class A Warrants \$11.50 21DEC25	395,472	365,625	1.93
22,500	Medreleaf Corp. Warrants \$34.50 31JAN20	—	—	—
7,725	Namaste Technology Inc. Warrants \$3.15 29OCT23	—	—	—
	Total Canadian warrants	451,755	416,745	2.20
	United States equities:			
4,400	Avista Corp.	257,564	255,041	1.35
	Total United States equities	257,564	255,041	1.35
	Total investments - long	\$ 19,839,582	\$ 19,278,916	101.99

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Schedule of Investments (continued)

December 31, 2018

Number of shares/ par value/ contracts	Description	Cost	Carrying value	% of net assets
Investments - short				
Canadian equities:				
(15,700)	Altus Group Ltd.	\$ (383,583)	\$ (371,619)	(1.96)
(30,000)	ARC Resources Ltd.	(301,825)	(243,000)	(1.28)
(23,700)	ATS Automation Tooling System Inc.	(396,815)	(341,043)	(1.80)
(124,700)	Birchcliff Energy Ltd.	(438,067)	(379,088)	(2.01)
(35,000)	Blackberry Ltd.	(461,206)	(339,850)	(1.80)
(4,900)	Boardwalk REIT	(222,836)	(185,269)	(0.98)
(23,900)	Boralex Inc., Class A	(481,497)	(402,476)	(2.13)
(2,500)	Brookfield Infrastructure Partners LP	(129,365)	(117,875)	(0.62)
(13,500)	Canadian Western Bank	(405,780)	(351,540)	(1.86)
(7,200)	Celestica Inc.	(93,119)	(86,112)	(0.46)
(39,400)	Cenovus Energy Inc.	(413,290)	(378,240)	(2.00)
(122,000)	CES Energy Solutions Corp.	(385,447)	(384,300)	(2.03)
(21,400)	Chemtrade Logistics Income Fund	(330,508)	(224,272)	(1.19)
(36,600)	Cominar REIT	(444,217)	(409,920)	(2.17)
(22,700)	Cott Corp.	(449,737)	(431,527)	(2.28)
(12,900)	Element Fleet Management Corp.	(85,433)	(89,139)	(0.47)
(2,200)	Enbridge Inc.	(96,223)	(93,302)	(0.49)
(700)	Fairfax Financial Holdings Ltd.	(489,448)	(420,686)	(2.23)
(5,100)	First Capital Realty Inc.	(101,572)	(96,135)	(0.51)
(8,900)	First Quantum Minerals Ltd.	(131,189)	(98,256)	(0.52)
(19,800)	Freehold Royalties Ltd.	(198,595)	(163,746)	(0.87)
(26,100)	Innergex Renewable Energy Inc.	(330,588)	(327,294)	(1.73)
(7,700)	Laurentian Bank of Canada	(346,534)	(293,139)	(1.55)
(74,300)	Lundin Mining Corp.	(406,772)	(419,052)	(2.22)
(1,200)	Onex Corp.	(99,890)	(89,220)	(0.47)
(97,200)	Precision Drilling Corp.	(319,049)	(230,364)	(1.22)
(3,700)	Premium Brands Holdings Corp.	(314,576)	(276,982)	(1.47)
(14,000)	Savaria Corp.	(174,798)	(182,840)	(0.97)
(44,200)	Secure Energy Services Inc.	(333,765)	(309,842)	(1.64)
(7,300)	Sienna Senior Living Inc.	(121,839)	(114,902)	(0.61)
(2,100)	SNC-Lavalin Group Inc.	(98,187)	(96,432)	(0.51)
(38,100)	Superior Plus Corp.	(390,095)	(368,808)	(1.95)
(13,500)	Transalta Corp.	(96,680)	(75,465)	(0.40)
(8,200)	Transalta Renewables Corp.	(90,138)	(85,034)	(0.45)
	Total Canadian equities	(9,562,663)	(8,476,769)	(44.85)
Canadian options:				
(580)	MEG Energy Corp. PUT \$8.00 18JAN19	(35,960)	(34,800)	(0.18)
	Total Canadian options	(35,960)	(34,800)	(0.18)
Total investments - short				
		\$ (9,598,623)	\$ (8,511,569)	(45.03)
Total investments - long				
		\$ 19,839,582	\$ 19,278,916	101.99
Total investments - short				
		(9,598,623)	(8,511,569)	(45.03)
Total investments owned				
		<u>\$ 10,240,959</u>	10,767,347	56.96
Other assets, net				
			8,134,566	43.04
Net assets (note 5)				
			\$ 18,901,913	100.00

See accompanying notes to financial statements.

EHP SELECT FUND

Notes to Financial Statements

Year ended December 31, 2018

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 45 Hazelton Ave., Suite B, Toronto, Ontario, Canada M5R 2E3.

EdgeHill Partners, a general partnership formed under the laws of the Province of Ontario, is the 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"), as published by the International Accounting Standards Board ("IASB"). In the preparation of these financial statements, the Fund has consistently applied these standards.

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

(b) Approval of the financial statements:

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

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2018

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) on financial assets and liabilities at FVTPL.

(d) Financial assets and liabilities:

(i) Classification, recognition, derecognition and measurement:

For fiscal years beginning January 1, 2018, IFRS 9, Financial Instruments ("IFRS 9") has replaced International Accounting Standard ("IAS") 39, Financial Instruments - Recognition and Measurement ("IAS 39"). IFRS 9 introduces new classification and measurement requirements for financial instruments, including impairment on financial assets and hedge accounting.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Significant accounting policies (continued):

This new standard requires assets to be classified based on the Fund's business model for managing the financial assets and contractual cash flow characteristics of the financial assets. The standard includes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income, and FVTPL. It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. IFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments. There were no changes in the recognition or measurement of the Fund's financial instruments as a result of adopting IFRS 9, and consequently, there was no impact to net assets.

Upon transition to IFRS 9, the Fund's financial assets and financial liabilities were classified as FVTPL and some as amortized cost. This classification differs from the classification under the previous standard IAS 39 Financial instruments: Recognition and Measurement, therefore there were classification differences (as per the paragraph below) but no measurement differences of certain financial assets and financial liabilities upon transition to IFRS 9.

Effective January 1, 2018, all financial assets that had previously been designated as FVTPL or that were classified as held-for-trading were reclassified as FVTPL. Derivative assets and derivative liabilities that were previously classified as held-for-trading financial instruments were reclassified as FVTPL. Financial assets that were previously classified as loans and receivables were reclassified as amortized cost. Financial liabilities that were previously classified as other financial liabilities were reclassified as amortized cost upon transition to IFRS 9. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. The information presented for 2017 reflects requirements of IFRS 9.

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

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Significant accounting policies (continued):

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

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

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

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

Redeemable units are measured at the present value of the redemption amount and are considered a residual.

When the Fund purchases an option, warrant, or future, 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 and liabilities at FVTPL.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Significant accounting policies (continued):

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.

(ii) 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, 2018

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. Realized gains and losses on disposition are determined based on the average cost of investments. Gains and losses arising from changes in the fair value of the investments are included in the statement of comprehensive income for the year in which they arise.

(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, 2018

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 5 for further detail.

(j) Income allocation:

Income, expenses other than management fees, performance 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 and performance fees, please refer to note 6.

(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 or series 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 the statement of comprehensive income as an expense. Refer to note 7 for further detail on soft dollar arrangement.

(m) Taxation:

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

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2018

2. Significant accounting policies (continued):

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.

(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.

3. Derivative financial instruments:

The Fund holds the following derivative instruments:

Options:

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

The following table details the Fund's investments in options:

2018:

Description	Maturity date	Strike price	Notional amount
Options:			
MEG Energy Corp.	January 18, 2019	\$ 8.00	\$ 464,000
MEG Energy Corp.	January 18, 2019	8.00	(464,000)

The Fund did not hold any options as at December 31, 2017.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2018

3. Derivative financial instruments (continued):

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 tables detail the Fund's investments in warrants:

2018:

Description	Maturity date	Strike price	Notional amount
Warrants:			
Alignvest Acquisition II Corp.	July 4, 2021	\$ 11.50	\$ 1,469,700
Aequus Pharmaceuticals Inc.	March 13, 2019	0.45	375,188
Cannabis Strategies Acquisition Corp.	December 31, 2025	11.50	1,121,250
Medreleaf Corp.	January 31, 2020	34.50	776,250
Namaste Technology Inc.	October 29, 2023	3.15	24,334

2017:

Description	Maturity date	Strike price	Notional amount
Warrants:			
Aequus Pharmaceuticals Inc.	March 13, 2009	\$ 0.45	\$ 375,188
Alignvest Acquisition II Corp.	July 4, 2021	11.50	97,750

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 SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. 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.

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:

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.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. 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 December 31, 2018 and 2017, the Fund had no significant investments in debt instruments. For derivatives, refer to note 3.

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 BMO Capital Markets (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 BMO Capital Markets was A-1 (2017 - A-1).

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Financial risk management (continued):

The Fund has provided the Prime Brokers with a general lien over the financial assets held in custody as security for the Prime 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, 2018, the fair value of financial assets subject to the general lien is \$29,185,907 (2017 - \$45,305,592). 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 unitholders. The Fund did not withhold any redemptions or implement any suspension during 2018 or 2017.

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 does not represent significant liquidity risk as holders of these instruments typically retain them for the medium to long term.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Financial risk management (continued):

(iii) Market risk:

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

(a) Price risk:

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Fund is primarily exposed to other 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 other price risk from its investments in equity securities and related derivatives. As at December 31, 2018, had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased by approximately \$1,052,612 (2017 - \$2,947,204).

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.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Financial risk management (continued):

(b) Foreign exchange risk:

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

The tables below summarize the foreign currencies to which the Fund had significant exposure at December 31, 2018 and 2017 in CAD. The tables also illustrate 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.

2018:

United States dollar	Exposure	Impact on net assets attributable to holders of redeemable units
Cash and other receivables	\$ 155,962	\$ 7,798
Investment at FVTPL	255,041	12,752
Total	\$ 411,003	\$ 20,550
% of net attributable to holders of redeemable units	2.2	0.1

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Financial risk management (continued):

2017:

United States dollar	Exposure	Impact on net assets attributable to holders of redeemable units
Cash and other receivables	\$ 427,037	\$ 21,352
Investment at FVTPL	752,731	37,637
Total	\$ 1,179,768	\$ 58,989
% of net attributable to holders of redeemable units	4.3	0.2

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

(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, 2018

4. 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 year-end date. An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If a significant movement in fair value occurs subsequent to the close of trading up to midnight on the year end date, valuation techniques will be applied to determine the fair value.

The fair value 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, except for warrants of \$51,120 and corporate bonds of \$241,227 which are classified as Level 2. In 2017, all investment held by the Fund were classified as Level 1, except for warrants of \$5,950 which were classified as Level 2

There were no transfers among Levels 1, 2, and 3 in the years presented.

EHP SELECT FUND

Notes to Financial Statements (continued)

Year ended December 31, 2018

5. 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 on 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 CAD \$10 for Class A, Class F and Founders Class units or U.S. \$10 for Class UA and Class UF units.

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 one business day 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, 2018

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

During the years ended December 31, 2018 and 2017, the number of units issued, redeemed and outstanding was as follows:

2018	Units, beginning of year	Issuance of units	Redemption of unit	Distribution reinvestment	Redesignation of units	Units, end of year
Class A - Initial Series	66,648	—	(11,926)	—	5,118	59,840
Class A - 2017 Series 10	5,000	—	—	—	(5,000)	—
Class A - 2017 Series 11	2,500	—	—	—	(2,500)	—
Class E - Initial Series	349,045	27,922	(42,969)	—	—	333,998
Class F - Initial Series	490,456	—	(456,578)	—	385,172	419,050
Class F - 2017 Series 10	13,901	—	—	—	(13,901)	—
Class F - 2017 Series 11	394,515	—	—	—	(394,515)	—
Class F - 2017 Series 12	14,819	—	—	—	(14,819)	—
Class F - 2018 Series 1	—	24,288	(16,375)	—	—	7,913
Class F - 2018 Series 2	—	22,137	—	—	(22,137)	—
Class F - 2018 Series 3	—	126,223	(1,905)	—	(124,318)	—
Class F - 2018 Series 4	—	8,586	—	—	(8,586)	—
Class F - 2018 Series 5	—	11,380	—	—	(11,380)	—
Class F - 2018 Series 6	—	17,825	(3,900)	—	—	13,925
Class F - 2018 Series 7	—	187,623	(183,654)	—	—	3,969
Class F - 2018 Series 8	—	4,280	(1,755)	—	—	2,525
Class F - 2018 Series 9	—	3,300	—	—	—	3,300
Class F - 2018 Series 10	—	431	—	—	—	431
Class UA - Initial Series	21,800	—	—	—	—	21,800
Class UF - Initial Series	54,293	—	(51,732)	—	2,609	5,170
Class UF - 2017 Series 10	1,500	—	—	—	(1,500)	—
Class UF - 2017 Series 12	1,500	—	—	—	(1,500)	—
Class UF - 2018 Series 10	—	2,500	—	—	—	2,500
Founder Class - Initial Series	477,125	—	(71,843)	—	47,361	452,643
Founder Class - 2017 Series 10	59,019	—	—	—	(59,019)	—
Founder Class - 2018 Series 1	—	31,255	(19,046)	—	—	12,209

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Notes to Financial Statements (continued)

Year ended December 31, 2018

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

2017	Units, beginning of year	Issuance of units	Redemption of unit	Distribution reinvestment	Redesignation of units	Units, end of year
Class A - Initial Series	48,229	—	(1,967)	(2,008)	22,394	66,648
Class A - 2016 Series 10	8,339	—	—	—	(8,339)	—
Class A - 2016 Series 12	6,000	—	—	—	(6,000)	—
Class A - 2017 Series 1	—	2,864	—	—	(2,864)	—
Class A - 2017 Series 5	—	11,166	—	—	(11,166)	—
Class A - 2017 Series 6	—	2,500	—	—	(2,500)	—
Class A - 2017 Series 10	—	5,000	—	—	—	5,000
Class A - 2017 Series 11	—	2,500	—	—	—	2,500
Class E - Initial Series	355,850	34,215	(41,020)	—	—	349,045
Class F - Initial Series	246,182	—	(59,789)	—	304,063	490,456
Class F - 2016 Series 10	114,363	—	—	—	(114,363)	—
Class F - 2016 Series 11	35,803	—	—	—	(35,803)	—
Class F - 2016 Series 12	17,496	—	(3,022)	—	(14,474)	—
Class F - 2017 Series 1	—	20,490	—	—	(20,490)	—
Class F - 2017 Series 2	—	39,236	—	—	(39,236)	—
Class F - 2017 Series 3	—	41,011	—	—	(41,011)	—
Class F - 2017 Series 4	—	10,936	—	—	(10,936)	—
Class F - 2017 Series 5	—	21,444	—	—	(21,444)	—
Class F - 2017 Series 6	—	107,355	—	—	(107,355)	—
Class F - 2017 Series 7	—	15,961	—	—	(15,961)	—
Class F - 2017 Series 9	—	2,540	—	—	(2,540)	—
Class F - 2017 Series 10	—	13,901	—	—	—	13,901
Class F - 2017 Series 11	—	394,515	—	—	—	394,515
Class F - 2017 Series 12	—	11,772	—	3,047	—	14,819
Class UA - Initial Series	—	—	—	—	21,800	21,800
Class UA - 2017 Series 1	—	5,000	—	—	(5,000)	—
Class UA - 2017 Series 2	—	17,000	—	—	(17,000)	—
Class UF - Initial Series	5,000	—	—	—	49,293	54,293
Class UF - 2016 Series 11	20,983	—	—	—	(20,983)	—
Class UF - 2017 Series 1	—	2,500	—	—	(2,500)	—
Class UF - 2017 Series 3	—	13,000	—	—	(13,000)	—
Class UF - 2017 Series 4	—	15,000	—	—	(15,000)	—
Class UF - 2017 Series 10	—	1,500	—	—	—	1,500
Class UF - 2017 Series 12	—	1,500	—	—	—	1,500
Founder Class - Initial Series	454,400	—	(30,504)	—	53,229	477,125
Founder Class - 2016 Series 12	36,223	—	—	—	(36,223)	—
Founder Class - 2017 Series 1	—	16,109	—	—	(16,109)	—
Founder Class - 2017 Series 4	—	10,000	—	—	(10,000)	—
Founder Class - 2017 Series 10	—	59,019	—	—	—	59,019

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Notes to Financial Statements (continued)

Year ended December 31, 2018

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

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

Series	2018			2017		
	Increase (decrease) per series	Weighted average units outstanding	Increase (decrease) per unit	Increase (decrease) per series	Weighted average units outstanding	Increase (decrease) per unit
Class A - Initial Series	\$ (96,494)	68,492	\$ (1.41)	\$ 107,449	59,808	\$ 1.80
Class A - 2016 Series 12	—	—	—	2,109	6,000	0.35
Class A - 2017 Series 1	—	—	—	886	2,864	0.31
Class A - 2017 Series 5	—	—	—	311	11,053	0.03
Class A - 2017 Series 6	—	—	—	352	2,500	0.14
Class A - 2017 Series 10	—	—	—	2,393	5,000	0.48
Class A - 2017 Series 11	—	—	—	647	2,500	0.26
Class E - Initial Series	(510,736)	367,366	(1.39)	1,074,083	372,927	2.88
Class F - Initial Series	(858,864)	669,473	(1.28)	859,628	442,325	1.94
Class F - 2016 Series 12	—	—	—	5,362	15,167	0.35
Class F - 2017 Series 1	—	—	—	7,033	18,281	0.38
Class F - 2017 Series 2	—	—	—	8,969	35,198	0.25
Class F - 2017 Series 3	—	—	—	588	28,006	0.02
Class F - 2017 Series 4	—	—	—	326	9,824	0.03
Class F - 2017 Series 5	—	—	—	5,217	15,207	0.34
Class F - 2017 Series 6	—	—	—	5,044	85,802	0.06
Class F - 2017 Series 7	—	—	—	5,113	12,690	0.40
Class F - 2017 Series 9	—	—	—	907	2,540	0.36
Class F - 2017 Series 10	—	—	—	7,653	12,125	0.63
Class F - 2017 Series 11	—	—	—	101,225	384,732	0.26
Class F - 2017 Series 12	—	—	—	898	9,508	0.09
Class F - 2018 Series 1	(14,066)	15,404	(0.91)	—	—	—
Class F - 2018 Series 2	1,658	22,004	0.08	—	—	—
Class F - 2018 Series 3	31,931	117,912	0.27	—	—	—
Class F - 2018 Series 4	1,806	8,116	0.22	—	—	—
Class F - 2018 Series 5	1,702	10,637	0.16	—	—	—
Class F - 2018 Series 6	(16,174)	15,434	(1.05)	—	—	—
Class F - 2018 Series 7	(108,117)	95,521	(1.13)	—	—	—
Class F - 2018 Series 8	(2,380)	3,558	(0.67)	—	—	—
Class F - 2018 Series 9	(2,792)	3,300	(0.85)	—	—	—
Class F - 2018 Series 10	(81)	401	(0.20)	—	—	—
Class UA - Initial Series	(4,150)	21,800	(0.19)	8,752	21,800	0.40
Class UA - 2017 Series 1	—	—	—	2,977	5,000	0.60
Class UA - 2017 Series 2	—	—	—	7,909	17,000	0.47

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Notes to Financial Statements (continued)

Year ended December 31, 2018

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

Series	2018			2017		
	Increase (decrease) per series	Weighted average units outstanding	Increase (decrease) per unit	Increase (decrease) per series	Weighted average units outstanding	Increase (decrease) per unit
Class UF - Initial Series	4,254	50,930	0.08	42,824	43,391	0.99
Class UF - 2017 Series 1	—	—	—	1,295	2,500	0.52
Class UF - 2017 Series 3	—	—	—	362	13,000	0.03
Class UF - 2017 Series 4	—	—	—	(6,060)	15,000	(0.40)
Class UF - 2017 Series 10	—	—	—	1,087	1,500	0.72
Class UF - 2017 Series 12	—	—	—	(226)	1,500	(0.15)
Class UF - 2018 Series 10	1,168	2,500	0.47	—	—	—
Founder Class - Initial Series	(583,553)	506,761	(1.15)	850,907	484,496	1.76
Founder Class - 2016 Series 12	—	—	—	14,736	36,223	0.41
Founder Class - 2017 Series 1	—	—	—	6,837	14,803	0.46
Founder Class - 2017 Series 4	—	—	—	2,737	10,000	0.27
Founder Class - 2017 Series 10	—	—	—	36,119	50,090	0.72
Founder Class - 2018 Series 1	(21,496)	27,506	(0.78)	—	—	—

6. 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 Class UA units;
- 1/12 of 1.0% of the aggregate of the net asset value of the Class F, Class UF, Class J and Class UJ units; and
- 1/12 of 1.5% of the aggregate of the net asset value of the Founder Class and Class I units.

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Notes to Financial Statements (continued)

Year ended December 31, 2018

6. Related party transactions (continued):

(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, Class UA, Class F, Class UF, Class I, Class J and Class UJ 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.

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 water mark and, in such circumstances, a performance fee shall only be paid on that portion of the net profit that exceeds the high water mark. 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.

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Notes to Financial Statements (continued)

Year ended December 31, 2018

6. Related party transactions (continued):

(c) 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, 2018, 100.0000 of Class A Units and 100.0000 of Class F Units (2017 - 100.0000 Class A Units and 100.0000 Class F Units, respectively) were held by the Investment Manager and 328,551.8095 of Class E Units and 757.6806 of Founder Units (2017 - 349,045.2870 of Class E Units and 20,091.3358 of Founder Units, respectively) were owned by unitholders related to the Investment Manager.

7. 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 commissions for the year ended December 31, 2018 is approximately \$78,320 (2017 - \$78,504).

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

The Fund may invest in units of exchange-traded funds ("ETFs") as part of its investment strategies. The nature and purpose of these ETFs generally, is to manage assets on behalf of third party investors in accordance with their investment objectives, and are financed through the issuance 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 Offering Memorandum to meet those objectives. The Fund also measures and evaluates the performance of any ETFs on a fair value basis.

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Notes to Financial Statements (continued)

Year ended December 31, 2018

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

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.

The Fund does not hold any ETF as at December 31, 2018. The Fund held \$850,311 of ETFs over which it had no control or significant influence as of December 31, 2017.

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.

10. Subsequent events:

The Fund has evaluated the effect of subsequent events on the Fund's financial statements through March 29, 2019, which is the date the financial statements were available to be issued. For the period from January 1, 2019 to March 8, 2019, the Fund had subscriptions of \$136,816 and redemptions of \$1,731,111.

11. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.